Implementation of effective rural policies and practices for poverty eradication: challenges and gaps faced by public-private partnerships

The background paper prepared by Kei Otsuki (Department of Human Geography and Spatial Planning, Faculty of Geosciences, Utrecht University, The Netherlands, K.Otsuki@uu.nl)

1. Introduction

This background paper aims to set up an agenda for achieving rural poverty eradication through public-private partnerships (hereafter, PPPs). To do so, it explores the relationship between the so-called pro-poor PPPs and the building of inclusive and just society, as set out by the 2030 Agenda for Sustainable Development because how to position the 'poor' in PPPs seriously affects the sustainability and inclusivity of poverty eradication policy implementations. The paper focuses on the degrees of rural poor's participation in PPP projects, which can be roughly classified as: participation as beneficiaries; participation as co-producers/partners; or participation as project leaders. Based on primary and secondary research on two PPP projects implemented in Mozambique, the paper identifies challenges and gaps in the dominant patterns of local, dominantly poor, rural communities' participation in the pro-poor PPP projects.

2. Background

PPPs have become central to international development programs over the past decade. Both the bilateral and multi-lateral international cooperation agencies have promoted PPPs in various sectors. In addition to the usual infrastructure and economic development sectors (e.g. The World Bank 1994), studies have discussed the importance of PPPs for areas including forest management and governance (Ros-Tonen 2007; Visseren-Hamakers and Glasbergen 2007); agriculture and food security (Muraguri 2010; Rich and Narrod 2010); fair trade (Edward and Tallontire 2009), health (Nishtar 2004) and education (Rose 2010).

Initially, PPPs indicated governments' cooperation with businesses, with the aim of promoting market-led development within the context of neoliberal international development. The official development assistance budget had been in decline, and international financial institutions started to propagate the idea that private actors would be more efficient than governments in delivering development outcomes. The businesses in turn used PPPs to demonstrate their commitment to the agenda of Corporate Social Responsibility while tapping into attractive new markets and proving their relevance to local development, as seen in the increasing mantra of *private sector for development* (Overseas Development Institute 2016).

The PPPs in developing countries rapidly proliferated during the 2010s, as foreign direct investment inflows in emerging economies increased due to the financial crisis in 2009. The increased investment inflows facilitated the recipient governments to co-finance development projects with international cooperation agencies, which encouraged governments to contract private companies that could conduct feasible studies, arrange tender documents, sub-contract service providers, and manage and maintain the investment projects. In other words, investment projects in developing countries today were largely shaped through the formation of PPPs, and they began to be considered as *pro-poor* since they boosted the economic growth of developing regions (The World Bank 2009).

However, it has been increasingly becoming clear that the new waves of PPP projects do not automatically contribute to poverty eradication, especially in remote and marginal rural areas. The PPP projects often involve large-scale land acquisitions, leading to physical displacement of the rural poor, dispossession of their livelihood sources, or unequal benefit-sharing arrangements. Scholars began to argue that, in order to avoid negative consequences, PPPs must take a serious account of local people's opinions and build consensus about project impacts (e.g. Vermeulen and Cotula, 2010).[1]

Consequently, such a concern for the poor's participation in PPP projects is leading to the involvement of actors such as non-governmental organizations (NGOs), civil society organizations (CSOs), and advocacy organizations, as well as academic institutions. For NGOs and CSOs, PPPs are also interesting because they need alternative financing mechanisms to replace diminishing government and public funding (Vaes and Huyse 2015). For the PPPs to become more inclusive and pro-poor, CSOs in particular play an important role since they can mobilize local associations and cooperatives in decision-making processes in order to ensure the project's sustainability, promote equitable benefit-sharing, and enhance the overall effectiveness and development relevance of PPP projects (Otsuki 2011).

