



WORLD BANK GROUP

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Presentation to ICO, 3 March 2015**

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 21st century agriculture remains fundamental for poverty reduction, economic growth and environmental sustainability.

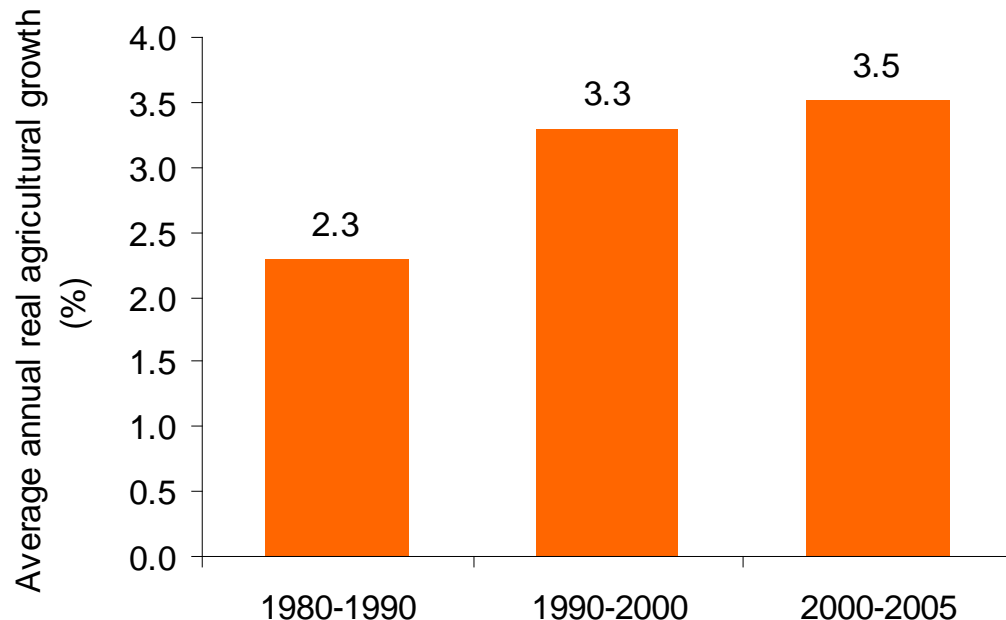
World Development Report

1. Economic growth

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

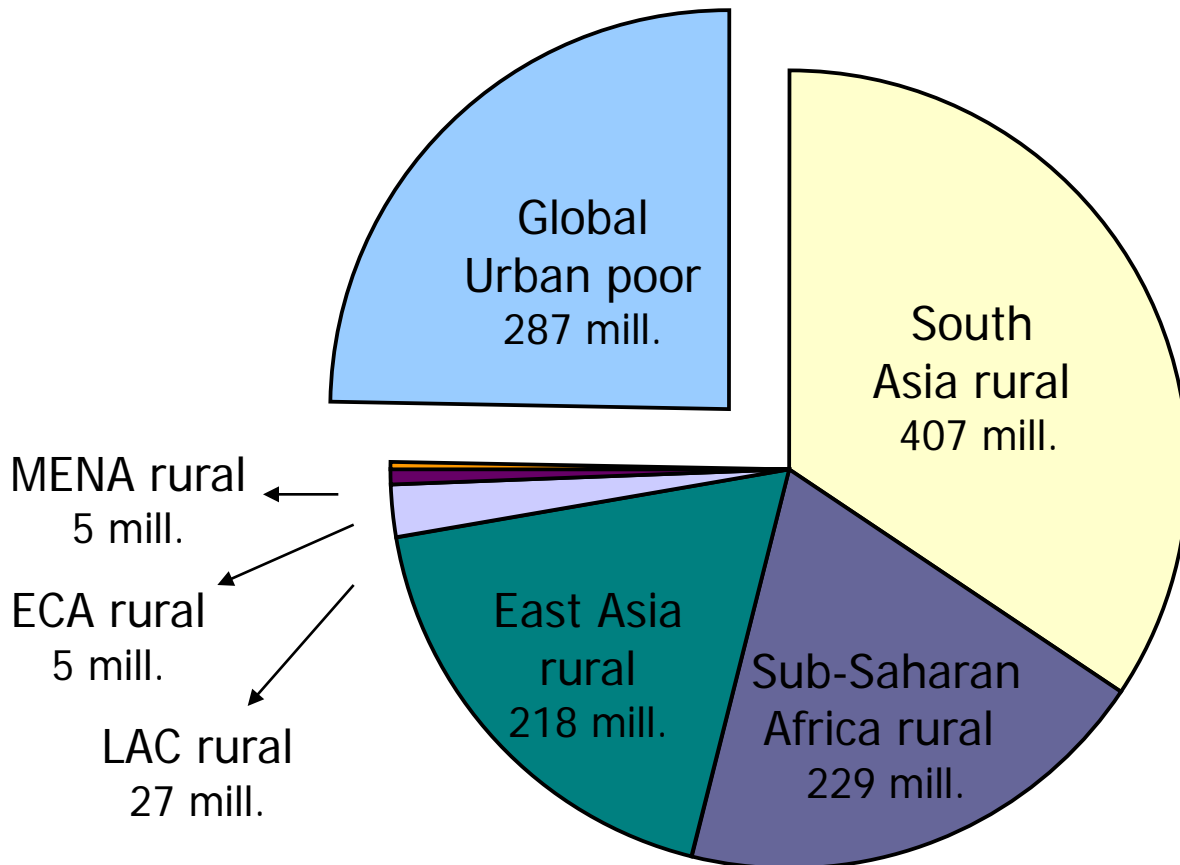
- Large sector for GDP growth
- Affordable food and wage competitiveness
- Comparative advantage in trade
- Strong growth linkages

