

# Interaction Between the Public Sector and Private Sector

## Agricultural Insurance Symposium – Disaster Risk Management

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**David C. Hatch**  
**Associate Deputy Director General**  
**Inter-American Institute for Cooperation on Agriculture**





# Private - Public Partnership

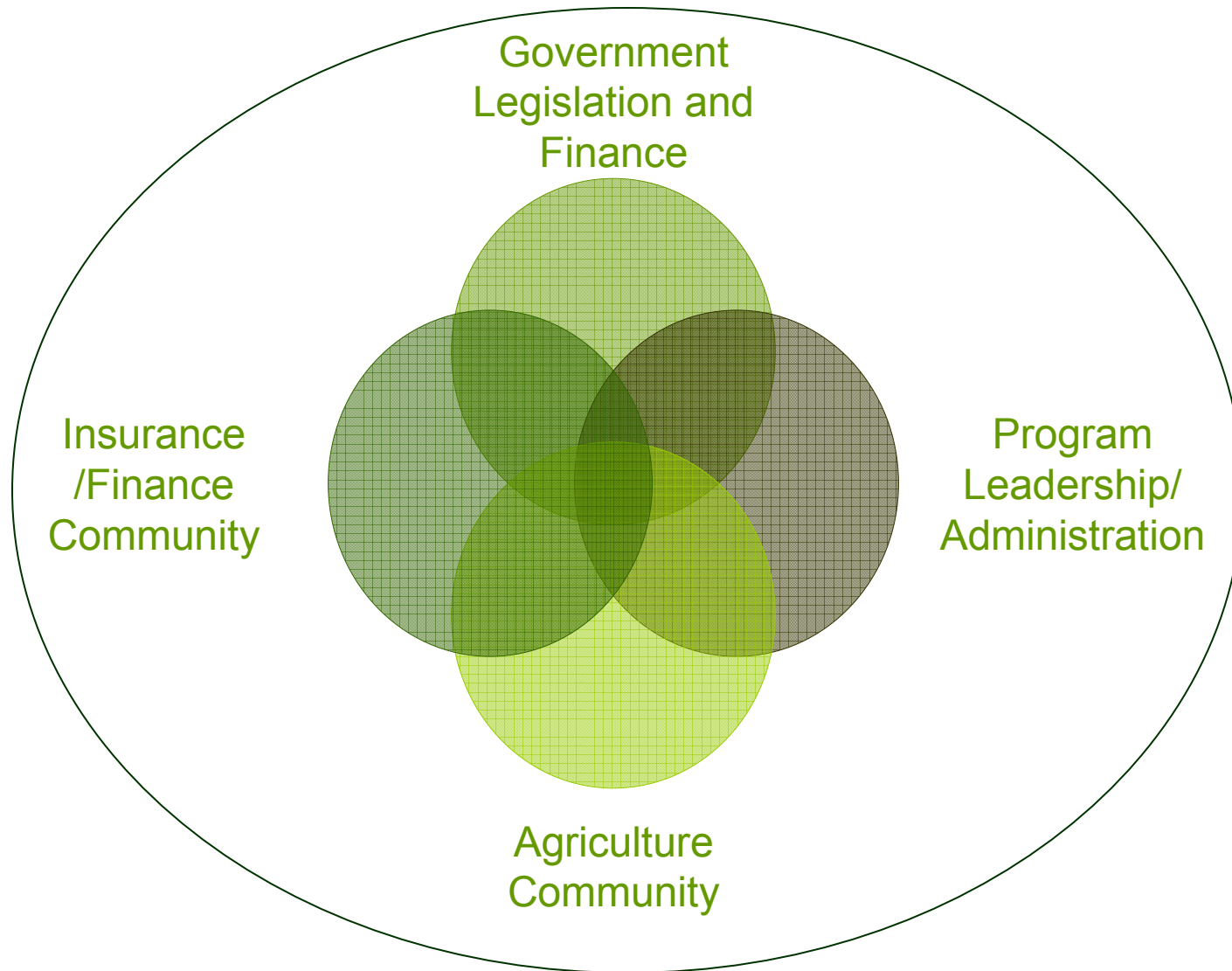
(Nationally & Regionally)

- Clear Identities
- Maximize Strengths
- Defined Roles
- Defined Authorities
- Defined Accountabilities
- Shared Risk