In other words, today's pro-poor PPPs entail the involvement of NGOs, CSOs, and local organizations – such as smallholder associations and forest dwellers or fisher people's cooperatives. Yet, PPPs mostly fail to explicitly designate local communities of poor people as genuine and leading partners in their projects. The PPPs tend to portray local communities (including associations and cooperatives) and the poor as beneficiaries or target groups who indirectly participate in planning, implementation or use of services provided by the projects. There is little scope for beneficiaries to become future owners of the pro-poor PPP projects and thus such projects tend to create dependency and unsustainable financial situations for the poor (unless the government and donors are willing to actively subsidize projects for an indefinite period of time).

Therefore, the poor should not only be a group of beneficiaries but also a group of partners within PPPs. Then, the questions arise: What are the roles that the poor could play in *pro-poor* PPPs to enhance the development relevance? How can communities actively participate in PPP projects,

[1] There is a large volume of literature on the so-called 'global land grabs' and how this should be turned into inclusive development. See Otsuki et al. (2017) for an overview.

and how shall the public and private actors including NGOs and CSOs ensure equitable community participation in the projects?

In order to answer these questions, the paper now turns to two different cases of pro-poor PPPs, financed partly by the Dutch international cooperation that currently promotes the "aid and trade" principle by involving businesses, NGOs and academic institutions to ensure inclusivity of their development projects.[2]

3. Case studies

3.1 The poor as beneficiaries? Natural gas extraction and growth corridors in Mozambique and Tanzania

In 2010, the East African natural gas boom started in Mozambique and Tanzania (KPMG 2016). The off-shore gas deposit in Rovuma Basin attracted transnational companies to the region, and both countries rapidly emerged as the fastest growing "frontier markets" (The Economist 2014). In 2014, the Dutch oil giant Shell and infrastructure companies such as Bam and Boskalis shaped a consortium of businesses that would establish the trade relationship between Mozambique, Tanzania and the Netherlands. The Dutch Development Bank (FMO), RVO and the Ministry of Foreign Affairs actively supported this relationship.

While the involvement of the Dutch private businesses naturally represents their self-interest, the recipient governments are using the investors' interests to boost a number of related economic development projects. Both in Mozambique and Tanzania, the governments shaped PPPs with gas and mining companies, infrastructure companies and other investors to adopt spacing schemes called growth corridors. These corridors have been meant to extend railways and roads that link such sites of extraction to inland cities and other mineral extraction sites, as well as to boost agricultural activities along the way.

Currently, in all over sub-Saharan Africa, there are 30 growth corridors, and Mozambique has 6 of them and Tanzania hosts one of the largest corridors called the Southern Agricultural Corridor (Weng et al. 2013). These corridors typically involve private mining and gas companies for the transport infrastructure development, most of which are co-financed by development banks including the World Bank, African Development Bank and FMO. Along the infrastructure development, various ministries and local governments partner with the investing companies to attract further investment projects mainly in the agricultural sector, aiming to boost rural economy and link the large-scale projects to poverty eradication.

However, this PPP project turned to be contentious. During the early years of implementation, Mozambican national farmers' union and advocacy organizations started to campaign against the

[2] The PPP modality is known as "the Dutch Diamond Approach" (RVO, 2014).

corridor development because compulsory land acquisitions entailed displacement of local communities without generating adequate compensations and benefit-sharing schemes (UNAC and GRAIN 2015). While it is known that sustainable infrastructure development requires inclusive governance arrangements and the sense of civic ownership (Ostrom et al. 1993; Larkin 2013), in these new corridor projects, little has been discussed about whether or how the displaced people themselves could take a part in governance arrangements and nurture their sense of ownership.

The large-scale investment projects tend to create another problem considering the PPP arrangement. Even if consultations and participation of communities are promoted to minimize the negative impact of land acquisitions, infrastructure development is in fact processual, which involves planning, implementation and management, and the process can easily take a decade. In some cases, local communities had been consulted about displacement long time before the actual implementation underwent. Meanwhile, new situations, actors and contexts would emerge, requiring to renew negotiations (Otsuki et al. 2016).

