



Managing Risk and Vulnerability in Rural Areas

Rural Week 2005



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Agriculture and Rural Development Department
The World Bank

March 2005



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ESSD Week 2005
Rural Week Agenda

Tuesday March 29		Wednesday March 30			Thursday March 31				
8:00 a.m.	ESSD WEEK		Preston Overflow Breakfast and Registration				Preston Overflow Breakfast		
8:30- 10:00 a.m.		8:30- 10:00 a.m.	PRESTON AUDITORIUM OPENING PLENARY “Managing Risk and Vulnerability In Rural Areas: A Global Challenge” Opening: Ian Johnson, VP, ESSD Chair: Kevin Cleaver Keynote Presentation: Robert Picciotto Comments by: Ao Belay Ejigu, HE, Ethiopia; Sawsan Al-Sharifi, HE, Iraq			8:30- 10:00 a.m.	PRESTON AUDITORIUM PLENARY Managing Risk and Vulnerability In Rural Areas: Regional And Country Case Studies Chair: Mark Wilson Presentations by: Joachim von Braun; Pamela Anderson; John McIntire		
			Break				Break		
10:30- 12:30 p.m.		10:30- 12:30 p.m.	Enhancing Agriculture Innovation MC 2-800	Irrigation and Drainage In Multi-Purpose Operations MC 4-800	Donor Harmonization And Alignment: Opportunities And Challenges MC 13-121	10:30- 12:30 p.m.	Small Holders In Coordinated Supply Chains MC 2-800	How RFIs Are Using New Price And Weather Instruments To Manage Risk MC 4-800	ARD Portfolio: Issues In Program Implementation MC 5-W150
			Lunch Break				Lunch Break		
2:00- 4:00 p.m.		2:00- 4:00 p.m.	Cutting-Edge Remote Sensing Tools For Improving The Design And Monitoring Of Forest, Land, Water And Biodiversity Programs MC 2-800	Challenges And Experiences In Managing Natural Disasters MC 4-800	Rural Finance: Creating An Enabling Environment For New Approaches MC 13-121	2:00- 4:00 p.m.	Forest Livelihoods And Vulnerability MC 2-800	Nutrition Transition MC 4-800	Rural Investment Climate MC 5-W150
			Break				Break		
4:30- 5:30 p.m.	TG Open House (Chair: Kevin Cleaver) MC 2-800	4:30- 6:00 p.m.	PRESTON AUDITORIUM PLENARY Agriculture And Rural Development: State Of The Union Presentation by Kevin Cleaver Panelists: Henry Merriam, DFID (TBC)			4:30- 6:00 p.m.	PRESTON AUDITORIUM CLOSING PLENARY Are We Delivering Our Promises? A Discussion Between Country Directors And ARD Family Sector Directors Chair: Kevin Cleaver Introduction: Rory O’Sullivan, followed by discussion		
5:30- 7:30 p.m.	Reception for ARD Country Office Colleagues MC 2-800	5:30- 7:30 p.m.	Reception for Rural Family Staff, Guests and Invitees MC-12 GALLERY			5:30- 7:30 p.m.			

Thematic Group (TG) Day April 1				
8:30-10:30 a.m.	Redistributive Land Reform MC 2-800	Directions In Impact Assessment Post-Extractive Industry Review MC 6-W150	Local Economic Development, Territorial Development, And CDD Approaches MC 7-W150	8:30-12:00 p.m. Global Donor Platform Business Meeting MC 5-W150
Break				
11:00-1:00 p.m.	Land Rental Markets MC 2-800	Forest Institutions In Transition MC 6-W150	Applications Of The Rural Water Supply And Sanitation Toolkit In Support For Rural Development Projects MC 7-W150	
Lunch Break				
2:00-4:00 p.m.	Reaching Positive Outcomes Through Gender Sensitive Land Policy And Administration MC 2-800	Promoting Partnerships Between The Private Sector And Community Organizations MC 6-W150	Meeting The Energy Needs Of The Rural Poor MC 7-W150	

**Regional Retreats
April 4 & 5**

**Learning Week
April 6 through April 7**

8:30-5:00 p.m.	Promoting Agriculture And Natural Resource Management Through Community Driven Development MC 2-800		8:30-5:00 p.m.	Promoting Agriculture And Natural Resource Management Through Community Driven Development MC 2-800		
8:30-5:00 p.m.	DRAINFRAME! An Integrated Approach To Natural Resource Management MC 6-W150		8:30-5:00 p.m.	Rural Finance: Five Innovative Approaches MC 5-W150		
8:30-12:30 p.m.	Small Scale Producers In Changing Food Markets MC 7-W150	1:00-5:00 p.m. The Role Of SPS Standards In Trade MC 7-W150	8:30-1:30 p.m.	How To Prepare and Implement Disaster Recovery and Mitigation Projects MC 7-W150	2:30-5:00 p.m.	Improving Operations—Are You Ready for SWAPS And Changes In Expenditure Eligibility? MC 6-W150
			8:30-1:30 p.m.	Translating Support To National Rural Strategies Into PRSPs And Lending MC 7-W150		

Introduction

Rural Week 2005

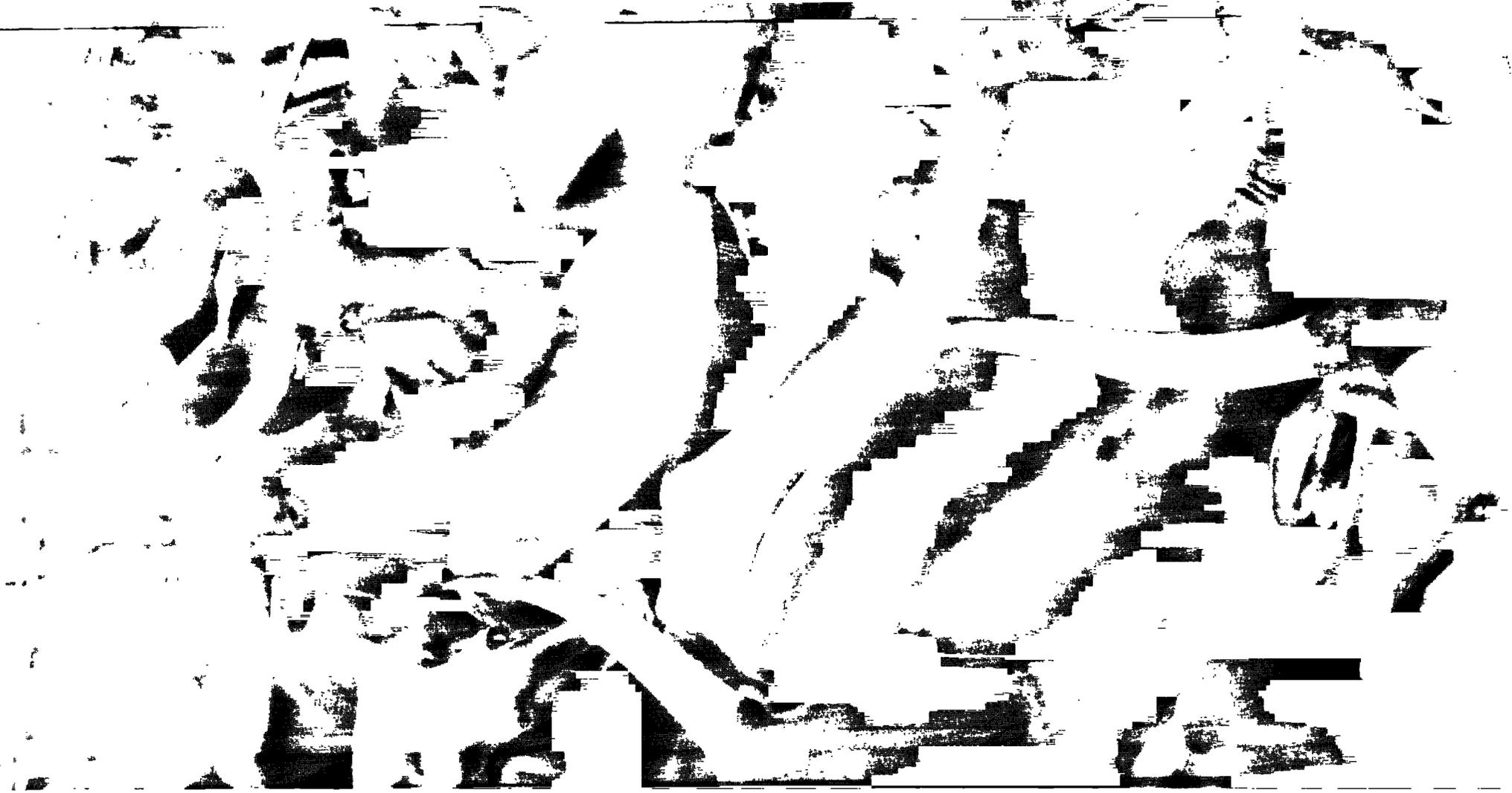
Managing Risk and Vulnerability in Rural Areas

In this booklet, the Agriculture and Rural Development Department (ARD) presents a summary of the conference events associated with Rural Week 2005. These events drew over four hundred fifty Bank staff and external partners to the World Bank Headquarters to discuss issues of risk and vulnerability in rural areas. This multifaceted topic was reflected in the wide ranging set of themes covered in sessions spanning a nearly two week period, and organized by ARD and the seven Thematic Groups (TG) associated with the Rural family within the Bank. The sessions, both plenary and breakout were clustered around *Rural Week*, *TG Day*, and *Learning Week*, and

part of the broader ESSD Week Events. Presenters came from many walks of life and included Bank client country representatives, the Global Donor Platform for Rural Development, the Consultative Group for International Agricultural Research (CGIAR) and many Bank colleagues from all Regions of the Bank. ARD also organized a *photo contest* for which the winning photographers were awarded during Rural Week; the photos shown across this booklet show the quality pictures entered to capture the life of men, women and children living in rural space. These proceedings have been compiled and edited by Marisa Baldwin, ARD.



Wednesday, March 30, 2005





Managing Risk And Vulnerability In Rural Areas: A Global Challenge

Chair: Kevin Cleaver, Director, Agriculture and Rural Development (ARD), World Bank

Speakers:

- Ian Johnson, VP, ESSD
Opening of Rural Week
- Robert Picciotto, King's College, London, UK
Key Note Presentation

Comments:

- Mahboub M. Maalim, Permanent Secretary, Special Programs, Office of the President, Nairobi, Kenya
- Sawzan Al-Sharifi, Minister of Agriculture, Iraq

Conveners:

- Severin Kodderitzsch, Advisor, ARD, World Bank
- Shawki Barghouti, Consultant, World Bank

The Context

People living in rural areas—as individuals, families, or communities—are vulnerable to a broad range of risks to which they are exposed on a daily basis. These risks manifest themselves at a local level, but eventually develop global dimensions as well. Understanding these global elements is crucial for the rural development community in facing the challenges of risk management and global security. Rural Week 2005 provides a forum for discussion and comprehension of those challenges so that the rural development community may successfully tackle them in the future.

Summary

In the opening speech, Ian Johnson, VP-ESSD, called for urgency for securing agriculture's prominence in the development agenda—as the driver of economic growth and for realizing the MDGs. At the same time, there is urgency for managing risks and uncertainty faced by the rural people, such as weather and climate change volatility, commodity price risk, trade regimes distortions, unco-

ordinated effort of the donor community, or a biotechnology risk. Furthermore, addressing structural issues, such as increased investments in rural infrastructure, irrigation/rehabilitation, and efficient public institutions working in partnership with the private sector, is critical for achieving agricultural growth.

* * *

In his speech, Robert Picciotto examined the new concept of risk, drawing implications for the development agenda, including in the rural space. Human security is the new development paradigm encompassing freedom from want, freedom from fear, and the freedom of future generations to inherit a healthy natural environment. Since 9/11, failed and frail states, whether conflict-affects or conflict-prone, have emerged as major threats to human security. Security threats that were previously confined to the periphery have become global. Security threats are interconnected with other insecurities, such as malnutrition, that make livelihoods unsustainable in poor countries.

Rapid agricultural growth contributes to security by raising income and employment thereby reducing the social frustration that leads to violence. Rural education, land tenure, natural resource management, cooperative development and out-grower schemes spur rural development. At the global scale, trade reform, science and technology are fundamental for improved rural performance. About 30 developing countries won the war against poverty and hunger due to agricultural growth; this kind of progress is possible across all countries by involving the private sector, the civil society, empowering local communities, and ensuring effective delivery of public goods.

* * *

The following comments on the key note presentation were provided by senior representatives from two client countries—Iraq and Kenya:

Experience of Iraq under Saddam Hussein's regime resonates Robert Picciotto's message— conflict contributes to the negligence of the rural sector and insecurity. The World Bank assistance was underscored in rebuilding agriculture and rural sector through better drainage system, re-desertification, agricultural education, small-scale industry, new technologies, credit, agricultural extension and public services, and foreign investment in rural areas. Risk management at the local level and assistance of the international community are critical for flood and drought shocks-affected rural people in Kenya.

Main Issues Raised in the Session

The Rural Week theme—managing risk and vulnerability in the rural space—is extremely relevant to the current development paradigm. By addressing a set of issues at the crossroads of security and development (food security, hunger and conflict, fragile states), the World Bank carries the potential of bridging differences between rich and poor countries in pursuit of a shared goal—human security.

The fact that agriculture is a driver of economic growth central to poverty reduction should be recognized by the Country Directors and incorporated in Country Assistance Strategies accordingly. In addition, new skills and instruments as well as donor harmonization are critical for meeting the agricultural challenge.

Enhancing Agricultural Innovation: Why And How To Go Beyond The Strengthening Of Research Systems?

Chair: Juergen Voegelé, Sector Manager, ECSSD, World Bank

Speakers:

- Willem Janssen, Senior Agricultural Specialist, SASAR, World Bank
- Andre Devaux, International Potato Center, Lima, Peru
- Eija Pehu, Advisor, ARD, World Bank
- Rose Kiggundu, UNU INTEC
- Vandana Chandra, Senior Economist, PREM, World Bank

Conveners:

- Eija Pehu, Advisor, ARD, World Bank
- SASKI Thematic Group

The Context

Higher rates of growth in agricultural productivity are essential to promote broad-based economic growth, reduce poverty, and conserve natural resources. Productivity growth, in turn, is based largely on application of science, technology, and information, provided through national research and development systems and various extension-advisory services. Given the pace of globalization of agriculture, rapid changes in the science supporting the agricultural sector, and the diverse regional features of agricultural research systems, an international workshop was held in June at the World Bank on "Development of Research Systems to Support the Changing Agricultural Sector" to take stock of recent experience and re-think strategies for the future development of national agricultural research and innovation systems. One of the main conclusions of this workshop was that "Strengthened research systems will increase the availability of new knowledge and new technologies, but not necessarily the number of innovations in the market place or on-farm". This observation has led to a rethinking of Bank's investments in agricultural research. The

important issues to discuss include (i) how to move beyond generating technologies and generate innovations and growth, (ii) how can agricultural innovation systems view add value to the existing agricultural systems, and (iii) what are some of the key success factors behind the innovation systems?"

Summary

Innovation systems concept (Willem Janssen):

1. Innovation systems consist of all the actors and their interactions involved in the production and use of knowledge, and the institutional context that shapes the processes of knowledge sharing and learning. Essential features include: (i) knowledge derived from multiple bases (research but also others); (ii) system and actors have capability to innovate in changing environments; and (iii) system is embedded in an institutional and policy context that shape the ways actors and organizations behave.
2. The major value added of an innovation system compared to the national agricultural research systems (NARS) and AKIS approaches include: (i) the emphasis on environment conducive to business development; (ii) framework for the generation, commercialization and scaling-up of new ideas; (iii) the emphasis on interaction between all the partners (inclusiveness), including the private sector; and (iv) support to the establishment of new knowledge based enterprises.
3. The main features of an successful innovation cases have included: (i) the initiative has come from the research or business side; (ii) creative access to lots of accumulated knowledge; (iii) the market has driven a large part of the change; (iv) strong interaction between producers, traders and researchers in a favorable context; (v) private sector has played a major role in dissemination of change; (vi) investment requirements to develop a sub-sector have existed;

and (vii) funding research or promoting knowledge generation have not been the sole function.

