Concept of Public Private Partnership (PPP)

Public Private Partnership (PPP) is an arrangement by which the public sector comes together with the private sector (including NGOs and community groups) to deliver services that have traditionally been delivered by the Government. World Bank defines Public Private Partnership as "*A long-term contract between a private party and a government agency, for providing a public asset or service, in which the private party bears significant risk and management responsibility".* PPP is a collaborative effort between the public and private sectors in contributing for one or more function like planning resources and activities as required for accomplishing shared goals set out by the partners. Department of Economic Affairs,GOI defines PPP as "an arrangement between a government or statutory entity or government owned entity on one side and a private sector entity on the other, for the provision of public assets and/ or related services for public benefit, through investments being made by and/or management undertaken by the private sector entity for a specified time period, where there is a substantial risk sharing with the private sector and the private sector receives performance linked payments that conform (or are benchmarked) to specified, pre-determined and measurable performance standards."

Private Sector Company means a company in which 51% or more of the subscribed and paid up equity is owned and controlled by a private entity. Private sector entity means - In case of a Company,one that is not within the purview of Section 617 and 619 B of the Companies Act, 1956. For other entities, those which are not controlled by the Government ('control' means the ownership, directly or indirectly through subsidiary (ies), of more than one-half of the voting power of the enterprise).

Objectives of PPP:

For broad based and sustainable growth, the Government recognizes the need to engage with the private sector in diverse sectors through PPP frameworks. The overarching objectives of such partnerships are to:

1. Harness private sector efficiencies in asset creation, maintenance and service delivery;
2. Provide focus on life cycle approach for development of a project, involving asset creation and maintenance over its life cycle;
3. Create opportunities to bring in innovation and technological improvements; and,
4. Enable affordable and improved services to the users in a responsible and sustainable manner.

Why use PPP?

PPP offers public sector potential cost, quality and scale advantages in achieving infrastructure service targets. However PPPs are different to the traditional public sector route and these differences require adaptation of approach and capabilities in the public sector. Some of the advantages of PPP are:

- Access to private sector finance
- Efficiency advantages from using private sector skills and from transferring risk to the private sector
- Potentially increased transparency
- Enlargement of focus from only creating an asset to delivery of services, including maintenance of the infrastructure asset during its operating lifetime
- Reduction in lifecycle costs(i.e. construction costs and operating costs

Principles of PPP:

The PPP would be developed keeping in mind the following broad principles:

1. Provide a fair and transparent framework to facilitate and encourage PPP mode of implementation for provision of public assets and/or related services.
2. Ensure that the projects are planned, prioritized and managed to benefit the users and maximize stakeholders' economic returns.
3. Adopt an efficient, equitable, consistent, transparent and competitive process for selection of private partners, and ensure efficient governance over the project life cycle.
4. Protect the interests of end users, project affected persons, private and public sector entities and other stakeholders.
5. Encourage efficient delivery of public services by engaging proficient and innovative practices with the utilization of best available skills, knowledge & resources in the private sector.
6. Achieve increased efficiency in the deployment of investments by setting out enabling frameworks for greater private sector participation in building future public assets and ensuring their long-term maintenance.
7. Provide requisite provision in budgets for contingent liabilities for the sponsoring government, in various forms, such as, liabilities towards lenders in case of contract termination or minimum revenue guarantees.

Characteristics of Public Private Partnerships:

1. The participants, their goals and expectations

The number and composition of public and private participants in partnership projects are not subject to definite rules, they differ from one case to the next. In spite of these differences, however, partnership participants have much in common:

- Participants from the public sector are predominantly representatives of local government (local authorities or enterprises with intermediary functions set up by local authorities). Central governments may also be involved, but usually only as initiators or in a supportive role.
- Private-sector partners are financially powerful actors like property developers and real estate companies, large groups of companies engaged in a broad range of urban development sectors, institutional investors such as banks and insurance companies, or a wide variety of firms.

2. Areas of activities, projects and spatial preferences

Public private partnerships can occur in a wide spectrum of local activities and services: in the agricultural sector, transport sector, in municipal sewage and waste disposal, in urban and regional development, in housing construction and environmental protection, as well as in the operation of cultural, educational or recreational facilities. PPPs may be set up for all public (local authority) services as long as there are no statutory obstacles to full or partial privatization.

3. Types of cooperation

There is no binding rule on what form public-private partnerships must take. Indeed, this approach characteristically comes in many shapes and forms. Whatever differences there are, however, three types of cooperation may be distinguished, varying in function and according to the degree of institutionalization involved.

a. ***Informal mode of cooperation among local business and public leaders (so-called "handshake partnerships":*** In the majority of cases, partnerships of this type are not in charge of specific projects and services. They tend to operate as initiators and coordinators in the context of comprehensive planning and development strategies. Participants are for the most part influential representatives of industry and commerce or their associations, as well as top-ranking civil servants or local politicians. This type of cooperation may be based on statute or simply on personal relations between participants.

b. ***Cooperation based on agreements and contracts:*** This is the most common form. The subject matter of these contracts is the roles and responsibilities of partners, their specific tasks and duties, their input as regards personnel, funding and equipment, as well as the distribution of potential risks. The content of contracts is determined by the concrete project, its goals and procedure, but it also depends on the negotiating competences and skills of the partners. Contract-based PPP quite often follows specific models developed for the provision of specific services or the implementation and financing of public sector activities' by private actors.

c. ***The merger of public and private interests into joint cooperations:*** This mode of partnership is quite rarely employed, except in France. Their main objectives are regional economic development and the formulation of development concepts targeting the regional level.

Elements of Public-Private Partnership

1. **Partners:**
   - Govts. (Centre / State)
   - NGOs Corporate Sector
   - Cooperative Sector
   - FIGs & FOs, SHGs, FFs, Farmers
   - Public & Private Financial Institutions, Insurance Companies
2. **Inputs**
   - Manpower resource
   - Financial resource
   - Infrastructural resource
   - Skill, knowledge and advisory resource
   - Time resource
   - Agricultural input and other service resource
3. **Process**
   - Relationships among various stakeholders in different combinations through formal / informal / written (MOUs, Formats etc.)
   - Arrangements around one or more defined functions in the agri-value chain
   - Sharing the output (profit or loss, social responsibility, professional and personal satisfaction, fulfillment of corporate and official obligations etc.)