Since local communities are usually excluded from the PPP project planning and operation, investors tend to see such new demands for (re)negotiations, compensations and benefit-sharing as a resistance and a barrier for collaboration. In some growth corridors such as the one known as Nacala corridor in central Mozambique, investors have tried to show their consideration by sharing the masterplan. However, communities were never encouraged to take part in drawing up the masterplan in the first place, and their feelings of exclusion persisted. If local communities constitute the partnership from the outset, this sense of exclusion could be alleviated. In addition, evaluation of the project process and impact assessment should take more longitudinal approach, accompanying how communities are experiencing the project impacts in their changing political, economic and social contexts, even long after displacement and subsequent resettlement have taken place. This means that we need a new pro-poor PPP framework that institutionalizes involvement of local communities in large-scale investment projects that involve land acquisitions.

In short, the case of current mineral and gas extraction and related growth corridor development shows a lack of thinking about local communities as potential partners in PPP projects. Local communities are merely recognised as potential beneficiaries who would eventually receive benefits that are expected to “trickle down” from the profits generated in large-scale development projects (e.g. Koenig, 2001).

3.2 The poor as partners? Agricultural development and food security in Mozambique

There are modalities of PPPs that have more clearly addressed the concerns for including local communities directly in the investment projects. One of the known cases of this inclusion is called *Pro-Parcerias* (Pro-Partnerships) programme initiated at a pilot scale in Mozambique in 2009. The Dutch Embassy in Mozambique contributed to the establishment of this programme in collaboration with the Mozambican National Directorate for Promoting Rural Development of the Ministry of State Administration (DNPDR) and the International Fund for Agricultural Development (IFAD). The Pro-Partnership programme is about establishing a collaborative relationship between local communities of smallholders and the investors from the outset in order to avoid conflictive situations as seen in the large-scale mineral and infrastructure projects.

Mozambique has been able to establish such community-investor collaboration, primarily because the country has a relatively facilitating land laws instituted in 1997 and 1998. According to these laws, external investors seeking to appropriate the community land for their business “can only negotiate” the land user rights “when there is an officially approved process of community consultation” (Art. 13, Land Act 19/97). The mandatory community consultation is meant to establish benefit-sharing agreements between local groups and the investor, intermediated by local governments (Vermeulen and Cotula 2010). The consultation can decide on how land rights are transferred from the community to the investor; and on contents of compensation for this transfer based on legal community boundary delimitation or official mapping.

In the consultation process, investors usually offer basic social services and infrastructure as a form of compensation for taking over the community land and as a way to fulfil its Corporate Social Responsibility. However, “such agreements can never substitute for the loss of livelihoods” (Boche et al. 2013: 12). As problematized in the above case of large-scale investment projects, compulsory land acquisitions and displacement tend to impoverish small farmer communities in developing regions (McDowell 1996), and livelihood reconstruction beyond compensation becomes one of the most important issue (Cernea 2008). In addressing this problem of livelihood impoverishment for smallholders, the Pro-Partnerships programme attempts to turn the vision of compensating for the negative impacts of investment into one of promoting the community’s “active participation as partners” and improve their livelihoods through the PPP arrangement (Boche et al. 2013: 12).

According to the Mozambican government, 10 communities had been selected by 2014 to carry out 5 pilot projects within the Pro-Partnership framework (DNPDR 2014). Each project involves at least one large-scale agribusiness investor who agrees to set aside parts of the acquired land for the community’s subsistence farming activities. The community members are also offered contracts to work on the company’s land so that the smallholders can obtain diversified income generating opportunities. This model is largely in line with the widespread contract farming promoted as an inclusive business model in PPPs throughout Africa, which help farmers to organize themselves and get into the contract with agribusinesses (e.g. di Matteo et al. 2016).

