

Parliament of Australia's Joint Standing Committee on Foreign Affairs,  
Defence & Trade's

# Inquiry into the role of development partnerships in agriculture and agribusiness in promoting prosperity, reducing poverty and enhancing stability in the Indo-Pacific region

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## **Submission by the World Bank Group**

**November 2015**



## 1 Summary

1. Ending poverty and hunger in the Indo-Pacific region will require significant investment in agriculture and food security. Given the magnitude of the challenge, partnerships in agriculture and agribusiness have been, and will continue to be, essential to development in the region. Partnerships can help to pool and leverage financing, reduce transaction costs, and capitalize on a broad set of technical expertise. Public-private partnerships can also help to improve the efficiency of public spending through leveraging in private investment. Australia and the World Bank Group (WBG) have been engaged in several successful partnerships beyond the regular IDA/IBRD program, including the Global Agriculture and Food Security Program (GAFSP) and the Global Food Crisis Response Program (GFRP). GAFSP has provided pooled resources from multiple donors to finance government led-programs for agriculture and food security programs in some of poorest countries in the region, balancing the need for financing with the capacity to implement. GFRP provided support to respond to food price shocks, which may again appear in some countries as a result of the El Niño phenomenon. We thank Australia for its valuable contributions to these programs and look forward to continued support. In addition, we continue to seek areas for new partnerships including nutrition and food safety; landscape approaches to manage risks and climate smartness in agriculture, and agricultural value chains.

## 2 Introduction

2. **The WBG has been a vital source of financial and technical assistance to developing countries around the world since its establishment in 1944.** It is not a bank in the ordinary sense, but a unique partnership of developed and developing countries working to reduce poverty and support development. The WBG is comprised of five separate legal entities: the *International Bank for Reconstruction and Development* (IBRD) lends to governments of middle-income and credit worthy low-income countries; the *International Development Association* (IDA) provides concessional loans to governments of the poorest countries; the *International Finance Corporation* (IFC) focuses exclusively on the private sector; the *Multilateral Investment Guarantee Agency* (MIGA) provides guarantees against losses caused by non-commercial risks to investors in developing countries; and the *International Center for Settlement of Investment Disputes* (ICSID) provides international facilities for conciliation and arbitration of commercial disputes.

3. **The WBG's goals are to end extreme poverty** by decreasing the percentage of people living on less than US\$1.25 a day to no more than 3 percent globally by 2030; **and to boost shared prosperity** by fostering the environmentally, socially and economically sustainable growth of the incomes of the poorest 40 percent in each developing country. Each WBG institution offers relevant instruments for achieving these goals. The IBRD and IDA offer assistance to support governments in institutional reform, investment and improving public service delivery. The IFC provides loans, equity, and technical advice directly to the private sector, while MIGA insures against political risk.

4. **The WBG works together, across its constituent entities, to deliver the best possible results for its clients.** Country partnerships are grounded in national priorities, owned by the country, and developed in coordination with partners. By combining the established strengths of local delivery support with the ability to generate, share, and deploy knowledge and expertise globally, the WBG is able to provide a rapid response to client demands and focus on cutting-edge development challenges.

## 3 Agriculture and development<sup>1</sup>

### 3.1 Agriculture as a tool for reducing poverty and increasing shared prosperity

5. **Agriculture contributes to development in many ways: as an economic activity, as a livelihood and source of food security, and as a provider of environmental services.** As an *economic activity*, agriculture can be a source of growth for the national economy, a provider of investment opportunities for the private sector, and a driver of related industries and the rural nonfarm economy. Agriculture is a source of *livelihoods* for about 85 percent of rural people. It provides jobs for around 1.3 billion smallholders and landless workers and a foundation for viable rural communities.

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<sup>1</sup> This section draws on the World Bank Group's *World Development Report 2008: Agriculture for Development*. Agriculture is defined in this submission as including crops, livestock, forestry and fisheries.

Agriculture is important for food security not only in terms of production and subsistence, but also as a source of income for the majority of the rural poor. Agriculture is also a major *provider of environmental services*, including sequestering carbon, managing watersheds, and preserving biodiversity – increasingly essential services in an era of increasing resource scarcity and changing climate. These contributions make the agriculture sector a unique instrument for development: cross-country econometric evidence indicates that GDP growth originating in agriculture is at least twice as effective in reducing poverty as growth originating from other sectors<sup>2</sup>.

6. **The way that agriculture works for development varies across countries depending on how they rely on agriculture as a source of growth and an instrument for poverty reduction.** In *agriculture-based* countries, agriculture is a major source of growth, accounting for about 30 percent of GDP growth on average; most of the poor are in rural areas. In *transforming* countries, agriculture is no longer a major source of growth, contributing on average only 7 percent to GDP growth, but poverty remains overwhelmingly rural. In *urbanized* countries, agriculture contributes directly even less to economic growth (5 percent on average) and poverty is mostly urban; even so, rural areas still have 45 percent of the poor, and agribusiness and the food industry and services may account for as much as one third of GDP. Countries follow evolutionary paths that can move them from one country type to another.