4. Outputs

- Necessarily the direct and instant output – increase in income of the farmer
- Up-gradation of natural resources, economic viability, environmental sustainability, social accountability Partners From the Concept note on PPP by Dr. Vikram Singh, MANAGE

Stakeholders in PPP

- Technically qualified Agricultural Consultants
- Agricultural Consultancy Firms
- Para professionals
- Progressive farmers
- Farmers organizations
- Agribusiness companies
- Input dealers
- Agri-Clinics
- Cooperatives
- NGOs
- KVKs
- Newspapers
- Agricultural magazines
- Private Sector banks
- Donor agencies
- Private TV channels
- Internet

Emerging needs and importance of PPP in changing Agricultural Extension Scenario

In the wake of increasing involvement of private sector in agricultural in meeting the multifarious demands of the farming community, PPP in various modes/forms can provide synergistic approach in the extension efforts. PPP has emerged as one of the crucial areas in agricultural extension. Supplemental efforts with plurality of institutions, is the key for improving the present agricultural Extension scenario. Public extension networking with NGOs, FO, Para technicians, Corporate House, Cooperatives, SHGs, Input Dealers etc. could bring about more effective results for farmers in terms of economic benefits and overall development

Some of the constraints to agricultural growth in the country are:

- No breakthrough technologies in the recent past
- Low level of productivity
- Inadequate market linkage
- s Inadequate extension support
- Degradation of natural resources
- Inadequate investment in agriculture

Strength and weaknesses of Public Extension

Strengths :

- Strong network and wide reach
- Cover broad spectrum of agriculture

Weaknesses:

- Multiplicity of Technology Transfer Systems
- Narrow Focus of the Agricultural Extension System
- Lack of Farmer Focus and Feedback
- Inadequate Technical Capacity within the Extension System Inadequate capacity building of farmers
- Weak Research-Extension-Farmer-Market Linkages
- Inadequate operating resources and financial sustainability Public Extension

Strength and weaknesses of Public Extension

Strengths :

- Better quality service for high value crops

- Able to serve the Value Chain

Weaknesses :

- Limited reach in terms of farmers and crops
- Inadequate network
- Poor farmers not adequately covered \

Need for partnership:

- Commercialisation of agriculture
- Constraints in Public Research and Extension System
- Globalisation, Liberalisation and Privatisation
- Public and Private Systems to seek strategic partnerships
- Business, Developmental and Social Goals Why Partnership?

Potential risks for the public sector, and some recommendations on how to avoid them

As experience with projects from different cities and different countries show, public partners may be confronted by a series of potential problems and dangers. These include, in particular:

1. A reduction in control and influence for democratically legitimized representatives at the local level, as a result of the special situation frequently obtaining in public private cooperation (exemption from the normal administrative process, reduction of the public domain to a very few protagonists relevant to urban planning and development policy, etc.);
2. A waiver of long-term, strategic perspectives in favour of comparatively short-term commercial calculations, as a result of the increased influence of profit-oriented thinking on local authority planning, planning aims, and priorities;
3. A reduction in local competencies and manoeuvrability resulting from the transfer of local authority and responsibility to private partners;
4. An unequal distribution of risk between partners, often imposing unforeseen procedural difficulties and financial deficits on the public sector.

Whether or not these dangers actually occur depends on a number of factors, not least of all on objectives and interests, and the quality of information and qualifications public protagonists contribute to cooperative undertakings with private business. Public actors are therefore well advised to observe a number of "rules of conduct" in order to avoid such pitfalls:

1. First, co-operation with the private sector should not be idealised because of the term partnership. It must be looked upon as a business relationship between fundamentally different entities in order to perform a given task or provide a given service.
2. Second, the form of co-operation, the procedural steps, and arrangements concerning responsibilities should not be determined by abstract models but by the concrete factor of the given location and the main aspects of the undertaking envisaged.
3. The public partner should set clear and unambiguous objectives, in order to prevent the primary aspects of the project and the activities involved from being dominated by the profit-oriented conceptions of the private partner.
4. Public-private co-operation is mostly based on complicated negotiations. Public sector negotiators therefore have to improve their strategic and technical proficiency as well as

their negotiating strategies and tactics if they wish to act as equal partners and to be accepted as such.

5. As far as the costs of co-operative projects are concerned, public actors should distinguish between short-term liquidity and long-term profitability. Costing should therefore take account not only of short-term advantages from the postponement of financial burdens, but also of the total costs accruing to the public purse.
6. Public-private partnership projects require democratic control. The insulation of proceedings against democratically legitimised bodies and the broader public, that is often considered necessary in the interests of confidentiality and efficiency, conflicts with the statutes of local authorities and can prove to be dysfunctional in the long run.
7. In order to ensure that agreements are honoured, the public partner should see to its long-term capability to exercise influence and impose sanctions.
8. Last but not least, increasing public-private co-operation should not downgrade quality and competence in established local authorities. On the contrary, what is needed is to improve local government strategic and technical proficiency in order to meet today's demands and challenges.

Partnership: Meaning, features, advantages and disadvantages

Dr.Pradip.K.Neog, Director, EEI(NE Region)

A partnership is a strategic alliance or relationship between two or more people. Successful partnerships are often based on trust, equality, and mutual understanding and obligations. Partnerships can be formal, where each party's roles and obligations are spelled out in a written agreement, or informal, where the roles and obligations are assumed or agreed to verbally. You may be able to choose your partner or, as is often the case, your partner may be assigned to you. Partnership is association of two or more individuals/organizations/institutions as co-owners of a business with certain agreed preposition.