The Pro-Partnership programme can thus be seen as balancing the communities’ demands for livelihood security, the state interests in large-scale agricultural development, and the agribusinesses’ profit-making activities. However, looking into details of each project reveals that the project establishment and management heavily depend on support from international and national NGOs that broker the relationship between the investor and the community (DNPDR 2014). This project's heavy dependence on NGOs to deal with local communities as a part of PPPs is problematic, mainly for two reasons.

First, NGOs are funded by different funding agencies under various programmes, which make their accountability more complex than local governments (Fisher 1997; Lister 2003). A general analysis of the Pro-Partnerships programme by Boche et al. (2013: 16) shows that ways that the programme attempts to establish a community-company partnership represents the classic "principal-agent" problem, which is "concerned with situations in which one actor (the principal, e.g the local community as land right holder) engages into a contractual arrangement with another actor (the agent, e.g the investor) to carry out work on the principal's behalf". In addition to the conventional problems of discrepancy between *real* objectives of activities by the principal and the agent, the important problem arises in relation to the issue of asymmetric information. In essence, the local community has little means to verify information about how well the investor is carrying out their work on the community's behalf on their land even if they set up a joint goal of improving food production and livelihood security. The NGOs, which are supposedly accountable to the communities thus play a vital role to provide the community members with necessary information. However, their commitment is often short-lived due to the funding framework or a lack of sufficient capacity to access and make the necessary information publicly available.

Second, as the International Senior Lawyers Project has recently pointed out, such community-company partnerships fail to provide the community with grievance mechanisms. When the participating community complains about their contracts, they typically go to the brokering NGOs that can only direct the communities to local governments where official consultation documents are filed. However, in practice, no official channels have been established to accompany the complaints and support conflict resolutions. As Fairbairn (2013) points out, the historically entrenched political and economic inequality unfolds when investment projects create conflictive situations. The brokering NGOs are usually expected to save the investment projects in collaboration with governmental agencies and companies, even if this entails marginalization of the communities.

This case thus shows that even if the local community is actively mentioned as a partner of PPPs, reliance on NGOs to shape the partnership still keeps the community in a relatively vulnerable position. The NGOs as well as knowledge institutions involved in such pro-poor PPPs need to reduce this vulnerability by concretely proposing an institutional framework in which communities can take a lead in setting up an official channel for information sharing and putting contentious issues on the table of negotiations.

4. Discussion: from pro-poor PPPs to community-led PPPs?

The different patterns of community involvement in PPP projects as illustrated in the above case studies stem from how much a PPP project can balance relationship between the project's profit maximisation and benefit-sharing. Obviously, private actors need to pursue profits in order to exist in the first place, and the governmental agencies' role is to ensure the use of parts of the profits for the public interest. However, the *public* here does not always indicate the communities affected by the PPP projects (see Otsuki 2018 for how to think about "public" in infrastructure projects). To place communities as a part of PPPs, we at least need to recognise the following three patterns:

(1) When a community needs to be displaced or its communal land must be ceded for a PPP project, this community should not only be compensated but should be given an opportunity to involve in the project process and benefit from its outcomes.
(2) When a community is already designated as a partner, its roles within the project must be clearly outlined in relation to the involved public and private actors as well as NGOs and CSOs.
(3) When a community can potentially lead a project, the PPP actors should be able to learn from different community organizational experiences and improve the management skills.

Recognising these patterns can serve to help existing and forthcoming PPP projects to clarify how they see their relationships with local communities of the poor. The PPP actors must strive to clearly communicate with the communities about their visions so that the communities themselves can understand where they stand in the PPP project that significantly affects their land and livelihoods. At least, the communities should neither be automatically grouped as a part of civil society organizations nor be defined as beneficiaries who have little say about the investment decision-making and implementation. Even in the most passive positions, communities have the right to be convinced that they stay passive, given all the other choices and possibilities of participation. Any investment project that relegates local communities to unclear positions within the PPP deprives communities of this right and the opportunity to choose their sustainable futures. And, such projects should not be labelled as being *pro-poor*.

