# Privatisation of development assistance: integrating further agriculture into the world market

The early years of the 21st Century saw a reorientation of development assistance modalities towards aiming at promoting agriculture as a profit-making commercial activity in parts of the world where the sector was yet to a large extent out of the range of markets.

This new orientation of policies guiding food and agriculture development aid resulted in a proliferation of projects aiming at developing private firms in the sector by promoting an agriculture based on the extensive use of equipment and inputs (commercial seeds, fertiliser and pesticides), the establishment of public-private partnerships (see **annex I**), the implementation of contract farming schemes and/or the establishment of large-scale plantations. These undertakings were characterised by the central role played by transnational companies mostly based in rich countries whose establishment was at least partly funded by official development assistance provided by their country of origin, with the aim of making inroads into new markets. The consequences on local farming communities has often been dramatic[1].

To put this ongoing process into perspective, a brief historical reminder is in order.

[1] See for example the excellent documentary "Vertueuses, les multinationales ? Le business de l'aide au développement" by Valentin Thurn & Caroline Nokel, produced par ARTE and NDR, 2017 (in French).

## 1. Historical reminder

*Colonial times*

During the colonial era, the colonial powers implemented a deliberate policy of promoting the production of tropical products in order to supply such products to the mainland at low cost.

The approach used in many cases was to establish a nucleus estate equipped with a minimal processing facility (in order to transform production into products that could be transported to the mainland), surrounded with small peasant farms. It often relied on forced cultivation and/or labour.

Among the most characteristic examples of such projects, one may list Firestone in Liberia and Michelin in Vietnam (rubber tree cultivation), Unilever in Nigeria (palm oil) or Brook Bond in Kenya and the East India Company in India (tea).

This system led to the establishment of a bi-modal system where large export oriented plantation coexist with micro-units. This type of agricultural landscape can still be seen nowadays in large parts of Latin America, in some countries of Africa (in particular in Eastern and Southern Africa) and in Asia (e.g. the Philippines, Malaysia and Sri Lanka).

*Post-independence period*

At the time of the Independences, a large number of countries, particularly in Africa, adopted a socialist type of management of their economy that gave a large role to the state. This resulted in the creation of a multiplicity of parastatals (boards in anglophone countries, *offices* in francophone countries). For example, in Kenya, near to thirty such organisations were created with responsibility for delivering agricultural services (combatting pests and diseases, veterinary prevention and care, credit, irrigation scheme management) or for producing and marketing agricultural commodities (sugar, sisal, coton, tea, vegetables, milk, pyrethrum, meat, etc.).

Behind it socialist appearance, the independent state inherited a large share of past orientations of the former colonial state, in particularly its predatory nature. As a consequence, boards managing export products were heavily taxing producers: in the case of Ghana, cocoa was paid to farmers at half of the world price, a large part of the tax explaining the difference going to fund the state budget, the rest going to finance operations of the Cocoa board (COCOBOD), a kind of a state-in-the-state. For food products intended for the local market, boards were heavily subsidised by the state budget and paid pan-territorial and pan-temporal prices to producers while offering cheap food to consumers in order to maintain civil rest in urban areas.

The system worked well for a few years which were a time of strong agricultural growth. But, progressively, the system suffered from clientelism, poor management, corruption and nepotism, while a growing fraction of agricultural production found its way on the black market (for example, a sizable part of Ghana's cocoa ended up on markets in neighbouring countries).

The cost of this system, aggravated by non profitable investments often encouraged by banks who sought to recycle the mass of petrodollars generated by the oil shock of the

1970's, generated over-indebtedness and near bankruptcy that lead countries into the period of stabilisation and structural adjustment.

*The stabilisation and structural adjustment period of the 1980s and 1990s*

Forced to call for the assistance of the International Monetary Fund (IMF), countries had to make drastic budget cuts and very strong devaluations of their currency in order to try and correct imbalances in foreign trade, for fear of being excluded from any external funding. Budgetary austerity implied a progressive withdrawal of the state from the management of the economy, while devaluations implied a drastic reduction of real salaries and purchasing power of the local population.

State withdrawal meant privatisation of existing parastatals. It was the role of the World Bank to support this movement. The declared objective was for the local private sector to take up tasks formerly performed by the public sector, supported by technical assistance and funding by the World Bank and Regional Banks.

In Africa, the result was that the local private sector, almost non existant after an extended period of public management of the economy, was unable to take up all the privatised functions or, in case it would take them up, it only performed them in the most favorable areas (high potential, well connected to cities or ports). The consequence was a strong increase of inequalities and economic regression in less favoured areas.

