Ministry of Foreign Affairs

Mid-Term Review of the Facility for Sustainable Entrepreneurship and Food Security (FDOV)

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Final Report

Mid-Term Review of the Facility for Sustainable Entrepreneurship and Food Security (FDOV)

Royal Tropical Institute (KIT)

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Acronyms

AIM	Amsterdam Initiative against Malnutrition
BoP	Base or Bottom of the Pyramid
DGIS	Ministry of Foreign Affairs, Directorate-General for International Cooperation
FDOV	Facility for Sustainable Entrepreneurship and Food Security (Dutch: Fonds Duurzaam Ondernemen en Voedselzekerheid)
FDW	Sustainable Water Fund (Dutch: Fonds Duurzaam Water)
FIETS	Sustainability criteria of DGIS for FDOV and FDW, referring to Financial, Institutional, Environmental, Technical and Social Sustainability
MTR	Mid Term Review
PPP	Public-Private Partnership
PPPLAB	Public Private Partnership Laboratory
PSD	Private sector development
RNE	Royal Netherlands Embassy
RVO	Netherlands Enterprise Agency
ToR	Terms of Reference

Executive Summary

Objective of the Mid Term Review

This MTR of the Facility for Sustainable Entrepreneurship and Food Security (FDOV) reviews the current portfolio of public-private partnerships (PPPs) under FDOV on its overall performance, identifies areas that require attention and improvement, and presents lessons learned to meaningfully inform policy and in particular the design of the third phase of FDOV.

Portfolio scan (All 54 PPPs under FDOV Call 1 and Call 2)

General. PPPs under FDOV can be grouped into four main categories (A: primary sourcing; B: services & inputs; C: integrated value chain development; D: improved food products). In both Call 1 and Call 2, partnerships of category A are the dominant categories, but in Call 2, C is nearly equally strong. The portfolio of PPPs in both Calls closely follows the requirements defined by FDOV's legal framework. For instance, financial and commodity-based PPPs can only be found in Call 1 due to changing requirements in Call 2. PPPs of Call 2 show increased attention for a clearly defined business case (implying also reduced time needed to refine the partnership activities and conditions of cooperation between the partners at the start of the partnership). Call 2 partnerships also have fewer Multinational Corporations (MNCs) involved, especially as lead partners, and are characterized by fewer the delays and incidental drop-outs than experienced by some Call 1 PPPs.

Effectiveness. Most PPPs follow impact pathway P4 (described in more detail in the analytical framework in chapter 2), which combines elements of both private sector development (PSD) and food security by working on issues of increased agricultural production for higher incomes/economic growth and food availability. In Call 2, this pathway is frequently combined with impact pathway P1 (value chain development through functional upgrading), which reflects the shift towards integrated value chain development partnerships.

Spill-over effects on the business environment are not yet universally found due to the recent implementation of the PPPs, but are expected in terms of contributing to a stronger skills and human resource base due to substantial and ongoing training activities of the partnerships. Outcomes and impacts, however, are difficult to trace at this stage, as most PPPs are still in an early phase of implementation. This is also caused to the delays experienced by the majority of PPPs, both due to external conditions and internal processes (unexpected delays in implementation, time taken for experimentation and lengthy administrative procedures vis-à-vis RVO).

Relevance. PPPs under FDOV show close alignment with the objectives of Dutch development policy, including an orientation towards Trade *and* Aid and an expressed intention to work with low-income groups in developing countries, targeting private sector development for enhanced incomes and inclusion in economic processes. At the same time, it can be noted that whilst food security is addressed by the clear majority of PPPs, there seems to be relatively little analysis of existing conditions behind the plans for food security related activities. Moreover, specific activities and outcomes of PPPs targeting resource-poor and subsistence-oriented farmers, especially in relation to promoting gender equality, are often not worked out in detail.

Efficiency. The ToR for this MTR call for specifications on the Value for Money of FDOV. However, calculating the Value for Money is challenging due to the fact that firstly, this expresses the cost/benefit ratio per beneficiary, and benefits cannot be calculated at this point. We calculated the cost per beneficiary instead. Secondly, most PPPs distinguish between direct and indirect beneficiaries, but exhibit substantial differences in their interpretation of what constitutes a direct or indirect beneficiary. There is a noticeable absence of clear guidelines and reporting framework in this regard. Based on the data available, the cost per beneficiary Value for Money of PPPs under FDOV has been calculated at EUR 343 (average cost per beneficiary at an average project budget of just above EUR 5 million per PPP). The costs per beneficiary are lower in Call 1 than in Call 2.

Sustainability. Not all the PPPs have a clear vision on and a full range of sustainability criteria in their proposals, despite this being a requirement in the FDOV framework. The financial and technical criteria are usually well developed, whereas weaknesses can be detected in other sustainability criteria. Moreover, it appears that the FIETS criteria were not always taken along from the start of the partnership design process, but serve the function of 'tick box' exercise after the financial and technical issues were fully developed.

In-depth analysis (22 PPPs under FDOV Call 1)

Governance. PPPs are governed by formal partnership agreements, specifying the scope and details of collaboration, as well as by processes of formal and informal interaction among partners. While the formal agreements are mandatory and checked for completeness by RVO – although their enforceability was questioned in a number of cases where specific partners did not fulfil their role – the informal interactions are based on the preferences and motivations of the partners involved. With only few exceptions, all PPPs report regular formal communications and joint decision making for strategic issues among partners, thus fulfilling the principle of "partnership". Substantial governance challenges could only be observed in the AIM construction; among others, due to the complicated setup of AIM as an umbrella with several, relatively independent workstreams, and due to the deficient communication between the AIM secretariat, the different workstreams and RVO.

Food security and private sector development (PSD). In line with the findings of the portfolio scan, the in-depth analysis shows that the majority of PPPs are located at the intersection between food security and PSD, and are based on an intervention logic which focuses on production improvements in agriculture (e.g. new inputs, new technology, new crop varieties, new practices) through training and capacity development. This can be captured as "professionalization of farmers" or "farming as a business". Food security is addressed through increased production, leading to enhanced food availability, affordability and accessibility, although a number of limitations challenge this impact pathway (e.g. higher incomes do not always result in improved food security). In addition, PPPs pursue "minor" impact pathways, especially in PSD, including P2 (product development), P1 (functioning upgrading) and P3 (entrepreneurship).

A relative balance between poverty reduction and business objectives in PPPs can be identified, e.g. through the pursuit of different impact pathways simultaneously and a focus on inclusive growth or inclusive business models. Only PPPs focusing on non-food commodity production were found to put more weight on business objectives than on poverty reduction.

While PPPs address low-income groups, their primary beneficiaries are not resource-poor rural dwellers (e.g. landless, wage labourers) or subsistence farmers, but those farmers that can be considered commercially viable in terms of land size and market orientation (i.e. semi-commercial and commercial farmers). This is due to the emphasis on the business case in PPPs and FDOV as a whole, the high perceived risk of working with very small, subsistence farmers, and the technology gap between participating Dutch and local companies and subsistence farmers. At the same time, the focus on "high potential" small-scale farmers may explain the bias towards male farmers (who often formally own the resources) and the limited attention to gender.

Business environment. Although addressing the business environment is an explicit requirement and expectation of partnerships, most of them do not indicate this as a priority and even fewer PPPs try to influence this environment through direct activities. Most of the impacts in this regard can be anticipated in terms of spill-over effects resulting from the core activities of partnerships, such as effects on the skills and human resource base in their locality through training activities or multiplier effects in terms of job availability and local economic growth.

It is also noteworthy to observe that "local governments" (i.e. government entities at district, regional or national level) seem to have ambivalent roles in and around partnerships, which vary greatly from country to country. Whilst PPPs in some countries indicate a supportive role of local governments, others reported more negative experiences with local governments which may even obstruct partnership progress.

Policy relevance. To address the challenging question of additionality of PPPs, the study makes a distinction between financial additionality, behavioural additionality and outcome additionality, in line with definitions found in the international literature. Insights from RVO proposal assessments were contrasted with the perceptions of PPP respondents.

As regards financial additionality, FDOV offers a clear opportunity for subsidised financial resources ("new money") to applicants which acts as a catalyst for the implementation of new projects. The case for financial additionality is clearly stronger for SME applicants than for MNC applicants, as the former indicated not having the financial resources (or access to such resources at reasonable rates) to implement the project without FDOV funding.

The study furthermore suggests a high level of behavioural additionality of PPPs; firstly, in terms of speed and scale of project implementation ("faster, bigger projects"); secondly, concerning the scope of collaboration ("new partners"); and thirdly, with regard to new business models as public funding served to absorb innovation and other risks and transaction costs of scaling.

Very little can be said about outcome additionality at this stage. There are indications that FDOV funding led to a focus on relatively resource-poor*er* semi-commercial small-scale farmers compared to what companies would have done without public funding, but these indications need to be treated with caution.

With respect to the linkages of PPPs to DGIS (and Dutch embassies abroad) and RVO, the research reveals that DGIS is not considered an active partner in partnerships (despite its official role), but 'merely' as a finance provider. Linkages to Dutch embassies are rather unsystematic, as some PPPs maintain close relations to embassies whereas others report a lack of involvement of the embassies in their partnership. Partnerships perceive the Dutch Government as being differentiated, and assume a split between DGIS and embassies in this respect. The relationship of PPPs with RVO is characterized by appreciation for its advisory role in the proposal preparation phase, and watchdog and monitoring function. Simultaneously, partnerships are dissatisfied with the perceived strict and inflexible reporting guidelines, which add administrative burdens for PPPs and have led to delays in partnership implementation.

Comparative review: FDOV versus 2SCALE

Governance. DGIS is expected to play a more prominent role in FDOV as compared to 2SCALE. However, this role (content, knowledge development, and support by embassies through networking and lobby to local government) does not materialise in practice, due to the lack of hands-on involvement, and unclear task division between DGIS headquarters and embassies. This leads to confusion for the PPPs and for DGIS staff (including embassies). The role of content provider is also not taken up by RVO, which neither has the mandate nor the resources to fulfil this role beyond the period of PPP formation. Such a role could also clash with RVO's role of monitoring of administrative procedures and requirements (the 'watchdog' function).

By contrast, 2SCALE is fully managed in terms of policy development, implementation and monitoring, by the Consortium IFDC-BoPInc-ICRA. This results in more coherence and quality in how these roles are taken up. However, this is done at relatively high administrative costs (higher than for FDOV) and creates an accountability deficit due to the absence of an independent external monitoring agency.

For both FDOV and 2SCALE, a "hybridisation challenge" can be observed, caused by the challenge of utilising public money as leverage for private investments in development. This implies that project implementation rooted in corporate management rationales is matched with public administrative and legal project management requirements, which leads to a clash of contrasting institutional logics.

Portfolio management. FDOV relies on formal assessment procedures by RVO in response to open calls for PPP applications, followed by a one year inception phase (in practice often longer, at least for the Call 1 PPPs studied in more detail) leading to fully organised PPPs. In 2SCALE, promising proposals were developed through a three year brokering phase led by IFDC. This served to lead to well-formulated PPPs, but at high costs and with a very prominent role by IFDC, leading to questions about ownership of PPPs.

Both FDOV and 2SCALE aim to engage the private sector to leverage additional finances spent on development efforts. In FDOV, the private sector contribution is strictly set and monitored at 50% (minimum) per PPP; in 2SCALE the original intent of 50% over the entire programme has been slightly reduced. In-kind contributions present a monitoring challenge, suggesting that in both programmes the contribution of beneficiaries is often not included or recognised (in the case of FDOV specifically when local companies have invested prior to the subsidy).

In FDOV, sustainability of PPPs is measured through the application of the FIETS criteria, which, although comprehensive in design, are mostly performed perfunctorily and are perceived to serve administrative purposes mostly (see above). Sustainability in 2SCALE is mainly understood in terms of the continuity of partnerships, which leads to heavy accentuation of the exit strategies/business case of PPPs. In FDOV, this partially overlaps with the FIETS criteria, whilst in 2SCALE most attention is paid to financial sustainability and other sustainability criteria are (so far) absent.

Policy relevance. FDOV and 2SCALE both work on issues of food security, private sector development and agricultural value chain development. Doing so, they follow Dutch development policy formulated in 2011, but pay less attention to 2014 policy adjustments which focus on direct nutritional support of vulnerable groups in crisis areas and on environmental sustainability. This is also due to the fact that these themes are not strongly represented in the Dutch partners of PPPs.

Both programmes are closely aligned to the Dutch Aid and Trade agenda, in particular the promotion of sustainable, inclusive growth and success of Dutch companies abroad. However, none of the programmes focus on the 'very poor' (defined here as resource-poor rural dwellers and subsistence farmers), which is also mentioned as an explicit objective of the Aid and Trade policy. This situation is also reflected in the fact that "gender" as a concept is not very well developed (FDOV) or not very successfully achieved (2SCALE).

PPPs play a major role in both programmes, although the definition of the concept varies. In FDOV, PPPs follow the 'Dutch Diamond' approach, which combines government (DGIS; especially in Call 2 also local governments) with private partners and NGOs or knowledge institutes. In 2SCALE, partnership is interpreted more narrowly and focuses on bringing together different value chain actors (plus IFDC). This raises questions about partnership composition, ownership and potential business dominance in partnerships.

Conclusions

1. FDOV is found to accelerate the development of the private sector in developing economies, particularly through supporting processes that initiate and scale up agriculture-based subsectors of these economies. The programme can be considered as effective (although hampered by significant delays in project implementation) and relevant from a food security, PSD and policy perspective. Efficiency in terms of costs per beneficiary is estimated at around EUR 343 per beneficiary. Sustainability is well addressed in financial and technical terms, but less strongly on social, environmental and institutional dimensions.

2. While progress in implementation has been slow due to delays in the inception phase of partnerships, outcomes in both the private domain (development of business cases for financially viable operations in the future) and the public domain (in terms of improved food security and PSD) are starting to become visible. In the public domain, the focus of most PPPs lies on increasing incomes through improved agricultural production and efficiency, following impact pathways that occupy the intersection between private sector development and food security. At the same time, some of PPPs' underlying assumptions with regard to food security warrant further scrutiny, particularly in terms of their ability to impact on household and individual food security and stability, and nutritional quality.

3. Both FDOV and 2SCALE are closely aligned with Dutch development policy and the Aid and Trade agenda. However, institutionalised linkages to DGIS and Dutch embassies are limited or unsystematic (FDOV) or individualised (2SCALE), which hinders connecting to relevant programmes of Dutch embassies. Both programmes focus on a similar target group (semi-commercial and commercial farmers), encounter difficulties in implementing a gender focus, and struggle with the hybridisation challenge of using public money to leverage private investments in development, which impacts on management efficiency (FDOV) and accountability (2SCALE).

Recommendations

1. Reposition FDOV for stronger objectives on private sector development (towards creating equal economic opportunities) and food security (towards food and nutrition security).
2. Further strengthen the development of PPPs that pursue integrated value chain development instead of focusing on individual activities (e.g. production) or companies (e.g. seed/input providers) along value chains.
3. Promote local private sector actors (SMEs) as lead applicants instead of MNCs, due to higher levels of local embeddedness, commitment to inclusive development and (financial) additionality.
4. Promote professional project management at the level of PPPs through outsourcing specific functions to local service providers with the objective of improved monitoring and reporting performance of PPPs.
5. Make PPPs more inclusive and pro-poor by increasing the focus on subsistence farmers rather than exclusively on semi-commercial and commercial farmers.
6. Enhance the impact of PPPs on gender and youth through structural adjustments in PPP requirements and objectives (e.g. gender as both a means and an end).
7. Increase the level of flexibility in reporting to ease administrative burdens for PPPs and facilitate improved and iterative learning in PPPs.
8. Define and implement a clear role for DGIS (only as funder, not as partner) and the respective embassies (in-country coordination for collective learning and relationship brokering) in PPPs.
9. Promote risk assessments to understand the influence of local governments on PPPs, and identify adequate roles for local governments as partners in or for partnerships.

1. Introduction

1.1 Background

In 2012, the Dutch Ministry of Foreign Affairs and its Directorate for International Cooperation (DGIS) initiated two new financing instruments aimed at stimulating Public Private Partnerships (PPPs) for development. The Facility for Sustainable Entrepreneurship and Food Security (FDOV) is one of these instruments and aims to establish PPPs in the fields of food security and private sector development in developing and emerging countries. This implies that businesses, NGOs or knowledge institutes can collectively enter into a collaborative arrangement with DGIS and apply for a grant within the context and scope set out by Dutch development policy. The creation of this financing mechanism is based on the assumption that PPPs can play a key role in achieving development objectives, and perhaps do so in different and more effective ways than other instruments used to date. By combining diverse types of expertise, PPPs are considered as critical instruments to identify innovative solutions, efficient and sustainable business models and inclusive participation by entrepreneurs and producers.

The Netherlands Enterprise Agency (RVO) has been contracted to implement the FDOV programme on behalf of the Ministry. It also implements a similar PPP facility for Sustainable Water (FDW) and a facility for WASH-related PPPs in Ghana.

Two calls within FDOV have been issued so far, the first one in 2012 (FDOV I) and the second one in 2014 (FDOV II). As current financial commitment to FDOV has ended and a new phase is foreseen, preparations for a third call within FDOV and new financial commitment have started, including this Mid Term Review (MTR) to inform policy and design decisions for the next call for proposals.

1.2 Objectives of the report

According to the Terms of Reference, the aims of this MTR of the FDOV programme are as follows:

i) Review the current portfolio of PPPs under FDOV on its overall performance and its appreciation to identify areas that require attention and improvement;
ii) Identify and collect lessons learned to meaningfully inform policy and in particular the design of the next phase of FDOV.

Specifically, the MTR aims to achieve the following key objectives:

1) Understand to what extent the portfolio of PPPs contributes to the key objectives of promoting food security and/or private sector development in developing countries, and review the portfolio on effectiveness, relevance, efficiency and sustainability;

2) Analyse the progress of PPPs to date and deliver insights on how partnerships generate action in both the private as well as public domain to create win-win situations for public and private objectives and stakeholders;

3) Identify the key differences between FDOV and 2SCALE (another implementation modality used by Dutch policy) to understand how they attract, manage and govern a portfolio of relevant and effective partnerships in the field of food security and private sector development;
4) Identify areas of FDOV that require attention and improvement, and generate and collect lessons learned to meaningfully inform policy and in particular the design of the next phase of FDOV.

1.3 Structure of the report

This report proceeds as follows. The next chapter (chapter 2) presents a detailed explanation of our analytical framework, including the main concepts used, followed by a description of the methodology underlying the report, comprising data sources, case studies, the role of the PPPLAB in the MTR and the limitations of the study.

Chapter 3 contains a portfolio scan of all 54 PPPs under FDOV I and FDOV II. Based on a comprehensive analysis of PPP proposals, the main PPP categories are identified and an assessment of FDOV on effectiveness, relevance, efficiency and sustainability is conducted.

Chapter 4 comprises an in-depth analysis of a selected number of PPPs from FDOV I (22 cases in total). Based on empirical research in seven countries (eight including the Netherlands), these PPPs are studied to shed light on (1) governance processes and issues, (2) the impact pathways of partnerships in terms of food security and/or private sector development; (3) their influence on the business environment; and (4) the policy relevance of partnerships, here investigated further with regard to additionality and relationships with DGIS and RVO.

Chapter 5, based on interviews with policy stakeholders and archival information, offers a comparative review between FDOV and 2SCALE, another partnership programme funded by the Dutch government. The comparison mainly aims at understanding how both programmes attract, manage and govern a portfolio of relevant partnerships/projects in the fields of food security and private sector development.

Chapter 6 discusses a number of key challenges facing FDOV, both at design and programme level and at the level of the PPPs. This chapter also includes an analysis of the hybridisation challenge which manifests when public objectives are to be achieved through with private funding.

Finally, chapter 7 puts forward the main conclusions and recommendations of this MTR.

2. Analytical framework and methodology

Abstract. This chapter presents the theoretical underpinnings of the key concepts underlying the MTR, including public-private partnerships, food security and private sector development, and relates them to Dutch development policy. The chapter also offers a detailed explanation of the analytical framework used in this study, which offers six distinct impact pathways in the areas of private sector development and/or food security to trace the (intended) activities, outputs, outcomes and impacts of partnerships. Finally, the chapter lays out the methodology applied in the study, including research approach, data sources, case studies and the role of the PPPLAB.

2.1 Key concepts underlying the MTR

2.1.1 Public-private partnerships

Since the early 2000s, public-private partnerships (PPPs) have gained prominence in international development, bringing together development and donor agencies, businesses and nongovernmental organisations (NGOs) to address intricate development challenges, such as poverty, health, inequality, agriculture, and climate change (Kolk et al., 2008; Bitzer, 2012). PPPs are considered to offer solutions where traditional approaches have not been successful, generating opportunities for synergistic value creation through the pooling of knowledge, expertise, entrepreneurial attitude and financial resources (Glasbergen, 2007). Private partners, public partners, NGOs and knowledge institutes together form a partnership model that is also called the Dutch Diamond Approach, combining the private sector's efficiency and market orientation with the regulatory capacity of the public sector, the social orientation and local knowledge of civil society organisations, with the expertise of research and knowledge institutes. Particularly the private sector is called upon to use its productive, innovative and financial capacities to unleash new forces for development (Callan & Davies, 2013). By pursuing private sector-based approaches to development, partnerships have the potential to combine and reconcile the economic and financial sustainability and opportunities for scaling up that a business case provides, and development interests, generating win-win situations for all partners involved (Heinrich, 2013).

While the content and dimension of the current partnership trend may be recent, collaboration between public and private actors is nothing new and has traditionally been applied in the areas of service provision, infrastructure and urban planning. By contrast, in the realm of development cooperation, the current usage of the term 'public-private partnership' indicates a much more fundamental shift in the roles and responsibilities for promoting 'development' and advancing public goods – from (almost) exclusively public actors to a shared task with private actors (Bitzer, 2012). Development cooperation is become more 'hybrid' whereby the traditional labels of bilateral or multilateral aid, civil society organisations and the private sector are losing in relevance (Ministry of Foreign Affairs, 2013a). This also implies a new role for donor governments, shifting from traditional financiers to being partners alongside other players in development efforts.

IOB (2013a) identified five key criteria to characterise developmental PPPs:

1) Cooperation between public and private actors with a development goal,
2) Based on a clear agreement,
3) Stipulating the sharing of resources and tasks,
4) With combined ('blended') public-private funding, and

5) Joint risk distribution.

This is in line with the PPP definition from the Dutch Ministry of Foreign Affairs (2010): "*A form of cooperation between government and business (in many cases also involving NGOs, trade unions and/or knowledge institutions) in which they agree to work together to reach a common goal or carry out a specific task, jointly assuming the risks and responsibility and sharing their resources and competences.*"

The Dutch government has undertaken substantial efforts since 2002 to promote and implement PPPs which build upon Dutch expertise and knowledge and advance the Aid and Trade agenda. The report 'Less Pretension, More Ambition' by the Scientific Council for Government Policy (WRR) captured this trend and resulted in a more focused policy of PPPs and private sector development (van Lieshout et al., 2010). Development cooperation and public funding are seen as catalytic, as a means to supporting business in taking the risks that they otherwise would not take, thereby leveraging funds towards goals that would otherwise not be explored. Programmes such as FDOV and others are therefore meant to seek those niches that may prove to be profitable yet achieve development goals, and may develop into inclusive and sustainable development processes.

2.1.2 Private sector development

"*Economic growth is an important weapon in the fight against poverty and hunger in developing countries*" (Ministry of Foreign Affairs website).[1] While economic growth alone is not sufficient for poverty alleviation, there is a broad consensus that investments in growing business and promoting private sector development are critical drivers for rising incomes and wealth. The UK development agency DFID, for instance, emphasises that private sector development increases the opportunities for poor people, especially women, by creating jobs and entrepreneurial opportunities, by providing new goods and services, including financial services, to poor people and not least of all, by paying taxes to finance public goods (DFID, 2011).

However, in many countries the private sector is not able to fulfil its role as an engine of development, either because it is only weakly developed or because there are several barriers limiting its potential. The high costs of doing business in many developing countries are a testimony to this. In light thereof, private sector development (PSD) programmes have been part and parcel of international development for the past decade.

The World Bank describes PSD as following: "*Promoting growth, reducing poverty and helping people improve their quality of life. It is a way of doing things across sectors. Private initiative, unleashed in competitive markets, is key to promoting growth and poverty reduction, in parallel with public sector efforts*" (World Bank, 2002, p. i). UNDP defines PSD as "*lifting the barriers and creating the capacity for a market-oriented business ecosystem, one that operates efficiently and generates economic growth*" (UNDP, 2004). This includes a broad array of interventions and strategies, including creating market opportunities and inclusive value chains, engaging the private sector in the provision of services and goods to the poor, strengthening market institutions, or enhancing regulatory environments and business climates.

[1] https://www.government.nl/topics/development-cooperation/contents/doing-business-in-developing-countries

Public-private partnerships are among the main instruments to achieve PSD. Particularly the expertise of companies is sought to promote investments, productivity growth, business expansion and employment in developing and emerging economies. This can be understood as engaging the private sector *for* private sector development (Byiers & Rosengren, 2012).

2.1.3 The Dutch Aid and Trade agenda

PSD has been a central component of Dutch development policy since 2005 and especially from 2010 onwards, as Dutch aid shifted from social development to economic development (IOB, 2014). Broadly captured as the 'Aid and Trade' agenda set out in the 'A World to Gain' report of 2013, Dutch policy pursues three main objectives at international level (Ministry of Foreign Affairs, 2013a):

1. Eradicate extreme poverty ('getting to zero') in a single generation;
2. Sustainable, inclusive growth all over the world;
3. Success for Dutch companies abroad.

The recent policy letter on the Dutch Aid and Trade agenda from September 2015 emphasizes the aspect of inclusive economic growth to ensure that the poorest groups in society can participate and share the benefits from growth (Ministry of Foreign Affairs, 2015a). This also speaks to the golden thread of inclusive development reiterated by the UN Sustainable Development Goals (SDGs). Particularly SDG 10 expresses the need for reducing inequality within and between countries.

The policy letter also recognises that trade does not by itself increase the well-being of poor people, but needs to be accompanied by extra efforts and policies to ensure that the poor are able to take advantage of economic opportunities. Five primary strategies are identified (Ministry of Foreign Affairs, 2015):

1. Create jobs;
2. Equal opportunities for developing human and physical capital;
3. Combat discrimination and exclusion;
4. Redistribution through taxes and transfers;
5. Development of inclusive governance and institutions.

Within these strategies, Dutch PSD policy focuses on a variety of issues, including job creation and income generation, entrepreneurship, trade, business and investment climate as well as climate change and water – priorities on which Dutch knowledge and expertise can make a significant impact (Ministry of Foreign Affairs, 2013b). As already alluded to in objective no. 3 of the Aid and Trade agenda, a key principle is therefore the involvement of the Dutch business sector in development policy, in particular the Dutch 'top' sectors. Such involvement is stimulated by different instruments, among which the Dutch Good Growth Fund (DGGF) features most prominently as the merger of several previous high-profile policy instruments, including the Private Sector Investment Programme (PSI).

According to the Ministry of Foreign Affairs such a combination of Aid and Trade works for both developing countries and the Netherlands, and is one of the areas where the Netherlands is able to make a difference in international development (Ministry of Foreign Affairs, 2013b).

2.1.4 Food security

Food security has increasingly been on the agenda of development cooperation since the food crisis of 2008, which led to hunger, increased poverty and political unrest in many parts of the world, and called attention to the cyclical and systemic problems underlying food production, distribution and access. The food crisis also served as reminder to the two main challenges to global food security identified by the FAO: firstly, the need to eradicate hunger in the face of more than 800 million people suffering from hunger and two billion from undernourishment; and secondly, the need to sustainably feed nine billion people by 2050 through increased food production.

Food security is usually defined as the situation that exists when all people, at all times, have physical and economic access to sufficient safe and nutritious food that meets their dietary needs and food preferences for an active and healthy life (FAO, 1996). Food security can no longer be viewed solely, or even primarily, as a manifestation of household poverty but rather needs to be understood in the context of the wider food system.

Among others, food insecurity is grounded in widespread poverty, poorly developed agriculture, and poor infrastructure for food distribution. Given the multidimensional nature of food security and its intersection with agriculture, food, nutrition and health, private sector involvement in the fight for 'Zero Hunger, Zero Malnutrition' is imperative to help stimulating entrepreneurship and sustainable, inclusive economic growth (Ministry of Foreign Affairs, 2013a).

2.1.5 The Dutch policy on food security

Since 2011, Dutch policy on achieving food security has been based on four inter-related sub-themes (Ministry of Foreign Affairs, 2011a):

1. Enhancing agricultural production/productivity;
2. Improving household nutrition;
3. Making markets work;
4. Improving the business climate.

In 2014 Minister Ploumen sent a policy letter to Parliament, announcing a number of adjustments to the policy formulated in 2011 (Ministry of Foreign Affairs, 2014). The new food security policy builds on the previous, but includes more emphasis on direct nutritional support in the face of crisis and conflict, and on environmental sustainability. Explicit attention is now given to:

1. Eradicating hunger, notably experienced by vulnerable groups, in crises and conflicts;
2. Promoting inclusive growth of agricultural sectors, including small, medium farms and enterprises; enhancing markets, trade, economic growth; valorising Dutch expertise and promoting private investment;
3. Strengthening ecological sustainable food systems, with emphasis on global public goods (water, soil, energy, biodiversity); stimulating climate smart agriculture

As a reflection of these objectives, the ambition of Dutch policy is to strengthen the focus on agricultural development with increased attention to nutrition and the role of women and youth in food systems. The third objective of ecological sustainability also finds expression in the 2015 report 'Towards a Food Policy' by the Netherlands Scientific Council for Government Policy (WRR), which argues for a shift from agricultural policy to food policy building upon resilient food systems.

2.2 Analytical framework

Analysing PPPs in international development has proven a formidable task, partly because of the complexity and diversity of partnerships, partly because of lacking data and other methodological challenges, and partly because of lacking (or scarce) resources, including time constraints faced by researchers (van Tulder et al., 2015). These difficulties are compounded by the complexity of the food security and private sector development, respectively. As a result, project evaluations based on a linear intervention logic are considered as too simplistic to trace and capture the multiple possible pathways towards impact on food security or private sector development (Bodnar & Kuijpers, 2015; Bodnar & de Steenhuijsen Piters, 2012).

