



**WORLD BANK GROUP**

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# Presentation Outline

- **Why Agriculture Matters**
- **The Bank's Work in Agriculture**
- **The World Bank Lending Cycle**
- **Risk & Finance in the Coffee Sector Report**



**75% of the world's poor are rural and most are involved in farming. In the 21<sup>st</sup> century agriculture remains fundamental for poverty reduction, economic growth and environmental sustainability.**

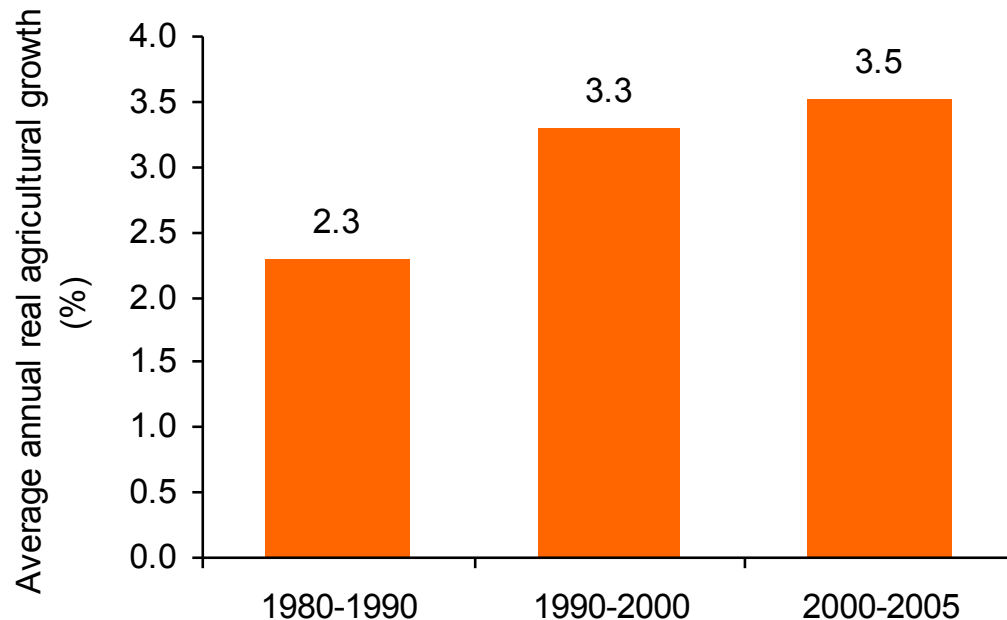
**World Development Report**

# 1. Economic growth

The Millennium Development Goals cannot be met without higher agricultural productivity, especially in Africa

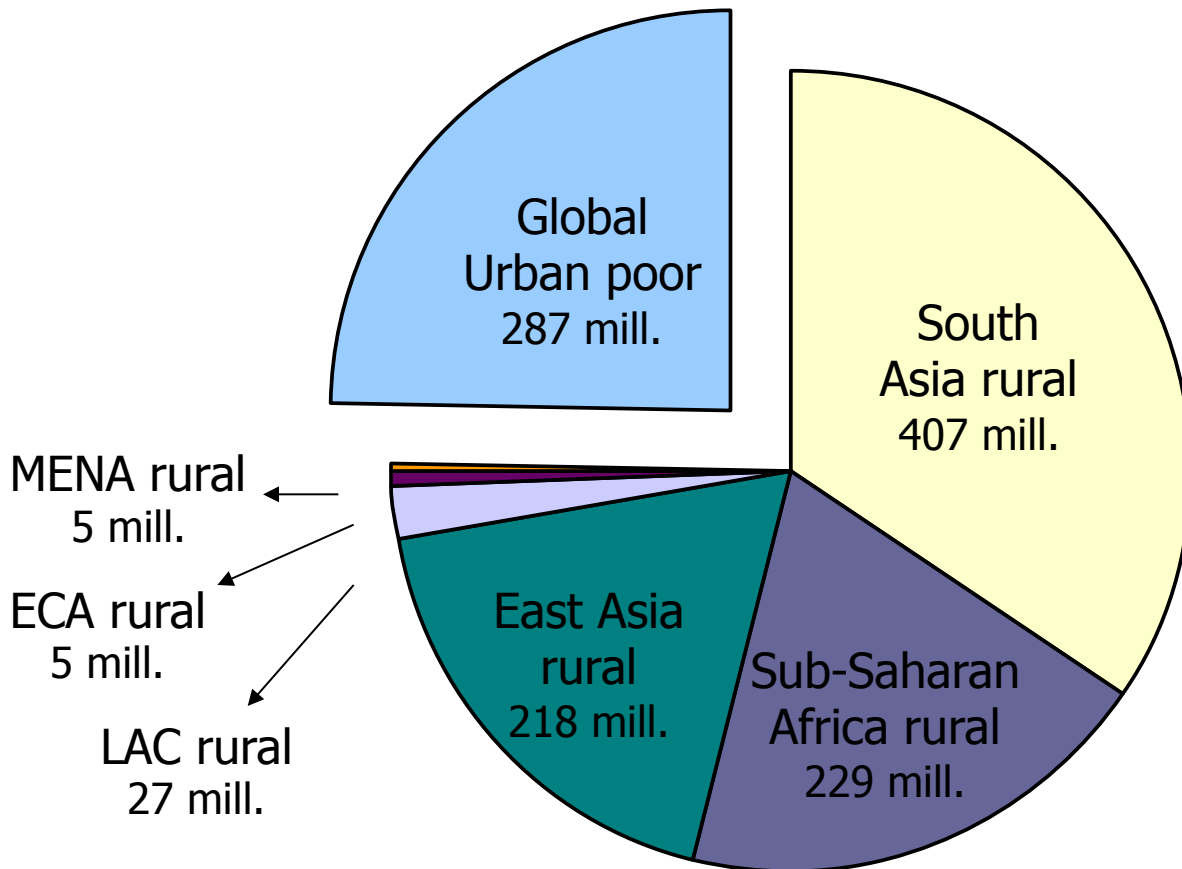
- Large sector for GDP growth
- Affordable food and wage competitiveness
- Comparative advantage in trade
- Strong growth linkages

