

PUBLIC PRIVATE PARTNERSHIPS FOR IRRIGATION

Expanding Access or Increasing Inequality

QUINN BERNIER AND RUTH MEINZEN-DICK

Public Private Partnerships for irrigation and other development is becoming a widely accepted model for financing future agricultural and overall economic development and was part of the ‘toolkit’ of the Third International Conference on Financing for Development that took place in Addis Ababa in July 2015 to approve a framework for financially supporting the Sustainable Development Goals and the post-2015 Agenda. However, the Outcome Document of the Conference¹ cautioned that such projects “should share risks and reward fairly, include clear accountability mechanisms and meet social and environmental standards” and outlined a need to “build capacity to enter into public-private partnerships, including with regard to planning, contract negotiation, management, accounting and budgeting for contingent liabilities”. This policy note offers guidance on how to work toward these objectives, presenting emerging findings from a research project implemented by IFPRI together with partners from Ghana and Tanzania, investigating Models of Public Private Partnerships for Irrigation Development. It attempts to identify the institutional arrangements that can best meet the social, development, and environmental objectives of PPPs.

PUBLIC PRIVATE PARTNERSHIPS: A TOOL FOR DEVELOPMENT?

Irrigation offers the potential to increase productivity, food and nutrition security, and resilience to climate shocks, but the high cost of irrigation together with the fiscal constraints faced by many African governments constrain the development of irrigation. Public Private Partnerships (PPPs) offer a potential institutional arrangement to mobilize additional resources—including financial, technical, and managerial—from the private sector for critical investments in irrigation, and have been highlighted in a number of strategies (both in developing countries and at the international level) as integral to the development and expansion of agricultural opportunities. However, despite the recent interest in PPPs for agricultural development and expanding irrigation, and the assertions that they offer great potential for stimulating innovation

and investment, there are few studies and there is little available evidence as to what works, the different institutional arrangements, and how best to balance competing economic, social, and environmental goals.

CHALLENGES FOR PPP IN IRRIGATION

While there is limited experience with PPPs for irrigation, previous experience with municipal water supply and large-scale agricultural land cautions against assuming that PPPs are appropriate for all situations. In particular, attention should be paid to the social implications of such deals as previous PPP experiences suggest that countries, while in need of investment, may not have the necessary capacity and knowledge base to negotiate on a level-playing field with private sector interests promising large investments.

Furthermore, some countries have offered excessive incentives for private investors, which could even be construed as land or water “grabs” as a result of the different capacities in negotiation between investor and recipient of the investment. Efforts to encourage and facilitate private sector or direct investment, for example, through securing property rights for investors at the expense of local community members, may have long-term adverse economic and social consequences, including loss of access to land and resources, increased social tensions, and an erosion of government oversight and accountability.

CHALLENGES FOR IRRIGATION PPPS

- **Difficulty in aligning development and profit objectives**
- **Inherent risks in agriculture**
- **Need for irrigation support, not just irrigation financing**
- **Need for information on water availability and all water uses, under climate change**
- **Land and water rights**
- **Priorities for Investment**
- **Sharing of costs, benefits, and risks**

¹ http://www.un.org/ga/search/view_doc.asp?symbol=A/CONF.227/L.1

Difficulty in aligning objectives

There is often an apparent disconnect between how governments articulate PPPs in terms of development objectives, and the market and profit orientation of private sector actors. Discussing and understanding corporate social responsibility and investors' concerns with the triple bottom line of social, environmental and financial outcomes can help align objectives. Some PPP opportunities may be fully able to meet the market and development oriented goals outlined by all actors, but this cannot be assumed. Key questions that should be asked for all PPPs are what are the constraints to irrigation development that need to be overcome, and what do particular private sector investors have to offer to help overcome those constraints.

Inherent risks in agriculture

The inherent risks in agriculture may dampen external investors' enthusiasm for PPPs. Irrigation itself can reduce weather-related risks, and linking projects to crop insurance or other social protection schemes may further help address risks. But introducing irrigated agriculture can also create new and additional uncertainties, especially if neither farmers nor the private sector investors have experience with the use or management of irrigation systems and may introduce uncertainties through access to new markets. Uncertainties and risk are important to consider, especially as they may affect the behavior of parties in the partnership. In addition, one should not assume that outside investors necessarily have expertise or experience in some of the new practices, which may actually increase risk for smallscale producers.