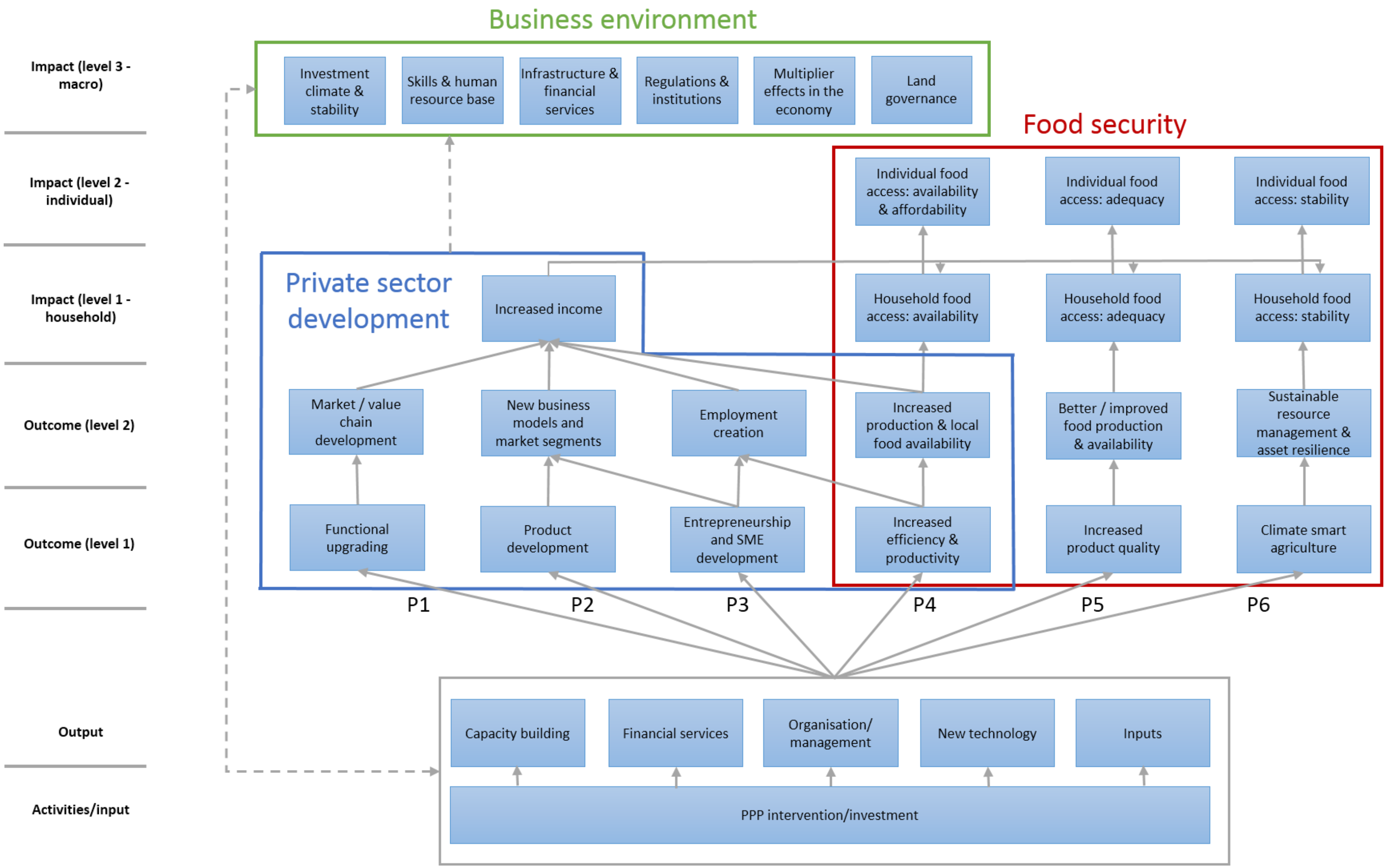
Given these challenges, constructing an adequate analytical lens (or framework) through which to study partnerships is often done by resorting to "theories of change" and, more recently, "impact pathways". This implies a strong focus on the different routes through which partnerships potentially and actually create effects and add value. As such, a theory-based approach to review can be implemented, which is particularly well suited to understanding how and why interventions work, and what implications follow from this understanding.

For instance, with regard to private sector development, interventions can improve access to finance for businesses, particularly micro-enterprises and SMEs, and thereby stimulate entrepreneurship as one of the basic building blocks of PSD. Entrepreneurship, in turn, can lead to innovation, driving employment creation and new sector development (Sinha et al., 2013). Interventions can also enhance productivity (e.g. labour or capital productivity), for instance, through new technology or capacity building of human resources. This may lead to increased production (e.g. food production) and job creation by reducing the share of labour costs in value added (Sinha et al., 2013).

Similarly, concerning the issue of food security, partnerships can pursue different impact pathways, including working on increased food production to increase income, improve food availability and reduce the cost of food; or promoting climate smart agriculture to boost the resilience of land and farmers, thereby contributing to increased food security through food stability. Thus, impact pathways can vary, leading towards divergent impact in terms of the four aspects of food security and access to food, at household and individual level: availability, affordability, adequacy (cultural and nutritional) and stability.

The theory of change and impact pathways for food security and private sector development are elaborated in Figure 2-1 below. Applying such a framework has the critical advantage of being able to conclude not only whether an intervention has worked or not, but also how, in which context, and for whom (Bodnar & Kuijpers, 2015). From a large number of possible impact pathways, six main pathways were selected for this MTR. For the food security aspect, the analytical framework follows the IOB's (2013b) recommendation for policy evaluations in food security to create synergies with related IOB work and enhance the relevance for Dutch policy. For the private sector development part, the framework benefits from Sinha et al.'s (2013) extensive review of theories of change in PSD. Each of the six main pathways have their own indicators in terms of outcomes and impacts.

Figure 2-1 Analytical framework



Source: Authors' elaboration

Three of the six impact pathways (labelled P1, P2 and P3) deal purely with private sector development (although oftentimes in agriculture), promoting either functional upgrading in value chains (i.e. taking up new functions, such as processing, within the value chain), product development (e.g. producing and marketing dried fruit) or entrepreneurship and SME development (e.g. starting a new business venture). All three pathways are ultimately intended to lead to increased income at the household level, which could indirectly lead to food security effects in terms of enhanced food affordability and stability. The three pathways of P1, P2 and P3 directly correspond to objective 3 of the 2011 policy letter on food security and to objective 2 of the 2014 policy letter.

One impact pathway (P4) is situated on the interface between private sector development and food security, as it deals with increased food production, which can both influence PSD (income generation) and food security (increased food availability and affordability). This pathway most adequately reflects objective 1 of the 2011 policy letter on food security.

Finally, two impact pathways (P5 and P6) are located in the domain of food security, by either increasing food quality or by implementing climate smart agriculture for greater resilience and ecological sustainability. The latter pathway of P6 mirrors the shift in policy from 2011 to 2014 most visibly in that it emphasises the importance of ecologically sustainable food systems through improved agricultural practices.

All impact pathways also potentially influence the business environment, here understood as encompassing the investment climate (and stability), skills and human resource base, infrastructure and financial services, regulations and institutions, multiplier effects in the economy, and land governance.

Apart from characterising the PPPs within this framework (and assessing whether they represent the whole framework and whether therefore the FDOV programme builds on all potential pathways), such a framework may also serve in the longer term as a framework for future impact assessments, to evaluate whether the various types of PPPs have actually achieved their longer term impact goals.

2.3 Methodology

Given the need for a policy-relevant and policy-informed MTR of the FDOV programme, this study is mostly based on qualitative research, data collection and data analysis methods. This is also in line with the MTR already conducted for the Sustainable Water Fund (FDW), the sister programme of FDOV.

The use of mostly qualitative methods implies that the rationale of this MTR is not to establish absolute values and numbers expressing the effects of PPPs, but rather to achieve an accurate interpretation of the potential and realised contribution of partnerships to private sector development and/or food security through a triangulation of various representative sources and perceptions.

Through document review and interviews with key stakeholders, data was collected to answer the main questions. Data collection included the following components:

(i) Desk study of relevant policy, programme and project documents;
(ii) Online survey of the Project Advisors from RVO;
(iii) Interviews with policy stakeholders;

(iv) Interviews with selected PPPs ('case studies'), including field visits to seven countries for onsite interviews with locally based partner organisations, accompanied by parallel interviews in the Netherlands with Dutch partner organisations.

2.3.1 Desk study

The desk study, conducted in January-March 2016, comprised relevant policy, programme and project documents provided by RVO and DGIS. In particular, RVO provided documents on all PPPs in the FDOV portfolio, including project proposals, assessments of proposals, inception reports, baseline studies, and yearly reports of PPPs (most of these documents are not publicly available).

Based on the desk study, a comprehensive database was developed covering the main characteristics of all PPPs within the FDOV portfolio, including partner categories, budget, beneficiaries, intended impact pathway, and sustainability criteria. The main purpose of the database was to facilitate the portfolio scan and identify the main policy changes from FDOV I to FDOV II.

2.3.2 Online survey

To complement the project information provided by RVO and in particular to obtain an overview of the current status of all PPPs (beyond the project documents submitted by the PPPs), an online survey was designed and sent out to the RVO Project Advisors in March 2016. The survey elicited detailed information on each PPP to understand the current state of implementation and to trace any changes that PPPs had gone through from the proposal state up to date. The response rate to the survey was 100%, information was submitted for each PPP in the FDOV portfolio.

2.3.3 Interviews with policy stakeholders

Further to the desk study, a series of in-depth, semi-structured interviews with relevant policy stakeholders were conducted in the timespan of January to March 2016. These included staff from RVO (the Project Advisors), DGIS and PPPLAB (see Table 2-2). Interviewees were selected for their specialised knowledge and insider perspectives on FDOV, helping the review team to obtain first-hand insights on a wide range of topics, including policy relevance of FDOV, programme management and implementation, project selection and ongoing monitoring, roles of DGIS and RVO, and expected contribution of the PPPs to food security and/or private sector development. The majority of interviews were conducted on a face-to-face basis.

2.3.4 Case studies

For the in-depth analysis, 22 PPPs (here used synonymously with projects) were selected as case studies. Data was collected in February-April 2016 by means of semi-structured, in-depth interviews with partner organisations in the Netherlands and with partner organisations in the countries of implementation.

Country and PPP selection

The following countries and PPPs were selected for the in-depth study:

Table 2-1 Country and PPP selection

	Countries	Cases	PPPs (project code)
1	Rwanda	2	FDOV12RW02; FDOV12RW04
2	Ethiopia	4	FDOV12ET01; FDOV12ET05; FDOV12ET06; FDOV12ET09
3	Kenya	6	FDOV12KE01; FDOV12KE02-B3; FDOV12KE02-B4; FDOV12KE03; FDOV12KE04; FDOV12KE06;
4	Tanzania	3	FDOV12KE02-B1; FDOV12TZ01; FDOV12TZ04
5	South Africa	2	FDOV12KE02-B5; FDOV12SA03
6	Mozambique	1	FDOV12MZ04
7	Vietnam	2	FDOV12VN03; FDOV12VN05
	The Netherlands	2	FDOV12KE02-S; FDOV12KE02-E2
Total	7 countries (excl. 2 PPPs in the Netherlands)	22 cases	

This selection comprises 22 PPPs in total, out of which two were ended prematurely, one is in the process of collapse, and two only include Dutch-based partners. Although two PPPs had ended prematurely, partners in those PPPs were still visited to acquire knowledge of these failed projects for additional learning. Hence, we had interviews with partners involved in 22 PPPs.

The selection was based on the following criteria:

1. Only PPPs from FDOV I (2012) were included. PPPs from FDOV II (2014) were not included as they are largely still in the inception phase and have not had sufficient time to start on this path;
2. Only countries with at least two PPPs from FDOV I were included (with the exception of Mozambique, which was considered in combination with South Africa due to the geographical proximity of the location of partner organisations).
3. Countries deemed unsafe due to conflict and/or political unrest were excluded from the selection.
4. The sample population of PPPs had to meet the following criteria: firstly, at least 2/3 of all PPPs from FDOV I to be visited in the field; and secondly, the selected PPPs were to represent a sizable percentage of the budget of FDOV I.

Field research and parallel interviews in the Netherlands

The field research was based on *multi-site rapid assessments* (cf. Halme et al., 2016), referring to one week studies (during which a series of cases was visited) conducted at multiple sites (seven countries were visited) with multiple data collection methods (including various types of interviews and field observations, supplemented by secondary data). Such an approach is appropriate for situations where long-term fieldwork is not feasible due to time or budget constraints, and where it is necessary to gain an understanding of partnerships and their (potential) impact from more than one site (Halme et al., 2016). Looking at partnerships at multiple sites (the various countries) also helps addressing the context-specificity of partnerships. As the effectiveness of partnerships is strongly dependent on the context in which they are embedded (Van Tulder et al., 2015), being able to derive more general insights on the FDOV partnership programme is contingent upon a cross-contextual approach to analysis.

In parallel to the field research in the seven countries mentioned above, interviews with partner organisations located in the Netherlands were conducted. These interviews served not only to collect additional, complementary information to the data obtained during field research, but specifically to capture the "Dutch" perspective on partnerships and therefore, to derive insights into the policy relevance of the PPP model and its fit within current Dutch development policy.

Table 2-2 below provides an overview of the total number of interviews conducted in the context of this study.

Table 2-2 Interviews conducted for MTR

Interviews per category	No. of interviews
Field research interviews	47
Rwanda	6
Ethiopia	6
Kenya	9
Tanzania	8
South Africa	9
Mozambique	5
Vietnam	4
Interviews with Dutch partner organisations[2]	15
Interviews with policy stakeholders (DGIS, RVO, 2SCALE)	21
Total	83

2.3.5 Data analysis

All 83 semi-structured interviews were coded using Atlas.Ti software to standardize the information contained and facilitate the extraction of relevant constructs and themes. Codes were first developed based on the MTR Inception Report and the analytical framework, and then applied and further developed in an iterative manner during data analysis. This resulted in a list of 9 family codes and more than 240 codes in total which supported the cross-comparison of cases to identify patterns of commonalities and differences between the cases. We made use of researcher triangulation to double-check the data and the resulting codes as part of the cross-case analysis. The family codes can be found in Table 2-3 below.

Table 2-3 Family codes and codes used during data analysis

Family codes	Number of codes
Business environment	8
External environment	17
Food security	19
Governance	51
Key challenges	52
Key success factors	16
Lessons learned	21
Policy relevance	28
Private sector development	22
Total: 9	234

[2] Most of these interviews were conducted by PPPLAB.

2.3.6 Role of PPPLAB

The PPPLAB was a critical and supportive partner during the MTR and collaborated both in data collection and data analysis. Based on discussions held during the inception phase, it was decided that the PPPLAB is well positioned to support the MTR in the following aspects. Firstly, the PPPLAB built on its previous portfolio scan of FDOV I proposals and conducted a scan of FDOV II proposals. This resulted in a complete scan of all FDOV proposals.

Secondly, the PPPLAB conducted a series of interviews with the Dutch representatives of those PPPs that were selected for the in-depth analysis.

Together, the work conducted by the PPPLAB constituted a critical aspect of this MTR and was particularly informative for the portfolio scan and the in-depth analysis contained in this report.

2.3.7 Limitations

The evaluation methodology has proven appropriate for the purposes and objectives of the Mid Term Review. Whilst the richness of data underlying the study has allowed for reliable, in-depth and informative findings representing the experiences and perspectives of the many stakeholders involved in FDOV, a number of limitations are worth noting.

1. The delayed status of most PPPs in FDOV led to the ex-ante exclusion of partnerships from Call 2 for the in-depth analysis, as most of these partnerships are only starting to implement their activities (or have not even done so). This makes any in-depth review of these partnerships difficult, if not impossible, and hence, the in-depth analysis is limited to PPPs from Call 1.

2. In light of the restriction to Call 1 partnerships for the in-depth analysis, results deriving from this analysis have only limited generalizability for Call 2 partnerships, as a number of changes in the legal framework were made between Call 1 and Call 2. These changes were made after an internal review process between RVO and DGIS and were intended to address some of the weaknesses already identified for Call 1 partnerships, which are also highlighted in this report.

3. The delayed status of most PPPs in FDOV also affected the selected cases in the in-depth analysis. Most of the selected PPPs were still at an early stage of implementation and had not yet reached the level of outcome or impact during the time of research that would have facilitated an analysis of the full range of outcomes and impacts.

4. The largely qualitative review methodology of this study depended significantly on the perspectives and experiences of representatives of partnering organisations, both in the Netherlands and abroad, and of policy stakeholders from RVO and DGIS. Care was taken to ensure that the data collection and data analysis processes were systematic and methodologically sound, including data and researcher triangulation. Nonetheless, the reliance on qualitative research limits the amount of "hard" evidence presented in this study and should be kept in mind when digesting the findings of the report.

5. The limitations of the study in terms of budget and time made it impossible to visit all the Call 1 PPPs. For this reason, a two stage design was chosen that allowed a broader view of certain aspects of PPP design and implementation, while adding insight from in-depth study of a relevant selection of PPPs on other. This restricts the possibility of having a quantitative assessment of the FDOV programme in all its aspects.

3. Portfolio scan of FDOV I and FDOV II

Abstract. This chapter identifies reviews FDOV according to four main evaluation criteria. Effectiveness of FDOV is approached by means of investigating the impact pathways chosen by PPPs. Most PPPs follow the pathway of increased production through efficiency improvements which is thought to lead to higher availability of food and increased incomes for farmers. Relevance of FDOV is reflected in its close alignment with the objectives of Dutch development policy, in particular the Aid and Trade agenda. The 'Cost per Beneficiary' (efficiency) of FDOV is calculated at EUR 343 (average costs per beneficiary at an average project budget of just above EUR 5 million per PPP). The sustainability of FDOV is sought to be safeguarded through the application of the FIETS criteria, but it appears that mostly financial and technical dimensions are worked out in detail by PPPs.

This chapter presents insights and observations on the portfolio of PPPs under FDOV (Call 1, 2012, and Call 2, 2014) based on the following evaluation questions:

Portfolio Scan: Key Questions	Chapter
1. General overview	3.2
• Which main categories of PPPs can be identified and what are their key characteristics?	3.2
2. Effectiveness	3.3
• How do PPPs aim to create impact (which impact pathway(s) do PPPs choose)?	3.3.1 See also 4.2.1, 4.2.2
• What is the designated timeframe of the impact pathway and how far have the PPPs progressed in this pathway?	3.3.1; 3.3.2 See also 4.2.1
• What differences can be discerned between PPPs from FDOV I and FDOV II?	3.3.3
3. Relevance	3.4
• In how far do the PPPs contribute to the main priorities of Dutch food security and private sector development policy?	3.4.1 See also 5.1
• In how far do the PPPs contribute to implementing the Aid and Trade agenda of Dutch international development policy?	3.4.2 See also 5.1
• In how far do PPPs make use of Dutch expertise to tackle development problems?	3.4.3
4. Efficiency	3.5
• To what extent do PPPs offer "value for money" (cost per beneficiary at described impact)?	3.5
5. Sustainability	3.6
• What is the potential/proof for sustainability of the outcome and impacts of the PPPs?	3.6

First, the legal framework is presented in which FDOV is embedded, including all relevant changes from Call 1 to Call 2. Second, four main categories of PPPs are identified, based on the key characteristics of PPPs, to get an in-depth understanding of the type of PPPs that FDOV is comprised of. This deviates from the structure proposed in the inception report but is considered to give insight in the focus of the various PPPs, and is later used to characterise the efficiency (the 'Cost per Beneficiary') of the PPPs. Third, the chapter reviews the PPPs on four main criteria: effectiveness, relevance, efficiency and sustainability. These criteria are in line with the main criteria proposed by the OECD DAC

Principles for International Development Evaluations, the Terms of Reference and the inception report of this study.

3.1 The legal framework of FDOV

The Facility for Sustainable Entrepreneurship and Food Security (FDOV) was established in 2012 by the Dutch Ministry of Foreign Affairs to support public-private partnerships (PPPs) in the field of food security and private sector development. Designed to award grants in three open tender calls within the timeframe of 2012 until 2021, FDOV responded to the government's agenda for aid, trade and investment ("A World to Gain") and to specific priorities in Dutch development policy as laid out in different policy letters.

Firstly, with regard to food security, FDOV aligned with the four objectives contained in the 2011 policy letter: (1) enhancing agricultural production/productivity; (2) improving household nutrition; (3) making markets work; and (4) improving the business climate.[3] In 2014, this was adjusted to follow the objectives of the 2014 policy letter: (1) eradicating hunger and malnutrition; (2) promoting inclusive growth of agricultural sectors; and (3) achieving ecologically sustainable food systems.[4]

Secondly, in relation to private sector development, FDOV was directed at serving the objectives of the 2011 policy letter: (1) law and regulation; (2) infrastructural development; (3) financial sector development; (4) knowledge and information; and (5) market access and market development.[5]

In addition to the food security and private sector development objectives, FDOV requires that cross cutting issues such as gender, climate change, good governance and the environment need to be addressed. Relevant target groups are specified as poor households, small-scale farmers or fishers, vulnerable groups, local SMEs and local civil servants.

The Facility addresses the above mentioned objectives by means of promoting PPPs, which are understood as collaborative arrangements in which risks, responsibilities, resources and competencies are shared to achieve a common objective. A collaboration qualifies as a PPP under FDOV if there is at least one public partner, one company and one NGO or knowledge institute. At least one of these partners has to be legally registered in the Netherlands and at least one partner needs to be legally based in the country where the activities are implemented. While the Ministry of Foreign Affairs is an official partner in each PPP, involvement by a "local" government body is desirable but not mandatory.

Two calls for PPPs have taken place so far, one in 2012 and one in 2014 through two Official Notices (Government Gazettes), respectively, with a third call still to be announced.[6] Applications are assessed by RVO and grants are awarded under the Ministry of Foreign Affairs Grant Regulations 2006. The Facility has a long list of rules regarding the financial conditions in case of application. The most important one concerns the own contribution of partners, mandating a "private" contribution of at least 50% of the project value. The facility does not finance commercial investments by companies, but offers support where the market falls short because the risk is considered too high.

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[3] Kamerbrief "Voedselzekerheid, oktober 2011

[4] Kamerbrief "Kamerbrief over Nederlandse inzet voor wereldwijde voedselzekerheid", november 2014

[5] Kamerbrief "Ontwikkeling door duurzaam ondernemen", november 2011

[6] Government Gazette 2012 no. 7531, and Government Gazette 2014 no. 17261

Funding of proposals is awarded on the basis of specified PPP objectives for which the applicant organisation (the grant recipient) bears legal responsibility and which falls under the monitoring responsibility of RVO. Accordingly, any changes in the PPP during the project's implementation are subject to approval by RVO to ensure that initially agreed upon objectives are met.

Among others, all PPPs need to be based on an explicit business case with a clear revenue model and have to be financially sustainable. Partnerships are also assessed on other sustainability criteria. The FIETS approach (financial, institutional, environmental, technological and social sustainability) is applied to this purpose.

The 2014 call for proposals implemented a number of changes in the requirements related to the content of the projects and the composition of partnerships (see Table 3-1). Regarding the content of the proposals, neither proposals focusing on financial sector activities (excluding insurance systems) nor those focusing exclusively on non-food crops no longer qualified for funding. Concerning the composition of the PPPs, as of 2014 the participation of a NGO or knowledge institute is mandatory and the participation of local NGOs and SME is highly desirable. Participation of multinationals is subject to conditions (Government Gazette 2014).

Table 3-1 Overview of key differences between Call 1 and Call 2

	FDOV I (Call 1, 2012)	FDOV II (Call 2, 2014)
No. of accepted proposals	29[7] (counting AIM workstreams separately)	20
Thematic scope	Food security and private sector development	• Food security and private sector development • + PPPs need to demonstrably contribute to better local/regional availability of food (reduced likelihood of MNC involvement) • + Proposals focused on financial sector and improved food products no longer qualify
Specifications for partnership configurations	• At least 1 company and 1 public body • Cooperation with NGO and/or knowledge institute possible • At least 1 partner based in the Netherlands and 1 based in the country of implementation	• At least 1 company, 1 public body and 1 NGO and/or knowledge institute • At least 1 partner based in the Netherlands and 1 based in the country of implementation • Cooperation with local public body and/or local NGO desirable • MNC involvement only allowed in combination with involvement of local SME (max. turnover of EUR 500,000)
Private contribution	At least 50%; out of which businesses have to contribute 25%	• At least 50%; out of which businesses have to contribute 25% • In cash contribution by private sector at least 10% of total eligible costs
Grant range	EUR 1,000,000-20,000,000	EUR 500,000-3,000,000
Proposal selection process	Initial formal call for proposal summaries, initial selection based on summaries. Second phase of selected proposal development with high likelihood of final selection.	Informal feedback given by RVO based on submitted concept notes. No pre-selection but selection among full proposals.

[7] In Call 1, 29 projects were approved. However, three projects were terminated prematurely on request of the applicants. These are not included in this portfolio scan. Furthermore, one project

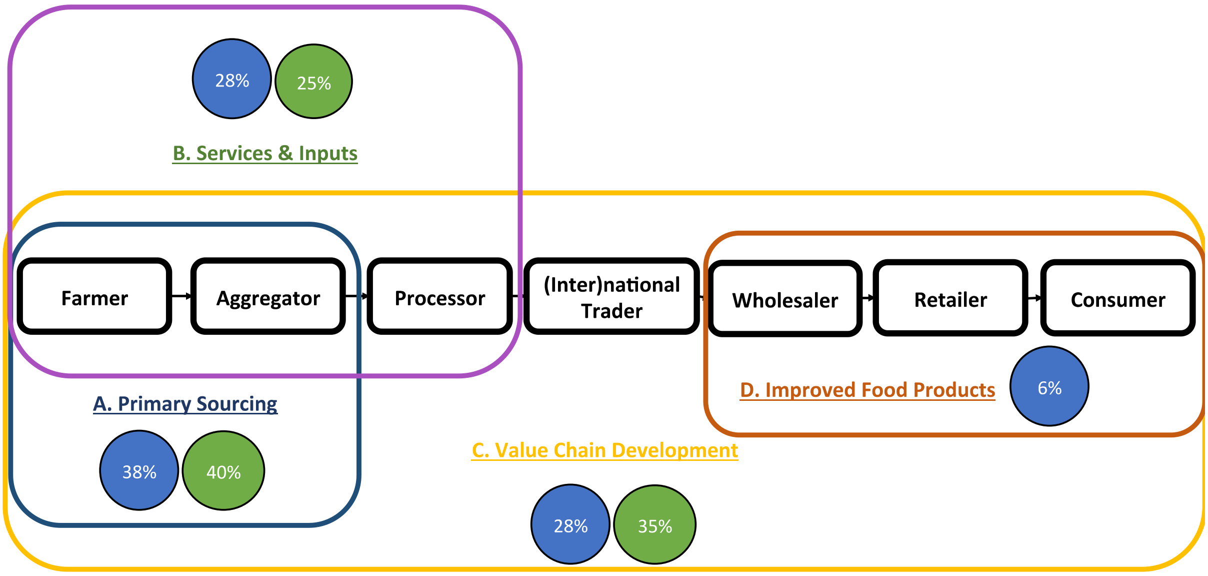
3.2 Categorisation of PPPs in the FDOV portfolio

Four main categories of PPPs can be distinguished in the FDOV portfolio (with the total numbers of PPPs per category indicated):

Category A: Primary Sourcing (19)
Category B: Services, inputs, and production technology (13)
Category C: Integrated value chain development (15)
Category D: Improved food products (2)

Placing them along a typical value chain, each of these categories of PPPs has a specific position (see Figure 3-1). The reasons for and relevance of understanding this position will be discussed below.

Figure 3-1 Categorisation of PPPs in Call 1 and Call 2



Explanation: Percentages indicated in blue: Call 1; percentages indicated in green: Call 2

The PPPs within each category not only share their position along the value chain; they also have similarities in partnership arrangements, business models, and financing strategies. This is useful knowledge to assess the appropriateness of future proposals, whether they are designed to address they key issues they intend to tackle in relation to the value chain as a whole.

While almost all PPPs in category A and B focus on improving multiple elements of the value chain in one way or another, in practice almost all of their investments go to either sourcing or input activities. The proposals often refer to other chain-wide activities, but close reading reveals they are generally not focussing on follow-ups or spin-offs outside of the partnership's sphere of activity.

consists of several "workstream" (standalone projects/partnerships). These have been included separately to avoid skewing the analysis.

Conclusions on how relevant the different categories are for Dutch policy, and therefore the potential value in distinguishing the below categories, are offered in chapter 3.4.

3.2.1 Category A: PPPs focused on improved sourcing

This is the largest category in the overall portfolio including 19 PPPs or nearly 40% of all PPPs. 13 are located in Africa, 4 in Asia and 2 in Latin America.

Partnership and partners

The partnership focus is on increasing and/or improving the supply of specific products of key interest to the lead private partner. This is done by improving various dimensions of production and/or aggregation of one or several specific commodities (both local food crops and high-value export crops). Most of these PPPs do have a value chain perspective, i.e. the supply generated is meant to connect to further value addition steps in a specific value chain, but contrary to category C partnerships (see below), actors up and down the value chain are not likely to be included in the partnership itself.

While 13 projects focus on improving established sourcing activities, another 6 projects focused on creating new sources. This latter sub-group intends to set up new value chains (such as patchouli, moringa and sweet sorghum) often based on existing infrastructure of established value chains.

The lead private partner is a local or international firm directly engaged in buying and processing or trading the commodity or combination of commodities on which the partnership focuses. They seek an assured supply source and want to improve the stability, volume and/or quality of the commodity.

The lead firms work with NGOs, the local private sector, and knowledge partners to strengthen the productivity, profitability, and sustainability of primary production and/ or aggregation/storage. Many of these PPPs also seek to strengthen farmer organisations so that these organisations can become better, future (business) partners. The focus is on strengthening collective management of improved supply. There is only one PPP with a farmer organisation as an actual partner.

A further distinction can be made regarding the type of organisation with which the PPPs work in order to engage with farmers. These subcategories tend to have significant differences in other characteristics as well (see Table 3-2).

Table 3-2 Types of local partners in sourcing PPPs

	A1. Local agribusiness (clusters) (4 PPPs)	A2. Producer organisations (coops or otherwise (15 PPPs)
Type of intermediary working with (and sourcing from) farmers	The lead private partner works with local private sector / businesses to link to farmers.	The lead private partner works with local cooperatives/producer organisations to link to farmers.
Provides access to	Relatively strong focus on access to technology and hardware (mechanisation, drying facilities, warehouses, production technology) through the private sector.	Relatively strong focus on access to services and knowledge for farmers by training them and developing their capacity.
Type of applicant	All applicants but one are from the private sector.	10 of the 15 applicants are NGOs or not for profit.
Ownership	All business models created through the PPP will be owned by companies, in-country or international.	Diverse pattern of ownership of business models (private sector, farmers, cooperatives, NGOs).

Of the sourcing projects, 54% of the applicants are NGOs, which constitutes a considerably higher proportion than in categories B and C. Several of these NGOs are building on previous collaborations between themselves and lead firms. These activities tend to link up with broader Dutch ambitions regarding sustainable and green value chains. The NGOs see major opportunities in these sourcing projects in terms of social development objectives.

Interestingly, and unlike the PPPs in category B, none of the projects in the sourcing category have research institutes as an applicant. There does seem to be a correlation between the extent to which a PPP is investing in generally applicable knowledge and learning results, such as well worked out general business models or farmer extension approaches, and the strong presence of a research institute in a PPP. The sourcing projects on the whole have a copy-paste approach in trying to apply a farmer training program to large number of farmers. Category A seems to be the least focused on innovation and systems change.

Business case and financing

The business case and financial sustainability underpinning the projects is a combination of a) the lead firm investing in securing its supply and b) creating a better/attractive business case for primary producers by improving the quality and/or quantity of production and increased farm gate sales. The lead firm not only buys products from farmers, but also seeks to support and strengthen existing production systems by providing production inputs and services, training and capacity development, and financing to farmers.

The basic driver of the private sector is the need to ensure a (increased) sustainable supply. This is not only about sufficient volume, but also about building up stable local relations, securing longer term (financial) sustainability and addressing the risks to sustainability caused by poverty in the supplying areas and communities.

