AGRICULTURE & RURAL DEVELOPMENT

AT A GLANCE:

- Agriculture is essential to reducing poverty, with a 34 percent share of GDP in low income countries. Three out of every four poor people in developing countries live in rural areas and 2.1 billion survive on less than $2 a day. Over 80 percent of the rural poor depend directly or indirectly on agriculture for their livelihoods.

- Rural-urban income disparities are widening in rapidly growing countries – in East Asia the ratio of rural to urban poverty increased from about 2 to more than 3.5 between 1993 and 2002.

- Livestock is one of the fastest growing subsectors of agriculture in developing countries. Production of meat has doubled over the last 15 years, led by a 7 percent annual increase in poultry. Vegetable production has grown by 7 percent annually over the past 15 years.

- Aquaculture is the fastest growing agriculture sector. Global production has increased 9 percent per year since 1970 and the growth rate is as high as 25 percent annually in Brazil over the last 5 years.

- Demand for food is expected to double by the year 2030, in addition to feed and bioenergy demand. Agriculture must increase its efficiency to meet that demand on less land and with less water. Furthermore, to reduce the stress on the environment, environmental services and innovative measures must be considered for long term sustainability.

Agriculture Investments Stabilize at around $2 billion, but a Significant Increase in Africa

World Bank investments in agriculture are stable at around $2 billion for FY06. This year marked a notable lending increase in the Africa region, with investments rising from $295 million in FY05 to $685 million in FY06. The increase represents the highest level of lending in agriculture since FY90 for Sub-Saharan Africa.

Strategic Priorities for Agriculture and Rural Development

The most recent strategy for agriculture and rural development, Reaching the Rural Poor, was endorsed by the World Bank’s Board of Executive Directors in 2002. Currently, a large team of Bank staff and external experts from around the world are working on the 2008 World Development Report – a Bank-wide flagship research product which will focus on Agriculture for Development. Due to be published in October 2007, the report describes the role of agriculture as an engine for growth and development across different developing countries.

Separately, another team is assessing what the Bank has done over the past four years with regard to the strategy laid out in Reaching the Rural Poor. The objectives of that strategy, selected underlying issues, and recent activities are given below.

Fostering Broad-Based and Sustainable Rural Growth On and Off the Farm

- Supporting the rural investment climate. Formal commercial activity in rural areas – market linkages, access to investment capital, business advisory services, and enforcement of commercial law and regulations – is critical to facilitate private sector development and improve services.
• **Providing rural financial services.** Rural financial services are critical to developing the rural economy and helping the rural poor build assets that can decrease their vulnerability to shocks. These investments remained around $350 million a year over the FY05 to FY06 period.

• **Promoting reforms.** The policy and institutional environment is still distorted in many developing countries. Thus, the Bank has emphasized the need to improve policy and institutional environments for rural and agricultural development through a significant amount of lending for policy and institutional improvements.

• **Promoting trade in agriculture.** In the last two decades, agricultural exports from developing countries actually fell, partially because agricultural protection and subsidies has remained high. The Bank continues to analyze and advocate for global agricultural trade reform by both developed and developing countries. The Bank has invested over $581 million since FY01 in agricultural trade policy reform and about $152 million to address sanitary and phytosanitary and food safety standards that directly impact access to export markets.

**Enhancing Agricultural Productivity and Competitiveness**

• **Promoting agricultural productivity and competitiveness.** Investment in agriculture – fishing, forestry, irrigation and drainage, agricultural trade, and agribusiness – has increased significantly. Rural infrastructure, which is integrally linked to rural development, has received the largest amount of investment.

• **Promoting Innovation Approach.** The agriculture sector continues to evolve based on shifting demand patterns, improved technology, integrating trade, and the market. Learning from the industrial sector, the Bank is exploring innovation systems approach to address the demands and forces that impact agriculture. The agriculture portfolio targets integrated programs that address science, private sector investment, the financial system, the policy and regulatory environment, and stakeholder participation. Commitments to agricultural research, extension, training and education components (AKIS) have increased from $230 million in FY04 to $282 million in FY05 to $499 million in FY06. 48 percent of this lending was towards agricultural research.

• **Re-engaging in water for agriculture.** Agriculture accounts for nearly 80 percent of global water use. To gain “more crop per drop,” the Bank is proactively re-engaging in investments that target the policy, technical, and governance aspects of agricultural water. The Africa Action Plan identified managing water for agriculture as a priority. Investments that empower local user groups and promote public private partnerships are critical to improving performance in this subsector.