Three case studies were presented:

1. *An Innovation Platform Facilitated by a Research Organization—Papa Andina* (Andre Devaux, International Potato Center, Lima, Peru) case study featured how facilitation (by the donor) and strong demand for value added products expressed by processors and farmers resulted in an value chain platform and subsequent collaboration and generation of value chain innovation system including multiple actors.
2. *Public-private Partnerships for Agricultural Technology Development and Transfer in China—a New Approach for Bank Investments* (Eija Pehu) featured how a strategic choice to increase technology development while improving small farmers' access to and use of technologies resulted in innovative arrangements including competitive grants, financing of sub-projects, support to public-private partnerships and farmers' organizations, intellectual property rights protection, establishment of testing center etc. Both donors and governments had key roles in facilitating this transformation.
3. *External Regulations and Private Sector Driven Innovation System—the Case of Nile Perch in Uganda* (Rose Kiggundu, UNU INTEC) featured how external pressure (EU sanitary and phytosanitary standards requirements) resulted in an export crisis that led to significant changes in technical, regulatory, organizational, and operational aspects of production. Technical support from the donors and particularly coordination by the public sector champions played a key role in this transformation.

Main Issues Raised in the Session

It became evident that there is a need to develop an operational model, identify tools and interventions and their expected effects, describe intervention processes, identify essential and desirable partners in innovation systems, and ways to retain poverty focus in order to generate investments in agricultural innovation systems.

Discussant Vandana Chandra also addressed the fact that there is a general move from the traditional technology generation system to more knowledge-based system and society. The remaining challenge is how to build technological capacity within this system rather than generate technologies. Innovation systems approach is useful in analyzing the context: it is a more demand-driven system – both demand and funding can derive from multiple sources (the private sector, public sector, etc). The following issues require attention when developing and using the analytical framework:

- 1) Identify clearly who is involved, whose goal is being pursued, and whose demands are driving the system and interaction.
- 2) Financing has a key role in driving the move from a narrow agricultural R&D to knowledge-based use.
- 3) Clarify the role of networks – i.e. what are the roles of the private sector and rural institutions.
- 4) What should be the role of the public sector in various situations?
- 5) What are the skills implications of this approach? (e.g. the skills of the private sector are essential and one should not take these skills for granted)

Irrigation And Drainage In Multi-Purpose Operations: A New Generation Of Agricultural Water Projects

Chair: John McIntire, Sector Director, AFTSP, World Bank

Speakers:

- Keith Pitman, Sr. Evaluation Officer, OEDSG, World Bank
- Raj Rajagopal, Lead Water Resource Specialist, SASAR, World Bank
- Dr. AA Oredipe, National Coordinator of the Fadama II project, Nigeria
- Nagaraja Rao Harshadeep, Senior Environmental Specialist, SASES
- Daniel Sellen, Senior Agriculture Economist, SASAR, World Bank

Conveners:

- Salah Darghouth, Advisor, ARD, World Bank
- Ariel Dinar, Lead Economist, ARD, World Bank

The Context

With the implementation of the Bank's Rural Development, Water Resources, and Environment Strategies which all call for the Bank's re-engagement agenda in water-for-food, a new generation of agricultural water projects is emerging. The objective of the session is to present and discuss the salient design and implementation features of the irrigation and drainage components of Multi-Purpose Integrated Rural Development, CDD, Watershed Management and Water Resource Management Operations.

Summary

Agricultural water components fit very well within rural development, environmental, CDD, and watershed multipurpose projects. A well designed component structure and implementation program are critical. Agricultural water has to be seen as complementary to natural resource management and as such its value added is

much more apparent. Several important aspects brought in the presentations include:

- The project preparation and appraisal phases to emphasize the big picture
- Building Bank & Borrower teams that reflect multi-disciplinary skills
- Inclusion of all stakeholders and provision of resolution/cooperation mechanisms
- Addressing risk aversion and natural risk embedded in the various project components that are linked to each other
- Provision of adequate credit to project beneficiaries to allow maximization of the potential benefits
- Supporting the provision of marketing infrastructure
- Empowering key stakeholders
- Improving mechanisms of conflict resolution
- Supporting establishment of rural non-farm enterprises
- Focusing on the contribution that can be made by women
- Emphasizing improved management of natural resources
- Identifying a clear role of local governments
- Address equity and externality issues
- Transparency and cost-sharing principles have to be well understood
- Importance of understanding technology and establishing capacity

Main Issues Raised in the Session

- Tradeoff between complexity vs. simplicity
- The desired scale for a given project
- Need for systemic assistance
- Accounting for environmental cost
- Importance of delivery of non-water services
- Role of private agencies in service delivery
- Resource conflicts (water, land, forests)

Donor Harmonization And Alignment: State Of The Art From Four Countries

Chair: Kevin M. Cleaver, Director, ARD, World Bank

Speaker: Miriam Heidtmann, GDPRD, Secretariat

Discussants:

- Salif Guigma, Chief of Division, Elaboration of Agricultural Policies, Government of Burkina Faso
- Wilfred Ngirwa, Permanent Secretary of the Ministry of Agriculture and Food Security, Government of Tanzania
- Ana Cecilia Tijerino Verdugo, Executive Director, Technical Secretariat of the Cabinet for Production and Competitiveness, Government of Nicaragua

Conveners:

- Nwanze Okidegbe, Advisor, ARD, World Bank
- Christian Henckes, Advisor, ARD, World Bank

The Context

In the light of the harmonization & alignment efforts by DAC/OECD, like-minded donors, development agencies and international finance institutions have agreed to put in place the **Global Donor Platform for Rural Development (GDPRD)**. The GDPRD has currently 24 members and several more associated members and is co-chaired by the German Ministry for Economic Cooperation and Development (BMZ) and the FAO Investment Center. The secretariat is located in Bonn, Germany. The GDPRD is working to harmonize donor activities in rural development, and it has selected four pilot countries: Cambodia, Tanzania, Burkina Faso and Nicaragua to start with. As a first step, the program focuses on tasks such as the support of national rural strategies and poverty reduction strategies, the use of country systems, common M&E systems, co-financing mechanisms, and common country training programs.

Summary

Kevin Cleaver introduced the session by giving an overview on the general perspective and challenge for donor harmonization in rural development. He stressed the need to link the process of rural development to the PRSP process and to align the goals, to streamline approaches and procedures to better facilitate the government's execution of their rural development programs, and the advantage of donor harmonization and alignment on advocacy and shared knowledge and learning. He pointed to importance to create incentive mechanisms for staff of different donor agencies to cooperate.

The GDPRD secretariat presented the key results of four pilot countries on donor harmonization and alignment for rural development (presentation attached). Evolving patterns among the participants show that the PRSPs are used as a guiding principle, and that donor round tables or joint working groups between governments and donors have been formed and endorsed. There were signs of improved alignment of donor head-quarter and field staff and the overall experience was that the coordination of projects has paid off. The four case studies have shown that donor harmonization and alignment varies in set up and entry points, depending on the level of national strategy development and the significance of PRSPs. The take home messages from the country case study experience were (i) to go from principles to practice on small issues even if the design of the harmonization and alignment process is not perfect yet; (ii) to build approaches of harmonization and alignment that are already present in the country; (iii) high short term transaction costs will pay in the long run and need to be defended in front of stakeholders; and (iv) the importance to change behavior and build trust between donors and partner countries as well as among donors. The secretariat uses the following instruments to

support these efforts: facilitation of shared learning, and of communication through Focal Points, providing of funds for preparation and implementation of multi-donor programs.

The secretariat's presentation was followed by comments from government representatives from three of the four pilot countries.

Burkina Faso: Two strategies related to the rural sector have been developed and endorsed by the government, one for the productive sectors, and one on decentralization. Eighty percent of the sector's budget comes from donor sources, which makes coordination both crucial and very challenging. Past experiences in coordinating donors around commodity actions plans produced mixed results, coordination for CDD type projects were more successful. Another positive example is the agro-silvo-pastoral program in which technical and financial donor cooperation has been practiced for the past 10 years. Donor harmonization and alignment will soon be practiced in preparing a planned World Bank agriculture operation. Problems have been faced with reallocation of government resources that are committed under the 10 year development plan.

Tanzania: The government is committed to the harmonization and alignment process and the Ministry of Finance has become the driver of the agenda. As a next step, better understanding among sectoral ministries will need to be improved, as the issue of reaching internal sector harmonization is recognized as crucial for the strategy to become operational. A decision about who should champion the process is likely to happen after the January 06 elections. The Ministry of Agriculture has been asked to respond to the 2003 national rural strategy framework and to operationalize it, which sector experts and high-level government officials are working on jointly. One of the main issues still to be negotiated is how to finance the process.

Nicaragua: Nicaragua is implementing its national rural strategy, based on the PRSP. The five ministries involved in the rural sector are engaged in round table discussions, which also include the private sector. About two-thirds of the sectors financial resources come from donor sources. Harmonization of the 5 main aid sources is seen as crucial, and has the highest level political commitment, including prioritization and building up of institutions. The country recognizes that there also is a need to look inward and to advance the internal harmonization.

Next steps expected by the three pilot country representatives from the GDPRD were to set up MOUs that can be followed by both sides, the need to adjust donor priorities with their national strategies and to align their budgets to the MTEF process.

Kevin summarized the discussion by saying that there is ample evidence of a lack of coordination in the sector which reduces aid effectiveness and impact. While many countries have national rural strategies and budgets in place for donors to coordinate around, there are still many others that are not yet prepared and are in need of capacity building to implement their strategies. He encouraged donors to work together, even if it is just between two donors and on something small, and to work through country systems rather than PMUs to execute projects. He expressed sentiment for the countries' plea not to come up with new approaches and 'fads', but to build on national strategies and priorities. He sees a major challenge in institutionalizing trust and to provide incentives to donor staff. Finally, he thanked the German BMZ/GTZ and other GDPRD member organizations for the resources they made available and for being a catalyst for the harmonization agenda.

Main Issues Raised in the Session

- Importance of inter-government harmonization, institutional reform and development of national strategy for the sector should come first so it is clear 'what to harmonize around'
- Define whether the focus is on rural space or the agriculture sector
- Importance of MOF involvement, but need for subject matter specialists to also be involved
- Caution not to move too fast and to be aware of pitfalls

Websites

Global Donor Platform for Rural Development:
www.rdxl.org

Cutting-Edge Remote Sensing Tools For Improving The Design And Monitoring Of Forest, Land, Water, And Biodiversity Programs

Chair: Moctar Toure, Lead Agriculture Services Specialist, GEF

Speakers/Presentations:

- Paul Desanker, Penn State University
- Chris Justice, University of Maryland
- Arbind Tuladhar—International Institute for Geo-Information Science and Earth Observation (ITC), The Netherlands
- Greg Asner, The Carnegie Institution, Stanford University
- Cordula A. Robinson, Center for Remote Sensing, Boston University

Convener:

- Erick C.M. Fernandes, Adviser, ARD, World Bank
- Natural Resource Management Thematic Group

The Context

Existing and new generation sensors on satellites and aircraft are being refined and used for natural resource management, agriculture, water exploration, and environmental monitoring with unprecedented spatial detail. The five experts presented the latest generation of remote sensing tools (e.g. LANDSAT, Synthetic Aperture Radar, Hyperspectral Imagery) and discussed potential applications (hardware, software, operational costs) for WB agriculture, forest, land, and water projects. Applications were discussed including the development of spatially detailed baseline maps and real time monitoring and evaluation of trends and outcomes to mitigate risk and vulnerability to projects and outcomes.

Summary

LANDSAT Applications in the Miombo Region of Southern Africa: Dr Desanker presented the Miombo Network/GOFC-GOLD Southern Africa, a regional alliance of researchers working on land use and land-use change. It is part of the Global Observation of For-

est and Land Cover Dynamics (GOFC-GOLD), <http://www.fao.org/gtos/gofc-gold/>. The Miombo Network is providing regional datasets; promoting consistent data processing and interpretation methods; promoting regional networks for data access, data sharing, and international collaboration; and stimulating the production of improved products.

Geo-ICT and RS in Cadastral Systems: Dr. Tuladhar portrayed the application of GEO-ITC for cadastral systems and how it can facilitate the management, transaction and supplying cadastral information. A number of available geo-information systems were presented such as aerial photography (orthophoto), satellite imagery (IRS IC PAN, IKONOS Images, Quick bird images), laser scanners (provide accurate altitude). Old cadastral data can be overlaid on satellite imagery to reconcile the various information sources. These applications allow contributing to the national spatial data infrastructure and with its parcel-based approaches can inform directly policy, management, and operational levels. For more information consult: <http://www.itc.nl>

New Remote Sensing Approaches to Monitor Forest Disturbance, Logging and Invasive Species in Tropical Forests: Dr Asner provided an overview on the evolution of remote sensing and aircraft measurement technologies over that last 30 years and referred especially to the fast progress since 2000 taking us to the next level in understanding tropical ecosystems and the impacts of land-use change. The latest possibilities of monitoring of vegetation cover change and growth through multispectral sensing technologies allows, for instance, measuring the surfaces and impacts of selective logging in the Amazon Basin by looking into the satellite pixels of 30m x 30m. Another promising technology under development is the full spectral sensing, an airborne tactical remote sensing system. Invasive species in Hawaii could be monitored within a seemingly homogenous looking forest based on the recogni-

tion of canopy water and leave nitrogen which facilitates the implementation of a rapid action plan for invasive species control.

Characterizing the Nubian Aquifer in SW Egypt Using Synthetic Aperture Radar (SAR) and GIS to Assist Resource Management Decisions: Dr. Robinson showed how Synthetic Aperture Radar (SAR) and GIS can assist resource management decisions by locating groundwater existing beneath the desert sand cover in the Nubian aquifer located in the SW Egypt desert. Analysis is supplemented by Digital Elevation Models (SRTM and ASTER). These techniques allow identifying the direction of ground water flow of the drainage channels and location of ground water accumulation. The results report where the most sustainable areas for agricultural development are located and can be used to develop strategic development plans.

Harnessing recent advances in remote sensing for Bank operations: so what and what next?: Dr. Justice referred to the rapid advance in remote sensing techniques in the past years and the gap at present on how to make cutting-edge remote sensing operational. The World Bank could play a role in strengthening the operational use of these tools, and to support the application of available methods and data in a project context. The WB could also support the emerging regional networks such as GOF/C/GOLD and IGOL and build on current global observing system initiatives. Dr Justice presented an array of available web based resources (see weblinks).

Weblinks

MODIS Rapid Response System:

<http://rapidfire.sci.gsfc.nasa.gov/>

Web Fire Mapper: <http://firemaps.geog.umd.edu/>

NASA's Land Cover Land Use Change Program:

<http://lcluc.umd.edu/>

Central African Regional Program for the Environment:

<http://carpe.umd.edu/>

Global Land Cover Facility:

<http://www.landcover.org/index.shtml>

Challenges And Experiences In Managing Natural Disasters

Chair: Kevin Cleaver, Director, ARD, World Bank

Speakers:

- Murat Sungur Bursa, Director, Marmara Earthquake Rehabilitation Project, Project Implementation Unit, The Prime Minister Office, Ankara, Turkey
- Mahboub M. Maalim, Permanent Secretary, Special Programs, Office of the President, Nairobi, Kenya
- James Lee Witt, former Director, US Federal Emergency Management Agency (US FEMA), now: President, James Lee Witt Associates, Washington, D.C., USA
- Vijay Kumar,

Conveners:

- Wael Zakout, Lead Operations Officer, ECSSD, World Bank
- Severin Kodderitzsch, Advisor, ARD, World Bank
- Natural Disaster Management Thematic Team

The Context

Tsunamis in East and South Asia, earthquakes in Turkey, droughts in Sub-Saharan Africa, and floods in the US are examples of natural disasters affecting a large number of people living in rural areas. Successful implementation of approaches to preparation, mitigation, and responding to catastrophic events can be emulated in vulnerable areas in the developing world.