In most cases, the largest financial contributions are from local processing or trading firms or large multinational firms. The exact source of these financial contributions is difficult to analyse from the project documents. In some cases, they seems to be commercial investments done by the firm, and in other cases grants from CSR-type funds; in yet others, they seem to be operational costs that the lead firm makes in working with its suppliers.

The contributions of other partners mainly involve project management, capacity building of farmers and providing connections/networks (by NGOs), development and dissemination of knowledge and networks (knowledge institutes), embedding project activities in local policy environments (local public agencies) and in some cases marketing studies and activities (by consultancy firms and NGOs).

In several cases, the FDOV project builds on earlier projects between the lead firm and the NGOs concerned.

Intended outcomes

The potential development benefits of the project include higher productivity, larger and higher quality production and increased income and employment for rural and farming households, often in combination with broader improvements to the chain in various dimensions, such as chain governance, engagement of local private sector, and better environmental management and climate adaptation. Where local food commodities are concerned, potential outcomes comprise improved access to nutritious food and food security or safety.

The ambition to address social and sustainability issues is a driver behind many of the sourcing projects. Usually this is connected to the interests of the lead commercial partner.

Call 1 vs Call 2

There is a clear difference in type of lead firms in both calls. More than half of the lead private sector players in Call 1 are large multinationals. Moreover, of the local companies involved, a significant number are subsidiaries of large international companies. As their turnover and profits are controlled by their international parent firms, the impact on the local economy may be smaller or less direct than in the case of locally-owned lead firms. By contrast, in Call 2 all 5 sourcing projects are led by locally owned companies, including one local subsidiary of a MNC. This is clearly the result of changed requirements.

While five projects in Call 1 were focused on coffee and cocoa, no such projects are found in Call 2; this seems to be due to the new requirement that projects have to demonstrably contribute to better local and regional availability of food, and should no longer focus on export commodities exclusively.

In Call 1, four of the 11 PPPs in this category worked through private firms to link with farmers. In Call 2, projects worked exclusively with or through farmer organisations to aggregate produce or disseminate information or other inputs. This can be a reflection of a growing need to have strong farmer organisations to make the value chain or business case work in the long run.

3.2.2 Category B: PPPs focused on services, inputs, and production technology

This category of PPPs consists of 13 PPPs of which 11 are located in Africa, 1 in Asia and 1 in Europe. That is just over 25% of the total portfolio. These PPPs are focused at the beginning of the value chain, and are not focused on providing services or inputs relevant for the marketing or trading of agricultural produce.

Partnership and partners

The partnership focus is on building a market for a particular service, input, or technology to farmers. This is not commodity specific, although the partnerships do tend to focus on a primary sector or commodity as entry point. The lead firms sell to farmers (rather than buying from them, as in category A).

The services, inputs or technologies promoted is wide-ranging, from microfinance and laboratory facilities, to more direct production technologies like tractors or greenhouses.[8] Category B can therefore be divided into three subcategories, each with a different type of service and level of engagement with the actual agricultural process (see Table 3-3).

Table 3-3 Type of services by category B partnerships

	B1. Access to finance through lead firm (2 PPPs, Call 1 only)	B2. Technical services by agribusiness (4 PPPs)	B3. Farming services by agribusiness (5 PPPs)
Type of service	(Micro)finance services or an intermediate platform for these	Tractors for ploughing, laboratory analysis for dairy and banana farmers	Seeds, hatcheries and greenhouses
Link with agricultural process	Not engaged with production technology	Technical services relating to production process, but no direct input during cultivation.	Access and use of production technology in the actual cultivation process
Providing services through	Local banks (partners in the PPP) or platform for microfinance institutions	Franchise models in 2 out of 3 cases.	Direct to farmer groups or cooperatives (Access to (micro)finance is also part of the projects)

The private sector is the lead applicant in most category B PPPs (only 2 PPPs are initiated by knowledge institutes or NGOs). The lead private partner is a local or international (Dutch) firm that provides a (technological) service, input, or production model for farming or other rural based economic activities, with the Dutch firms being the source of the new input/service/technology.

Generally, there is a strong presence of (Dutch) NGOs and knowledge institutions in these partnerships. Knowledge institutes mainly support the development of technology and its dissemination, including collecting evidence on adoption and impact. NGOs mostly take on the role of embedding the technology in the local context (both in terms of the local providers and the users) and are also engaged as project managers.

There is a fundamentally different relationship with farmers and producer organisations in this category. Here, farmers and their organisations are clients of the lead or intermediary firm, while in categories A and C farmers are primarily suppliers.

Business and financial model

The business model and financial sustainability underpinning the projects is based on establishing, improving, or expanding the market for the service, input, or technology of the lead firm. Partnership activities are therefore focused on demonstrating a clear value proposition to farmers or local distribution companies.

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[8] As an exception, two PPPs focus on investing in local public services (one in Burundi; one in Kenya).

The nature of the financial contributions of the various private partners is difficult to assess on the basis of the project proposals. As in category A, commercial investments or CSR funds are used to foster the primary interests of the lead firm (market entry or increase in market share).

Almost all these PPPs have budgeted for the technical component of inputs, such as equipment for laboratories, software or software development, seeds, drying facilities, field machinery, breeding equipment, and production plants or facilities. Capital investment is therefore a key requirement to make such PPPs possible.

Intended outcomes

The projected development outcome of these PPPs is to create improved access to inputs, services, or technology for farming (and other) households, which in turn may lead to improved and more sustainable production, and increased income and employment (impact pathways P4 and P5, see framework). Additional benefits may include strengthening the local service sector and economy, better management of natural resources, or increasing the resilience of local farming systems or communities.

A key question with all these PPPs is to what extent the innovative measures connect with the reality of the farming population. Can the farmers make the 'leap' and effectively use what is offered? In general, a good analysis of the match between technology and the various types of farmers (and farmer organisations) is missing from the proposals.

Call 1 vs Call 2

There is not significant shift in this category between the two calls. One detail in Call 2 is that three of the five PPPs are related to developing long-term markets for seeds, compared to one out of eight in Call 1.

The two projects in B1 focusing on access to finance were approved under Call 1. This type of private partner has not reappeared in Call2 as they were no longer eligible for receiving a subsidy.

3.2.3 Category C: PPPs for integrated value chain development

This second largest category consists of 15 PPPs: 12 in Africa and 3 in Asia. This is slightly over 30% of the current portfolio.

Partnership and partners

The primary focus of these partnerships is to ensure that one or more value chains as a whole can operate more effectively or profitably. The partnerships thus work on multiple activities along a value chain. All of them include sourcing and input or service activities (as with A or B above), but these are part of an overall "work package" of partnerships. This implies that the partnerships always include links in the value chain beyond primary sourcing and aggregation.

Examples of such chain-oriented activities include improving or setting up processing, packaging, storage or marketing activities, developing local service providers' networks and setting up knowledge or multi-stakeholder platforms.

The lead private partner may be primarily involved with one link in the value chain, but is aware that multiple links must be made to work simultaneously for any one of them to be viable. All PPPs consist of multiple private partners, each involved in a different link in the chain.

Generally there is a strong presence of NGOs in these partnerships due to the necessary technical assistance at farmer level and support for farmer organisations. Setting up formal collaboration structures between multiple parties is therefore usually part of the partnership focus. These structures, such as sector platforms, are all meant to outlive the PPP itself and should be one of the system changes the PPP contributes to. Where projects do not cover all links in the chain, they connect to established links, such as an established retail chain or wholesale point.

Business and financial models

There are multiple business models underpinning the projects, one for each link of the chain that the project works on. Business cases for individual farmers and farmer organisations constitute the foundation of these PPPs, and are often further developed to include additional business cases for intermediaries, processors, input or service suppliers or traders.

Intended outcomes

The projected development benefits of the PPP are to create stable, integrated value chains that provide incentives for all players along the chain. Thus there are benefits for intermediaries, input and service suppliers as well as at farmer level. It therefore becomes more complicated to add figures to the 'Cost per Beneficiary' discussion (see chapter 3.5): the numbers of direct and indirect (potential) beneficiaries may be quite different. The definition of what a beneficiary exactly is becomes important here.

Call 1 vs Call 2

In Call 2 more attention is given to influencing the system within which value chains must operate. While Call 1 includes only 1 project that aims to (also) set up a sector platform, half of Call 2 projects includes activities related to national platforms, regulations or standards. This is not to say that the Call 1 projects in general are less focused on the impact of the (institutional/ policy) environment: these projects usually also include a strategy to influence government policy on VAT for instance, or the requirements with regard to quality of products, or the role of (regional) government owned institutions such as MFIs in Ethiopia.

These category C PPPs are the most complex ones on the whole portfolio scan. They need to create multiple viable business cases simultaneously, in such a way that they are coordinated and can be mutually reinforcing as intended. Any weak link will immediately affect all the others.

3.2.4 Category D: PPPs for improved food products

This category consists of two PPPs located in Kenya, just under 5% of the PPP portfolio. Initially there also was a similar PPP in Ethiopia; yet, this was quickly terminated due to the early withdrawal of the lead partner (who happened to be the same partner as in the two PPPs mentioned below). This aborted PPP was similar in most respects and was also affected by the developments described here for the two PPPs in Kenya.

The two PPPs in this category are part of a larger project initiated by the AIM consortium, which introduces nutritious food for the consumer at the base of the pyramid in Africa. The PPPs focus on the production and marketing of enriched food for poor consumers.

Partnership and partners

The primary focus is to produce nationally and market locally improved, enriched, or fortified food products and sell these to consumers who are close to, or at the BoP. A significant part of both projects focuses on the creation of a demand for the fortified food products.

The lead private partners in these PPPs are a combination of Netherlands-based (international) producers of micro-nutrient pre-mixes, and national firms producing food items for the consumer market. In both projects, one specific Netherlands-based multinational firm is the source of necessary micronutrients. Both projects work through national lead firms that are nationally owned (there are no subsidiaries of international firms).

Knowledge institutions are absent from these PPPs (knowledge is provided by the Dutch lead partner), and one of the two projects engages NGO partners.

There is frequent mention of the role of the national government and public actors, especially when it comes to promoting and backing the production and consumption of enriched food products, and the reduction of VAT on the products developed and promoted. Such an emphasis on public organisations is fairly unique within the FDOV portfolio. The private sector partners work with local public agencies to improve the outreach and acceptance of their products in the local consumer market.

The main elements of this overall project consist of marketing, advocating, and locally embedding enriched food products in local diets. Because it is acknowledged that the targeted consumers are not used to the food items, projects include (experimental) activities and studies on the marketing and retail side, as well as advocacy aimed at the policy level and behavioural change campaigns aimed at consumers. Through the creation of (institutional and consumer) demand, it is expected that a viable market for the food products will be created and that business activities can continue after the end of the projects.

Business case and financing strategy

The business case and financial sustainability underpinning the projects is based on a) viable production and marketing of new, fortified food products by the national firms, and b) the interconnected sales of necessary micronutrients by the international firm.

There are no details available on the budget of the larger AIM PPPs. It is to be expected that the lead national and international firms will make business development investments, as through these projects they are trying to develop a market for their nutrients or enriched food products. The private partners benefit directly from the demand creation initiated by the PPPs. The Kenyan national Government is significantly contributing to one project by guaranteeing to create a demand for the fortified food products in the first years of the projects. This offers the private partners an opportunity to begin viable operations in the enriched food products market. Eventually, it is expected that this institutional demand will gradually convert into consumer demand. In the aborted Ethiopian case, this role was actually taken up by a UN organization (WFP).

These two (initially three) PPPs were affected by the same problem, and as they were included in the In-depth part of this study, they will be discussed in more length in the next chapter, and specifically in the paragraph on the special arrangement of the AIM projects (collectively coded as FDOV12KE02).

Intended outcomes

The target group in category D is (very) low income consumers, a unique feature. This project is from the Call 1 group, no projects of Call 2 fit within this category.

The wider development benefits for consumers consist of increased access to nutritious food at affordable prices. Direct benefits are also created for national companies that build a market, and for farmers that are trained to provide necessary quality ingredients.

Call 1 vs Call 2

This category of PPPs can only be found in Call 1 as GAIN was getting underway at the start of Call 1 and the call was expected to also fund initiatives from there. By Call 2 GAIN was struggling as whole and as all actors working with improved food products collaborate there, there were no individual parties who applied for Call 2.

3.3 Effectiveness of FDOV PPPs (impact pathways and progress over time)

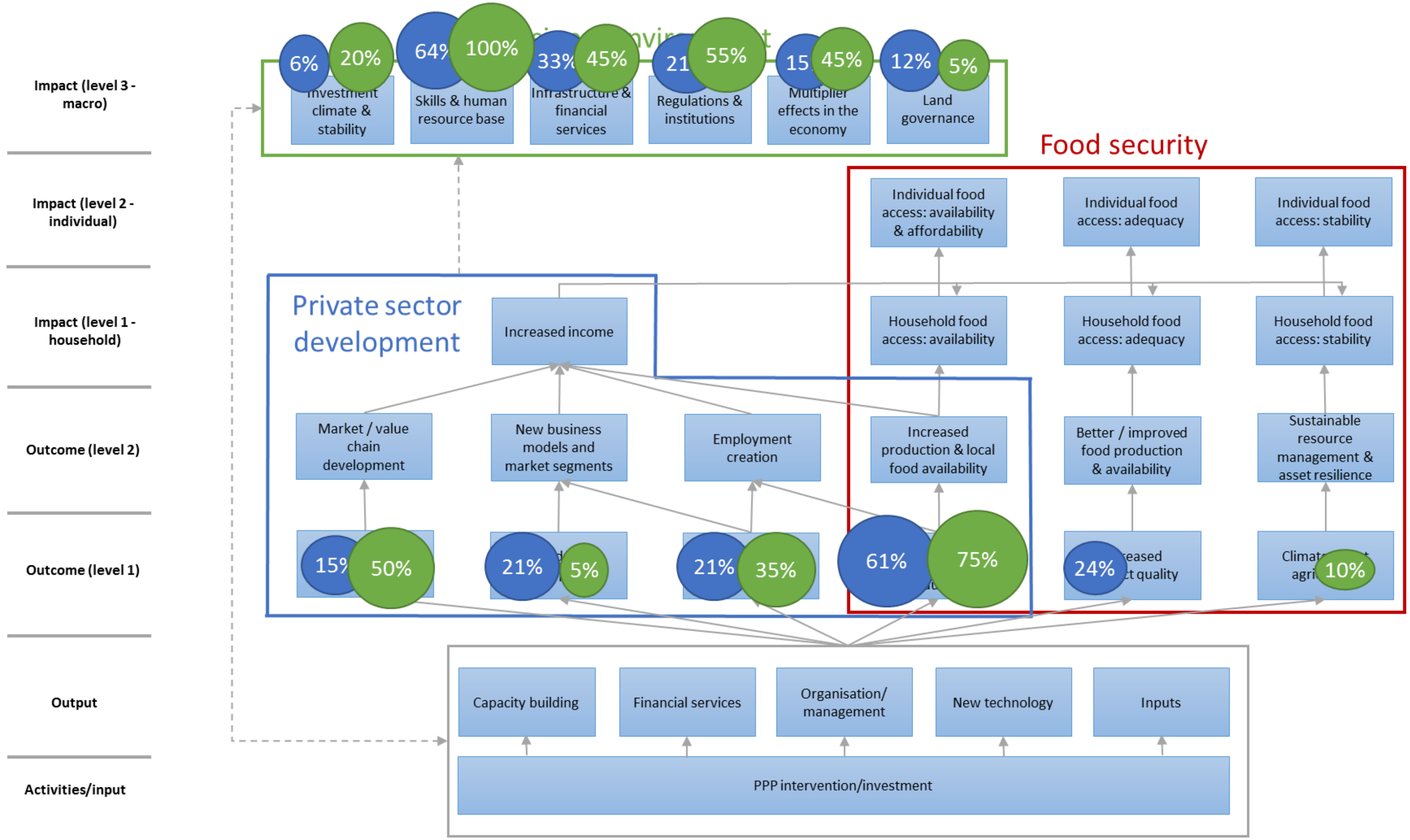
The effectiveness of the PPPs under FDOV is assessed by answering the following questions:

1. Which impact pathways can be discerned in the project plans and implementation?
2. How far are the PPPs in progressing along their pathways?
3. What differences are there between the two calls?

3.3.1 Impact pathways followed

Each project was assessed against the analytical framework designed for this study: on which impact pathways do the key activities of the PPPs focus on mostly? This is shown in Figure 3-2 below.

Figure 3-2 Impact pathways chosen by PPPs



The impact pathways that could be clearly induced for each PPPs are presented as the percentage of the total number of approved PPPs projects that work along that particular pathway. The percentages in blue show primary pathways seen in Call 1, the percentages in green in Call 2. For example 24% of the PPPs in Call 1 included key activities along impact pathway P5, while none in Call 2 did (as they were then excluded from eligibility). Most PPPs work on more than one priority pathway, which is why the total percentage exceeds 100%. Where they have incidental activities targeting a pathways this is not included in the figures. These impact pathways were not formulated as such a priori by the PPPs but are based on induction by the research team.

Also, we assessed the orientation of PPPs on their (business/ institutional/ policy) environment, and the distribution of PPPs across the various elements of impact is indicated at the top of Figure 3-2. We have discerned between investment climate, human resources, (financial) services, market regulation, multiplier effects and land governance. Not surprisingly, Pathway P4 appears prominently in the set of strategies of the PPPs in the portfolio. P4 reflects the combination of food security goals via a private sector development approach. It also shows that when PPPs had a food security goal, the PPPs often try to achieve that through a private sector development strategy. This is also true vice versa: PPPs often try to be relevant for food security in the country when they were aiming for private sector development. P4 is largely related to the categories A and B of PPPs: the focus is on either promoting the use of inputs and services by farmers to arrive at higher productivity, and/or providing farmers with an opportunity to market their produce, increasing demand for their products and stimulating investment of farm resources, to improve sales and incomes.

Other important pathways are mostly in the domain of private sector development: functional upgrading and the development ultimately of the whole value chain (P1), product development and the start of new business models and market segments (the 'first movers', P2), and the support and skills development of entrepreneurs and SMEs for the generation of employment through scaling up the firms involved (P3). As stated, this is how they can be defined most clearly, but as these PPPs are often focusing on agricultural products and chains, it is sometimes a bit arbitrary to have them grouped under the PSD label. These PPPs appear as category C in the description of the portfolio above.

Very few non-P4 PPPs focus exclusively on food security. One group is the above mentioned set of food fortification projects focusing on final and poor consumers, and one recent set is focused on climate smart agriculture. These PPPs are described in the preceding section as category D PPPs.

In terms of wider impact the PPPs aim to contribute to, it is striking that all of the projects intend to contribute to a stronger skill and human resource base. This reflects both the opportunity of using more sophisticated technological, business and organizational skills to make much greater use of the potential of the agri-food sector, and the widespread critical need to ensure that farmers and their organisations develop the capacities to make use of these every more sophisticated and complicated opportunities. This will remain a critical results area to continue to focus on.

Most of all, the PPPs aim to change the business context related to human resources as stated above, followed by that of government regulation, financial and other services, and multiplier effects in the wider community and society. Activities focused on the investment climate and land governance issues receive least attention.

3.3.2 Progress along impact pathways

As the portfolio scan was based on the proposals and related documentation, there is not much information available for this chapter on progress with these PPPs. With a few exceptions (projects aborted in an early stage, or stalled later such as the two AIM projects referred to above, and one AIM project actually finished) all PPPs are still operating at output and to a certain extent at Outcome level 1. We will be able to go into the details of the characteristic timelines of PPPs in the next chapter, when we discuss in depth the selection of PPPs visited.

3.3.3 Differences between Call 1 and Call 2

An important requirement for the PPPs of Call 2 was the preferred focus on local and regional product markets and availability of food. Direct food security (rather than indirect through incomes acquired through participating in markets in export commodities) and nutritional security were to play a more prominent role in the projects. This has indeed led to fewer projects focusing on export commodities, such as coffee and cocoa in the Call 2 portfolio.

There were a number of associated changes in the type of PPPs, one prominent one being the change in representation of multinational companies in these PPPs. Apparently, as these MNCs are quite often focusing on export commodities, they disappear from the roster when these value chains are exclude from eligibility. In Call 2, locally owned companies play a more prominent role in the partnerships. This not only applies to the AIM projects (FDOV12KE02 workstreams) where the change is absolutely clear, but to Call 1 and 2 in general.

When they participate in PPPs in Call 1, NGOs play a more central role in leading the partnership, while in Call 2 NGOs seem to take up the role of 'service providers' more often, providing expertise in working/capacity building with farmers. This reflects the greater emphasis placed on the business case. Also, in Call 2, more public agencies are involved in the partnerships compared to Call 1, often playing a role in adapting/embedding the project in local policy frameworks.

In Call 2, projects that solely focus on the development or improvement of the financial sector are absent, due to the changed requirements of this Call.

There is also a strongly increased focus on environmental (business environment/ institutional/policy and regulatory) change in Call 2. At least half of these projects have some kind of activity that deliberately aims to influence 'the rules of the game' or system change, such as strengthening national sector or knowledge platforms, introducing stronger or changed regulations, etc. On average, the percentage of PPPs that explicitly focus on these issues has doubled between Call 1 and Cal l2, a clear indication of the broader perspective on sustainability employed by the PPPs and the consequence of changed requirements of the FDOV program. These context and system changing foci can be catalytic system changers that can lead to long-term development of the sector and industries, and even other industries.

Reflecting on the degree to which the portfolio of Call 1 and Call 2 reflect policy changes at DGIS, it seems clear that the changing set of eligibility criteria introduced in Call 2 as a result of these policy changes seem to have led to noticeable shifts in the focus of approved projects. This emphasises the potential for the Ministry of Foreign Affairs to use this facility in a deliberate manner to work towards policy priorities.

3.4 Relevance of FDOV PPPs (Dutch policy and the 'Aid and Trade' agenda)

The question of relevance of FDOV is assessed as follows:

1. Relevance to Dutch development policy in general
2. Relevance to the Aid and Trade agenda
3. The use of Dutch expertise in local investment

This section draws on the previous categorisation (A, B, C and D) to reflect on the particular relevance of each category. If considered appropriate for a future call, targeted effort could be made to prioritise particular categories further.

3.4.1 Relevance to Dutch policy

This section offers a qualitative assessment of the overall portfolio as well as the potential relevance of the different categories of PPPs for Dutch policy objectives. Depending on future policy priorities future calls may wish to try to stimulate more activity along a particular impact pathway or in a particular category.

A socio-economic impact can be expected from the PPPs activities, in line with broader policy priorities of Dutch development assistance. A key private sector development policy priority in this context is to reduce poverty through business-driven initiatives. All but two PPPs of the current portfolio has some activities intending to improve production and returns at farm level, with general reference to low income levels in the context analysis. This focus on smallholder farmers has not changed for 90% of Call 1 PPPs (see Figure 3-2) despite numerous other changes in partnerships. An intention to work with low-income groups therefore remains prominent.

While the private sector development priority is addressed directly where appropriate in all the PPPs – activities targeting increased farmer incomes, enhancing business skills of farmer organisations, SMEs stimulation, etc. – food security is tackled either directly or indirectly as spin-off. In general, there is little proper analysis about existing food security conditions behind the claims or plans for food security related activities.

Considering the four dimensions of food security:

Availability. 25 of the PPPs focus on enhancing the production of products for which there is a domestic or regional market, and that are part of a healthy primary diet. 12 are essentially focused on export crops not critical to food security. Generally, though there is limited analysis of a normal diet, what is poorly available and what gaps the PPP deliberately targets. The GAIN projects are obvious exceptions, and only a handful of others such as the Myanmar poultry and the Zimbabwe dried beans PPPs.

Accessibility. Accessibility is a combination of the right quality of food being available for differentiated demographic groups, disposable income and food prices. Income and prices together determine the affordability of food. Most projects do aim to make food more accessible, by increasing net incomes in some manner that should make food needs more affordable. Almost without exception (noticeable exceptions are those in Category D, which include cost pricing calculations at consumer level) there is no calculation of the cost of daily diet nor predictions regarding income increases due to project interventions. This makes it impossible to assess to what extent the PPPs do actually make food more accessible. This is particularly striking for horticulture and seed PPPs, which all refer to anticipated increased production of agri-food products, assumed to lead to lower prices without analysing this in detail.

Utilisation. Apart from the GAIN projects, almost none of the projects directly stimulate consumption of nutritious products. That said, over half focus on increasing the availability and reducing the cost of nutritious products such as vegetables and protein-rich products. There is generally the assumption that as these products are part of existing diets and food habits, increased availability and reduced cost will lead to greater utilisation.

Stability. Again, with the few exceptions, there is no analysis in the proposals of the hunger or nutritional gaps that exist, and a targeted strategy by the PPP to fill these.

At the same time, the characteristics of the specific target group (beneficiaries) of PPPs have mostly not been detailed very clearly in the proposals. There is, for example, limited or no concrete specification of the wealth strata of the beneficiaries. From the proposed activities and outcomes highlighted in the proposals, it can be deduced that specific segments of small-scale (and even medium-scale) farmers are targeted by PPPs, encompassing those with a certain asset base (e.g. land) and level of commercialization (semi-commercial or commercial).

While women – a structural and large part of the rural poor – are mentioned in most projects as being necessary to engage with, this generally does not go much further than indicating the number or percentage of women who will be involved in training or other activities. None of the proposals have comprehensive gender specific activity strategies and plans, nor did they seem to have been developed during the inception phases.

This does not imply that there are no gender specific activities in practice. In the in-depth analysis it is shown that in practice, some entrepreneurs and managers do realise the importance of gender issues in society and the impact they may have on the goals of PPPs. However, this is translated very practically, and not often in a pro-active sense which would attribute a gender-transformative role to PPPs. Nearly half of the PPPs in Call 2 do mention the strong presence of women in the sourcing base, and plan for women's inclusion as important to secure supply.

There is equally not much deliberation on the possibility to include other specific disadvantaged groups apart from small scale farmers. Youth, disabled and other disadvantaged groups do not appear prominently in the activities and analysis of impact of the PPPs. PPPs that predominantly work on private sector development may assume that that type of impact may not be easy to achieve in the context in which they work, and may rely on indirect effects influencing the poor positively.

Apart from ubiquitous investment in capacity to make use of evolving technology in the agri-food sector, PPPs make an effort to introduce adapted technologies and solutions to poor(er) segments of the market or farming population. However, in practice especially in some of the high-end technical and production domains, it is likely relatively better-off farmers are reached rather than those in the poorer strata of the rural population. This may be a relevant strategy for socioeconomic development, but has less direct effects on reducing poverty.

Another objective of Dutch policy is to create employment opportunities, in particular for youth. As a whole, the PPPs do not convincingly formulate plans to address youth. Only a small number of PPPs in category C explicitly intend to create jobs through new processing or other value chain activities. However, the numbers are in the hundreds, as compared to the tens and even hundreds of thousands of small scale farmers that most PPPs aim to help.

12 of the 19 projects in category A focus on improvements in export crops, and thus depend mostly on international and northern consumers. In general, over the last 10 years, international value chain development efforts have been dominated by such commodities. In more recent years, however, increased attention has been put on commodities that are more relevant to food security of (poor) people in the developing countries themselves. These different types of chains thus have fairly different socioeconomic benefits, with local food chains giving a potential direct benefit to local food security; and export chains having primarily economic effects in the local sphere through increased income from farming and job opportunities through private sector development. By contrast, all but 2 of the 15 projects working on value chain development focus on value chains for national markets, and target products such as horticultural crops and animal protein chains (dairy, chicken, fish) for low-income population groups.

Therefore, within the value chain projects there is a clearer intended and spin-off benefit for smaller scale farmers, and poorer consumers, (and possibly other similar effects in the local economy) whether this is explicitly stated in the PPPs proposals or not.

3.4.2 Relevance to Aid and Trade objectives

The type of Dutch company involved differs quite a bit across the four categories of projects. Generally, only 13 out of 49 PPPs have a Dutch lead company. This includes three large multinationals in six projects, and the rest from the medium-sized Dutch business community. These distinctions may be an entry point for looking more explicitly at the mix of Dutch business interests served through the FDOV.

In terms of drawing in and creating opportunities for Dutch companies and thus trade, the service and input related PPPs (category B) are by far the strongest. This category shows the greatest presence of Dutch companies as applicants and as lead firms. This builds on key strengths of the Dutch agri-food sector, namely development of leading technology, service models and inputs. In particular the Dutch (potato and horticulture) seed sector is an active player. Their business models are based on long-term scenarios, and FDOV makes it possible to build the long-term markets necessary to make business sense. This holds potential for long-term trade opportunities.

Dutch expertise in the agri-food sector is noted for product, production and processing innovations. Half (14 out of 29) of the PPPs in Call 1 work on some form of innovation in production or products. The nature of the innovation in Call 1 projects varies quite considerably, ranging from improving local agricultural production methods and introducing new techniques or services, to testing or adjusting foreign technology under local circumstances, more BoP-oriented delivery models, or the enrichment of consumer products.

In Call 2, however, there are no PPPs with this kind of innovation focus; they are all about introducing known technologies or applying known (business of value chain) processes in specific contexts. Depending on definition, this adaptation to specific contexts can be considered an innovation.

It can be noted that the innovation challenge and the stage of innovation that projects deal with may be quite different. One major difference can be seen between the majority of products and solutions, which have already been tested under field conditions elsewhere, and those that are being tested and developed for the first time in the FDOV project. Depending on whether there are other funding mechanisms available for testing and developing pilots determines whether FDOV finance is better spent on pilot innovations or context-specific application.

Another segment of Dutch "business" is the development service sector, where Dutch NGOs and knowledge institutes have strong capacities in innovative practices, ethical way of working, good process skills and in-depth agricultural knowledge. By default FDOV requires some kind of Dutch partner engagement. In over half the PPPs there is an active Dutch NGO or knowledge partner involved. Through this, FDOV contributes substantially to the use and spreading of Dutch development, management, social, and technological expertise.

3.4.3 Using Dutch expertise to tackle development objectives

Summarising, we briefly reflect on the relevance of the various categories of PPPs for Dutch food security policy, private sector development policy and the promotion of the use of Dutch expertise through the PPP approach of FDOV.

Category A: Sourcing

All of the PPPs in this category work to improve the primary food production base. Categories B and C also include some dimension of enhancing primary production. All of the PPPs intend to contribute either to increasing income (through sales of more, better produce) and/or food availability (by producing more, cheaper, quality food) and thus the food availability level of food security. There is no demonstrable deeper food security foreseen for most PSD PPPs yet, for example by increasing access to specific quality food to targeted categories of people. For most food security PPPs the outcomes are not yet clearly demonstrated. This is to be expected, as the period of implementation has been relatively short, or delays considerable.

The PPPs in this category are usually the ones with the larger numbers of intended beneficiaries reached. This is understandable, as they work towards improving the existing production situation rather than creating something new. Therefore, in terms of the numbers of potential beneficiaries reached, these can be attractive to invest in from the perspective of the Dutch government.

The potential for growth, on the other hand, will be limited to the scale of operation of the lead firm and its potential for upscaling the processing of the relevant commodity. As most of these projects do not address wider market system dimensions, their potential for scale could be considered to be more limited than other categories.

There are only a few lead Dutch firms in this call. Dutch engagement is mainly through NGO engagement or other service provision.

