

The Role of Private-Public Partnerships in Regional Value Chain Development

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SAIIA-KAS Workshop

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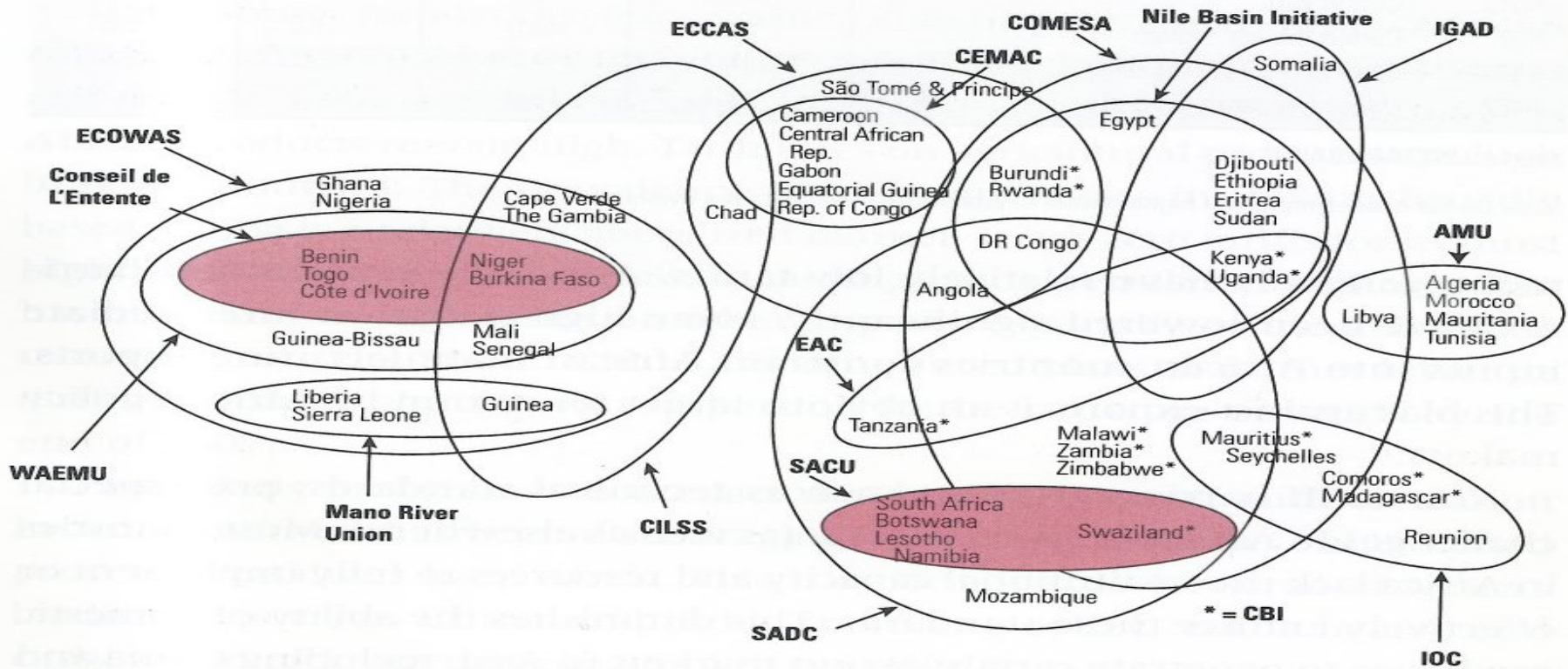
Outline

- ❖ Regional Value Chain
- ❖ Private-Public Partnerships
- ❖ Role of PPP in RVC
- ❖ Policy consideration

Setting the scene...