Generally, a partnership document is made covering various dimensions of the business such as:

- Capital contribution
- Management responsibilities
- Sharing of profit and losses
- Withdrawal from the business
- Termination of the business

Kinds of partnership:

1. General partnership
2. Limited partnership

1. General partnership

- May or may not contribute equally but not below of a standard amount
- Equal say in managing business irrespective of capital contribution
- Equal rights and liabilities
- Most common

2. Limited partnership

- Generally many in number
- Additional to general member
- Liabilities limited to the amount of investment
- Profit proportionate to the amount of capital
- No direct control in managing business

Kinds of partners:

1. **Active partner**: Actively runs business and Plays certain role in business like manager, organizer, adviser, comptroller

2. **Sleeping partner**: Contributes capital, share profits and bear losses but don't take active part in running business
3. **Nominal partner**: Does not contribute capital but allows other partners to use name as partner. Liable to third party in case of loss in business.
4. **Secret of partner**: Contributes capital, share profits and bear losses but name is kept hidden from outsiders

Advantages of partnership:

- Generation of greater financial resource
- Availing diversified managerial talents
- Pooling of resources
- Greater access to credit
- Easy to dissolve as compared to joint stock company
- Enjoys the freedom from the government control
- Risk or individual partner less
- Sharing of work reduce expenditure on HR

Disadvantages of partnership:

- Unlimited liability
- May have to suffer from each others faults, etc.
- As decision making in all matters is complicated as ownership is divided

Key Elements of the Partnership Agreement:

1. **Date of partnership agreement**
2. **Description of Partners**
   - Describe how or what are each partner's interests for his/her own benefit.
   - Indicate that all individuals are of the legal age of majority.
3. **Terms of Agreement**
   - When will it be terminated? How will assets be distributed at termination?
   - In the event of breach of any terms of partnership agreement, what is recourse/remedy for non-breach partner's
   - If partnership dissolves, who gets to keep the name?
   - Do you want a no-compete agreement?
   - Shotgun (Buy Sell) agreement – crucial

4. **Location of Business**
   - Indicate where your headquarters will be located and your servicing area.
   - Decide on required proximity of each partner.
   - If travel is required as normal course of business, who will travel? What costs are covered?
5. **Purpose of Partnership**
6. **Capital Contributions from Each Partner**
   - Make sure that you state the form of contribution (cash, assets, etc ...)
   - The most important thing of the ***partnership agreement:*** is that you must indicate the percentage of contribution of all parties involved in the business activities.
   - Indicate when these contributions (noted above) should be delivered. (Give specific dates).
   - It is also important to take note of the value of the non-monetary contributions and it interest.
   - Input how and when you or your partners can make adjustments to their contributions.
   - State if there will be any future capital contributions (by whom....)
7. **Operational Contribution from Each Partner**
   - What will each partner's role be in the day-to-day operations of the business?
   - Who will have cheque-signing authority? Who will have control/possession of financial records? What is disclosure process for other partner(s)
   - Who will make hiring/ firing decisions?
   - Who will make marketing decisions?
   - Who will make purchase decisions? (Capital and non-capital)
   - Are there other operational issues needing clarification and agreement? Hours of work, holidays etc)
8. **Compensation**
   - What will be each partner's compensation package?
   - How will changes to compensation be mediated in event of disagreement?
   - How will 'perks' and personal expenses be monitored and equitably allocated?
   - Are there company vehicles involved? What are the rules for personal use?
9. **Disagreement Arbitration**
   - What is the process followed in the event of disagreement?
   - Is the mediator empowered to make binding decisions?
   - In the event of legal action by one or more partners, who will choose the venue?

- Identification of priority areas where PPPs can reduce poverty, improve food security, and contribute to agricultural development
- A consensus on promising joint initiatives and investments among actors working in the food and agricultural systems of developing countries
- Recognition of the structural and policy impediments to public-private partnerships
- Identification of innovative approaches organizing and financing partnerships for - private provision and delivery of public goods managing intellectual property rights, risk, and liability

The PPP Process and Enabling Frameworks

Phase 1: PPP identification

This phase covers activities such as strategic planning, project prefeasibility analysis, Value for Money analysis, PPP suitability checks, and internal clearances to proceed with PPP development.

Phase 2: Development Stage

This phase covers project preparation (including technical feasibility and financial viability analysis), project structuring, preparation of contractual documents and obtaining of project clearances and approval

Phase 3: Procurement stage

This phase covers procurement and project award. Transparent, accountable, non-discriminatory, competitive and timely procurement processes are to be followed so as to encourage maximum participation by private sector and to imbibe public confidence in the procedure.

Phase 4: PPP contract management and monitoring stage

This phase covers project implementation and monitoring over the life of the PPP project. Contract management is not a passive box ticking/reporting exercise: it is an active process that involves a wide range of skills. Projects are not static, conditions change and the capability of the public authority at the interface with the private sector party is therefore crucial. The contract manager needs to be empowered to take action responsively and effectively only escalating up the chain issues that cannot be managed at the project interface. This calls for effective and efficient governance processes and people with the right mix of skills (or at time access to skills) including project management, commercial expertise and negotiation skills.

Enabling Frameworks for PPP (Given by Department of economic affairs, GOI)

The government is committed to continue to create an enabling environment for PPPs across the country, through initiatives including enabling funds and schemes, guidelines, institutional structures as well as processes. Some of these critical enabling elements are elaborated below:

1. Financing mechanism:

i. The Government of India has a progressive financial support system for PPP projects. Government has put in place a number of schemes, to support PPPs either for project development or for gap financing capital and life cycle investments. A few key initiatives include the India Infrastructure Project Development Fund (IIPDF), Viability Gap Funding (VGF), resources for annuities / availability based payments, long tenor lending, re-financing facility, infrastructure debt funds, etc.

ii. Government provides legislative and policy support for developing equity, debt, hybrid structures and appropriate credit enhancement structures targeted towards various domestic and international financial investors such as equity providers, debt and capital markets, insurance sector etc.

iii. The implementing agencies would encourage leveraging monies available from schemes such as JNNURM, Bharat Nirman etc., and alternate sources of finance like Municipal Bonds, Pooled Finance Structures, Pension Funds, etc. for PPP.

iv. The Government, where necessary and appropriate, would consider levy of user fees to generate financial resources for rehabilitation or redevelopment or construction replacement of project assets and their ongoing operations and maintenance in order to provide good quality public assets and/ or related services. The determination of such user charges, where there is no regulator, would be based on the principles including, but not limited to, partial or full recovery of the costs, savings to users, efficiency gains, willingness to pay, need for explicit subsidies, and affordability.

v. In order to facilitate quick mobilization of financial resources and to develop new innovative financial instruments for the PPP projects, the Government shall have regular interface with banks, financial institutions and the private sector.