Category B: Inputs and services

As mentioned, this category has the strongest Dutch business presence. From the Trade perspective therefore, this category is very attractive. The key issue from an Aid perspective is whether the inputs and services offered are appropriate to the current situation that farmers are starting from. There are indications for technological optimism that farmers can and are willing to take on much greater risks in return for much greater returns, when their livelihoods are often precarious and risk avoidance is a major livelihood strategy.

At the same time, thoughtful contextual analysis – rather than input/service supply driven – can identify situations where a technological leap could be catalysed. Certain sub-sectors may be more interesting from the private sector development point of view (employment creation in supply systems), while others may be more interesting from a food security point of view (high quality, small scale intensive horticultural systems for instance).

Category C: Value chain development

Over half of the PPPs in the category include a lead Dutch firm. Thus, this category is also highly relevant to stimulating Trade opportunities relevant to Aid: these PPPs actually seem to combine best the two perspectives of food security and PSD. Various actors in these chains benefit from technological inputs from the Dutch firms.

Furthermore, in this category Dutch firms can demonstrate another leading capacity of the Dutch agri-food sector, namely the ability to run efficient, complicated value chains. This includes logistical skills, as well as collaboration and business alignment skills. In combination with the system change and long-term scaling potential of value chain PPPs, this category could be worth stimulating when both system change, and food security are the main policy goals.

Category D: Improved food products

This category is the only one that directly addresses nutrition security. Also, in both PPPs in this category (and in the aborted ET project) market development of a single, leading Dutch multinational and its local partner private firm is supported. Given their global leading role and key input, the involvement of the Dutch MNC is relevant from a Trade perspective.

Still, the development of the Private Sector through this category seems limited. These PPPs are among those that are struggling most to implement their plans, thus it may be better to build more experience here before prioritizing this again in future calls.

3.5 Efficiency of FDOV PPPs (Cost per Beneficiary)

This section focuses on the Value for Money discussion, although the stage of implementation of the PPPs does not provide sufficient data for a complete analysis. Ideally, for such an analysis, the ratio between costs and benefits per beneficiary are related to total project costs. However, the benefits per beneficiary are not available as implementation of partnerships is still at an early stage (many have not even started implementing their activities). We therefore limit ourselves to a discussion on the 'Cost per Beneficiary' as an indicator of efficiency.

For the purpose of this MTR, we have compared the costs per beneficiary, and compared this with the costs per PPP[9]. Although the number of PPPs studied is relatively small for

[9] Only the budgets for the implementation of the PPPs are included here, not the transaction costs made by RVO in the process of assessing and contracting the PPPs.

further analysis, we have done this for both Call 1 and 2 separately (presented in the figures below), and for the four categories of PPPs (A-D) (discussed in text only).[10]

Calculating the 'Cost per Beneficiary' figure (project budget versus total beneficiaries) is a challenging task, as most PPPs distinguish between direct and indirect beneficiaries but seem to have vastly different understandings of what constitutes a beneficiary and makes a beneficiary either direct or indirect. Several PPPs claim to have more than 750,000 direct beneficiaries and more than 65 million indirect beneficiaries, which appears to be overly ambitious and hardly feasible within the timeframe and means of FDOV projects. We assume this refers to the potential beneficiaries in the country rather than the actual number. Other PPPs have less than 100 direct beneficiaries and less than 40 indirect beneficiaries. These sharp differences in how beneficiaries are interpreted, identified and reported appear to be caused by the absence of clear guidelines and reporting frameworks for PPPs (or any other ODA benchmark). As a result, any calculation of the Cost per Beneficiary of PPPs in FDOV is potentially misleading. To minimize this, we have recalculated and standardised the numbers of beneficiaries given in the documentation from households to individuals.[11]

The figures used for calculating the Cost per Beneficiary have been taken from the assessment reports of all of the PPPs from FDOV I and FDOV II. With these figures, it was calculated that the **average project budget across all of the PPPs is €5,159,198** and the **average cost per beneficiary is €343**[12]. As already mentioned, however, this number needs to be treated with caution and cannot be seen to give an accurate representation of the actual Value for Money.

The findings of the total Cost per Beneficiary has been calculated for FDOV Call 1 and 2, but presented in two separate graphs, which can be seen below in Figure 3-3[13] and Figure 3-4 below.

[10] Obviously, other dimensions of efficiency can also be used for this analysis, and relative costs of employment creation and food production are suggested. For these latter dimensions, we lacked the data.

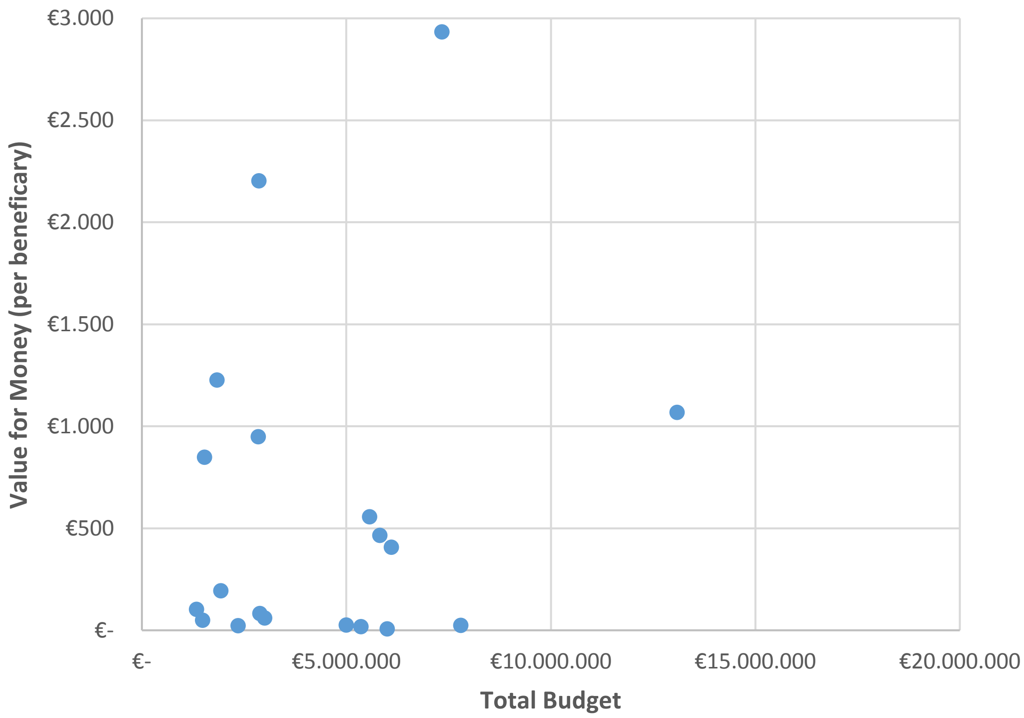
[11] Sometimes the proposals referred to households; we assumed five members per household for this calculation. When the recalculation could not be done (when the beneficiaries were clinics rather than individuals for instance as with project 14KE18, the PPP was excluded from the analysis. Also, more reliable and comparable data on the number of direct and indirect beneficiaries per PPP is needed.

[12] This figure does not involve three outliers, which are 12RW04, 12VN03 and 14KE18.

[13] It must be noted that Figure 3.1 does not include all of the projects as there were three outliers, which would have greatly distorted the graph, as mentioned above. The original data can be seen in the appendices.

Figure 3-3 FDOV Cost per Beneficiary of Call 1

Figure 3-4 FDOV Cost per Beneficiary of Call 2



In both graphs, there appears to be a positive correlation between the budget and the Value for Money per beneficiary (includes direct and indirect combined). As the budget increases, so does the amount of money spent per beneficiary. Comparing the two graphs show that in Call 1, across all of the PPPs, the cost per beneficiary is lower than Call 2.

There are a number of outliers within the graphs but these figures depend on the scope and ambition of the project. This explains why there are large disparities between the lowest and highest figures, which are €0.05 and €2,993. However, it must be noted that projects with overambitious proposals, which attempt to reach millions of beneficiaries, can obviously reduce the cost per beneficiary. The reason for higher costs in Call 2 could be due to the fact that the project proposals have been more realistic and reduced the number of targeted beneficiaries rather than beneficiaries being costlier. Also, the FDOV12KE02 (AIM) project is split up in its constituent parts, with each workstream included as a separate PPP. This means that a number of PPPs with very low costs per beneficiary (under one Euro per beneficiary) are included in the first Call, which lowers the average cost per beneficiary considerably. As we now consider the very high number of beneficiaries in these PPPs/workstreams to be the potential group of beneficiaries rather than the actual (all children of a certain age bracket rather than those who are actually going to buy and consume the product, fortified milk in two of these cases), we think that the average costs in the first Call are artificially lowered: they will have been higher in reality.

As stated above, we have also distinguished between the different PPP categories. The average costs per beneficiary per category are as follows:

Category A	€520.30
Category B	€806.03
Category C	€445.97
Category D	€0.93

Again, the fourth category has a very low cost per beneficiary due to the fact that potential beneficiaries are mentioned rather than actual. But even when we estimate the actual to be 10% of the potential beneficiaries, the Value for Money figure is high here. An analysis of the cost/benefit ratio per total project budget may in this case be more informative. For categories A to C however, the costs per beneficiary are not too far apart, with category B (services, input and knowledge provision) being the more expensive. For the A category, the cost per beneficiary goes up with larger budgets, while for the cat B and C projects, they go down.

3.6 Sustainability of FDOV PPPs (FIETS criteria)

In all categories, whether A (where lead firms secure their supply from farmers), B (where lead firms sell inputs or technology to farmers), C (developing integrated value chains), or D (where lead firms sell enriched food products to consumers), it is clear that the PPPs are driven by the direct business interests of the private (lead) sector parties. It can be reasonably assumed that considerations of financial sustainability will have been taken into account prominently.

The exact financing combinations and patterns in the FDOV projects are, however, difficult to deduce from the proposals. The graduation of financing mixes over time is even less visible. The PPPs show quite a variation in terms of the types of private sector financing: CSR, business development, investments that cover operational costs, and commercial investments are all included to various degrees. The information available in the proposals does not allow precise analysis of the specific type of money contributed. All projects make clear that they need public finance or donor money to be able to further develop a new solution, as well as help in taking certain risks or scaling the project. Analytically, however, it remains a challenge to assess why the specific amount of public money requested is needed.

The PPPs were required to assess the sustainability of the project activities through the FIETS (Financial, Institutional, Environmental, Technical and Social) criteria. However, from scanning the proposals, it seems that these FIETS criteria (or not all of them probably, the exception being the financial sustainability criteria, and perhaps the technical) have not influenced partnership design, but have rather been considered after the proposals were developed.

Still, implicitly, additional sustainability issues are considered. These can probably best be defined as institutional sustainability. Across the FDOV portfolio, attention is paid to scaling and sustainability, but the degree of specification on this varies considerably by project. Quite a number of projects try to have a wider impact than the immediate project results, for example by strengthening collaboration across the value chain through setting up multi-stakeholder or knowledge platforms. Other PPPs work together with public agencies to influence local policy frameworks or even have formulated explicit strategies to change the rules of the game in a value chain and the economy. At the same time, many proposals solely focus on activities within the project period, and do not elaborate on any possible continuation or scaling of the project activities at all.

In addition, it is difficult to get to grips with the balance between the international and national economic benefits of the PPP, as this is also a point that is hardly detailed in the proposals. Except for certification of certain commodities, it seems that local value addition (for example, by introducing local processing) in the international value chain projects has not been given much attention in Call 1 projects (or perhaps is not made explicit), while this attention has slightly increased in the projects of Call 2.

The FDOV has clear ambitions to contribute to 'scaling'. In this context, it is relevant to consider whether PPPs address more systemic constraints and improvements, for example, in the broader value chain governance, related policy and regulation issues, multi-stakeholder dynamics, and so on. There are clearly a number of PPPs that have ambitions in such direction, but this could not be studied in more detail in the present scan. In terms of the longer term effect of FDOV investments, it is interesting to further investigate project strategies with regard to scaling and system change and to reinforce such dimensions in present or future projects.

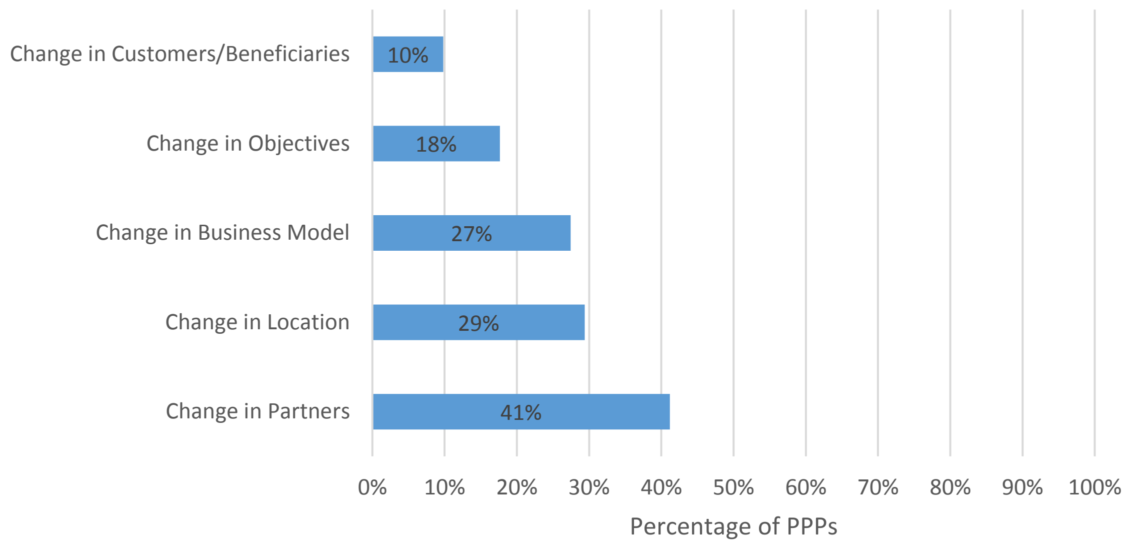
3.7 Changes in partnerships

While the previous sections of the portfolio scan were based on the proposals of partnerships, as submitted to RVO, it has to be understood that partnerships are not static projects but evolve over time and there may be significant changes with respect to the original proposals.

A survey conducted with RVO project advisors[14] revealed that a number of the PPPs have experienced some form of change since the application process, which can be seen below in Figure 3-5. The survey focused on a number of issues, including whether there has been a change in the number of beneficiaries targeted, in the PPPs objectives, in the financial business model, in the geographical location of the project, or if there have been changes within the partnership construction, such as partners leaving or being replaced.

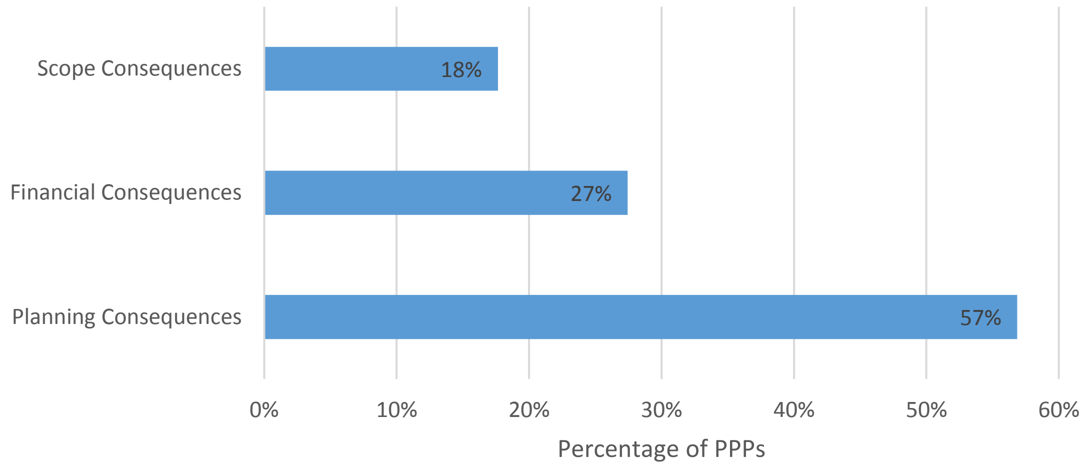
As can be seen in Figure 3-5, most changes occur with regard to changes of partners within the partnerships, the location of the project, which could be a different country or geographical region within the same country and the business model for the project. An interesting case is the change in customers/beneficiaries, which is not necessarily negative, as there are a couple of examples whereby the number of targeted beneficiaries has increased as a result of changes in markets or successful implementation methods. One instance is FDOV12BI01, as they implemented a unique approach called PIP (Integrated Farm Plans or Plan Integré de Paysan), which are future orientated farm management plans that help farmers to identify their agricultural niches and take proper decisions to reach a jointly defined goal. This particular approach relies on the idea that farmers are able to transform their reality through collaboration and collective action with other farmers (Wageningen University, 2016).

Figure 3-5 Overall changes in PPPs of FDOV I and FDOV II



[14] In total, there were 51 respondents from the RVO project advisor survey, including all of the PPPs from the FDOV 12 and 14 call. This survey was conducted to generate a brief overview to see whether there have been any changes within the PPPs and what kind of changes, such as changes in partners, objectives and locations. This is important to know these kind of dynamic changes as this can alter the purpose of the PPPs and the progress of the projects. With this knowledge at hand, future projects can learn from the kind of challenges that the PPPs face and how they change to circumvent these issues.

Figure 3-6 Consequences due to changes within PPPs of FDOV I and FDOV II



In Figure 3-6 reveals only 18% of the PPPs have experienced an impact to the scope of the project as a result of the changes, which suggests that this is not a significant issue for the majority of the PPPs. In terms of financial consequences, this affects 27% of the PPPs. However, these instances are not all related to FDOV but related to other circumstances, such as partners experiencing financial difficulties due to loss of investment or funding. Not all of the consequences are necessarily negative either, as one example from the survey shows that a partner invested more financial capital into the project that first anticipated.

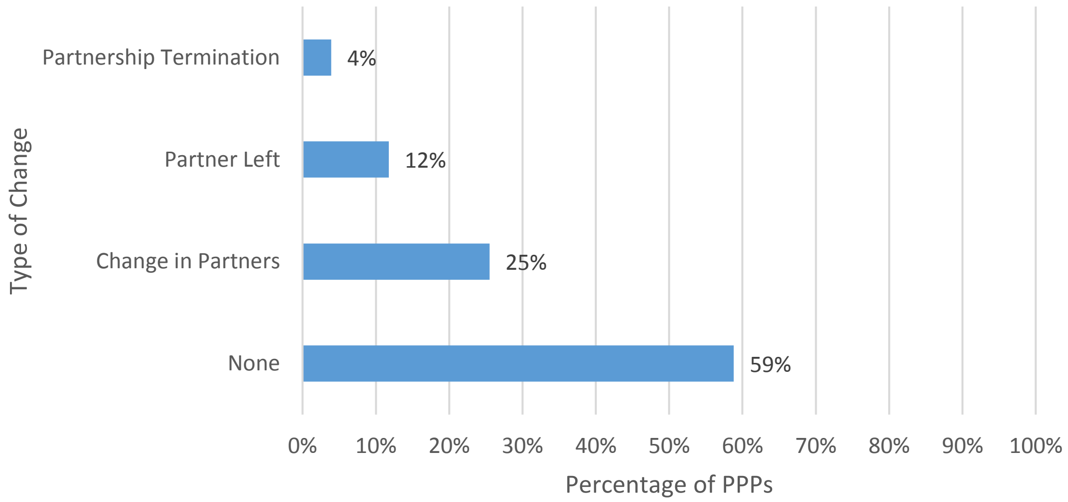
But many of the respondents from the survey altered most changes inevitably lead to a delay in project implementation, as 57% of all PPPs experience consequences to their progress as a result of the changes. However, it must be noted that this graph fails to show the severity of the delays, as they are not all uniform across the PPPs. For example, projects can face severe delays of up to 1 year and even possible project termination, whilst others may only experience minor delays of up to 3 months. The implications of these changes and effects can be represented into three themes, which highlight the severity of the planning and progress consequences:

1. Collapsed projects due to a series of severe delays, such as FDOV12KE02-B3 and B4.
2. Projects struggle and progress is setback by a considerable amount of time. PPPs experience difficulties from a range of factors, such as financial investments or a constraining political and policy environment. One example is FDOV12ML01, which has not even started yet as a result of the political crisis and coup within Mali in 2012. The project will be re-evaluated in June 2016 to assess whether it should be terminated or redesigned and implemented later in the year.
3. Projects experience minor delays, especially during the inception phase, but are still operational.

If changes occur after the inception report has been submitted, RVO must approve these changes before they can be acted upon. One lead applicant highlighted the dynamic nature of the PPPs, "*sometimes what was written in 2012 does not hold anymore. For example, you realise that it was too ambitious, but you cannot change this anymore. You need to go back to RVO and ask for approval, come with a new proposal. Again it has to be approved. The whole process just takes too long*" (Interview KE02-I1). This also demonstrates the need for flexibility as the PPPs are affected by internal and external factors; flexible procedures need to be in place in order to adapt to the changing environments in a timely manner. This is one of the main challenges that PPPs face, with one representative of a partnership stating that "*with six partners with one contract and proposal written in 2012, you can never know in such detail how everything will work over several years*" (Interview RW04-I5).

Figure 3-7 below focuses on the change in partners, but specifically on the type of changes that occur within the PPPs. While the majority of the PPPs (59% of PPPs in this particular dataset) do not experience any changes of partners, 25% do experience partners leaving but being replaced. An additional 12% have partners leave and not being replaced, which means potential expertise and knowledge is being lost from the partnership. Moreover, the responsibilities have to be shifted to other organisations within the partnership. Depending on the significance of the partner, such as the lead applicant, this can have a damaging impact and cause the project to be terminated, such as FDOV12KE02-B4.

Figure 3-7 Changes of partners within PPPs



It also highlights the fact that the partners involved in the PPPs are susceptible to a multitude of factors, such as bankruptcy and market prices changes which may cause strategic decision making changing the importance of the PPP to the company, or company takeover, which can cause partners to leave as well. For example, this was the case for one PPP whereby "*the Algerian (private sector) partner in the consortium was taken over by another company and then stepped out of the consortium*" (Interview RW04-I5). This demonstrates the importance of companies' or organizations' capacity and resilience to be partners for the duration of the PPPs, which can be between 4 and 7 years.

Additionally, there are other factors which may not have even been considered as a risk or eventuality. For example, one PPP operating in Kenya experienced a significant change in the political environment. A respondent stated that "*one important challenge in relation to that contract duration is the devolvement of government in Kenya. The proposal was written with the situation in Nyeri in mind. However, the national government was devolved to the county level with governors in charge*" (Interview KE06-I2). This caused challenges for the PPP as this political change caused market distortion as the newly formed county government became a buyer within the market of coffee. This example is to indicate the types of issues and risks that PPPs can face and may not have necessarily been accounted.

4. In-depth analysis of FDOV I

Abstract. This chapter presents an in-depth analysis of 22 PPPs from Call 1 of FDOV on governance, private sector development versus food security, business environment and policy relevance. The chapter finds that SMEs as the lead actors in PPPs, as compared to MNCs, show higher levels of commitment, risk exposure and community relationships. These PPPs are also characterised by higher levels of (financial) additionality. Furthermore, the chapter shows how the majority of PPPs are situated at the intersection between private sector development and food security, resulting in a balance between business and poverty reduction objectives but equally in a pronounced focus on semi-commercial farmers and weak attention to gender issues. Activities to influence the business environment do not take priority within partnerships.

To fully understand in what way and to what extent PPPs improve food security and private sector development in developing countries, the following chapter presents an in-depth analysis of a selected number of operational PPPs under FDOV I. The analysis is based on field visits and in-depth interviews with different PPP representatives and with policy advisors from RVO.

In-Depth Analysis: Key Questions	Chapter
1. Governance of PPPs	4.1
• How do the partners in the PPPs organise and relate to each other?	4.1.1
• How are benefits and risks distributed across the partners?	4.1.2
• How do the PPPs function in terms of roles and responsibilities?	4.1.3
• What are the implications of the AIM construction in terms of governance?	4.1.4
2. Food security and private sector development	4.2
• Which impact pathways do the PPPs choose to promote food security and/or private sector development?	4.2.1
• Which aspects of food security and/or PSD, as stated in the objectives of FDOV I and II, do the PPPs address?	4.2.2; 4.2.3
• How far in the impact pathways have the PPPs progressed and what results can be observed?	4.2.1
• What are the limiting factors (key challenges) for the PPPs to progress in their impact pathway?	6.1; 6.2
• To what extent is there a balance in (potential) impacts on private sector development and food security?	4.2.4
• Who are the main local beneficiaries of the impact of the PPPs?	4.2.5
3. Business environment	4.3
• To what extent does the impact pathway of the PPPs deal with and/or influence the business environment?	4.3
4. Policy relevance	4.4
• To what extent are the PPPs able to show additionality?	4.4.1
• How are the relationships between the PPPs and DGIS/RVO?	4.4.2
• What synergies between the PPPs and the economic and food diplomacy activities at the embassy level can be observed?	4.4.2

4.1 Governance

In the previous chapter, we discussed various elements that are part of the concept of governance, but for the FDOV portfolio as a whole. Going into detail, governance in a PPP context focuses on the process of communication between the partners, policy formulation, decision making and finally implementation. Issues discussed here are the interaction between partners, the distribution of roles and responsibilities, and issues of ownership. The latter refers to whether the partners are all exposed or not, whether they are influenced by the incentives and potential results of the PPP, and whether they are confident that the business they have set up together, either as individual partners working together or in the form of a joint venture will continue beyond the FDOV subsidy period.

4.1.1 Roles, responsibilities and communication within PPPs

Formally, all PPPs are based on a written partnership agreement which includes the organisational and legal responsibilities and conditions of the PPP. This is a requirement in the FDOV framework, specifying that agreements include all the basic building blocks of the PPPs, including roles and tasks, implementation plan, technical specifications if applicable, project management and communication structures. All parties subject to the PPP are required to sign the partnership agreements, which are developed in the inception phase as part of the results of the first year (R1 report). This has often taken more time than anticipated due to changes taking place during this period with regard to partners involved, details of the product and/or business case, area of implementation, scale of the PPP, the need to study legal implications by partners, etc. Writing the agreement is generally considered "*a lot of paperwork*" (Interview KE04-I2), but can take much more time when changes take place in that first year, and the agreement has to be rewritten, and submitted for assessment and approval by RVO.

Beyond the 'administrative burden' and associated time intensity of drawing up partnership agreements, there are two interesting aspects to note. Firstly, partnership agreements seem to be a paper exercise rather than organising a meaningful form of project description and design. This is grounded in a mismatch between the intended setup of partnership agreements – considered "*very tight*" (Interview KE02B5-I6) and "*stringent*" (Interview RW04-I2) – and the enforceability of these agreements. In a number of PPPs, contract default by participating organisations did not have any repercussions. In two PPPs (MZ04; TZ04), some partners did not fulfil their obligations as per the partnership agreement. Yet, the lead partners were not able to enforce these agreements[15], leading to severe difficulties for the PPPs. In other PPPs, the lead partners themselves had withdrawn or were in the process of withdrawing from the partnership (KE02-B3; KE02-B4; ET06), leaving the partnerships stranded and ultimately leading to collapse of the collaboration. All partnerships mentioned here do not seem to have had any support from RVO with contract enforcement.

The role of the lead partner is very important in the whole process of PPP formation and the implementation of the business case, and when this responsibility is taken seriously, the project can run smoothly. "*Interactions with other partners is very regular; i.e. weekly communications with various partners by telephone, email and (field) visits. Since the start of the projects there have been quarterly meetings of project partners [Steering Committee] during which strategic decisions are being taken*" (Interview RW02-I2).

The physical location of the lead partner and the way in which the lead partner is linked to the other partners in the PPP, seem to play a role in facilitating easy and frequent communication between the partners. In the case of local lead companies or local subsidiaries of Dutch companies, the lead partners were found be to be successful in keeping the partners together and implementation on schedule. In one project: "*It is*

[15] As of the writing of this report.

[name of partner] way of working to work and invest in local partners and the activities are locally managed. This will increase the likelihood that the project activities will continue" (Interview MZ04-I6). In other cases, the lead partner seemed to be less engaged, and this was often in cases when the head office was not in the country of implementation, or when the lead partner did not have a local subsidiary office in the country. Therefore, it was often mentioned that the lead partner should be in the country itself, for faster and easier communication and cooperation. For example, "*[name of partner] is locally embedded, and has local staff, [this] makes things easier"* (Interview VN03-I1).

The AIM projects have had particular problems with regard to project governance (see the separate section on this issue below). Despite the fact that GAIN has a head office in Amsterdam and local offices in the countries, the communication with Dutch or local project partners was neither fast nor transparent. In fact, AIM and the local GAIN offices were generally considered to control the information flows, with the local partners in the various PPPs not informed immediately of decisions taken by RVO. This attributes GAIN the role of gatekeeper between RVO and the workstreams, based on an asymmetrical knowledge position. Generally, the multiple layer model of the AIM projects did not help the governance process: "*With this setup there were too many decision making points. No one seemed to have the control over the decision making process*." (Interview KE02B3-I2).

In addition to the required board meetings and partner meetings, most PPPs organise a substantial number of face-to-face meetings, skype calls and text messaging outside of the regular and prescribed meetings. This keeps partners informed and engaged.

The design of the PPPs and the nodal communication structure between PPPs and RVO (all communication goes through the lead partner) make the PPPs very dependent on the capabilities of the lead partner and its willingness to put extra effort in whenever needed or allowed. PPP management may not be the strong point of companies, however: professional project management skills are necessary. Where these were available, projects were running smoothly. One PPP (KE02-B5) hired a local consultant to handle project management: "*In the initial phases of the project, there were quite some delays. There were different issues, but [company's name] as the responsible partner on the ground, also did not have the capacity to spend much time on the project*" (Interview KE02B5-I2).

4.1.2 Incentives for partner engagement

Most partnerships referred to the importance of having clear roles in the PPPs from the beginning. Every partner needs to be aware of what it needs to deliver, and clarity on this is the condition for success. In almost all the PPPs this piece of advice was given by the interviewees. This includes not shifting to additional roles that are not the core business of the partner when the need arises. Incidentally, discontinuation of a partner caused the responsibilities of that particular partner to be transferred to the other partners (in KE02-B4 for instance). Such a new role is not often among the competences of the other partners, and this causes confusion and disrupts the PPPs proper running.

A second important issue is the need for the partners to be exposed. If all the partners are actively contributing their own resources, they are all feeling the need to make the project a success. This is a regular remark made by the partners, and reflects strategies employed by equity investors, who find this a very important condition. On the other hand, many of the PPPs had serious problems with the issue of 'own contributions'. There often was a lack of clarity of what constituted a contribution. Also, a high contribution made it more difficult for the smaller partners to join a partnership: they simply could not afford to contribute much.

Thirdly, the benefits should be clear and fairly distributed between the partners. The incentive scheme was mentioned as an important reason for the partner to join, and though this may differ in type and magnitude between partners and partnerships, the benefits must be clear for all stakeholders.

4.1.3 Roles and influence of partners in partnerships

A unique position of a partner, based on its control over a resource, its knowledge advantage, or its sheer size, may not be an instrument in sustainable partnerships, but it does play a role in the running of the PPP on a day to day basis. The issue of the role of large and smaller partners came up regularly in discussions, both in relation to their positive and negative roles in governance and management of partnerships. The following table gives an overview of elements related to the type of partner (MNC or local SME) that are relevant for this assessment.