Irrigation support, not just irrigation financing

Expanding irrigation infrastructure is just one part of the needed investment. To ensure that irrigation systems are used effectively requires considering the range of inputs and capacities that farmers need to make use of irrigation—from extension services to quality inputs, to storage, value addition activities, and marketing. Who will provide each of these services—private sector, government agencies, or farmers' organizations?

Information on water availability and use

PPPs for irrigation expansion require attention to water availability and sustainable use, including detailed hydrological information on topography and water supplies, including under long-term climate change scenarios. In the context of limited supplies, irrigation expansion may involve tradeoffs with downstream and other users. Even where water seems abundant, irrigation may cause seasonal shortages for other users. Addressing this may prove particularly

challenging in places with insufficient data, and those without a strong culture of using data for decisionmaking.

Land and water rights

Much of the argument for PPPs has been framed in terms of developing large unused spaces of land and making way for large modern agriculture. However, in most cases there are preexisting users of the land and water to be developed in PPPs. These users often have customary claims to those resources, which may or may not be recognized by the state or by outsiders. Increasing evidence shows that large-scale land acquisitions, such as for large irrigation projects, alter the ownership, access, and use rights that communities and individuals have over the resources in question. Such investments may therefore exacerbate social, economic, or environmental stresses and produce distributional and procedural inequalities and exclusions. Access to and control over land and water resources (and the benefits from their use) is deeply influenced by unequal power relations, negotiation processes, formal vs. informal rights and the role of local government in those processes. While the Voluntary Guidelines on Tenure, and efforts by G8 and other actors to implement these guidelines may help to address problems with large-scale land acquisitions by private sector companies, the Voluntary Guidelines do not address water resources, so further guidance is needed on how countries can engage with private sector over water resource development.

The implications are that irrigation PPPs need to focus on issues of control over land and water resources, and thus the process of negotiation and the involvement of local users is of key importance, as are understanding and working with tenure arrangements in these countries—and how they change in various core estate, out-grower or contracting schemes.

Priorities for investment

Ultimately, politics govern the establishment of PPPs and the crops and institutional arrangements that define them. Politicians can use PPPs to secure support—or can oppose them for political gain. Similarly, irrigation investments that support one type of crop development at the expense of another may privilege certain visions of agriculture over others—with potentially important social, economic, and environmental implications. The decision of whether or not to support crops for export or local consumption may have important implications at the community level, determining the benefits that are received from such PPPs for irrigation (from employment to actual production increases). Furthermore, these investments (for example, the privileging of rice or sugar) may have important implications for nutrition security and may miss an opportunity to support integrated agriculture-nutrition development investments. Similarly, the discourse around farming arrangements and land tenure (using terms such as illegal, informal, or traditional) may demonstrate particular government perspective

toward the position of smallholders in the agricultural vision for the country.

Sharing of costs, benefits, and risks

More attention needs to be paid towards understanding the absolute and relative share of costs, benefits and risks of each party in PPPs, because these influence their incentives. While much of the focus has been on large-scale (often external) private sector firms, the investments that smallholders make on their farms and irrigation systems should not be overlooked. Negotiations between the various parties may increase understanding and thus acceptability of this balance.

A FRAMEWORK FOR ASSESSING PPPS

Definitions of PPP vary widely. Some focus on the type of partnership (financial, expertise, and market), some on respective comparative advantages of the private and public sectors; and yet others focus on the shared goals, investment, risk and joint responsibility. The simplest, but likely inadequate definition suggests that a PPP is a contractual relationship between a public client and a private service provider. We consider that to go beyond outsourcing arrangements and be real partnerships, key dimensions of PPPs include *joint planning* and *sharing of risks and benefits*. The following framework provides a way of identifying and examining the range of PPP arrangements for irrigation development.

Table 1: Framework for assessing PPP irrigation options

Activity	Government	Firms	Farmers
Authorization			
Planning			
Financing			
System construction			
System operation			
System maintenance			
On-farm construction			
On-farm operation			
Technical advice			
Production			
Processing			
Marketing			
Risks assumed			
Benefits assumed			

Each of the activities listed in Table 1 could conceivably be done by a government agency, a private sector firm, or farmers, or by a combination of these. Itemizing the roles of each of the three actors for each of these activities for any particular case can be used to assess whether a PPP exists. Examining the balance of roles, risks, and rewards can help identify inequities and ascertain if a PPP is sustainable. We highlight the importance of considering the

smallscale producers in these agreements and understanding clearly their roles and responsibilities, as well as the risks and benefits assumed by each party.