2. Land

i. Expeditious legal and physical provision of unencumbered land/ right of way in a time bound manner is critical for provision of public assets and/or related services. Government agencies sponsoring the PPP project, while retaining all responsibility for making available unencumbered land for the project and obtaining clearances from relevant regulatory authorities, shall also ensure that the interest of land owners are fully protected under the extant laws.

ii. In cases, where the asset need not be located on a particular site, bidders may be allowed to propose various location specific solutions and to take responsibility for acquiring the site.

The risk associated with the ground condition, geology and other factors will be preferably passed on to the private entity.

3. Capacity Building Measures

The Government recognizes that to identify projects that are amenable to PPPs, to structure them in a commercial format, creating contract documents that apportion appropriate risk to the public and private partners and to manage the transaction for bidding out such projects in a transparent manner, capacities have to be built in public institutions, public officials, private sector, users and other stakeholders. A number of capacity building interventions have been initiated by the Government *to develop organisational and individual capacities for identification, procurement and managing PPPs.* A few illustrations of the measures initiated are the strengthening of PPP Cells, establishment of online toolkits and manuals and the National PPP Capacity Building Programme for providing training on PPPs in a phased manner to State Governments, Urban Local Bodies and Central Government departments. The Government is committed to increasing efforts at building capacities whether at sponsor agency, community or private sector levels so that increasing understanding of the benefits of PPPs leads to a robust PPP project pipeline across diverse sectors.

4. Participation and Communication Mechanisms

The Government recognizes the need for clear and consistent communication while developing PPP projects PPPs often generate a range of responses among stakeholders. A coherent and strategic approach to communication so as to inform and engage stakeholders is critical for mobilizing a broad-based support for successful project development and implementation. The public would be engaged during the project development process and the implications of a project would be explained and opportunity given to all stakeholders to raise their concerns. The regulatory and legal framework would also promote and protect the wider public interest, including users of public services.

5. Public Private Partnership Cell in the Department of Economic Affairs will provide a center of expertise and technical support to government ministries and other authorities developing PPPs. It will have specialists from different areas (finance, law, engineering, planning, etc.) and will have mixture of experience in both public and private sectors. The PPP Cell will be entrusted with – capacity building, developing initial pilot projects to test PPP models, providing technical advice and support, communicating lessons from project evaluations and coordinating the PPP programme of the country. In due course, a company in PPP mode may be created by Ministry of Finance, with

both private and public sector shareholders, which will provide support to the PPP Cell in effective discharge of its responsibilities. The PPP Cell will also facilitate independent review of projects at each stage, which includes bid evaluation stage, and just prior financial closure to reconfirm that the final results offer Value for Money for the public authority. The ministry concerned will continue audit and evaluation of the projects to review whether the original objectives as to costs, service delivery and risk transfer have been met.

Contract, Corporate and Cooperative farming

The Government's National Agricultural Policy envisages that "Private sector participation will be promoted through contract farming and leasing arrangement to allow accelerated technology transfer, capital inflow and assured market for crop production, especially of oilseeds, cotton and horticultural crops"

CONTRACT FARMING

Contract farming is defined as a system for the production and supply of agricultural or horticultural products under forward contracts between producers/ suppliers and buyers. The essence of such an arrangement is the commitment of the cultivator to provide an agricultural commodity of a certain type, at a time and a price, and in the quantity required by a known and committed buyer, typically a large company. According to the contract, the farmer is required to plant the contractor's crop on his land, and to harvest and deliver to the contractor. A certain amount of produce based upon anticipated yield and contracted acreage. This could be at a pre-agreed price, but need not always be so.

The typical contract is one in which the contractor supplies all the material inputs and technical advice required for cultivation, while the farmer supplies land and labour. This system has old historical, but the more recent pattern of contract farming has been developed especially in the US, where corporate penetration of agriculture is probably the most advanced. Agricultural trade globally is dominated by transnational corporations, such as Cargill, archer Daniels Midland and Monsanto, which are increasingly involved at each stage of the agriculture system. These corporations achieve domination over the market through a combination of horizontal and vertical integration.

This has increased the margins for producer and processing firms while at- the same time reducing farm incomes and increasing the prices for the consumers. This explain the rising spread between the prices received by farmers and livestock breeders, and the retail prices, which has been so marked in the US over the past decade.

It is an approach that can contribute to both increased income for farmers and higher profitability for sponsors." When efficiently organized and managed, contract farming reduces risk and uncertainty for both parties and provides the producer the opportunity to his production. The intensity of the contractual arrangement varies according the depth and complexity of the provisions in each of the following three areas:

- **Market Provision:** The grower and buyer agree to terms and conditions for the future sale and purchase of a crop or livestock product.
- **Resource Provision:** In conjunction with the marketing arrangement the buyer agrees to supply selected inputs, including on occasions land preparation and technical advice.
- **Management Specifications:** The grower agrees to follow recommended production methods, inputs regimes, and cultivation and harvesting specifications.

Types of Contract Farming

Contract farming agreements can be classified into three, not mutually exclusive categories: *i) Market - specification, ii) Resource providing, and iii) Production management*. Market specifications contract are pre-harvest agreements that bind the firm and grower to a particular set of conditions governing the sale of the crop. These conditions often specify price, quality and timing. Resource providing contracts oblige the processor to supply crop inputs, extension, or credit, in exchange for a marketing agreement. Production management contracts bind the- fanner to follow a particular production method or input regime, usually in exchange for a marketing agreement or resource provision. In various combinations, these contract forms permit firms to influence the production technology and respond to missing markets without having to operate their own plantations. Eaton and Shepherd have presented five organizational models for contract fanning.