This means that, apart from the emphasis on consultations and consent-building with local communities at planning, implementation and management of PPP projects, a promise and realisation of follow-up activities to closely reflect on the changing community needs over time become important. Even when communities are not included as business partners of PPP projects, they can still lead the assessment about how investment projects are impacting their livelihoods. If there is a space for communities to advance their ongoing development process by partnering with PPP projects at one point, their involvement must be considered.

In sum, pro-poor PPPs ultimately require a reflexive process that incorporates possibilities for communities to decide on their involvement in PPP projects. And, in most cases, much of local communities' needs for development are not very expensive compared to the overall financial requirement for PPPs. Their needs thus must become more integral to ongoing and upcoming PPP projects since negotiations are supposed to continually take place between all parties. If PPPs make conscious efforts to clarify different patterns of local communities' involvement, they can become more transformative, effective and truly development-relevant.

5. Conclusion

The PPPs will be more likely to contribute to the inclusive society building as outlined in the 2030 Agenda for Sustainable Development if the poor's participation in the PPP projects is systematically incorporated albeit to different degrees. A community can be a beneficiary, a business partner or even a leader of a PPP project. The important point is that the community needs to know about all the possibilities and are able to choose their positions democratically, instead of always being defined by other PPP actors how they should participate or being dictated by a group of elites. In this sense, how to share information becomes central to fill the gaps of current PPP project implementations.

Consequently, institutional and evaluation mechanism of each PPP project must include community participation throughout the project process. Even if a PPP funding modality, as seen in the Dutch approach, largely supports the practice of community participation, the inclusive models do not sufficiently specify roles that could be played by local communities and the poor in PPP projects. Currently, local communities are often conflated with civil society organizations who in fact act more as intermediaries between communities and other PPP actors than community representatives. Once the place of communities is clarified within the PPP, the project managers should communicate this clarification with the communities when communities are not managers themselves. When communities do manage the projects, they also need to actively communicate the project process with other PPP actors by holding regular discussions and negotiations between all the parties involved.

In a broader context, the very term *pro-poor* PPP inherently contains ambiguity about whether the poor themselves are included in the PPP or not: the PPP could target the poor as beneficiaries (*for* the poor), include the poor as a partner in its design and implementation (*with* the poor), or let the poor lead their development (*by* the poor). The proliferating inclusive businesses through PPP projects largely assumes externality of the poor (so that they can *include* the poor from outside). However, development relevance and each project sustainability is enhanced if the project ownership by the poor is guaranteed in a long term. By the same token, businesses that are supposedly led by the poor (e.g. Bottom of the Pyramid business models) do not specify how they form PPPs, collaborating with other public and private actors. Thus, it is important to keep on scrutinizing meanings of terms used in investment projects in general, such as pro-poor and new inclusive business models.

References

Boche, M., Tanner, C., Zimba, E., Anseeuw, W., 2013. Community-investor partnerships: lessons from ProParcerias in Mozambique. Paper prepared for the Annual World Bank Conference on Land and Poverty, 8-11 April 2013, Washington DC.

Cernea, M., 2008. Compensation and investment in resettlement: theory, practice, pitfalls, and needed policy reform. In: M. Cernea and H.M. Mathur (eds) *Can Compensation Prevent Impoverishment?* Oxford University Press, pp. 15-98.

Di Matteo, F., Otsuki, K., and Schoneveld, G. Soya bean expansion in Mozambique: exploring the inclusiveness and viability of soya business models as an alternative to the land grab. *The Public Sphere Journal*, London School of Economics Africa Summit Edition.

DNPDR (National Directorate for Promoting Rural Development), 2014. Practical guide for the promotion of partnerships between local communities and companies and projects. Draft proposal.

The Economist, 2014. Frontier markets: wedge beyond the edge. April 5th, print edition, London.

Fairbairn, M., 2013. Indirect dispossession: domestic power imbalances and foreign access to land in Mozambique. *Development and Change* 44(2): 335-356.

Fisher, W. F., 1997. Doing good? The politics and antipolitics of NGO practices. *Annual Review of Anthropology* 26: 439-464.