Summary

USA

The disaster experiences of the 1990s prompted a change from a disaster-response-driven system to one based on proactive hazard risk management—mitigation and prevention as well as guidance and resources to regions prone to natural disasters. FEMA has also launched a pre-disaster prevention initiative—Project Impact. Preventive actions (retrofitting homes, schools,

businesses, and better earthquake and landslide hazard mapping) are decided at the local level, private sector participation is vital, and long-term efforts and investments in prevention measures are essential. The overall goal is to make communities more resistant to the damaging effects of natural disasters. Development partners should raise awareness about the prevention and mitigation measures so that impact of natural disasters on affected communities is lessened.

INDIA

Community organizations play a key role in resource mobilization and rehabilitation of natural disaster-affected rural areas in the Andhra Pradesh region of India, which entails damage and needs assessment, preparation of aggregated microplans for the rehabilitation package, and its implementation. Strong Government commitment to a pro-poor and bottom-up approach is a precondition for community based rehabilitation as well as support from formal institutions including the banks.

TURKEY

Turkey is prone to mainly three types of natural disasters – earthquakes, floods, and landslides. After the Marmara earthquake in 1999, partnering with the World Bank, a new strategic approach emphasizing mitigation and preparedness was adopted, including establishment of Turkey Emergency Management General Directorate and National Catastrophic Insurance Program. Strategic Disaster Management in Urban Areas entails emergency management, infrastructure/lifelines, superstructure/buildings, cultural heritage, legal issues, and training. As evidenced from the case of Turkey, preparedness and risk mitigation pay for itself when incorporated into all levels and areas of decision making including urban planning, development, investments, international loans, etc.

KENYA

60% of countries in Sub-Saharan Africa are vulnerable to drought shocks. In Kenya, the Government plays a pivotal role in drought management. Success of the Government's short-term actions (Drought Early Warning System, district and national institutions to monitor and respond to droughts, community-based food aid targeting) contribute to long term efforts. In the long term, population that is vulnerable to drought hazards could be reduced through developing the capacity of the communities to respond to droughts on their own. In addition, funding mobilization (US\$ 3 billion over the next 10 years) and harmonization among development partners is critical in realigning their programs with the Government policies to accelerate development in the arid and semi arid regions of Kenya that are most prone to drought.

Main Issues Raised in the Session

Timeliness of emergency lending, ex-ante donor mobilization, insurance pros and cons (weather-indexed insurance reducing moral hazard, insurance premium subsidy) were identified in the ensuing discussion as issues meriting further attention. Hazard risk management has evolved from rehabilitation and recovery to proactive approach to prevention and mitigation. The international community has a vital role to play in raising awareness and promoting preparedness and risk mitigation.

Rural Finance—Creating Enabling Environment For New Approaches

Chair: Laura Tuck, Sector Director, ECSSD, World Bank

Speakers:

- Gonzalo Tapia, Bansefi, Mexico
- Gerard van Empel, Rabobank Advisory Services

Commentators:

- Michael Goldberg, Senior Private Sector Development Specialist, LCSFR
- Eduardo Luis Leao de Sousa, Señor Economist, AFTS I

Convener: Renate Kloeppinger-Todd, Advisor, ARD, World Bank

The Context

There is inadequate access to key financial services such as savings, credit, and insurance in rural areas. Several rural CDD projects provide grants for income-generating assets but sustainable access to working capital is needed for the assets to generate income. Agricultural development projects provide access to technology and markets but farmers need access to working capital for farming operations. A critical factor to providing financial services in rural areas is the need for an enabling legal, regulatory and policy environment to do this. This session discusses enabling environment and key issues related to two major mechanisms of providing financial services—financial cooperatives and supply-chain financing.

Summary

- Consolidating the Savings and Credit Sector (primarily financial cooperatives) in Mexico can increase access to financial services for a significant proportion of the population who currently do not have access.
- An enabling legal framework is critical for the consolidation process and this has been provided in Mexico through the enactment of two laws in 2001. A unique character of the main law is its functional nature

allowing different types of institutions (cooperatives, companies, etc) that provide savings and credit services to be regulated under a single law.

- Creation of enabling legal and regulatory framework works best when accompanied by adequate and high quality technical assistance and technology is made available to institutions brought under the law. A World Bank-funded TA project helps Mexico access services of a wide-range of internationally recognized TA providers such as WOCCU and DID.
- Supply-chain financing has the potential to provide financing for products where supply chains are significantly integrated (coffee, sugar, poultry, swine, etc).
- It is a second-best option of financing compared to financing through banks or other financial institutions (which can offer a broader range of financial services), but it may lead to enhancement of regular bank finance as a result of the demonstration and competition.
- An enabling environment is essential for supply-chain financing structures as it is for other means of providing financial services.

Main Issues Raised in the Session

- Financial cooperatives need to explore means to mobilize long-term savings if they are to provide long-term loans needed for investment purposes. Providing medium-term and long-term loans with short-term savings will lead to asset-liability mismatches that cannot be sustainable. Neither is dependence on government-funded credit lines a solution
- Supply-chain finance is likely to reach only a small percentage of farmers in developing countries because its utility is restricted to few products where the supply-chain is significantly integrated.
- While supply-chain financing may theoretically be a second-best option, in many countries the first best option is neither available or is unlikely to become

immediately available. In such contexts, there is a justification for supporting mechanisms such as supply-chain financing.

Websites:

Materials will be available in the events section of the Rural Finance intranet site—accessible by typing 'ruralfinance' in the address bar.

Agriculture And Rural Development: State Of The Union

Speaker: Kevin Cleaver, Director, Agriculture and Rural Development (ARD), World Bank

Panelists:

- Henry Merriam, Director, Project Coordination Unit, Honduras
- Jim Harvey, DFID

Conveners:

- Severin Kodderitzsch, Advisor, ARD, World Bank

The Context

For many years, rural investment was under-represented in the World Bank's lending in spite of the fact that most of the world's poorest people still live in rural areas, which will undoubtedly continue for the foreseeable future. After disappointing results on the ground, three results-oriented ARD strategies were adopted: *Reaching the Rural Poor* (2002), *Forest Strategy* (2003), and *the Water Strategy* (2003). The "State of the Union Address" plenary served as a forum for stock-taking of achievements over the past year and identification of key areas for work and challenges for the coming years.

Summary

Agriculture is integral to achieving MDGs, namely, to eradication of extreme poverty and hunger; ensuring environmental sustainability, and promotion of market access. Agriculture is the leading sector in Low-Income Countries and empirical studies have identified high pay-offs to investment in agriculture R&D as well as positive correlation between increase in productivity and poverty reduction—results are much more robust than in other sectors. Value added of technologies for environmentally sustainable intensification, productivity-enhancing environmental stewardship, agribusiness, and integrated approach to value chain management (from demand to agricultural production) were underscored. After a declining trend in lending during the 1990–2002 period,

agriculture lending is now increasing and is characterized by a shift from big loan projects to smaller scale projects fostering innovation, scaling up good practices, with notable achievements in forestry.

Going forward, rural development effort should concentrate on the following corporate priorities:

1. Promotion of market driven development
2. Empowering rural people, including farmers
3. Water resource management strategies
4. New style irrigation and drainage and rural water investments
5. Investment in core public goods: infrastructure, education, rural energy, health
6. International agriculture research through CGIAR and other partners
7. Sustainable management (and recovery) of land resources
8. Forestry
9. Fisheries (private-public; more conservation)

The following corporate challenges remain:

Putting agriculture, rural development and forests back on the Bank's development agenda; balancing multi-sector and development policy lending with investment lending; scaling up good practices; using broader and more flexible range of financial instruments and development tools; addressing staffing constraint; and improving business planning.

Henry Merriam, Director—Project Coordination Unit in Honduras, stressed that development in rural areas in Honduras depends on elimination of all impediments to trade, property rights system, coordination at the local level, and donor harmonization.

Jim Harvey, DFID, reiterated that pro-poor growth is more significant in agriculture in contrast to other sectors and reversing the sequence in the integrated approach

to value chain management (from demand to agricultural production) so that rural farmers would not be marginalized.

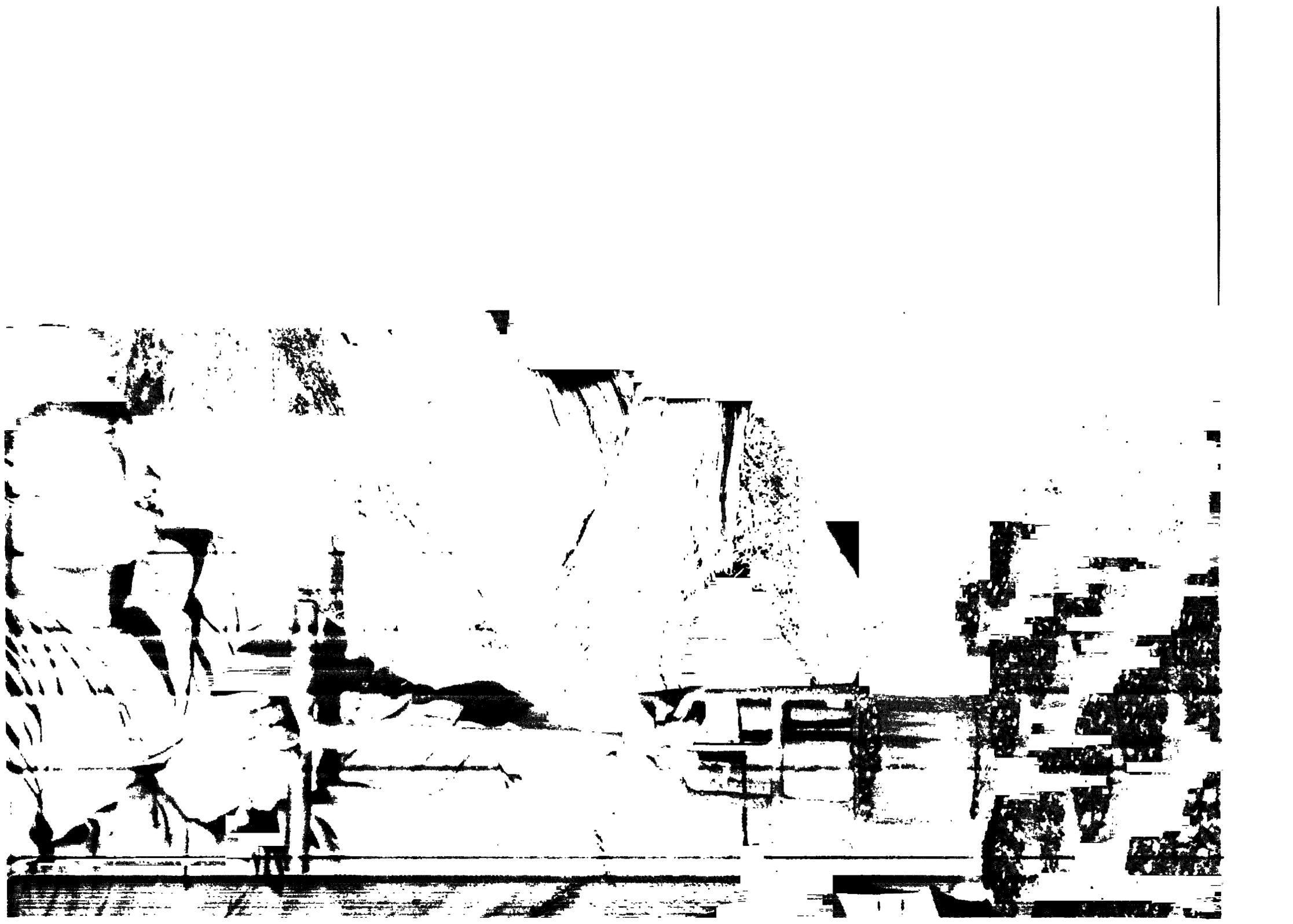
Main Issues Raised in the Session

Creating a global development platform for rural development was emphasized in ensuing discussion. Most of the world's poorest people still live in rural areas and this will continue for the foreseeable future. It is clear that agriculture is integral to moving rural people out of poverty. Indeed, the momentum of significant progress on implementation of the Strategy cannot be lost. In order to move forward, it is imperative to implement the corporate priorities while overcoming the challenges identified above.



Thursday, March 31, 2005





Managing Risk and Vulnerabilities in Rural Areas: Regional And Country Case Studies

Chair: Mark Wilson, Director, EASRD, World Bank

Speakers:

- Pamela Anderson, Director General, International Potato Center (CIP); Lima, Peru
- Joachim von Braun, Director General, International Food Policy Research Institute (IFPRI), Washington D.C., USA
- John McIntire, Sector Director, AFTSD, World Bank

Panelists:

- Gherda Berreto, Senior Planning Officer, Rural Development and Environment, Secretary for Coordination and Strategy of the Preseident (SECEP), Government of Nicaragua
- Christoph Kohlmeyer, Deputy Director for Agriculture and Rural Development, BMZ

Conveners:

- Severin Kodderitzsch, Advisor, ARD, World Bank
- Shawki Barghouti, Consultant, World Bank

The Context

The purpose of this session is to share and compare regional and country experience in managing specific risks and vulnerabilities in rural space. The session drew upon the Bank's experience in this arena from Africa. Representatives from two International Research Centers: IFPRI and CIP, of the CGIAR, highlighted recent research on managing specific risks. Panelists from Nicaragua and Germany commented on the relevance of the approaches outlined by the presenters to their particular country situation.

Summary

Pamela Anderson, from the International Potato Center, outlined the work of the Potato Center. It has aligned its framework with the MDGs, prioritizing eight of the eighteen targets. For each target, they made their commodi-

ties as the primary delivery vehicles and mapped production of crops, identifying where opportunities lay to impact the largest amount of poor people. The second part of their program focuses on three dimensions: (1) sub-national targeting, (2) environmental vulnerability and, (3) predicting risk. Ms. Anderson emphasized the need to have the World Bank as a strategic and tactical partner.

Joachim von Braun, from the International Food Policy Research Institute, discussed the risks of living in rural space, stating that security is like oxygen, only when it is gone do you truly feel it. He highlighted five themes:

1. Agricultural and Rural growth
2. Market policies and stock holding
3. Credit
4. Social protection programs
5. Insurance

He stated the focus of strategic efforts should be on the portfolio and prioritizing these five themes within it.

John McIntire examined the management of risk in rural Africa. He highlighted three broad responses to risk: reduction/price discovery, mitigation, and risk transfer. He classified risk into four categories: external markets, domestic production, domestic markets, and political risks. He listed several new ways in which to respond to these risks:

1. market hedging instruments
2. weather insurance for the farmers and the government
3. contingent debt facility for natural disasters
4. improve temporal arbitrage
5. safety nets
6. better policy making

Gherda Berreto commented on the speakers in the context of her home country, Nicaragua. Hurricane Mitch affected the rural producers of Nicaragua in an

extremely adverse way. Nicaragua was not prepared for the hurricane for many reasons, such as: lack of technological capabilities, pollution, forest failure, etc. After Hurricane Mitch, a national system of prevention of disaster was implemented. A few of the changes made were: strengthening of technological innovations for agriculture and rural development, undertaking research for small and medium producers, and instituting policies of social protections.

Christoph Kohlmeyer discussed the German contribution to the MDGs in the context of the social contract. He stated the traditional systems have unilaterally eroded and that the answers in how to cope with this situation lie in the dimensions to access of resources and improved markets. He emphasized that it is important to look at weather risk as relatively independent of human action; as such, we should do everything we can to prevent risk of political and economic natures. For example, the consequence of exchange rates has had a much larger impact than was initially realized. Thus, there is a need to reconsider attitudes of hedging instruments and others in, what he called, this new era of unfair competition.