Table 4-1 MNCs and local SMEs as lead partner

	MNCs as lead partner	Cases	Local SMEs as lead partner	Cases
Benefits	• Specific products & knowledge • Access to markets & market information • Professional approach to project management & design • Financially strong; higher private partner contribution (total budget)	TZ01 VN03 KE02B1 KE02B3 KE02B4 KE02B5 KE02E1 KE02E2 ET06	• Institutional sustainability and long term view: often family businesses and high level of risk exposure • Flexible, adjustable, low-cost/spill-over opportunities • Increased chances for business model innovation • Close to community: intrinsic motivation for impact	SA03 TZ04 ET01 ET05 ET09 KE01 KE03
Risks	• Dominant in the partnership • Increased probability of change in business policy (e.g. mergers, change in market orientation) with negative consequences for PPPs (e.g. drop out) • Sensitive to delays • Business model innovation possible, but not high on the agenda (mostly CSR)		• Lower financial contribution (total budget) • Higher risk of financial instability • Small scale business operations/incremental growth: limited impact?	

Explanation: PPPs included in the in-depth analysis, but not mentioned in the table include MZ04 and KE04 and KE06 (with NGOs as lead partners, but with MNC involvement), RW02 and RW04 (with Dutch SME and industry association as lead partners, respectively), and VN05 (Dutch consultancy firm as lead applicant).

As can be seen from the table above, there is a relative balance in the cases between MNCs and SMEs as lead partners, both of which have advantages and disadvantages. Overall, SME-led partnerships seem to be more successful than MNC-led ones, due to higher levels of commitment and risk exposure as well as close community relationships. While MNCs have their strengths in access to markets, financial capital and other resources, they are more prone to treating PPPs are add-on CSR activities (with limited relevance to the core business) which may lead them to lose interest in PPPs. In a number of MNC-led PPPs it was found that they specifically struggle with changes in the MNC's company policy and strategy. For instance, a merger involving the MNCs meant that the project was suddenly considered to be of lower priority by the new management. If the source of MNC financial contribution to the PPP was from CSR funds, this seems to have happened more often. Also, if the cost/benefit of participating in the PPP was becoming negative, withdrawal could follow quickly, or a reduction of the role of the MNC in the PPP. The following quote aims at this: "*They usually have big projects, but when they see no benefits in small projects they may just quit*" (Interview KE02B3-I2). Only in a few cases did we find an MNC that continued its commitment even when policies at management level changed away from the PPPs' focus, or where mergers took place with similarly minded companies. Or another project opportunity came along with a higher financial award which caused the MNC to decide to shift their attention, and leave the PPP (as in the ET06 case).

SMEs seem to be less affected by this type of sudden shift in company policy. Local SMEs have a long term view, as they are often family businesses, and are embedded in their environment from where they also derive meaning. The CEO is often a prominent member of the local community. Local businesses also want to achieve scale, but allow more time for that. On the other hand, their low financial contribution may affect their role in the PPP, they are financially more instable and financially dependent on third party guarantees, and their slow growth may reduce impact within the time frame of the PPP.

Another distinction can be made between SMEs with Dutch and local ownership. The following table illustrates the differences between these types of entrepreneurs.

Table 4-2 Local companies as lead: Dutch CEO versus local CEO

	Local company with Dutch CEO	Cases	Local company with local CEO	Cases
Benefits	• Dominant in the VC • Networking and cluster development (linkages to Dutch government and other Dutch businesses) • Often have a range of funding arrangements	TZ04 ET09 KE02B4	• Embeddedness in local business networks and local community • Long term commitment, often multi-generational	SA03 ET01 ET05 ET06 KE03 KE02B3
Risks	• Do not always have a strong embeddedness in (and focus on) local community		• Sometimes dependent on key Dutch firms (for technological innovation) • Limited linkages to Dutch companies and Dutch government • Limited own funding or access to external funding	

There are clear differences in knowledge level, network and access to funds. However, in many ways, these partners have a similar outlook and serve the same roles in the PPPs. They both have a long term perspective on their business, they use local materials and source locally, and generally can be considered prime examples of lead partners in PPPs.

4.1.4 Governance challenges in the AIM projects

The Amsterdam Initiative against Malnutrition (AIM) projects within FDOV, collectively known under the project code of FDOV12KE02, relate to the Dutch development policy objectives of promoting private sector development and food security, especially with regards to promoting the availability and access of nutritious food for BoP consumers. These eight projects (also referred to as 'workstreams') range from the fortification of food products for various types of clients to rural retail hubs creating local value chains for farmers and promoting access to fresh vegetables for consumers. These projects are ambitious in their scope and intended number of beneficiaries, and are implemented across multiple countries, such as South Africa, Kenya, Tanzania, Nigeria, Bangladesh and Ethiopia.

AIM was developed in order to explore innovative and sustainable solutions to eradicate malnutrition by implementing a market-based approach through multiple stakeholders (GAIN, 2016). In 2013, eight of the AIM projects received funding from FDOV. The Global Alliance for Improve Nutrition (GAIN) takes a leading role within the AIM setup, as they are the coordinator and facilitator of the AIM platform and the applicant for the FDOV grant. Moreover, GAIN provides the technical expertise needed for the design of projects reducing the prevalence of malnutrition.

However, across all of the projects under the AIM umbrella, we found numerous and often similar issues and challenges, which have hindered the achievement of these objectives. The following sections will explore these challenges in further detail.

Lack of coherent and efficient management

Part of the reason for the difficulties that the AIM projects have encountered is due to the construction of the partnerships. It is a complex setup with more than thirty partners involved in various locations and with various institutional levels, which can create confusion to the partners involved. Therefore, strong and transparent management is required to ensure that the projects run efficiently and effectively, particularly on the part of GAIN as the lead partner for the eight AIM projects and the location of the AIM secretariat. However, project partners across countries have unanimously voiced concerns as regards GAIN's management and coordination capacity. They particularly expressed concern over the quality of day-to-day management by GAIN and the fact that GAIN has shifted some of its own responsibilities, such as financial management, to other partners. For example, one respondent describes the role of GAIN within the partnership as follows: "*The construction with GAIN as a lead actor is only fictional. As soon as the project was granted, GAIN shifted the responsibility to the partners which created a difficult position for us and also for the other workstreams. It basically turned into a daisy chain of responsibility*" (Interview KE02B4-I2).

As a result, partners feel that they are being held accountable for responsibilities they did not agree to from the start. This is also evident in another workstream, as one respondent highlighted this particular challenge: "*We are the lead partner within [our workstream], so GAIN wanted to transfer the subsidies to us and then we would have needed to disburse them to the partners. But we did not want this, we did not want to be responsible for the disbursement of subsidies. That's GAIN role; they do this in all the workstreams*" (Interview KE02[..]-I1). GAIN justifies its reduced role by referring to the original setup of AIM as one (big) project with a shared budget and private sector co-funding commitment. "*We cannot be liable for all partners. If one partner doesn't deliver, the subsidy can be withdrawn*" (Interview KE02-I1). Involving lead partners in sharing the risk of co-funding is thus part of GAIN's risk management strategy, but reducing the risk as it was done has created conflicts of interest at the workstream level.

Inefficient and slow communication

Another of the key challenges that the projects faced, and related to the above, is the lack of clear communication or interaction between GAIN and all of the partners both within the workstreams and at higher levels. This includes lack of meetings, but also and very importantly discussions on design, progress, and consequences of changes in the workstreams. For example, one respondent explained the limited level of communication between RVO, GAIN and the rest of the partners: "*Now, the difficulty is that RVO always communicates through GAIN, not to the partners directly. But from our perspective, GAIN is distant and we don't know what they communicate with RVO. We probably answered the same questions from RVO a thousand times, but maybe something got lost at GAIN. Or perhaps at RVO. We just wondered, what did RVO do with our responses*?" (Interview KE02B4-I2). This highlights the vertical and very formally arranged communication lines between all of the partners and organisations involved.

Further evidence was given by a respondent who claimed "*it was also never clear who should communicate with whom. I never also met the other partners in the project*" (Interview KE02B1-I3). Beyond the apparent confusion and uncertainty around communication, this suggests that important communication lines within the AIM project are 'monopolised': GAIN acts as gatekeeper to access to DGIS and RVO, and the lead partners of the workstreams act as gatekeepers to access to GAIN. Overall, this leads to inefficient and slow communication processes, as confirmed by respondents across countries. The same problem of monopolistic communications lines occurred in a non-AIM project where similar partners, including a lead partner and GAIN, were involved in a similar partnership constellation with similar goals and objectives.

Without clear communication, transparency – especially in terms of finance and the timing of activities of various partners within the same implementation schedule – is hard to achieve. This causes confusion for partners who are left in the dark as to the schedule, and mistrust when it concerns financial arrangements. One respondent highlights this issue: "*This, being a project that was supposed to generate subsidy from investments or contributions by the partners, made it very difficult to clearly tell how much subsidy was available*" (Interview KE02B4-I1). It must be noted, that a lack of clear communication does not solely affect the AIM workstreams but some of the other PPPs as well.

Staff turnover at GAIN

The problems in management and communication are exacerbated by the reported staff turnover at GAIN and some of the partners, which has caused a lack of continuity and delays in decision making, as the new staff needed to be informed and updated on the workstream's setup and progress. For example, one respondent explained that a lack of decision making was especially a problem during the inception phase, as they stated "*This was a major challenge especially during the inception phase having eight workstreams all with different partners – and high turnover of staff at the partner level – which made decision making very difficult*" (Interview KE02B4-I1). Another respondent stated that: "*Overall, there have been several staff changes at GAIN and it's always like starting from scratch again. I think there is never a proper briefing of the new people and we always have to start the same discussions with the new people all over again. It's like we think we have dealt with one issue, but then it comes up again as there is somebody new involved at GAIN*" (Interview KE02B1-I1).

The problem of staff turnover is a significant one as the in-depth analysis has highlighted a crucial factor for the lack of progression within the projects. The success of projects is very dependent on positive and trusting relationships between partners, but according to one respondent, this can depend on individuals too, for example "*it just takes a while for this relationship to develop. Oftentimes, it also depends very much on individuals, relationships and personalities. [If this works out] Then there are more chances of positive outcomes*" (Interview KE02B5-I7).

Time delays and collapsed projects

The above mentioned problems are not only causing frustration and miscommunication among partners, they are also leading to significant delays in workstream implementation. The complicated and partially 'fictional' setup of AIM has led to a slowdown in progress, as there are several actors with unclear and overlapping tasks, whilst GAIN is still heavily involved, but seemingly not in a constructive manner. Many of the workstreams have not yet started implementing their project activities because of the delays caused during the inception phase; for example, because of delays in signing the contract (for example in workstream KE02-B1) or simply because coordinating partners in the countries had not received any funding from the project and could not implement activities (Interview KE02B1-I1). Due to a lack of effective management, numerous delays occurred even before the project actually begun (before the R1 report).

Within the AIM setup, two workstreams have collapsed altogether, namely FDOV12KE02-B3 and B4. This is not necessarily associated with delays within projects, but due to dropouts of critical partners. This is strongly linked to the commitment of partners, which depends on a multitude of factors, such as their motivation for being in the PPP, the governance of the PPP or the feasibility of the project. For example, one of the projects terminated, KE02B3, experienced problems related to decision making: "*Even the AIM secretariat did not understand what was going on. If the lead partner of such a PPP was in the country that would help. Now it was in [the Netherlands]. There was a lot of communications between the AIM secretariat and the countries. The management at country level had only one line to the AIM secretariat in [the Netherlands]. A lead agency should be in the country to have decision making power*" (Interview KE02B3-I2).

KE02B4 was terminated as a result of a number of partners, including the lead partner, withdrawing from the PPP, which was extremely significant as they were the main contributor of finance to the project and provider of a key input in the products developed. There were a lot of changes in terms of staff turnover across most of the partners, which led to miscommunication, delays and a lot of back and forth information flows to get the new staff up to speed on the project. The lack of clarity and the different expectations from the various partners caused the project to stagnate and ultimately led to its termination: "*the project did not go beyond result one. Other than change of partners, the product was changed from fresh milk to yoghurt and a Whey based product mainly due to the preferences of the private sector partners [we] were working with*" (Interview KE02B4-I1). With these challenges, the lead for the B4 workstream pulled out of the project: "*The B4 work stream is now officially terminated. No activities are on-going in this workstream. However, the private sector client is making progress without support from the workstream [subsidy]*" (Interview KE02B4-I1). The same applies for the B3 workstream and the non-AIM project referred to above: both have progressed, although admittedly slowly, with the development and introduction of the intended products in the market.

Lack of synergy and learning

One of the strong points in favour of the AIM construction is the potential for synergies and learning that the umbrella approach was supposed to bring, by having eight workstreams with the same overall lead applicant (GAIN). One of the workstreams (KE02-S) even serves as the umbrella for the entire AIM project providing input to learning, monitoring and evaluation, and knowledge sharing among the workstreams. However, the potential for synergies has thus far not been realised. For example, there are few linkages between all of the projects and workstreams, which seems to provide limited value to the AIM construction. The workstreams are being developed and implemented independently of one another. This is also recognised by RVO as a problem.

Whilst there have been positive intentions to create greater synergy among the Workstreams, these did not materialise as hoped for, as one respondent states: "*Several meetings (e.g. in Nairobi) [were organised] where all workstreams were present; that's when you see all these overlaps between the workstreams; people in the workstreams are really interested in how to create synergies also with other projects (e.g. in Kenya). The plan was to have those meetings once a year but last year they did not [happen] due to the delay in the R1 approval process*" (Interview KE02-I1). This demonstrates the problem of delays and how this can exacerbate the lack of synergy between the workstreams.

Not only is the perspective of the persons interviewed on the umbrella design itself not very positive, they also pointed out very specific problems this setup caused for the workstreams. One person interviewed said: "*In the field there were a lot of questions about the added benefit of having this umbrella or S workstream. [Organisations] also put question marks with the existence of this S workstream. There were alternatives, but it is the way it is now and changing it is hard*" (Interview KE02-I2).

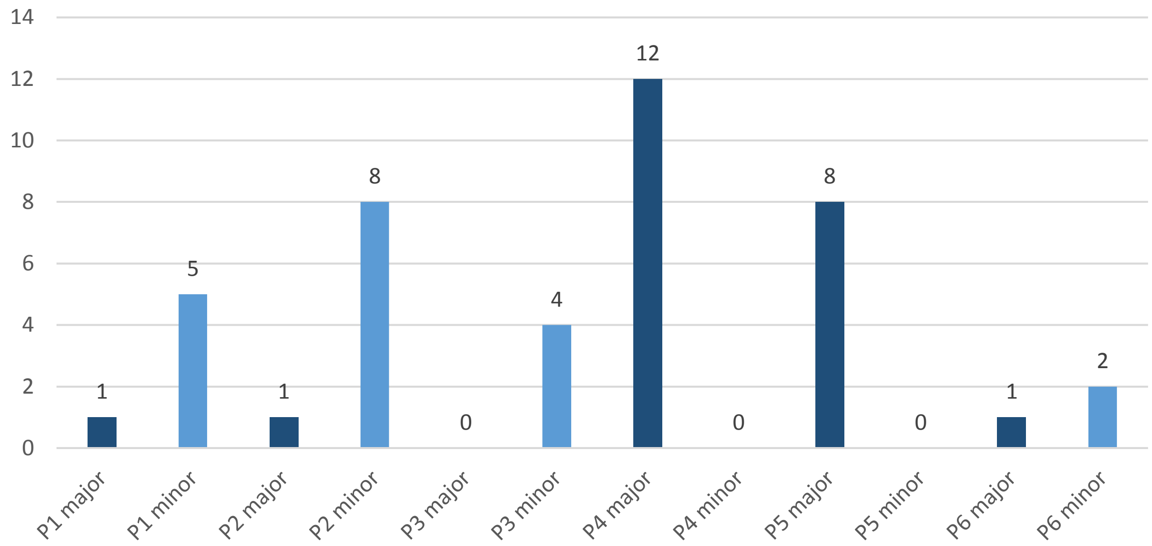
4.2 Food security and private sector development

4.2.1 Impact pathways of PPPs

The great majority of in-depth case studies are located at the intersection between food security and private sector development, as they follow impact pathways P4 "increased efficiency/productivity" [in agricultural production] (12 cases) and/or P5 "increased product quality" (8 cases) as their main impact pathways (see Figure 4-1 below).

In addition, several partnerships pursue "minor impact pathways", indicating that they pay attention to these pathways by incorporating specific activities into their projects, but it is not their primary concern. Of the minor impact pathways, P2 "product development" (8 cases), P1 "functional upgrading" (5 cases), and P3 "entrepreneurship and SME development" (4 cases) are most popular.

Figure 4-1 Impact pathways chosen by PPP case studies



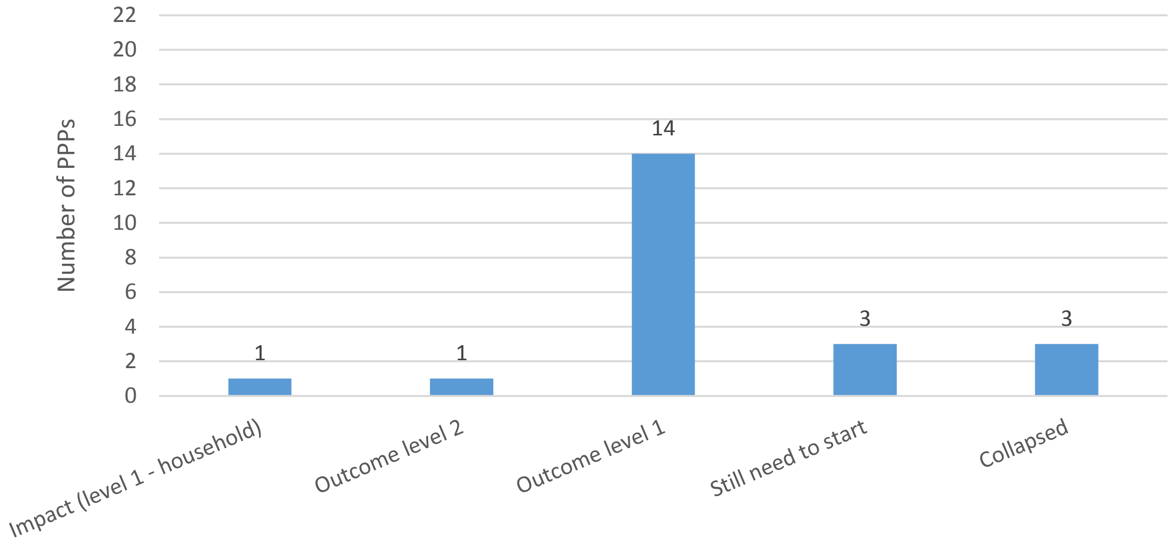
Explanation
P1 = functional upgrading pathway
P2 = product development pathway
P3 = entrepreneurship and SME development pathway
P4 = increased efficiency/productivity pathway
P5 = increased product quality pathway
P6 = climate smart agriculture pathway

Most PPPs following the impact pathways of increased efficiency/productivity or increased product quality are based on a relatively simple intervention logic which focuses on *production improvements in agriculture*; for instance, through the introduction of new inputs (e.g. improved seed varieties), new technologies (e.g. new cultivation techniques or production equipment and implements, such as two-wheel tractors and irrigation equipment) or new varieties (crops not grown by the target group before). Training and capacity building of farmers are considered an integral element of conveying different types of innovation to them. "*We train the farmers and trainers of farmers, in using these machines so that they learn about the adaptation needed to optimally use them under the conditions in the various areas*" (Interview ET01-I3, 2016). In many cases, PPPs not only supply the inputs and technologies, but also purchase the produce of farmers. This market linkage aspect is pronounced in many PPPs. "*For emerging farmers, it is about getting access to such market opportunities, based on the recognition that currently, most of them are struggling to supply formal retail chains as they cannot deliver consistent quality*" (Interview KE02B5-I2, 2016).

Thus, benefits are to be reached through the professionalization of farmers. "*We need to show that farming can be a lucrative business. Farmers can make good money if they professionalise, also small-scale farmers*" (Interview TZ01-I1). Indirectly, this can lead to improved food security and other benefits through higher incomes. "*The social agenda is reached when the [...] farmers are going to earn more money*" (Interview KE04-I1).

All PPPs investigated are part of call 1 of FDOV, i.e. instigated in 2012. However, due to delays in the inception phase experienced by all partnerships, there is a considerable delay in implementation and some partnerships have not yet started their activities. The table below offers an overview of the stage of implementation (status March 2016).

Table 4-3 Status of implementation of PPPs



4.2.2 PPPs at the intersection between food security and private sector development

From the perspective of impact pathways, food security and private sector development are not considered as separate themes, but are closely intertwined. Agriculture is the connecting leitmotif between the two and it "*just depends on what type of glasses you are looking at it*" (Interview PS-I6). The two-fold argument is as simple as it is compelling. Firstly, increased agricultural production leads to enhanced (local) food availability and affordability. This links to the problem of food availability in many low-income countries due to stagnating or declining domestic food production and large fluctuations in production. "*The population pressure in this area is very high. Many don't have adequate access to food. At the same time, many farmers don't use their fields, so there's potential for [production] increases*." (Interview TZ01-I1).

Secondly, increased agricultural production raises incomes and provides employment, which improves the accessibility of food. "*Perhaps the road to food security is through economic development: if the economy is vibrant and creates more jobs and higher incomes, then the food security situation may improve*" (Interview ET02-I2). This corresponds to the view of policy stakeholders who underscored that "*food security includes access to food, the availability of food, income generating and buying power, job creation and therefore it is very close to private sector development*" (Interview PS-I1).

At the same time, the connection of food security to private sector development through increased agricultural production generation and income generation showcases a number of limitations. Firstly, even when food is available, the distribution of food is often highly uneven, as many rural poor cannot afford the food that is produced. Affordability is often thought to go hand-in-hand with increased production, but this is not necessarily the case. Only few partnerships seemed to be aware of this, such as this one: "*The ultimate goal of this project is to get more affordable food for rural areas. But if we only produce at a lower cost, because of cutting out parts of the supply chain, and if retailers then use this to jack up the prices… the benefits of our model need to be passed on to the consumers*" (Interview KE02B5-I7).

Secondly, increased productivity does not always lead to increased incomes for farmers; for instance, because the costs of the required inputs and technologies can outweigh the relative gains in efficiency; or because the increased production leads to lower market prices. In fact, there are many reasons why increased productivity does not result in higher incomes. The partnership working with cotton farmers in Mozambique and Zambia (MZ04), for instance, struggles with the low price for cotton on the world market, which has dropped from a record high at the time that the PPP proposal was written to more 'normal' and much lower prices. As cotton production is unprofitable, many small-scale farmer are switching to other crops. This is, however, not in the interest of the participating ginning companies that are keen to buy cotton but no other crops.

Thirdly, higher incomes may not always lead to improved food security, as it is not clear what happens with the extra income. Previous studies have shown that women are more inclined than men to spend their income on food – which is also why, for example, in Southeast Asia the inferior status of women has to some extent offset the food security benefits of agriculture-led poverty reduction (World Bank, 2008). The difficulties of the partnerships investigated in this study to include women farmers as beneficiaries (see section below) are therefore also to be seen in relation to achieving food security.

Fourthly, many partnerships do not add a nutrition dimension to their focus on agriculture, i.e. the extent to which increased incomes result in improved nutritional outcomes for individuals – this, however, being the ultimate goal of food security as per the IOB Terms of Reference for Food Security (IOB, 2013b). According to FDOV's own criteria, this implies that most PPPs are not 'nutrition sensitive', i.e. do not integrate nutritional considerations through specifically targeting (access to) improved nutrition for women, girls and children, or enhanced purchasing power of women. Only the partnerships under the AIM umbrella work on the nutritional aspects of quality and diversity of food; for instance, by introducing fortified food products, producing micronutrient powders, promoting nutrition-rich vegetable production or enhancing the availability and affordability of fresh vegetables in local retail stores.

Ultimately, this results in a rather restricted view of food security by PPPs. "*Most FDOV projects have a limited interpretation of food security*" (Interview ET01-I2). Moreover, demonstrating a visible impact on food security, particularly on quantitative terms, is difficult. Some PPPs indicated that they cannot fulfil RVO's requests for results measurement. On the one hand, there is a problem of finding relevant and measurable indicators for food security. For instance, one partnership was asked by RVO to measure the impact on food security through the weighing of children under five, which the partnerships considered not feasible. On the other hand, there is a pronounced measurement problem, as partnerships often lack the capacities to monitor their impact on food security. One partnership reported being asked for a detailed results chains to show how increased agricultural output would ultimately have an impact on the poor and malnourished population, as suggested by the partnership. Yet the partnership was unable to demonstrate this. "*We can give some figures but those are more or less figures taken out of the air*" (Interview VN03-I3). This underlines the need to address the challenge of M&E by developing a set of measurable and relevant core indicators that are standardised across PPPs.

4.2.3 Diversity through minor impact pathways

The minor impact pathways are subordinate to major pathways; they do not stand on their own and are intertwined with major impact pathways. Three minor impact pathways have been observed to be most common: functional upgrading (P1), product development (P2) and SME development and entrepreneurship (P3). These three pathways are closely linked to each other. For instance, value chain upgrading often holds opportunities for product development and entrepreneurship. Similarly, product development may facilitate the uptake of new value chain activities through entrepreneurship, such as new opportunities in distribution and processing.

Pathway 1 'functional upgrading' is a comprehensive pathway as it includes significant changes of the entire value chain. A distinction can be made between:

- PPPs aiming to scale up existing value chains;
- PPPs aiming to transform existing value chains;
- PPPs aiming to establish new value chains

The first category of upscaling existing value chains often includes adding specific components to the value chain to increase efficiency, process larger volumes of produce, serve new markets and customer segments, and, above all, perform new functions in the value chain for increased value added. This may take the form of investments in logistics, warehouse facilities, processing equipment or distribution hubs, for example. As pointed out by a PPP in Rwanda: "...*The PPP has been 'catalytic' in pushing KSW to invest even more, and this will provide additional opportunities for the partners involved in the project, but more importantly, will lead to greater development of the sugar value chain as a whole*" (Interview RW02-I2).

The second category of transforming existing value chains indicates a remodelling of value chains to fundamentally change (parts of) how these chains operate in practice. The two PPPs in South Africa, for instance, aim to transform the current set-up of supply chains for formal retail shops to ensure the formation of localized value chains, through local packaging stations and distribution hubs that smallholders can access. "*So instead of the produce being transported to a central distribution hub, e.g. in Johannesburg and then being transported back to Limpopo, we are cutting out many parts of the value chain, making it much shorter and cost efficient, while at the same time giving emerging farmers the opportunity to access these short chains*" (Interview KE02B5-I2).

Thirdly, some PPPs focus on developing completely new value chains, e.g. for new types of products. The Food Tech Africa project in Kenia which aims to establish a fish value chain from scratch presents a striking example of this category. Developing an entire value chain also includes creating a market, as customers need to be aware of the product and embrace it. *"People now know how fresh fish tastes like". You have to teach our consumers what it is. Freshness is the unique selling point"* (Interview KE03-I3). Creating a market is a long term process as indicated by the various seed sector projects which can take even up to 10-15 years. "*This takes time, so this whole endeavour, it's for the long term*" (Interview TZ01-I4).

This shows similarities to the PPPs that take the minor pathway 'product development' where the focus lies on consumer demands or making use of market opportunities. Often these new products contain nutritious value and therefore these projects are based on the major impact pathway 'quality improvement'. This is the case for most of the AIM projects. The sales of products is to support the intake of more nutritious food locally. This minor product development impact pathway is characterized by innovation to look for new opportunities in the market. This brings along risks as consumer behaviour may not be easy to predict. "*Only few people currently are aware of dried vegetables and only few people eat them. That is why awareness campaigns are so important* "(Interview KE02B1-

I4). As these PPPs seek to enter new markets and reach new customer segments, they include a more risky profile regarding accomplishing their project goal.

Lastly, some PPPs pay explicit attention to promoting local entrepreneurship and SME creation linked to the partnerships' business case. "*Whether this links up with the local processors as closely as Passion is with TGT is a question, but there are opportunities of cluster-based development that could be exploited by Ethiopian entrepreneurs*" (Interview ET01-I3).

4.2.4 Balancing poverty reduction and business objectives

As per the objectives of the FDOV programme, business and trade are only considered a means to development, not as an end in itself. This raises the question whether PPPs are able to adequately combine a business case and private gains with public gains, such as poverty alleviation and food security. While it is difficult to express this in terms of absolute numbers and figures, it is possible to investigate the extent to which PPPs pay attention to and work on both public and private objectives.

Overall, most PPPs investigated for this MTR seem to be able to strike a relative balance between poverty reduction and business objectives – although with the important limitation, as outlined in detail in the following section, of focusing not on the poorest of the poor. The only PPPs where a trade-off between a strong business focus and poverty reduction was visible, were those PPPs that deal with non-food commodity production, such as coffee or cotton. This is due to difficult (global) market structures, which are characterized by considerable power concentration in the hands of large multinational companies, and high price fluctuations, which make income increases for farmers unpredictable (the example of the cotton partnership MZ04 is a case in point). Put simply, the terms of trade for smallholder farmers are not unequivocally good and it remains to be seen in how far clear benefits accrue to them through the PPPs. The decision in FDOV II to exclude proposals that predominantly on non-food crops should therefore be welcomed.

The relative balance in most of the other partnerships can be attributed to the diversity in topics addressed by individual PPPs, which often combine their major impact pathways of increasing efficiency or increased product quality with other activities (minor impact pathways). This implies that they combine different activities, such as technical assistance, business development and financial instruments, to address a variety of bottlenecks confronting the beneficiaries (such bottlenecks are discussed in-depth in the PPP proposals). Accordingly, the expected impacts for beneficiaries are distributed across a number of issues. "*The services to the target group will have major outcomes in poverty reduction, increased food security, agricultural productivity and financial inclusion*" (Interview ET05-I2). Thus, the combination of major and minor impact pathways seems to be well suited to address a range of challenges and contribute to a relative balance between poverty reduction and business objectives.

Several PPPs, notably those involving Dutch or local SMEs and entrepreneurs, have built their business case around the inclusion of small producers into formalized economic activities. This finds expression in the notion of inclusive growth, which was mentioned by a number of partnerships. From this perspective, one interviewee stated: "*If you want to have poverty reduction, how do you do that without business? They are one goal*." (Interview SA03-I2).

While some companies indicated that they consider PPPs and working with smallholders as part of their CSR activities, others emphasized the close ties of smallholders to their business model, expressing the relevance particularly in terms of business model innovation. "*For SPAR South Africa, the project is not about corporate social responsibility or corporate social investment. It is about transforming the distribution model of all its retail stores and this project is basically the pilot to this whole transformation*" (Interview KE02B5-I1).

A pronounced difference between those PPPs that are CSR-led and those closely linked to companies' core business in terms of their balance between poverty and business could not be identified. In both cases, benefits to the target groups can arise – although the implementation of PPPs has not yet progressed to the extent that many impacts are visible and measurable. However, when looking at the long-term benefits and the expected continuity of projects, also in terms of balancing diverse objectives, it is those PPPs that closely align with companies' business models that might fare best. "*In the long run, developmental impacts are better anchored in a case where the company is behind the organisational side*" (Interview ET01-I4).