KPMG Africa, 2016. East Africa's natural gas boom. Available from: http://www.blog.kpmgafrica.com/east-africas-natural-gas-boom-now/ [Accessed 5 November 2016].

Larkin, B., 2013. The politics and poetics of infrastructure. *Annual Review of Anthropology* 42: 327-343.

Lister, S., 2003. NGO legitimacy: technical issue or social construct? *Critique of Anthropology* 15: 265-288.

McDowell, C., 1996. *Understanding Impoverishment: The Consequences of Development-Induced Displacement.* Berghahn, Oxford.

Muraguri, L., 2010. Unplugged!: an analysis of agricultural biotechnology PPPs in Kenya. *Journal of International Development* 22: 289-307.

Nishtar, S., 2004. Public – private 'partnerships' in health – a global call to action. *Health Research Policy System* 2: 5. Available from: https://www.ncbi.nlm.nih.gov/pmc/articles/PMC514532/ [Accessed 31 October 2016].

Ostrom, E., Schroeder, L., and Wynne, S., 1993. *Institutional Incentives and Sustainable Development: Infrastructure Policies in Perspective*. Westview Press, Boulder.

Otsuki, K., 2011. Sustainable partnerships for a green economy: a case study of public procurement for home-grown school feeding. *Natural Resources Forum* 35: 213-222.

Otsuki, K., 2018. Who is in the public? Infrastructure of displacement and urban resettlement in Mozambique. *Built Environment*, in press.

Otsuki, K., Read, M., and Zoomers, A., 2016. Large scale investments in infrastructure: competing policy regimes to control connections. Colloquium Paper 32, International Institute of Social Studies, The Hague.

Otsuki, K., Schoneveld, G., and Zoomers, A., 2017. From land grabbing to inclusive development? Editorial for the special issue. *Geoforum* 83: 115-118.

Overseas Development Institute, 2010. The private sector and development. Available from: https://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/5936.pdf [Accessed 7 November 2016].

Rich, K.M, and Narrod, C.A., 2010. The role of public-private partnerships in promoting smallholder access to livestock markets in developing countries. International Food Policy Research Institute (IFPRI), Washington, D.C.

Rose, P., 2010. Achieving education for all through public-private partnerships? *Development in Practice* 20(4): 473-483.

Ros-Tonen, M.A.F. (ed.), 2007. *Partnerships in Sustainable Forest Resource Management: Learning from Latin America*. CEDLA Latin America Studies 94, Brill Publishers, Leiden.

RVO (The Netherlands Enterprise Agency), 2014. FDOV call 2014 Formal requirements and criteria. RVO, The Hague.

Tallontire, A., 2000. Partnerships in fair trade: reflections from a case study of Cafedirect. *Development in Practice* 10(2): 166-177.

UNAC (National Union of Agricultural Workers) and GRAIN, 2015. Land grabbers on the Nacala Corridor. Report downloaded from: https://www.grain.org/article/entries/5137-the-land-grabbers-of-the-nacala-corridor [Accessed 14 August 2016].

Vaes, S., and Huyse, H., 2015. Private sector in development cooperation: mapping international debates, donor policies and Flemish development cooperation. HIVA-KU Leuven, Leuven.

Vermeulen, S., Cotula, L., 2010. Over the heads of local people: consultation, consent, and recompense in large-scale land deals for biofuels projects in Africa. *Journal of Peasant Studies* 37(4), 899-916.

Visseren-Hamakers, I., and Glasbergen, P., 2007. Partnerships in forest governance. *Global Environmental Change* 17(3-4): 408-419.

Weng, L. et al., 2013. Mineral industries, growth corridors and agricultural development in Africa. *Global Food Security* 2(3): 195-202.

The World Bank, 1994. *World Development Report: Infrastructure for Development*. Oxford University Press, New York.

The World Bank, 2009. What is inclusive growth? Technical paper, February, Washington DC.