1. **Centralized Model:** The sponsor purchases crops from fanners for processing, and markets the product. Quotas are distributed at the beginning of each growing season and quality is tightly controlled. This model is generally associated with tobacco, cotton, sugarcane, bananas, coffee, tea, cocoa and rubber crops.
2. **Nucleus Estate Model:** The sponsor owns and manages - plantation, usually close to a processing plant, and introduces technology and management techniques to fanners (sometimes called "satellite" growers). Mainly used for tree crops, but has also been applied to dairy production.
3. **Multipartite Model:** Usually involves .statutory bodies and private companies jointly participating with fanners. Common in China, Where government departments, township committees and foreign companies have entered into contracts with villages and individual fanners.
4. **Informal or Individual developed Model:** Individual entrepreneurs or small companies make simple, informal production contracts with fanners on seasonal 'basis particularly for fresh vegetables and tropical fruits. Super markets frequently purchase fresh produce through individual developers.

5. **Intermediary Model:** Formal subcontracting of crop production to intermediaries is common in Southeast Asia. In Thailand, large food processing companies. Purchase crops from individual "collectors" or farmer committees, who make their own informal arrangements with fanners.

Key benefits of contract farming

The key benefits of contract farming for farmers can be summarized as follows:

1) Improved access to local markets
2) Assured markets and prices (lower risks especially for non-traditional crops
3) Assured and often higher returns;
4) Enhanced farmer access to production inputs, mechanization and transport services, and extension advice
5) Assured quality and timeliness in delivery of farmers' products;
6) Improved -local infrastructure, such as roads and irrigation facilities
7) Lower transport costs, as coordinated and larger loads are planned, an especially important feature in the case of more dispersed producers .

Successful case of contract farming:

A case of Pepsi **Foods Ltd**

- Diversification of cultivation in Punjab
- More than 9000 acres are under contract farming in Punjab
- Created employment boom for women and children

What was the impact?

- Tomato yields increased threefold, from *16-S2* MT / hectare.
- Chilli & potato yields improvements were equally dramatic
- Production of tomato in the state of Punjab, went up to 200,000 MT, from 28,000.
- Technology spread to non Pepsi growers
- Fresh market prices for tomato dropped, with increased availability.
- Chilli yields increased from 2.5 MT to 9 MT per acre
- Move to contract farming of other crops - Groundnut, Basmati & non Basmati paddy

CORPORATE FARMING

Corporate farming is one such initiative attempted in many Indian states alongside contract farming. Corporate refers to direct ownership or leasing in of farmland by business organizations in

order for produce for their captive processing requirements or for the open market.. Corporate farming is a term that describes the business of agriculture, specifically, what is seen by some as the practices of would-be mega corporations involved in food production on a very large scale. This is a system for the production and supply of agricultural / horticultural produce under forward contracts between producer / supplier and buyers. It is a modern food industry issue, and encompasses not only the farm itself, but also the entire chain of agriculture-related business, including seed supply, agrichemicals, food processing, machinery, storage, transport, distribution, marketing, advertising, and retail sales. Essential to this is the commitment of the producer/seller to provide an agricultural/horticultural commodity of a certain type, at a specified time and a price and in the quantity and quality required by a known and committed buyer

Context and Nature of Corporate Farming in India

The farmer organizations and political parties representing larger farmers in Punjab are also lobbying for the removal or relaxation of the Ceiling on Land Holding Act in Punjab (Dhaliwal, 200S).Some of the corporate agencies in the state are asking for longer term lease (20-30 years) of farmers land for corporate faming.

The state of Maharashtra and Gujarat have also enacted laws to allow corporate farming on government wastelands by providing large tracts of these lands (up to 2000 acres each) to agribusiness companies on a long term (20 years) lease (Bharwada and Mahajan, 2006).The Chhattisgarh State Government is also making available about 20 lakh hectares of land for jatropha (biofuel) cultivation. Under the scheme, an individual can lease up to 200 hectares of land at a price of Rs.l 00 per hectare, per year for the first five years. For subsequent years, these rates could be increased. The State Government has already formulated an action plan including the setting up of the Chhattisgarh Bio-Fuel Development Authority, identifying Government-owned waste or fallow land as well as constituting task focus in various districts (The Hindu Business Line, Sept. 2, *2005).*

The government of Andhra Pradesh had attempted corporate farming under a project in Kuppam in Chittor district during 1997-2002 where the purpose was to test the feasibility of large scale farming through contract farming on lands leased by agribusiness company (BHC Agro India Private Limited - an Israeli consultancy firm). The focus was on precision farming, drip irrigation and quality standards (Dash, 2004). -

There is a renewed interest in handing over wastelands to private companies on a long term lease basis more recently as part of the overall liberalization and privatization process in the rural sector. The government of Gujarat has recently offered wastelands upto 2000 acres for horticulture and bio fuels for 20 year lease to big corporate houses and resourceful fanners at the rate of

Rs.5OOper acre interest free security deposit. If project does not take off in five years, the leased land will be taken back and the deposit forfeited. There will be no rent for the first five years 6-10, annual rent will be a *50*% increase in rent if any value addition activity is taken up on the land. The lease will use micro irrigation technology which is being supported by the Gujarat Green Revolution Company with an initial capital of Rs. 1500 crores. The mortgage of land for loan purposes is allowed. No 'non-agricultural' permission will be required for processing activity (Bharwada and Mahajan, 2006).

Cases of Corporate Farming in India:

Case 1: Maharashtra, Tamilnadu, and Goa. Plantations mainly fruit trees.

It has 12 farms with four in Tamilnadu, seven in Maharashtra and one in Goa. A total of 1500 acres is made up by about 650 acres in Tamilnadu, 750 acres in Maharashtra and 100 acres in Goa. The land put of CIS was bought from farmers and was cultivable wasteland. Each farm is in a compact zone in each State and mostly in Konkan region. The land was bought at the rate of Rs. 25-30,000 per acre.CIS provided for 80:20 sharing of profits from plantations, now through exports of fruits, with 80% going to the investors after meeting all expenses. There were about 800 participants in the CIS with the largest and the only one with 150 acres and the smallest with 0.5 acres which was the minimum needed as per the scheme. There is a formal agreement with share holders which is renewed every 5 years. The company is only managing the farms on behalf of the owners. Now, certified organic production for domestic and export markets are undertaken on these farms.

