



Australian Government

**Australian Centre for
International Agricultural Research**

Position paper

ACIAR's engagement with the private sector



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Executive Summary

The purpose of this paper is to document the Australian Centre for International Agricultural Research (ACIAR's) 'value proposition' for the private sector, focussed on existing organisational strengths. It is a public document intended to communicate with private sector stakeholders what ACIAR has to offer. It outlines what we offer the private sector, and what we look for in private sector partnerships. It also presents forward looking actions, both short and medium term, designed to achieve more active engagement with private research and innovation partners to enhance outcomes from future research for development initiatives.

The Australian Government's aid policy has two principal strategic goals for recipient countries: private sector development and human development. The two are intimately interlinked. Agriculture is, to all intents and purposes, a private-sector activity, providing economic opportunities for more people than any other sector. Furthermore, productivity growth in agriculture is well known to be more effective at reducing poverty and improving livelihoods – particularly women's – than growth in other sectors of the economy. Research is fundamental to innovation and research and innovation are, in turn, recognised as central to sustainable agricultural development. Aid investments in agricultural research for development offer tangible benefit to rural people and, in the longer term, accelerate economic development. With innovative private sector partnerships, agriculture and fisheries can be the driving forces behind a comprehensive economic transformation that delivers more equitable and sustainable growth.

ACIAR encourages Australian agricultural researchers to use their expertise for the benefit of developing countries. ACIAR has, for a long time directly engaged smallholder farmers and/or private sector partners in projects. Increasingly, we are engaging, as project partners, small and medium enterprises (SMEs) and other value chain actors, both in developing countries and Australia. ACIAR seeks to build on the strengths of current private sector partnerships and explore new ways to support inclusive business models, which connect smallholder farmers and their families to business opportunities and markets that can help lift them out of poverty.

ACIAR offers the private sector strong partnerships built on trust, transparency, complementarity and mutual benefit that enable greater innovation in research for development and, as a result, direct and indirect benefits to the economies of developing countries and Australia. ACIAR has four key contributions to make to these partnerships:

1. High quality research along value chains
2. Delivering impacts from agricultural research
3. Networks
4. Credibility.

The private sector offers ACIAR resources, capabilities, networks and partners that are complementary to ACIAR's strengths in stimulating local economic development. In particular, the private sector has five key contributions to partnerships with ACIAR:

1. Pathways to greater scale and impact
2. Diversity of partnership models within value chains
3. Access to value chain knowledge, technologies and innovation capacity
4. Potential to leverage private sector investment
5. Access to markets.

This paper describes short and medium term actions to enhance ACIAR's engagement with the private sector. It also describes guiding principles to underpin ongoing and new relationships, including:

- Supporting diversity
- Maintaining open and regular consultation
- Establishing modest and achievable expectations
- Defining and managing expectations early
- Actively managing risk.

Short term actions in 2015 are:

- Audit of existing private sector engagement and capacity constraints
- Incorporating engagement with the private sector into existing planning and project cycles
- Promotion of best practice
- Capacity building
- Ongoing consultation.

Medium term actions (from 2015 on) are:

- Case studies
- Internal staffing capability
- Private sector engagement plan
- Country specific analysis
- New catalytic investments.

The success of these approaches will be demonstrated by an increase in market-ready smallholders, market access and productivity. Other impacts attributable to our work will include capacity building, policy development, sustainable practices and gender equality.

Introduction

The Australian Government's aid policy has two principal strategic goals for recipient countries: private sector development and human development. The two are intimately interlinked. The private sector provides the vast majority of jobs and opportunities in developed and developing countries alike. A strong private sector can deliver high growth and more jobs and can help reduce poverty.

In developing countries, private sector led economic growth is a necessary – but not sufficient – condition for reducing poverty. In innovative ways, and through careful design, Australia's aid investments can promote private sector growth that fosters economic development and improves the incomes and livelihoods of the world's poor.