Small Holders In Coordinated Supply Chains

Chair: Gajanand Pathmanathan, Sector Manager, SASAR, World Bank

Speakers:

- Maria Clara Rodriguez, Gustavo Vergara, Alianzas Productivas
- Gerard van Empel, Rabobank
- Chusak Chuenprayoth, Exporter and Supply Chain Coordinator
- Jack Wilkinson, President, IFAP
- Joachim Voss, Executive Committee, CIAT

Conveners:

- Kees Van Der Meer, Sr. Rural Development Specialist, ARD, World Bank
- Cateryn Vucina Banjanin, Consultant, ARD, World Bank

The Context

Coordinated supply chains are rapidly increasing in importance in global food markets. They are commercial tools for competitive strategies, assuring quality, food safety, and better logistics. They serve high-end markets, especially in industrial countries, but increasingly also in developing countries in urban areas with relatively high income. There is widespread fear that small-scale farmers will be excluded from coordinated supply chains. Empirical evidence on such exclusion is mixed.

This issue is important for rural development because small farmers represent an important sector of the population in developing countries, especially when it comes to agriculture. It was discussed whether the creation of supply-chains is positive for small farmers, and whether the private and the public sector should be more participative or not, dependent on the enabling environment, product specific characteristics and adequate public intervention.

Summary

- Coordinated supply-chains can increase quality, safety, grading, and packing of products.
- The private sector plays a key role in organizing and managing the supply-chain. The Government can assist with training. IFAP's Representative argued that international regulatory organizations (IPPC, OIE, Codex) have failed, and have allowed supermarkets/retailers to take over, to take lead in the market. Standards have become part of competitive factors for private retailers. Export is not possible unless exporters meet private sector standards. International regulatory organizations have to reposition themselves, to keep up, not to allow their standards to be replaced with private sector standards.
- Public-private partnership can be an essential tool for setting up a coordinated supply chain. Alianzas Productivas' spokesperson mentioned that partnership agreements are not uniform, they are complex in that they depend on the commodity being produced. For specific differentiated products that are not easy to find in the market, the buyers go after the suppliers to secure supply.
- Supply-chain can offer win-win situations for all participants. One of their constraints is how to make win-win situations long-term. However, if the private sector feels the farmers are playing an important role, they will not easily finish the partnership.
- Mutual trust between farmers and private sector investors is an important factor for optimal development of coordinated supply chains.
- Organization of farmer groups is an important element for involving smallholder producers in coordinated supply chains. In this respect, Alianzas Productivas' spokesperson said that having solid organization is important but difficult. This organization has to start with "partnerships". The partnerships enable the farmers to be exposed to agribusiness, to "learn by

doing". The farmers learn how to deal with buyers and with the government, enabling them to increase their bargaining power.

Main Issues Raised in the Session

- Standards, supermarkets, and private protocols are a fact.
- The private sector appears to set the standards. The private sector is taking the lead. International Organizations/ governments need to play a proactive role.
- Training, knowledge, organization of farmers, and capacity building is necessary.
- Not all supply chains are the same, it depends on the product.
- Supply-chains are not only created for export but also for domestic and regional markets. Therefore, there are many possibilities.
- Liberalization of markets has brought positive (increased market access) and sometimes negative (exclusion of farmers) consequences.
- In a strategy of poverty reduction, supply-chains can pay off. Organization of farmers is important but difficult. Cooperatives should focus on economic roles. However, in many developing countries cooperatives have been misused, and are therefore not ready for roles in the supply chains.
- The role of the World Bank should be to help farmers gain negotiating power.
- Supply chain financing is a second-best option and it is mainly for the short-term. It cannot replace regular rural bank loan to enterprise.
- It is necessary to see "the bigger picture": not only what supply-chain formation does for farmers but also others involved in the process (packaging house, transportation, communication, market sites, etc) such as consumers and those seeking employment.

How Rural Finance Institutions Are Using New Price And Weather Instruments To Manage Risk: Examples In Tanzania And India

Chair: Ulrich Hess, Senior Economist, ARD, World Bank

Speakers:

- Simon Migangala, Director of Treasury, Co-operative Rural Development Bank (CRDB) Ltd., Tanzania
- P Narasaiah Area Manager, Bhartiya Samruddhi Finance Limited, India
- Sai Gunaranajan—Executive Insurance, Bhartiya Samruddhi Finance, Limited., India

Panelists:

- Simon Cook, CIAT, International Center for Tropical Agriculture
- David King, IFAP, International Federation of Agricultural Producers

Convener: Commodity Risk Management Group

The Context

High levels of risk form a major constraint to an expansion of financial services to the rural sector. In many developing countries, commodity risks underline the income instability of rural borrowers, thus accounting for high default rates and the resulting inability of banks to extend further farm credit. The Commodity Risk Management Group (CRMG) of ARD has recently turned its attention to address such a direct linkage between commodity risks and agricultural finance. The group has a central objective of "bridging the gap" between demand and supply of market solutions to risk management. To that end, the CRMG provides technical assistance directly to developing country financial institutions in applying market-based tools to mitigate the commodity risks that affect their agricultural portfolio.

In this session, findings were presented by two rural financial institutions — BASIX (India) and CRDB (Tanzania) — that participated in recent pilot cases where CRMG technical assistance led to the implementation of pioneering risk mitigating solutions. Both cases have actu-

alized the priorities of the Bank's "Reaching the Rural Poor" strategy: to improve social well-being, manage risk and reduce vulnerability, and scale up innovative approaches in rural development.

Summary

Weather-indexed insurance mitigates the risk in BASIX's agricultural finance operations by reducing risk of the borrowers. Established in 1996, BASIX is a group of companies that conceives of itself as "a new generation livelihood promotion institution." BASIX promotes rural livelihoods through the "Livelihood Triad" which comprises: a) livelihood financial services (credit, savings and insurance), b) human resource and institutional development services and c) agricultural and business development services. BASIX has been active in lending to the agricultural sector, which is the single larger private sector in the country and accounts for 57% of the workforce. As rain-fed agriculture occupies 60% of the net sown area in India, the performance of BASIX's portfolio in various agricultural areas is directly affected by droughts.

To systematically mitigate the risk, BASIX pioneered the sale of weather insurance to its customers in areas where crop yields (and thus repayment rates) are highly correlated with rainfall. The product was designed and developed in partnership with ICICI Lombard, a leading Indian insurance company, with technical assistance from the CRMG. In the 2003 pilot in Andhra Pradesh (A.P), BASIX intermediated to castor and groundnut farmers weather insurance contracts that will trigger prompt payouts when rainfall falls below the trigger level in each respective crop-specific rainfall index. ICICI, which underwrote the insurance policies, reinsured the risks with an international reinsurance company. The deal marked the first time that an agricultural finance institution transferred the systemic risk of its crop lending portfolio to the international weather risk markets.

According to BASIX's Insurance Executive Gunaranjan, the pilot experience was very successful. The number of rainfall-indexed policies sold increased substantially from 230 in 2 A.P. districts in 2003 to 427 in 3 A.P. districts in 2004. A number of the 2004 customers are repeat buyers from the previous year, which is indicative of farmers valuing the insurance product. BASIX credits the success to several factors: (1) institutional collaboration, (2) thorough pilot, (3) customer feedback, (4) continuous improvement in each product cycle, (5) effective product communication with customers, and (6) efficient distribution of policies and claim settlement. Confident in its scalability capacity, BASIX plans to reach the target of selling 7,000-10,000 weather insurance policies across its 50 branches in 7 Indian states in 2005.

Price risk management reduces CRDB's risk in lending to major commodity sectors, allowing the bank to continue its commitment to agricultural development. In Tanzania, the agricultural sector generates nearly half of the country's GDP. CRDB is the largest bank in the country which has committed 40% of its portfolio to agriculture. In terms of sectoral distribution, the bank is heavily involved in the cotton and coffee sectors, with lending in 2004/5 at approximately \$16 million for coffee and close to \$20 million for cotton. As a result, CRDB itself is very vulnerable to commodity price fluctuations, since they led to defaults on CRDB loans by coffee and cotton borrowers in the past. This high level of risk forced CRDB to maintain high levels of loan loss provisions and reschedule its agricultural loans to the level that was unsustainable for the bank's operations.

Committed to staying in the agricultural sector, CRDB has begun looking for innovative ways to manage price risks for its main commodities. With technical assistance from the CRMG, CRDB has for the first time gained access to international markets for price hedging, on NYBOT for cotton and both NYBOT and LIFFE for coffee. By purchasing options contracts, CRDB, on behalf of its customers, can lock in a floor price which provides protection from downward price movements between the time of purchase and sale. This, in turn, increases income stability of its commodity-producing borrowers, and, thus, enhances CRDB's own repayment rates. In terms of implementation, the work is still in its initial pilot stage. CRDB saw its first client enter into a price risk management contract in 2004 and is looking for more to be involved in the 2005 marketing season. To enhance

participation, CRDB is improving its training capacity for both staff and clients on the subject of risk assessment and the use of various risk management techniques. Once the hedging operations become standardized, customers educated, economies of scale achieved, CRDB, according to Treasury Director Simon Migangala, aims to pass the benefits of the lower aggregate risk profile to customers in the form of lower interest rates.

Main Issues Raised in this Session

Simon Cook framed weather insurance as a risk management instrument that makes good ideas affordable to farmers. The next relevant question to consider is how to scale up, both nationally and internationally, such an innovation in a certain, sustainable and affordable manner. To that end, he highlighted important factors to be considered: (a) *multipliers* i.e. alternative delivery channels such as microfinance institutions or supply chains; (b) *targeting techniques* to select appropriate customers; and (c) *a complete model* which appropriately divides roles and responsibilities among actors such as farmers, agri-businesses, regional and national policy institutes etc. From the perspective of BASIX and CRDB, CRMG technical assistance remains crucial in the scaling up stage both in terms of networking with other government institutions to establish relevant infrastructure and strengthening each institution's training capacity.

David King commended the CRMG in playing an intermediary role and securing private sector buy-in for its projects. He also highlighted the need for the World Bank to continue technical assistance on risk management in collaboration with national governments. However, he presented some critical concerns with regards to using hedging tools to manage price risk: (a) hedging could result in a settled price below the production cost, thus not securing for farmers an appropriate level of income; (b) hedging alone does not reduce systemic price volatility inherent in the global markets; and (c) intra-seasonal hedging has a very limited time horizon which does not guarantee that farmers can recoup the long term investment they already made. To address these shortcomings, he suggested that hedging tools be integrated in a policy package which manages commodity price risk from a holistic perspective. King's suggestion was echoed by the audience's urge for the CRMG to consider managing other risks in the commodity supply chain, for example, post-harvest loss of production due to different calamity risks and inability to sell perishable products on time.

Adolfo Brizzi concluded the session with an interesting question: *are private sector risk management initiatives crowded out by predominant government presence in the agricultural sector?* If so, the Bank might need to broaden its strategy to engage national governments at the policy level in order to foster a policy environment conducive to market-based commodity risk management.

Rural And Agricultural Portfolio: Issues In Program Implementation

Chair: Severin Kodderitzsch, Adviser, ARD, World Bank

Presenters:

- Prem Garg, Director, QAG, World Bank
- Galina Mikhlin-Oliver, Operations Adviser, OPCIL, World Bank
- John Heath, Senior Evaluation Officer, OEDSG, World Bank

Convener:

- Severin Kodderitzsch, Advisor, ARD, World Bank
- Rural Family Portfolio Quality Team

The Context

New lending commitments to agriculture and rural development in FY04 amounted to US\$1.5 billion and US\$7.4 billion, respectively. In this session, the focus and challenges of the ARD portfolio were discussed. New approaches to supervision were presented impacts of agricultural and rural operations based on ex-post reviews were highlighted. Recent work by QAG, OPCS, and OED was highlighted, as well.

Summary

Prem Garg opened up the session speaking about "Operational Quality in ARD: Some Trends and Issues." His two objectives were (1) providing a brief overview of QEA/QSA findings for ARD and (2) sharing common features of HS related projects in the latest QEA/QSA assessments. He compared the quality of entry and supervision between ARD and the rest of the Bank, demonstrating that the two are relatively on par with each other. In regards to supervision quality, major improvements have been made in the Bank and Rural Development when compared to 6 years ago. In fact, Rural Development as a whole is doing better than the rest of the Bank. In comparison to the Urban sector, ARD needs to improve in all dimensions.

Some areas identified for improvement to the operational quality within ARD:

- A need for more realism in planning and reporting
- An adequate sector knowledge
- Arrangements for monitoring outcomes and results
- Appropriateness and speed of Bank follow-up actions
- Attention to financial markets, social and environmental aspects during supervision
- Supervision skill mix
- Adequate supervision budgets
- Efficient use of resources
- Management oversight and support

Projects rated highly satisfactory in QEA6 are characterized by:

- High strategic relevance addressing key CAS objectives
- Incorporation of lessons of experience
- Good understanding of socio-political and institutional setting
- Readiness for implementation
- Candid risk assessment
- Risks commensurate with rewards
- Adequate attention to fiduciary and safeguard aspects

Projects rated highly satisfactory in QSA6 are characterized by:

- Well-defined supervision strategy focusing on substantive issues taking into account project context and status
- Close partnership with other donors working the sector
- Synergy with other Bank activities on systemic and/or complementary issues
- Early identification risks to DO and IP and addressing them strategically
- Continuity of task teams with appropriate skill-mix
- Adequate attention to fiduciary and safeguard aspects

Galina Mikhlin-Oliver, from OPCIL, discussed the Bank's development model and the effect it had on how it has changed over the years and how projects are developed and supervised. Currently, they are working on policy reforms to streamline project appraisal and project supervision. A new policy is needed to respond to borrower needs, support the results agenda, and assist with harmonization at all stages of the project. The revised policy will expand the policy on supplemental financing to permit additional financing for scaling-up of successful projects and restructuring of well-performing projects.

John Heath, from OED, commented on the trends in the outcome of completed rural projects. Overall, the state of matters appears to be on the "up and up." Rural outcome ratings are up following the late 1990s trough, thus meeting the Strategic Compact target. The gap between Africa and other regions has widened somewhat over time—9% in FY94-98; 14% in FY99-03. Bank-wide the sustainability gap has narrowed—28% in FY94-98 and 20% in FY99-03. Community-based and irrigation projects have the highest outcome ratings, being 90% and 83% respectively. And the new rule for rating revised projects rewards early action to restructure.

Forest Livelihoods And Vulnerability

Chair: Maninder Gill, Sector Manager, ECSSD, World Bank

Facilitator: Katherine Warner, Winrock International

Speakers:

- Deep Pandey, Center for International Forestry Research (CIFOR)
- Paola Agostini, Senior Economist, AFTS4, World Bank
- Gill Shepherd, Overseas Development Institute (ODI)
- Erin Sills, Associate, Center for International Forestry Research (CIFOR)
- Jim Douglas, Consultant, ARD, World Bank

Convener:

- Gerhard Dieterle, Lead Forestry Specialist, ARD, World Bank
- ESSD Forest Team

The Context

Ninety percent of the world's 1.2 billion people living in extreme poverty in the rural space obtain at least part of their livelihood from forests. However, in many cases, existing policy and legal regulations result in unsustainable use of forests and the loss of livelihoods for forest owners and forest-dependent people. Thus, this session explored the role that forests can play in alleviating poverty and reducing vulnerability of the poor to household economic and environmental shocks. Panelists covered a range of issues related to forest-based incomes, livelihoods and vulnerability including: approaches to clarify the dependence on forest resources, vulnerability of the forest sector and forest dependent people to macro-economic changes, integrating forest livelihoods into poverty reduction efforts, and the relationship between forest law enforcement and governance, forest livelihoods and revenues.