The farmer organizations and political parties representing larger farmers in Punjab are also lobbying for the removal or relaxation of the Ceiling on Land Holdings Act in Punjab (Dhaliwal, 2005). Some of the corporate agencies in the state are asking for longer term lease (20-30 years) of farmers' land for corporate farming. The states of Maharashtra and Gujarat have also enacted laws to allow corporate farming on government wastelands by providing large tracts of these lands (upto 2000 acres each) to agribusiness companies on a long term (20 year) lease (Bharwada and Mahajan, 2006). The Chhattisgarh State Government is also making available about 20 lakh hectares of land for jatropha (biofuel) cultivation. Under the scheme, an individual can lease up to 200 hectares of land at a price of Rs 100 per hectare, per year for the first five years. For subsequent years, these rates could be increased. The State Government has already formulated an action plan including the setting up of the Chhattisgarh Bio-Fuel Development Authority, identifying Government-owned waste or fallow land as well as constituting task focus in various districts (The Hindu Business Line, Sept. 2, 2005). The government of Andhra Pradesh had attempted corporate farming under' a project in Kuppam in Chittor district during 1997-2002 where the purpose was to test the feasibility

of large scale farming through contract farming on lands leased by agribusiness company (BHC Agro India Private Limited - an Israeli consultancy firm). The focus was on precision farming, drip irrigation and quality standards (Dash, 2004).

Case 2: Kuppam Project in Andhra Pradesh (1997)

- **Kuppam Project in Andhra Pradesh (1997)**
  - The Kuppam Pilot Project was primarily undertaken by the Government of Andhra Pradesh through its Rural Development Department to promote and demonstrate Corporate Agriculture
  - Demonstrate use of corporate farming
  - Area coverage 170 acres of land
  - Corporate: M/S. BHC Agro (India) Pvt. Lt
  - New capital intensive crops, using latest technology
  - Project cost - 964 lakhs / 200 acres (170 acres)
  - Israeli drip technology at much lower cost (17-20 thousands per acre)
  - Total investment made was 10 times more than those of rich farmers adopting modern cultivation practices
  - Lands taken from farmers managed by the corporate body- M/s BHC Agri India Pvt. Ltd.
  - Every farm operation including Marketing, is managed by Corporate body
  - Employed heavy mechanization except for harvesting and cleaning of produce
  - Corporate control from stages of planning through the stages of development and management
  - Average cultivation cost Rs.20,000 per acre (agro-chemicals 23%, fertilization 18.1%, power and fuel 26%, seeds 8%, labour *about 25%)*
  - The company claimed that after an average period of 1.5 years, an income of Rs. 150 lakhs was realised and so far Rs. 29 lakhs income was distributed to the farmers @ Rs. 17,000/- per acre.
  - mostly for machine operators or for field supervision and used only to a limited extent for harvesting and for shifting of pipes
  - Family members, whose lands have been taken over, are engaged as daily laborers.
  - Educated persons have been given supervisory/managerial role on the farm
  - They get employed only when there is work on the farm
- **Social impact of the project has been adverse.**
  - Lands have driven out from farmers profession

- Only 7-10 farmers and 60-70 women are hired as labourers
- Subsidiary occupation like dairy has been lost.
- Not sustainable

Some benefits of Corporate farming

- Increases out put
- Reduces fragmentation
- Increases export performance
- Employ improved Technology

Limitations of Corporate farming

- It makes farmers landless
- Undermines local production
- Failure of corporate farming in many countries

Few cases of Corporate Farming in India:

SN	Company	Area/region and crops
1.	IEEFL, Pune (subsidiary of the Ion Exchange India set up in 1995)	Maharashtra, Tamilnadu, and Goa; Plantations mainly fruit trees
2.	Jamnagar Farms Pvt. Ltd. (subsidiary of Reliance Industries (Mukesh Ambani group)	Gujarat, and Punjab; Agroforestry and horticultural crops
3.	Anil Dhirubhai Ambani Group (Reliance)	Punjab; Fruits and vegetables
4.	Field Fresh an equal partnership venture between Bharti Enterprises (Airtel group) and Rothschild	Punjab; fresh fruits and vegetables
5.	Vimal Dairy with a capacity to process 2.5 lakh litres of milk (a part of the Rs. 900 crore Vimal Group),	Narmada canal area in north Gujarat; milk for captive consumption

COOPERATIVE FARMING

"Cooperative farming initiative of the Andhra Pradesh Government should be a win-win situation for all those who join it". - M. S. *Swaminathan*

Cooperative farming is conceived and promoted as a farmer controlled set-up, capable of providing key inputs and services for the production and marketing

Milk Cooperatives – India

In 1965, a network of dairy cooperatives that replicated Anand model in Gujarat with a three - tiered structure - State Milk Federations (15), District Level Milk Unions (170), and Village Level Primary Cooperative Societies (117,575) was introduced throughout India.

- Producer -owned but management in the hands of individuals recruited on the basis of management expertise and competence. '
- Farmers represented in the operational hierarchy to ensure returns to be predominantly returned to them.
- National level organizations - NDDB and NCDFI spearhead and coordinate all State levels.
- Cooperatives provide employment to approx. 70 Mn households
- Milk production increased from 2l.2 Mn tonnes in 1968-69 to 97.07 million tones in 2005-06
- Thereby per capita availability from 112 gm to 241 gm.
- Market development for many products presents unique challenges because demand is highly price sensitive.
- Milk production is pre-eminently a small-scale business so a large numbers of farmers need to be linked.
- Generate sufficient scale economies, increase efficiency and price competitiveness.
- To increase value addition, reduce price elasticity of demand.
- Increase customer loyalty and reduce switching behaviour.
- State Federations initiated strategies such as brand development, brand recognition and brand positioning - Amul, Vijaya, Verka etc.