**2. The new approach of official development assistance**

The increase of agricultural prices observed during the first years of the 21st century which reached a peak during the 2007-2008 crisis contributed to considerably degrade the world food security situation.The reaction to this crisis was a renewed interest for food and agriculture.

Based on a diagnosis resting on the experience acquired since the 1960s, a "new approach" was formulated for agricultural development in poor countries, particularly in Africa. Starting from the fact that the method consisting of a state management of development lead to economic inefficiencies and huge public deficits, and that the local private sector did not respond sufficiently to liberal policies implemented during the stabilisation and structural adjustment period, the idea caught to rely on the international private sector and direct foreign investment to harness untapped natural resources. The declared objective of generating sufficient economic growth to combat hunger and poverty in poor countries, hid another goal: that of countering the growing presence in Africa of emerging countries such as China or Brazil and opening up new markets for rich country corporations.

The International Finance Corporation of the World Bank had already been specialised for years in the funding of local subsidiaries of multinationals (see **Box 1** on the example of the Tay Ninh sugar factory in Vietnam) and the idea was to amplify this method so as to have a real impact on local economies and further integrate them into the world market.

**Box 1 : The example of the Tay Ninh sugar factory in Vietnam**

Towards the end of the 1990s, the French company Bourbon (linked to Tereos, one of the main beneficiaries of European Union subsidies), originating from the Réunion Island, proposed to invest in the sugar sub-sector by constructing a modern sugar factory in Tay Ninh with the objective of producing the equivalent of one-third of the industrial sugar production of Vietnam, i.e. 100,000 tonnes.

The negotiation was masterfully handled by the company. Against an own investment of $26,6 million and the introduction of a more efficient technology than what was then used in the sugar sector of the country, Bourbon obtained a loan of $42 million from the World Bank (International Finance Corporation and its private sector development programme) and another of $15 million from the French development agency (Caisse française de développement). The Vietnamese government committed to contribute by: (i) providing a loan of USD 11.4 million to the company, (ii) committing to bear the costs of building the transport infrastructure required to bring sugarcane to the plant, (iii) promising to continue its high sugar price policy and (iv) not to let any new investor come into the sugar sector, unless they would export at least one-third of their production or invest in remote and very poor areas. Furthermore, a share of the sugar produced could also be exported to the European Union at a price well above the world price, in conformity with existing trade agreements.

The results of these policies implied an annual transfer of around $145 million from Vietnamese consumers to the sugar factories and the state, a situation that guaranteed the profitability of the Tay Ninh project and of the whole sugar sector, to the benefit, in particular, of selected civil servants working at regional level.

**The approach adopted in this case anticipated on the method that would be used later: public-private partnership, change of national policies to accommodate the private investor and ensure the profitability of the investment made.**

It is interesting to note that in 2010, Bourbon sold 49% of the company for 75 million Euros to Vietnamese investors, to the Ho Chi Minh City stock exchange, to employees and to producers (the latter for a total of 6.4 million Euros), which made this investment a venture that will have yielded very quickly a considerable profit for the foreign investor.

As early as 2007, the European Union had launched is so-called “Blending” programme that consists in providing grants in order to facilitate the mobilisation of public or private funding of development projects. This initiative was taken at a time when tight finance was affecting official development assistance operations. According to this approach, for a given project, the European Commission contributes a certain amount in order to attract in this way funds provided by public or private sources through loans or shareholding. European grants could be used as a investment subsidy, as a subsidy on the interest rate of contracted loans, for funding of technical assistance or to serve as security [read more on blending].

With the increase of agricultural prices that took place during the first decade of the century (approximately 50% increase on average between 2002-2004 and 2008), the food and agriculture sector saw its potential profitability increase tremendously and this increased its attractiveness, at a time when the volume of financial capital had become very high compared to opportunities of safe and profitable investments.

In 2009, the World Economic Forum formalised the emphasis given to foreign private investment and public-private partnerships in its “New Vision for Agriculture” that believed that agricultural development in poor countries, particularly in Africa, should be based on value chains of a limited number of high potential commodities in terms of value added. It envisaged to rely on contract farming associating the "most dynamic" local farmers to a large agrifood transnational corporation, while using the investment negotiation phase to reform the policy and institutional framework of the beneficiary country in order to make it more favourable to the development of the private sector and to foreign investors activities.