Accelerating agricultural growth in Africa



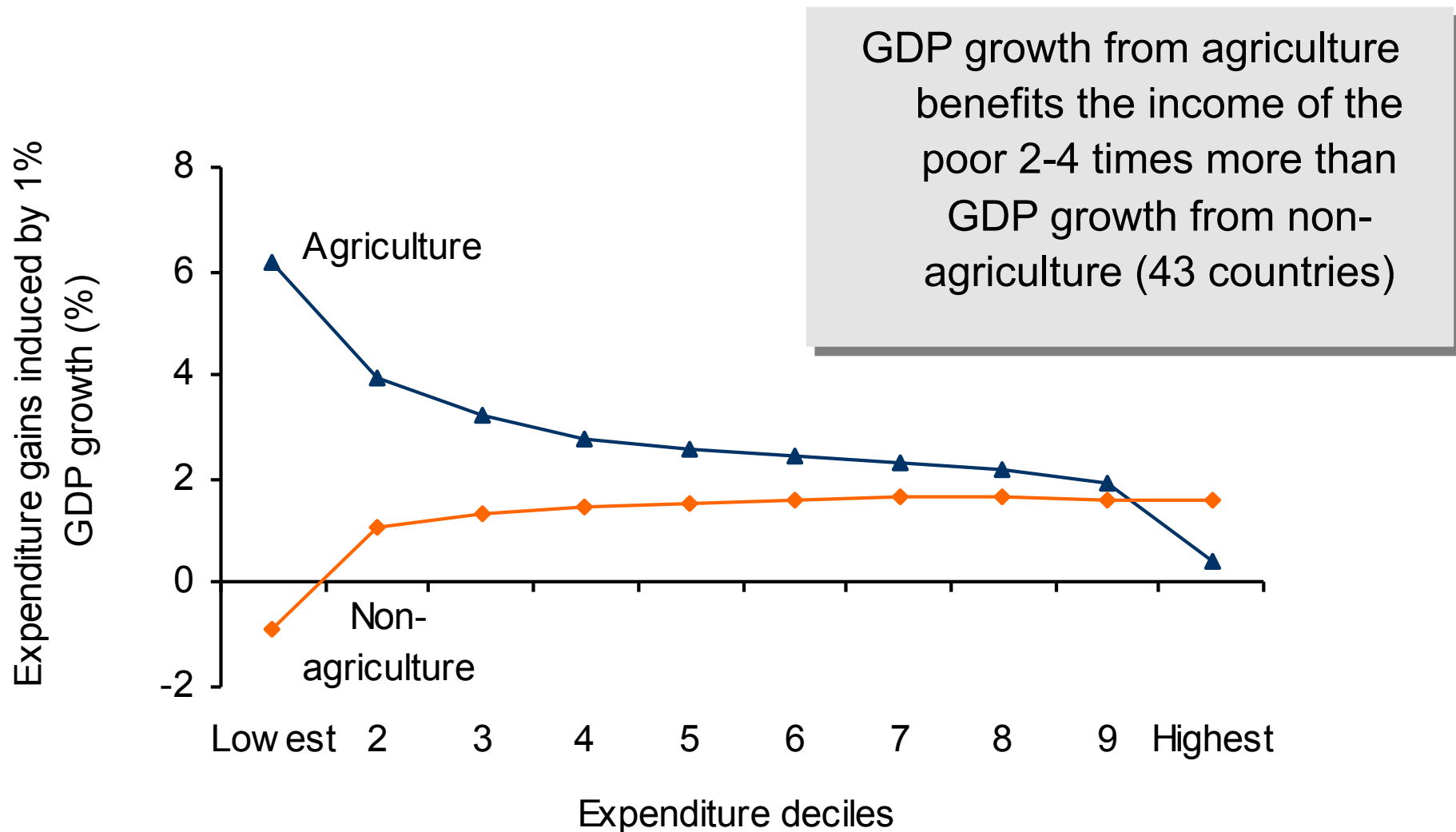
# 2. Poverty reduction

Global extreme poverty 2002, \$1.08 a day



- 2.5 billion people depend directly on agriculture
- 800 m smallholders
- 75% of poor are rural and the majority will be rural to about 2040