Role of NGOs and Farmers' Group in promoting PPP

Role of Farmers in promoting PPP

It has been seen from various success cases (given in the following pages) that farmers when mobilized in groups can have much more influence in the promotion of PPP. Their strength as a group enables them to have good cooperation, partnership and linkage with other institutions, be it private, public or NGOs**.** ATMA interventions (formation and promotion of CIGs,etc) and guidance helps in fostering public-private partnerships. PPP under the guidance of ATMA like body helps create amiable linkage between farmers and industry

It is clear that MoU indicating feasible activities in appropriate areas aimed at specific outcomes is the key to having successful PPP. The Role clarity, contributions and responsibilities of partners decides the success of partnership. Success of PPP also requires continued commitment and periodical dialogue/communication between the partners. Hence, when farmers are mobilized in groups like Commodity Interest Groups it enables them to engage in partnerships, which in turn benefits them in obtaining required resources (finance, seeds, etc,), proper technical know-how and market intelligence and ultimately achieve improved economic status.

Convergence with & Involvement of Non-Governmental Sector under SSEPER Scheme:

In order to ensure promotion of multi-agency extension strategies, and to implement scheme activities in Public-Private-Partnership (PPP) mode, a minimum 10% of scheme allocation on recurring activities at district level is to be incurred through Non-Governmental Sector viz. NGOs, FOs, PRIs, cooperatives, para-extension workers, agri-preneurs, input suppliers, corporate sector etc. The non-governmental implementing agencies will be eligible for service charge with a ceiling of 10% of the cost of extension activities (but no staff cost) implemented through them.

The Extension Work Plan involving non-governmental agencies may be prepared at the State level and approved by SLSC/ IDWG, without having to obtain recommendation of the BTT/ FAC and approval of ATMA, GB concerned. After SEWP has been approved by the SLSC, the State level functionaries shall facilitate necessary coordination between the non-governmental partner and ATMA institutions at the district level so that approved activities are implemented expeditiously. Funds to Non-Governmental Sector partner may also be released at the State level, at the discretion of the SLSC/ IDWG. Necessary funds for the purpose may also be retained at the State level.

States should select NGOs which have good reputation of State level standing & with high technical capabilities in the area /activity chosen for their involvement to avoid collaboration with

frivolous NGOs. The States may enter into an MOU with the non-governmental agency and advise District ATMAs accordingly.

Successful Cases

Case 1: Market –led Partnership

ATMA, Chitoor-Poultry Association-Commodity Interest Groups

- Diversification from groundnut, paddy and sugarcane to maize in Chittoor district of Andhra Pradesh, India P
- oultry Association, Commodity Interest Groups of farmers are linked and networked by ATMA with a buy-back arrangement of maize at a fixed price.
- ATMA conducted 22 awareness camps, 6 exposure visits to Karnataka, printing and distribution of pamphlets & leaflets and arranging interaction with experts.
- Poultry Association provided 2 MT of poultry manure free of cost to the networked farmers and the quality seed of maize was supplied by ATMA.
- Area expanded from 60 hectares to 1150 hectares with an average income of Rs.22,000/- per hectare – resulting into crop diversification.
- Technical and knowledge support by BTT on crop production.

Case 2: Uttam Bandhan Chambal Fertilizers-ATMA, Sangrur-FIGs-FOs

Chambal Fertilizers: Uttam Bandhan

- Serve entire value chain through FIGs and FOs including Soil testing for micro nutrients, balance use of fertilizers, Advisory, Input supply and Marketing
- Cost Sharing @ 50:50 between ATMA and Chambal for the services
- Developing an organic linkage through Uttam Krishi Sevak (UKS) through continuous feedback
- Dissemination and extension of agricultural services using ICTs at FIAC established by ATMA and operated by UKS.

Case 3: Cultivation of Medicinal and Aromatic Plants

ATMA, Patna-FIGs- Central Institute of Medicinal and Aromatic Plants, Lucknow- Fragrance and Flavour Development Centre (FFDC), Kannauj, U.P- Baidyanath and Ayurved shri Herbals.

- Rich biodiversity identified as strength of Patna district through SREP.
- ATMA facilitated and promoted the cultivation of medicinal and aromatic plants by converging farmers into FIGs in a buy-back arrangement with Baidyanath and Ayurvedshri Herbals.
- Capacity building of FIGs in cultivation of medicinal and aromatic plants by CIMA-Lucknow and FFDC-Kannauj facilitated by ATMA.

- Area expansion, crop diversification and enlarged coverage in 6 villages and number of FIGs going up.

Case 4: NGO Initiated Partnership

Patliputra Samaj Kalyan Sansthan, Patna-ATMA, Patna-FIGs

- Patliputra Samaj Kalyan Sansthan, Patna entered into buy-back arrangement of mushroom through federation of FIGs at a pre-determined prices.
- ATMA promoted CIGs, converged them into Federation and linking with Patliputra Samaj Kalyan Sansthan .

Case 5: Export Oriented Partnership

M/s Pamer Agro Ventures (P) Ltd, Patna-ATMA, Patna-FIGs

- M/s Pamer Agro Ventures (P) Ltd. promoted production of snow pea by supplying seed and other inputs and agronomical practices to FIGs through the interventions of ATMA.
- Exported the snow pea and realised highly remunerative prices by the farmers under a buy-back arrangement in the supervision of ATMA.

Case 7: Partnership for Direct Marketing of Alphonso

ATMA, Ratnagiri- KVK – Shirgaon- SAU-Dapoli-CIGs

- Alphanso predominant h orticultural crop in Ratnagiri, Kokan's region of Maharashtra.
- 99% of growers sell the produce at 1/4 th price that too through middle men Sindhudurg district organised Mango fair in Mumbai in 2002 and farmers got 4 times as compared to earlier prices.
- Learning from Sindhudurg mango fair, ATMA – Ratnagiri promoted 13 GIGs and trained on quality mango production, better handlings through KVK – Shirgaon and SAU-Dapoli.
- 13 FIGs established stalls at Mango fairs, farmers got better prices and consumers got quality mangos at cheaper price than in the regular market.

Case 8: Collective Marketing of Vegetables

ATMA, Sangrur-PAU- National Horticulture Research and Development Board, Bhati-FIGs

- ATMA, Sangrur facilitated diversification from wheat – rice to vegetables in Dhuri block of Sangrur in Punjab through CIGs.
- The agronomical practices other technologies were provided by ATMA and PAU. National Horticulture Research and Development Board, Bhati entered into contract farming with FIGs through ATMA and procured vegetables.

- Also low cost cooling unit were provided by ATMA. Collective marketing by FIGs was the key for the success.