Accelerating agricultural growth in Africa



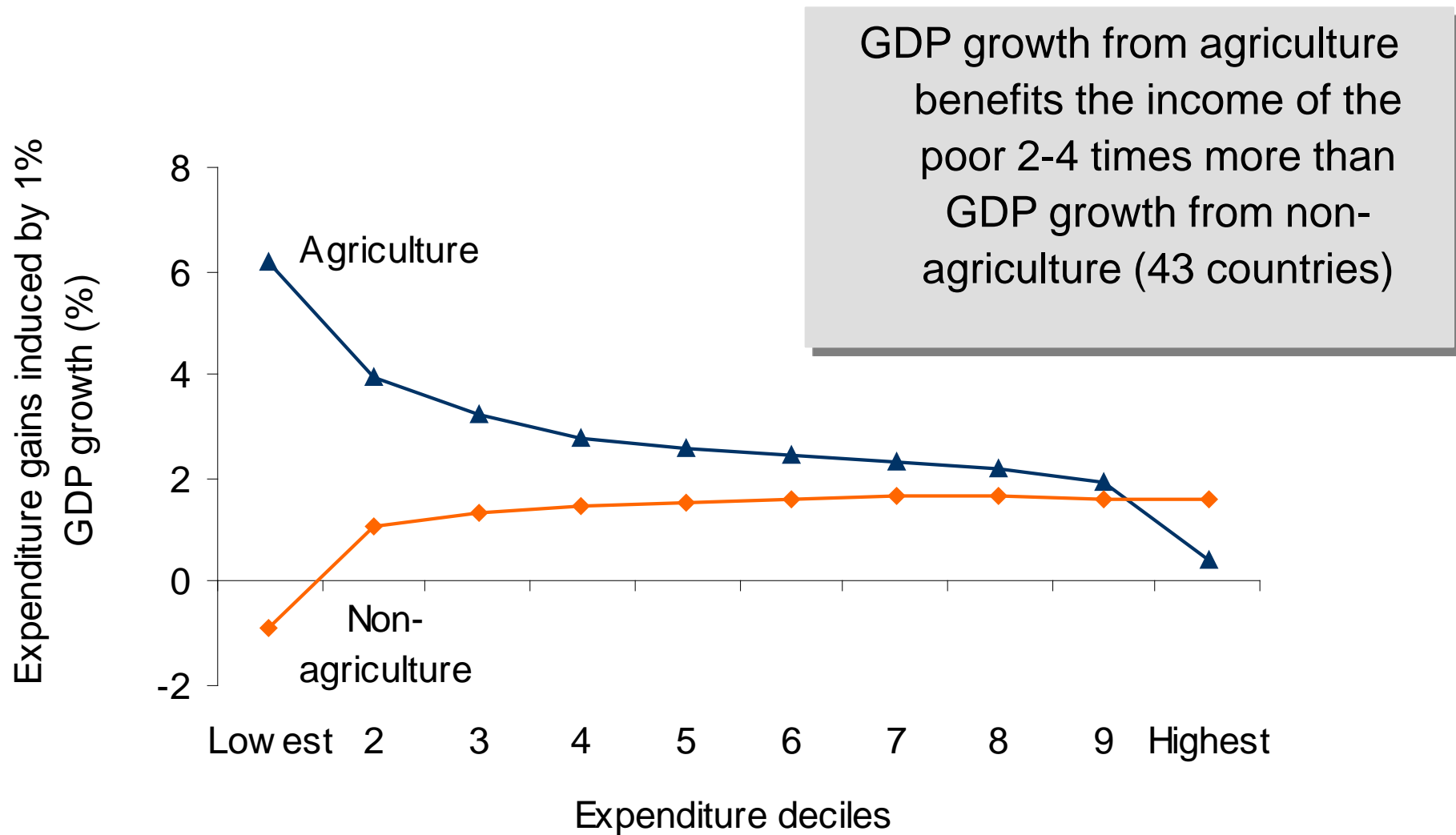
2. Poverty reduction

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



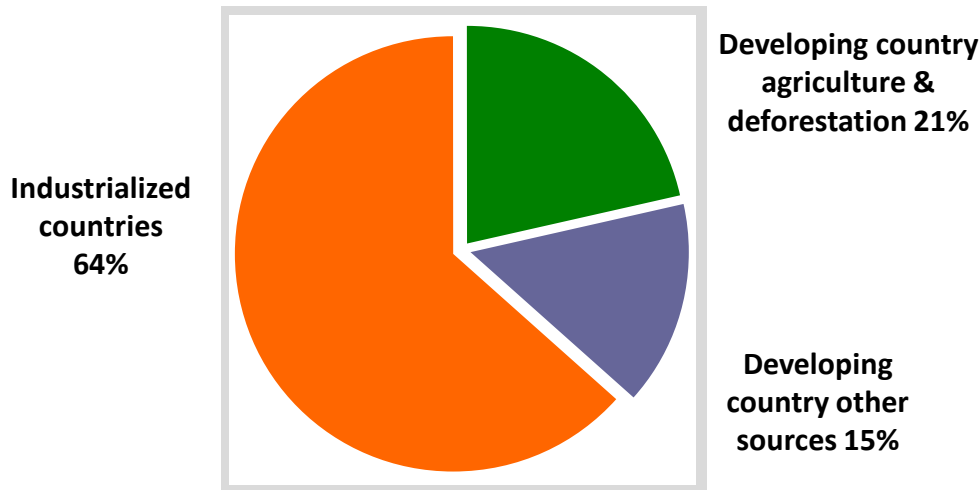
3. Environmental Sustainability

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**



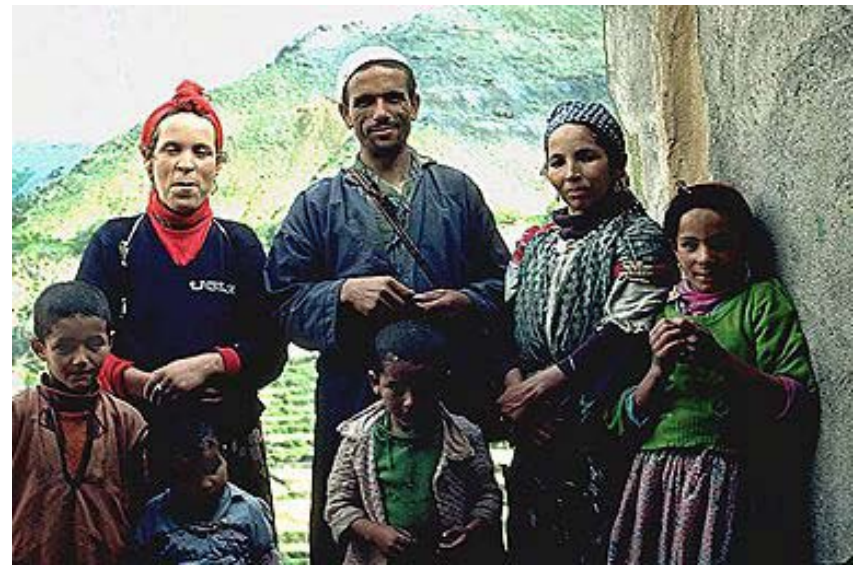
