

Global Agenda Council on Sustainable Development (GAC-SD)

RIICE: How Public-Private Cooperation Can Increase Food Security in Asia

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Public Goods delivered by private actors: A PPC in the area of food security and social protection

The RIICE partnership is a very interesting PPC considering the traditional role of the public and private sector in the areas of food security and social protection. While assuring food security is generally seen as a public / government responsibility (even if involving a multitude of private actors), the provision of productive social protection solutions is often partially or completely delegated to private actors, typically insurance companies within a country's regulatory framework. As a result, private insurance companies (and reinsurers) are at the same time key actors both in terms of providing and establishing market capacities and in terms of critical expertise to help protect people from all kinds of shocks.

The interdependence between public and private actors lies at the heart of the RIICE partnership. In this context, each actor focuses on the following role to form a partnership that ultimately aims at making smallholder rice producers in the region more resilient to adverse climate shocks:

1) Public actors are involved in the target countries (Cambodia, India, Philippines, Thailand and Vietnam) with their respective National Authorities responsible for food security management and insurance regulation, as provider of publicly available satellite images (ESA) and as financial contributors and facilitators of the process (SDC and potentially other development partners in the future). The academic world is represented by the International Rice Research Institute (IRRI) which provides the necessary agronomic knowledge for ground truthing to enable interpretation of satellite images.

2) Private actors are participating either as service providers (sarmap: Remote sensing based technologies), as expertise providers (Allianz Re) and/or as potential long term market actors (Allianz Re, local insurance companies but also sarmap).

The programme is putting much emphasis on enabling local partner institutions. Thereby, the project partners create a strong ownership on the side of the in-country partner – quite likely the only guarantee to ensure the future viability beyond a donor-funded period.

In summary, RIICE is an innovative setup that offers tremendous opportunities for the alignment of public and private interests in one of the key SDGs (SDG 2: End hunger, achieve food security and improved nutrition, and promote sustainable agriculture). However, rather than constituting a silver bullet, it shows that meaningful partnerships require patience, trust, and learning by doing.

Rice is the chosen key crop as staple food for the world's poor: It is cultivated on some 158 million hectares, the livelihood of more than 1 billion people depends on it, and it has a value of 122 billion USD (of which 90% in low income countries) annually.

In 2012, SDC entered in a Public Private Cooperation aiming at reducing the vulnerability of rice smallholders in low-income countries in Asia. The RIICE (Remote sensing-based Information and Insurance for Crops in Emerging economies) project has two main objectives:

- 1) Assist governments and other key actors to better plan for food crises through better crop growth monitoring; and
- 2) Increase availability, efficiency and effectiveness of crop insurance solutions and turn it into a viable business in emerging markets.

To reach these objectives, the RIICE project aims at leveraging the respective strengths and roles of public and private sector actors, while mitigating some of the challenges inherent to these kinds of complex PPC. Three elements in particular offer valuable lessons for other PPC aiming at achieving the SDGs: i) using private sector partners to deliver a public good; ii) overcoming implementation challenges; and iii) mitigating risk exposure by a development agency.

i) Private sector support in delivering a public good

The RIICE project amplifies promotion / development of public goods with the involvement of key roles for private actors:

- The **technical know-how regarding satellite images**, analysis and production of reliable / usable data is coming from a small Swiss enterprise named sarmap. It is combined with software products developed by the International Rice Research Institute (IRRI), a non for profit public international research centre, to produce rice yield projections. Ensuring post-project permanent availability of what is now a “project result” is a key challenge and the actual perspective of having the two actors – private and non-private – creating a “social joint-venture business” is highly interesting and compatible with the public good logic behind delivering such key data. It should allow the public actors in the respective countries to further use the proposed technologies at accessible conditions / costs and thus playing their role of public good providers in the field of direct food security management.
- Regarding the **insurance component of the RIICE project**, the picture becomes more complex. It involves using the provided data to develop an insurance solution and, as a second step, offer it on an affordable and effectual basis to poor smallholder farmers. The challenge therefore is to find an appropriate post-project balance between public responsibilities and private sector involvement regarding the production and sharing of strategic data in the context of national policies. It is also about ensuring that all interested actors, including insurance and reinsurance providers, will have access to the information they need for their business and that they are comfortable with the reliability of the data that remains in the public domain. Finally, it is about information sharing, data and products developed during the project phase, with public funds, which should be made available on an open basis.