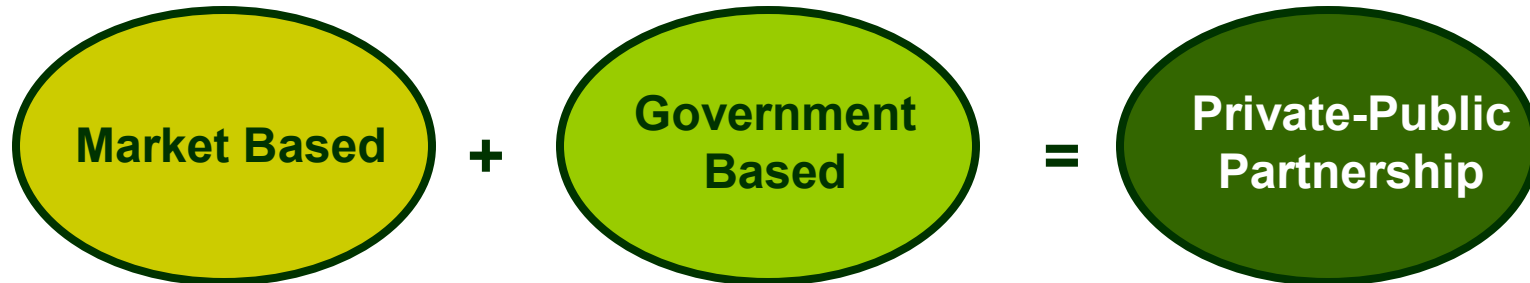
*Trust But Verify*



# Preferred Insurance Model: A True Public-Private Sector Partnership



## Three Policy Models



- Limited Penetration
- Technical Driven
- Low Diversification
- Competition on Price
- Full Risk Liability
- Low Fiscal Cost

- Penetration is Variable
- Social Criteria Driven
- Low Diversification
- Monopolistic: Service & Price Issues
- Full Risk Liability
- Higher Fiscal Costs

- High Penetration
- Technical Criteria Driven
- Diversified Products
- Compete on Service
- Shared Risk Liability
- Reasonable Fiscal Cost
- Government Adds Stability
- Private Sector Adds Know How

