NEPAD
TRANSFORMING AFRICA

AFRICAN UNION
INTERAFRICAN BUREAU
FOR ANIMAL RESOURCES

EUROPEAN UNION

POLICY BRIEF

ENHANCING PUBLIC-PRIVATE SECTOR PARTNERSHIPS (PPP) IN FISHERIES AND AQUACULTURE

Strengthening Institution Capacity to Enhance Governance of the Fisheries Sector in Africa

Key Messages

Public-Private Sector Partnerships (PPPs) are crucibles for fusing and aligning several stakeholder interests into win-win project scenarios.

- A favorable and enabling business environment together with stable legal and regulatory frameworks are pre-requisites for effective and efficient PPP arrangements
- AU MS should develop or amend overarching legislation i.e. PPP law, and, as appropriate, agriculture specific policy frameworks for implementation of PPPs to reflect fisheries and aquaculture sector
- PPP arrangements offer many opportunities to improve fisheries and aquaculture in support of human development by investing in activities along the value chains.
- AU MS should internalize both the Policy Framework and Reform Strategy for Fisheries and Aquaculture in Africa (PFRS) and AU-IBAR's "A Guide for Developing and Implementing Public-Private Partnership Models for Sustainable Fisheries and Aquaculture Development in Africa"
- AU MS should prepare indicative value chain maps for their fisheries and aquaculture industries at the country level using the templates from the Guide Document, as guiding tools.
- AU MS in collaboration with Private sector partners should identify and develop priority PPP projects for implementation as pilots for replication and/or scaling up
- Development partners and other stakeholders are strongly encouraged to align their interventions to the Policy Framework and Reform Strategy for Fisheries and Aquaculture in Africa (PFRS)

Introduction

A single organization, be it public or private, may not be able to assemble the necessary resources, capacities and or knowledge to generate and diffuse innovation, and deliver goods and services in the most effective and efficient manner.

In the past, policy makers in many countries did not recognize the private sector as an important resource for carrying out national programmes. However, in the last two decades there has been a marked and progressive change; the private sector is acknowledged to be a key player in furthering development goals.

Between 2004 and 2017, some thirty African countries have adopted laws regarding Public -Private Partnerships (PPP). Several countries have implemented PPP policies and some are in the process of drafting PPP laws; meaning, less than 10 African countries are entirely without a PPP framework (http/www.aflsf.org/public-resources/ppp-legal-framework.toolkit). The increasing recourse to PPP is a demonstration of the failure of both governments and the market (private sector) to deliver important services that defines the essence of the modern societal well-being.

Box 1: Explanation of Public-Private Partnerships (PPPs)

There are numerous definitions associated with this concept; and no single one meets everyone's demand. In the simple and broad sense, PPP refers to any arrangement where there is a collaborative relationship between public sector institution(s) and private sector(s), built on the expertise of each partner and aimed at harnessing (and optimizing the use of) all available resources, knowledge and facilities required to promote efficient, effective, affordable, accessible, equitable and sustainable delivery of services, while sharing the risks and rewards involved.

Public-Private Partnerships are not privatization. PPPs do not involve divestiture or getting the public sector out of providing services. Although PPP commonly refers to the public and private sectors, the partnership often includes a third sector – the civil sector of non-governmental organizations (NGOs).

Some partnerships are based on formal, legally binding contracts and others on non-contractual agreement, such as a memorandum of understanding (MoU). In a contractual partnership the focus is on meeting the terms of the contract. In a non-contractual partnership, the focus is on building trust and working in cooperation with other partners' needs and motivations. This requires greater patience and understanding.

The regulations and policies in place, as well as, PPP arrangements have for the most part been drafted and employed in the core infrastructure areas of energy, water, transportation, telecommunications, mining, etc. but not much in fisheries and aquaculture. It is important to recognize that fisheries and aquaculture also need infrastructure, energy and telecommunications for improved productivity and cost-effectiveness.