The method proposed mainly intends to use public funds to finance private corporations to carry out functions that are traditionally of a public nature, such as, for example, extension or managing irrigation schemes, while they implement their typically private activities aiming essentially at making profit (marketing, processing, supply of seeds, fertilisers, pesticides and agricultural equipment).

In 2013, the World Bank, in its report entitled "Growing Africa: Unlocking the Potential of Agribusiness" presented Africa as the "*last frontier in global food and agricultural markets*" and gave detailed suggestions on how to attract large investors in order to harness local ressources in an open and deregulated framework, based on the use of the technologies of conventional industrial agriculture (see **Box 2**). The role model for Africa, according to the World Bank, was to be Brazil which had become the first agricultural exporter in the world in a short period of time.

**Box 2 : The World Bank approach (2013)**

The recommendations of the World Bank to attract foreign investors are:

- **Deregulation** of national markets and reduction of the role of the state.
- **Liberalisation** of external trade.
- Segmentation of the market into one national market for lower quality products, and one export market that respects international standards.
- **Liberalisation** of seed markets to bring down barriers to the introduction of new foreign seeds, in particular GMOs.
- Promotion of the use of chemical fertiliser, including through the use of "smart" subsidies.
- **Technology transfer** by foreign investors.
- **Public-private partnerships**.
- Invitation to **pension funds** and other financial institutions to participate.
- Integration of local communities either through **contract farming**, or by giving them shares in investments in exchange to their land.

Based on Growing Africa: Unlocking the Potential of Agribusiness.

When analysing World Bank recommendations, one can clearly see that it does not intend to work with the mass of independent farmers, as what is proposed to them is either to be trained and become agricultural labourers, or leave altogether and look for jobs elsewhere.

In the same vein, in 2014, a report prepared for the French Senate, "La présence de la France dans une Afrique convoitée" (The presence of France in a coveted Africa) proposes to strengthen cooperation between France and Africa in order to regain a position progressively lost because of France's recent lack of interest for the continent. According to this report, the point was to promote and support French corporations in Africa to put them in a position to compete with firms coming from emerging countries. Although the main focus was on urban areas, as regards agriculture, the emphasis was on the promotion of an agriculture based on the use of fertliser and pesticides [read].

### 3. Implementing the new approach

The implementation of the new approach occurred through a series of programmes and alliances grouping donor countries, large transnational corporations, a few international NGOs, universities or individual experts in some cases, and a large number of local private companies. The system established in the framework of programmes promoted by the World Economic Forum is quite representative of this kind of set-up (see **Box 3**).

**Box 3 : The "New vision for agriculture" of the World Economic Forum (2009)**

Since it was launched, this new vision was implemented through a series of programmes like:
- GROW Africa, funded by the United States, the United Kingdom and Switzerland in around ten countries. It is strongly linked to the New Alliance for Food Security and Nutrition, the African Development Bank, NEPAD and the African Union;
- GROW Asia, funded in part by Australia and Canada, active in five countries, and NVA India, active in three Indian States;
- NVA Latin America, active in four countries.

Many large transnational corporations operating in the food and agriculture sector take part in these programmes, in particular:
- Bayer Monsanto, Dow/DuPont (Corteva Agriscience), Syngenta and Yara international as regards supply of agricultural inputs;
- Cargill, ADM, Louis Dreyfus and Bunge, the four corporations dominating international trade of cereals and soya;
- food processing industrials, such as Cocacola, Heineken, Nestlé, PepsiCo and Unilever;
- one large retailer: Walmart;
- financial companies: The International Finance Corporation, Rabobank and SwissRe;
- international NGOs: Rainforest, Save the children and World Vision;
- and a large number of national companies and NGOs.

Some examples of investment;
- in Vietnam: potato chips with PepsiCo, maize with Monsanto and Syngenta, and tea with Unilever;
- in Indonesia: coffee with Nestlé, Syngenta and Yara, potato chips with PepsiCo, maize with Cargill and Monsanto;
- in Ethiopia : barley with Diageo;
- in Mexico: high-tech horticulture.