4.2.5 Beneficiaries of PPPs

FDOV's target group officially includes poor households, subsistence farmers and fishermen, vulnerable groups, local SMEs and local government staff.[16] While most PPPs included in this study are characterized by an orientation towards small-scale farmers, the primary beneficiaries do not include resource-poor (e.g. landless farmers or wage labourers) or subsistence-oriented farmers. Instead, PPPs focus on farmers that can be considered (potentially) commercially viable based on asset base (e.g. land size) and market orientation. The FAO State of Food and Agriculture (2014) report classifies these farmers as semi-commercial farmers with access to and control of land, but not necessarily with access to modern inputs and/or formal markets. This suggest that beneficiaries already have existing capacities and/or resources, which, however have not yet been brought to bear due to various constraints. "*The farmers that we work with are 'one level up' from the poorest farmers, but they are still farmers that lack access to a formal trading system, to training, to financial support and to good quality inputs*" (Interview KE04-I3). Farm labourers are only explicitly mentioned as direct beneficiaries by two PPPs investigated (RW02 and RW04), whilst the Base or Bottom of the Pyramid (BoP) element, including attention to poor consumers, is most pronounced in the AIM partnerships as well as ET05 and VN03.

The focus on "high potential" or "entrepreneurial" small-scale farmers may also explain the bias towards male farmers which is evident in nearly all of the PPPs studied for this analysis, as male farmers frequently have better access to productive resources, such as land, financial services, inputs, and education than women, due to various socio-cultural constraints. FDOV I also lacked specific gender requirements that PPPs needed to adhere to and only mentioned gender as a cross-cutting theme.[17] As a result, most PPPs investigated only pay limited attention to gender. Only two PPPs could refer to a specific gender ratio in their targeting of beneficiaries: "*We set up the ratio of 70% for women and*

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[16] This is the official description of FDOV II; in FDOV I the target group was less specified and broadly framed as 'small producers (farmers), entrepreneurs and vulnerable groups in society.

[17] In the second call of FDOV (2014), gender is also mentioned as a cross-cutting theme. However, PPPs are explicitly required to "address the position of women, or an explanation should be given of how the intended result can be achieved without specifically addressing the position of women." Whether this has indeed led to a heightened focus on gender is beyond the scope of this report.

so far 74% of direct beneficiaries are women" (Interview VN05-I1). "*We have a gender component in whatever we do. At least 40% of our beneficiaries must be women"* (Interview KE02B1-I3). The remaining partnerships admitted to encountering difficulties in achieving a significant gender ratio among their beneficiaries, including cultural obstacles and institutional barriers. For instance, one PPP reported that even if women are farming in the household, the training sessions will be attended by their husbands (Interview TZ01-I2). Another PPP explicated that in Tanzania, particularly in the area where they are active, women do not own land and therefore cannot participate in the project. "*We don't have a grip on gender yet. We want to promote bean production, which we think can facilitate women's inclusion [but] we need support with the gender component"* (Interview TZ04-I1).

Three reasons for this orientation towards the relatively better-off can be observed. Firstly, the emphasis on the business case in PPPs seems to be incompatible with a focus on the poorest of the poor. "*Excessive pro-poorness can threaten the viability of the overall business case, which will not be of benefit to anyone. There needs to be a safe commercial bottom line*." (Interview TZ04-I3). The potential for creating small economies of scale, both for input supply and output sales, increases with land size. Secondly, working with very small farmers is often considered to entail high risks. "*Dutch companies are risk averse and prefer to work with larger scale farmers as it is more efficient"* (Interview PS-I2). Finally, the technology gap between (Dutch) agribusiness companies and small-scale farmers in low-income countries, particularly in Africa, is significant. Larger smallholders often have a higher capacity to adopt new technologies, including improved seed, irrigation or agricultural implements. Companies participating in PPPs are often frontrunners, identifying new opportunities and organising pilots to adapt innovations to the conditions of smallholder farmers.

Most PPPs do not seem to apply specific criteria to select the farmers they are working with. Some PPPs indicated that they work with those farmers based on the particular areas they are working in. Others emphasise an element of self-selection based on willingness to learn and early successes with others farmers. "*Usually farmers see the success with their neighbours and then want to enlist as well"* (Interview TZ04-I1).

Only few partnerships work with a set of specific selection criteria, such as the following KE02-B5 which indicated that intervention areas are chosen based on: (1) High number of small-scale farmers seeking market access and development support; (2) high agricultural potential; (3) high rural poverty; and (4) many retail outlets.

A distinction can be made between PPPs that work with a limited number of beneficiaries (the lowest number is 5 small farmers as the initial target group in one PPP) and PPPs that have a high reach of beneficiaries (the highest number of beneficiaries reached until now is more than 8,000 in one PPP). Whereas the former group of PPPs (9 out of 21 cases) seeks in-depth engagement with these beneficiaries and works with them over a longer period of time, ideally seeking long-term business relations with them as suppliers of particular agricultural products, the latter group of PPPs (12 out of 21 cases) often only has short-term engagement with farmers; for instance in the form of once-off training sessions and workshops. This facilitates reaching high numbers of beneficiaries, particularly when considered over the entire project period of usually 4-6 years. One partnership (MZ04) which committed to working with 26,000 farmers during the course span of three years critically self-reflected on this: "*What does it mean if I tell you that 26,000 farmers have been trained? Nothing"* (Interview MZ04-I3). Yet, as the partnership incorporated this number as an official objective in its project proposal, it felt restrained to lower this number and work with fewer beneficiaries.

Ultimately, this points towards two types of trade-offs: firstly, between the type of beneficiaries and the need for a business case, and secondly, between the number of beneficiaries and depth of engagement. From this analysis it appears that reaching the poorest of the poor and implementing a sound business case are often at loggerheads.

As a final point, it is important to note that small-scale farmers are seen as beneficiaries of PPPs, rather than as partners for development who take an active role in PPPs (e.g. in design, implementation or monitoring).

These observations on the pro-poor character of FDOV are in themselves not surprising and many of the interviewed policy stakeholders had anticipated as much. There is also no expectation by RVO that the poorest of the poor can be reached through FDOV. Yet the question of who is the target group of FDOV is not a trivial one. As was highlighted in the portfolio scan (chapter 3), the pro-poor qualities of many PPPs were not specified in the proposals. This suggests the need for concrete steering of proposals towards focusing on gender and the poor (rather than the relatively better-off) to implement a structured approach to pro-poor PPPs.

4.3 PPPs and the business environment

The focus of the various PPPs on longer term results can be split in two dimensions. On the one hand, there is the impact of the PPP on employment creation and food security, and on the other hand the business environment: changing the conditions under which the PPP and other businesses will work in the future. The FDOV framework requires partnerships to make explicit their potential impact on the business environment when applying for a grant. Policy stakeholders therefore expect much of partnerships, as summarised in this statement by a respondent: "*An enabling environment and PPPs belong together; broader societal effects must be achieved, therefore the partnerships also have a relatively large budget. Three million Euro should enable partnerships to address and impact on the business environment*" (Interview PS-I6).

At the same time, the research conducted for this study suggests that impacting on the business environment is not an explicit focus of most of the investigated PPPs. For instance, none of the partnerships clearly aimed or made plans to influence the investment climate of a country/region. Rather, potential (spill-over) effects are often resulting from the core activities of partnerships. The limited set of partnerships may influence conditions and opportunities in their sub-sector, but generally, the PPPs are too small and in a too early stage of implementation to have been able to influence their environment in this dimension.

Most of the potential spill-over effects can be discerned in the area of skills and human resource base. In light of many partnerships' emphasis on working with suppliers on improved production (technologies), training activities of partnerships can be considered to positively impact this area. "*Trainings have started at a large scale*" (Interview RW02-I4), not only of suppliers, but also staff involved in partnerships. These activities can be expected to contribute to better trained farmers, suppliers more generally, and existing staff. In this way, **partnerships fulfil the government's role as providers of training**, as indicated by the following respondent: "*In a normal environment, it would be the government extension services absorbing these farmers. But these are just not there. There are no extension services that could do this*" (KE02B5-I7).

Another important area for potential spill-overs are the multiplier effects in the local economy in terms of job availability and local economic growth. Several partnerships showed a heightened awareness for this and voiced expectations of benefits beyond their direct beneficiaries. For instance, a respondent from the AIM partnership in South Africa expressed an explicit concern to contribute to local economy as follows "*We know that the local economy is critical. We're from this area, we're here to stay. But if there's no jobs in the area, we know that crime will go up. [...] So the only way to prevent this is by creating jobs, creating income. So this is what it's all about, local economic development*" (Interview KE02B5-I3). Nonetheless, the partnerships have not progressed sufficiently in their level of implementation to make concrete statements about multiplier effects.

Furthermore, important aspects that have received attention are the financial infrastructure as well as regulations and legal aspects surrounding the business and the value chain. For instance, ET05 in Ethiopia explicitly targets building financial infrastructure: "*The services to the target group will have major outcomes in poverty reduction, increased food security, agricultural productivity and financial inclusion. [...] At the end of 4 years, 6.6 million people will have access to financial services through 7,894 Account Service Points (ASPs) [...], thereby offering a route to improve economic growth and build household assets for a stronger future*" (Interview ET05-I2). Other partnerships have sought to influence the regulatory environment around food safety requirements, such as the AIM partnerships in Kenya, although these efforts were not met with success.

The case of Ethiopia is particularly interesting with regard to the aspired influence on the regulatory environment. A number of partnerships described a recent change in the attitude of the Ethiopian government, both at local and national (federal) level towards the private sector in general and their particular sector in particular. One company actually attributed this change to their partnership's efforts to inform and convince government agencies of the need for change. They stated that "*In fact, the position of the federal government has markedly shifted as a consequence of this PPP. There is now a massive buy-in from the government in that they see the usefulness of the services to many of their policy goals*" (Interview ET05-I2). The reference to the federal level is intentionally: the government in Ethiopia as elsewhere is not a monolithic block, but rather a nested set of levels, and certain levels are easier to influence than others. In another project, it was stated that "*Ownership by these regional governmental authorities isn't seen [by them] yet; they are a bit passive. Hopefully by engagement of [name of federal government partner] that will change. So [the] government follows the project but at regional level [it is] not always clear what they think, what is their agenda*" (Interview ET01-I4). And in yet another project in Ethiopia, it is stated that change at federal government and local level government is apparent, but that "*it is the regional government that is most hesitant*" (Interview ET09-I2).

This differentiation of government by level has interesting repercussions for FDOV policy and FDOV design: with increasing importance of higher level institutional frameworks caused by the focus on value chains rather than individual companies, as evident in the shift from Call 1 to Call 2 PPPs, the government as an actor in the business environment becomes increasing important as well. It therefore becomes necessary to understand the multi-level nature of government, and the diverse influences of these different levels.

This also draws attention to the **ambivalent roles that "local" governments can play** in and around partnerships, which varies greatly from country to country. For instance, the two partnerships in Rwanda experienced the influence of the Rwandan government as beneficial for their activities. They confirmed that the government is supportive of the partnerships in terms of making land available for foreign investors and offering an enabling environment for the private sector. As stated by an interviewee of RW04, "*the Rwandan government is very enthusiastic about the partnership and very much interested in greenhouse technology*" (Interview RW04-I4).

Partnerships in other countries reported differing and more negative experiences with local government. In Kenya, for example, partnerships were faced by a change in the public governance structure in the context of administrative devolution implemented in 2014 which created new county governments. For KE06 this posed a significant challenge, as these newly created government levels assumed an economic function in the coffee market by acting as traders. "*The counties were taking on the role of traders against their authority. […] In Nyeri, which was one of the intervention areas, the governor demanded from the farmers that they now deliver their coffee to him*" (Interview KE06-I2). As a result, the partnership lost their investment in these farmers and were faced by market competition which did not obey market rules.

Thus, both from a positive and negative perspective, the influence of local governments on the functioning of partnerships can be significant. This emphasises the need for building strong relationships with local governments from the start of PPPs to promote early buy-in, to reduce risks, and to increase the potential for scaling.

4.4 Policy relevance

4.4.1 The question of additionality

a) Assessing additionality

Additionality has been defined as "the extent to which activities (and associated results) are larger in scale, at a higher quality, take place quicker, take place at a different location, or take place at all as a result of a donor intervention" (Heinrich, 2014). In other words, additionality refers to the difference between the situation in which the PPP takes place and the counterfactual situation (what would have happened without public funding and/or involvement).

We approach additionality by using the common distinction between financial additionality and development additionality. Financial additionality assesses whether a company's investment, either unilaterally or in partnership, would not go ahead without donor support. Development additionality refers to the development outcomes that would not have been achieved without the partnership. Development additionality can be further differentiated into behavioural additionality (the extent to which donor support has enhanced the scope, scale, and speed of a project or brought about changes in long-term business strategies) and outcome additionality (the results achieved by a partnerships that would not have been achieved without donor support) (Heinrich, 2013; 2014).

RVO assesses all PPPs under FDOV on additionality prior to granting public funding. However, assessing additionality from an ex-ante perspective is recognised as a challenging task by RVO. Particularly for the PPPs under Call 1, the assessment sheets do not require specific information yet on additionality directly and only parts of the concept can be found back in various other assessment categories (commercial viability, business model innovation, and market distortion).[18] Further, RVO staff often used the term 'additionality' synonymously with anticipated 'impact' or 'effects' of PPPs. This intermixes the questions of whether PPPs are *beneficial* and whether they are *additional*. It also limits the insights on additionality that can be obtained through the ex-ante check implemented by RVO, at least for the PPPs under Call 1. We therefore complement and contrast insights gained through RVO's records (see also Table X for a detailed overview) with the perceptions and experiences by the PPPs themselves.

b) Financial additionality

RVO assessment. In the assessment sheets of RVO, financial additionality finds expression in the following requirement for PPPs: "*The programme is not commercially viable within the programme period, but is able to generate sufficient cash flow (consisting of the grant and the partnership's own contribution) within the life cycle to cover the costs of management and maintenance and financing costs (interest and repayment of the principal) of the investment*."

Of the 22 PPPs studied in-depth in this MTR, only three PPPs were assessed by RVO as commercially viable within the project period, hence not financially additional (and one PPP was not assessed on this point). All other (18) PPPs were deemed not commercially viable within the project period due to:

- high upfront investment costs (either with high risks on return on investment or with low return on investment) (6),
- high costs for technical assistance (2),
- high costs for R&D (2)[19].

These high costs were considered to form too high a risk for commercial funding, attributing high financial additionality to the PPPs.

PPP perspectives. Most PPP respondents confirmed the benefit of receiving access to subsidised financial grants through FDOV to offset financial risks for the partners involved. Interviews also suggest that there is a difference between large multinational (often Dutch-owned) companies (MNCs) and smaller or medium-sized local companies (SMEs) (sometimes with Dutch management or ownership) when looking at financial additionality. The first category of large-scale companies indicated to have the financial capital or access to financial capital to implement the projects also without FDOV. This changes the question from: 'Could the companies have implemented the projects without financial resources from FDOV', to 'W*ould* they have done so at the same scale or time frame'?

There are indications that the companies would have implemented the projects regardless of public funding, albeit possibly on a different scale. One representative of an MNC framed this as follows: "*We would have done our collaboration anyway, so we would have a project even without FDOV. But it would have been smaller in scale*" (Interview MZ04-I4). This was echoed by private sector partners from the PPPs of TZ01, VN03, VN05 and KE04. Only in the case of KE02-B5 did the involved MNC suggest that "*it wouldn't be possible to do*

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[18] For the PPPs under Call 2, RVO assessed additionality using the DCED additionality guidelines (Heinrich, 2014) in a flow-chart manner.

[19] No further explanation was given for the remaining 8 PPPs as to why they are not commercially viable within the project period.

this piloting fully with SPAR's own money, so there are financial reasons [for FDOV]" (Interview KE02B5-I6). Thus, most MNCs might have still implemented the project with their own funding or they might have looked for funding elsewhere. The willingness to implement a project was thus already present, but FDOV funding acted as a catalyst to put this willingness into practice.[20]

When looking at SMEs (based in the country of implementation) as lead applicants the case for financial additionality of public funding seems to be much stronger and fully in line with the definition employed. Examples include ET01, ET09, TZ04, RW0, KE03 and SA03. Respondents from these PPPs unanimously indicated not having the financial resources to implement the project by themselves. "*Most of the expanded activities [with small-scale farmers] would not have been possible without the partnership. We invested knowing that we would get co-funding*" (Interview TZ04-I2). SME representatives also pointed out that they have difficulties accessing credit by commercial providers: "*Subsidy was needed for the investment as the interest rates [by commercial banks] are too high"* (Interview RW04-I2).

c) Behavioural additionality

RVO assessment. In the assessment sheets of RVO, behavioural additionality can be found in the requirement for PPPs to show clear innovation in their business model and activities to determine how FDOV support brings about changes in the long-term strategies of businesses. This is defined in the assessment sheets as "*the extent to which the proposal is innovative in the target country. Innovation could be achieved through innovative processes or products*."

Of the 22 PPPs studied in-depth, 17 are assessed as innovative, 2 are considered to be not innovative, and 3 have no further information on their assessment sheets. Innovativeness is assessed as:[21]

- New contextual application (of existing technology, models, etc.) (2)
- New technology (including agronomic practices) (7)
- New product/service (5)
- New customers (7)
- New suppliers (7)
- New value chain (3)

Only 2 PPPs were assessed as not innovative, as they are based on the continuation of existing activities. Overall, this indicates a high behavioural additionality of PPPs.

PPP perspectives. The interviews confirm the high level of behavioural additionality. The innovativeness of the business model, as assessed by RVO, was only explicitly mentioned by 4 PPPs (TZ04, KE02-B5, SA03 and VN03). Here the functions of public funding to absorb risk and to scale up pilot projects were mentioned as important drivers, but also the formal requirement and monitoring by RVO to develop a sustainable business case, demanding a high level of commitment and scrutiny by the lead applicants.

[20] One also needs to take into account a possible self-selection bias, i.e. only companies interested in implementing a project applied for FDOV funding, which makes it difficult to make any statements about willingness ex-post.
[21] Double counting is possible in this case, as several PPPs feature more than one dimension of innovation. No information on innovativeness was provided for 4 PPPs.

More important were two other aspects. Firstly, several respondents explicitly mentioned that FDOV enabled them to finance the project more quickly and/or to implement it at a larger scale than otherwise, since the donor helped mitigate risk. The 8 PPPs in point include MZ04, ET05, TZ01, ET01, ET05, SA03, KE02-B5 and VN03. This points towards an additionality effect in terms of speed and scale of project implementation, particularly with a view to risk mitigation through public funding. This seems to hold for MNCs ("*We would have done the projects anyway but not on this speed and not on this scale and in this moment in time*", Interview VN03-I3) as well as for SMEs ("*Without FDOV, we would still have done the investment, but we would have had less resources for technical assistance activities, like training of local agents, and the process would probably have taken three more years*", Interview ET05-I2).

Secondly, a number of respondents indicated that (the prospect of) FDOV funding enabled them to approach new partners to implement the work that they wanted to do (VN03, RW02, ET09, SA03, KE02-B1, and MZ04). This is manifest in the following statement: "*SNV was linked for the socio-economic studies, WUR for the technical parts of the project. Without those partners, this project would not have been possible, and it was the money of FDOV which allowed this setup*" (Interview ET09-I2).

d) Outcome additionality

RVO assessment. Outcome additionality is assessed by RVO in terms of potential benefits (see discussion above on additional/beneficial) and in terms of the potential effect of the project on existing (competitor) companies. PPPs are required to demonstrate the following: "*The proposal must make it clear that the programme will not lead to market distortions in the country of implementation or in Europe*."

With regard to market distorting effects, the assessment by RVO shows that of the 22 PPPs, no displacement effects are expected in 9 PPPs whereas 6 PPPs could potentially lead to market distortion (no information was provided on 6 PPPs and 1 PPP is indicated to have recognised and mitigated its potential displacement effect). This suggests that market distortion is a relevant concern for FDOV.

The reasons for no market distortion include:

- Existing commercial providers offer different products or products of lower quality (4);
- The market is big enough to prevent distortion (2);
- There is no free market with private companies anyway (2);
- No information (1).

Reasons for possible market distortion comprise:

- Market parties receive indirect funding through FDOV to develop a market and/or compete with existing companies (unfair competition) (4);
- Unfair competition if farmers are not allowed to sell to other companies (monopsony) (2).

PPP perspectives. Contrary to the concerns by RVO, market distortion was not recognised as a potential problem by interviewed partners in the PPPs. In terms of outcome additionality, interviewees rather highlighted the positive effect of FDOV on the target group that PPPs are able and willing to reach. Several respondents argued that their focus on small-scale farmers was largely due to the overall framework provided by FDOV, in combination with the aspects mentioned above (e.g. risk mitigation, additional funding, etc.). "*Without FDOV, we would continue, but probably not with maize for small-scale producers, at least [not] for a while*" (Interview TZ04-I2).

Further insights on outcome additionality could not be obtained due to the early stage of PPP implementation during the time of research.

e) Drawing lessons on additionality

In conclusion, we can outline the following key findings.

Firstly, the ex-ante assessment by RVO suggests a relatively high additionality of PPPs based on the assumptions that (i) they would not have received funding from commercial credit providers (as the PPPs are not commercially viable during the project period), (ii) they have innovative business models, and (iii) they do not necessarily lead to market distortions (see Table 4-4). However, it needs to be emphasised that the ex-ante assessment did not consider additionality as an explicit evaluation criterion.

Table 4-4 Additionality of PPPs according to RVO ex-ante assessment sheets

Additionality	Financial additionality	Behavioural additionality	Outcome additionality
RVO assessment	*Is the project commercially viable within project period?*	*Is the project based on an innovative business model?*	*Does the company displace other companies already operating in the market?*
Total	No: 18 PPPs (82%) Yes: 3 PPPs (13.5%) n.i.: 1 PPP (4.5%)	Yes: 17 PPPs (77%) No: 2 PPPs (9%) n.i.: 3 PPPs (14%)	No: 9 PPPs (41%) Possibly: 6 PPPs (27%) n.i. 7 PPPs (32%)
Details			
ET01	No (high investment costs)	Yes (new context & new technology)	No (competitors offer different product)
ET05	No (high TA costs)	Yes (new customers, new technology)	Mitigated
ET06	No (high investment costs)	Yes (new customers, new suppliers, new value chain)	No (only imports available)
ET09	No (no further explanation)	Yes (new technology; new suppliers)	No
KE01	No (no further explanation)	Yes (new product/service, new technology)	No (competitors offer lower quality)
KE02B1	No (no further explanation)	Yes (new customers, new product/service)	Possibly (commercial providers receive indirect funding to develop market)
KE02B3	No (no further explanation)	Yes (new customers, new product/service)	No information provided
KE03B4	No (no further explanation)	Yes (new customers, new product/service)	Possibly (commercial providers receive indirect funding to develop market/compete with existing companies)
KE02B5	No (no further explanation)	Yes (new customers, new suppliers, new value chain)	Possibly (commercial providers receive indirect funding to compete with existing companies)
KE02E2	No (no further explanation)	No information provided	No information provided
KE02S	No (no further explanation)	No information provided	No information provided
KE03	No (high investment costs)	Yes (new suppliers, new value chain, new technology)	No (competitors offer different product)
KE04	No (high TA costs)	No (continuation of existing activities)	No (market big enough to prevent distortion)
KE06	Yes (facility put in place by commercial partner on commercial basis)	No (continuation of existing activities)	No (support market for farmers driven by NGOs)
MZ04	Yes (for commercial partner)	Yes (new context)	No (concession system in place)
RW02	No (high investment costs)	No information provided	No information provided
RW04	No (high investment costs)	No information provided	No information provided
SA03	No information provided	No information provided	No information provided
TZ01	No (high R&D costs)	Yes (new customers)	Possibly (commercial providers receive indirect funding to develop market)
TZ04	No (high investment & high TA costs)	Yes (new suppliers, new technology)	No (market big enough to prevent distortion)
VN03	No (high R&D costs)	Yes (new technology, new suppliers)	Possibly (if farmers are not allowed to sell to other companies)
VN05	Yes (costs for R&D and TA are questionable)	Yes (new technology, new customers, new suppliers)	Possibly (if farmers are not allowed to sell to other companies)

Secondly, the interviews confirmed some of the insights from the assessment sheets, but also added more nuances to the debate. Particularly with regard to financial additionality, the interviews brought to light a clear difference between MNCs and SMEs. This indicates that PPPs involving an SME as lead applicant can be linked with higher levels of financial additionality, whereas with MNCs this is a much more artificial construct. This finding is congruent with the existing literature on additionality which attaches higher financial additionality to PPPs when they involve smaller firms (e.g. Boocock and Shariff, 2005; Coffey International, 2012; Heinrich, 2013; Kwakkenbos, 2012; UKAN, 2015). The increased emphasis on involving local companies, usually SMEs, in PPPs under FDOV Call 2 is thus a step in the right direction from this point of view.

Thirdly, assessing additionality of PPPs remains difficult. While the use of a more elaborate assessment framework for PPPs under Call 2 can be welcomed, it does not resolve many of the complexities associated with assessing additionality. All dimensions of additionality require sufficient and specific data to draw upon, which is not always available, especially for ex-ante assessments. Relying on information submitted by PPPs has its limitations in this regard, as most partnerships do not differentiate between outcomes in general and those outcomes that could (potentially) only be achieved with donor support. Specifying the reporting requirements for PPPs during the proposal stage may increase the insights gained through ex-ante assessments on this point.

At the same time, some dimensions can hardly be assessed at all with reasonable credibility prior to project begin. For instance, long-term changes in the company's behaviour due to public funding can, if at all, only be considered after project completion. Thus, ex-post assessments remain a necessity for understanding additionality. Further insights may also be gained by conducting ex-post assessments of what happened to rejected PPP proposals that are roughly comparable to those that did get support, in order to create a counterfactual (Heinrich, 2014).

4.4.2 The roles of DGIS & RVO in PPPs

Linkages to DGIS and Dutch embassies abroad

Formally, the Dutch Ministry of Foreign Affairs (DGIS) is a partner in all PPPs under FDOV. This is justified in the Official Notice for FDOV with DGIS' content expertise and contacts, its ability to establish synergies with other Ministry programmes and its economic diplomacy by Dutch embassies. Interviews with policy stakeholders also confirmed the ambition of DGIS to play an active, content-supporting role in partnerships.

However, in practice the role of DGIS as a partner stands in stark contrast to its ambition. This was recognised by policy stakeholders and also highlighted by most of the PPPs investigated. DGIS is considered as a finance provider but not as assuming an active role in partnerships. "*We don't see them as a partner, DGIS is not involved*" (Interview R04-I5). On the one hand, PPP representatives bemoaned the lack of contact with DGIS. Apart from the moment when the lead applicant and DGIS signed a cooperation agreement at the beginning of the PPPs, respondents characterised the level of contact with DGIS as "very hands-off" (Interview TZ01-I4) or even "none" (Interview KE02S-I1).

On the other hand, respondents seemed to perceive a capacity and expertise gap by DGIS, which limits DGIS' ability to act as a partner. "*There were big hopes that we could work closely with DGIS really on a partnership level, but it then it turns out that they have capacity problems to fulfil this role*" (Interview SA03-I2). Partnerships also seem unclear about who they could contact at DGIS. While different policy staff at DGIS are assigned to work on FDOV, in practice only the former programme head at DGIS was known to the partnerships, at least in some cases.

The linkages to Dutch embassies abroad seem to be stronger, but still a mixed picture emerges. In some countries embassy staff was considered to have been helpful to the individual PPPs. Support activities for partnerships undertaken by the embassies include the facilitation and coordination of interactions with other Dutch organisations and Dutch-funded programmes as well as the organisation of meetings with other relevant actors in development, including NGOs and the private sector. "*The activities [of the embassy] have increased our visibility towards the [local] government and it has contributed to a form of coordination between the various programmes the Dutch embassy is funding*" (Interview ET05-I2).

In other countries respondents indicated to have received less support from their respective embassies. Partnerships reported being in contact with the embassy, so as to keep them informed, and they also stated that they had received at least one visit by embassy staff. At the same time, they perceived the embassies not to be interested in their projects. "*We are in contact, but the contact is not very intensive. I think I would have expected a bit more of the Dutch embassy. [...] the embassy is just too much in the background*" (Interview TZ01-I4).

One reason for the sporadic involvement of Dutch embassies in the PPPs can be found in the lack of structural alignment of FDOV with the strategies of the embassies. This leads to the situation that embassies prioritise the development programmes funded by their own budget and consider a support role for them in FDOV PPPs as secondary.

The relationship between PPPs and RVO

RVO is tasked by DGIS to manage the FDOV portfolio on a day-to-day basis by implementing reporting and monitoring requirements, which ensures accountability of public money and the progress of the projects. This allocates RVO the role as '**watchdog'** of the FDOV programme which is to be fulfilled by means of three main mechanisms. First, partnerships are required to send yearly progress reports. Second, partnerships are obligated to submit quarterly liquidity forecasts, on the basis of which funding is disbursed once R1 (the inception report) is completed. Finally, RVO project advisors visit each project on an annual basis.

The majority of the communication between PPPs and RVO takes place with regard to ensuring that partnerships adhere to a standardised reporting and monitoring framework provided by RVO. Most partnerships, however, experienced this framework as challenging, as it is "*rather complicated and includes too many indicators*" (Interview RW04-I1). Other terms used to describe the framework included "rigid", "impossible", "very technical", and "very demanding". This reveals the nega**tive perception by partnerships of RVO's** reporting guidelines. Respondents unanimously indicated that the reporting requirements add administrative burdens to the project partners, as paperwork needs to be fully compliant with RVO's expectations to be approved.

The reporting format also causes significant delays in partnerships due to slow approval processes at RVO. "*We submitted the inception report in August 2014, but it took until December 2015 that it was finally approved by RVO. [...] It was very frustrating that it took nearly a year and a half to get the report approved*" (Interview KE02B5-I2). This led to problems for several partnerships, as they operate in a commercial market which is changing rapidly. "*RVO had all these demands for R1, for this first step of the project. By the time that we had taken this first step, the market had changed and the partners had changed in interests*" (Interview KE02B4-I2).

While this would suggest the need for quick adjustments to follow the market, the reporting format of RVO leaves relatively little flexibility for PPPs to conduct changes once their proposal is awarded. As was mentioned in Chapter 3, any changes in partnerships need to be approved on their compatibility with the original partnership objectives. While this requirement serves to safeguard contractually committed objectives, partnerships experience this as difficult. "*How to deal with that has been very challenging, especially when RVO is slow to react to approve changes*" (Interview RW04-I5). While partnerships generally appreciated the concern over how Dutch taxpayers' money is spent, they also emphasised that it limits their ability to experiment with and adapt their underlying business case.

Calls for simplified and more flexible reporting formats were therefore made across the board. Some partnerships also expressed the wish to jointly reflect with RVO on the reporting format and how it could be improved.

PPPs also drew attention to the individualised interpretation of the role of project advisors. Whereas some advisors seems to be actively engaged and communicate frequently with partnerships, others are more distant and only contact partnerships when necessary. "*The frequency of interactions varies per partnership and per project advisor*" (Interview RW04-I3). In general, partnerships experienced a closer relationship with their project advisor as beneficial and desirable, which suggests that RVO needs to facilitate the same level of engagement of all their advisors.