Drivers for inclusion of PPPs in fisheries and aquaculture sector

There are several reasons why governments would want to use the PPP model for improvements in the fisheries and aquaculture sector:

- Opportunity to leverage private investment for the benefit of public services.
- More potential partner for governments as private extension agents and producers.
- PPPs potentially bring the efficiency of the private sector to public service delivery and avoid the politically contentious aspects of full privatization for example in the case of the management of fisheries centers, hatcheries, etc.
- PPPs allow governments to retain ownership while contracting the private sector to perform specific functions.
- Government earns revenue by leasing state-owned assets or alternatively pays the private sector for improved infrastructure and better service delivery.
- Often (but not always) the private sector can do the job more efficiently, which can lower prices and improve rollout.

Potential benefits of Public-Private Partnership

PPPs provide opportunities to do the following:

- Improve the quality of service by allowing both sectors to do what they do best. Government acts as the regulator and focuses on planning services and monitoring performance. The private sector focuses on managing the day-to-day delivery of the service.
- Improve cost-effectiveness when public and private partners share costs and benefits from more efficient (innovation, experience and flexibility) private sector management.

- Increase investment without raising public debt. PPPs can reduce governments' capital costs and help to bridge the gap between infrastructure and service needs and governments' financial capacity. The private sector can often earn extra revenues from third parties, thereby reducing the cost to the public sector.
- Production process becomes more creative when allowing public and private partners to join complementary competencies.
- Aquaculture productivity and results improve when public and private partners develop synergies through the combined use of resources.
- Better allocation of risk, as a core principle of PPP is to allocate risk to the party best able to manage it at lowest cost.
- Faster implementation, owing to the private partners' drive for more immediate results.
- accelerated infrastructure provision, as PPP can allow the public sector to proceed with projects at times when public capital is limited, thus bringing forward much needed investment.
- Increased investment in technical innovation, as PPP can create incentives to develop new technologies when normal market incentives are absent.
- Better use of existing capacity by allowing public and private partners to form and draw from a greater critical mass of talented capacity (public sector may have the technical expertise but the private partner the management skills).

These are potential benefits and will be achieved only if certain conditions are met, in particular:

- A favorable and enabling business environment provides economic and political stability, ensures low costs for business transactions, and allows for efficient business operations, which lead to greater innovation and creativity.
- Stable legal and regulatory frameworks, agencies with the necessary authority to grant concessions and licenses and mechanisms to resolve disputes and potential conflicts of interests in a cost efficient, fair and enforceable manner are pre-requisites for these potentialities to be converted to positive outcomes.
- In certain situations, partnerships may even block competition and create monopolies.

TAKING ACTION

Taking the Value Chain into Account

In view of the potential benefits of using PPP models in aquaculture and small-scale fisheries activities, the Policy Framework and Reform Strategy for Fisheries and Aquaculture in Africa (PFRS) endorsed by the Summit of African Heads of State and Government in Malabo, Equatorial Guinea, June 2014, identified PPP arrangements as one of the strategies to catalyze the transformation of African fisheries and aquaculture for food, livelihoods and wealth.

In the framework of the European Union funded project "Strengthening Institutional Capacity to Enhance Governance of the Fisheries Sector in Africa", also referred to as Fisheries Governance Project, AU-IBAR working with experts across a wide spectrum of institutions, academia, development partners and donor agencies, private sector, non-state actors, and individual experts, agreed that a good way to appreciate the interaction among industrial stakeholders, and therefore the need/opportunities for PPPs is the value chain approach, and proceeded to identify the opportunities for such interactions.

A value chain depicts the full range of activities which are required to bring a product or services from conception, through the different phases of production, transformation and delivery to final consumers, and eventual disposal after use.

Value chains, in the context of African fisheries and aquaculture development, can be narrow (micro) - focuses on a single firm or broad (macro) – looks across enterprises at the range of activities implemented by various actors.

Those involved in value chains fall into three main categories:

- Value chain actors – they deal directly with the input supply, production, processing, trading etc. of a product. Usually they own the product for a certain time as it travels along the chain.