7. **There are a number of instruments that can be used to harness the power of the agricultural sector for growth, poverty reduction and promoting prosperity.** These include reforming trade, price and subsidy policies; linking agriculture to the market; supporting smallholder competitiveness through institutional innovations; innovating through science and technology; making agricultural systems more environmentally sustainable; and moving beyond the farm through non-agriculture rural development.

8. **Improving the performance of agriculture in low-income countries is needed to achieve the recently agreed Sustainable Development Goals of ending poverty and hunger by 2030.** Seventy eight percent of the world's poor live in rural areas. By 2030, some will migrate to urban areas, but most will not, and the rural population in less developed regions may even increase slightly. Most of the income gains needed to end poverty by 2030 will need to come from activities in rural areas, and 80 percent of the rural poor work in agriculture<sup>3</sup>.

### 3.2 Agriculture in the Indo-Pacific region<sup>4</sup>

9. **The Indo-Pacific region is dominated by countries that are agriculture-based or transforming.** The agriculture-based countries include those in East Africa (Kenya, Mozambique and Madagascar), Asia (Lao PDR) and the Pacific (Papua New Guinea, Solomon Islands, Timor-Leste and Kiribati). For these countries, using agriculture as the basis for economic growth requires a productivity revolution in smallholder farming. The transforming economies include most of South and East Asia, and parts of the Pacific (Fiji, Vanuatu, Samoa and Tonga). Addressing income disparities in these countries requires a comprehensive approach that pursues multiple pathways out of poverty – shifting to high-value agriculture, decentralizing nonfarm economic activity to rural areas, and providing assistance to help move people out of agriculture; doing this calls for innovative policy initiatives and strong political commitment.

10. **Agriculture systems and the constraints to agricultural development vary significantly across the Indo-Pacific.** In East Africa, the agricultural sector is dominated by smallholder mixed farming of livestock, food crops and cash crops. Agricultural growth is constrained by, *inter alia*, weak extension services, limited use of irrigation, and limited access to credit. In South East Asia, agricultural systems range from small-scale mixed crop and aquaculture systems to large commercial monocultures, and there is substantial variation even within countries. The region has experienced rapid gains in productivity but these have not always translated through to smallholders, and the environmental impact of more intensive cultivation is of increasing concern. In the Pacific, subsistence farming predominates, and productivity is low relative to potential; climate change poses a significant risk to the sector.

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<sup>2</sup> Ligon, E., and E. Sadoulet. 2007. "Estimating the Effects of Aggregate Agricultural Growth on the Distribution of Expenditures." Background paper for the *World Development Report 2008: Agriculture for Development*, WBG.

<sup>3</sup> World Bank (2015) "Ending Poverty and Hunger by 2030: An Agenda for the Global Food System". Prepared for the *Future of Food* Event at the World Bank Spring Meetings.

<sup>4</sup> Defined by DFAT as a selection of countries in Africa (South Africa, Mozambique, Tanzania, Kenya, Somalia, Madagascar, Seychelles, Comoros, Mauritius); South and West Asia (Afghanistan, Bangladesh, Bhutan, Maldives, Nepal, Pakistan, Sri Lanka); East Asia (Myanmar, Cambodia, Indonesia, Laos, Mongolia, Philippines, Timor-Leste, Vietnam); and the Pacific Islands and PNG.

11. **Given the magnitude of the challenge, partnerships have been, and will continue to be, essential to development in the region.** Partnerships can help to pool and leverage financing, reduced transaction costs, and capitalize on a broad set of technical expertise. Public-private partnerships can help to improve the efficiency of public spending through leveraging in private investment.

## 4 WBG investment in agriculture and agribusiness in the Indo-Pacific

### 4.1 Overview

12. **The WBG has scaled up its support to the agriculture sector over recent years in response to client demand.** The value of the global agriculture portfolio increased from an annual average of US\$4.1 billion in FY2006–08 to US\$8.0 billion in FY2013–15. IFC investments in the sector more than doubled over this period, reflecting the growing role of the private sector in agricultural development. The WBG’s priorities for the sector are articulated in the *World Bank Group Agriculture Action Plan FY2013–2015* as being climate-smart agriculture, longer-term risk management, better nutritional outcomes, reducing gender inequality, and private sector responses.

13. **The value of new projects in the World Bank agriculture portfolio in the Indo-Pacific region has increased from an average of US\$710 million per year in 2008-09 to US\$1.24 billion in 2014-15 (equating to 10.5% of overall IBRD/IDA support to the region)**<sup>5</sup>. In East Africa, the WBG’s emphasis is on raising agricultural productivity and improving market access through investing in irrigation, research and extension, input availability and distribution, private investment, land governance, better integration of value chains, and improved rural roads and other infrastructure. In South Asia, the priority is to raise productivity through better management of water resources; reducing risk and vulnerability, including through better nutrition; improving market access and competitiveness; rural livelihoods; and jobs. In East Asia and the Pacific, greater attention is given to linking farmers to higher value markets.