EXPERIENCES IN PUBLIC PRIVATE PARTNERSHIPS

Using semi-structured interviews, stakeholder netmapping, and other techniques, our team examined the actual implementation of PPPs for Irrigation Development as they are unfolding. Emerging findings include:

Process dominated by government

In Ghana and Tanzania, government actors were often identified as being the most influential in terms of establishing PPP arrangements. These government actors stressed the procedural aspect of PPPs and all the necessary approvals. While the processes are designed to ensure that investments fit in with larger plans as well as land and water constraints, investors noted that at times the processes made it difficult for them to engage in developing the proposals, rather than just responding to opportunities offered by the government.

Low involvement of farmers and input suppliers

Overall, in both countries, the participation of a key private sector group—smallholder farmers—was largely absent from the debate at national levels. At regional and project levels, they were involved, but often not in any significant capacity, and not to the degree that large-scale investors were. In addition to missing the voice and participation of smallholder farmers, other key actors such as input suppliers were also largely absent.

Challenges to build trust

While many of the government officials in both countries described their role as facilitating relationships between the private sector and the government, building trust takes time, especially when government, private sector, and smallholders do not have a long history of working together. Business stakeholders reported feeling that the government did not understand how the private sector worked or recognize the constraints and risks that companies face to develop and invest in these activities, for example. Small farmers may also distrust large investors with nucleus farms, especially when the former have not been included in negotiations, and do not feel their contributions are valued as investors.

Important role of politicians and traditional authorities

Politicians, traditional authorities, and other leaders have the ability to enable or prevent PPP deals. In Tanzania, there is some role for

district level authorities to implement PPP arrangements, while in Ghana, customary authorities may block or complicate how these deals work out. It is therefore important to bring these groups into the discussion and negotiation process from the start. However, negotiations with communities should also go beyond traditional and opinion leaders, using community forums to get direct input, especially from women and youth.

CONCLUSIONS

PPPs for irrigation development are increasingly gaining importance in policy, political and investment circles, mainly as a way of overcoming financial resource constraints. While they do have potential to tap both financing and external expertise, our preliminary work suggests that there are several shortcomings in the ways that these arrangements are typically implemented.

- The roles of the various partners and the distribution of costs, risks and benefits are often not spelled out clearly.
- More efforts should be made to involve smallholder farmers—as key private sector actors—into the process of developing PPPs.

- Access to land and water resources are essential for any irrigation development. In PPPs, (re)distribution of land and water rights needs careful examination, including attention to existing customary rights and claims, to ensure that the PPP activity does not exacerbate inequalities.
- Sound data on long-term water availability and seasonal fluctuations is needed for planning to ensure that new water users do not deprive existing users.
- Extending irrigation access is only the beginning. To succeed, PPPs need to attend to the entire chain of irrigation service provision and marketing of the increased production.

While PPPs may offer some advantages in terms of mobilizing additional resources for cash-strapped governments, they potentially have large environmental and social implications that must be addressed, particularly to ensure that they benefit smallholders and local communities as well as the private investor and also meet government objectives.

INTERNATIONAL FOOD POLICY RESEARCH INSTITUTE
A member of the CGIAR Consortium | A world free of hunger and malnutrition

2033 K Street, NW | Washington, DC 20006-1002 USA

T: +1.202.862.5600 | F: +1.202.467.4439

Email: ifpri@cgiar.org | www.ifpri.org

This publication has been prepared as an output under the DFID-ESRC Growth Research Programme activity titled “Assessing Models of Public-Private Partnerships for Irrigation Development in Africa (AMPPPIDA)” implemented under the CGIAR Research Program on Water, Land and Ecosystems. It has not been peer reviewed. Any opinions stated herein are those of the author(s) and are not necessarily representative of or endorsed by the International Food Policy Research Institute. Copyright © 2015 International Food Policy Research Institute. All rights reserved. To obtain permission to republish, contact ifpri-copyright@cgiar.org.