Based on the report by GRAIN, "Grow-ing disaster: the Fortune 500 goes farming"

In 2012, at its Camp David summit, the G8 created the "New Alliance for Food Security and Nutrition" (see **Box 4**). In the countries where it operates, this alliance is particularly active to influence national policy by promoting reforms aiming at favouring private transnational corporations, either by facilitating their activities in the field, or by promoting products they sell (seeds, fertiliser, pesticides, fortified foods and food complements). Specificially, it encourages countries to:

- Liberalise their economy by removing "*fiscal, regulatory and administrative barriers to marketing of products and trade*", increasing "*transparency and stability in trade policy (to facilitate export of agricultural commodities)*" and implementing a "*regulatory reform*

*in the area of seeds to strengthen intellectual property rights of plant breeders and to establish a seed catalogue where such catalogue has not been established*[2] »;
- Improve their infrastructure;
- Conduct fiscal reforms;
- Implement measures to facilitate access by producers to agricultural inputs such as improved seeds, chemical fertiliser, pesticides and farming implements;
- Promote contract farming;
- Clarify the right to land and water to help the emergence of a land market, in particular; and,
- Adopt nutrition-based policies such as food fortification and malnutrition treatment.

**Box 4 : New Alliance for Food Security and Nutrition (2012).**

The claimed objective the Alliance is to help 50 million Africains graduate out of poverty in 10 years through substantial policy reforms and private investments.

The participants:
- Donors (among which the European Union, France, Japan, the US, le UK, the African Development Bank and the World Bank);
- Some civil society organisations;
- Most of the large agribusiness multinationals (among which, AGCO, Barry Callebaut, Bayer, Bunge, Cargill, Coca Cola, DuPont, Heineken, Louis Dreyfus, Mars, MIMRAN, Monsanto, Nestle, Syngenta, Unilever, United Phosphorus and Yara) but also associations of corporations such as the World Cocoa Foundation;
- Several private financial organisations (among which Ecobank, Rabobank and Swiss Re).

Some among the private corporation made investment pledges: for example Syngenta ($500 million) and Yara ($1.5 billion).

Source : New Alliance website

In 2014, the USAID (US Agency for International Development) launched its "*Global Development Lab to Help End Extreme Poverty by 2030*" with the objective to "*dramatically improve or save the lives of over 200 million people in the next 5 years*" through a wide partnership grouping "*entrepreneurs, world-class experts from corporations, NGOs, universities, science and research institutions*" as well as USAID missions throughout the world. The idea of the Global Development Lab is to promote "*profitable innovations*".

The main private partners are: multinationals (Cargill, Cisco, Coca-Cola, DuPont, GlaxoSmithKline, Syngenta, Unilever, Walmart and others), NGOs and Foundations (Care, Gates Foundation, Save the Children, World Vision, etc.), some universities and one other country (Sweden).

[2] O. De Schutter, The New Alliance for Food Security and Nutrition in Africa, Study, Directorate-General for External Policies, Policy Department, European Parliament, 2015.

**Box 5 : An example of activity of the Global Development Lab in the area of food and agriculture**

Development of the cocoa industry in Sulawesi (Indonesia) in collaboration with Blommer Chocolate (the larger cocoa processor in North America) and Olam International (the multinational originating from Africa, based in Singapore, specialised in the production of agricultural raw materials, forest products, palm oil, coffee, cashew nut, rice and cotton).

Similar projects also exist in Côte d'Ivoire and in the Dominican Republic.

Source : Site du Global Development Lab.

Other alliances of the same type were created later with different objectives than investment, such as the Global Alliance for Climate-Smart Agriculture (2014) which states that it is "*committed to the incorporation of climate-smart approaches within food and agriculture systems*" [read], or the Sustainable Food Policy Alliance recently created in the US by Danone, Mars, Nestlé and Unilever in order to develop their image as responsible corporations…

**4. Impact**

It is probably too early to measure the impact of the implementation of this new approach, and the data available are too partial or contradictory to give an idea of field level results.

It is however possible to replace things in their context by starting to estimate the resources that this movement mobilises. Regarding aid flows, according to the OECD, approximately 12% of official development assistance funding (around $17 billion) are channelled through private entities - NGOs or private corporations (see **annex II** for more data on official development assistance). This amount is on the increase and was multiplied by three between 2009 and 2017, the US being the donor who uses most this channel, the EU being much slower to adopt this approach. As regards France, 26% of the funding - or $1.4 billion - going to the Agence Française de Développement went to PROPARCO, its subsidiary dedicated to the private sector.

It is very difficult for the time being to have an idea of the kind of investment these public funds could leverage and support.

According to the New Alliance for Food Security and Nutrition, out of a total investment of $10 billion pledged by multinational corporations in 2012, only $1.8 billion have actually been implemented at the time of drafting this document, while African governments had implemented by as early as 2015 92% of the policy reforms they had committed to carry out and public funds disbursed amounted to $2.5 billion dollars ($3.2 billion according to the Alliance's annual report of 2014, date at which it is written that 8.2 million producers had been involved). The table below gives an idea of the type of policy reforms implemented - by the way the progress shown on the table is less than that stated by the Alliance on its website.

