

# D R A F T

## Report of the Sixteenth Meeting of the CGIAR Private Sector Committee

London  
February 13-14, 2002

*The 16<sup>th</sup> meeting of the CGIAR's Private Sector Committee (PSC) was held at the World Bank office in London on February 13-14, 2002 under the chairmanship of Sam Dryden. Members Claudio Barriga, Badrinarayan Barwale, Robert Horsch and Wallace Beversdorf and PSC Secretary Selçuk Özgediz attended. Seizo Sumida, Barry Thomas and Florence Wambugu sent regrets. Ian Johnson, CGIAR Chairman, and Francisco Reifschneider, CGIAR Director, attended the afternoon session on February 13. In addition, the Committee interacted with Keith Palmer (consultant to DFID) and Tony Kalm (Global Conservation Trust).*

### *Agenda*

- 1. Introduction*
- 2. Pilot Challenge Programs*
- 3. Role of the PSC*
- 4. Interaction with Ian Johnson and Francisco Reifschneider*
- 5. Interaction with Keith Palmer on Rural Enterprise Technology Facility*
- 6. Financing CGIAR Initiatives*
  - a. Global Conservation Trust*
  - b. Potential for Private Sector Involvement*
- 7. Stocktaking by PSC*
- 8. Next Steps/Action Plan*

### **1. Introduction**

Sam Dryden opened the meeting and welcomed the participants. The minutes of the 15<sup>th</sup> (teleconference) meeting were adopted without changes. The agenda was adopted.

Sam Dryden provided an overview of developments in the private sector. He noted that the PSC is firmly connected with several developments, e.g., the RF initiative regarding IPR and regulatory harmonization in SSA and the WB dialogue with the CEOs. Most of these will be discussed as part of agenda items at this meeting.

Selçuk Özgediz gave an overview on developments since AGM2001 on the implementation of the CGIAR Reform Program. The PSC is welcomed to contribute to the reform effort (e.g., designing Challenge Programs through partnerships with the private sector.)

## **2. Pilot Challenge Programs**

The Committee had an extensive discussion of the three CP proposals recommended by the iSC. The conclusions of the PSC discussion is summarized in the attached letter from the PSC Chair to the CGIAR Chair. (Attachment 1)

## **3. Role of the PSC**

Sam Dryden noted that the mission of the PSC (as agreed by the Committee in 1996) is as follows:

*The Private Sector Committee's mission is to provide a private sector perspective to the CGIAR regarding the current status and future needs of global agricultural research. Through its membership the Committee reflects the views of national and international for-profit enterprises of varying scales and with direct interest in agricultural research.*

*The Committee serves as a link between the CGIAR and the private sector at large and aims to forge new alliances for improving food security and the quality of the environment. It helps identify collaborative research opportunities of mutual benefit.*

*The Committee works closely with representatives of other major partners in agricultural research, including the international centers, national research systems, and non-governmental organizations. It also helps raise the awareness of the global community to the opportunities agricultural research provides for creating better livelihoods for present and future generations.*

Rob Horsch suggested that the Committee could play a role beyond improved understanding and help shape a mutual research agenda for development. In the long-term, the CGIAR should think of moving out of public sector research where this can be done more efficiently by the private sector.

The discussion on the role of PSC was continued with the participation of Ian Johnson and Francisco Reifschneider.

## **4. Interaction with Ian Johnson and Francisco Reifschneider**

Sam Dryden summarized the role and achievements of the PSC. He noted that, to date, the PSC has played three roles: (1) contributing PS perspectives to policy-level discussions in the CGIAR; (2) helping form alliances between CGIAR centers and private sector research institutions, and (3) contributing CGIAR perspectives to the private sector. The PSC has been instrumental in policy discussions in the CGIAR forum on issues such as biotechnology, IP, and regulatory matters. CGIAR perspectives have been communicated upwards by PSC members at the company level. In addition, the Committee has been instrumental in dialogues on public-private partnerships. Individual,

project-level partnerships with centers have been addressed separately by interested companies and centers.

Dryden noted that the PSC welcomes the shift towards CPs as these add meaning to public-private partnerships. He also stressed the need to examine 10 year “end games” for both the CGIAR and the PS>

Ian Johnson briefed the PSC on global developments impacting agriculture and agricultural research. He noted that agriculture is back on the global agenda and will be increasingly in the public arena with the World Summit on Sustainable Development (WSSD) in Johannesburg and World Food Summit—Five Years Later, in Rome. The issue of agricultural subsidies in OECD countries has been raised effectively in Monterey Summit as a deterrent to developing country agricultural growth. The public is increasingly recognizing the dilemma faced by the developing countries and the role agricultural research can play.