14. **The following sections provide more specific examples of WBG work in the agriculture sector in the Indo-Pacific region.** These examples seek to identify reasons for success and recommendations for future work in this sector. The final section describes the relationship between the WBG and the Australian Department of Foreign Affairs and Trade (DFAT) in the Indo-Pacific and in the agriculture development arena.

### 4.2 How agricultural innovation can support agricultural development, better nutrition and inclusive economic growth

15. **Agricultural innovation enables agriculture and people to adapt rapidly when challenges occur, and to respond readily when opportunities arise.** ‘Innovation’ may be described as the process by which individuals or organizations master and implement the design and production of goods and services that are new to them, whereas an ‘innovation system’ is a network of organizations, enterprises, and individuals focused on bringing new products, new processes, and new forms of organization into economic use, together with the institutions and policies that affect their behavior and performance<sup>6</sup>. Innovation is widely recognized as a major source of improved productivity, competitiveness, and economic growth throughout advanced and emerging economies.

16. **Agricultural development demands and depends on innovation.** The challenges that necessitate innovation may arise rapidly, as in the case of volatile food prices, or gradually, as in the effects of climate change. Investments in public research and development (R&D), extension, education, and their links with one another have elicited high returns and pro-poor growth, but these investments alone will not elicit innovation at the pace or on the scale required by the intensifying and proliferating challenges confronting agriculture. Innovation requires a much more interactive, dynamic, and ultimately flexible process in which the actors deal simultaneously with many conditions and complementary activities that go beyond the traditional domains of R&D and extension.

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<sup>5</sup> The largest projects active during 2014-15 include the Philippine Rural Development Project (US\$508 million), the Pakistan Punjab Irrigation Agriculture Productivity Improvement Program (US\$450 million) the Bangladesh Nuton Jibon Livelihood Improvement Project (\$315 million), and the Tanzania Second Agricultural Sector Development Project (US\$300 million).

<sup>6</sup> World Bank Group 2012, *Agricultural innovation systems: an investment sourcebook*, World Bank Group: Washington DC.

17. **An agricultural innovation systems (AIS) approach offers a more flexible means of dealing with the varied conditions and contexts in which innovation must occur.** It considers the diverse actors involved, the role of informal practices in promoting innovation, and the agricultural policy context. An AIS approach integrates the more traditional interventions (support for research, extension, and education) with complementary interventions needed for innovation to take place. Such interventions include providing the professional skills, incentives, and resources to develop partnerships and businesses; and ensuring that the conditions that enable actors to innovate are in place.

18. **The WBG has used an AIS approach to encourage innovation in the agricultural sector in a diverse range of projects.** It recognizes that more knowledge providers have entered the scene in addition to the traditional public sector actors, particularly from the private sector and civil society. The following boxes provide examples of the WBG's work with agricultural innovation in the Indo-Pacific region.

**Box 4-1. Productive agricultural partnerships as a driver of inclusive economic growth in Papua New Guinea**

**In Papua New Guinea (PNG), agriculture accounts for approximately a third of GDP.** Coffee and cocoa are the main cash crops, with respectively over 30 percent and 20 percent of the total labour force involved in their production, processing and sale. Smallholder coffee and cocoa farmers face constraints and market failures that impede their performance and ability to respond to market signals. They are disadvantaged by diseconomies of scale resulting in high transaction costs and limited market access. Following the collapse of publicly funded extension services, smallholder farmers have had little access to information, new technologies or improved planting material.

**Finding suitable forms of collective action to overcome these disadvantages requires considerable effort.** A history of failed attempts at various forms of cooperatives or joint interest groups attests to the associated risks. These risks also make it difficult for commercial banks to provide services to smallholder farmers and their organizations. Agribusiness enterprises and traders are critical for communicating market demand to producers and establishing value chains that effectively link them to the market. However, building long-term relationships with smallholder farmers involves considerable transaction costs on the part of the agribusiness. These include identifying producers; reaching them in difficult access areas; establishing farmer groups; and introducing good agricultural practices.

**Accordingly, IDA and the International Fund for Agricultural Development (IFAD) engaged with the Government of PNG to develop the Productive Partnerships in Agriculture Project (PPAP).** It was recognized that although the public sector should usually play a critical role in strengthening smallholder competitiveness through support for better technology transfer and improved organization, weak capacity to deliver services and limited outreach in rural areas severely limits public intervention in PNG. Strengthening public institutions was seen as an important step, but not being sufficient to reach the majority of farmers or to reach them consistently.

**PPAP therefore seeks to overcome these constraints by fostering productive partnerships between private operators (typically exporters and processors) and smallholder farmers.** The project began in 2010, and provides funding to selected supply chain actors to offset some of the investment risks. The intention is to stimulate the expansion of regular and ongoing linkages between private enterprises and smallholder farmers. By providing the selected partnerships with investment grants, technical assistance, and business development training, PPAP aims to ensure that these partnerships not only benefit from increased production, sales, and productivity, but also demonstrate high survival rates.