• **Emerging zoonoses – a global threat.** Animal-based diseases, such as avian flu and ‘mad cow’, continue to keep livestock management and animal health at the top of the development agenda. Twenty seven countries have received financing under the Bank’s $500 Million Global Program for Avian Influenza (GPAI) through January 2007, with 16 of these country projects being approved since July 2006. Effective compensation schemes to induce early reporting and culling are key to avian influenza control strategies. The Bank, FAO, and OIE released guidelines for such schemes to be managed by client countries and partner agencies in December 2006.

**Social Well-Being, Risk Management, and Reducing Vulnerability**

• **Commodity risk management.** Price and weather risk management insurance provide farmers and institutions in developing countries better tools to manage exposure to price and weather fluctuations and potentially expand access to credit. Pilots are underway in India, Tanzania, Malawi, Ethiopia, Thailand, Nicaragua and Honduras and are under development in Kenya, Madagascar, Vietnam, and Bangladesh.

• **Community driven development (CDD).** In contrast to past top-down development approaches, CDD puts the poor “in the driver’s seat” of development, creating organizations that can demand services and accountability from governments, NGOs, the private sector, and donors. Agriculture and rural development is the largest user of the CDD approach, with around $2 billion in rural investment through 96 projects in FY06.

• **Securing access to land.** The Bank’s work on land administration addresses the state’s role in establishing secure property rights, well-functioning land markets, the social and economic costs of highly unequal land distribution, and the appropriate regulatory environment for effectively dealing with land. Since FY01, the Bank has created a significant body of research on land administration and reform, and it has invested just over $1 billion through 74 projects.
• **Investing in core public goods in rural areas.** These investments contribute to the overall well-being, productive capacity, and economic potential of the rural population. Reflecting this importance and the multi-sector nature of rural development, 30 percent of lending in rural areas financed infrastructure investments, 20 percent financed social sectors, and 19 percent financed law, justice, and public administration.

**Enhancing Sustainability of Natural Resources**

• Total Bank investments for natural resources management from FY02-06 amount to $1.4 billion. The average investment per year is $237 million. Bank investments for natural resources management doubled since FY01 from $266 million to $507 million in FY06.

• The Bank’s investment in natural resources are beginning to focus more on integrated ecosystems management, which addresses forest, land, and water resources simultaneously. They also focus more on community participation, institutional development, and capacity building for economic development, environmental conservation, and poverty reduction. The Bank will also be publishing studies on aquaculture and capture fisheries in the next several months.

**Strategic Partnerships and Collaboration**

• **Consultative Group on International Agricultural Research (CGIAR).** This strategic alliance of countries, international and regional organizations and private foundations supports 15 international agricultural research centers that mobilize cutting-edge food and environmental science to foster growth, reduce hunger and poverty, and protect the environment.

• **Program on Fisheries (PROFISH).** With about 75 percent of marine fisheries either partially or fully exploited, the livelihoods of about 200 million people are threatened. This partnership will tackle the problem on two fronts: policy and investment. The partnership helps countries build consensus around fishery sector strategies and mainstream those strategies into national economic planning frameworks. The more recent **Strategic Partnership for a Sustainable Fisheries Investment Fund in the Large Marine Ecosystems of Sub-Saharan Africa** is a grant mechanism to co-finance country-level fisheries projects.

• **International Assessment of Agricultural Science & Technology for Development (IAASTD).** This assessment, led by the Bank in cooperation with other UN agencies, is looking at both past and potential impacts of agricultural knowledge, science, and technology on development including a global assessment and five regional assessments.

• **Global Forest Alliance 2015.** The Global Forest Alliance (GFA) 2015 is a new initiative to consolidate and galvanize synergies among the existing successful forest partnerships. Endorsed by President Wolfowitz in February 2007, the GFA is currently being developed with bilateral donor, civil society, and private sector partners. The partnership will seize new opportunities presented in relation to avoided deforestation to mitigate climate change and strengthen implementation of the 2002 Forests Strategy through the leveraging of new sources of concessional financing and grants.

• **Global Donor Platform for Rural Development (GDPRD).** Established in 2003, the GDPRD has over 26 member organizations and focuses on advocacy for agriculture and rural development, creating and sharing knowledge for the development community, and harmonizing donor activities in countries (for which it has pilots in four countries). The GDPRD also collaborates with the New Partnership for Africa’s Development (NEPAD) on agriculture issues for the region.

For more information, please see the website: [www.worldbank.org/ruraldevelopment](http://www.worldbank.org/ruraldevelopment)

###

**Updated March 2007**

Media Contacts:
Sergio Jellinek: (202) 458-2841; Email: Sjellinek@worldbank.org
Roger Morier: (202) 473-5675; Email: Rmorier@worldbank.org
Kristyn Schrader: (202) 458-2736; Email: Kschrader@worldbank.org