The CGIAR is poised to play a stronger role in the future with the reforms that are underway. On the programmatic side, the CPs would help bring greater strategic cohesion. Greater institutional cohesion would be sought through the System Office and improved System governance. At the individual center level, the Boards need people with strong private sector experience—an area where the PSC could help.

Johnson saw the major challenge facing agricultural research as a “triple bottom line” question, i.e., (1) how to raise agricultural productivity (2) in an environmentally and (3) socially sustainable way? Thus, the issue is less of food security as it is of agricultural productivity. Francisco Reifschneider added that beyond productivity, one needs to be concerned with the “resiliency” of the agriculture sector.

The members of the PSC commented on these themes and on ways of engaging the private sector more actively in the work of the CGIAR. Several suggestions were made:

- PS could help with the design of CPs in areas where the PS has significant experience (e.g., genetic resources and biofortification CPs);
- Experts from the PS could serve as (anonymous) peer reviewers of CP proposals;
- At the extreme, the PS could come up with a proposal for a CP.

Regarding public-private partnerships in research, Rob Horsch commented that three models had worked in the past: (1) contract research (from the PS to the public sector); (2) collaborative research with a specific objective; (3) good will ventures (through private sector foundations). On financing, Horsch noted that the PS can contribute more in kind than in cash. Making the case to the larger society on why it is important to invest in agricultural research would enhance the private sector’s potential to contribute to public sector research.

Ian Johnson welcomed these thoughts and added that inverse contract research should also be conceivable (from the CGIAR to the private sector). One should look for “reality zones” in collaborative work and be extremely pragmatic in making partnerships work.

## **5. Interaction with Keith Palmer on Rural Enterprise Technology Facility**

Keith Palmer (who was joined by Gavin \_\_\_\_ and Hanna \_\_\_\_ ) briefed the PSC on the initial findings of the Rural Enterprise Technology Facility (RETF) Scoping Study undertaken on behalf of DFID. The study aims to “explore opportunities to stimulate increased private investment in research, development and technology transfer for agricultural and other rural enterprises in developing countries that benefits the poor.” Palmer highlighted the following findings from the scoping study:

1. There is very little PS involvement in poor developing countries. Reasons: the markets are not there, entry costs are too high, risks involved to get to the consumer are high, input/output markets are ineffective.
2. Three major obstacles need to be overcome: (1) reducing transaction costs of entry (e.g., seed multiplication, regulatory and extension services); (2) many smaller countries are too small to be of interest—pointing to a need for aggregation (but how?); (3) technology is a necessary but not sufficient condition (existence of enabling environment a key factor.)

To overcome these obstacles three new international facilities are proposed, either from scratch or through strengthening existing institutions or enterprises:

1. International Rural Enterprise Technology Development Company (IRETCO). This would be an international business services company to facilitate technology transfer and uptake in developing countries. It would be demand-led: working with and responding to demand expressed by in-country national stakeholders. IRETCO would orchestrate—on a deal by deal basis—commercial partnerships between enterprises, including where appropriate CGIAR, NARS, NGOs and donors.
2. Pro-poor Agricultural Technology Facility (PPATF). This would be a facility to fund development of new pro-poor technologies with strong public good characteristics (e.g., livestock vaccines).
3. Technical Assistance Facility to address enabling environment issues. This would be a specialist facility to support developing country governments in improving policies, laws and regulations (and their implementation).

The Committee discussed similarities and differences between this initiative and the RF’s AATF initiative. The Committee regarded the two initiatives as largely complementary, with the RF focusing on the subsistence farmer and this initiative on commercial agriculture. Also, the RF model has a strong focus on partnerships between OECD private sector and developing country public sector institutions, whereas this initiative sees private sector growth in developing countries as a major focus. In both cases the Africa region is regarded as target for the first application of the concept.

The Committee concluded that there is strong merit in aligning these two initiatives, plus others serving similar objectives. Working in one region or area as a pilot is strongly recommended. The WSSD could be an excellent opportunity to launch a concrete initiative.