- ❖ Agriculture is the backbone of African economic development, however:
 - Land productivity is 55% & 34% less than world average yields for rice & maize (*FAO, 2015*)
 - Labour productivity is on average 60% less than in Asia and Latin America (*FAO, 2015*)
 - Agricultural imports increasing at average pace of 10,9% per year between 2001 and 2016 (*TradeMap, 2017*)
 - Regional value chains are underdeveloped together with fragmented markets and production
 - Agribusinesses and service sector are limited in linking farmers to inputs & markets
- ❖ The spaghetti membership challenge and low intra-regional trade are key concerns

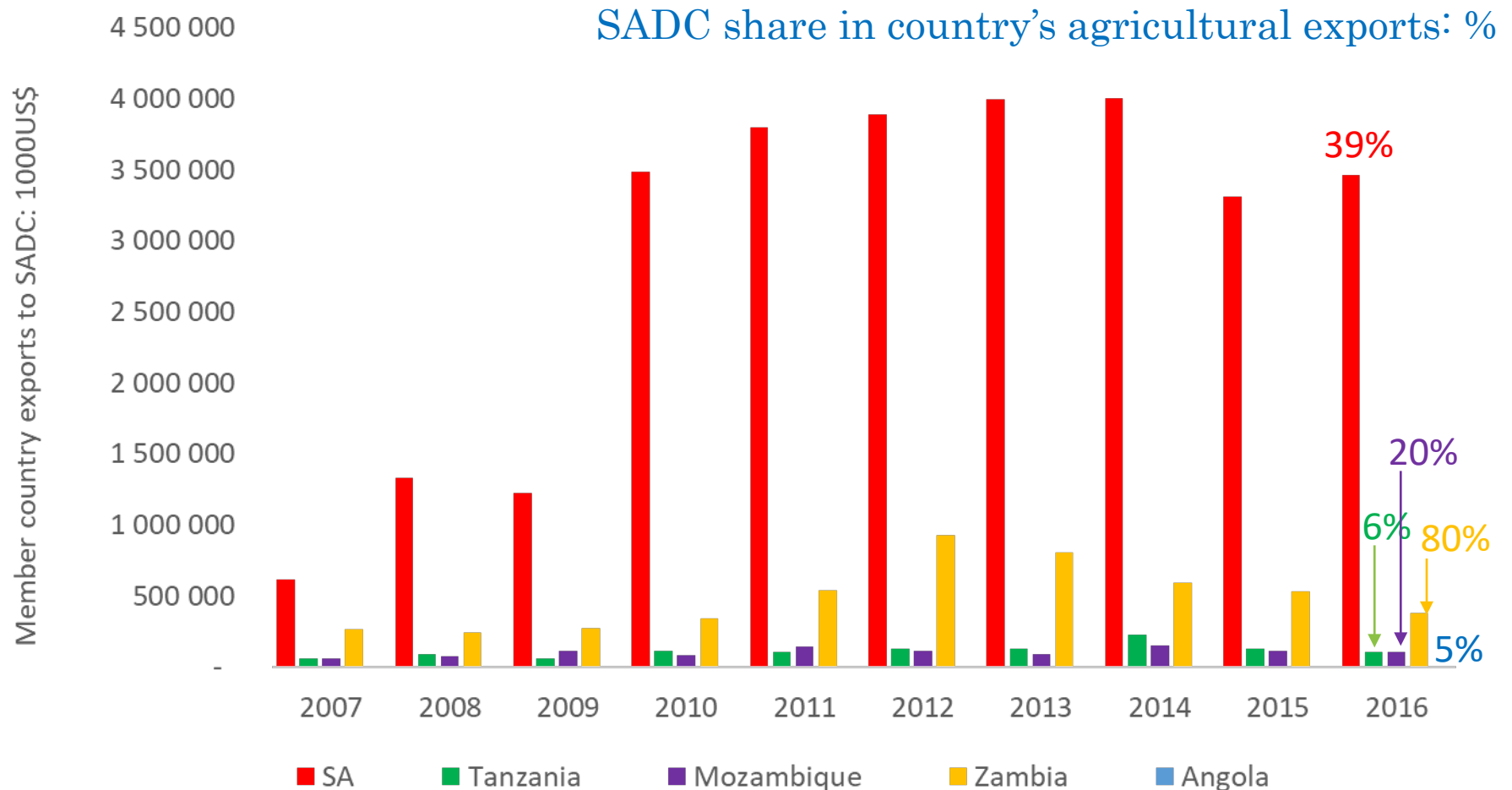
yep, that's the one...



Source: World Bank.