# Growth from agriculture is especially effective for poverty reduction



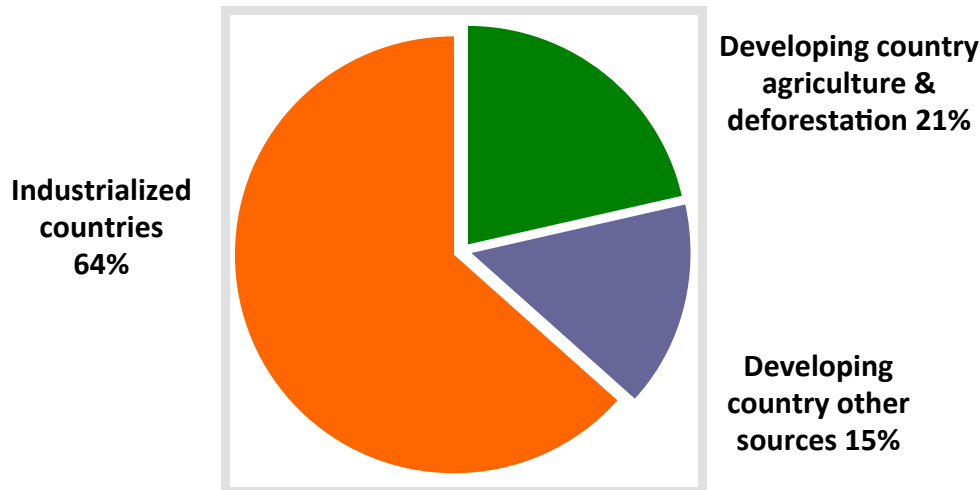
# 3. Environmental Sustainability

## Agriculture is part of the problem, and...

- 70% of fresh water resources
- 40% of land area
- 30% of GHG emissions



### Contributions to greenhouse gas emissions



# ....agriculture is part of the solution

We need a “Triple Win” of:

1. Improved productivity and food security
2. Enhanced resilience to drought, flood, erosion, heat & water stress
3. Low carbon growth





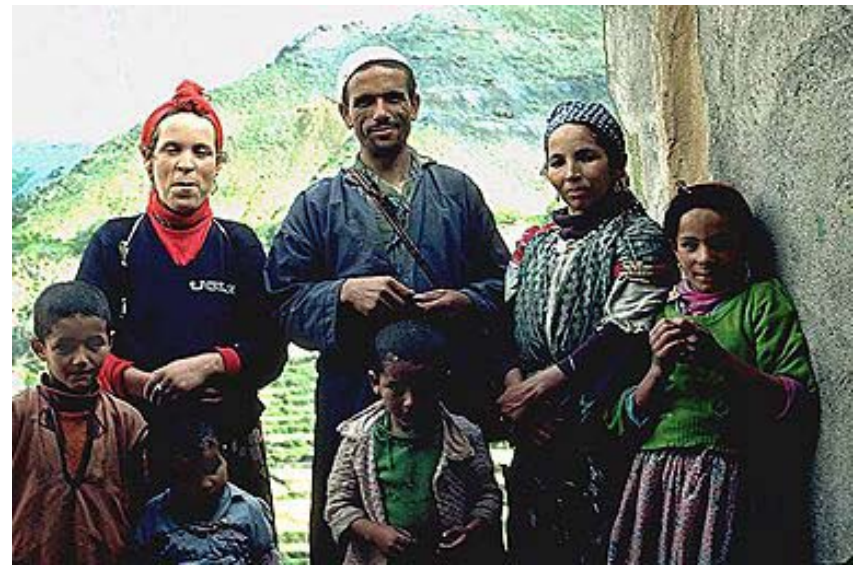
# Improved opportunities for agriculture...

- Growing **markets** due to higher income
- Innovations in **technology**:
  - Conservation farming, precision farming
  - Improved and resilient seeds – NERICA rice, Bt cotton
  - Information technology
- Innovations in **risk management** (including insurance)
- Stronger **producer organizations**



# ...but the numbers are challenging

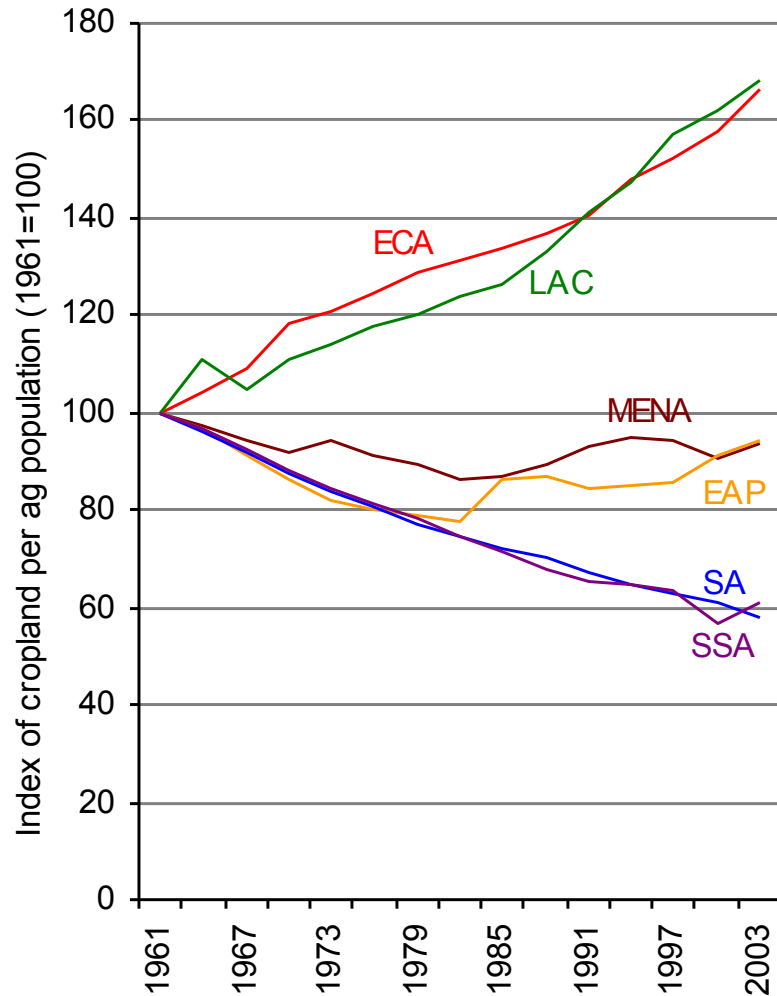
- ❑ 9 billion people in 2050, 30% higher than today with almost all the increase in developing countries.
- ❑ Food production must increase by 70% percent globally, and 100% in developing countries.