**Progress in policy reforms under the New Alliance for Food Security and Nutrition**

| Domain | 2013-2014 Progress Report | 2014-2015 Progress Report | Change between the two annual reports |
|---|---|---|---|
| Policy institutions | 44 % | 50 % | +6% |
| Inputs | 34 % | 62 % | +28% |
| Trade and markets | 22 % | 15 % | -5% (?) |
| Business enabling environment | 21 % | 37 % | +16% |
| Nutrition | 20 % | 22 % | +2% |
| Land and resource rights | 17 % | 27 % | +10% |
| Resilience and risk management | 17 % | 43 % | +26% |

Source : O. de Schutter, op.cit. 2015

As regards USAID's Global Development Lab, they claim to have mobilised $16 billion private funds (1.5 private dollar for every public dollar invested) *all sectors included*, and to have impacted on more than 20 million persons. It must be added here that this programme has only had very few activities in agriculture.

The "New Vision for Agriculture of the World Economic Forum" declares to have raised $10.5 billion for partnerships in 21 countries, actual delivery reaching $2.5 billion. Activities took place in 90 value chains and involved more than 10 million farmers and more than 400,000 hectares.

None of these programmes mention the numerous cases of land grabbing that were observed in the framework of their activities. For example, 10,000 hectares were allocated to the irrigated agricultural scheme developed at Babator, Northern Ghana, in partnership with AgDevCo, and between 100,000 and 200,000 hectares that were used for rice production in the North of Côte d'Ivoire in cooperation with Louis Dreyfus Commodities[3]. Altogether, it is estimated that this land-grabbing involved more than 80 million hectares during the first decade of this century according to the *Land Matrix* [read], although mostly outside of the initiative reviewed here. In reaction to this process, FAO developed Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security that were approved in May 2012 by the Committee on Food Security (CFS). These guidelines state principles and practices that should serve as reference to governments. They are a starting point but they still have considerable weaknesses that have been stressed by civil society organisations and that we have listed elsewhere, the most important being that they are "voluntary", meaning that they may or may not be respected by countries [read].

The involvement of the international private sector also brings some technological innovations. For example, mobile phones and finance are now present in agricultural development. Mobile phones play now an active part in meteorological, health and market information systems, as a source of information on agricultural technologies - particularly in countries where extension services have been dismantled during the structural

[3] GRAIN, "Grow-ing disaster: the Fortune 500 goes farming" 2017.

adjustment period -, as a way to have access to insurance services or as a means of payment, as well as, in more limited cases, as a technical management tool (digital agriculture). Mobile phones often are an opportunity for financial companies to penetrate in rural areas as they can be a tool for developing Internet banking services in areas where otherwise unreachable clients live. They can also be instrumental for the distribution of emergency financial assistance in the framework of emergency programmes. [read in French]

Regarding the consequences of this approach on the world food situation, to the causes generally put forward by the UN to explain the recent increase of the number of people suffering from undernourishment or who had to face periods of acute food insecurity - conflicts and climate change -, one should also add food and agricultural policy measures taken in poor countries whose leaders are often encouraged by international organisations, mainly financial, and that have contributed to further marginalise poor farmers by driving them off their land to the benefit of large private investors or by excluding them from agricultural development programmes. This is, for sure, a direct consequence of the privatisation process of development assistance that is being analysed in this document [read].

This is an opportunity to recall here the extent to which official development assistance is just a drop into an ocean of needs. Let's remind here, for example in the case of Africa, that official development assistance (around $29 billion annually) represents only 0.35% of the continent's GDP (Africa's GDP is estimated to be around $8,000 billion). It is interesting, for example, to compare this amount with profits taken out of Africa by foreign firms (around $32 billion annually) or with the illicit financial flows out of the continent every year ($67 million). [to know more on this read here and consult **annex II** of this document]

**5. Conclusion (provisional) : What is really new in this approach?**

Not much, in fact, if not that the cursor pointing at where power lies has clearly moved towards representatives of private interests and away from those who defend general interest. But if you analyse the method proposed and the type of agricultural development it promotes, this looks basically like the recycling of the same old recipes [read].