**To date, the productive partnerships model has proved to be a valuable innovation in fostering relationships between smallholder farmers and private enterprises, and has informed the development of an Australian-funded cocoa project in Bougainville.** As of October 2015, PPAP had established 33 partnerships, covering 15,330 coffee beneficiaries and 18,637 cocoa beneficiaries. These partnerships are already beginning to show results, with average yields of partnership members increasing by 34% for coffee and 20% for cocoa compared to the baseline.

**Box 4-2. Innovation in the private sector to improve nutrition outcomes in Nepal**

**At the request of donors, the WBG hosts the Global Agriculture and Food Security Program (GAFSP), an initiative launched by the international community to address funding gaps in longer-term agriculture and food security strategic investment plans.** GAFSP is a multilateral mechanism to improve incomes and food and nutrition security in low-income countries by boosting agricultural productivity. The public sector window of GAFSP helps governments with national agriculture and food security plans. The goal of the private sector window is to support sustainable agriculture, especially for smallholder farmers, provide demonstration effects, and extend financing to agribusinesses in IDA-eligible countries.

**Australia, one of the GAFSP founding members, has contributed US\$98.3 million to the public sector window since its inception in 2010, and, since 2015 has provided US\$ 5.8 million to the GAFSP private sector window** with a focus on cooperation with the Asian Development Bank for co-financed projects in agricultural private sector development.

**Nepal is among the poorest countries in the world, and has a malnutrition rate of nearly 40%; poultry is the largest source of protein, particularly for the poor.** However, the cost of production is high, with feed accounting for over 80% of live broiler production costs, and not all Nepalese can afford to include chicken in their diet as a sufficient source of protein. The significant proportion of the population who are vegetarian also struggle to consume sufficient protein.

**The IFC and GAFSP have therefore invested US\$3.8 million in Probiotech Industries, a feed manufacturer, to improve feed quality and reduce feed costs.** The proposed investment will create additional direct jobs at the factory and a large number of indirect jobs through forward and backward linkages with farmers and small/medium size businesses. 95 percent of Probiotech's purchases are from small and medium enterprises, which also source from small farmers. The project will strengthen linkages with these enterprises, creating new opportunities for the farmers who supply them to raise their incomes. In an ongoing effort, Probiotech continues to train farmers in techniques and practices and aims to reach around 4,000 farmers through seminars annually. Probiotech will also begin production of affordable, good quality, soy-based protein "nuggets", improving access to protein. Production value-added products like these will help substitute imports and improve food security. The soy-based protein "nuggets" which will increase access to protein for the vegetarian population.

**The Probiotech example demonstrates how working with private enterprises to embed innovative technologies can support an entire value chain.** With a network of more than one hundred dealers and over five hundred sub-dealers, Probiotech has an outreach of more than 8,000 farmers, to which it provides inputs, feed, and technical advice from veterinarians.

#### **Box 4-3. Applying agricultural R&D to combat non-communicable diseases in Samoa**

**Diet-related non-communicable diseases (NCDs) are a major challenge in Samoa.** Around 85% of the population is overweight, and 54% is obese; and the incidence of diabetes and high blood pressure is high. These NCDs impose large – but often preventable – costs on the already overstretched Government health budget, and the economy more broadly. Real per capita expenditure on health care in Samoa is rising faster than real GDP per capita.

**Per capita consumption of fruits and vegetables in Samoa is very low by regional and global standards.** There is a need for increased awareness of the dietary benefits of fruit and vegetable consumption. Furthermore, despite having a large subsistence agriculture sector, households remain very vulnerable to increases in food and fuel prices. A large share of the existing demand for fruits and vegetables is being met by imports.

**The World Bank is supporting the Government of Samoa through the Samoa Agricultural Competitiveness Enhancement Project (SACEP).** This project recognizes that the Samoan agriculture sector is constrained by a mix of policy and institutional factors, which have combined to impede the productive potential of rural households and agribusinesses. The project has several components, one of which aims to enable interested fruit and vegetable growers to have access to new, higher yielding varieties, adopt improved technology and production techniques, make productivity enhancing on-farm investments, and organize themselves to strengthen their presence in the market and meet the demands of local retailers and foodservice operators for year-round supplies of fresh fruits and vegetables.

**SACEP is supporting the identification of fruit and vegetable varieties grown successfully elsewhere in climates similar to Samoa, and introducing these through nursery and on-farm trials.** The identification of successful varieties (such as of tomatoes, carrots and capsicums) has drawn on research in Samoa and elsewhere in the region. Previously, farmer access to improved breeding stock and planting material had been limited. The project is also supporting innovative new production technologies, farm operations and post-harvest handling techniques, involving the use of practices such as polytunnels and water harvesting/drip irrigation, to ensure year-round production of quality vegetables.

**At the same time as increasing domestic production of fresh fruits and vegetables, SACEP is partnering with the Samoan Ministry of Health to promote increased consumption of these products.** Media advertising campaigns combined with cooking demonstrations are about to be launched that will encourage consumption of fruits and vegetables. It is hoped that the year-round availability of fresh, locally-grown and affordable fruits and vegetables, combined with the Ministry of Health's promotional campaigns, will encourage a shift towards a healthier Samoan diet – and ultimately to a reduction in diet-related NCDs.