Summary

1. Government understanding of forest-based livelihoods is often quite poor and there is a need to enhance this understanding by promoting dialogue and information sharing, as a way of creating the climate for reforms.
2. Indicators-based monitoring with a system of adaptation, modification and feedback loops, can be a powerful approach to enhancing livelihoods, reducing vulnerability and increasing the resilience of forest dependent people.
3. Widespread pessimism about the potential for non-timber forest products (NTFPs) is based on an outdated assumption that non-timber forest products are inevitably subject to a boom-bust cycle. This assumption needs to be updated by the fact that, by developing local markets, disseminating information on traditional forest management techniques, and strengthening local access and tenure, development of NTFPs can be an important way out of poverty.
4. Realizing forest benefits for local people depends on effective institutions and/or decision-making structures, legal certainty over customary ownership rights and improved access to markets.
5. The Development Policy Lending instrument (formerly known as structural adjustment lending) can unleash powerful cross-sectoral impacts on forests. In cases where these may be harmful, countervailing steps have to be incorporated into the project design. Understanding the forest-poverty linkages is critical to this task.

Main Issues Raised in this Session

1. Vesting in tenurial rights is an important prerequisite to fostering sustainable forest management. But since land tenure reform is highly complex and controversial issue, vesting in usufruct rights can be a useful start.

2. Partnerships, especially those between communities and the private sector are critical to enhancing livelihood opportunities and reducing vulnerability.
3. Donor coordination (and harmonization of assistance) can be very effective in creating the right climate for reforms, as exemplified by the Multidonor Liberia Forest Initiative.
4. There is a need to strike a balance between conservation and livelihood objectives which requires a thorough and diligent assessment of the forest resources under consideration.
5. Payments for environmental services (carbon, water, biodiversity) offer opportunities to augment rural incomes (sometimes as in-kind payments), but their impact in reducing threats to forests and combating large-scale deforestation may be limited.
6. In many countries, there is a need to build upon customary institutions and to facilitate a link with these institutions to local government.

The Link Between Agriculture and Food Policies And Diet Related Non-Communicable Disease: Nutrition Transition

Chair: Kei Kawabata, Sector Manager, HDNHE, World Bank

Speakers:

- Denise Coitinho, Director of Nutrition, WHO
- Marie Ruel, Director of Nutrition, IFPRI
- Armin Fidler, Sector Manager, ECSHD, World Bank

Conveners:

- Nwanze Okidegbe, Advisor, ARD, World Bank
- Meera Shekar, Senior Nutrition Specialist, HDNHE, World Bank

The Context

The main objective of this session is to lay out the key issues concerning the nutrition transition and the risks and vulnerability challenges faced by the poor in low income countries. The session will identify the role of food and agriculture policies and the links between diet and non-communicable diseases. This is topical because recent research findings have established links between diet and chronic non-communicable diseases. Both under- and over-nutrition are interconnected in the life cycle to NCDs. Countries are being encouraged to consider the whole spectrum of nutrition related chronic diseases in the formulation of their policies and development programs. However, the scope of the NCD problem, including the associated risks and vulnerability impacts on the rural poor, are not fully understood and the Bank has done very little about it to-date. This session calls attention to this issue and advocates that the Bank and the international community urgently need to develop evidence based strategies and measures for addressing the prevention and control of nutrition related non-communicable diseases.

Summary

Denise Coitinho presented estimates and projections of nutrition-related health issues and deaths for developing and developed countries, which show that 60% of global deaths are caused by chronic non-communicable diseases, most of which are caused by hunger and malnutrition. Last may, member states endorsed the WHO's 'Global Strategy on Diet, Physical Activity and Health' for a better health outcome. The strategy draws attention to the need to review the impacts on nutrition and on health outcomes of agriculture and rural development policies.

Marie Ruel talked about the supply and demand-side causes of changing diets, which have led to obesity and malnutrition. She gave examples of agriculture policies that effect incentives, price and availability of foods and called for a reduction of a policy bias towards less healthy foods. She sees a major research gap in finding out how agriculture and rural policies impact production patterns and diets, especially of the poor. This is seen as an area for possible future cooperation with the Bank.

Armin Fidler sees the policy and research priorities for ECA, and possibly many MIC (Middle Income Countries) in nutrition monitoring and better communication campaigns to foster behavioral change as part of a public health strategy, skills training of health officials, support for paramedical professionals, working with private sector and food industry, and studying the economic costs of ill adult health.

Main Issues Raised in this Session

The discussion focused on the need for more strategic priorities on fruit, vegetable, and fish in research and agriculture development, as well as, the issue of life-cycle approaches of nutrition interventions.

The Rural Investment Climate (RIC): Insights From Pilot Surveys In Sri Lanka And Nicaragua

Chair: Adolfo Brizzi, Sector Manager, SASAR, World Bank

Speakers:

- Mona Sur, Economist, SASAR, World Bank
- Carlos Arce, Consultant, LCSEER, World Bank
- Donald Larson, Senior Economist, DECRG, World Bank

Discussants:

- Andrea R. Rizvi, Senior Engineer/ Economist, SASEI, World Bank
- Esperanza Lasagabaster, Senior Financial Economist, SASFP, World Bank
- Wim Vijverberg, University of Texas

Conveners:

- Kees Van Der Meer, Senior Rural Development Specialist, ARD, World Bank
- Jock Anderson, Consultant, ARD, World Bank

The Context

The "investment climate" consists of the political, administrative, economic and infrastructural conditions for getting a reasonable return on investment as perceived by potential private investors. It is a subjective appraisal by entrepreneurs of the enabling environment. It illustrates why certain economic conditions do not result in a quick response from private investors, and why other conditions appear to be particularly inviting to entrepreneurial efforts. The Bank has been studying such climates around the world for several years now, culminating in the synthesis in the *WDR 2005* edition. Most studies undertaken focused on the manufacturing sector and simply ignored the special issues encountered in rural areas, so ARD (with Trust Fund assistance) began over the past two years to develop methods and to foster several pilot surveys specifically addressing rural areas.

Summary

The session reviewed preliminary findings from the Sri Lanka and Nicaragua pilot surveys and highlighted lessons for the many such studies being planned in the Bank's client countries. Two presentations were made by country teams, followed by opening remarks by specialists in related sectors.

The first pilot survey in Sri Lanka has been completed and complements an urban IC survey focusing on large manufacturing enterprises, tourism, and the information technology sectors. The survey included 4 questionnaires (household, community, price-level, and enterprise) and covered approximately 1300 rural enterprises in 147 rural villages and market towns, following a census of enterprises in the selected areas. By focusing on rural enterprises, it overcomes the 'urban' bias inherent in traditional IC assessments. Key findings are:

- Rural enterprises in Sri Lanka are largely based outside the home and most are engaged in manufacturing or trading, with a small share involved in services. Enterprises are small, employing an average of 2.4 workers, including family members.
- Sri Lanka stands out for its good governance, but rural enterprises suffer from poor-quality infrastructure (especially in energy and transport) and costly and limited access to finance. These constraints pose a significant barrier to startup of new enterprises and to investment and to increased productivity by existing ones.
- Value-added in the rural non-farm sector is estimated to 78% of agricultural GDP in 2002 and mean incomes for those having a rural enterprise to be about double of those who do not.
- Survey results highlight the need for improving access and quality of infrastructure, fostering an enabling environment for finance, and strengthening marketing channels for rural enterprises.

The second pilot survey, in Nicaragua, is in the process of completion and aims to complement a more general (urban) IC survey undertaken. Drawing a sample for the rural survey is challenging because of spatial variation in dispersion of rural households and lack of data of the exact number of rural enterprises. It is anticipated that a movement to higher levels of income and rural non-farm incomes is a way to promote economic development for the region. Preliminary test results indicate that a vast majority of firms operate using shared household assets; one-third operated more than one non-farm business out of the household.

Main Issues Raised in this Session

IC surveys can serve as a good diagnostic tool for identifying transaction costs (which should be differentiated from transportation costs), key factors for growth of the non-farm sector, and constraints to efficient markets, investment, and infrastructure in rural areas. In addition, unlike Living Standards Surveys (LSS), IC surveys provide information about enterprise performance measures.

Results from IC surveys can help meet sector-specific needs for better targeting of finance and infrastructure projects but should be complemented with other resources such as SME assessments and supply chain surveys.

There are several IC survey sampling challenges that must be confronted, including:

- Sampling is difficult, costly, and obtaining a representative sample has trade offs: how to capture the most information while ensuring that the information is usable; the need for country specificity must be balanced with the need for internationally comparable information
- Future developments for IC surveys include cost-effectiveness and how to transform the climate survey into a panel study or whether consecutive cross-sectional samples might suffice; important factors include sampling of previously visited households and enterprises, capturing dynamic links and assuring comparability with the urban survey.

Weblinks

Rural Investment Climate Stocktaking Workshop:

<http://essd.worldbank.org/essdint.nsf/29ByDocName/RuralInvestmentClimate>

SASRD Web Page – Sector Report:

<http://wbln0023.worldbank.org/Internal/SAR/SARInternalWeb.nsf/SASRD/62B118CA12FD2FDE85256B97007111B3?OpenDocument>

How Successful Are We In Delivering on Our Promises? A Discussion between Country Directors and ARD Family Sector Directors and Managers

Chair: Kevin Cleaver, Director, ARD, World Bank

Presenter: Rory O'Sullivan, former Country and Sector Manager, Consultant

Discussants:

- Marcelo Giugale, Country Director, LCC6A (Bolivia, Peru, Ecuador and Venezuela)
- David Craig, Country Director, AFC15 (Burkina Faso, Mali) (TBC)
- Constance Bernard, Sector Director, SASAR
- Mark Cackler, Sector Manager, LCSEER

Summary and Closing: Kevin Cleaver, Director, ARD

Conveners:

- Severin Kodderitzsch, Advisor, ARD, World Bank

The Context

Country Directors are key partners for agriculture and rural development staff in delivering the strategy of "Reaching the Rural Poor." They voice demand for support from Governments, are instrumental in the formulation of Country Assistance Strategies, and allocate the Bank's annual operating budget for their respective countries. ARD Family Sector Directors, in turn, together with the ARD staff at large, are responsible in translating requests for support into strategy and concrete actions. How satisfied are Country Directors with the delivery of ARD family services? What challenges do Sector Directors face in translating country requests into actual deliverables? How well does the ARD Anchor support this process? How can the interactions between Country Directors, Sector Units and the ARD Anchor be improved? These questions were discussed based on a series of interviews held by Rory O'Sullivan, former Country and Sector Manager, with Country and Sector Directors held over the past months.

Summary

Rory O'Sullivan commenced the closing plenary with an overview of the interviews he had with country directors (CDs) around the globe in the attempt to discover why it is that CDs are not giving ARD the support they feel it needs. In the interviews, CDs identified several motivations for the lack of support: conflicting roles of strategy, HIPC initiatives skewed investments towards social sectors, agriculture is a low priority in client countries, and having to manage turf wars within and among sectors. Another point of contention is the difference of organization that exists between the anchor and regional sector units, and the effectiveness of the two sharing in experience.

Some challenges: (i) the challenge of scaling up and the risk of implementing too many pilot projects; (ii) the engagement of with new aid instruments; (iii) the critical issue of having the knowledge of public expenditure in agriculture for policy lending; (iv) and the use of community driven development (CDDs) in only certain contexts. CDs identified some specific discontents: dissatisfaction with the staff mix, absence of senior sectoral integrators who can address a broad range of policy and strategic issues. CDs are willing to "do more" to ameliorate the situation, but only if more convincing proposals were made. The big question for ARD: demand is picking up in the ARD sector; but do we have the capacity to be sufficiently responsive?

Marcelo Guigale, CD for the Andean countries of LAC, made a connection between the supply that ARD has provided and the demand that countries have asked through the past twenty years. He identified seven focal areas for the supply of ARD:

1. volume, i.e. food security
2. price, i.e. sell security
3. productivity, i.e. transfer and extension

4. input, i.e. land and credit
5. institutions, i.e. research and land administration
6. network, i.e. producer associations
7. community i.e. "you tell us what you want"

With these issues, Marcelo stated he has yet to see one integrative package. He has seen too many paradigms in the ARD family; he sees one single paradigm as being much more effective. For countries, he identified the focus of demand to have ten focal areas:

1. Indigenous Revival – rich or respected?
2. Women – respected or repressed?
3. Land – taxes, titles, and transfers
4. Employment – farms or factories?
5. Globalization – trade preference vs. free trade
6. Natural resource extraction – curse or blessing?
7. Drugs – cocoa or cocaine?
8. Migration – rural to global
9. Decentralization
10. Political stability

Marcelo stated that there is a mismatching occurring between the supply and demand. ARD is failing to sell "the dream" to CDs.

David Craig, stated there are three main themes of interaction within ESSD:

1. CDD type projects; there is at least one CDD project per country
2. The middle ground of traditional investment projects
3. Budget support

It is within these three themes that CDs and ARD need to coordinate more effectively.

Constance Bernard, Sector Director for SASAR, called for the need to overcome stereotypes of ARD and do the following:

1. demonstrate innovations
2. disseminate catchy and readable information
3. keep pushing forward

Mark Cackler, sector manager for ARD in the LAC region, identified three paradoxes:

1. products
2. framework – need a single minded one
3. approach – advocate vs. team player

Ian Johnson, proclaimed that ARD has never been good at analyzing risk and uncertainty. The issues of risk are right, as are: the debate on science and technology; insurance and risk mitigation; donor harmonization; the huge scope of and for innovations; and taking stock of future complexities. Agriculture will, indeed, drive economic prosperity for Africa. Despite their decline in past years, agriculture and energy will drive economic prosperity and growth from here on out. A big change that is crucial to this growth is a re-professionalization of the staff.

Kevin Cleaver, highlighted the key messages of Rural Week. To begin, many changes are coming about in several areas: reinvigorated land work, irrigation, risk, biotechnology application, livestock (as they are now becoming a source of disease spreading to human beings), and linkages of agriculture to human security. Four messages should be taken away from Rural Week, if nothing else:

1. A business plan is needed.
2. We must listen to our colleagues.
3. We must get back into the broader business of the Bank
4. Education must be provided about new instruments.

THEMATIC GROUP DAY
Friday, April 1, 2005





Redistributive Land Reform

Chair: Odin Knudsen, Senior Advisor, ESDVP, WB

Speakers:

- Dr. Isaías Rivera Rodríguez, Ministry of Agrarian Reform, Mexico
- Tim Hanstad, RDI
- Bruce Moore, IFAD
- Claudia Romano, World Bank, Brazil

Convener: Land Policy and Administration Thematic Group

The Context

This session looked at new evidence and experiences from the field concerning access to land through redistributive land reform. Even though the World Bank has long supported models of community-based or market-assisted land reform, there is little systematic and quantitative information on the impact of these policies in specific contexts. This session discussed practical examples of land acquisition by governments as well as NGOs to spark a discussion of how the Bank can best position itself to develop instruments that can empower poor landless producers.

Summary

1. Existing evidence suggests that providing land to poor people can lead to a significant increase in their income (about 75% over 5 years in the case of Brazil) and that prices paid in such projects are not above, and can be significantly below, the prevailing market price of land.

2. None of the projects presented has undertaken an analysis of actual costs and benefits or a comparison of this specific model of land reform to others that may be implemented concurrently. Both of these would be highly desirable.
3. The size of Bank-supported interventions remains comparatively small. The ability to use such projects to address issues of rural poverty more widely will depend on the ability to scale up from successful pilot experiences. Doing so remains a significant challenge and will require greater attention to the broader policy context.

Main Issues Raised in this Session

Participants considered the information provided as very useful and appreciated the fact that the debate was based on empirical evidence rather than ideological arguments for a range of very different settings. Questions were raised regarding the overall goal of land transfers (safety net or basis for a full-time livelihood?), the importance of involving communities, the sustainability of such interventions, and the specific mechanisms employed to target beneficiaries and land. The desirability of expanding the evidence-based dialogue to include other countries (e.g. South Africa and the Philippines) where land reform is on the policy agenda was emphasized.