Improved opportunities for agriculture...

- 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

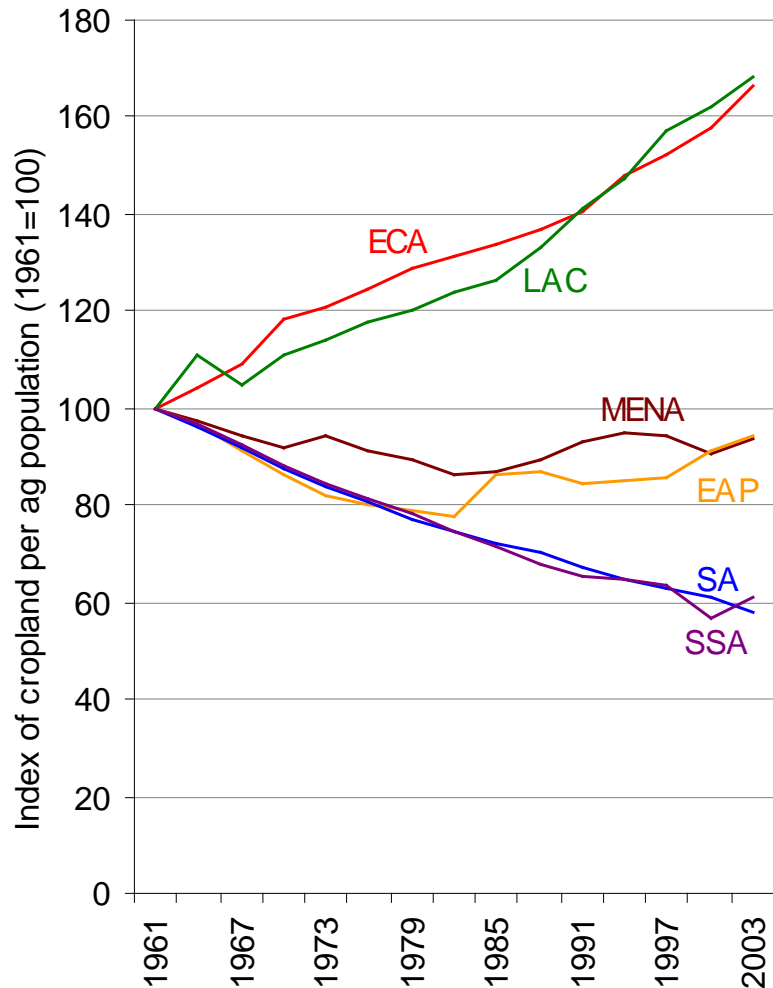
- ❑ 9 billion people in 2050, 30% higher than today with almost all the increase in developing countries.
- ❑ Food production must increase by 70% percent globally, and 100% in developing countries.