### 4.3 Agricultural development: gender equity, women's economic empowerment & health

19. **Globally, women make up a large part of the agricultural labour force, yet where women are the majority of smallholder farmers, failure to realize their full potential in agriculture is a contributing factor to low economic growth and food insecurity.** Women own fewer assets (land, livestock, human capital), and have less access to inputs (seeds, fertilizer, labor, finance) and services (training, insurance) than men. The right resources help rural women maximize economic opportunities, increase productivity, and improve food security, education and healthcare, since women tend to reinvest in their households. (Closing the gender gap could increase yields on women-run farms, which would contribute to raising total agricultural output in developing countries).

20. **Gender sensitive agricultural projects can help women to retain greater control over resources and have a say in choice of crops produced.** Making sure agricultural investments are designed to empower women and achieve gender equality has positive outcomes for nutrition, health and economic involvement. Providing women with greater access to land, finance, and production inputs is critical to closing the productivity gap between men and women. Along with productive and reproductive gender roles, women's education, social status, health and nutritional status, and control over resources are key factors that influence outcomes on nutrition.

21. **Investing in nutrition-sensitive agriculture can substantially improve health outcomes for women and their children.** In East Asia and the Pacific, the challenge is to address the overlapping burdens of undernutrition and overnutrition in many countries – the 'double burden' of malnutrition. Some countries have young child stunting rates (a sign of chronic undernutrition) amongst the highest in the world (including Timor-Leste, Papua New Guinea, Cambodia and Lao PDR); while others have the highest obesity rates in the world (notably the Pacific Islands). While there are many factors contributing to undernutrition and overnutrition in the region, improving the supply of nutritious food through appropriate agricultural interventions can play an important role in addressing these challenges.

22. **The World Bank Group is working towards positive outcomes in gender by making gender equality in the agriculture and food sector an explicit goal in its Agriculture Strategy.** Each project includes actions based on a gender analysis that aim to achieve positive gender outcomes, drawing on the *Gender in Agriculture Sourcebook* developed jointly by the WBG, the Food and Agriculture Organization of the United Nations, and IFAD.

#### **Box 4-4. The fruit of her labour: gender-equitable agribusiness in Papua New Guinea**

**The WBG recently completed a study of gender issues in three agribusiness supply chains in PNG – coffee, cocoa, and fresh produce.** Coffee and cocoa are – along with oil palm – the main cash crops in PNG, while the fresh produce industry has great potential, due largely to resource-led development, increased urbanization, and a general rise in standards of living. Women provide substantial labor in both coffee and cocoa cultivation, and they predominate in the fresh produce sectors. The report resulting from this study, entitled *The Fruit of Her Labour: Promoting Gender-Equitable Agribusiness in Papua New Guinea*, identified a number of lessons for ensuring gender-inclusive agricultural development.

**Women are key to quality: the specific tasks women undertake have a direct bearing on the quality of the final product.** Women are directly engaged at critical stages of coffee, cocoa and fresh produce production and processing, which substantially determines the quality of the final product.

**There is a substantial gap between the work done by women in the coffee and cocoa sectors and the benefit they obtain, since women do much (if not most) of the work, but have much less access to, or control over, the resulting income.** The economic incentives for women either to allocate sufficient labor to these tasks, or to do them well, are low. Women's access to the knowledge and skills required to carry out these tasks is extremely limited, as important gaps in education, literacy, and participation in extension and training activities persist. Wider socioeconomic factors in PNG also continue to exert a powerful influence on economic activity and on the performance of these supply chains. PNG society is largely patriarchal, and, even in matrilineal regions, men are seen as household heads and primary decision-makers. As a result, women have less access to, and control of, the resources needed to function economically, notably land and capital.

**The results of the study show that investments in agriculture in PNG must focus on women as key to quality, tackle gender differences in labour dynamics, improve the gender-responsiveness of key services, and address systemic barriers affecting supply chain performance.** Examples of specific activities to achieve this include: facilitating systems to support women in obtaining payment for their produce directly from the buyer; supporting the aggregation of production

by cooperatives or associations and groups in which women are represented – thereby taking decision-making outside the household; supporting training and sensitization efforts aimed at shifting cultural norms and mind-sets relating to women’s economic contribution; and addressing heavy demands on women’s time through provision of key household-level infrastructure services and labour-saving technologies to women to alleviate domestic workloads.

**The WBG has applied these findings to improve the gender inclusiveness of its work programs in PNG.** The joint IBRD-IFAD project on Productive Partnerships in Agriculture, which supports smallholder coffee and cocoa farmers, has recently employed a Gender Specialist who will support commodity exporters and others in structuring the design and delivery of extension and training services in ways that maximize women’s inclusion. A new IFC project emerged out of the collaboration on the *Fruit of Her Labour* report, to support the development of a formal fresh produce supply chain: the project aims to reach 10,000 farmers, the majority of whom will be women from the Highlands region.