### **6.a Financing CGIAR Initiatives--Global Conservation Trust**

Tony Kalm, Consultant to the Global Conservation Trust, briefed the PSC on the objectives and status of the Trust. Ian Johnson noted that he has been promoting the idea of a Trust, but more need to be done to define and clarify purposes, modalities, governance and accountability. Several suggestions were made during a brainstorm that followed the presentation:

- Develop a “crisp” statement outlining a simple, focused and compelling mission that would appeal to the general public (which will also appeal to the CEOs).
- Be pragmatic about organizing (e.g., why separate the secretariat from fund management?)
- Seize the opportunity presented by WSSD (for building political support).
- CGIAR centers should consider to be among the first funders of the Trust (as well as a beneficiary).
- The Trust should be linked closely with IPGRI. IPGRI could be asked to manage it for the first (say, five) years, even if the Trust were a separate entity. One could also think of reconstituting IPGRI to create a new organization that covers both mandates.

The Committee agrees to forward comments on written material about the Trust. Claudia Barriga agreed to coordinate the PSC inputs.

### **6.b Financing CGIAR Initiatives-- Potential for Private Sector Involvement**

Paul Zuckerman, a philanthropist and “friend” of the CGIAR, had been invited by the PSC to share his views on private sector finance of CGIAR initiatives. Zuckerman was unavailable to attend the meeting, but shared a short note summarizing his views (Attachment 2), arguing that there are three main areas in which the CGIAR could benefit from a greater engagement with the wider private sector:

1. Management and governance (attracting business people with first class experience to sit on CG center boards);
2. Fund raising (through networking, marketing and organization—utilizing people with these skills from the private sector);
3. Closer relations with the corporate world (through global forums and individual contact).

The Committee found Zuckerman’s ideas useful. It was stressed that the key is to promote engagement and commitment of the private sector to the goals it shares with the CGIAR. To this end, the PSC could be helpful in promoting within the private sector adoption of a statement of corporate responsibility (or voluntary code of conduct) that

covers companies' approach to partnerships, including those with the CGIAR. Having a statement endorsed by several key companies by WSSD would send a very strong message on public-private partnerships.

## **7. Stocktaking by PSC and Next Steps/Action Plan**

Committee members found the meeting substantive and engaging and appreciated the CGIAR management's participation. In addition to the follow-up actions noted above (e.g., on Global Conservation Trust), it was agreed that the members would take responsibility for specific follow-up action in four areas:

1. *Challenge Programs.* Views of the PSC on Pilot CPs should be conveyed to the ExCo. More importantly, the PSC should help mobilize companies (whether represented on the PSC or not) to help design CPs, or contribute otherwise to their implementation. Research heads of companies could be mobilized to serve as peer reviewers of CPs. (Rob Horsch: point person).
2. *Public-Private sector dialogues on transition in agriculture.* The PSC will continue to participate in these dialogues through the CEOs forum and the new World Bank Agricultural Science and Technology initiative. (Sam Dryden and Badri Barwale: point persons)
3. *Intellectual Property Issues/Public Goods.* The PSC will prepare an issues paper that would distinguish among a range of policies (e.g., public goods, private goods, regulated public/private goods) and a draft policy statement for the CGIAR on these issues. (Rob Horsch: point person)
4. *Statement of Corporate Interest.* The PSC will draft a statement of corporate interest on public-private partnerships, in support of the CGIAR. The statement will cover Board memberships as well as staff exchanges/visitations, and finance. (Sam Dryden and Selçuk Özgediz: point persons)

The Committee will continue its work mainly in a virtual mode and get together in a face-to-face meeting if it becomes necessary.

PSC LETTER TO CGIAR ExCo

Re: PSC Views on the Interim Science Council Recommendations on Pilot Challenge Programs

Dear Ian:

The Private Sector Committee had an extensive discussion of the iSC recommendations on pilot CPs during its meeting in London on February 13-14, 2002. We are grateful that you and Francisco were able to attend part of our meeting. I summarize below the Committee's conclusions and the recommendations I would make to ExCo on the iSC recommendations.

General Points:

**1. The PSC considers the CPs as pivotal mechanisms of change within the CG System. For us, the CPs represent a significant new opportunity for public and private sector interaction. We very much welcome the "fast track" approach, as it is essential to gain experience with this new concept.**

2. The PSC commends iSC for its lucid review of the 10 CP pre-proposals. The iSC analysis is quite thorough for individual CP pre-proposals. Where it falls short, in our opinion, is in recognizing opportunities for linking the pre-proposals. We make a specific suggestion below on linking the three recommended pre-proposals.