Agriculture is, to all intents and purposes, a private-sector activity. Private investment by farmers is the largest and most important source of investment in agriculture in developing countries averaging around US\$170 billion (FAO 2012). Official development assistance (ODA) ranks as only the third largest source of financing flowing to the developing world behind private capital and remittances¹.

Agriculture provides economic opportunities for more people than does any other sector, and productivity growth in agriculture is well known to be more effective at reducing poverty and improving livelihoods – particularly women's – than growth in other sectors of the economy.

Collectively, agriculture, fish and water, present enormous opportunity for private sector led growth. They have been identified as a core priority area of investment in Australia's aid program.

Successful private sector enterprises embrace innovation. Research is fundamental to innovation and research and innovation are, in turn, recognised as central to sustainable agricultural development. Aid investments in agricultural research for development offer tangible benefit to rural people and, in the longer term, accelerate economic development.

The public and private sectors have complementary and interactive roles to play in advancing research and innovation, including adoption and extension of technical, economic and agronomic information. With innovative private sector partnerships, agriculture and fisheries can be the driving forces behind a comprehensive economic transformation that delivers more equitable and sustainable growth.

The purpose of this paper is to document ACIAR's 'value proposition' for the private sector, focussed on existing organisational strengths. It is a public document intended to communicate with private sector stakeholders what ACIAR has to offer. It outlines what we offer the private sector, and what we look for in private sector partnerships. It also presents forward looking actions, both short and medium term, designed to achieve more active engagement with private research and innovation partners to enhance outcomes from future research for development initiatives.

The perspective, approaches, principles and actions articulated in this paper were developed at a private sector workshop hosted by ACIAR, 17-18 November 2014, and subsequently refined in consultation with the Commission for International Agricultural Research, and relevant sections of Australia's Department of Foreign Affairs and Trade (DFAT).

¹ Ion A, Beyard K and Sedaca S (2014) Synthesis of trends in public-private partnerships (PPPs) for improving food security and rural development through agriculture: summary report. Carana report to the Food Systems Innovation initiative - a partnership between ACIAR, AIFSRC, CSIRO and DFAT

The private sector

Within this paper, 'private sector' refers to profit-oriented agribusiness enterprises or organisations, including agriculture and food input suppliers, processors, marketers, transporters, financial institutions etc., that have some kind of business structure. It includes national and multinational corporations, local companies, SMEs, business partnerships, and farmers connected with markets, and/or with formal business structures. We exclude subsistence farmers as they are not connected with the formal economy. Smallholder farmers are however major end users of ACIAR's research results, with the intent that one day they will become profitable businesses.

ACIAR and our engagement with the private sector

ACIAR encourages Australian agricultural researchers to use their expertise for the benefit of developing countries. For over 30 years, ACIAR has worked to improve the productivity and profitability of agricultural systems in the Asia-Pacific region and Indian Ocean rim. ACIAR puts Australia's agricultural innovation system to work to reduce poverty and contribute to the long-term economic prosperity of developing countries. This work contributes to stronger economies and to poverty alleviation, which is central to Australia's aid agenda. Stronger economies in our region assist Australian exporters and investors to access and profit from foreign markets. Support for more-productive, market-led agricultural systems that engage smallholders encourages developing countries to effectively tap into new opportunities.

ACIAR works in partnership with public and private researchers to address the expressed priorities of developing country partners, while also providing benefits to Australian agricultural industries. A typical partnership model in ACIAR's bilateral program is Australian institutions, such as universities, the CSIRO and/or state agricultural departments, collaborating with overseas national agricultural research systems, to address agricultural problems of mutually-agreed priority.

ACIAR has, for a long time directly engaged smallholder farmers and/or private partners in projects. Increasingly, we are engaging, as project partners, small and medium enterprises (SMEs) and other value chain actors, both in developing countries and Australia.