#### **Box 4-5. Integrating women into sustainable coffee development in Indonesia**

**Women comprise 80% of the labour force on coffee farms in Indonesia.** However, these women are often excluded from capacity development opportunities, resulting in misallocation of training budgets. Equally, women traditionally bear responsibility for managing household health and lifecycle needs and are also the primary savers. Women’s roles vis-à-vis farm and agricultural labour differ based on geographic location and cultural groupings, and rural women’s literacy levels are far lower than men’s.

**The IFC is working with a Swiss coffee trader, with financing from Australia, to implement sustainable coffee supply chains in North Sumatra with full integration of gender-based activities.** More than 5,000 smallholder farmers have been reached with quality good agricultural practice training. Over 18 months, women’s attendance in training activities increased from 4 percent to 39 percent. This has enhanced their cultivation skills and has led to improved coffee productivity and quality, and to a consequent increase in household income. There is also a marked increase in the direct purchase of coffee from the farmers themselves. Feedback from local traders indicated that they have seen improved quality since women were included in training activities.

**This work has resulted in a series of practical recommendations on where, when and how to integrate gender into a project to increase women’s farming skills and improve overall coffee productivity and quality.** These include: adjusting training schedules and venues to encourage women to attend; using female trainers so that female participants feel more at ease; incorporating more visual training tools (such as videos and pictorials); and involving female farmer volunteers to persuade other women to participate in the training.

**This initiative has shown that when women hold significant roles in the value chain, greater development impact can be achieved when women hold greater responsibility in decision-making processes.** It is essential that this is based on a comprehensive understanding of the local socio-economic dynamics and indicators, particularly relating to the division of labour. This approach can be replicated across other commodities (such as cocoa and oil palm) where women are known to play a key role, but where they have not yet been adequately integrated into decision-making processes.

#### **Box 4-6. Partnering with the private sector to promote nutrition in Indonesia**

**Indonesia is the world’s largest producer of palm oil and has aggressive growth and development plans for the sector.** Currently, over 35 percent of Indonesia’s palm oil comes from over 1.8 million smallholder farmers. However, many of these oil palm smallholder communities, particularly the women and children, suffer from nutritional deficiencies and the consequent detrimental health impacts.

**The IFC and a leading Indonesian oil palm plantation company have partnered to develop a smallholder agricultural crop development program with a community nutrition focus.** The focus is less on nutrition education and more on nutritional awareness and dietary diversity. Such an approach provides a distinctive and local added value as part of a more conventional agricultural crop development project. The nutrition partnership is running parallel to a wider agricultural training program in which IFC is developing the capacity of the oil palm company’s employees to engage with small farmers outside of the company’s concession on improved agronomic and sustainability practices.

**The company’s agricultural extension workers focus on the household, which in turn provides better nutritional outcomes for women and children.** Specific training topics are targeted based on a thorough nutritional assessment of the community, and may include the importance of nutrition for pregnant and lactating mothers and young children; food myths vs facts; dietary diversity; and safe and healthy food handling. The extension workers also provide knowledge



support for farmers to produce their own food crops (fruits, vegetables) and simple animal husbandry (poultry, fish), which increases local food production significantly, reduces costs, and makes a diverse and nutritious diet more affordable.

**The partnership draws on key learnings from previous similar initiatives on nutrition and food security in agricultural development projects.** These include: focusing on areas where there is evidence of malnutrition but also where there is a robust rural livelihoods sector and the potential to address malnutrition using local production; utilize what is already available – whether it be existing extension agents and community women’s groups, or augmenting diets with locally-available food sources; embrace the essential role of women in agriculture and empower them through nutrition tools and knowledge (to also have the biggest impact on child health); and diversify landscapes in order to diversify diets.

#### 4.4 Current and potential role of the private sector in driving inclusive and sustainable agricultural development

23. **A dynamic private agribusiness sector linking farmers and consumers can be a major driver of growth in the agricultural and the rural nonfarm sectors.** Agribusiness is the off-farm link in agrofood value chains. It provides inputs to the farm sector, and it links the farm sector to consumers through the handling, processing, transportation, marketing, and distribution of food and other agricultural products. Thus, there are strong synergies between agribusiness and the performance of agriculture for development. Dynamic and efficient agribusiness spurs agricultural growth. Moreover, a strong link between agribusiness and smallholders can reduce rural poverty.

24. **Investments in agribusiness must seek to promote competitiveness and enhance smallholder participation, as market forces alone will not guarantee this.** Two complementary approaches can be followed to support agro-enterprise development for competitiveness and participation: improving the investment climate to induce the entry of private investors, particularly small and medium enterprises; and targeting bottlenecks in small and medium agro-enterprise development along the value chain. Targeted public-private sector partnerships (PPPs) and corporate social responsibility initiatives are instruments to promote smallholder participation.