5. Comparative review

Abstract. This chapter conducts a comparative review between FDOV and 2SCALE on issues of governance, portfolio management, and policy relevance. While there are clear thematic similarities between the two programmes, significant differences can be identified in how the programmes are governed and aim to attract a portfolio of relevant and effective partnerships. This has implications on a variety of issues, such as programme coherence (higher for 2SCALE than FDOV), transaction costs (higher for 2SCALE than FDOV), monitoring capacity (higher for FDOV than 2SCALE) and programme flexibility (higher for 2SCALE than FDOV). Both programmes struggle with a "hybridisation challenge" which is caused by the challenge of utilising public money as leverage for private investments in development.

This chapter comprises a comparative review of the FDOV programme versus another implementation modality of Dutch food security policy, namely 2SCALE. This is a programme which builds partnerships for agribusiness in Africa, connecting farmers, entrepreneurs and other value chain actors. The main thrust of the review is to understand how the two programmes attract, manage and govern a portfolio of relevant partnerships/projects in the fields of food security and private sector development. The chapter is based on in-depth interviews with key policy stakeholders (i.e. stakeholders involved in FDOV and 2SCALE, respectively) as well as a document study of programme and policy information.

Comparative Review: Key Questions		Chapter
1.	General overview	5.1; 5.2
•	What are the objectives of the programmes in terms of food security and private sector development?	5.1
•	What are the implementation modalities and prescriptions to achieve these objectives?	5.2
2.	Governance	5.3
•	How are the programmes governed and organised, and what is the role of DGIS in programme governance?	5.3 see also 5.6
3.	Portfolio management	5.4
•	How can the PPP proposal and inception process be characterised in each programme, and what are the implications for attracting a portfolio of relevant and effective partnerships?	5.4.1
•	What are the models of the programmes in terms of attracting private sector contributions for public development objectives?	5.4.2
•	How do the programmes measure and ensure sustainability of their partnership portfolio?	5.4.3
4.	Policy relevance	5.5
•	In how far do the programmes contribute to the main priorities of Dutch food security and private sector development policy, and to implementing the Aid and Trade agenda of Dutch development policy?	5.5.1
•	How do the programmes promote public-private partnerships in development cooperation, and what type of partnerships do they advance in particular?	5.5.2

5.1 Background on 2SCALE

2SCALE (Towards Sustainable Clusters in Agribusiness through Learning in Entrepreneurship) is a large agri-business incubator development programme started in June 2012. The programme is supported by a grant of DGIS and led by a consortium comprising the International Fertilizer Development Center (IFDC) (lead agency), Base-of-the-Pyramid Innovation Centre (BoP Inc.) and the International Centre for development-oriented Research in Agriculture (ICRA). It is active in nine African countries, with the objective of creating partnerships between farmers, small-scale entrepreneurs and medium and large scale enterprises, to improve rural livelihoods and food security through inclusive business.

2SCALE aims at building a partnership portfolio of robust and viable agri-business clusters and value chains to supply food at local and national markets, and 'base of the pyramid' customers. Its strategic objective reads as follows:

> To deepen and scale at least *50 public-private partnerships* in selected high-potential sectors (product groups) in nine (9) focus countries in Africa, which together will offer significant and durable opportunity to at least *500,000 smallholder farmers (of which 40% will be women)* to improve their livelihoods and to at least *2,500 SMEs (of which 40% will be female-headed)* to improve sales and provide jobs, while sustainably supplying food to regional, national and local markets, *of which 40%* will be *BoP consumers* (IFDC et al., 2015).[22]

The origin of the programme lies in the 1000+ programme by IFDC which ended in 2010. In the transition phase from 2011-2012, it was decided to upscale 1000+ based on the following critical changes to the programme: firstly, Dutch companies were to be included in the projects (participation was to be encouraged but not as a precondition for partnerships), and secondly, a market-driven approach with emphasis on market linkages in value chains was to be implemented. 2SCALE officially started in 2012 and is designated to be completed in 2017.

5.2 Comparison of key features

The table below offers a comparative overview of the key features of the two programmes in the field of food security and private sector development.

Table 5-1 Comparison of key features of FDOV and 2SCALE

	Facility for Sustainable Entrepreneurship and Food Security (FDOV)	2SCALE
Time span	15 April 2012 – 31 December 2021 2 calls for proposals within a timeframe of 7 years (initially 3 calls, but reduced to 2)	2012 – 2017 (5 years)
Goal/aim	The aim of FDOV is to promote sustainable, inclusive economic development by supporting public-private partnerships aimed at improving food security and private sector development.	2SCALE's goal is to improve rural livelihoods and food and nutrition security in Africa. Its strategic objective is to develop a portfolio of 500 robust and viable agribusiness clusters and value chains in nine target countries in sub-Saharan Africa, supplying food to regional, national and local markets and base-of-the-pyramid consumers.
Focus areas	Food Security and Private Sector Development - various sectors	Agribusiness, value chains and inclusive business
Means	Public-private partnerships	Value chain partnerships / agribusiness clusters
No. of countries	Call 1: 17 countries; Call 2: 17 countries Total: 26 countries	9 countries
No. of projects	Call 1: 36 PPPs (29 when AIM is considered as one project) Call 2: 20 PPPs	53 PPPs

[22] This is the revised strategic objective which was adjusted after strategic considerations, including a decrease in the number of smallholder farmers and SMEs to be reached, directly or indirectly (from 1,115,000 to 500,000 smallholder farmers and from 4,000 to 2,500 SMEs. The anticipated private sector contribution has been adjusted from € 41.5 million, to € 30 million (IFDC et al., 2015).

	Facility for Sustainable Entrepreneurship and Food Security (FDOV)	2SCALE
Management structure	Content: DGIS Administration: RVO	Content, administration and implementation: Partnership consortium composed of IFDC, ICRA and BoPInc.
Role DGIS	Donor (single) / Partner in PPPs	Donor (single)
Financial means	• Total programme costs: EUR 125 million (for two calls) (three calls in Bemo), about • Call 1: EUR 83.1 million • Call 2: EUR 36.4 million • Implementing/staff costs: EUR 10.9 million (Bemo) (RVO only; excluding implementing/staff costs of PPPs) • DGIS contribution (grant): 50% (maximum) • Private sector contribution: 50% (minimum)	• Total programme costs: EUR 85 million • Implementing/staff costs: approx. 48% of overall budget (total) • DGIS contribution (grant): EUR 42 million • Private sector contribution: 50% (but reduced)
Proposal process	Open call for tendering	Closed tendering process led by IFDC itself
Proposal & inception	Inception phase ≥ 1 year	Brokering phase circa 3 years
Target / results	No set targets/results at programme level. Targets and results are indicated per PPP in the full project proposal submitted in the FDOV tender and become part of the Subsidy Ordinance when approved. Benchmarks for the M&E framework for measuring indicators are gathered through a baseline during the inception phase.	"To deepen and scale at least 50 PPPs in selected high-potential sectors (product groups) in 9 focus countries in Africa, which together will offer significant and durable opportunity to at least 500,000 smallholder farmers (of which 40% will be women) to improve their livelihoods and to at least 2,500 SMEs (of which 40% will be female-headed) to improve sales and provide jobs, while sustainably supplying food to regional, national and local markets, of which 40% will be BoP consumers."
Beneficiaries (end users)	Poor households, subsistence farmers and fishermen, vulnerable groups, local SMEs and local government staff.	Farmers and local agro-dealers in partnering agribusiness clusters will be the main beneficiaries
Sustainability	Sustainability is checked conform the FIETS-principle and the ICSR requirements. The project must be Financial, Institutional, Ecological, Technical and Social sustainable amongst which attention is paid to cross-cutting themes gender (women), good governance, climate change and environment. Business-like activities must have a sustained economic effect on local companies and producers. Sustainability must be integrated within the monitoring and adjusted system.	Exit (phasing out) strategies (as outlined in the proposals), will be reviewed regularly and implemented, in consultation with the major partners, and other relevant value chain stakeholders, during the deepening and scaling phases. A distinction is being made between on the one hand the phasing out of 2SCALE, as a public partner, and on the other hand the dissolution of the partnership. Some partnerships may have served their purpose at the end of the 2SCALE programme (or even before the end of the program); others will want to carry on, as a facilitating platform for inclusive business.
Gender / youth	No set criteria for gender within the FDOV programme (but in the 2nd call for FDOV, partnerships had to explicitly address the position of women).	2SCALE explicitly aims to promote gender equality, both within its team and in its field activities. In addition, an important target is that at least 40% of the participants in agribusiness clusters will be women.
Partnership	FDOV prescribes that each PPP is made up of at least 1 public organisation (local and/or DGIS), 1 company, 1 NGO or knowledge institute. At least 1 of the partners must have legal residence in the Netherlands, and 1 must be based in the target country. If one company is a multinational organisation, at least one local SME should be part of the PPP (only in 2nd call).	2SCALE distinguishes two types of partnerships: value chain PPPs with 'lead firms' that directly or indirectly serve or source from smallholder farmers; and agribusiness cluster (ABC) PPPs initiated by a local business champion (a farmer-based organisation or cooperative, processor, trader or retailer) in collaboration with other cluster participants and 2SCALE.

5.3 Governance

FDOV is characterised by two types of duality when it comes to programme management. Firstly, DGIS officially has a double role as funder *and* partner, and secondly, programme management is split between DGIS (policy content) and RVO (administration and monitoring).

As regards the first point, due to its dual role, DGIS is expected to play a more prominent part in FDOV as compared to 2SCALE where DGIS's official involvement is limited to being a funder and anything beyond this lies within the individual discretion of the responsible policy staff. In 2SCALE, for instance, the DGIS policy officer closely monitors and advises 2SCALE management, visiting projects and securing links with other relevant programmes. Whether this makes a difference in terms of 2SCALE's effectiveness, is not certain.

In FDOV, by contrast, DGIS is officially expected to contribute in terms of content, diplomatic support and networking, among others, while at the same time having a management agreement with the lead applicant of the PPPs. Although in practice, DGIS is not experienced as a partner by the PPPs due to the lack of hands-on involvement and unclear task division between DGIS headquarters and RNEs, the double role of DGIS is still cause for concern. It seems to lead to external confusion (subsidy recipients are uncertain, creating liabilities to transparent management of the PPPs), internal confusion (DGIS staff, including embassies, are unclear about their responsibilities) and unease by RVO staff who are concerned about conflicts of interest of DGIS when it comes to spending public funds.

Regarding the second point of duality, the separation of content management and administration/monitoring has the advantage of delegating monitoring and evaluation to RVO as an independent, administratively-oriented watchdog. Yet, at the same time, this implies that there is little content support to PPPs during implementation, as the role of RVO is clearly delineated and limited to monitoring. This is different in 2SCALE where the implementing consortium, especially IFDC, provides content advice to projects. Interviewees also suggest that the roles of RVO and DGIS are not well aligned, ultimately leading to friction and a heavy reliance on individual role interpretations.

Contrary to FDOV, 2SCALE is fully managed, in terms of policy content, implementation and monitoring, by the consortium. The three partners were chosen based on their different areas of expertise: IFDC in field implementation and agribusiness development, BoPInc in low-income markets and Dutch private sector linkages, and ICRA on capacity building. Programme implementation is managed by means of a considerable body of staff, among which the "cross-cutting experts" (specialists who move across the different partnerships) and the regional "partnership facilitators" (approximately 14 each in West Africa and East Africa who are in charge of coordinating the partnerships within their respective geographical area) feature most prominently. Further content support is provided by the Project Advisory Committee (similar to FDOV) and the Partnerships Resource Centre (PRC) of Erasmus University Rotterdam, which helps partnerships with developing impact pathways and theories of change.

As a result of these dimensions of content support, interviewees attest a high level of professionalism and steering capacity to 2SCALE programme management, which are viewed to relate positively to the quality of programme outcomes. At the same time, there is agreement that the transaction costs of 2SCALE are high (and higher in comparison to FDOV. An interviewee indicated that if all the overhead costs (management, local staff, M&E, etc.) are deducted from the programme budget, only €80,000 remain to be invested in a partnership.[23]

Finally, a noticeable difference between FDOV and 2SCALE is the latter's flexibility in implementation. As will be elaborated on in the following sections, several adjustments have been made over time; for instance, in terms of (1) countries of implementation (from

[23] Further information on the value for money of 2SCALE was not available.

8 to 9; one country was also dropped due to pack of progress in identifying promising partnerships and was replaced by another country); (2) local/regional versus export value chains (from local only to accepting export chains); and (3) private sector contribution (reduced over time).

5.4 Programme management

5.4.1 Proposal and inception process

FDOV has official tender processes during which project proposals by businesses, government bodies, knowledge institutes and NGOs forming collaborative ventures (in the case of FDOV) or by businesses may be submitted and are subject to a formal assessment procedure.

In the case of FDOV, interested parties were invited to submit a proposal to RVO through official notices in 2012 and 2014. Prior to submission, potential applicants could make use of an informal and voluntary intake phase to receive guidance from RVO and obtain feedback on a concept note. During the formal assessment procedure, RVO assessed whether the application met the threshold criteria, and conducted a partnership check and a project check, resulting in an overall assessment score. Proposals were presented to DGIS, (including the relevant embassies), the Ministry of Economic Affairs and an independent external evaluation committee, before RVO made the final decision.

Once proposals were approved, partnerships had to complete the so-called inception phase and deliver an inception report, which is officially the first result that partnerships have to achieve and is considered a kind of 'go/no-go' moment for further DGIS funding. The inception phase is scheduled to last a maximum of one year, although all partnerships from the first call of FDOV have taken longer than one year to complete the phase (taking up to three years in some cases). This is due to the high formal requirements that partnerships and individual partnering organisations need to fulfil. Delays are also caused by lengthy approval procedures at RVO.

The proposal and inception phase was significantly different in the 2SCALE programme. Firstly, there was no formal tender process.[24] At the beginning of 2SCALE, IFDC conducted country appraisals to identify high-potential areas for inclusive business. Following this, about 750 business ideas were received through in-country networking and presentations (from 2012-2013). 129 of these ideas were selected and supported by means of intense brokering efforts to connect cooperatives and small-scale entrepreneurs to value chain companies and explore potential scope for collaboration (IFDC et al., 2015). Ultimately, 53 partnerships were chosen based on development relevancy, input-additionality and leverage. Partnerships that were in Burkina Faso, Niger and Togo were phased-out, as these countries were not part of the Dutch partner country list.

Secondly, instead of an inception phase, 2SCALE implemented a brokering phase (2012-2014) during which it helped with the mobilization of partnerships through networking, relationship building, business planning skills, loan applications and multi-year strategy development. While 2SCALE states that it only provided support to get partnerships off the ground (IFDC et al., 2015), the mid-term visitation report voiced concerns about the

[24] Instead of going through a public tender procedure, DGIS disburses its funding for 2SCALE through the 'subsidie regeling partnerschappen'.

ownership of the partnerships. Particularly IFDC took an active role and seems to be the primary actor in many of the partnership agreements (2SCALE, 2014).

2SCALE considers the long brokering phase of three years to have been helpful with the establishment of a balanced portfolio of partnerships, involving both larger Dutch and African companies. Whereas FDOV partnerships were mostly conceived in the Netherlands, 2SCALE partnerships were brokered in the Netherlands and also in Africa. As indicated by an interviewee, it takes a long time to establish a partnership and to build trust between the partners. A one year phase, as in FDOV, has proven not to be sufficient. At the same time, despite the relatively long brokering and start-up phase, the 2SCALE visitation committee criticised the absence of clearly elaborated theories of change by partnerships at the end of the phase, which now needs to take place during the deepening phase (2SCALE, 2014). This phase is supposed to focus on areas such as business empowerment of farmers, inclusiveness and gender.

5.4.2 Utilising public money and leveraging private money

Both programmes aim to engage the private sector to promote economic development in low-income countries, especially through employment and income generation, which can be seen as a clear public good focus – although, as mentioned, not targeted at the very poor. The private sector is deemed a critical partner in this endeavour based on the resource leverage hypothesis, which refers to raising additional (i.e. private) finances and boosting budgets spent on development efforts while attending to efficiency considerations in resource allocation, cost effectiveness and 'value for money' (Kwakkenbos, 2012; Byiers & Rosengren, 2012). Thus, all three programmes speak of leveraging private sector investments for development, at a 1:1 ratio in FDOV and 2SCALE.

In FDOV, the public sector finances up to 50% of individual project budgets (FDOV I: min. of €1 million; max. of €20 million; FDOV II: min. of €500,000; max. of €3 million per partnership). The remaining 50% must come from private contributions: companies must contribute at least 25% of the total eligible costs and the rest may come from NGOs or local public agencies. Private contributions can be in cash (at least 10% of the subsidised costs) or in kind (hardware and technical assistance). Only contributions that are made during and linked to the implementation of the PPP qualify as private contributions, which excludes any private sector investments made prior to the PPP (e.g. existing hardware). RVO monitors the use of project funds based on quarterly financial forecasts submitted by the lead applicant and releases periodic funding after R1 (the "go/no-go" moment of PPPs) on a quarterly basis.

Similarly, in 2SCALE the private sector was foreseen to contribute 50% of the programme budget (for individual projects private sector contributions can range from less than 25% to over 90%). There are two important caveats associated with this. Firstly, the private sector contribution in 2SCALE is an *expected* one as private funding was not secured when the programme started and has since been attracted per partnership. Secondly, the expected private sector contribution has been slightly lowered (from a total €45 million to €40 million) since 2014 due to a change in the monitoring system (IFDC et al., 2015). Only those contributions are monitored (and audited by IFDC) that are relatively easy to quantify, excluding all in-kind contributions from the grassroots. According to an interviewee, this signifies 'moving away from putting a price tag onto everything' and shifts the attention to the transactions taking place between partners, e.g. transactions in terms of products, services and monetary rewards. Private contributions to the functioning of partnerships and their continuity beyond 2SCALE are thus de facto more important than leveraging public investments. Interviewees concede that leverage funds are not well monitored in 2SCALE, as the programme is not about transferring public funds to private companies.

This shift in understanding what counts as a private sector contribution, and how to measure this, has been subject to intense debates at DGIS and has reiterated the complexity associated with private sector contributions.

Firstly, in-kind contributions (e.g. equipment, hardware, labour) present a monitoring challenge. While they are valued by FDOV and 2SCALE – and hence need to be matched with public funding – they are difficult to monetarise in some cases and impact on the cash flow of partnerships. However, a move towards more qualitative indicators of private sector contributions may not necessarily simplify monitoring. An interviewee indicated that in 2SCALE the type of result measurement needed to facilitate individualised, context-specific insights on partnerships and private sector contributions, is not yet in place.

Secondly, in-kind contributions embody an interpretation and enforcement challenge. Both FDOV and 2SCALE prescribe that in-kind private sector contributions, particularly hardware, must be cause-related and cannot be used for ongoing investments or operating costs of the business partners. There must be a clear case for additionality, also to avoid market distortions. However, the interpretation and implementation of these guidelines seems to differ between the two programmes. While in FDOV the construction of a processing plant by a large multinational company was rejected as private sector contribution by RVO and DGIS, a comparable case within 2SCALE was granted by the consortium of IFDC-BoPInc-ICRA.

These two main challenges place severe constraints on the ability to measure the additionality of public funding in quantitative terms.[25]

5.4.3 Sustainability and the business case

In FDOV, sustainability is understood and measured through the application of the FIETS criteria (financial, institutional, environmental, technical and social sustainability) and the four cross-cutting themes of gender, good governance, climate change and environment. Although the FIETS criteria are comprehensive in design, in practice partnerships do not experience them as constructive, and perceive them mostly as an administrative ('tick box') exercise (see also chapter 3 of this report). There is also a strong emphasis on financial sustainability compared to other elements of sustainability. These shortcomings were also observed by policy stakeholders and RVO project advisors, and may indicate that the FIETS criteria do not add as much value to sustainability as hoped for.

From this perspective, it may seem surprising that 2SCALE was advised by its project advisory committee, in response to the 2SCALE mid-term visitation report, to incorporate the FIETS criteria into its programme to measure the sustainability of its projects, particularly their contribution to inclusive development. So far, sustainability in 2SCALE is

[25] Additionality is currently applied as an ex-ante concept in FDOV and 2SCALE. FDOV applies the additionality criteria of the DCED (Heinrich, 2014), whereas 2SCALE has initially focused exclusively on input-additionality (does the lead partner need public funding to implement the envisaged project?) and has only recently started to work on the DCED criteria of additionality (IFDC et al., 2015).

mainly understood in terms of the continuity of partnerships and their ability to sustain themselves once the programme ends in 2017. Emphasis is therefore placed on the projects' business cases and exit strategies.

Also FDOV incorporates the need for a business case of partnerships which RVO assesses based on qualitative (logic of interventions, markets, target market share, etc.) and quantitative (viability of the revenue model) indicators. Projects "must not be commercially viable according to the OECD-DAC criteria", but they should be able to generate sufficient cash flow to cover the costs of management, maintenance and financing costs of the investment (RVO website). At the same time, projects "must be financially sustainable", that is, able to endure without the FDOV subsidy or other subsidies from foreign donors once the project period ends (RVO website). In other words, the business case is assumed to guarantee the sustainability of the projects and needs to be worked out in detail by the partnerships during the inception phase.

As was identified in the portfolio scan of this report (chapter 3), there is a noticeable shift from the first call for FDOV in 2012 and the second one in 2014, denoting a change from concentrating on individual firms towards focusing on (integrated) value chains. Whereas in the first call the business case was often an 'add on' to project proposals, in the second call increasing emphasis was placed on developing a business case in line with value chain activities.

In 2SCALE business plans of partnerships are developed during the brokering phase, with support from 2SCALE through capacity building and financial education. Partnerships first need to develop an exit strategy (which is not mentioned in FDOV): "Exiting the PPP, when results are achieved and sustainability (in terms of competitive edge, including a capacity to continue to innovate and adapt to new circumstances) is assured" (IFDC et al., 2015). During the deepening and scaling phases, more attention is paid to financial sustainability, defined as "the capacity of all value chain stakeholders – individually and collectively – to manage cash flows, and finance both regular business operations and anticipated new investments, in order to sustain competitive advantage" (IFDC et al., 2015).

Thus, both programmes emphasise that projects need to be based on a business case as activities will not be financially supported indefinitely. In FDOV this partially overlaps and relates to the FIETS criteria, while in 2SCALE most attention is paid to financial sustainability and other clear sustainability are (thus far) absent.

5.5 Policy relevance

5.5.1 Relevance for food security and private sector development objectives and the Aid and Trade agenda

Both FDOV and 2SCALE derive their policy relevance from working on issues of food security, private sector development and agricultural value chains. Doing so, the programmes follow Dutch development policy as formulated in the 2011 "focusbrief" (Ministry of Foreign Affairs, 2011b), which selected food security as one of the four priority themes, and the 2011 food security policy, which links food security to increased agricultural productivity, household nutrition, and improved agricultural value chains and business environments (Ministry of Foreign Affairs, 2011a).

In FDOV, partnerships are free to choose whether they primarily aim to address private sector development or food security. As revealed in the in-depth analysis (chapter 4) of this report, this has resulted in an overwhelming focus on the intersection of PSD and food security.[26] In 2SCALE, food security is mentioned as an official objective, but there are no explicit targets on this and as such, it is also not measured by the partnerships.

This also implies that the 2014 adjustment to Dutch food security policy (Ploumen policy letter) and its emphasis on direct nutritional support of vulnerable groups in the face of crisis and conflict, and on environmental sustainability, are only partially reflected in FDOV and 2SCALE. This can be attributed to the strong focus on Dutch private sector experience in agriculture and agribusiness development, which de facto steers policy implementation towards the specific items of Dutch expertise, such as production and (technological) innovation in the agro-food sector.

In FDOV, private sector development and food security are linked to existing enterprises that are embedded in partnerships with diverse public and private actors. Food production occupies a prominent place, which has a direct connection to private sector development (e.g. functional upgrading, new products or new markets) as well as to aspects of the enabling environment (e.g. increasing the skills and human resource base). Linkages to food security are assumed to manifest themselves in terms of increased food availability and higher incomes for farmers, both of which could lead to increased food security. However, as this relationship is generally contested, policy stakeholders also indicated that it is questionable whether the poor gain access to more and better food.

While 2SCALE features a similar thematic scope as FDOV, its specific policy niche can be seen to lie in the focus on incubation of entrepreneurial activity and value chain development through the building of partnerships. Value chains constitute the key element upon which all 2SCALE partnerships are based and which serve as a conduit for inclusive business and BoP strategies. The latter two concepts of inclusive business and BoP, however, do not appear to be well developed in the programme, as pointed out by the mid-term visitation committee. Perhaps as a result of this lack of conceptualization, the committee also observed a disconnect between the emphasis on inclusive business and the BoP at the programme level of 2SCALE, and at the level of individual partnerships. 2SCALE has taken measures since the visitation committee and has mainstreamed BoP strategies into those partnerships dealing with BoP consumers (24 out of 53 partnerships).

Both in terms of geographical focus and agricultural products, 2SCALE seems to have a much more restricted demarcation compared to FDOV which is open in applicants working in 65 countries worldwide and includes all agricultural products except for non-food commodities. 2SCALE, on the other hand, only works on four commodity groups[27], initially exclusively targeted at local and regional value chains, but later on export value chains were included. The programme is active in 9 African countries (8 countries from the Dutch

[26] As the relative absence of "pure" food security objectives in PPPs was already noticed after FDOV I, in the second call for FDOV it was decided to steer project applications by allocating a maximum public subsidy of €26.5 million to food security purposes and €13.5 million to private sector development.

[27] 2SCALE focuses on the following four product-groups: staple crops; vegetables/potatoes and fresh-produce; soy and other oilseeds; and animal production related (poultry, dairy, and related feed/ fodder supply chains).

list of African partner countries, plus Nigeria)[28], with roughly the same number of partnerships as FDOV, resulting in a significantly higher concentration of partnerships per country. The geographical and socio-cultural proximity creates scope for potential synergies among partnerships which 2SCALE supports by means of employing dedicated partnership facilitators based on-site. Whether or not this also facilitates the scaling out of successful approaches from one country to another, as 2SCALE asserts (IFDC et al., 2015) is uncertain at this point in time. The mid-term visitation committee recommends to focus rather on processes of upscaling rather than scaling out which may, in fact, lie outside the sphere of influence of 2SCALE (2SCALE, 2014).

Both FDOV and 2SCALE are characterised by a close alignment to the overall Dutch Aid and Trade agenda, as defined in the report "A World to Gain" (Minbuza, 2013), but less with the individual strategies of Dutch embassies abroad. This may partially explain the relative lack of interest of the embassies to become actively involved in the established partnerships.

The alignment of the programmes with the Dutch aid and trade agenda concerns primarily objectives no. 2 and 3 of the policy agenda, i.e. promoting sustainable, inclusive growth and success for Dutch companies abroad. Both programmes have an explicit focus on Dutch companies doing business in developing countries (specifically Africa in the case of 2SCALE) where the objective is not to support companies' corporate social responsibility activities but rather to promote and support companies' activities and ambitions in terms of implementing inclusive business agendas. In 2SCALE the support for Dutch companies is particularly pronounced due to the intense brokering efforts to connect them to local companies and/or suppliers.

Nevertheless, none of the programmes focus on or include the very poor which can be seen as a misalignment with objective no. 1 of the Dutch aid and trade agenda, i.e. to eradicate extreme poverty. As many partnerships under FDOV and 2SCALE work on improving the efficiency of agricultural value chains, the focus often lies on those small-scale suppliers who are more commercially oriented, who have larger plots of land, and who are able to absorb new technologies and practices introduced by the partnerships. The relative oversight of the very poor is also reflected in the limited attention to gender in the case of FDOV and the difficulties to fulfil its gender targets in the case of 2SCALE, as women-headed households form the majority of households living in extreme poverty. As it is increasingly recognised that linking farmers to markets and enhancing the efficiency of value chains does not automatically lead to pro-poor economic or social outcomes, both 2SCALE and FDOV could learn from the growing international debate on inclusion and pro-poor value chains, including gender and youth integration.

5.5.2 Promoting public-private partnerships

In both FDOV and 2SCALE public-private partnerships play a major role in implementing development cooperation policy. This corresponds to the importance of partnerships in

[28] 8 African countries are on the list of Dutch partner countries. These were intended to be the original focus countries of 2SCALE. According to an interviewee, Nigeria was later added to the list due to the great interest of Dutch companies. South Sudan was recently dropped from 2SCALE due to the lack of progress in identifying promising partnerships, and was replaced by Cote d'Ivoire. While this is not on the list of Dutch partner countries, interest of Dutch companies motivated the decision to include it in 2SCALE.

Dutch development policy, both with regard to food security and private sector development.

In the case of FDOV, emphasis is placed on following the 'Dutch Diamond Approach', in which partnerships are formed between the government (DGIS), the private sector, research institutions and NGOs. Next to FDOV's focus on engaging the private sector, NGOs play a pronounced role in several partnerships, especially in those established in 2014. For instance, in the first call for FDOV, 27 proposals were approved, 5 of which had an NGO as lead applicant and 14 involved a Dutch NGO. In the second call for FDOV, 20 proposals were awarded, of which 10 had an NGO as lead applicant and 12 involved Dutch NGOs.

Three main implications were mentioned by interviewees to be associated with this diversity in partnership composition. Firstly, interviewees emphasised the benefits of having NGOs (or knowledge institutes) involved as contributing to higher quality proposals. Secondly, including (local) public agencies in partnerships is considered to be challenging (see also in-depth analysis) but is also thought to increase the local embeddedness of partnerships. Thirdly, it was mentioned that NGOs and, to a lesser extent, knowledge institutes can assume critical roles within partnerships, such as mediating between international business requirements and local realities.

In 2SCALE, two archetypes of PPPs are distinguished: firstly, value chain PPPs between IFDC and so-called lead partners, i.e. companies serving or sourcing from small-scale farmers, but with no direct physical presence at the grassroots; and secondly, agribusiness cluster (ABC) PPPs between IFDC and local business champions (e.g. smallholder farmer groups, SMEs, processors) in collaboration with other cluster participants. According to respondents, compared to the value chain PPPs, the ABC PPP approach is considered to be more conducive to reaching poorer farmers and are therefore considered to be more "pro-poor".

Due to the focus on value chains, 2SCALE PPPs are often smaller than FDOV PPPs (in terms of participating organisations), do not feature any public participation beyond IFDC itself and do not include NGOs as direct partners (NGOs are only used as contractors for providing technical assistance).

The 2SCALE mid-term visitation committee argued that it was not always convincing that the PPPs included the right partners for realising inclusive development, nor was it obvious how the partners were selected in the first place. From this perspective, the term "partnership" has more weight in rhetoric than in practice, as one interviewee commented. The visitation committee highlighted that 2SCALE PPPs seem to be focused too strongly on the connection between IFDC and a private partner (rather than between the other partners involved), which may ignore or give rise to conflicts of interest between lead companies or local champions and farmer groups. While 2SCALE staff seemed to trust in the inclusive business ambitions of lead firms, the visitation committee noted the difficulties associated with influencing lead firms to modify their business models towards more inclusiveness. Interviewees also cautioned about the potential dominance of lead firms in 2SCALE, which carries the risk of lead firms defining the problems that PPPs aim to address and which makes it difficult to maintain a bottom-up character. Having a local agribusiness cluster as the main partner of IFDC was connected by the interviewees with the creation of more public goods as compared to partnerships with lead firms. Similar observations regarding the participation of large (multinational) firms were also made regarding FDOV (see chapter 4).