Directions In Impact Assessment Post -Extractive Industry Review

Chair: Eleodoro Mayorga, Lead Economist, COCPO, World Bank

Speakers:

- Charles Di Leva, Chief Counsel, LEGEN, World Bank
- Mohammed Bekhechi, Lead Counsel, LEGEN, World Bank
- Patrice Talla, Consultant, LEGEN, World Bank
- Clive Armstrong, Lead Economist, COCDR, World Bank

Convener: Natural Resources Management Thematic Group

The Context

Environmental Impact Assessment (EIA) refers to the examination, analysis and assessment of planned activities with an objective to ensure their environmental soundness and sustainable development. EIA is also a process which brings the proposed activities into the public forum and provides an opportunity for the public to provide inputs for this process. In the context of extractive industries, EIA analyzes extractive industry projects and their environmental impacts, social aspects and actions to minimize, mitigate, control and repair negative impacts. These and related issues were well emphasized during the Extractive Industry Review.

The integration of sustainability requirements into an extractive industry project must cover the life cycle of the project. This integration implies that for an EIA to have a legitimate position in the decision-making process, relevant issues and concerns should be addressed during the project concept, preparation and implementation phases. At the closure phase of the project, the closure should be planned well in advance by means of physical and social rehabilitation programs including financial provision to ensure that all affected areas are adequately compensated for their loss in economic value.

The proposed session therefore provided important insights in ensuring the environmental and social sustainability of development projects in the case of extractive industries. The objective was to provide participants with an overview of the issues in order to lead to best practice in impact assessment and project design so that social and environmental considerations can be well integrated in the decision-making process. The workshop also helped ensure that impact assessments meet the goals set out in the EIR and Bank policies.

Summary

The session discussed the main issues of the EIR with case studies on mineral and mining industries: governance, communities and mitigation of environmental and social risks. The EIR investigates governance through rule of law, corruption, revenue transparency, and risk of conflict. The EIR also address the issue of communities by 1) ensuring affected communities would benefit from projects; 2) protecting the rights of affected people; and 3) promoting information disclosure to communities for them to fully participate and benefit. In addition, the EIR mitigates local and global environmental and social risks.

Main Issues Raised in this Session

The main concerns addressed from Extractive Industry Assessment (EIA) through this session include:

- 1) Weak understanding of the scope and intent of the safeguard policies
- 2) Weak policy framework and implementation capacity on resettlement and rehabilitation
- 3) General problem of coordination across line in ministries and in the ministries of environment/natural resources
- 4) No or weak reference to baseline data collection and analysis
- 5) Weak approach to participatory processes
- 6) Unclear disclosure status for safeguard-related documentation

Local Economic Development, Territorial Development, And CDD Approaches: Conflicting, Overlapping, Or Complementary Tools For Rural Development In A Decentralizing Environment?

Co-Chairs:

- Paola Agostini, Senior Economist, AFTS4, World Bank
- Stephen Mink, Lead Economist, EASRD, Chair of Rural Policy TG, World Bank

Panelists:

- Natalia Gomez, Rural Development Specialist, LCSEER, World Bank
- Jose Maria Caballero, Lead Agricultural Economist, LCSEER, World Bank
- Gwen Swinburn, Senior Urban Specialist, TUDUR, World Bank
- Francisco Pichon, Senior Natural Resource Management Specialist, LCSES, World Bank
- B. M. Oppong, Project Coordinator, Ministry of Local Government and Rural Development, Ghana

Conveners:

- Rural Policy Thematic Group
- AFTS4-ARD-TUDUR

The Context

Significant work on how to effectively promote economic development at the local level is being done by urban, rural, and social protection groups belonging to INF, ESSD, and HD networks. While these groups use slightly different language (Local Development, Territorial Approach, and Community Driven Development) and employ somewhat different tools, their approaches to local development and decentralization are quite similar. These have been discussed in a series of venues, notable a March 2002 workshop on Territorial Approach, a March 2003 joint seminar entitled "Integrating Rural Development and Small Urban Centers: A Framework for Effective Regional and Local Economic Development", a WBI-LCSES Distance Learning Course in 2004, and most recently in Dec 2004 and February 2005 joint

meetings on the "Territorial Approaches to Rural Development." Results of these discussions suggest that there are strong connections between the strategic and operational work done by the rural and urban economic development teams and the approach to linking empowerment, governance, service provision and private sector growth in the local space advocated by the 3 approaches.

Summary

The 3 approaches are very similar, especially the Territorial Development Approach and the Local Development Approach. They use almost the same methodology, but with different names. CDD is very related although focused more on how to disburse money at the community level. Certainly these approaches will help to promote growth at the rural level where the synergies between rural areas and small rural towns are very important. It was felt critical to move away from working on agriculture competitiveness (conventional agriculture competitiveness analysis) to territorial competitiveness (based on territorial assets).

Main Issues Raised in this Session

It was felt that it is needed to clarify more the language used by the some of the groups to arrive to a common terminology. It was discussed how difficult it is for the Bank structure and for the government structure to work on this, since it is difficult to say where it belongs to and it is a multi-sectoral approach to development. It was discussed the possibility/need of creating a Multi-Network Thematic Group on Territorial Development. The next step is the organization of a meeting with the "champions" of TD, LD, CDD in each networks.

Website

Rural Policy Thematic Group Website

Land Rental Markets

Chair: Gershon Feder, Research Manager, DECRG, World Bank

Speakers:

- Brad Barham, University of Wisconsin
- John Farrington, Research Fellow, Overseas Development Institute
- Songqing Jin, Consultant, DECRG, World Bank

Discussants:

- Klaus Deininger, Lead Economist, DECRG, World Bank

Convener: Land Policy and Administration Thematic Group

The Context

Policy makers in many countries continue to restrict the functioning of land (rental) markets based on the notion that such markets would be detrimental to either equity or productive efficiency or both. By looking at the impact of recent market liberalization, the session aimed to provide empirical evidence to assess whether such interference can be justified and the implications for broader rural development.

Summary

1. In all the cases studied, liberalization of land rental markets had unambiguously positive impacts on productive efficiency as well as equity.
2. The magnitude of this impact and the speed with which it comes about is much greater in situations characterized by a more egalitarian land ownership distribution and overall economic growth.
3. The presence of informal transactions in countries (e.g. India) where rental remains highly restricted suggests that this is a binding constraint, the removal of which could have a large impact on productivity and poverty reduction.

Main Issues Raised in this Session

Additional measures will be needed to reap the full benefits from rental market liberalization in situations where land ownership is distributed in an unequal fashion and to ensure that, in such an environment, distress sales of land can be avoided.

Forest Institutions In Transition: Moving Toward Improved Service Delivery In Forest Management In ECA

Chair: Peter Jipp, Senior Forestry Specialist, SASAR

Speaker: Peter Dewees, Lead Environment Specialist, ECA, World Bank

Panelists:

- Jim Douglas, former Forestry Adviser for World Bank
- Gerhard Dieterle, Forestry Adviser, ARD, World Bank
- Andrey Kushlin, Forestry Specialist, ECA, World Bank
- Christian Albert Peter, Forestry Specialist, ARD, World Bank

Convener: Natural Resources Management Thematic Group

The Context

The process of political and economic reform in Europe's transition economies has created significant incentives for changing the way forest institutions conserve and manage Europe's forests. The key challenges of reform in the forestry sector have been related to how well and how quickly conservative forest organizations have been able to adapt to a combination of two simultaneous factors: increasingly fast and 'fashionable', domestically driven (frequently *ad hoc*), post-socialist economic and administrative reforms, and more profound and consumer-driven, changes in the forest products industries. Across the former Soviet Union, the forest sector has been caught unprepared to adjust to these pressures, which begin to threaten its sustainability. At the same time, economic and administrative transitions in ECA have opened a specific window of opportunity to steer the reform process towards new industry requirements in a manner which is more flexible and effective than might be possible in many other economies. The need to introduce speedy reforms has also posed significant risks that reforms will be co-opted by vested sectoral interests.

The topic of this session was highly relevant to rural development, especially in the forestry sector. It focused

on how forest organizational reform processes supported by the Bank could improve overall outcomes in terms of increased institutional effectiveness, would broaden an understanding of policy processes in transitional economies, and offered new ways of considering the role and functions of forest organizations as service delivery institutions (rather than as narrowly defined forest management organizations with strong regulatory roles).

Summary

This session reviewed the findings from sector work launched in ECA, *Forest Institutions in Transition*. The work considered how the reform process has played out, and some of the lessons of the reform process through answering the following key questions:

- 1) What are the functions of forest organizations?
- 2) What organization structures are found in the region?
- 3) What role does public or private forest ownership play?
- 4) How are forest organizations financed?

The analyses of the work draws the conclusion that forest institutional reform, to be successful, must focus on the role of forest organizations as service delivery institutions, and on the key relationships of accountabilities between forest policy makers; organizational providers such as forest departments, commissions, or state forest enterprises; frontline professional foresters, extension agents, and others; and clients in the forest industry and in civil society, and how these have shaped the reform process.

Main Issues Raised in this Session

Discussants raised a couple of issues and concerns associated with forestry institutional reform processes. One discussant raised a serious concern over unclear or potentially adverse impacts of Development Policy Lending (DPL) on forest resources. The discussant emphasized

the importance of examining different forest conditions of client countries, their existing regulatory and institutional frameworks, and other relevant factors in order to identify potential impacts for risk mitigation. Another concern was the practical complexities of institutional reforms. Institutional reform in transitional countries is a moving target as well as a long term process. Since no right sequence exists, it was suggested that the Bank support facilitation of institutional reform processes through 1) reviewing and disseminating multi-country experiences and 2) ensuring key elements in place for successful forest reforms.

Websites

Forest Institutions in Transition:
<http://eca/forestinstitutions>

How to Implement Successful Rural Water and Sanitation CDD and Social Fund Projects

Chair: David Warren, Lead Social Protection Specialist, LCSHS

Panelists:

- Eddie Perez, Consultant, EWDWS, World Bank
- Wendy Wakeman, Senior Operations Officer, PRMGE, World Bank
- Elif Yavuz, Consultant, EWDWS, World Bank
- Mariana Felicio, Consultant, HDNSP, World Bank

Convener: Rural Infrastructure, Markets, and Finance Thematic Group

The Context

Increasingly, multi-sectoral projects, including Social Funds and Community Driven Development (CDD), are used as vehicles for channeling funds to communities to help them undertake their own development activities. While rural water supply and sanitation (RWSS) is a high priority among community-based investments and other non-dedicated projects, these have faced persistent challenges to ensure the quality and sustainability of services that these investments are designed to provide. Recent research shows that between 1978 and 2003, investments equivalent to USD 3.8 billion have gone through non-dedicated sectors versus about USD 2 billion through dedicated sectors. Most of these investments lie in the RD portfolio. To address this, the Water Sector and the Human Development Network developed, in 2002, a web-based toolkit to assist non-water specialist task team leaders and teams in their design, implementation and monitoring of their projects with RWSS components. Subsequently, it was tested in the field and recently updated and revised.

Summary

- Water, sanitation, and hygiene promotion projects are complex and require specific technical support unlike other basic infrastructure that rely on standard proposals.

- Development of local capacity takes time and resources but is indispensable for sustainability.
 - Training in administrative tasks and O&M
 - Sensitization of sanitation & hygiene promotion
 - Inclusion of women and the poor

Main Issues Raised in this Session

- In order to measure sustainability, monitoring and evaluation must be paid attention to during the design stage.
- In order to achieve the desired health impacts, hygiene promotion and sanitation must be integrated into project design, implemented and monitored.
- Given the decentralization process in many countries, local governments must be given a more active role and encouraged to increase their contributions to the RWSS sector.

Some of the key challenges posed by the participants were issues related to (i) scaling up – how to scale up but keep systems sustainable; (ii) lack of resources is a key issue therefore there may be insufficient resources to invest in RWSS, (iii) many countries encounter problems because there is no sustainable source of water – what solutions can be found to mitigate this problem?, (iv) how to target the poorest of the poor and find solutions for them to avoid paying but using the service?, (v) users should be given a variety of different options (management of the systems should go to the lowest appropriate level), but, the more complex the system is, the less able the community will be able to manage it. The more complex the system, the more likely private sector participation will occur.

Website

Rural Water Supply and Sanitation Toolkit for Multi-Sector Projects:
<http://www.worldbank.org/html/fpd/water/rwsstoolkit/index.htm>

Reaching Positive Outcomes Through Gender Sensitive Land Policy And Administration: Challenges And Opportunities

Chair: Mark D. Wilson, Sector Director, EASRD

Speakers:

- Renee Giovarelli, International Partners in Development
- Elizabeth Katz, International Partners in Development
- Susana Lastarria-Cornhiel, International Partners in Development
- Sue Nichols, International Partners in Development

Discussants:

- Klaus W. Deininger, Lead Economist, DECRG, World Bank
- Jude Wallace, University of Melbourne
- Ingunn Ikdahl, Institute of Women's Law, Department of Public and International Law, Norway

Convener: Gender and Rural Development Thematic Group

The Context

Land ownership is the key to sustainable development. Women are often the primary users of land, but frequently lack rights to land under formal land tenure systems, therefore failing to obtain the economic and social benefits that follow from those land rights. There is an urgent need to improve gender awareness on these issues and to assess the impact of different land administration and reform approaches on women farmers to promote good practice.

The session was dedicated to discussing the main issues pertaining to gender sensitive land policy and administration. The main findings of the study titled '*Evaluating Gender Impacts and Practice in Development Assistance in Land Policy and Administration*' were presented. This was followed by the discussants' comments and a general discussion.

Summary

The main issues discussed were:

- How gender is incorporated in the legal framework and legal reform initiatives of Land Policy, Reform and Administration programs of the donors, especially the World Bank?
- What the gender-related socio-economic impacts of the policies and programs would be?
- How effectively are gender issues incorporated in the project interventions?

Other main messages were:

- Primary idea that there is no substitution to asking and consulting women. Given that there are different levels of powerlessness, it is indeed important to look at the ground for the possible solutions.
- Access to land rights is an important means of increasing empowerment.
- Titling is not the same as tenure security.
- What were some good and economic means through which we could make land rights work effectively as a tool for empowerment?
- Creating some broader PRSP type indicators.
- It was emphasized that more than anything else Bank staff themselves need to be convinced with regard to greater gender sensitivity and greater efforts need to be made with regard to following up.
- The findings of gender assessments in social assessments often do not get translated or have any bearing or influence on our project design and that needs to be changed

Main Issues Raised in this Session

- The study titled, '*Evaluating Gender Impacts and Practice in Development Assistance in Land Policy and Administration*' was discussed and the main findings from the four country studies were presented.

- Whether titling made women more vulnerable and the role of cultural change
- Human Rights Based approach to land rights
- The role of men in ensuring the lasting positive effects of titling and the idea that legal aid and training have much to contribute to spread awareness was discussed. The importance of having good baseline data was reiterated.
- Effective safety nets and cultural imperialism, how best to address the dilemma of just how to address customary law.

Promoting Partnerships Between The Private Sector And Community Organizations

Convener: Community Based Rural Development Thematic Group

The Context

Within the Andhra Pradesh District Poverty Initiatives project (APDPIP), a Partnership Cell has been set up to implement a strategy giving partners various options of joining hands with organizations of the poor, ranging from rural retailing to social initiatives. The vision of the cell is to create sustainable opportunities for the poor through partnerships. This session described several pilots being carried out by the Partnership Cell of the Andhra Pradesh District Poverty Initiatives Project (APDPIP). The project established this cell to encourage the private sector, multinationals, educational institutes, etc. to work with community organizations. There have been several challenges in the past year and a half due to the innovative nature of the work, but trends clearly indicate that private sector partnerships can move the poor up the value chain in several ways and contribute in a meaningful way to post-project sustainability.