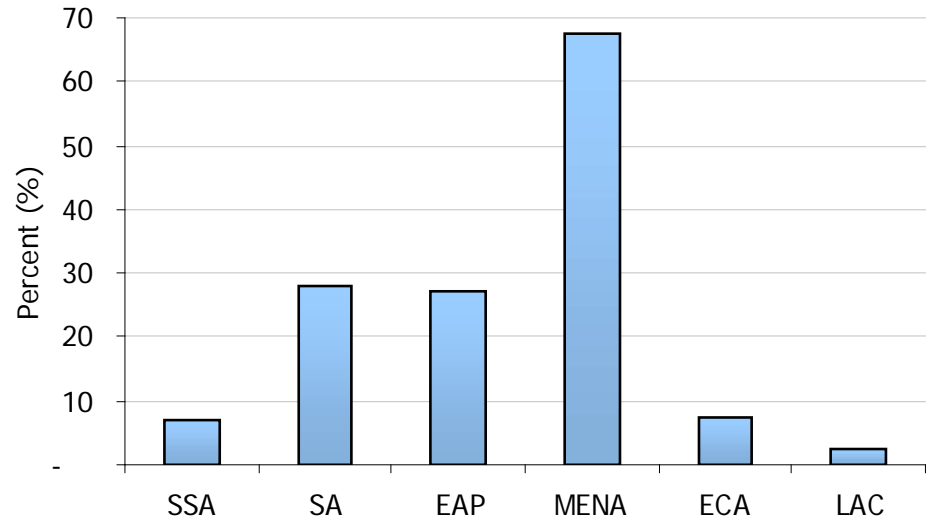
Challenges

Increasing land and water constraints

Cropland per capita of agricultural population



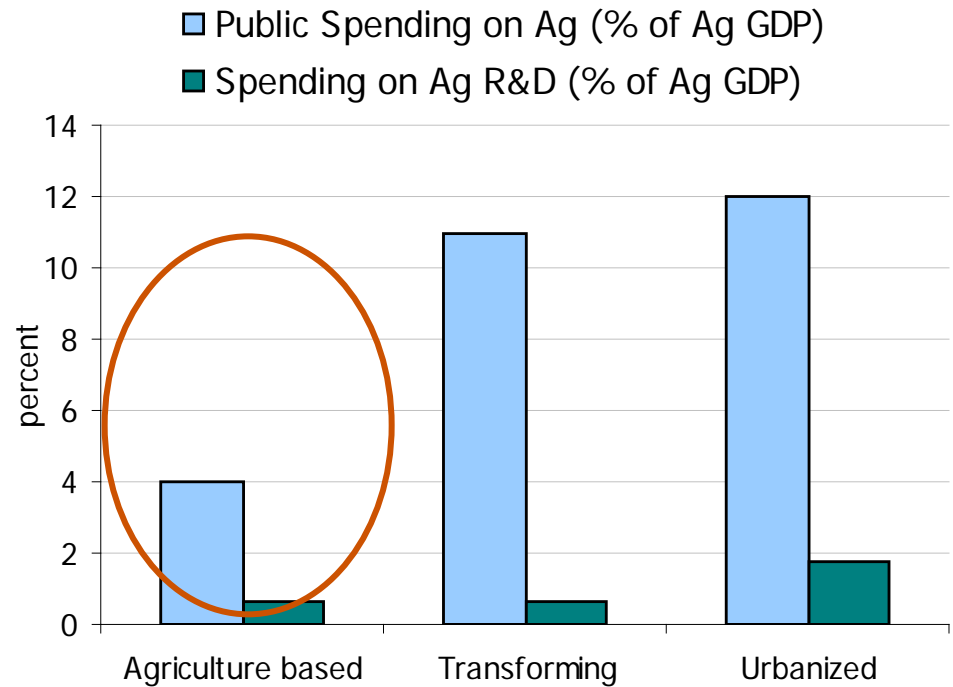
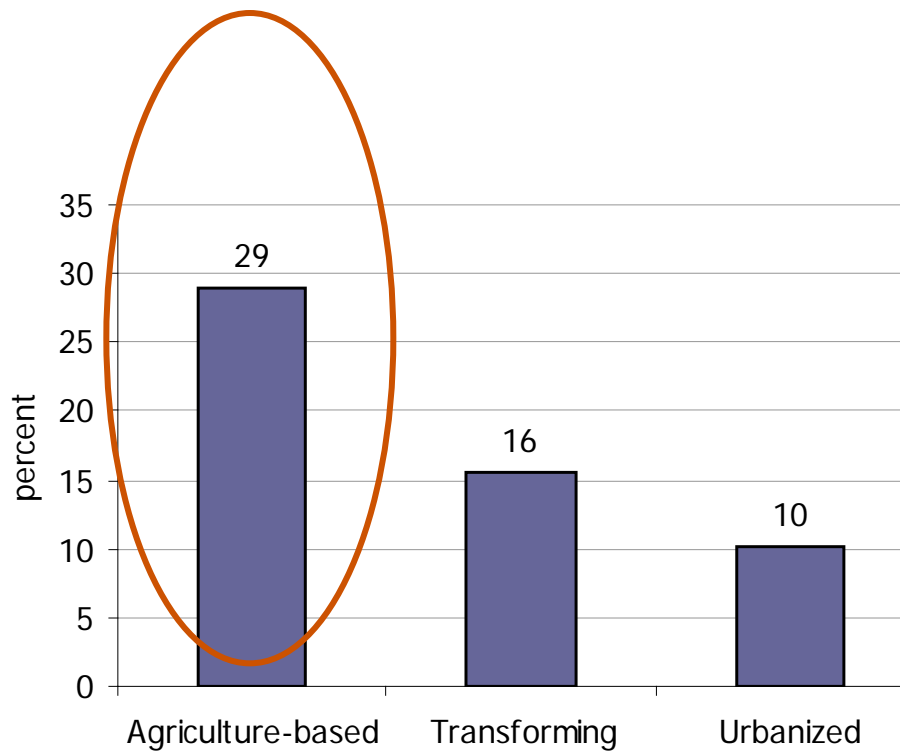
% of population in absolute water scarcity