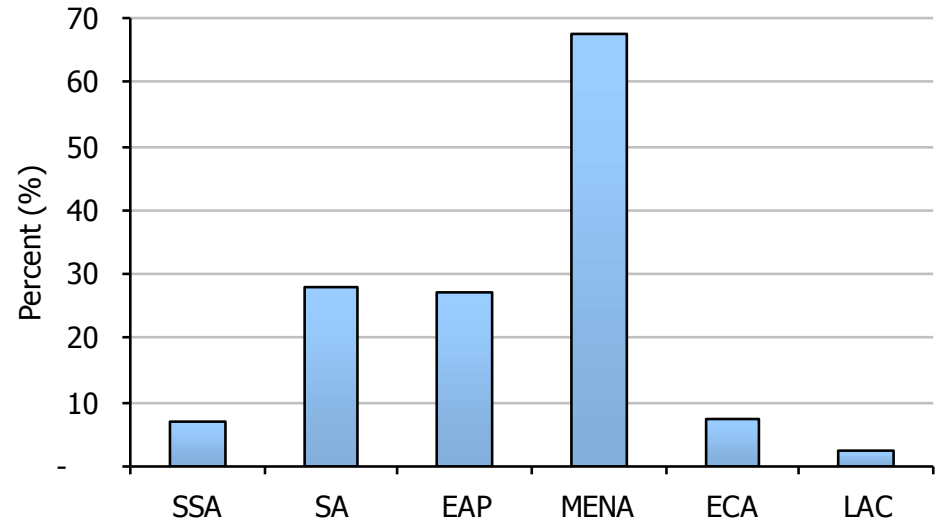
# Challenges

## Increasing land and water constraints

### Cropland per capita of agricultural population



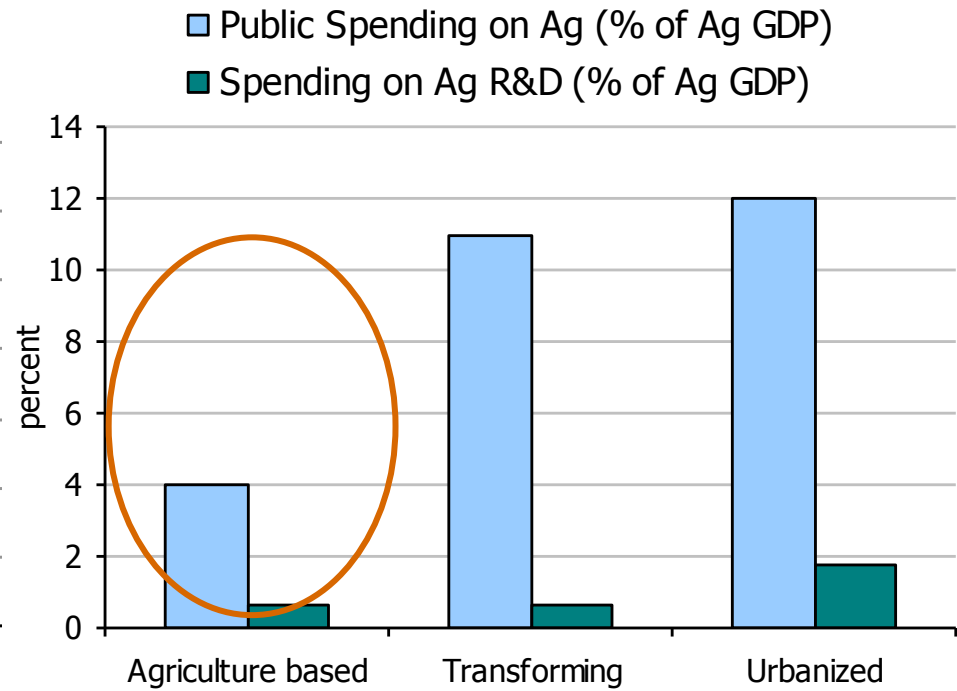
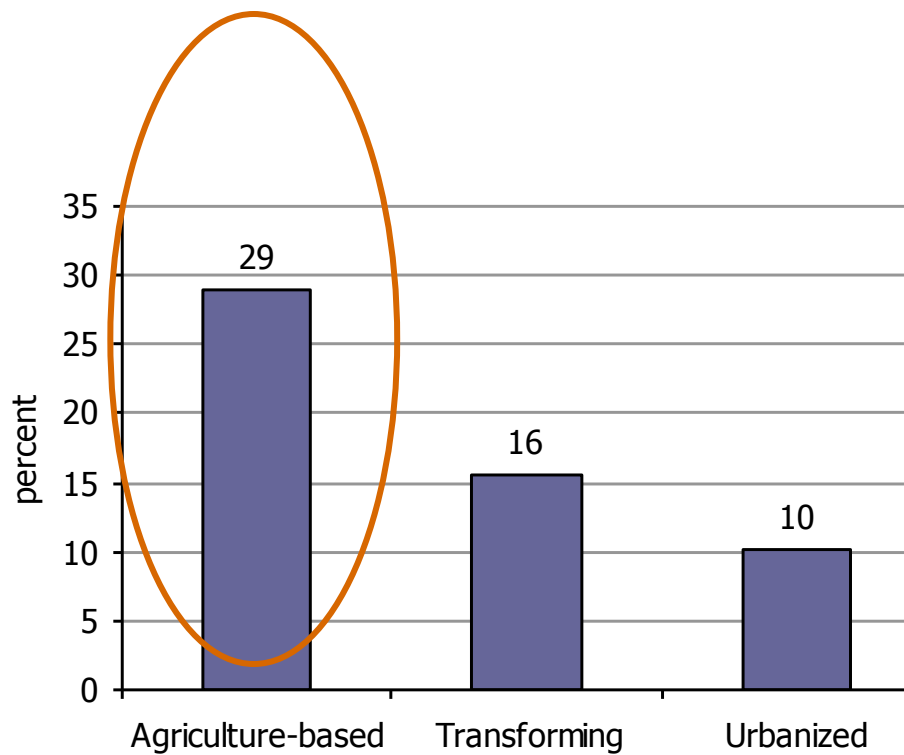
### % of population in absolute water scarcity