25. **The WBG is the main multilateral organization that offers direct advisory services to governments on structuring PPP transactions.** WBG advice helps governments achieve long-term economic growth and better living standards by harnessing the potential of the private sector to increase access, enhance quality, and improve the efficiency of public services. The IFC has made agribusiness a priority because of its potential for broad development impact and especially strong role in poverty reduction. In the fiscal years 2013-2015, the IFC invested an average of US\$3.9 billion annually across the agribusiness supply chain—from farm to retail—to help boost production, increase liquidity, improve logistics and distribution, and expand access to credit for smallholder farmers.

##### *Box 4-7. Private sector driven development of a hazelnut industry in Bhutan*

**The IFC is supporting the expansion of the Mountain Hazelnut Venture Private Limited, a smallholder farmer-based project that seeks to take advantage of the growing demand for hazelnuts from confectionary and snack producers.** Farmers will grow hazelnuts to generate income on degraded, unused land, which would otherwise be left barren. The project will support the development of a structured marketing system for hazelnuts produced by smallholder farmers, linking them to an international supply chain. Project areas are mainly in the Eastern and Central regions; the attractive returns for farmers are expected to reduce urban migration towards the capital, where jobs are limited.

**The company’s expansion program includes capital expenditure for a hazelnut processing facility, collection centers and vehicles, as well as investments in nursery operations, planting and tree distribution, and farmer training and monitoring.** Farmers grow and maintain the trees under the supervision of the company; hazelnut trees are provided at no cost to the farmers. Once the trees start producing sizeable amounts of hazelnuts, the company will purchase the crop from the farmers at a guaranteed minimum price and market the nuts to international purchasers after initial processing.

**The additional earnings from hazelnut sales are projected to eventually double the household incomes of a large portion of participating farmers.** The Project is expected to eventually involve 15,000 farmer households: including all farmer household dependents, this translates into a project impact on approximately 15% of Bhutan’s population.

**Over time, the project will create over 400 additional jobs at MHV and expand existing linkages with approximately 1,200 entrepreneurs offering support services (e.g., trucking, construction).** Female employment is expected to triple and grow from 29% to 50% until 2020. The first commercial volumes of hazelnuts are expected in the second half of 2016.

#### **Box 4-8. Increasing rural incomes through palm oil in Indonesia**

**Palm oil is the world's most traded vegetable oil.** Palm oil trees produce the largest yield of vegetable oil per hectare by far, and the crop has demonstrated efficacy in reducing poverty in many areas of Southeast Asia and Africa. Indonesia is the world's largest producer of palm oil and has aggressive growth and development plans for the sector. Currently, over 35 percent of Indonesia's palm oil comes from smallholder farmers.

**To date, independent smallholders have been largely ignored by plantation companies and the government, which has meant that their knowledge of oil palm agriculture is very low.** Such a situation has resulted in a number of deleterious consequences, primarily the expansion of independent smallholder farmers into forested areas, and the due to the phenomenal ongoing global demand for palm oil and its derivative products, extensification of extremely low yielding farmer and plantation company plots at the expense of peatland and high biodiversity areas.

**A partnership between the IFC and an Indonesian oil palm plantation company is supporting the training and support of rural smallholder oil palm farmers to produce sustainable palm oil as part of a completely new and fundamental approach to their individual land plots and agribusiness.** The IFC coordinates and manages a program that is developing the capacity of company employees to work as agricultural extension workers with independent smallholders outside of the company's oil palm concession. The training focuses access to knowledge, access to finance, and access to markets, in order to improve smallholder yields and sustainability in their production. Independent smallholders are aggregated into farmers groups, in order to both support agricultural training efficiency, to develop a stronger unified bargaining position with external partners and stakeholders, and to ensure an increase of peer to peer knowledge sharing.

**The Project is expected to involve 5,000 farmer households in North Sumatra.** It has a target of training 100,000 farmers, continuing the partnership with the company. Farmers will be able to harvest both better quality and a higher yield of oil palm. This will result in a higher income compared to the counterfactual of no training and no education to the farmers. It is anticipated that, depending on seedlings, additional earnings from oil palm sales would rise by as much as 35%.

## **5 The WBG's relationship with the Australian Government**

26. **Australia joined the IBRD in 1947, paying in capital of US\$2.8 billion, and was a founding member of IDA in 1960. It joined IFC on 20 July 1956, paying in capital of US\$47.3 million.** Each of the IBRD and IFC's member countries appoints one Governor and one alternate Governor; for Australia, these positions are typically held by the Treasurer and the Parliamentary Secretary to the Treasurer. Corporate powers are vested in the Board of Governors, which delegates most powers to an Executive Board of 25 Directors. The Directors meet regularly to review and decide on investments, development interventions, and provide overall strategic guidance to IFC management. Australia is represented on the Board of Directors and shares the Executive Director position with Korea. The current Executive Director is Sung-Soo Eun.

27. **Australia is an active and vocal member of IBRD, IDA, MIGA and IFC, an influential member of the Executive Board, and a close partner to IFC, IBRD and IDA in the Indo-Pacific region.** Australia has also been a long-term strategic donor to IFC's Advisory Services, contributing US\$107 million between FY04 and FY14, of which 85 percent was for advisory services in the East Asia Pacific region. Australia's commitments to the Pacific Facility in support of IBRD and IDA operations in the Pacific have totaled A\$43 million during this period, while contributions to the PRIF trust fund (which primarily co-finances infrastructure investments in the Pacific) has totaled A\$88 million since 2008.