Concentrating on what already works - on potential areas, on products that can easily generate value added, on the most dynamic farmers - is a very old recipe. This reminds of the production of traditional tropical export products during colonial times, to the priority given to export products during the structural adjustment period and to the old "pocket approach" now repackaged as "corridor approach" [read]. What about the poorest farmers? What about people living in low potential or remote areas? What about efforts to supply the domestic market where demand for food explodes because of population increase and the emergence of a middle class?

The proposed approach promotes a green revolution with a touch of biotechnology and GMOs which has proven its limits and has never really taken off in Africa, despite successive attempts orchestrated by various aid agencies. It advocates for an industrial agriculture that has shown be unsustainable in Europe and America in particular, but also in Asia and that puts the future of our food in danger because of the soil degradation, the loss of biodiversity and the pollution of water it creates [read]. It is also a food and agriculture model that contributes to climate change [read]; it may generate high profits in the short run, but leaves behind, in the medium term, a desolate landscape. Then, the pension funds whose help the World Bank is calling for today will have left, and so will the large transnational corporations, gone to look for - to hunt for, could one almost say - new profit opportunities, while the local population will still be here to cope with the damage caused by the tornado through which it has been driven.

Even the will to impose behaviour through agriculture policy measures (which also do not have much new in them) is not original. Previously, desired behaviour had been imposed by force (the colonial power and its forced cultivation and labour…), then by the risk of bankruptcy (structural adjustment), and now with the carrot of private investments which take time to materialise despite the competition organised among countries to determine which one will offer the best conditions, more advantages to investors, not omitting to mention possible encouragements to decision makers, some of which may not be so acceptable but nevertheless quite real if one believes the huge amount of illicit financial flows already mentioned earlier.

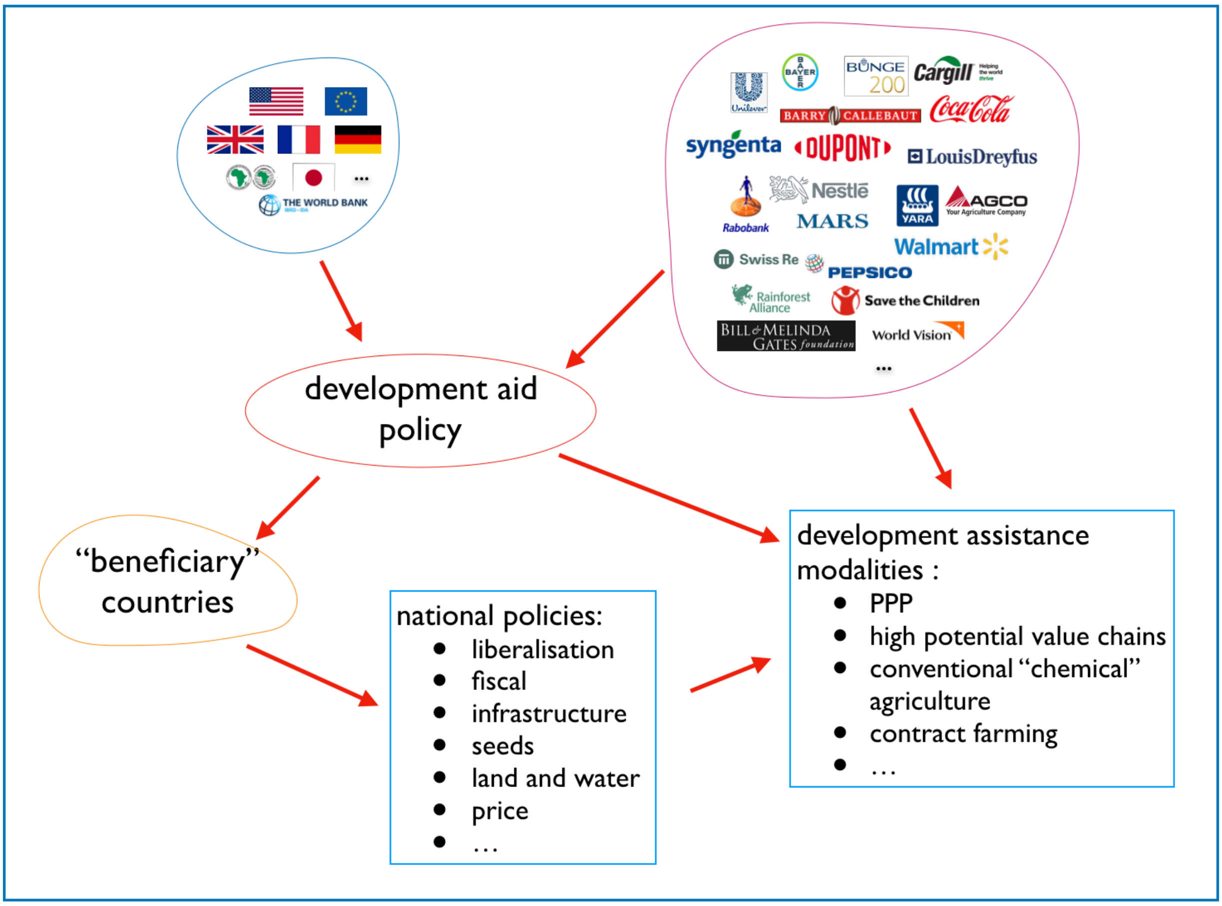
What changes here is that the direction of the movement is no more in the hands of governments, neither in those leading "beneficiary" countries, nor even those leading countries who provide the assistance. It is now in the hands of industry leaders, either in the shape of leaders of large multinationals - some of whom are ubiquitous on the web and during national or international development events - or their so-called philanthropic avatars. It is this last type that is probably the newest, most perverse and most representative fact of the current wave: it offers the opportunity to private interests to disguise in general interest to better impose its demands (but even that may not be entirely new, just read Adam Smith [read]). These characters use their enormous wealth resulting from the weakness of the global fiscal system (does it even exist?) to gain a legitimity that escapes any democratic control and substitute themselves to governments even in one of their most fundamental functions, that of designing and implementing economic policies.