# Challenges

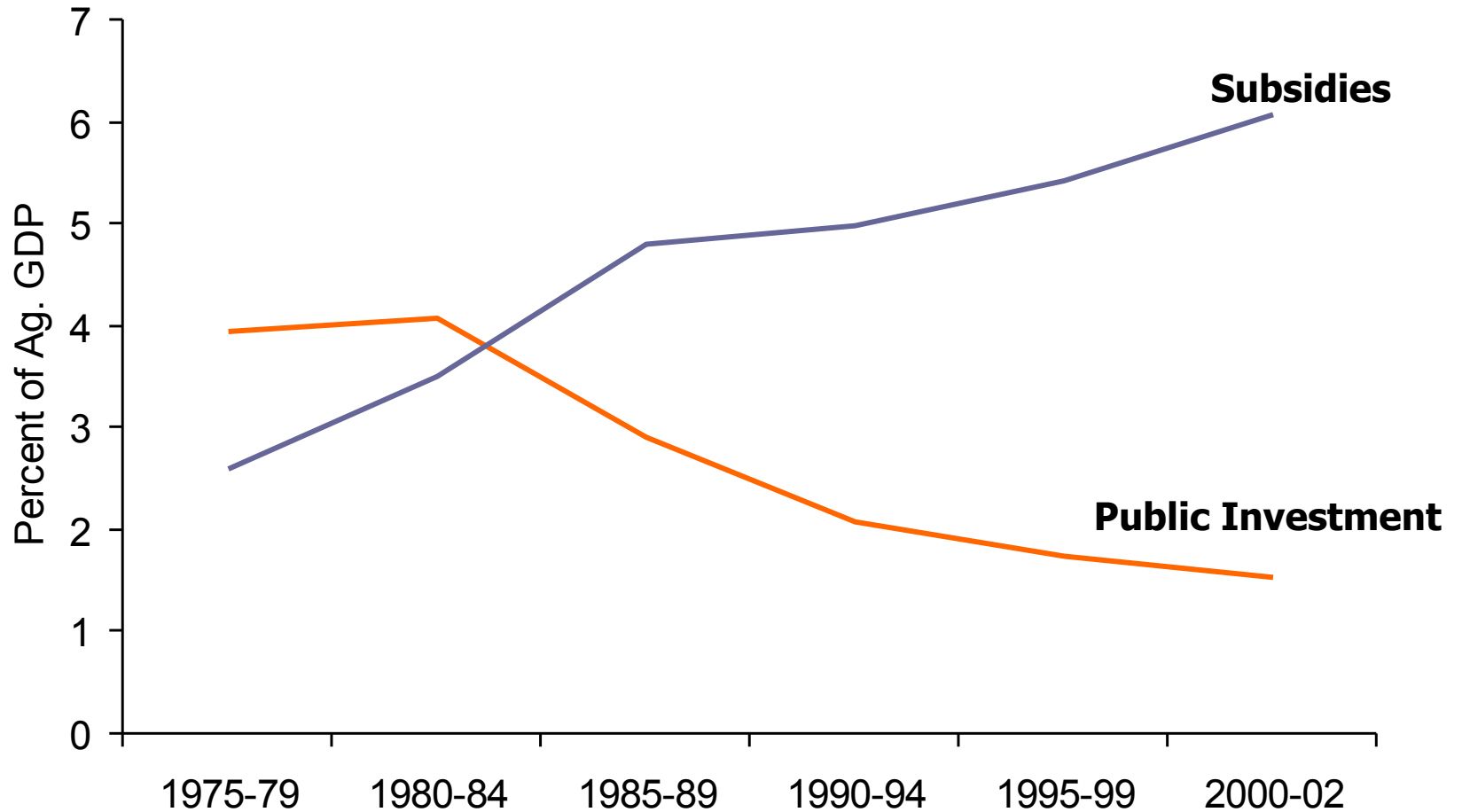
Agricultural-based countries spend too little on agriculture (and R&D)