Challenges

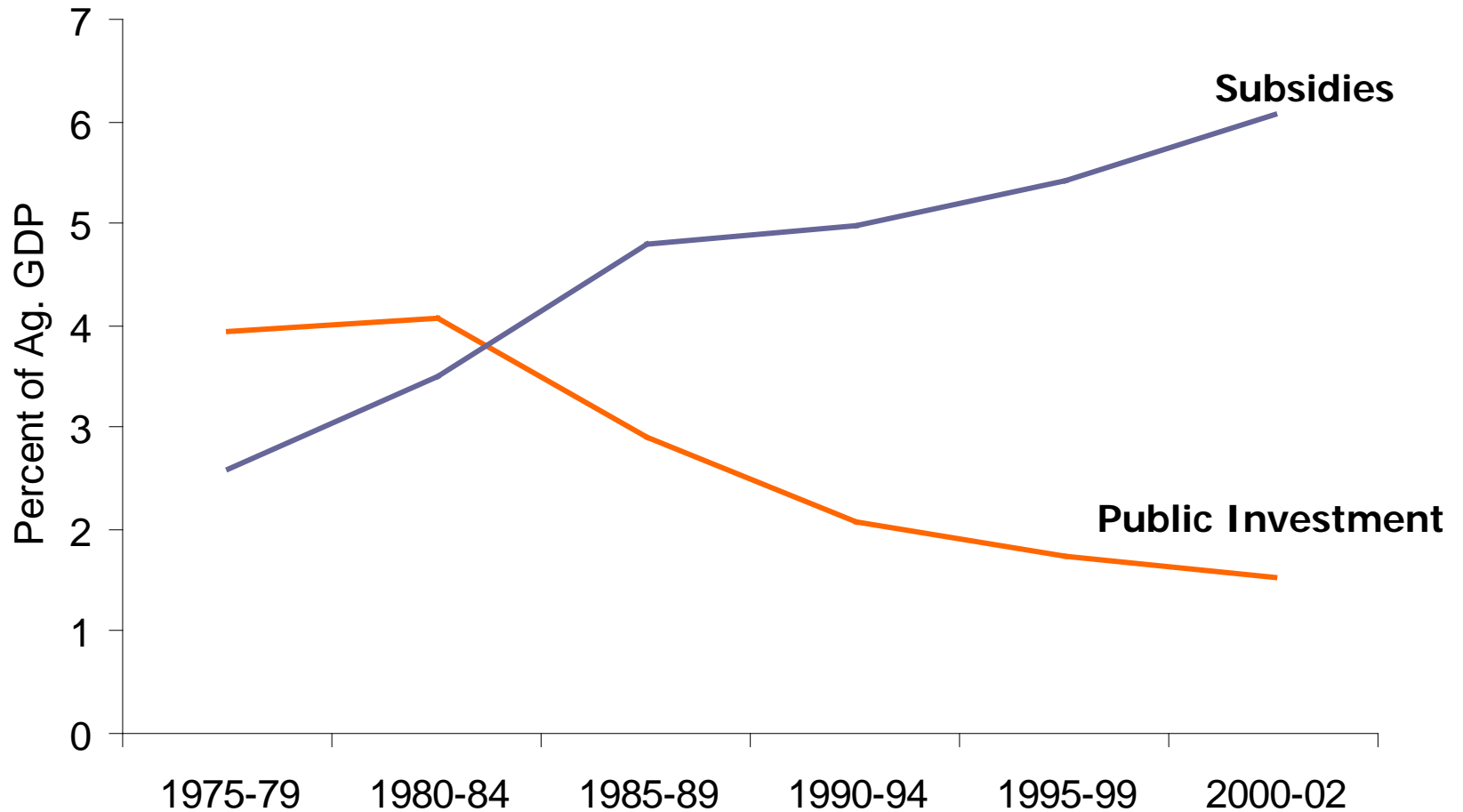
Agricultural-based countries spend too little on agriculture (and R&D)