Foreign Minister Bishop has stated her intention to 'utilise [ACIAR's] remarkable research capabilities to better effect'². One important avenue is through new and innovative private sector engagements. ACIAR seeks to build on the strengths of current private sector partnerships and explore new ways to support inclusive business models, which connect smallholder farmers and their families to business opportunities and markets that can help lift them out of poverty.

Using innovative partnerships with the private sector, ACIAR continues to enhance agricultural competitiveness and sustainability, and increase market access and value-chain efficiencies and effectiveness. To achieve these objectives, ACIAR is increasingly implementing multidisciplinary research investments that take a whole-of-value-chain approach. The success of these approaches will be demonstrated by an increase in market-ready smallholders, market access and productivity. Other impacts attributable to our work will include capacity building, policy development, sustainable practices and increased gender equality.

² http://foreignminister.gov.au/speeches/Pages/2014/jb_sp_140618.aspx?ministerid=4

What ACIAR offers the private sector

Strong partnerships with the private sector built on trust, transparency, complementarity and mutual benefits enable greater innovation in research for development and, as a result, direct and indirect benefits to the economies of developing countries and Australia.

ACIAR has four key contributions to make to those partnerships:

1. High quality research along value chains

Investment in agricultural research for development is an essential driver of productivity growth and poverty alleviation in developing countries. Well-targeted research along agricultural value chains can identify and evaluate interventions that drive sustainable change to those who need it most.

This is a highly effective option for reducing poverty for a relatively large beneficiary population: net sellers of food receive greater income through increased production, while net buyers have greater access to, and possibly pay lower prices for, food.

2. Delivering impacts from agricultural research

The 2013 Independent Review of ACIAR noted the care taken by ACIAR in delivering high quality projects with high returns for the investment of ODA funds. A study by the Centre for International Economics in 2011, which aggregated the benefits and costs of 48 impact assessment studies of 130 ACIAR projects, showed that in 2010-dollar terms, the benefits attributed to ACIAR totalled \$15.9-billion from an expenditure of \$189-million, i.e. a benefit:cost ratio of 84:1.

Beyond these economic benefits, numerous ACIAR impact studies and projects have highlighted the social, environmental and community benefits to families and livelihoods of research outcomes.

3. Networks

ACIAR's track record of success is founded upon enduring and trust-based relationships, extending through operations in the developing countries of Australia's Indo-Pacific neighbourhood. Brokering high-payoff partnerships in support of Australia's foreign policy objectives is a core capability for ACIAR.

ACIAR has sound relationships with the key organisations operating within agricultural innovation systems at the local, state, national and international levels. Beyond relationships with traditional content experts and trainers, ACIAR has close relationships with policy makers, officials, and diplomats nationally and internationally. Such networks have large potential to engender private/public partnerships and commercial opportunities. Scientific research partnerships are often a sound basis for subsequent business undertakings.

4. Credibility

The private sector often highlights the value that ACIAR brings as a research-broker with high credibility in the Indo-Pacific region. ACIAR's reputation as an 'honest broker' places it in a unique position to further enhance and facilitate the development of new partnerships in the sectors and countries in which it works.

What the private sector offers ACIAR

The private sector has resources, capabilities, networks and partners that are complementary to ACIAR's strengths in stimulating local economic development. In particular, the private sector has five key contributions to partnerships with ACIAR.

1. Pathways to greater scale and impact

Many agribusinesses aim to 'future proof' their supply chains by ensuring continuity of supply and quality. They have a vested interest in sustainably improving the productivity, reliability and safety of agricultural systems, and the livelihoods of the farmers in those value chains. For many it is no longer optional to be considering the longer term sustainability of the sector in which they are involved.

These agribusinesses, large and small, are increasingly involved in extension services and/or have an extensive reach along value chains, often influencing large numbers of communities. Partnering with such agribusinesses offers the opportunity to take research-based improvements to scale, improving smallholder farmer productivity and livelihoods.