- Value chain supporters – they provide services that add value to the product but never directly owning the product.
- Value chain influencers or enablers – they provide the enabling environment (he regulatory framework, policies, infrastructures, etc.) at the local, national and international level, to make value chains work.

The performance of the value chain is influenced by the dynamic interactions between components of the three categories of actors. Through accurate mapping, it is possible to identify the different activities associated with the value chain. Fisheries value chain maps are generally linear and simple (figure 1).

Aquaculture value chains are more complex and fall into at least three sub-groups:

- Hatchery Value Chain – delivering fingerlings which are the seeds required by the grow-out farmers.
- Grow-out Value Chain – delivering table-sized fish for human consumption.
- Fish feeds Value Chain – delivering the feeds which are the main inputs for the hatchery and grow-out value chains.

The hatchery and grow-out value chains are similar (Figure 2).

Figure 1: *Generic Fisheries Value Chain map*

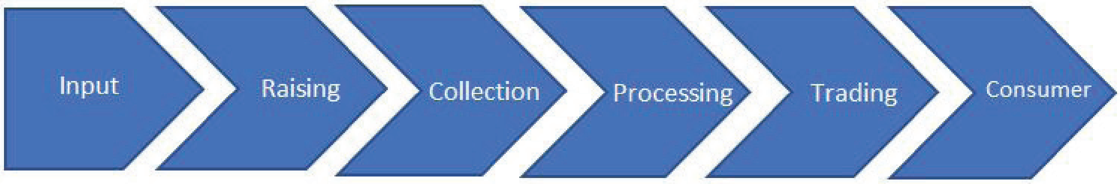

Figure 2: *Generic Hatchery or Grow-out Aquaculture Value Chain map*

Example of opportunities to use PPPs in fisheries and aquaculture

From the value chain analysis examples of areas where PPP arrangements could be beneficial include:

Improving sector-specific infrastructure services. The main infrastructural needs are improvements of landing sites and jetties, seed-dissemination systems, feed production and supply networks, and the postharvest handling and transportation of products from fisheries and fish farms to processors or markets.

Landing sites and jetties are of significant importance in small-scale fisheries. They allow fishers to land their catch in a safe and hygienic environment, trade their produce and permit the collection of statistics. PPPs can help in making improvements in these sites.

Effectively producing quality seed in adequate amounts and disseminating it to producers, who are often in remote areas, demands an efficient organizational structure. Arrangements that link publicly, run genetic improvement programs supplying superior brood stock with networks of private hatcheries serving as seed multipliers offers one of the most promising models to achieve this.

Feed cost, quality and supply are central determinants of the economic viability and environmental footprint of aquaculture enterprises. Using local feed sources to replace fishmeal and improving feeding regimes are key technological goals for many aquaculture enterprises and it constitutes an area where PPP can make meaningful contribution.

Post-harvest losses of wild-caught fish are high in many AU Member States (AU MS). In some AU MS, the losses can be as high as 25 percent. The lack of elementary processing or cold chain facilities causes much of this waste. PPPs that support decentralized fish collection and transport systems could improve the situation in many regions.

Improving financial services. The lack of access to credit remains a problem for many small-scale fisheries and aquaculture enterprises. Rural banks are the most likely institutions for microcredit start-up support to entrepreneurs, wishing to develop fishery and aquaculture enterprises. Government-backed credit and risk guarantees for rural banks are important public interventions for rural microfinance initiatives.

Improving access to national and international markets. Small and medium-sized fisheries and aquaculture enterprises often struggle to market their products as demand for product quantity and quality increase. Serving national or international markets often requires improved supply chain arrangements and effective marketing campaigns. Small and medium-sized enterprises often have limited contacts with the larger international food supply and marketing systems. They need support to enter these global supply chains. This support may include help with competitor analysis, export regulations, customs arrangements and logistics infrastructure. PPP can often be an effective way to meet such needs.