Summary

To date, the most successful partnership in Andhra Pradesh has been with women's groups. This demonstrated the importance of establishing the first point of contact—at the village level—where livelihood promotion occurs. It is vital to meet once a week or once a fort-

night to discuss economic and social issues. These meetings are important to have to determine what problems the poor are experiencing. In building partnerships it is important to make interventions at key stages to break the cycle of exploitation. The foundation of a project is institution building. Negotiating with end users benefits the portfolio at the next level. Followed by that, transparency in trading is crucial. For example, products never used to be weighed in Andhra Pradesh, resulting in widespread cheating; now, scales are purchased to weigh the goods. Access to finance also has improved as a result of good relations with social banks. In fact, the banks themselves have developed new products. The greatest success has been with financial institutions. Meanwhile, the service sector is growing at a fast pace, creating many more job opportunities.

Main Issues Raised in this Session

- One key tactic is to use traders themselves and women as resources. So not go looking for experts in the public sector.
- Use existing commodities traded. Do not go into villages with a product in mind. Evaluate the situation, see what the problems are, and attack the situation armed with that information.
 - Information technology is problematic in this regard since it comes in with a product that will change lives.

Meeting the Energy Needs of the Rural Poor: Opportunities for Synergies between the Rural, Environment, and Energy Practices

Co-Chairs:

- Dominique Lallement, Advisor, EWDES, World Bank
- Sushma Ganguly, Sector Manager, ARD, World Bank
- Magda Lovei, Sector Manager, EASES, World Bank

Panelists:

- Ms. Sushila Maharjan, Consultant, ENVCF, World Bank
- Kseniya Lvovsky, Lead Environmental Economist, SASES
- Christophe de Gouvello, Sr. Energy Specialist, AFTEG
- Ms. Xiaodong Wang, Energy Specialist, EWDES, World Bank

Convener: Rural Infrastructure, Markets, and Finance Thematic Group

The Context

Energy is indispensable to rural development. There are 2 billion people who do not have access to modern energy services; 3 billion people rely on traditional biomass fuels for their basic energy needs for cooking and heating; and 1.2 billion people do not have access to clean water. Most of these people live in the rural areas. Energy can bring solutions to these problems. Working across sectors is an effective means to address these issues.

Biomass fuels, for example, illustrate the energy, agriculture, environment, and health nexus. Unsustainable harvesting of biomass fuels for cooking and heating, a common practice in rural areas, can reduce agriculture productivity, result in deforestation, cause serious indoor air pollution from burning biomass fuels, and emit greenhouse gases that led to climate change.

Summary

The participants strongly supported the multi-sector approaches to address these issues, and applauded that this workshop is a positive step towards that. The panelists presented different dimensions and innovative

approaches to address the synergies between energy, rural, and environment issues.

In Nepal, a carbon finance project to support rural biogas development is a good example to demonstrate the energy, rural, and environment synergies. Nepal has a successful market-oriented biogas program. The carbon financing project can help substantially increase the installation of biogas digesters, provide subsidy support, increase access to credit, and reduce greenhouse gas emissions. The project is expected to improve indoor air quality and thereby, women and children's health, create employment opportunities, increase agriculture productivity, and save forests.

Indoor air pollution from burning solid fuels in rural areas is a major health threat and leads to 2 million deaths of women and children per year. It also results in high social costs such as deforestation and gender disparity. To mitigate indoor air pollution, interim solutions include behavior change, better house ventilation, and improved stoves, while the long-term objective for the rural areas would be full switch to clean fuels. Finally, integrated approaches are critical to household energy and rural development.

In Senegal, traditional "public monopoly" approach does not work for rural electrification. The new concepts for concessions adopted in the Bank rural electrification project in Senegal applied two principles: public-private partnership and multi-sector partnership. The public-private partnership is designed to be sustainable, efficient, and equitable, while the multi-sector partnership is designed to address interface with projects in other sectors, such as milk collection and cooking, health centers, rural schools, and water pumping, to maximize development impacts. The project is technology neutral, including conventional fuels and renewable energy, as well as grid-extension and off-grid approaches. Legal framework

adjustments and contractual arrangements are critical to avoid judicial bottleneck.

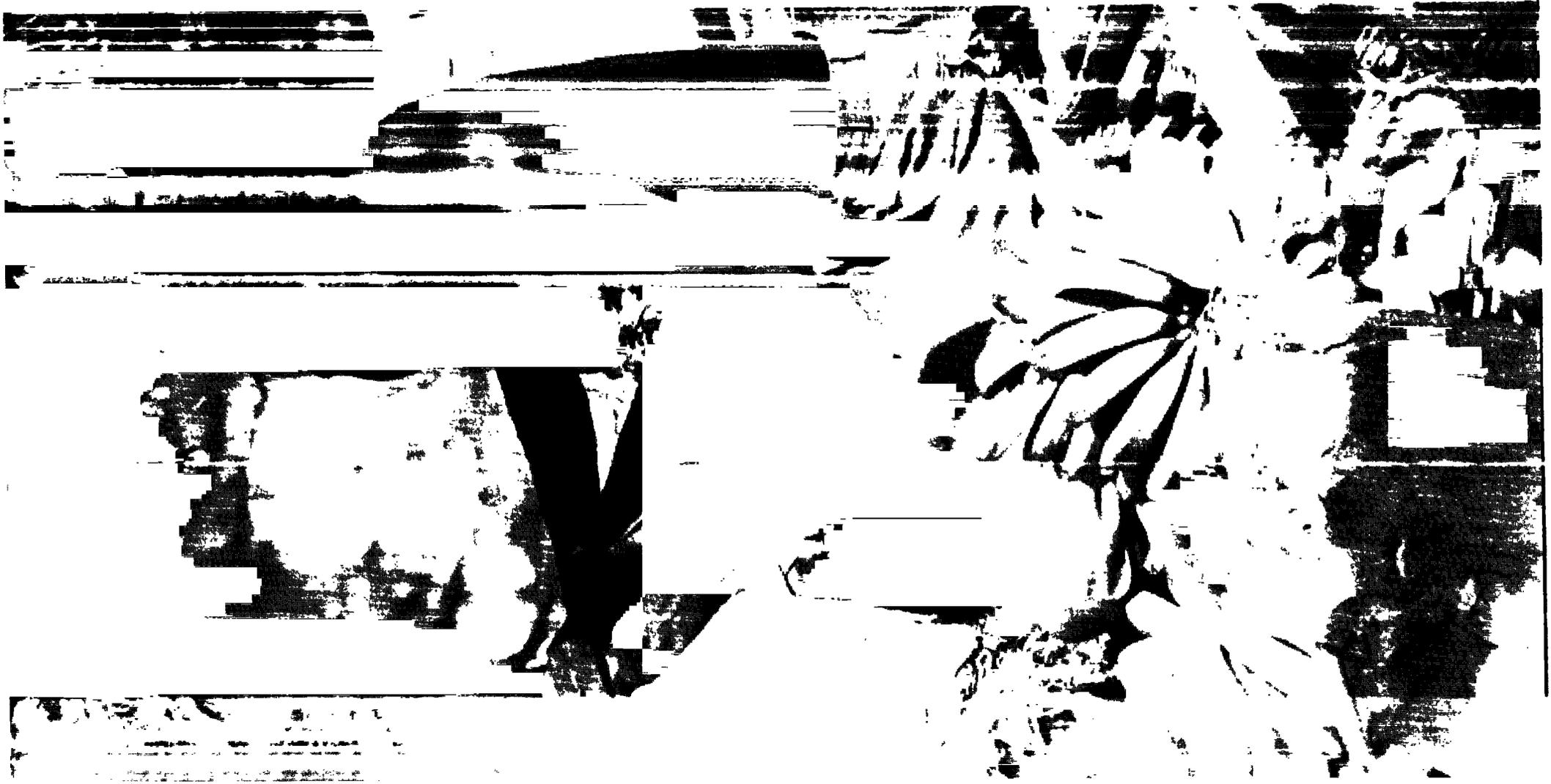
Productive uses from renewable energy offers another dimension to the synergies between rural, energy, and environment. Renewable energy can meet the demand for rural electrification, cooking and heating, social services (education, health, drinking water, telecommunications, etc.), and income generation (water pumping for irrigation, crop drying, ice making, agro-industry processing, cottage industry, etc.). The emerging experience with productive uses of renewable energy projects and lessons learned will be documented in the REToolKit – A Renewable Energy Operational Guide for Electric Services. The REToolKit is designed to assist Bank task managers in improving the design and implementation of renewable energy projects, including productive use of renewable energy, and consists of five modules and seven tools.

Main Issues Raised in this Session

- Cross-sector approach is difficult to implement both within the Bank and within the government agencies.
- Follow-up activities are identified, including additional presentations to the rural Sector Board, the preparation of a more comprehensive learning event, and the identification of joint opportunities in the rural and environment portfolios under development

LEARNING WEEK
Wednesday, April 6, 2005





Promoting Agriculture and Natural Resource Management Through Community Driven Development

The Context

45% of Bank lending to rural areas uses the Community Driven Development (CDD) approach. Livelihoods of communities in rural areas are dependent on agriculture and/or the natural resource base. Communities are increasingly requesting productive and income-generating subprojects that enhance their existing livelihoods. BUT – not many CDD projects finance agriculture and NRM subprojects.

This course was targeted at project designers that know CDD well, but need to know more about applications in agriculture and NRM; Project Designers who have expertise in agriculture and NRM, but who need to know about using the CDD approach; and Practitioners from CDD and Ag/NRM backgrounds that want to share knowledge.

Summary

Emerging and tried-and-true models for participatory rural development were discussed to as the first topic of this two-day course. Different approaches to tackling agricultural development and sustainable Natural Resource Management were analyzed. The experience of

the Nigerian Social Fund was examined in this context, looking into its potential and limitations. CDD and local governance was analyzed in the context of three elements: participatory municipal planning, accountability, and managing investments. The second topic was financing rural sub-projects. Types of goods and services involved in agriculture and natural resource management were discussed. The pros and cons of matching grants vs. credit were analyzed. All of this was studied in the context of how to complement, and not crowd out, the financial sector. The third topic was targeting the rural poor with CDD. Different ways of designing projects in rural communities for equitable distribution of benefits were explored, drawing from best practice experience. A fictional case-study was undertaken within the session, implementing the best ideas of participants.

Main Issues Raised in this Session

- Participation
- Institutional settings
- Public and private goods
- Targeting
- Different mechanisms at the local level

DRAINFRAME! An Integrated Approach To Natural Resource Management

The Context

The Rural and Water Sector strategies called for integrated approaches in NRM. The drainframe has been developed in ARD as a tool for planning drainage projects from an IWRM perspective combining practical experience with concepts of stakeholder's participations in planning socially and economically sustainable interventions embedded in Strategic Environmental Assessment. Recent applications of the drainframe as a tool for analyses, communication, and participatory decision making provided lessons that could be shared with Bank staff as an opportunity for improving future project preparation in the future.

Summary

The main message from the session was: Physical or management interventions have multiple impacts on the functions of natural resources which are conceived differently by the different stakeholders and only an integrated approach at basin level could ensure a satisfactory agreement for sustainable solutions. Another messages from the training events was: An integrated approach takes interventions in water resources management out of the narrow sectoral domain to the broader context where control systems are interlinked and the complexity of

water management requires multidisciplinary analysis that looks beyond the boundaries of the sector and covers the entire geographical and time range of the changes induced by the project interventions.

Main Issues Raised in this Session

1. Although the integrated approach was developed from a drainage perspective it could be equally applied to any interventions in natural resources management such as irrigation, watershed management, etc.
2. The functions-value analyses proposed by the drainframe approach enable the stakeholders to discuss the trade-offs and agree about the acceptable solutions; including any necessary mitigation measures.
3. Social and Environmental impacts are not any more treated as externalities but are considered from the early stages as an integral part of the planning process.
4. The approach brings together well known elements of integration in water resources management and presents them in a practical and logical way for analyses and planning new projects. Participants from different networks and sectors of the Bank found that the approach made them share a common understanding combining their development objectives.

Small Scale Producers in Changing Food Markets

The Context

Recent years have seen rapid growth of production and exports of high-value agricultural products—fruit, vegetables, fisheries products—and changes in the supply chains for these products. These trends are the result of increased consumer demand, the greater trade liberalization and the advances in technology, information management, food processing, post-harvest handling, and logistics. A subsequent trend from the greater agro-food trade is the heightened consumer awareness of food safety issues brought about by the occurrence of a number of food scandals in many countries. These trends pose important challenges and opportunities for the development community.

Summary

The first module of this training session provided an overview of these changes and showed why traditional transaction-based supply chains are rapidly being replaced by coordinated and integrated supply chains.

The second module analyzed experiences with the formation of coordinated supply chains in ECA. Although coordinated supply chains are increasing rapidly in developing countries, the dominant forms of market organization remain traditional.

The third module argued that, especially for Africa, much attention is still needed for improvement of traditional markets. The fourth module in this training session discussed factors that contribute to inclusion and exclusion of small-scale producers in coordinated supply chains, and it discussed interventions that can improve the level playing field for small-scale producers in a competitive environment.

Main Issues Raised in this Session

- SPS standards have frequently served as catalysts, providing incentives for modernizing supply chains.
- There are examples of industries and supply chains in smaller and poorer countries, which have maintained or increased their market positions.
- Private requirements for quality and safety are often more demanding than public ones
- Even where rising standards curtail the direct roles of small enterprises and farmers in export supply chains there tend to be compensating gains in employment opportunities, especially in non-farm activities.
- In countries with limited administrative capacities (and/or strong private sector organizations), efforts should be made to delegate certain tasks to the private sector with public oversight.
- Small farmers tend to be excluded due to emphasis on quality, timeliness, and safety, requests which cannot be met
- Globalization rapidly changed the environment of farmers and agri-food companies worldwide.
- Contract enforcement and information technology play a crucial role in supply chains
- Small farmers strengths are lower cost, no overhead for supervision, high motivation and access to land. Weaknesses are knowledge about modern markets, modern technology, chemical inputs; loyalty, contract enforcement; lack of access to capital; poor organization; difficult to generate volume of consistent quality and high transaction cost for outside organizers.

The Role of SPS Standards in Trade

Chair: Kees van der Meer, Senior Rural Development Specialist, ARD, World Bank

Speakers:

- Steven Jaffee, Senior Economist, PRMTR, World Bank
- Kees van der Meer, Senior Rural Development Specialist, ARD, World Bank
- Ismael Ouedraogo, Senior Agriculture Specialist, AFTS4, World Bank
- Sushma Ganguly, Sector Manager, ARD, World Bank

The Context

Compliance with SPS standards and market requirements can be an important factor for competitiveness of exporters, especially for fresh produce. Tightening SPS requirements offer opportunities as well as threats and tends to accentuate existing competitive weaknesses. Present developing-country support for capacity building for managing SPS standards is biased toward "firefighting". Needs for pro-active improvement of capacities are insufficiently met.

With these sessions we are trying to reveal these realities by covering many subjects that range from changing food markets and factors that affect participation of small-scale farmers to sanitary and phytosanitary requirements and private sector protocols, all of them illustrated by case studies.

Summary

This training session presented the research carried by the Bank on the cost of compliance and capacity building for SPS-management by the public and private sectors. It had four aims. First, to improve our understanding of the SPS challenges and opportunities associated with the

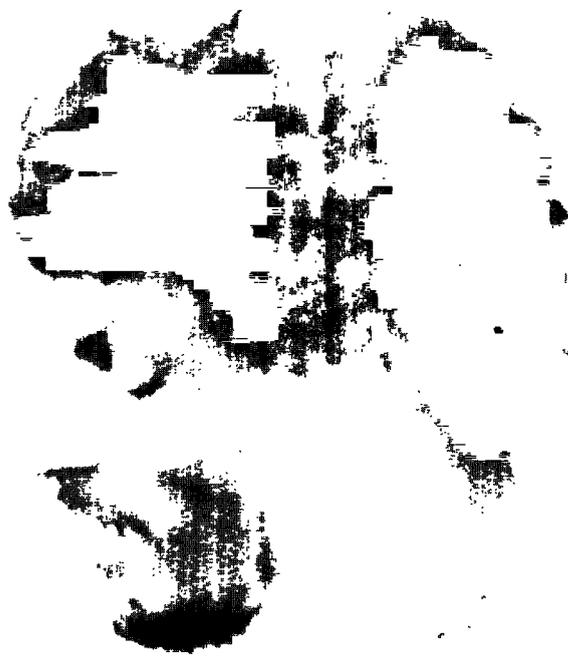
food and agricultural trade of developing countries. Second, to discuss strategies employed by the public and private sectors to comply with international agro-food standards. Third, to discuss costs and benefits of compliance. And fourth, to provide Bank staff directions for capacity-building efforts in Bank projects.