3. The PSC recommends a more lucid articulation of the overall goals of the CPs – such as increases in productivity, be it biomass per unit of land, economic return per unit of input, protein per gram. Each of the CPs need an understandable statement of manageable objectives and measurable value added – this needs to be articulated and analyzed up front, e.g.:

- What, exactly, is the value added and how is it derived?
- How will it reach the farmer (delivery issues)?
- How long it will take?
- What steps are required to reach the objective?
- What will it cost?

4. PSC members are used to working in an environment where the acid test is the success or failure of a product in the marketplace. All the research in the world will have no impact on poor people's lives unless it is turned into a product that can reach them. It is essential to bring this realism to the CPs, and the PSC is prepared to assist in further design and or peer review of the selected Challenge Programs. There is very little mention of private sector involvement in the plans outlined in three pre-proposals.

## Comments on Recommended Pre-Proposals

### 1. Genetic Resources CP:

- a) The PSC recognizes that the subject matter of the program is highly relevant to the work of the CG – specifically for marker assisted breeding and accession characterization. However, we do not feel that the concept, as described, represents a Challenge Program *per se* – it is more a set of technologies that support general objectives. There is, thus, an urgent need to redefine the program in terms of specific objectives.
- b) The Germplasm Characterization component of the CP is well conceived. A key objective for the CGIAR should be how to maintain essential germplasm, over time, without “breaking the Bank.” Maintaining alleles (for future mining efforts) would enable keeping smaller numbers of samples and, thus, lead to greater cost efficiency.
- c) The private sector has considerable experience and expertise in the area of marker-assisted selection. Research utilizing the current generation of technologies is very expensive. **We estimate that five private sector companies spend more than \$125 million per year utilizing these technologies on four crops with highly targeted objectives (i.e., specific traits).** Thus, we conclude that, as proposed, the CP is over-ambitious and that unless targeted to very specific objectives, the CP would not be cost-effective.

### 2. Water and Food CP:

- a) Although the program objectives are unclear and require refinement (as noted also by iSC), this pre proposal is potentially important and worth pursuing.
- b) The program would benefit from taking a broader view of the “productivity” issue—i.e., from the farmer’s perspective. The farmer is interested in creating the most value out of the resources available to her. The strategies available include (i) land and soil management (e.g., conservation tillage); (ii) choice of crop depending on the available resources; and (iii) realizing the potential yield in the chosen crop (e.g., using disease control technology). While getting “most crop per drop” is important, in terms of impact on the farmer these other strategies may have a much higher payoff.
- c) Opportunities for private sector interaction include:
  - o Conservation tillage
  - o Genetics (mainly breeding for conservation tillage response, water stress resistance, higher productivity of water use)

- Crop diversification based on crop by environment analysis
- Irrigation technologies such as drip, jet, pivot and others.

**d)** There could be a duplication between the genetic components of this CP and the Genetic Resources CP. There is therefore opportunity to design one or more projects that serve the objectives of both CPs. We recommend exploration of such linkages.

3. Biofortification CP:

- a)** The Committee feels that this CP is potentially important but defined very broadly as currently designed. Although the crops targeted are clear, it is not clear what micronutrients or vitamins are to be targeted. There is a need to analyze and choose areas that will lead to the greatest health benefit.
- b)** There is need to learn from the “golden rice” example. This was developed through Public-Private partnership and potential exists for similar research partnerships on other vitamins/micronutrients. The “golden rice” experience also illustrates the need for well defined mechanisms for delivery, as the product still has not reached farmers fields.
- c)** Once the focus of this CP is defined more precisely there is little reason to separate it from the Genetic Resources CP. Biofortification provides the type of specific objective needed for the Genetic Resources CP (but not the exclusive objective). We recommend that these two CPs be combined and biofortification made a distinct component of the Genetic Resources CP. A single business plan should be prepared for the combined CP.

The Challenge Program concept has provided the PSC an opportunity to focus on substantive issues and concrete partnership opportunities with the CGIAR. We are pleased with this development and hope that our comments are useful for the Executive Council and the CGIAR in its decisions on pilot CPs.