For example, Indonesia is the world's third largest producer of cocoa, all of which is produced by some one million smallholder farmers. In recent years the cocoa industry of Indonesia has been beset by pest and disease problems that have severely limited productivity and household income. Research funded through ACIAR identified disease and pest resistant cocoa varieties with potential to at least double yields and improve quality by 50%. To deliver the benefits of these varieties at scale, the Mars company trained 30 farmers to produce and sell grafted seedlings of the new varieties. Within seven years Mars had supported more than 600 smallholder seedling businesses across Indonesia that produced 6 million cocoa seedlings for sale annually, substantially contributing to the rejuvenation of the industry and the livelihoods of the smallholders. Such impact at scale is impossible for ACIAR to achieve alone.

2. Diversity of partnership models within value chains

The sheer variety of size and specialisation of the private sector offers a diversity of opportunities for engagement with ACIAR, ranging from large multinational commodity firms, to banks, SMEs and smallholder farmer groups.

The opportunity is to move beyond direct project engagements with private sector partners, into new and catalytic forms of partnership, to enhance adoption of research products and scale-out of research outcomes.

Finance institutions, for example, are increasingly providing credit to smallholder farmers, but finding that success is linked to the provision of credible and appropriate technical information and reliable advisory services for improved production and/or marketing. This creates opportunities for partnerships between ACIAR and finance institutions that have mutual benefits towards a common goal: sustainable smallholder livelihoods, within profitable agribusiness value chains.

Multinationals involved in agricultural innovation, such as Syngenta, Pioneer (DuPont) and Bayer, are consolidating their research efforts, and thereby providing opportunities for national and niche market research alliances between public and private sector research.

Private sector research is often focussed where benefits can be best appropriated by the investor, for example in areas where there are protections, hybrids and patents. New modes of partnership have the potential to provide access to commercially protected inputs, in a manner that makes them more accessible and affordable for poor smallholders.

3. Access to value chain knowledge, technologies and innovation capacity

The private sector has to be responsive to shifting dynamics and blockages within value chains, operating at local, national and international levels. Private sector research is often focused upon pressure points within agricultural value chains, such as access by farmers to goods and services. The private sector can bring a ‘whole of agribusiness value chain’ approach to creating economically sustainable solutions, using their market, finance, consumer and policy research and understanding to adapt scientific outputs to marketable results.

Partnering with the private sector links ACIAR research to more applied knowledge sets, attuned to different factors influencing agricultural productivity and value chain performance and profitability. The private sector can provide access to physical infrastructure that might otherwise be unattainable by ACIAR-funded research. In many situations, it is access to this infrastructure that ensures the benefits of research initiatives adopted by smallholder farmers are realised.

Private sector innovation capacity, as with development of small farm machinery, can be essential to the successful uptake of research from ACIAR projects (such as with conservation agriculture and zero till planters). Seed distribution and farm-level uptake are also key private trader roles.

4. Potential to leverage private sector investment

By partnering with the private sector, there is an opportunity to position new initiatives for greatest impact utilising the significant and routine investments made by the private sector in developing countries. As a case in point, publically-funded research over thirty years, in Thailand and Vietnam, on varieties of cassava suitable for commercial starch production, stimulated private sector investment in starch factories, which in turn created livelihoods for millions of farm families.

5. Access to markets

Working with the private sector (such as agribusinesses, input suppliers and finance institutions) within inclusive business models, creates opportunities for smallholder farmers to realise immediate benefits – from improved farm productivity and product quality through the market access that the private sector partners can facilitate with mutual benefits.