## Ag GDP/GDP



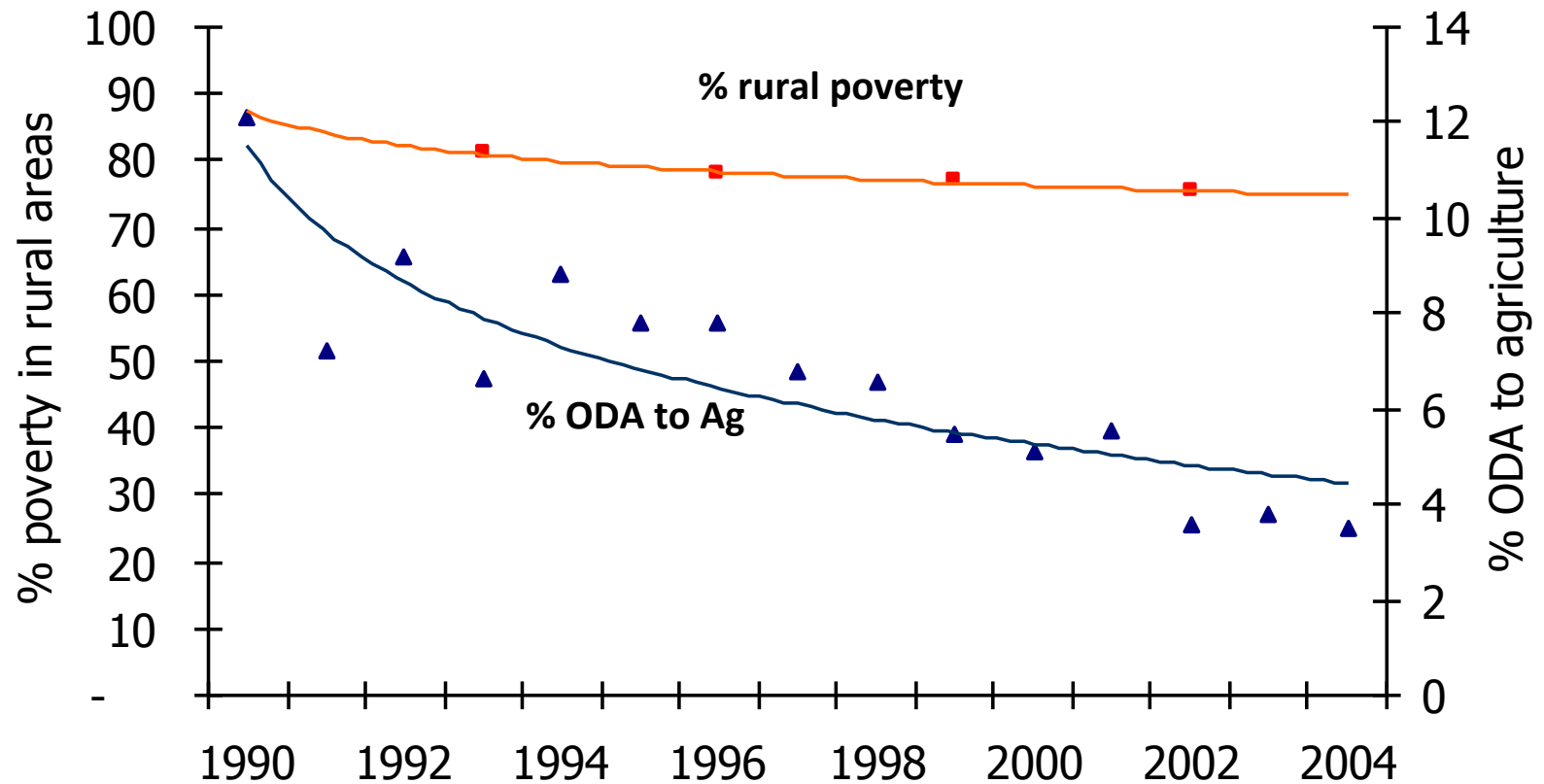
# Challenges

“Misinvestment” is also pervasive



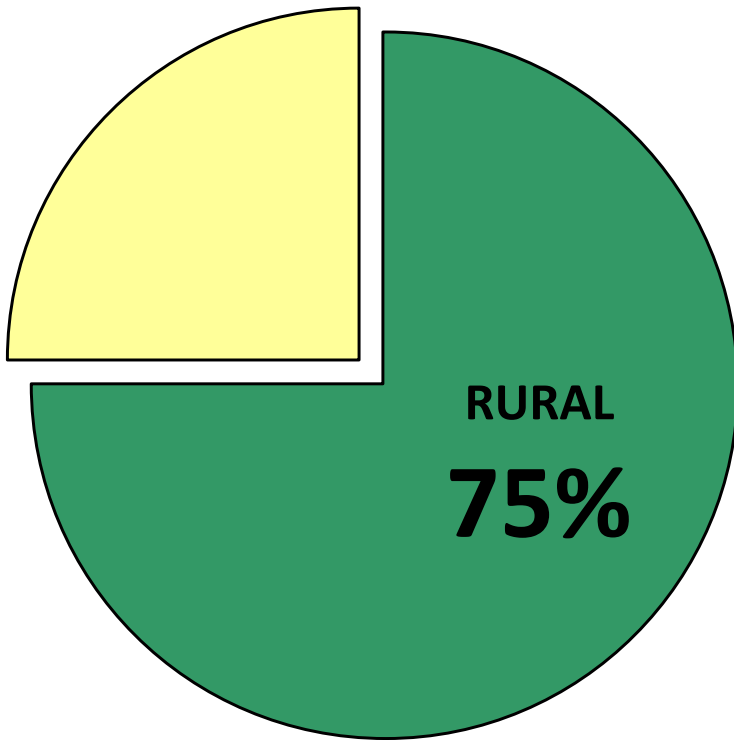
# Challenges

## Donor support to agriculture



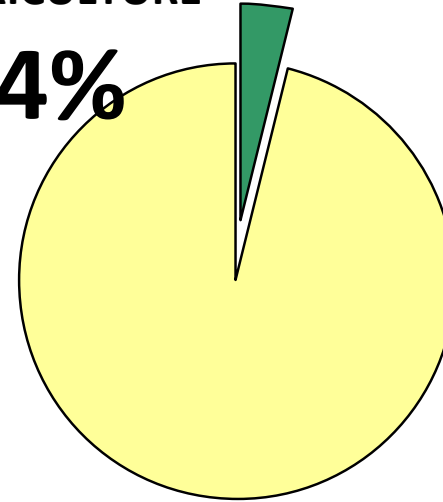
# Challenges

**WORLD POOR**



**AGRICULTURE**

**4%**

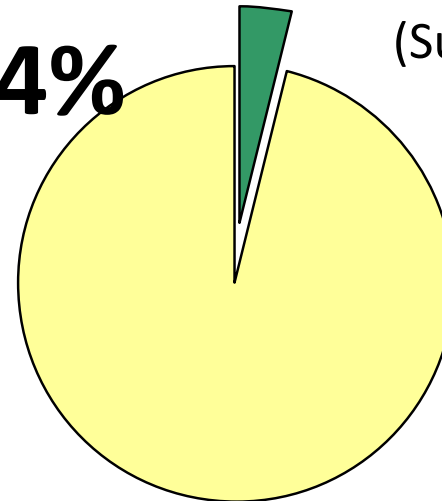


**OFFICIAL  
DEVELOPMENT  
ASSISTANCE**

(12% in 1990)