5.6 Discussion of the comparative review

As the previous sections have revealed, FDOV and 2SCALE differ significantly in terms of programme management and governance. Based on the analysis conducted, a number of specific roles and responsibilities can be identified, which are fulfilled differently in the two programmes (see Table 5-2).

Table 5-2 Programme governance of FDOV and 2SCALE in terms of role distribution

	FDOV	2SCALE
Donor	DGIS	DGIS
Administration & monitoring	RVO	Consortium (IFDC)
Policy content / technical assistance	Partially DGIS; partially this role is not fulfilled	Consortium
Partner / implementation	DGIS	Consortium (IFDC)
Coordination of partnerships	--	Consortium (IFDC)

In FDOV, DGIS has the official roles of funder and partner. The latter signifies that DGIS is the official public partner in all partnerships (many partnerships also include additional public partners) and partially considers a role for itself in terms of providing policy content (e.g. through its embassies). As the in-depth analysis in chapter 4 revealed, this support role is sporadically and unevenly fulfilled, as only some embassies show interest in the PPPs whereas others do not. RVO's role is defined in terms of administration and monitoring of PPPs. This has the advantage of involving an external, publicly accountable agency as the 'watchdog' of partnerships, but comes with the limitation that only little content support is provided to PPPs during implementation. Coordination of partnerships is also absent.

In 2SCALE, a **significant "clustering" of roles** with the consortium can be observed, while DGIS acts exclusively as a donor without much (official) influence on the content of the programme. Particularly IFDC as the lead agency in the consortium assumes a variety of responsibilities and tasks simultaneously, including (1) acting as a partner in partnerships, (2) providing content support and technical assistance to partnerships, (3) coordinating partnerships within a specific geography; and (4) monitoring the results of partnerships. While this ensures a high level of commitment to 2SCALE, as confirmed by different policy stakeholders, it also creates an accountability deficit due to the absence of an independent external monitoring agency.

These observations for FDOV and 2SCALE point towards a 'hybridisation challenge' which is caused by the challenge of utilising public money as leverage for private investments in development. Public goals of reducing poverty or improving food security are merged with core business goals. This implies that project implementation rooted in corporate management rationales is matched with conventional project management requirements, which leads to the clashing of different and partly contrasting institutional logics. The blurred public-private nexus renders traditional role descriptions obsolete and does not generate clear new role descriptions, which creates uncertainties for the actors involved.

Uncertainty also exists at DGIS about the specific relevance of the programmes and their expected and realistic impacts. This ambiguity seems to be enhanced by the fact that there is little cross-learning between the programmes, even at the level of DGIS policy makers.

FDOV and 2SCALE show clear thematic overlap, but exist completely in parallel, with limited awareness of the experiences of each programme, respectively. Address this co-existence at arm's length at DGIS would appear to be a first and much-needed step towards understanding the relative contribution and value of each programme.

It is recommended for future programmes where DGIS is involved to review effective governance models for public-private funding that address the observed 'hybridisation challenge'. Public and private management structures cannot be simply merged, but require redesigning and novel ways of sharing roles and responsibilities across a diversity of stakeholders.

6. Discussion

Abstract. This chapter discusses some of the main challenges encountered with regard to the design and management of FDOV and with regard to the PPPs, especially those emanating from the environment in which PPPs are embedded. Based on these observations, the hybridisation challenge (identified primarily in chapter 5) is further elaborated on to identify at what levels different institutional logics (may) clash within FDOV and consider the implications thereof.

6.1 Challenges with the design and management of the FDOV programme

During the in-depth analysis, a number of challenges came up regularly. One of the key challenges facing some of the partners in the PPPs is what is called the bureaucracy, and the administrative burden as a result of the requirements for collecting the required agreements, contracts and designs, and for reporting and monitoring from RVO. For example, one respondent stated that "*perhaps we would have refrained from asking for the subsidies had we known the bureaucratic burden involved*" (Interview ET01-I2). The fact that there is a need for these administrative procedures is understandable as this is to ensure greater accountability of public money (see the below the section on hybridisation), but this also suggests that some companies or organisations do not have the necessary expertise, capacity nor guidance to meet these stringent requirements. We state 'some organisations' on purpose, as some partners we talked to referred to the administrative burden of obtaining loans at local banks, which are similarly bothersome, and didn't therefore see the FDOV process as particularly heavy. As one respondent stated: "*the local banks are at least as difficult as FDOV: checking all the time, high interest [rates], rules and inspection*" (Interview ET01-I2). For this reason, many entrepreneurs in East Africa turn to Dubai-based banks for their loans. These are in US dollars which adds to the (exchange rate) risk, but interest rates are lower.

Delays can also be cumbersome for partners due to the complex nature and financial structures of the PPPs and the construction of the partnerships. They may cause noise in the communication, confusion and ultimately distrust. For example, "*partners within the PPPs depend on each other to receive money. If one activity is delayed, this influences the other activities and payments directly*" (Interview PS-I1). This demonstrates the susceptibility of the PPPs to delays, because if one delay occurs, it can cause a negative domino effect of other delays, due to the close dependency of planned activities on one another. This can be exacerbated by the size of the partnerships as a number of respondents have shared the difficulties of effectively operating due to the number of partners: "*the size of the partnership is challenging, also because of all the requirements by RVO. If they would have known this beforehand, they would have chosen for a smaller partnership*" (Interview KE04-I3). However, this can be linked to the management structures of the PPPs and whether there are clear communication channels in place, in order to convey each partner's responsibilities and roles, as another respondent shared an example of these implications, such as limited project implementation, if this is not the case: "*Everyone's role was clear [at the start of the PPP], but later there were distortions or parties missed out*" (Interview KE02B3-I1). It has to be said that these conditions also causes delays in the response time of PPPs on information requests from RVO. It can take considerable time to collect the right information and come to agreements within PPPs.

The issues of administrative burdens and delays are interrelated and unearths another problem that the PPPs encounter, which is a lack of flexibility. Due to the dynamic environment that the PPPs operate in, there needs to be a level of fluidity for the partners on the ground to adapt to the changes within the PPPs and their environment, which can be hindered by the administrative rigidities. To some respondents, the project proposals and inception reports should not be considered a static document due to the dynamic environment and the changes that occur. For example, in one particular project, a respondent said that "*we know that when you start working on the ground and what is needed there then you find out that the original plans are maybe not the best ones and you do not want to be stuck with plans that you wrote down on paper in times when you were not really aware of what was actually needed. This is an important lesson learned*" (Interview VN03-I3).

This suggests that in order to achieve project success, changes need to be made to avert failure, which may require more time and financial resources to implement, or different resources altogether, but which could potentially reduce the risk of projects experiencing extensive delays and possible termination later on. One person interviewed actually suggested a number of ways this could be addressed: "*You have to trust the entrepreneur. So give goals and add checks and balances, including funding steps. Try target stocks [rather than flows] and also: try post-funding. No pre-funding is very much OK. Link the targets with the funding, e.g. 100,000 children reached will provide you with this post-paid money, [...]. Every year you have these targets and you can build in the scaling up: higher goals and higher post-paid money/ loans*" (Interview KE02B3-I1).

It could be questioned whether the requirements for the management of FDOV is suited to the needs of the private sector as it is difficult to account for every risk, whilst the private sector operates in an environment with high level risks depending on the size of the investments and type of market. As another respondent states: "t*he FDOV by design however is not at all facilitative to private sector that seeks a road-to-market approach [...] they were in the right position, with a product almost ready. If they would have used a PSI, the whole thing would have been on the market now*." (Interview KE02B4-I1). One respondent had this view to share, which links the difficulty to plan and avert risks within the dynamic private sector: "*But then what was not really good and we have already communicated this with RVO who did a CSR review of the FDOV. What we actually saw is that's during the whole evaluation process RVO had more or less micromanagement, they wanted to prevent all the risks in the project and at one point we needed to intervene through the MoFA and say we get questions on the smallest risk details which is impossible to predict upfront*" (Interview VN03-I3).

The monitoring and reporting process was also mentioned as a challenge, as this increases the administrative burden in a particular manner. The inception phase (R1) is the first stage where delays and problems start to occur "*because of this inception phase (which was initially not planned for), there is a delay in the PPPs by default*" (Interview PS-I6). Delays constrain the partners as the project activities (R2) cannot be implemented until the inception phase has been approved by RVO, which can cause the project to become irrelevant as external factors such as changes in markets and increased competition from other actors do not allow for delays, which was the case for FDOV12KE06. As one respondent stated: "*MoUs were to be signed with the coops and lead farmers, masons etc. but nothing happened because they were waiting for decisions to be made at RVO. Even when they are explained why the delays occurred, farmers don't always understand this and so competitors came in to take the farmers away from this project*" (Interview KE06-I2). This is an important lesson to consider as this was evident across a number of PPPs, as another respondent stated that "*the farmers and partners could be snatched up by other similar organisations and at least the farmers are asking why nothing happens. Also this type of delay messes up the relationship with the farmers as well as the timelines of all the partners.*" (Interview KE04-I2).

Moreover, the monitoring aspects of FDOV are difficult as the motivation for the partnerships have led to some of the PPPs to create overambitious plans. As one respondent shared: "*[the] planning of partnerships is often unrealistic (although at the same time, partnerships are incentivized to submit ambitious planning in order to be awarded the subsidy), which makes it difficult for RVO to keep track of progress*" (Interview TZ04-I1). With such grand targets to reach large numbers of direct and indirect beneficiaries, it is difficult to measure the impact of the project.

6.2 Challenges in the context of the PPPs

The environment that the PPPs work in poses considerable challenges as well. For instance, in relation to the adoption of the projects by beneficiaries, market circumstances and prices for the commodity of choice can play a vital role in influencing the commitment of partners and farmers. For example, one respondent stated that "*the proposal was written in 2011, 2012. But since then, the cotton market has changed tremendously. Back then, cotton prices were high, so cotton was an attractive crop to grown, but cotton prices have only dropped and crashed*" (Interview MZ04-I3).

This links to another challenge that PPPs face, which are market prices. Not only do changes in local and international prices affect the proposed plans for the projects, but it can alter the rate of adoption of the projects' technologies by farmers and the purchase of products by consumers. In favour of FDOV, it was mentioned that the length of the FDOV projects actually allowed these (often seasonal) disruptions to take place without terminating the project immediately: if the success of the project depends on one or two seasons only, and there is a drought, there is no opportunity to show that the project could under different circumstances have been a success. As a respondent stated: "*However, the risk is a bad harvest in the first year, which may reduce the impact of the project as a whole. Longer term projects are less risky: it allows for seasonal destruction, but over time the effect is clear*" (Interview KE06-I2).

However, in the case of a successful project, there is also the dilemma of too many farmers growing the same crop. If the supply outstrips demand within a limited consumer market, the price of a crop may decrease. This was the concern in one particular PPP, as a respondent stated that "*the problem is, of course, that once there is a successful technique practiced by a farmer and it results in good market prices, the next season all the neighbours will be doing the same, so the prices drop again*" (Interview TZ01-I2). This highlights the importance of the availability of reliable markets for farmers and consumers, and the diversification of produce or goods to trade. If the prices drop of particular crops and products, there will be much less of an incentive for the targeted farmers. This issue can only be addressed in a longer term market development strategy, which may be beyond the timeline of the PPP.

Also, the natural environment of the PPPs in a more general sense can be a major hindrance to the success of the projects. Projects face the risk of climate change, seasonality, drought and (plant/ animal) diseases, which threatens the proposed outcome and desired impact. For example, a respondent shared: "*In this project, the proposal promises yield increases of 200%. Yes, sure, we can achieve yield increases through better inputs and training. But there are a lot of other factors impacting on yields, such as rainfall and how much effort you put into agriculture. Promising 200% is just not realistic*" (Interview MZ04-I3). Further evidence demonstrates the detrimental impact that the natural environment can cause as another respondent stated "*there is a tomato disease affecting the plants. 500 out of 800 have been cleared for this reason and the total production will be significantly affected*" (Interview RW04-I2). This highlights the kind of risks, which are out of the control of the PPPs, but can be severely damaging to the progress of the project and achieving the goal of food security. Additionally, these risks have a severe impact on the livelihoods of the beneficiaries and may affect their own willingness to be part of the project.

The role of government within the country of project implementation can have both positive and negative impacts. In Kenya, the recently established county government took up a private sector role to acquire income, and began buying and selling in the coffee market. This disrupted the relationship between the coffee cooperatives and the partners in a number of partnerships that were working with them. As one respondent claimed: "*the cooperatives in the PPP and elsewhere have the same problem: they are now competing with the Counties*" (Interview KE04-I1). This caused the PPP to lose access to their target population within the County and made them fail in achieving the predicted outcomes. They had to put in extra effort to find cooperatives in areas where local governments had not taken up the role of traders, usually in areas that were not specialised in coffee. This again led to higher transaction costs.

There are no legal obligations or requirements for the government, at any level, such as local, regional and national, to assist PPPs with issues, such as tax or VAT regulations, as they are not a formal partner of the PPP. Instances of assistance given by local Government do occur, such as in the *Sugar Make it Work* project in Rwanda, as the government authorised the long term lease of land to the project. Good relationships with Government through advocacy and lobbying are essential. Where this is not successful, delays can occur. We find one example of this in Ethiopia, which has restrictions on foreign exchange use for imports based on export earnings, as one respondent shared: "*Importing is not easy: foreign exchange is being assigned to companies in limited amounts as the forex is being reserved for large infra[structural] projects in Ethiopia by the government. Exporting to the EU is also difficult due to residue limitations etc., but provides a lot of good will at government level for the forex issue.*" (Interview ET09-I1). In the same case of Ethiopia, another project (FDOV12ET05) has issues with formalising commercial agreements with partnering microfinance institutions (MFIs) which are closely linked to the regional government.

6.3 The hybridisation challenge

Merging or confronting different institutional logics, i.e. legal frameworks, organising principles, logics of action, and even belief systems, creates situations of institutional complexity. The coalescence of different institutional logics – e.g. of public, private and NGO partners – has potential for synergies, as the overall framework of FDOV recognises, possibly leading to the incorporation of existing logics into a new and contextually specific hybrid logic (Skelcher & Smith, 2015). However, competing logics can also result in tensions and resultant trade-offs.

In FDOV, dissimilar institutional logics meet at two interconnected levels: at the level of PPPs themselves (where actors from different institutional backgrounds come together to create action in both public and private domains) and at the level of programme management (where public money is used to leverage private investments in development).

At the level of PPPs, institutional complexity due to these divergent institutional logics seems to be relatively low. In fact, in many partnerships a process of hybridization could be observed, evident in the relative balance between business objectives and objectives of food security or PSD (see chapter 4). Nonetheless, private sector logics seem to dominate in partnerships, which is not surprising given the increasing emphasis by the FDOV framework on developing a clear business case before granting funding for implementation. This suggests that institutional complexity is kept low due to the dominance of the private sector, as compared to other partnership actors such as NGOs and knowledge institutes.

At the level of programme management, however, institutional complexity appears to be significantly higher and tensions manifest. This was already indicated in the comparative review (chapter 5) and is reflected in the difficulties of DGIS and RVO to adequately define and implement their roles in the face of strong private sector logics by partnerships. Divergent assumptions behind financial contributions to partnerships, particularly leveraging a private sector contribution, may easily give rise to clashes between institutional logics. The public goals are assumed to be achieved through the provision of grants, with the implicit assumption that the financial resource is the limiting factor. Goals are achievable once this financial resource is assured, which speak to an implicit assumption of control over the outcome of grant provision. Therefore, there is a direct plan performance requirement which needs to be managed and assured, rather than only a plan implementation requirement.

On the one hand, as the PPPs are grounded in a legal framework and thus fall under the government's authority, DGIS and RVO need to be in control when engaging with a company. They must ensure that partnerships – and the participating private actors – work towards public objectives by means of concretely defined partnership objectives and regular monitoring thereof. At the same time, it is the nature of partnerships that partners (also) pursue their organisational self-interests, which can be distinct from the shared interests and objectives of the PPP (Stadtler, 2014). Business actors in development, for instance, are frequently criticised for pursuing narrow commercial self-interests, and also at DGIS and RVO there appears to be a weariness of the profit-orientation of businesses. This translates into a strong motivation to manage the self-interests of private partners and ensure that they contribute to the common partnership objectives. This is particularly RVO's role, thereby fulfilling DGIS' need for monitoring and accountability towards the general public of the grant given.

On the other hand, these "public sector requirements" do not align with many private sector logics and hence, with the partnerships in FDOV. Administrative processes of control are causing a degree of rigidity in the eyes of most entrepreneurs. They do not expect the plan to be implemented according to expectations, but expect change in even the most fundamental parts of it. The logic of PPPs relies on business success, which may require rapid action and adaptation in response to upcoming opportunities and threats, and even change of objectives and strategies. Otherwise, commercial success may be at risk. Yet from a public perspective instant action may neither be possible, due to necessary administrative processes of control over grant provision, nor desirable due to a different risk perception. Divergent timeframes and expectations how to handle processes and outcomes of PPPs clash.

The divergent logics of how to adjust to changing conditions, whilst remaining in control over these conditions causes the mismatch implied by the need for hybridisation. The solution to this mismatch lies in either selecting business cases where these risks are absent or minimal and can be controlled, or in adjusting the hybridisation process to allow piecemeal adjustments. A number of possible solutions were given by the respondents in this study. One is to make the subsidy dependent on actual achievements. This would imply the capacity of the partnership to pre-finance and take on the risk itself on the one hand, and post-paid subsidies on the other. Another solution given was to 'cut up' the objectives in smaller staged objectives and link smaller grants to these being achieved. Changing the monitoring and evaluation requirements by RVO would constitute a third possible option.

The challenge is clear, the solutions case-based and divergent depending on circumstances. Basically, it implies building and vesting trust in the entrepreneur to adhere to the basic objectives and strategies related to the realisation of public goods, while pursuing private goals. Specific trust building measures will need to be taken to bring the different institutional logics closer together in pursuit of a hybrid logic.

7. Conclusions and recommendations

7.1 Conclusions

Based on the structure and questions in the Terms of Reference, the inception report and the findings of this MTR, the following conclusions on the FDOV programme can be drawn in light of this study's key objectives.

The first objective of this MTR was to understand the extent to which the portfolio of PPPs contributes to promoting food security and private sector development in developing economies. Questions on the PPP portfolio were thus aimed at understanding the effectiveness, relevance, efficiency and sustainability of the programme.

1. We found that the FDOV programme does indeed accelerate the development of the private sector in developing economies, not only through direct support of processes that initiate and scale up subsectors of those economies, but also partially through improving the conditions under which this takes place, i.e. the business environment. Food security is promoted mostly at the level of food availability through increased food production. Of the various pathways identified in the framework used for this MTR, the pathway that combines food security and PSD is the one most often chosen, together with minor pathways that focus on functional upgrading in the value chain and the development of SMEs and entrepreneurial capabilities. The programme is effective, though hampered by delays partly due to administrative and legal requirements of the programme, and partly due to country and case specific circumstances. Differences between PPPs in Call 1 and Call2 show a shift towards increased emphasis on the combined pathway, integrated value chain development (away from product quality improvement) and climate smart agriculture. More attention is also paid to influencing the business environment through human resource development. These changes reflect the adjustments in the legal framework of FDOV.
2. The programme is relevant and provides a niche opportunity for economic actors to co-finance intermediate level investment in promising, mostly agriculture-based sectors of the economy. As stated above, the Aid and Trade agenda as formulated in the various policy documents is closely followed by the programmes portfolio, and knowledge and technology transfer of Dutch companies is evident. Direct beneficiaries are mostly semi-commercial and commercial farmers; resource-poor and subsistence farmers are not the primary beneficiaries, and statements on how they will be reached are not systematically presented in the PPPs proposals.
3. The programme appears to be efficient with an average cost of EUR 343 per beneficiary, which is slightly higher than the costs per beneficiary of GAFSP (EUR 215 to date) and average costs of a set of projects recently assessed by IOB (EUR 139, projects without recurrent costs only). Benefits per beneficiary of the FDOV programme could not be assessed yet in view of the early implementation stage of the PPPs. A more precise definition of what constitutes a beneficiary would assist in obtaining more concrete insights on the cost per beneficiary or value for money.
4. In terms of sustainability, financial and technical sustainability are well addressed, but less is known of the other dimensions of sustainability. The FIETS criteria seem to have been used to define sustainability after proposal development rather than at the start of the formulation process.

The second objective was to assess progress of the PPPs and deliver insights into how PPPs deliver results in both the public and private domain. Questions on the in-depth analysis of a selection of PPPs were aimed at understanding the governance of PPPs, food security versus PSD, the business environment as an objective, and policy relevance.

1. As regards the organisational set-up of PPP, formal agreements which are part of the partnership agreements are adhered to by the PPPs. Informal arrangements of communication were found to be important and critically depend on the need and willingness of lead partners in the PPPs. In this respect, the AIM projects experienced challenges, due to the multi-layered set-up and the workstream design which in practice was more independent than anticipated, hampering learning.
2. As stated above, the combined impact pathway of food security and PSD was chosen most often by PPP, focusing on production improvements in agriculture through training and capacity development ("professionalization of farmers"). Progress has in many instances been rather slow, especially due to delays in the inception phase of partnerships. Both in the private domain (the development of the business case and related value chain) as well as in the public domain (development of the private sector in specific sub-sectors), the PPPs start to show results. In the private domain, the focus of most PPPs lies on raising incomes. In the public domain of food security, progress from improving regional food availability towards increased food access (at household and individual level), however, could not yet be observed in view of the stage of PPP implementation.
3. The level of the business environment is not systematically taken up by most PPPs as an objective. There are however spill-over effects due to the need for human resource development and similar requirements for a proper functioning of the PPP. Dutch embassies are sometimes supportive of PPPs by influencing the legal and political environment, but this is not done systematically.
4. The question of additionality remains challenging. There is some evidence that PPPs involving an SME as lead applicant could be linked with higher levels of additionality, whereas with MNCs this is a much more artificial construct. This holds particularly for financial additionality. Additionality in terms of the development outcomes that could not have been achieved without working in partnership is most often linked to an increase in scale and speed of project implementation.

The third objective was to assess the differences and similarities between FDOV and 2SCALE in terms of objectives and models of implementation, and to understand how they each attract, manage and govern a portfolio of relevant and effective partnerships in the fields of food security and private sector development. Questions on the *comparative review therefore focused on governance, programme management and policy relevance.*

1. In terms of governance, the formal duality of DGIS within FDOV seems problematic, as it is often not translated in practice (PPPs do not perceive DGIS as a partner) and leads to confusion, both within DGIS and externally. At 2SCALE, governance is more coherent due to the clustering of roles at the consortium, particularly IFDC, but does imply higher transaction costs and raises questions of accountability due to the absence of an external monitoring agency such as RVO (in the case of FDOV). Thus, both programmes struggle with the hybridisation challenge of using public money to leverage private investments, which impacts on management efficiency (FDOV) and accountability (2SCALE).
2. With regard to portfolio management, the comparison indicates that FDOV is broader in its support of subsectors, has a stronger food security orientation, and offers a (slightly) better opportunity for leveraging private investments. 2SCALE is stronger

in terms of supporting and developing PPPs (through a long brokering phase), undertakes concrete efforts for synergies among PPPs, and has stricter objectives for gender equality. Both programmes emphasise financial sustainability of PPPs through business case development.
3. Although the two programmes are different in many of the aspects studied and discussed, both are closely aligned with Dutch development policy and the Aid and Trade agenda. They are less linked to relevant programmes of Dutch embassies, and both programmes are not always strong in directly reaching the resource-poor and subsistence farmers.

Overall, the results of this MTR paint a nuanced, yet positive picture of FDOV. There are, however, a number of key issues that could be addressed when designing the next round of FDOV. These are detailed in the following section.

7.2 Recommendations

The final objective of this MTR was to formulate a set of concrete recommendations to assist with the design of a next phase of FDOV (FDOV III). Based on the research conducted and the lessons learned, the following key recommendations serve to inform policy.[29]

1. Repositioning FDOV in terms of higher level objectives

FDOV seeks to promote PPPs in the field of food security and private sector development. As the results of this study reveal, these two main objectives have turned out to be largely overlapping due to the specific impact pathways chosen by partnerships. This renders the 'either/or' question of which to promote less relevant. The ambition for FDOV III could be to sharpen both objectives through clarification and refinement, and explicitly promote non-agri-business sectors previously not applying. This would not exclude the present set of pathways, but would add to it. A clear focus on higher level objectives of the two fields serves as a valuable point of departure.

1.1 From private sector development to equal economic opportunities

From this perspective, the term private sector development reflects a strategy or pathway rather than an objective on its own. Many different objectives are in fact reached through this pathway, one of them being food security through employment creation and higher incomes. From such a perspective, PSD is a means, not an end in itself. To increase the ambition of FDOV, including impacting more on poverty and gender, this part of the programme's objectives could be formulated as "equal economic opportunities" or "inclusive economic development". Such a repositioning recognises the importance of PSD in developing countries, but it also emphasises that spurring economic growth and creating employment in itself is not sufficient – unless it is inclusive and sustainable and creates equal opportunities and benefits for all.

1.2 From food security to food and nutrition security

[29] The recommendations do not follow the same "three-fold" structure as the conclusions, as they refer to the whole of the programme, and not specifically to one of the constituent themes. Not all conclusions necessitated a recommendation.

With regard to food security, FDOV presently focuses on food availability, access and affordability. In the scientific literature on food security, the objective of nutrition security is equally significant, which underlines the importance of access to, utilisation and absorption of essential nutrients in food, and stability in its provision. Currently this dimension is not taken along by most partnerships, in favour of achieving better availability and affordability of food. While these aspects of food security are important they do not create sufficient conditions for reducing malnutrition and delivering positive health effects. The ambition of FDOV III could be enhanced by including this broader aim of realising the full potential of "food and nutrition security".

2. Focusing on integrated value chain development

The observed shift from FDOV I to FDOV II towards integrated value chain partnerships (category C) clearly reflects policy development by the Dutch Government. Should this be promoted further in FDOV III, it is recommendable to demand a clear focus of partnerships on chain linkages rather than individual companies, with a particular emphasis on local or regional value chains. Results from this MTR indicate that this transition is already found in FDOV II, but the potential to further transform value chains is high, offering opportunities for pro-poor outcomes and inclusiveness.

3. Local private sector actors (SMEs) as lead applicants

Based on the in-depth study of 22 PPPs, there are clear indications that, compared to larger sized companies (MNCs) with ownership in the Netherlands, locally operating SMEs can be characterised by higher levels of commitment to PPPs, are more inclined to integrate considerations of poverty alleviation into their business model due to their local embeddedness, and offer a clearer case for additionality. Should these elements be considered as important, FDOV III could encourage and facilitate local SMEs to act as lead applicants. Large companies can still participate in FDOV, particularly with a view to promoting Dutch expertise and knowledge, but only as partners that provide services, such as technical expertise in agricultural production and in supply chain management.

4. Professional project management through specialised partners

Focusing on local SMEs as lead applicants may require giving support to partnerships in non-core business activities through specialised partners. Local SMEs may require access to technical assistance to play their role as lead actor; otherwise staff capacity and financial resource constraints may limit their ability to access FDOV funding. This has been noted as a problem in the PPPs studied and could be resolved through professional project management through specialised partners. The role of project manager within PPPs could preferably be assigned to a professional (local) partner consultant who acts as a project secretariat with the following support functions:

(1) Proposal design and definition of partner roles within partnerships
(2) Handling of administrative and monitoring and evaluation requirements
(3) Managing the partnership in terms of communication and transparency
(4) Managing the stakeholder environment, including local government

5. Making partnerships more inclusive and pro-poor

While FDOV is not an instrument to reach the poorest of the poor, it is an important instrument of the Dutch government to promote PSD and food security. At present, the programme includes mostly semi-commercial farmers and commercial farmers, while resource-poor and subsistence farmers are not participating as direct beneficiaries. To include NGOs in a partnership is not in itself sufficient as a strategy: they may have very practical roles of market research, training and knowledge platform on local conditions in which they have experience. On the basis of a clarified interpretation of the concepts of direct (semi-commercial and commercial farmers and employed staff) and indirect (resource-poor and self-supporting farmers and their dependents) beneficiaries, the impact on the poorest population could be elaborated and expanded in the PPP proposal.

6. Enhancing the impact of partnerships on gender and youth

Promoting gender equality and empowerment of women is currently positioned as a cross-cutting theme in FDOV. This could be enhanced in FDOV III. While progress has been observed from the first to the second call for FDOV, structural adjustments are necessary if the programme wants to go beyond mentioning gender as a cross-cutting (and hence, often secondary) theme and institutionalize gender as a key objective. Gender should then become both a means of partnerships (e.g. promoting female entrepreneurship) and an end (facilitating women's empowerment). We therefore suggest to identify and focus on those economic or agricultural sectors where opportunities for women and youth are most prominent (e.g. due to labour intensity, access to and control over resources, access to markets, etc.). Project proposals must then clearly demonstrate their anticipated impact on gender. Gender objectives could also be expanded in terms of including youth as a category (next to gender).

7. More flexibility in reporting for increased learning in partnerships

While monitoring and evaluation requirements for partnerships are substantive, this does not translate into a dedicated learning trajectory for partnerships. This also relates to how changes in partnerships are currently understood and dealt with by RVO. Changes are primarily understood as a risk to the objective of a partnership, which is why RVO first has to approve of any change before the partnership can proceed. While this is understandable in light of the legal framework (and hence, requirements) of FDOV, it may lead to risk-minimising behaviour by partnerships, which try to make as few changes as possible, even if this were the sensible thing to do. Hence, more reflection in partnerships could be encouraged in FDOV III; for instance, through reflection processes to facilitate learning. Changes in partnerships should then be welcomed as long as these fit within the overall mission and vision of the partnership. The legal framework that is the foundation of FDOV and that determines RVO management options would need to change its requirements and perceptions of risk, and in this respect, FDOV III could build on ideas and initiatives that are already under way to address this issue.

8. Towards a clarified role of DGIS and Dutch embassies

The dual role of DGIS as funder and partner in partnerships has not worked out in practice. Partnerships perceive DGIS and the embassies to have different dynamics and roles. Seeing the uncertainty and dissatisfaction caused by this, more explicit discussion of DGIS's official role would be useful. We propose to define DGIS's role to being a funder of partnerships (including policy development relevant for establishing the overall (legal) framework of FDOV) as well as a facilitator in business environment development through the embassies. A more pronounced and coherent role of Dutch embassies would then include (1) acting as a learning platform (facilitating learning among FDOV PPPs and relevant development interventions initiated by the embassies themselves) and (2) brokering between PPPs and local government agencies. Together, these two functions are expected to create deeper impact through enhanced learning, synergies and local embeddedness. In such a situation, the embassies should have the resources to act this role adequately.

9. Towards a more realistic assessment of the role of local government

The involvement of local government bodies in partnerships has been explicitly encouraged by FDOV, particularly in the second call. While this is laudable in the spirit of participation and ownership, the results of this MTR suggest that local governments can have both positive and negative roles in and around partnerships, owing to the complexity of multi-level government structures, roles and responsibilities (from the national to the district level) as well as continuously changing political settings and priorities. Thus, a realistic assessment of the opportunities and risks involved in dealing with local governments should be part of FDOV III partnerships. If risks are identified, risk mitigation strategies will need to be developed for the scenarios of involving local government as a partner either *in* partnerships or *for* partnerships.

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