Enhancing ACIAR's engagement with the private sector

New commercial opportunities for the corporate sector to increase impact and to capitalise on ACIAR research outcomes are emerging through:

- Rapidly globalising agricultural food chains
- Economic and population growth in many developing countries - expanding markets
- Increasing urbanisation creating market opportunities
- Threat of further food shortages in next decade and beyond
- Demands for increasing value adding to achieve food and diet nutritional improvements
- Scope for private extension services to fill gaps in many developing countries

Given the rapid globalisation of input supply and agri-food chains, and the opportunities and risks these present for smallholder farmers, the imperative for ACIAR to work with the private sector has never been stronger. Many private sector firms linked to smallholder agricultural value chains recognise this imperative. As a result, ACIAR seeks to realise new opportunities to link with the private sector, in inclusive business models, which contribute towards poverty alleviation by including lower-income communities within its value chain, while not losing sight of the ultimate goal of business, which is to generate profits. Both scientific and socio-economic research enhances the understanding and opportunities for profitable market growth prospects.

Through novel private sector engagements, ACIAR aims to contribute to economic development and poverty alleviation in four areas:

- wider adoption of research outputs
- inclusive models for women in agribusinesses
- stimulating private sector investment to capitalise on promising research outcomes and
- addressing agribusiness value chain constraints and risks.

Guiding principles

ACIAR is mindful that developing strong partnerships takes conscious effort and time, over an extended period. While delivering on the potential of private sector engagement for greater impact, mutual benefits and sustainability of outcomes, we will ensure that we enter all relationships with 'eyes wide open', with due diligence and appropriate risk settings.

ACIAR will:

- build on our strengths
- manage expectations within partnerships
- align partnerships with the policy objectives of Government, in close consideration of DFAT's private sector strategy (when available) and innovation programs
- work within available budget, the constraints of our committed program and resource capability.

Identification of private sector interest and contribution at project conception stage is often most successful. However, identification of a commercialisation opportunity can occur at any stage in the project cycle. When a commercialisation opportunity is identified a research agreement will need to cover intellectual property (IP) ownership; timetables/milestones and lead agent details.

Commercialisation must meet the dual need for profitability for private partners and benefits for smallholders or other end users in developing countries. Terms of commercialisation will vary on a case by case basis rather than a one size template for all situations, including the level of joint control.

Supporting diversity

- Specific partnership models will be needed for different contexts
- Diversity of partners brings a diversity of capacity, capabilities and interests

Maintaining open and regular consultation

- It is desirable to engage the private sector early in the project development cycle and to manage expectations, both in Australia and in partner countries
- Ensure sufficient resourcing for building and maintaining institutional (not just individual) relationships from commencement
- Communicate clearly and early to ensure that messages are not lost, and joint ventures are actively managed

Establishing modest and achievable expectations

- Having clear and modest expectations is more likely to succeed; starting gradually and expanding as the partnership develops

Defining and managing expectations early

ACIAR will define the terms of relationships with all new engagements to:

- Ensure transparency, equity and inclusiveness
- Understand each partner's values and requirements
- Define each partner's contributions, recognising that private sector contributions are often 'in kind'
- Define individual and mutual benefits, shared objectives and a clear understanding of each party's desired outcomes
- Develop clear milestones and dispute resolution processes
- Agree on governance arrangements that reflect mutual benefits and provide flexibility for innovation
- Identify intellectual property issues and arrangements in advance

Actively managing risk

- Define and manage risks from the start
- Include private sector risk profiles as a part of ACIAR's wider risk management plans
- Adhere to principles of additionality, neutrality and sustainability
- ACIAR will not engage when there is the potential for reputational risk; loss of control of the partnership is likely; the time for the engagement is completed; the purpose of the joint partnership has been lost; or where there are trade, commercial, political, environmental or social reasons not to proceed.
- Ensure compatibility with Governments wider aid program objectives through proactive consultation with DFAT and other Government instrumentalities

Specific Actions

To achieve these goals, a range of specific actions are being considered by ACIAR (Appendix 1 and 2). Broadly, by the end of 2015, ACIAR will:

- Develop consultation processes to capture private sector views in country and regional strategies as an ongoing component of the prioritisation and research planning procedures
- Develop internal processes to more effectively identify, manage and monitor private sector engagements with ACIAR projects
- Develop new private sector partnerships, such as with banks providing credit to smallholder farmers and with private foundations as vehicles for inclusive business models
- Identify new modes of engagement with the private sector, beyond direct involvement in projects with particular attention to extension and research adoption
- Build in-house capacity in private sector engagement, value chain issues and new intervention options.