The health sector is a particularly telling example where the so-called "philanthropic" foundations have been able to change government policies and orient them towards rapid solutions (vaccinations) to the detriment of the setting up of solid health systems, and to the profit of large multinationals and laboratories producing vaccines at an ever rising price [read].

The same strategy is now at work in the agriculture sector that consists in promoting conventional "chemical" agriculture, in opening up countries to the seeds and pesticides of giants Bayer/Monsanto and Corteva Agriscience (50 % of seeds and 40 % of pesticides produced in the world), to fertiliser and fortified foods used to combat under-nourishment, philanthropists and government going as far as paying hundreds of millions of dollars to the concerned transnational corporations to make their penetration into poor country markets easier.

The emblematic figure of today's philanthropy, Bill Gates, is a perfect illustration of these new aid actors: keeping control of activities of his Foundation to which he is told to have "given" $37 billion, he manages it as his business, orients it according to his preferences, uses it to be ubiquitous on the media and in major global events, and to be treated like a head of State. The hidden side of the coin is that the capital of the foundations is left to an investment fund to manage who invested it in the arms industry, in Monsanto, in Phillip Morris, in some oil majors as well as in banks and different financial institutions [read here and here].

**An illustration of the new agricultural development assistance system**




A second novelty is that official development assistance funds are channelled through investment funds based in tropical or European tax havens (in Luxembourg, for example) to avoid paying tax on profits made from their activities, even though they are funded by taxpayers ! [read in French a question discussed in the French Senate].

At the end of the day, the fact is that some big actors of the private sector can, through a minimal financial contribution, have growing influence on the creation of public policies, whether development aid policies - the private sector and foundations are now present in arenas where the new modalities of official development assistance are being designed and where aid coordination mechanisms in the field are being decided - or national policies implemented in poor countries who have their arms twisted before obtaining investments. The leaders of these countries, if they abide to the rules of the game, in addition to be granted financial assistance and a share of the profits, see eyes closed whenever they violate democratic principles and social or political freedom in order to allow a small predatory elite to remain for ever in power. Is it not true that several of the countries presented as commendable examples of economic development are also known to have rather undemocratic regimes?

Materne Maetz<br>(November 2018)

To know more

- PROPARCO, Agence Française de Développement, website.
- New Vision for Agriculture, website, World Economic Forum.
- New Alliance for Food Security and Nutrition, website.
- USAID, About the U.S. Global Development Lab, website.
- Thurn V. and Nokel, C., Vertueuses, les multinationales ? Le business de l'aide au développement, ARTE et NDR, 2017 (video in French).
- Starita, L. and T. Ogden, A conflict of interests: when foundations invest in arms and tobacco, Alliance for philanthropy and social investment worldwide, 2017.
- GRAIN, "Grow-ing disaster: the Fortune 500 goes farming" 2017.
- O. De Schutter, The New Alliance for Food Security and Nutrition in Africa, Study, Directorate-General for External Policies, Policy Department, European Parliament, 2015.
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- Lorgeoux, J., *et al.*, La présence de la France dans une Afrique convoitée, Sénat français, 2013 (in French).
- Byerlee, D. *et al.*, Growing Africa - Unlocking the Potential of Agribusiness, World Bank, 2013.