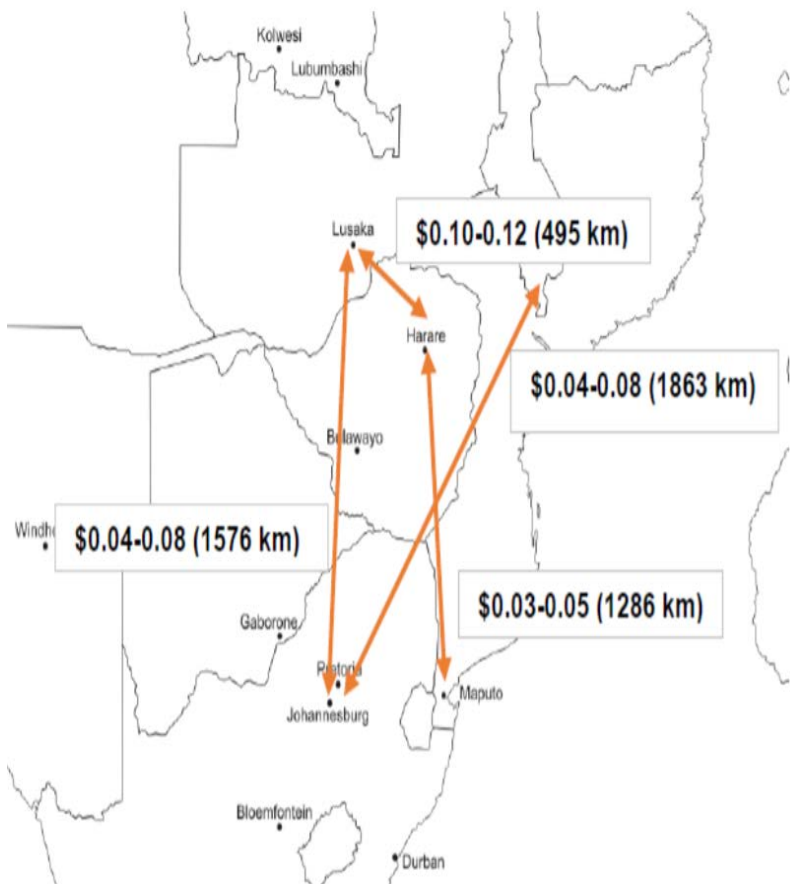
Note: AMU: Arab Maghreb Union; CBI: Cross Border Initiative; CEMAC: Economic and Monetary Community of Central Africa; CILSS: Permanent Interstate Committee on Drought Control in the Sahel; COMESA: Common Market for Eastern and Southern Africa; EAC: East African Cooperation; ECOWAS: Economic Community of Western African States; IGAD: Inter-Governmental Authority on Development; IOC: Indian Ocean Commission; SACU: Southern African Customs Union; SADC: Southern African Development Community; WAEMU: West African Economic and Monetary Union.