Improving food safety and quality. Food safety and quality standards can act as barriers to trade but, they can also catalyze improvements that will position products competitively in high-value markets. Small-scale fishers and fish farmers often find it increasingly difficult to clear food safety and quality hurdles. Service contracts, awarded by governments to private companies under PPP arrangements, can help Small-scale fishers and fish farmers overcome these hurdles. Furthermore, helping small-scale fishers and fish farmers to meet production standards and operating certification, as well as auditing or traceability requirements, may be done more efficiently by the private sector with oversight and regulation by government partners.

Improving capacity building and extension services for example private sector partnering with public institutions to support education and training, such as vocational training programs in aquaculture for entrepreneurs and government employees.

Improving physical and technical infrastructure. Building and managing infrastructure such as access roads, power supplies, or potable or irrigation water systems are typical fields for public-private collaboration in small-scale fisheries and aquaculture.

Technology development and research. Partnerships between publicly funded national agriculture (includes fisheries and aquaculture) research institutes and the private sector are key drivers of technological progress. Institutional collaboration through PPP arrangements can mitigate risks for the private sector that would otherwise prevent them from proceeding and provide financial support to the public sector to help cover costs. Public-private investments in researching and developing genetically improved fish strains have the potential to provide attractive economic returns to the private sector and to meet a public need for improved seed quality.

Risks of a Public-Private Partnership

While international experience shows that PPP projects often bring significant economic benefits, such projects can go wrong and sometimes do. Potential risks to both private and public-sector participants include:

- Potential loss of reputation because a partner reneges on agreement.
- Partners may not contribute to the partnership as initially negotiated, for a number of reasons including changes in the market and business environment for which the partnership product are geared.
- External risks arise from events beyond the scope of the project and can arise with changes of government, legislation or the political climate. Such risks may be addressed in PPP contracts but are fundamentally outside the project itself and may be beyond the control of the parties.
- Partnerships are prone to financial risks. If one partner loses interest, changes the strategic focus, or becomes insolvent, the partnership will lose part of the anticipated contributions despite any prior commitments.
- Relationship between partners can run into difficulties because of misunderstandings, as a clash of cultures or distrust.

- The legal and government framework may prove too inflexible for the partnership to progress, or the framework can change to prevent the public partner from fulfilling its commitments.

The demand for the good may be insufficient to allow the "project company" to repay its financial obligations from project revenues. The public sector commonly assumes that the private sector should shoulder demand risk. When the private sector does, it is likely to ask for more support from government in the form of subsidies, grants or guarantees to mitigate this risk.

Criteria for Successful PPPs

Public-Private Partnerships produce many potential benefits, but they also present challenges. Chief among these is the mistrust that traditionally exists between the public and private sectors. Governments tend to believe that the private sector cuts corners and prioritizes bottom-line profits.; while the private sector can view governments as inflexible, bogged down by bureaucracy and occasionally corrupt.

In successful PPPs, partners have undergone a paradigm shift in which the public partner becomes more market-sensitive, including being less risk averse, and the private partner accepts more social responsibility, possibly accepting lower than usual profit margins. There are other challenges but the key to success is for partners to enter into their agreements with a commitment to transparency and oversight by having an agreed-upon set of rules that clearly define levels of governance, financing, risk, responsibilities, and outcomes for each partner. Successful partnerships are exemplified by the following characteristics, which are also true for PPPs (Box 2):

Box 2: Criteria for Success

- Shared vision
- An effective method of identifying each partners' changing needs
- Transparency regarding the function of the partnership and each partners role within it
- A culture of trust and cooperation between partners (core value)
- Sufficient leadership which is consistent and coordinated
- Ample access to essential information by all partners
- The capacity of each partner to fulfill its responsibilities
- Access to financial and other resources
- Open channels of communication
- Promise for wider application or scaling up

A Road Map for Public-Private Partnerships in Fisheries and Aquaculture

In view of the fact that there is at present, to our knowledge, no clear roadmaps to guide AU MS to develop and implement PPP in the fisheries and aquaculture sector, the group of experts developed a guide to fill the void.