With best wishes,

Sam Dryden

cc: ExCo members, PSC members, Francisco Reifschneider, Selcuk Ozgediz

## **Some Observations on Private Sector finance for CGIAR initiatives**

Paul S. Zuckerman

### Introduction

I write from a particular vantage point. I began my career over thirty years ago as a Ford Foundation training associate in the very early days of IITA; spent eight years at the IBRD; and subsequently have spent more than twenty years as an international investment banker, primarily with S G Warburg & Co. Ltd. I have experience of the NGO sector, having chaired the Intermediate Technology Development Group and presently as a trustee of the International Women's Health Coalition; and as a foundation trustee, running a private charitable trust that supports development initiatives. I also recently participated in the fifth EPMP of IITA so have some current knowledge of the status of the CGIAR.

### General Comment

I believe there are three main areas in which the CGIAR would benefit from a greater engagement with the wider private sector.

*The first is in the area of management and good governance.* The work and mission of the CGIAR is of sufficient global and humanitarian importance that it should be possible to attract business people with first class experience to sit on the boards of the individual centers and their relevant committees.

This should lead to more effective oversight by the board and a strengthening of the audit function. Furthermore it should lead to a more rational and realistic assessment of the strengths and weaknesses of the present system's organization. This in turn should lead to a more cost effective management of scarce resources and a more effective fund raising capability. In other words this should help bring the management of the individual centers into a world which is constantly changing, providing new opportunities for collaboration and funding.

*The second is in the area of fundraising.* New opportunities in this area abound. To give one example. I subscribe to the Affinity Group on Population, Reproductive Health and Rights. Funding for NGO's working in this area increased from roughly \$90 million in 1995 to over \$300 million by 2000, all from private US foundations, with no contribution from the US Government. Much of this funding has come from wealth created in the information technology and communications sector. The Affinity Group of international

fundraising meets twice a year to share experiences and review proposals. The lesson is that tapping this sector takes networking, 'marketing skills', organization, and time. This is a skill set found in the private sector and for which there is considerable demand and where the quality of the service can vary considerably and which therefore can be costly.

In addition there is the potential to tap the private individual. Intermediate Technology Development Group, with an annual budget of only \$14 million, has fifty thousand individual 'givers': the National Trust in the UK has over a million members. NGO's are moving towards making more effective ways of raising funding from individual donors through the use of imaginative web sites that incorporate direct marketing efforts. Oxfam, for example, recently raised money through an online raffle. The International Aids Vaccine Initiative is another charity exploring more sophisticated ways of raising funds from the individual donor. Such donors also constitute a useful advocacy group.

The skill set to take advantage of these opportunities are to be found at the top of the private sector, and normally require people with networking skills and contacts who can deal with major donors as "equals", working together with professional fund raisers. Academics and people in large bureaucratic organizations do not normally have this skill set.

*The third area is in relation to the corporate sector.* Companies operating in the global market place remain concerned about their image, especially those with operations in the emerging markets. Companies in the mining and energy sectors are two obvious examples. Association with an organization with the objectives and delivery capacity of the CGIAR should be very beneficial to their 'image' making.

This opportunity needs very effective marketing to the corporate world through venues such as the annual World Economic Forum that took place last week in New York. The newspapers at this time carry many comments by top businessmen and political leaders on the implications of the continuing poverty gap between 'rich' and 'poor' countries in the light of the September 11<sup>th</sup> event and its aftermath. There is now considerable enthusiasm for the New Partnership for African Development, and both Prime Minister Blair and Treasury Secretary O'Neill are travelling to Africa imminently. This interest in development issues, in which the primary sector remains the key, needs to be harnessed by the CGIAR system.

The present PSC provides an important link to corporates in the agricultural sector, particularly those with a research capability. But there are many opportunities, particularly in the small scale manufacturing enterprise sector, that also need to be exploited. The past ten years has seen an explosion of entrepreneurial talents willing to take risks with starts-ups in the technology sector and more should be done to tap into this experience and capability. Strengthening the domestic private sector in host countries can be enhanced in this way. In addition the reorienting of the CGIAR's research effort into Challenge Programs should also provide a better opportunity for collaboration with the larger corporate. Many of these larger companies have affiliates in the countries

where the CGIAR operates and this provides an opportunity to bind these companies into the CGIAR which in turn should stimulate the interest of 'southern' stakeholders.

4<sup>th</sup> February 2002