Ag GDP/GDP



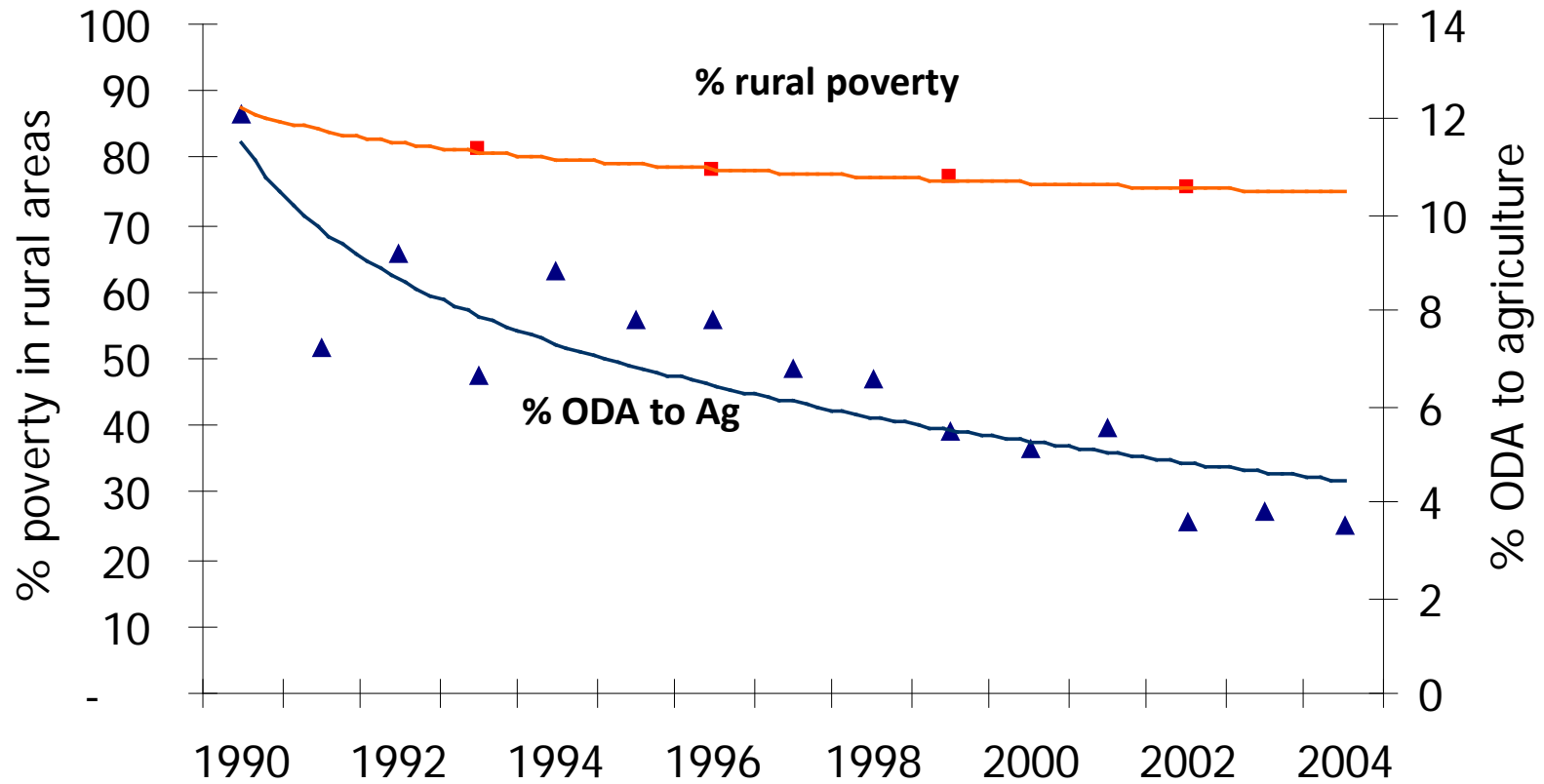
Challenges

“Misinvestment” is also pervasive



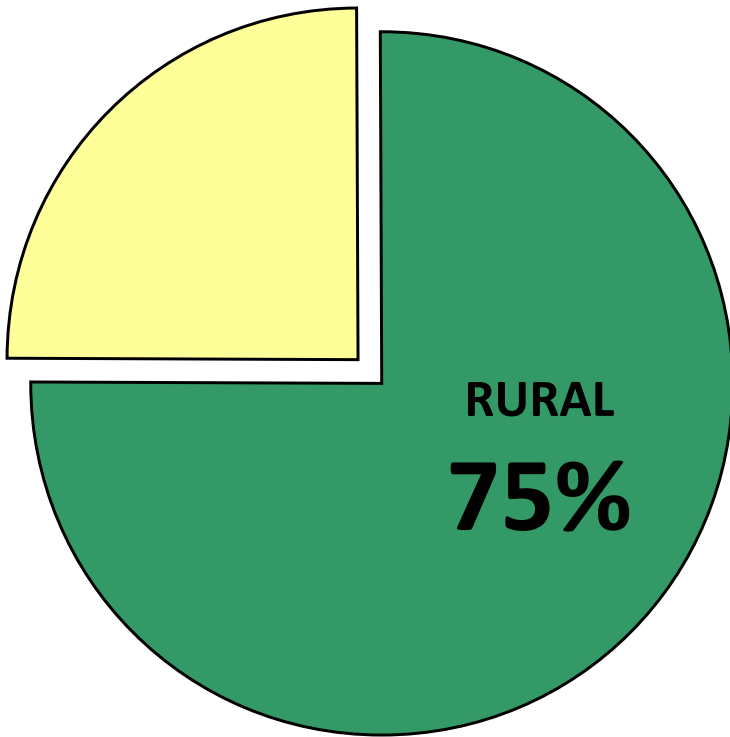
Challenges

Donor support to agriculture