"A Guide for Developing and Implementing Public-Private Partnership Models for Sustainable Fisheries and Aquaculture Development in Africa".

The Guide is not a replacement to the PFRS; it is rather a companion document with the overall objective of providing guidance for the development and implementation of PPP projects in fisheries and aquaculture by AU MS within the context of the PFRS, with the view to enhancing increased and sustainable returns from the sector. The specific objectives of the guide are to:

i. Assist member states incorporate PPP in their policies and strategies in the governance of the fisheries and aquaculture sector.
ii. Assist member states in developing innovative approaches for increasing private sector investment in fisheries and aquaculture.
iii. Provide best practices for PPP in fisheries and aquaculture along appropriate value chains.
iv. Provide a framework for the alignment of national and regional policies on PPP in fisheries and aquaculture.
v. Provide a framework for monitoring the level of implementation of PPP in fisheries and aquaculture in AU MS.

Policy Recommendations

It is strongly recommended that AU MS:

- AU MS internalize both the Policy Framework and Reform Strategy for Fisheries and Aquaculture in Africa (PFRS) and AU-IBAR's "A Guide for Developing and Implementing Public-Private Partnership Models for Sustainable Fisheries and Aquaculture Development in Africa".
- Develop or amend overarching legislation i.e. PPP law, and, as appropriate, agriculture specific policy frameworks for implementation of PPPs to reflect fisheries and aquaculture sector.
- Actively promote the use of the AU-IBAR PPP principles as outlined in the guide document.
- Prepare indicative value chain maps for their fisheries and aquaculture industries at the country level using the templates from the Guide Document, as guiding tools.
- In collaboration with Private sector partners should identify and develop priority PPP projects for implementation as pilots for replication and/or scaling up.

Development partners and other stakeholders are strongly encouraged to align their interventions to the Policy Framework and Reform Strategy for Fisheries and Aquaculture in Africa (PFRS).

Conclusion

While PPPs are not a general solution for all challenges, investing in PPP makes sense where there is agreement on objectives, strong commitments, some added value through partnering, and a fair distribution of benefits. PPP arrangements offer many opportunities to improve fisheries and aquaculture in support of human development.

Further Reading

1. Report of the Expert Meeting (Workshop) to develop innovative PPP models to promote improved management and sustainability in Small-scale fisheries and Aquaculture, 10-12 December 2015, Yaoundé Cameroon. AU-IBAR, Nairobi.
2. ***AU-IBAR, 2016.*** A Guide for developing and improving Public-Private Partnership models for Small-scale fisheries and Aquaculture development in Africa, AU-IBAR, Nairobi.
3. ***Weirowski, F. and S.J. Hall, 2008:*** Public -private partnerships for fisheries and aquaculture: Getting started. WorldFish Center Manual number 1875: The WorldFish Center, Penang, Malaysia.
4. ***Suezan, C. Lee, 2006:*** Public-Private Partnerships for Development. A Handbook for Business, U.S Agency for International Development (USAID), Washington, D.C.

Prepared by:

Professor Benedict P. Satia
School of Marine and Environmental Affairs
University of Washington
Seattle, Washington, USA

Note: This Policy Brief is a synthesis of series of reports based on activities implemented by AU-IBAR under the project 'Strengthening Institutional Capacity to enhance governance of the fisheries sector in Africa', Project number: DCI-FOOD 2013/331 -056' funded by the EU.

Citation: AU-IBAR, 2018. Policy Brief: Enhancing Public-Private Sector Partnerships (PPP) in Fisheries and Aquaculture

African Union – Interafrican Bureau for Animal Resources (AU-IBAR)
Kenindia Business Park, Museum Hill, Westlands Road
PO Box 30786-00100 Nairobi, Kenya.
Tel: +254 (20) 3674 000
Fax: +254 (20) 3674 341 / 3674 342
Email: *ibar.office@au-ibar.org*
Website: *www.au-ibar.org*