Case 9: Partnership for Quality Seed

Chambal Fertilizers-State Government, Haryana-University-Farmers'Groups-M/s.Prabhat Seed Traders in Kurushektra.

- M/s. Prabhat Seed Trader makes arrangement with the farmers to procure seed usually at higher rates than the market price.
- The trader has machinery and undertakes treatment of the seeds and obtains certification of seeds under the brand name 'Prabhat Seeds' from the State Authorities.
- Under the partnership, Chambal Fertilizers authorized to sell these quality seeds to the farmers through its market network.
- M/s. Prabhat Seed Traders started its activity with a production of 300 MT of wheat seed per annum and now it has touched more than 1500 MT per annum.

Case 10: Market Linkage for Export of Litchi

ATMA, Kangra- National Horticulture Board - Agro-Venture Pvt. Ltd-FIGs

- ATMA taken initiative to form Litchi farmers into CIG
- National Horticulture Board offered know-how to produce quality litchi production Market linkage agreement with Agro-Venture Pvt. Ltd., for buying litchi
- ATMA arranged loan for farmers with cooperative bank.
- Farmers' income reached Rs.30-40 thousands per acre and average returns of Rs.8000 per month per farmer.
- Farmers started producing cherry, tomato, baby corn and sweet corn with market linkage.

Case 11: Cashew Ratna

ATMA, Ratnagiri-FIGs-Traders

- ATMA mobilised farmers into processors groups
- 10 processors groups were federated at block level.
- Common godown facility was created at block level for grading and packing
- 7 block level cashew processors groups were federated at district level.
- District federation undertake further grading, packing and marketing.
- *Cashew Ratna* brand was promoted by ATMA at domestic and export market.
- Buy-back agreement with traders after processing with the facilitation of ATMA for reasonable profit.

Case 12: Rosemary Cultivation in Tamil Nadu

MYRADA-Farmers' Groups /CMRCs-Spice Board-TNAU-Horticulture Dept.-DRDA-ITC, Kolkata-Hopes (Marketing Agency), Nilgiri

- MYRADA KVK capacity building and linkage, technological backstop, facilitator, participatory monitoring, fund mobilization
- CMRC- Selection of farmers, formation of committee, agreement preparations, participatory monitoring, updating market information, employment generation
- Departments - Technical support, provision of subsidy, components
- TNAU-Technical backup; DRDA-Oil Extraction Unit; Spice Board-Drying Yard
- ITC- Timely fund allocation, well defined harvesting procedure, buy-back agreement Hopes in Nilgiris-Marketing arrangements
- 114 farmers formed into institution called "Rosemary Growers Association" to enable their entrepreneur ability.

Constraints of PPP and strategies for promoting PPP

Constraints in PPP:

- Lack of trust, understanding
  - Lack of systematic interfaces
  - Lack of initiatives/incentives
  - Rigid rules/regulations
  - Over subsidization of public services- no level playing field
  - Lack of opportunity for interchange of personnel
  - No orientation of public financial system towards changing scenario and need for PPP
  - Overlapping of roles/responsibilities

Strategies to promote PPP:

- Policy reforms
- Greater interfaces between public/private players
- Appreciating the concern to empower farming community
- Orientation of public functionaries towards PPP
- Partnership of private representatives in public bodies and vice-versa
- Monitoring of the PPP to ensure that it is farmer centric and farmer responsive

For an effective PPP:

- There need to be Transparency, Accountability, Flexibility, Replicability, and Scalability.
- It has to be farmer centric and farmer driven
- Must lead to empowerment of farming community
- Reduce financial burden on Government

7 Key success factors for PPP

The following are to be considered "best practices" in the development of Public-Private Partnerships (PPPs). It is recognized that the methodology for implementation of PPPs can vary, depending on the nature of a given project and local concerns. Given this, it is the position of the NCPPP that these are "best practices":

1. Public sector champion:

Recognized public figures should serve as the spokespersons and advocates for the project and the use of a PPP. Well-informed champions can play a critical role in minimizing misperceptions about the value to the public of an effectively developed PPP.

2. Statutory environment:

There should be a statutory foundation for the implementation of each partnership. Transparency and a competitive proposal process should be delineated in this statute. However, unsolicited proposals can be a positive catalyst for initiating creative, innovative approaches to addressing specific public sector needs.

3. Public sector's organized structure:

The public sector should have a dedicated team for PPP projects or programs. This unit should be involved from conceptualization to negotiation, through final monitoring of the execution of the partnership. This unit should develop Requests For Proposals (RFPs) that include performance goals, not design specifications. Consideration of proposals should be based on best value, not lowest prices. Thorough, inclusive Value for Money (VfM) calculations provide a powerful tool for evaluating overall economic value.

4. Detailed contract (business plan):

A PPP is a contractual relationship between the public and private sectors for the execution of a project or service. This contract should include a detailed description of the responsibilities, risks and benefits of both the public and private partners. Such an agreement will increase the probability of success of the partnership. Realizing that all contingencies cannot be foreseen, a good contract will include a clearly defined method of dispute resolution

5. Clearly defined revenue stream:

While the private partner may provide a portion or all of the funding for capital improvements, there must be an identifiable revenue stream sufficient to retire this investment and provide an acceptable rate of return over the term of the partnership. The income stream can be generated by a variety and combination of sources (fees, tolls, availability payments, shadow tolls,

tax increment financing, commercial use of underutilized assets or a wide range of additional options), but must be reasonably assured for the length of the partnership's investment period.\

6. Stakeholder support:

More people will be affected by a partnership than just the public officials and the private sector partner. Affected employees, the portions of the public receiving the service, the press, appropriate labor unions and relevant interest groups will all have opinions, and may have misconceptions about a partnership and its value to all the public. It is important to communicate openly and candidly with these stakeholders to minimize potential resistance to establishing a partnership.

7. Pick partners carefully:

The "best value" (not always lowest price) in a partnership is critical in maintaining the long-term relationship that is central to a successful partnership. A candidate's experience in the specific area of partnerships being considered is an important factor in identifying the right partner. Equally, the financial capacity of the private partner should be considered in the final selection process

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