### **5.1 Australia's contribution to the WBG's agriculture portfolio**

28. **Australia has made significant contributions to the WBG's agriculture portfolio in the Indo-Pacific region,** through support to global funds such as the Global Food Crisis Response Program (GFRP) and the Global Agriculture and Food Security Program (GAFSP), investments in country programs, and supporting analytical and advisory work.

29. **The Government of Australia contributed A\$50 million to the GFRP multi-donor trust fund.** The GFRP was the WBG's response to the food price crisis of early 2008, which mixed fast-track funding from IBRD and IDA with trust fund

grants to help clients address the immediate food crisis, while encouraging agricultural policies that would increase resilience in the future. Over \$1.5 billion in financing was provided through IDA, IBRD and externally-funded Trust Funds (including the contribution from Australia). The World Bank engaged with a wide variety of partners, including the UN High Level Task Force on the Global Food Security Crisis, UN Agencies, bilateral donors, civil society and the private sector in responding. The GFRP supported several interventions in the Indo-Pacific region, specifically in Cambodia, Kiribati, Madagascar, Solomon Islands, Timor-Leste, Lao, Philippines, Tonga, Samoa and Vietnam<sup>7</sup>.

30. **The Government of Australia has contributed US\$98.4 million to the GAFSP public sector window and US\$5.8 million to the GAFSP private sector window.** The GAFSP was launched to address funding gaps in longer-term agriculture and food security strategic investment plans already developed by countries. It is a multilateral mechanism to improve incomes and food and nutrition security in low-income countries by boosting agricultural productivity. The public sector window of GAFSP helps governments to implement national agriculture and food security plans, and has funded several initiatives in the Indo-Pacific region - including in Kenya, Tanzania, Bangladesh, Nepal, Mongolia, Bhutan, Lao PDR, Cambodia and Timor-Leste. The goal of the private sector window is to support sustainable agriculture, especially for smallholder farmers, provide demonstration effects, and extend financing to agribusinesses in IDA-eligible countries. Examples of projects funded by the GAFSP private sector window are provided in Boxes 3.4 and 3.7.

31. **Australia has provided support to several country programs in the Indo-Pacific region, including a contribution of A\$16.2 million in support of the IFC Partnership in Indonesia since 2006.** Australia's contribution was directed in particular towards facilitating PPPs, including in the agribusiness sector. Successful agricultural partnerships supported by Australia include the certification of coffee farmers and increasing of coffee farmer productivity (see Box 4.5).

## 5.2 Future Engagement

32. **The WBG looks forward to a continued strong collaboration with Australia on agricultural development in the Indo-Pacific region.** Australia has proven to be a valuable partner in implementing a diversity of projects in the agriculture portfolio. Future collaboration will draw on lessons learnt from previous work to ensure that resources are used effectively to facilitate a dynamic agricultural sector that reduces poverty and promotes shared prosperity.

33. The WBG has identified four priority areas for this collaboration: food safety, nutrition-sensitive agriculture, a landscape approach to climate resilience, and value chain development. Potential areas of engagement could be:

- a) **Food safety:** Given the expected population increases and rapid urbanization throughout the region, agricultural trade is expected to dramatically increase. As such, it is critical to ensure that there are robust food safety systems to safeguard consumers as well as enhance domestic and international trade. This will require support to enhance capacity building as well as infrastructure in many countries.
- b) **Nutrition:** Australia funded the recent development of a *WBG Multi-sectoral Engagement Strategy and Action Plan for the Double Burden of Malnutrition (2015-2020)* in East Asia and the Pacific. This Plan will provide an essential framework for WBG nutrition and agriculture staff to adopt an evidence-based, multi-sectoral approach to address the double burden of malnutrition – and provides a natural entry point for the identification of opportunities to mainstream nutrition concerns into agricultural production.
- c) **Climate resilience:** The current El Niño phenomenon across the Pacific has highlighted the continued importance of encouraging climate smart agricultural practices to increase farmers' resilience to extreme climatic events. The WBG has recently sought Australia's concurrence to the extension of the GFRP closing date to allow for the remaining funds to be used to support countries in adapting to such events.
- d) **Value chain development:** Improving productivity is necessary to facilitating agricultural development, but it is not sufficient – support must be given to all actors along the value chain to ensure that farmers are well linked to markets. Value chain development is a priority for the WBG across the Indo-Pacific, and further opportunities to benefit from Australia's extensive experience in this field would be welcomed.

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<sup>7</sup> In Tonga, in partnership with IFAD, GFRP financed the development of the agriculture and fisheries sector plans, which identify priorities for achieving sustainable food and nutrition security; as well as development of a proposal for GAFSP funding – and is thus leveraged to allow for a broader impact on the agricultural and fisheries sectors. In Samoa GFRP provided US\$5 million to co-finance SACEP.