SADC regional intra-trade in agriculture

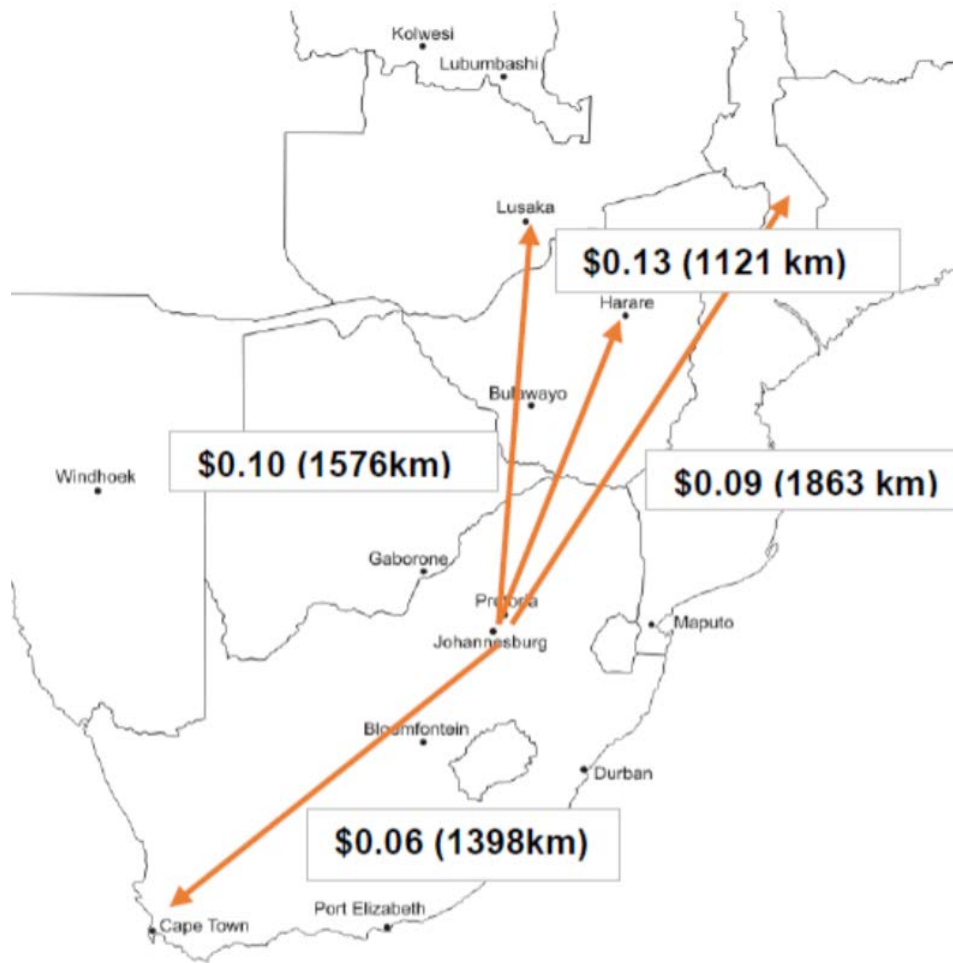


Transport cost for food & goods in SADC region

Average non-refrigerated truck rates per tkm, 2015



Average refrigerated truck rates per tkm, 2015



Regional Value Chains

- ❖ RVC can be broadly described as the full range of activities to bring a product from its conception to end user, including design, production, distribution and consumer support in the region.
- ❖ RVC are needed to address the fragmentation of regional food system and maximize the regional market (*i.e. economies of complementarities and intra-regional trade potential*).
- ❖ RVC can also deepen regional integration thereby increase investments.
- ❖ For RVC to develop in SADC, there is a need for enabling environment (i.e. coherent trade and industrial policy supporting investments across countries)

Regional Value Chains

- ❖ With the exception perhaps of sugar and citrus, most commodity associations have no regional value chains largely because of:
 - Lack of knowledge and information system in SAD;
 - Unreliable regional infrastructure,
 - Political uncertainty thus low private investments,
 - Capacity and skills gaps within SADC region

Can PPP help resolve these issues?

What is Private Public Partnership?

- ❖ Definition: “*a cooperative venture between the public and private sectors, built on the expertise of each partner that best meets clearly defined **public needs for service** through the transfer between partners of resources, **risks** and rewards- by Canadian Council for PPP*”

- ❖ PPPs are very important for furthering developmental goals

- ❖ Benefits for PPP arrangement:
 - Improve the quality of services; Improve cost-effectiveness; Attract and increase private investment thus reduce public debt; Better allocation and sharing of risks; Faster implementation; & Accelerated infrastructure provision and technical innovation

- ❖ Risks associated with PPP
 - External – changes in government; legislation; and political climate

 - Internal – Insufficient demand for service or products

Role of PPP in RVC development

- ❖ Can assist in sharing and reducing risks associated with investing in developing countries
- ❖ Can attract and increase private investments through improve sector confidence
- ❖ Can reduce transaction cost, which if not minimized affect the competitiveness of final product
- ❖ Can fast-track the implementation and creation of infrastructure needed to develop RVC
- ❖ Can promote innovation and adoption of modern technology (*...so true in light of the 4IR*)

Policy consideration

- ❖ Regional Value Chain challenges the wisdom on how we look at and interpret trade and investment policies
- ❖ Lowering trade and investment barriers to become more deeply integrated in RVC is a key policy area that needs attention

Thank you



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