Main Issues Raised in this Session

- The conventional wisdom/perception regarding SPS standards is that these standards are 1) a barrier to developing country trade, 2) are widely used for protective purposes, 3) impose very large and unjustified compliance costs, and 4) as a result, marginalize many countries and economic players. However, we consider that SPS standards have frequently served as catalysts for developing countries. They are providing powerful incentives for modernizing SPS controls.
- Conflicts related to SPS measures are not primarily South-North.
- The costs of compliance vary enormously, between countries, industries, and firms/farms. The benefits from SPS-related upgrades are rarely quantified, infrequently acknowledged.
- Countries and/or private sector which only react to events or delay compliance until after a crisis has occurred may have little flexibility and need to adopt more costly measures. There is a need to be *proactive*.
- The amount of support for SPS capacity building should be increased and its effectiveness improved.
- There is need to integrate the efforts in this field by technical agencies, such as FAO, WHO, OIE, UNIDO, and bilateral donors, and to cooperate with these other agencies to pursue common mandates and utilize complementary expertise and resources.

LEARNING WEEK
Thursday, April 7, 2005





Promoting Agriculture and Natural Resource Management Through Community Driven Development

The Context

45% of Bank lending to rural areas uses the Community Driven Development (CDD) approach. Livelihoods of communities in rural areas are dependent on agriculture and/or the natural resource base. Communities are increasingly requesting productive and income-generating subprojects that enhance their existing livelihoods. BUT – not many CDD projects finance agriculture and NRM subprojects.

This course was targeted at project designers that know CDD well, but need to know more about applications in agriculture and NRM; Project Designers who have expertise in agriculture and NRM, but who need to know about using the CDD approach; and Practitioners from CDD and Ag/NRM backgrounds that want to share knowledge.

Summary

In the second day of this two-day course, it was kicked off with a review of key design principles of CDD, targeting CDD task managers wanting to know more about

agriculture and natural resource management (NRM) and rural task managers wanted to know more about CDD. Principles of CDD were examined and how they make an impact by investing income generating sub-projects, especially those investing in agriculture and NRM. Further on in the day, policy and sectoral issues were discussed in the context of the policy implications of financing agriculture and NRM sub-projects in communities. Safeguards were analyzed to understand why and how social and environmental safeguards can be implemented. Most importantly, measurements for success were discussed. Participatory monitoring and evaluation (M&E), institutional processes, and impact evaluations were analyzed.

Main Issues Raised in this Session

- Public and private goods
- Accountability
- Advantages of CDD vs. stand-alone projects
- Use of qualitative data in M&E
 - Isolation of effects
 - Who should perform the M&E?

Rural Finance: Five Innovative Approaches

Speakers:

- Aaron Silva, BANSEFI, Mexico
- Peter Morrow, KhanBank, Mongolia
- Juan Buchenau, Microfinance Banks in LAC
- Emmanuel Kwapong, ARB Apex Bank, Ghana
- Vijay Kumar, CEO, Society for Elimination of Rural Poverty, India
- Goran Zikov, Assistant Minister for Policy, Ministry of Agriculture, Forestry & Water Management Republic of Serbia

Moderators:

- Renate Kloeppinger, Rural Finance Adviser, World Bank
- Anne Ritchie, Senior Financial Sector Specialist, World Bank
- Ajai Nair, Consultant, The World Bank

The Context

There is inadequate access to key financial services such as savings, credit, and insurance in rural areas. Several rural CDD projects provide grants for income-generating assets but sustainable access to working capital is needed for the assets to generate income. Agricultural development projects provide access to technology and markets but farmers need access to working capital for farming operations. However, there are several recent experiences that have been successful in providing financial services in rural areas. This session provides an opportunity for participants to hear from practitioners representing some of these institutions. Additionally, rural finance scenario in Serbia is used as a case-study to provide participants an opportunity to apply some of their lessons.

Summary

- It is possible to provide financial services in rural areas profitably, Khan Bank in Mongolia with majority of its business in rural areas has a higher return on assets

than the average for 17 other banks in Mongolia. Both Khan Bank from Mongolia and ProCredit Banks from El Salvador (in most years) report lower arrears for in rural areas than in urban areas.

- Apex organizations can play a significant role in improving performance of community based microfinance organizations. The apex bank in Ghana has contributed to improving payment services and fund management of the rural banks that are its members. The apex organization of financial cooperatives in Mexico (BANSEFI) is setting up a nationwide technological platform that will be used by the cooperatives on a cost-recovery basis.
- Community-based Microfinance organizations can significantly enhance the quality of service-delivery by establishing linkages with commercial banks. Savings and credit groups supported by a World Bank funded project in India have mobilized over \$333 million in loans from banks.
- Closing down of loss making state-owned banks is not the only option. Reform is possible even while retaining the primary mission. The Agriculture Bank of Mongolia that was placed in receivership in 1999 has been turned around into a profitable institution through a management contract and very little other subsidies. As of 2005, the bank (now renamed Khan Bank) has increased both deposits and loans, has a very good quality of portfolio and a return on assets and equity better than the average for Mongolian banks.

Main Issues Raised in this Session

- In the case of reform of state-owned banks, dealing with political interference is one of the main challenges. However, this is relatively easier to manage when sufficient autonomy is built into a management contract.
- State support may be needed to create rural finance markets when no such markets exist (as in the case of post-soviet transition economies). However, the chal-

challenge is to ensure that funds used for market creation are not used only for the period it is available without creation of a sustainable market.

- It is also possible that the reasons for the absence of a rural finance market or a poorly functioning market lie in factors not directly connected to rural finance. Hence a sector analysis, financial institution assessments, and demand assessments should precede large level support for market development.

How to Prepare and Implement Disaster Recovery and Mitigation Projects

Chair: Severin Kodderitzsch, Adviser, ARD, World Bank

Speakers:

- Margaret Arnold, TUDHM, World Bank
- Wolfgang Herbinger, World Food Program
- Annalisa Conte, World Food Program
- Galina Mikhlin-Oliver, OPCIL
- Ian Bannon, Conflict Prevention & Reconstruction Team, SDV, World Bank
- Ulrich Hess, Senior Economist, ARD, World Bank
- Olivier Mahul, OPD, World Bank
- Joe Goldberg, ECSSD, World Bank

The Context

This session provided rural and other Bank staff with an overview of causes of natural disasters and the negative impacts they have on development processes. The international community has begun to realize that relief and development are not separate topics. If countries are ever to shift from building vulnerability and reacting to disaster, disaster risk reduction must be approached from a developmental point of view. In light of recent disasters, including the devastating tsunami earthquake in Asia, the hurricanes in the Caribbean, and floods in Bangladesh, Bank staff members are increasingly called upon by clients to prepare damage and needs assessments and emergency projects, and to design mitigation projects to address ex ante disaster management options. Natural disasters are cross-cutting and touch upon several Bank topics, including both rural and urban development, environment, climate change, poverty reduction, and financial management. Issues that need to be discussed include viable options and Bank mechanisms that can assist teams in designing and implementing good disaster management-related programs, including BP/OP 8.50, contin-

gency financing arrangements, insurance pools, community participation and the role of the private sector in disaster management and recovery programs.

Summary

Main messages raised during the session include:

- the need for incorporating hazard risk management into Bank projects to protect both lives, livelihoods and investments
- Cash compensation programs for people who have lost livelihoods, homes, etc. following a disaster are tricky to implement (due to leakages, targeting issues, etc.) and should be carefully monitored during implementation.
- Lessons learned from past disasters should be documented so that they can inform future disaster management and/or recovery operations
- The CAS/PRSP cycles are important intervention points for mainstreaming disaster management activities in vulnerable countries
- Some Bank units are exploring the use of contingent credit facilities to support a country's balance of payments or recovery costs following disasters.

Main Issues Raised in this Session

The main issues and trade offs include:

- The Bank's current OP/BP 8.50 is under revision, which will impact how future emergency reconstruction projects are prepared
- Post-disaster recovery in conflict-affected areas will need special consideration and post-conflict analysis to ensure that additional socio-economic damage is not incurred by communities during the reconstruction period

- Social safety nets and support to livelihoods are important parts of recovery following a disaster and should be more streamlined processes within the Bank (see above point)
- Corruption and leakages of funds and resources during the recovery period
- Politics will factor into the overall success and government/public buy-in of the program.

Websites

Hazard Risk Management:

<http://www.worldbank.org/hazards>

Provention Consortium:

<http://www.proventionconsortium.org>

Improving Operations—Are You Ready For SWAPS and Changes in Expenditure Eligibility?

Chair: Severin Kodderitzsch, Adviser, ARD, World Bank

Speakers:

- Chris Hall (OPCPD)
- Chiyo Kanda (OPCIL)
- Mark Lundell (ECSSD)
- T.K. Balakrishnan

The Context

The objective of this course was to familiarize Rural Family Staff with recent developments in enhancing operations, especially on the use of SWAPS in agricultural and rural operations and changes in expenditure eligibility for World Bank financing and their implications for the sector.

Summary

SWAPS

The international community aims to achieve greater aid effectiveness and views “harmonization” of programs and procedures as one way to achieve this goal. SWAPS, which may include joint support of government programs and joint donor financing and budget support with coordinated conditionality.

SWAPS are an *approach* to support a locally owned program (national or sub-national) for a sector in a comprehensive and coordinated manner, moving toward increased use of country fiduciary and safeguard systems. They are *not* a lending instrument, such as pooled financing, they do not entail full use of country systems, nor are SWAPS a Bank-financed project/loan. SWAPS are also referred to as: Sector Approach, Sector Program (SP), Sector Support, Sector Investment Program (SIP), or Program-based Approach (PBA).

Financing modalities under SWAPS may include parallel financing with intensive coordination around a common program/strategy (often joint reviews/M&E & policy dia-

logue.) Financing may include joint financing with other donors or be restricted to Government-Bank pooling. The location of the ‘pool’ may be at with the sector ministry, MOF, central bank or the lead donor.

Disbursements are usually quarterly, semi-annual, annual, etc. and are report-based (FMRs), and may include an advance, retroactive financing, or reimbursement. Potential issues for the ARD Sector, include: the need for a consensus between the government, the Bank and other donors on sensitive policy issues, clarification of the role of government in productive sectors; and, defining program development objectives and indicators in the context of a sector-wide program. In addition, attention will have to be paid to the number of implementing entities, the number of donors/partners and safeguard issues.

Eligibility of Expenditures in World Bank Lending: A New Policy Framework

A new policy on eligibility of expenditures in World Bank financing was approved by the Executive Directors and a new OP and BP 6.00, *Bank Financing* was issued in April 2004. The policy governs what the Bank may or may not finance in investment lending and applies to IBRD/IDA loans, credits, grants; PPF; DGF and IDF grants; and, recipient-executed trust funds (unless the agreement with the donor provides otherwise.) Overall, the scope of expenditure categories eligible has been significantly broadened.

The new policy moves from a prohibitive or restrictive policy framework regarding what the Bank may or may not finance, to establishing an enabling framework. The OP/BP sets out the guiding principles, “*Bank loan proceeds finance the expenditures necessary to meet development objectives of operations supported by the loan*” with due considerations to fiscal sustainability and appropriate use of funds. OP/BP 6.00 also set out broad principles for determining major aspects such as cost sharing, recurrent

cost financing, financing of taxes and duties, and other major expenditures. The New policy applies only after country financing parameters have been established (58 countries have done so to date.) Country financing parameters and supporting analysis are on the intranet (see links provided below.)

The new framework is one step in a move towards more program based approaches (SWAPs.)

Main Issues Raised in this Session

The main issues raised during discussions were:

- That the agriculture sector will face challenges in using the SWAP approach, but an increasing number of sector operations are indeed moving towards program based SWAPs and should continue to do so.
- TTLs should not try to "sell" SWAPs to clients; rather they should start with an assessment of sector needs and constraints and form a strategy for surmounting those constraints. When agreement has been reached with the Government, see if investment in a program (as opposed to a free-standing project) is the best approach to use.

Websites

1. For more information on SWAPs go to the OPC website on the subject by typing "SWAPS" on the intranet URL.
2. For more information of changes in expenditure eligibility:
 - Eligibility website on intranet, type "eligibility" on intranet URL;
 - OP and BP 6.00, mandatory policy and procedure statements;
 - Guidelines to staff, technical guidelines of an illustrative nature to assist staff in applying the policy (not mandatory)

Translating Support to National Rural Strategies into PRSPs and Lending

Chair: Derek Byerlee

Speakers:

- Lucas Akapa (AFR)
- Ethel Sennhauser (LCR)
- Dina Umali-Deininger (SAR)
- Csaba Csaki (ARD)
- Andrea Pape-Christiansen (ARD)

The Context

Integrating the needs of the rural poor in the national policy dialogue' was the main thrust of the Bank's rural strategy Reaching the Rural Poor. More than 20 national and sub-national rural strategies have been supported by the Bank since then, with the objective to provide improved inputs to national planning and political processes. The main objective of this half-day clinic is to facilitate learning among task teams by sharing experiences of what has worked, what has not, and why in the formulation and implementation of national and sub-national rural strategies, given the diversity of responses to the challenges of rural development. The presentations and discussion will focus on the experiences of different country teams in supporting the development of rural and agriculture sector strategies in the context of PRSPs, and their translation into policy actions of PRSCs and into other lending operations.

Summary

The presentations by Csaba and Andrea gave an overview of the assessment of 19 national and sub-national rural strategies supported by the Bank between 2000-2004, and of the linkage between analytical underpinnings and rural priorities set in PRSPs and subsequent PRSCs and other lending (presentations and paper attached).

Lessons learned and main messages from the three case studies (Nigeria, Sri Lanka and Bolivia):

- importance of country ownership in the process and participatory approach; broad ownership is best insurance in case of government changes
 - investments need to be driven by competitiveness, not by opportunity
 - need for a strong local policy team
 - World Bank/donor supporting role in form of TA during PRSP and rural strategy development process (building capacity to 'ask the right questions')
 - donors to respond to local demand, not to impose their approaches
 - focus should be on rural space, not just the agriculture sector
 - importance of donor coordination
 - importance to involve Ministry of Finance and, where it exists, the Ministry of Local Government
 - link strategy development and to MTEF
- sequencing of national strategy development prior to or as a result of PRSP process: PRSP process can bring important coordination impulse to sector ministries, on the other hand prior internal organization of sector and agreement on priorities important to be to be 'ready' for PRSP process
- ongoing lending operations in the country can be used as vehicles for continued dialogue
 - AAA (eg a sector review) to present the 'big picture', 'brings together whole country team who can sell it to the CD', instrumental to inform government
 - data and analyses to back up arguments make a convincing case
 - strategy launch workshop with high level country representation symbolic, already important accomplishment

Main Issues Raised in the Session

- institutional reform more difficult to accomplish than 'putting in hardware', fewer incentives to reform
- M&E of strategy implementation and impact politically sensitive, define roles of donors, government, linkage

to PRSP monitoring; importance of information sharing

- expectations of strategy process and impact, level of ownership differs between LIC and MIC situation

Demand was expressed for ARD to draft best practice guidelines on how to include rural development themes into PRSPs, and to summarize lessons learned in supporting national rural strategies.

Website

'Rural Policies', this will get you to the Rural policies TG website where the paper and the national strategies are posted.

Cover:

Main photo: Thomas Muller

Small photos: (from left to right): Igor Castro da Silva Braga, Prabir Joardar, and Vera Blagev

Page 3: Francois Le Gall

Page 4: Tinnakorn Sareenun

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