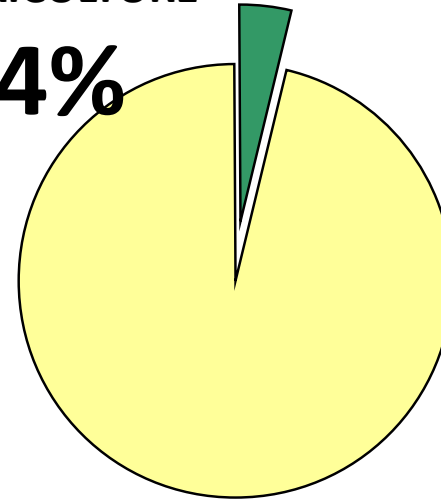
Challenges

WORLD POOR



AGRICULTURE

4%

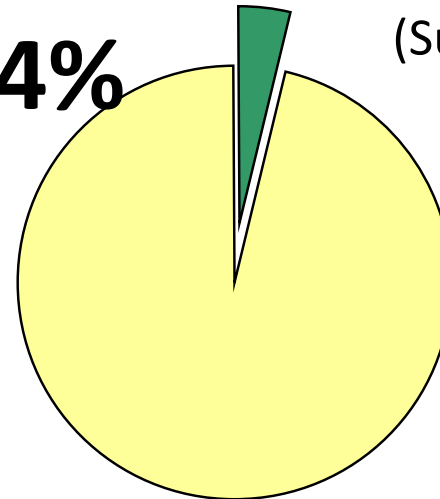


**OFFICIAL
DEVELOPMENT
ASSISTANCE**

(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!