Appendix 1

Short term actions in 2015

ACIAR proposes to make the following adjustments to our operating procedures within our present resources and guided by the 2014-15 and subsequent Annual Operational Plans.

Audit of existing private sector engagement and capacity constraints

1. We will review our current engagement activity with the private sector and identify new opportunities.
2. We will review internal project development processes and capacity requirements for private sector engagement.
3. We will synthesise existing knowledge and recommendations concerning private sector engagement, particularly from our impact assessment studies, including for example the 'Impact Assessment of Private Sector Involvement with Cocoa Projects'.

Incorporating engagement with the private sector into existing planning and project cycles

4. We will respond to the needs of the private sector during our Annual Strategy Refresh, which begins in March 2015.
5. We will consider the needs of and opportunities for engagement with the private sector during our country consultations. These consultations operate on a 4 to 5 year rolling basis, map key strategic directions and strategies within countries, establish priority areas for agricultural research, and consider the effectiveness of operational arrangements.
6. Where ACIAR research programs are currently being designed, we will seek to work with appropriate private sector partners, for example, in the design of the new Australian–Pakistan Agriculture Value Chains Collaborative Research (AVCCR) Program.

Promotion of best practice

7. To encourage greater awareness of our current private sector partnerships, we will:
 - a. dedicate the next edition of Partners for Development magazine to profiling a diversity of private sector interactions
 - b. work with the Crawford Fund to promote relevant achievements and activities
 - c. better promote activities on the ACIAR website and through social media, highlighting relevant overseas and Australian events and conferences.
8. We will share the principles, values and the required processes for successful private sector engagement with project leaders and potential private sector partners.

Capacity building

9. We will seek funding for more Master Classes on Agribusiness Research Methods, including the potential for corporate sponsorship. ACIAR and the Crawford Fund have traditionally funded these classes. Recent consultation with our private sector partners identified the opportunity to seek private sector support and participation.

Ongoing consultation

10. We will report back to our key private sector partners in 12 months' time, and commit to continuing an annual consultation cycle.

Appendix 2

Medium term actions (from 2015 on)

ACIAR proposes to make the following adjustments in the medium term depending on the availability of resources.

Case studies

- Develop and showcase a series of case studies to define engagement opportunities of greatest potential for impact and related resourcing requirements. This includes, for example, how to evaluate risk.
- Use findings to set targets and allocate appropriate resources for private sector engagement, with attention to lessons learnt from earlier joint undertakings.

Internal staffing capability

- Evaluate the options for ACIAR to manage our portfolio Private Sector Engagement.
- Develop protocols and incentives for country and regional managers to seek, evaluate and recommend private sector partners.
- Evaluate the value of secondments of private sector staff to ACIAR, and vice versa, to improve skills and build understanding.

Private sector engagement plan

- Develop an engagement plan to support and guide engagement activities, and the presentation of information on digital platforms and using social media.
- Support a rebalancing of relationships from a majority of people-to-people relationships supporting ACIAR's private sector engagements, towards greater use of organisation-to-organisation relationships.

Country specific analysis

- Conduct the necessary strategic analysis and due diligence required to improve impact pathways with the private sector, with an initial focus on Burma, Indonesia, the Philippines and PNG.

New catalytic investments

- Identify and prioritise projects that will be considered for new investment in 2015-16, based on the likely impact of private sector engagement.
- Seek to identify new modes of engagement that leverage private sector expertise and experience.
- Use more open methods of seeking private sector partners, such as expressions of interest. Opening up the process will change the risk profile and requires particular management skills.
- Partner more extensively with DFAT, for example with the InnovationXchange, when utilising the private sector to gain 'whole of value chain' and inclusive business improvements.