Challenges in the implementation process

RIICE uses a development project implementation mechanism, launched with a small pilot. This approach yields three types of challenges for a PPC setup:

- Although access to high quality remote sensing data allows better planning and administration of food security policy, governments often lack the capacity to fully absorb the technology and use it’s full potential. Moreover, to ensure long-term financing once external support is phased out, also remains a challenge. At the same time, while for private insurance partners, offering insurance products to smallholder farmers is an interesting market opportunity, it remains difficult to offer such products at a price that is affordable to most smallholders. Therefore, a close collaboration and even co-financing between governments and private actors is a crucial factor of success.
- The participating actors are combining their efforts to produce quick, relevant and convincing results which are essential for subsequent project steps. This sometimes leads to situations in which actors start engaging beyond their roles. This, in turn, may result in misunderstandings and questions regarding the “post-project model”, including the challenge – for a development agency – of encouraging positive changes in a given context without distorting the market. This becomes particularly relevant when the process is engaged with one specific private actor and not a private sector consortium.
- Pilot phases are often aiming at proving the (technical) project concept. At the same time, they are not set to engage partners in ensuring the economic viability of an intervention. This may lead to limited generation of key information needed for decision-taking in view of the post-project period and thus long-term viability of a partnership.

Mitigating risk exposure by a development agency

Whether or not to engage in a PPC to improve social and economic conditions in developing countries is often a tough question for a public development agency whose mandate is not to directly support private sector development. The Swiss Agency for Development and Cooperation (SDC) promotes risk management as an integral component of its Programme Cycle Management. It therefore strives to ensure that its (potential) private partner complies with internationally recognized Environmental, Social and Governance (ESG) standards as well as its criteria for PPC-engagements. The same is true for the private partner who might have different instruments at its disposal to assess potential risks of collaborating with public sector entities.

The due diligence process is relatively straightforward if only looking at activities directly linked to the partnership. However, it becomes much more complex if applied to the full range of activities by a private partner, particularly when working with large multinational companies, such as the Allianz Group. In the case of the RIICE project, SDC has been partnering with a corporate partner that does not only provide direct insurance activities but also had to look at its investment strategy. This process is cumbersome and intense, and needs transparent criteria and communication flows between partners. At the same time, it also leads to critical mutual learning and decision-making. Moreover, this process allows for a dialogue beyond the specific PPC and offers potential to discuss the broader contribution a private partner can make to the achievement of Sustainable Development Goals (SDGs).

Public-private cooperation will be an important mode of delivery to achieve Sustainable Development Goals (SDGs). Private sector contribution to sustainable development and poverty alleviation is both a major challenge and a huge potential. While good practices are beginning to emerge based on initial successes (and failures), they mostly relate to processes of production, services, or access to markets for the poor. For SDC, the example of RIICE constitutes an invaluable insight into the potential of public-private cooperation regarding the delivery of public goods, such as food security and social protection. In such a context, the necessary social and political regulatory or normative framework does not always exist from the very beginning of the cooperation process. Therefore, project specific normative alternatives are to be clearly defined and agreed on among the involved actors during the first project steps. Institutional guiding principles on the side of the public actors should be elaborated to “set the scene” and to regularly monitor the process. Open and transparent communication about / around those principles are mandatory. Furthermore, the delay due to the establishment of a sound basis for a development process is often longer than expected. Particularly private sector actors tend to be sooner disposed to set the basics and roll-out the project – even in a pilot manner. Pro-poor development processes, however, often require a stepwise approach and a long patience.

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