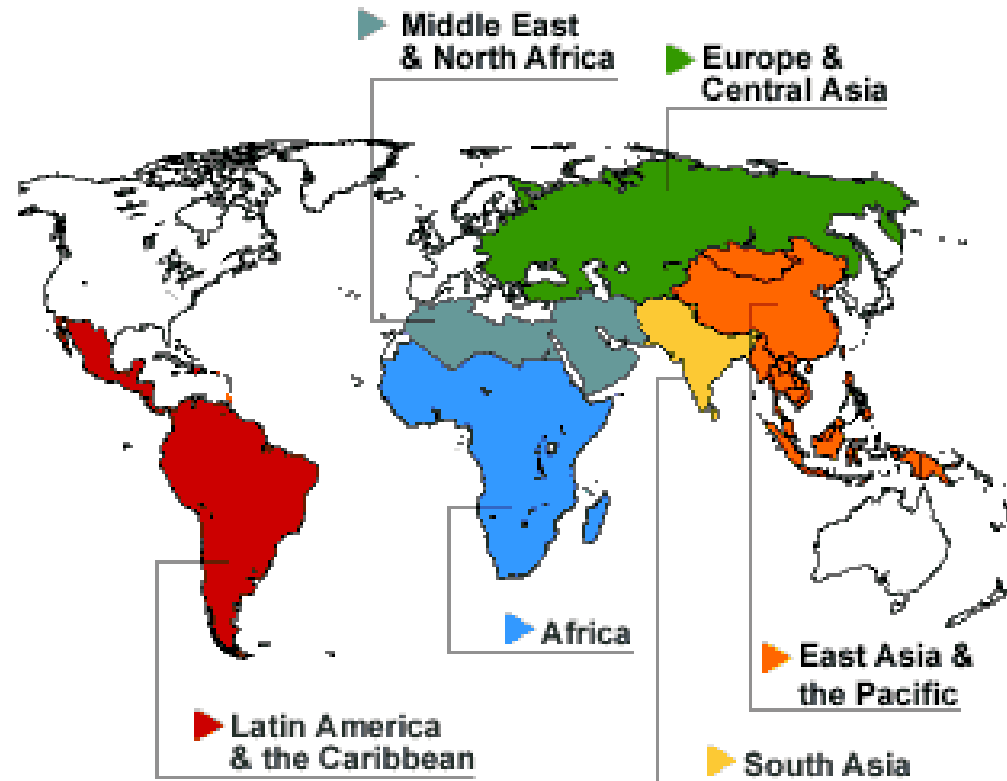
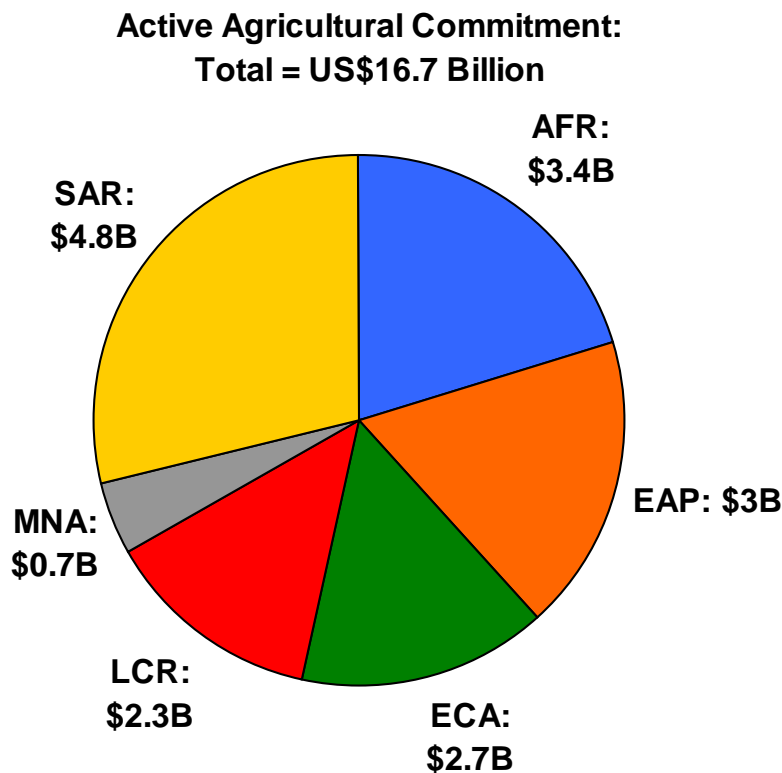


Trade barriers
in 2008!
In 2011!

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



Tin roofs

Processing



Off-farm rural infrastructure is crucial



Managing risk in agriculture



FAO Food Price Index

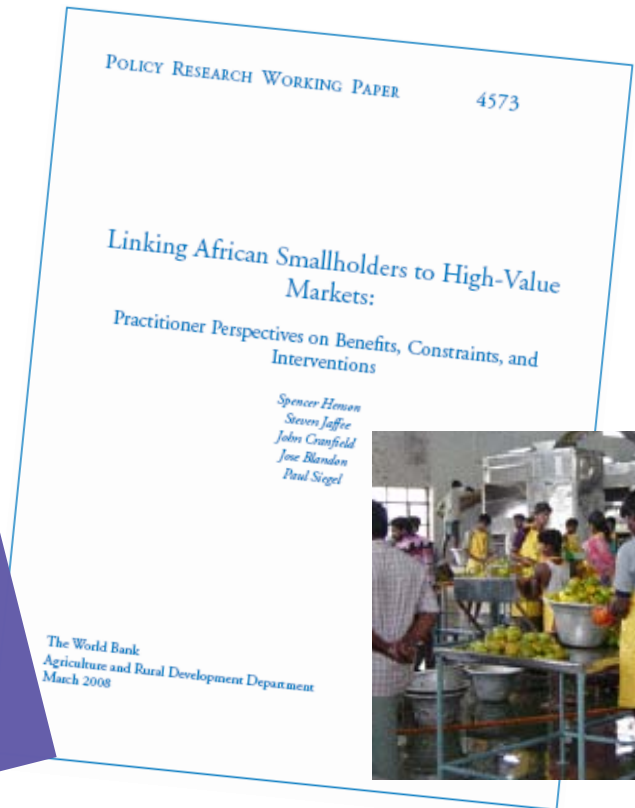
2002-2004=100



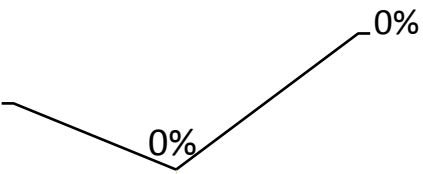
Promoting food and agricultural standards



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

Symbol	Price	Change	Open	Current	Close
MTV	54000	LOW	54000	54000	0
MNL	800		800	800	0
PKI	3000		2800	2800	0
PRC	6510		2800	2800	0
PZ	130000		6510	6510	0
CB	580		130000	130000	0
L	390		550	550	0
C	6500		380	380	0
667200	290		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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www.worldbank.org/ard

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.