**AGRICULTURE**

**4%**



**PUBLIC SPENDING**  
(Sub-Saharan Africa)

# Proposition:

Short term volatility has become a long term phenomenon.  
We need to stop thinking of shocks as “shocks”.



Food and fuel  
prices in 2008!  
In 2011!



Financial crisis!  
Political crisis!



Weather!  
Climate change!



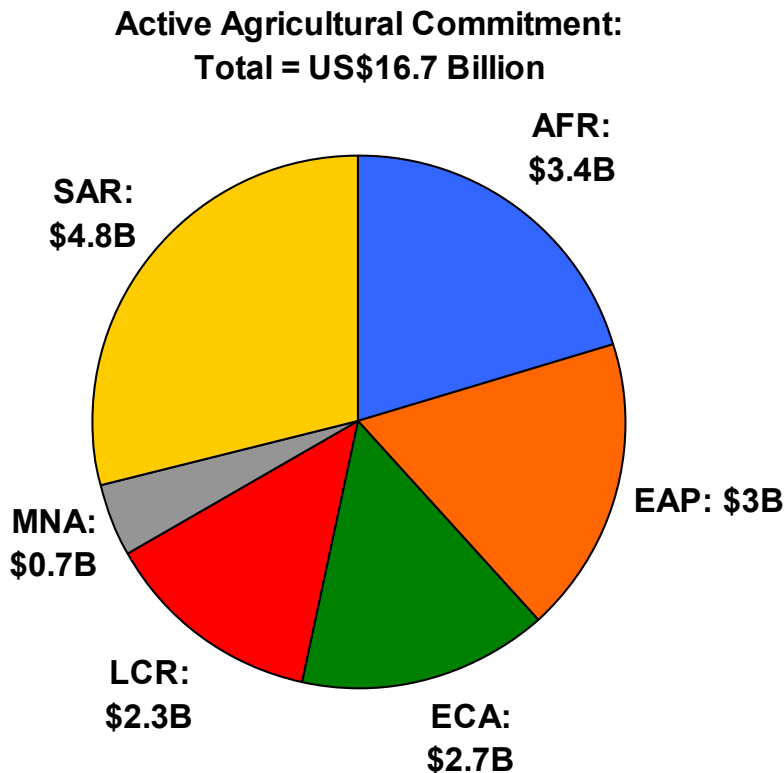
Trade barriers  
in 2008!  
In 2011!