Selection of articles already published on hungerexplained.org and related to this topic:

- How tax evasion reinforces financial power, weakens public institutions and policies and perpetuates dependence, 2017.
- Plundering Africa (Season 2), 2017.
- After pockets, corridors,... what next? 2017.
- La "Nouvelle vision pour l'agriculture" du Forum de Davos est en marche…, 2017.
- How "philanthropic" is global philanthropy? 2016.
- Africa, the future of France? 2014.
- Bringing people out of poverty by connecting them to the global economy: USAID's Global Development Lab, 2014
- The Global Alliance for Climate-Smart Agriculture: a new tool for an enlightened capitalism? 2014.
- The Africa Progress Panel proposes more of the same old recipes to tackle hunger and poverty in Africa, 2014.
- The New Alliance for Food Security and Nutrition: a coup for corporate capital? by N. McKeon, 2014.
- Land: an unequally distributed, threatened but essential resource, 2013.
- Le «Blending» : formule magique pour mobiliser plus de ressources pour le développement ou subvention à l'endettement ?, 2013 (in French).
- Insufficient support to agricultural development, 2013.

as well as other articles under our "Investment" and "Causes of hunger" categories.

# Annexes

## Annex I : Public-private partnerships

**Public-Private Partnership (PPP)**

According to the World Bank who has been one of the main promoters of PPPs, a "long-term contract between a private party and a government entity, for providing a public asset or service, in which the private party bears significant risk and management responsibility, and remuneration is linked to performance" (World Bank).

Pros and Cons of PPPs

Pros:

- The project is *likely* to be better as each partner does what it does best.
- Infrastructure project *may be* completed faster by including penalty for delay or bonus for early completion.
- A PPP return-on-investment *may* be greater as cooperation between public and private *may* lead to use of innovative design and financing approaches.
- Project feasibility analysis *may* include more realistic risks assessment and *could* lead to elimination of unrealistic projects.
- Project execution is transferred from government to the private partner who *may* have more experience in cost-containment.
- By increasing the efficiency of the government's investment, it *may* allow government funds to be re-directed to other important areas or contribute to reduce public deficit.
- PPP being a loan in disguise, it can be used to declare an underestimated public debt.

Cons

- The private partner expects to make profits from the project, which is *likely* to increase costs to society.
- In domains where is only a limited number of private entities that can carry out the project, they *may* use this opportunity to increase costs to their benefit.
- If the expertise in the partnership lies heavily on the private side, the government will be at an inherent disadvantage and *may* be unable to accurately assess the proposed costs.
- Because the private partner may want to make immediate profit, there is an increased risk that work *may* be rushed and of poor quality.

(based on Public Private Partnership Pros and Cons, the Balance)

## Annex II : Official Development Assistance

Official Development Assistance :

- Doubled between **2000 and 2010**, growing from $70 billion to almost **$145 billion in 2016**.
- Around **0,3 % of GDP** of DAC Countries (against the objective of 0,7 %). Global GDP in 2017 was of approximately $80,000 billion.
- Main donor countries:
    - The **US** and **Germany** are the two main donor countries. The US have an annual aid budget of around $35 billion (0,18% of GDP), which has been relatively stable over the last 10 years; Germany has an annual aid budget of about $24 billion (almost 0,7% of GDP) that has been increasing these last years.
    - The aid budget of **France** is stable at around **$11 billion** (0,4% of GDP) per year.
    - **Turkey** has seen its aid budget go from less than one billion dollars in 2011 to **$9 billion** in 2017, of which two-thirds are constituted by humanitarian assistance[4].
- **Sweden** and the **United Arab Emirates** are the champions in term of the share of their GDP allocated to development assistance (around 1% and 1.3% respectively).
- Nature of the assistance provided: humanitarian aid (29%), social infrastructure (29%), economic infrastructure (15%), production (5%), agricultural development assistance (4%), food assistance (3%), debt cancellation (1.5%), not specified (16%).
- Destination: “Least Developed” Countries 17%, Africa 19%, Asia 17%, non specified 27%.
- In 2017, aid channelled through private entities represented approximately $17 billion (12% of the total). It has been multiplied by 3 since 2009. It represents 50% of aid provided by the USA and 12% of aid provided by the EU.

[4] It must be noted here that assistance provided to refugees in a host country is recorded as development assistance.