*Adapted from R. Iturrioz, World Bank*

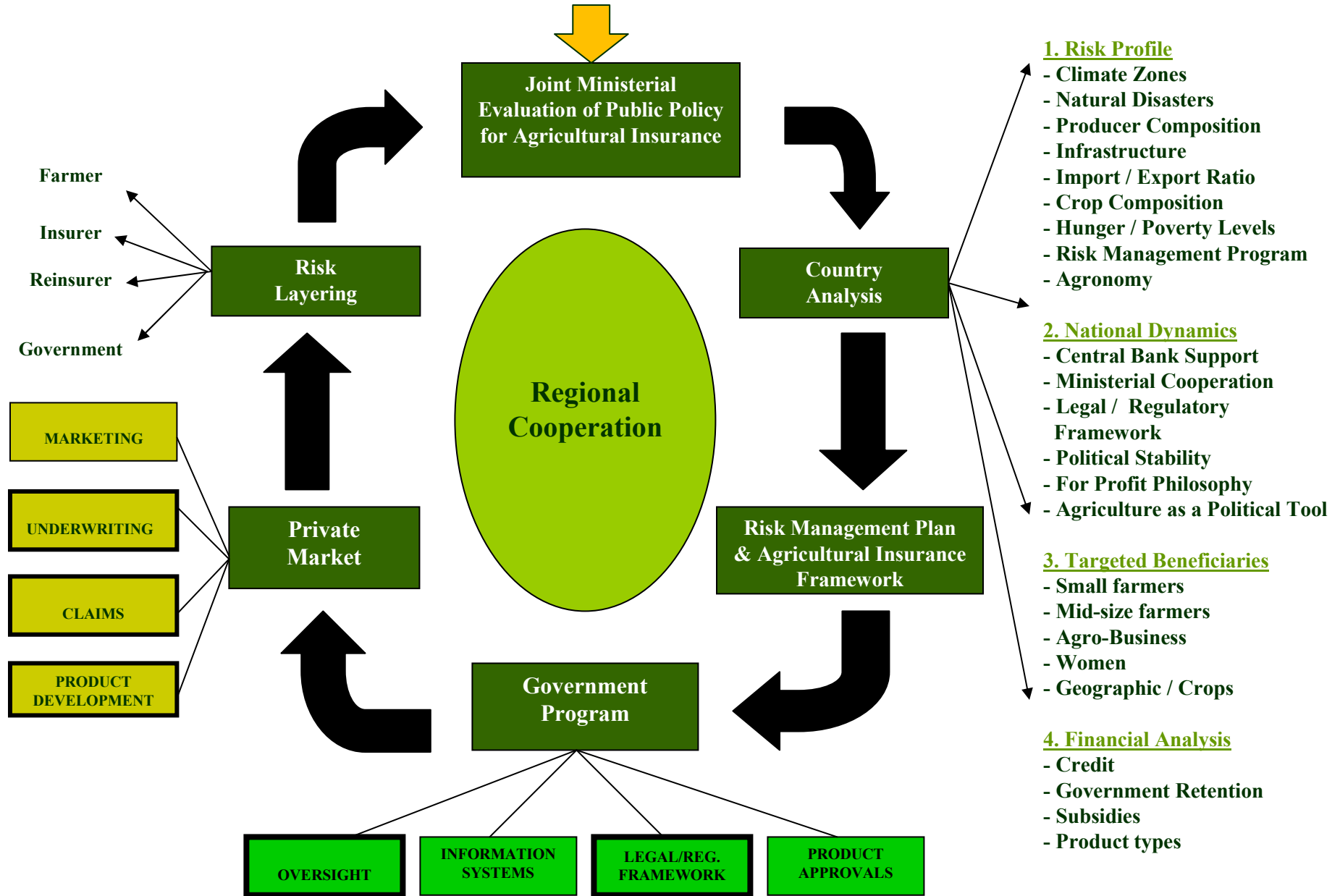


# Private Sector: Who, Why?

|                               | Deploy Expertise |            |               |           |                     | Build Capacity    |                  |                | Create Demand |                    |
|-------------------------------|------------------|------------|---------------|-----------|---------------------|-------------------|------------------|----------------|---------------|--------------------|
|                               | Analyze Risk     | Price Risk | Manage Claims | Marketing | Product Development | Educate Producers | Train Government | Train Insurers | Product Input | Market Development |
| Producers                     | X                |            |               |           |                     |                   |                  |                | X             | X                  |
| Cooperatives/<br>Associations | X                |            |               | X         |                     | X                 |                  |                | X             | X                  |
| Agents                        | X                |            | X             | X         |                     | X                 | X                | X              | X             | X                  |
| Insurers                      | X                | X          | X             | X         | X                   | X                 | X                | X              |               |                    |
| Reinsurers                    | X                | X          |               |           | X                   |                   | X                | X              |               |                    |

■ High Penetration  
 ■ Technical Rationale

# Sequencing Framework for Developing Agricultural Insurance





# Reinsurer Expectations of the Country

## Ideal Market

- ✓ Government commitment to public-private partnerships
- ✓ Solid rural infrastructure
- ✓ Market oriented farmers with emphasis on commercial agriculture
- ✓ Functioning export markets
- ✓ 2-3 major crops covering a significant region with reasonably homogenous soil and climate conditions
- ✓ Stable institutional framework; Insurance and financial regulation & incentives for companies to invest in crop insurance
- ✓ At least 1 insurer specialized in agriculture or the absence of a large number of insurers experimenting or competing agricultural insurance

## Their Commitment

- Build Capacity: governments, local insurers, agribusiness industry
- Contribute resources: insurance platform, product development, local/international partners



# The Discipline of Market Leaders

- Choose Your Customers, Narrow Your Focus, Dominate Your Market
  1. Customer Intimacy- deliver what clients want
  2. Operational Excellence-low price/hassle-free service
  3. Product Leadership- push performance boundaries
- Mobilize All Resources to the Chosen Discipline
  1. Systems and Structure
  2. Resource Allocation and Incentives
  3. Capacity Building



# Confront Your Reality and Ask Tough Questions

- Phase I: Understand the Status Quo of Your Business
- Phase II: Identify the Realistic Options
- Phase III: Detailed Design and Hard Choices
  1. How will you produce superior value?
  2. What is the business case for pursuing the market? (cost, benefits, risks)
  3. How will you transition?



# Most Strategic Agricultural Question

## ■ **What Crops Should Be Grown in the Caribbean?**

1. Long-term Market Demand
2. Market Niches/Cultural Niche
3. Natural Resources by Country
4. Climate Risk
5. Labor Force

## ■ **Supporting Decisions**

1. Risk Management
2. Credit and Insurance
3. Technologies
4. Infrastructure
5. Value Chain
6. Capacity Building



# Think Linkage

- Correct risk management programs will include sound insurance mechanisms
- Sound insurance mechanisms enable producers to rebuild and/or avoid returning to poverty
- Sound insurance mechanisms accelerates credit availability
- Affordable credit is critical to expanding agriculture
- Correct crop selection and supporting decisions position agriculture to be sustainable
- Sustainable agriculture stimulates the economy, creates jobs, increases civil stability, improves food security, eliminates hunger and reduces poverty
- Private-public partnerships are fundamental to sound and enduring risk management programs