# What else should we do?

1. Accelerate **smallholder productivity increases for agricultural growth and food security** in Africa
2. Enhance **sustainability and environmental services** from agriculture
3. Pursue **multiple pathways out of poverty**: smallholder farming, labor market, rural non-farm employment, migration
4. Improve the **quality of governance** in agriculture at local, national, and global levels

**Annual World Bank ag financing has increased 50% in the past 3 years, to \$6 billion. 70% goes to increasing productivity, and almost half goes to South Asia and Sub-Saharan Africa.**



# Water Stress: a key challenge to humanity's welfare and security



# Land Administration: other areas of focus



1. e-governance in countries that have basic infrastructure for land admin.
2. Piloting a low-cost model of registering land (individual and communal) in Africa
3. Helping India take steps towards modernizing its land administration system
4. Remote sensing to map land rights and monitor deforestation for carbon trading in Brazil
5. Supporting the African Union's Land Policy Framework



**Spreading the word on rural finance**

# Agro-enterprise: a driver of rural prosperity...



# ....and rural non-farm enterprise is the other half of the equation

Artisanry



Processing



Tin roofs

# Off-farm rural infrastructure is crucial



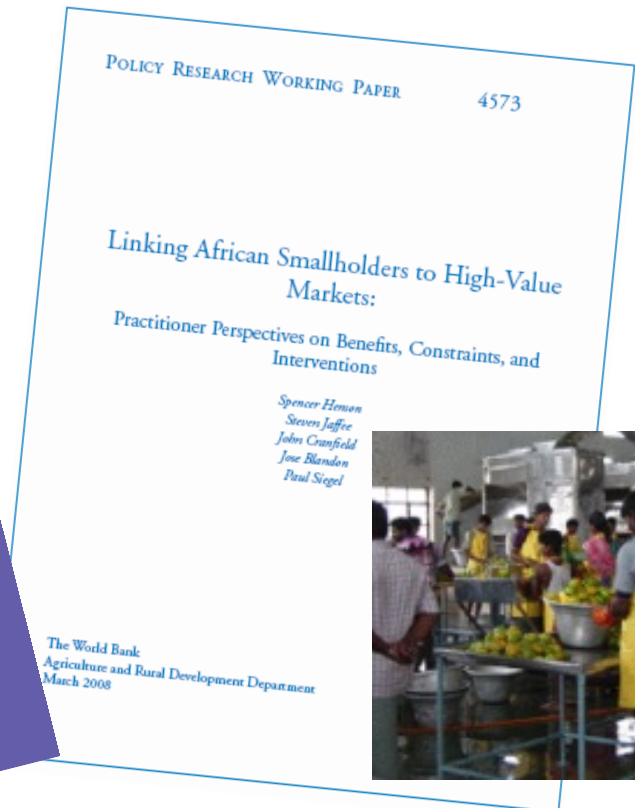




# Promoting food and agricultural standards



TradeStandards.org



# IFC: Working directly with the private sector

The International  
Finance Corporation  
provides 30% of total  
World Bank Group  
ag finance



## Focus:

- Inclusiveness
- Social sustainability
- Food security
- Revising focus along value chain
- Innovating for impact
- Differentiating more by country

## Examples:

- Global Index Insurance Facility (Rwanda)
- Global Trade Liquidity Program (Nigeria Cocoa Exports)

# The World Bank Agriculture Action Plan frames activities

GHANA STOCK EXCHANGE				
DOLLAR Trading Session 15/08/2006				
INDEX	VALUE	OPEN	CURRENT	CHG
FTSE	54000	54000	54000	0
NGXI	800	800	800	0
PKI	3000	3000	3000	0
PRC	2800	2800	2800	0
PZ	6510	6510	6510	0
CB	130000	130000	130000	0
L	550	550	550	0
C	390	390	390	0
587200	6500	7000	7000	0
290	290	290	290	0

## Commodities at the Crossroads



1. Raise agricultural productivity
2. Reduce risk and vulnerability
3. Link farmers to markets and strengthen value chains
4. Rural non-farm income
5. Enhance environmental services and sustainability



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# Project Cycle



# 1 - Identification

- Projects are identified that support strategies and that are financially, economically, socially, and environmentally sound. Development strategies are analyzed.
- Bank teams work with the government to identify projects that can be funded as part of the agreed-on development objectives.
- Once a project has been identified the Bank team prepares a project concept note, which is an internal document that outlines the basic elements of the project, proposed objectives, likely risks and a timetable.

## 2 – Assessment / Preparation

- The Bank provides policy and project advice along with financial assistance.
- Clients conduct studies and prepare final project documentation. The client drives project preparation.
- The Bank plays a supporting role, offering analysis and advice when requested.
- Technical, institutional, economic, environmental, social and financial issues facing the project are studied and addressed.



# 3 - Appraisal

- The Bank assesses the economic, technical, institutional, financial, environmental, and social aspects of the project.
- Bank staff review the work done during the identification, assessment and preparation stages.
- The project appraisal document and draft legal documents are prepared.
- Project appraisal documents are reviewed by Bank management and financial management teams.

# 4 – Negotiations and Board Approval

- The Bank and borrower agree on loan or credit agreement and the project is presented to the Banks Board of Executive Directors for approval.
- Documents are submitted to the borrowing government for final clearance, which may involve ratification by a council of ministers or the country's legislature.
- Following approval by both parties the loan agreement is formally signed by both parties representatives.

# 5 – Implementation & Support

The Borrower implements the project.

The Bank ensures that the loan proceeds are used for the loan purposes with due regard for economy, efficiency, and effectiveness.

The Bank's Financial Management team oversees the financial management of the project.

# 6 – Completion and Evaluation

- The implementation Completion Report is prepared to evaluate the performance of both the Bank and the borrower.
- The Bank's independent Operations Evaluation Department prepares an audit report and evaluates the project. Analysis is used for future project design.

# Risk & Finance in the Coffee Sector Report

- Compendium of case studies (20) examining risk and finance.
- Examples from coffee producing countries about how risks can be better managed and finance expanded.
- Dissemination by both ICO and World Bank now to commence with emails linking to document to be sent out and webinar series for cases.
- Please share with your stakeholders.