

Poverty Analysis in Agricultural Water Operations

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Outline

- 1. Background and Rationale**
- 2. The two-phase study**
- 3. Review of Bank AWM operations:**
 - Good practices**
 - Key weaknesses**
- 4. The case for change and proposed next phase**

Background and Rationale

- Renewed attention to persistent rural poverty and agricultural growth
- Empirical evidence showing how agricultural water investments contribute to boost economic growth and poverty reduction

Reaching the Rural Poor: A Renewed Strategy for Rural Development, 2003

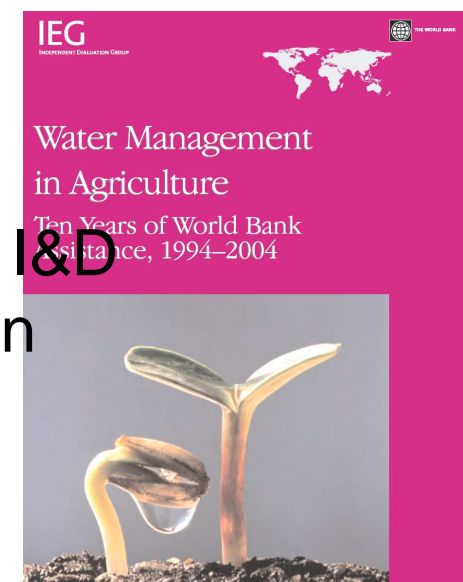


WORLD DEVELOPMENT REPORT 2008

Agriculture for Development



- Reviews of Bank portfolio have shown that I&D projects could do more for poverty reduction



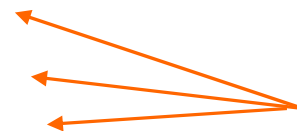
Background and Rationale

- Long term debate on whether agricultural water is in fact pro-poor

Fueled in particular by disappointing returns and sustainability issues in 1980s and 1990s

- Three major principles for poverty reduction (World Development Report 2000/2001):

- (i) promoting opportunity;
- (ii) enhancing security; and
- (iii) facilitating empowerment



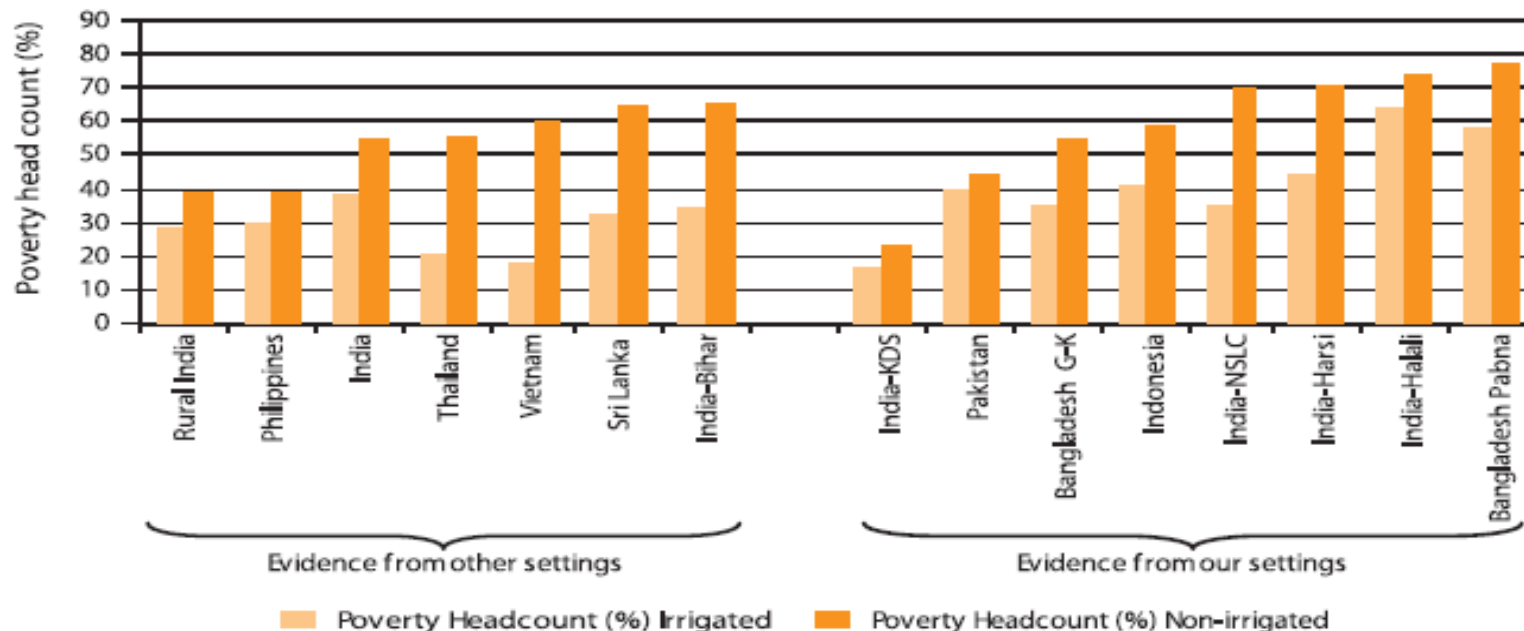
Agricultural water
could contribute to
all three

Background and Rationale



Empirical evidence: IWMI/ ADB study

- Agricultural water investments do reduce poverty
 - Through three direct first-round effects: increased food output, higher demand for employment, and higher real incomes
 - Through a multiplier effect
 - Vulnerability reduction is an important component



Background and Rationnale



Empirical evidence: IWMI/ ADB study

➤ But, there are limitations

- Still many poors in irrigated areas (tail enders...)
- Can have direct negative impacts on the poor: Less poverty reduction where landholdings inequitably distributed

Conclusion:

Attention to pro-poor design of projects can increase poverty reduction impact without reducing the efficiency of the investment as a driver of growth.

Background and Rationale

IEG review of 10 year investment in AWM



- Agricultural water boosts growth and reduces poverty directly and indirectly

BUT

- Projects could have achieved greater poverty reduction impacts if analysis, design and results measurement had been improved.
 - Design of Bank agricultural water management projects for poverty impacts is weak.
 - Targeting and measuring poverty reduction is done for only a minority of projects.
 - Social analysis is not finding out who the poor are, nor why they are poor.

The two-phase study

Review of the treatment of poverty in recent Bank-financed agricultural water projects, with the objective to:

Phase 1

- (1) assess the quality of poverty analysis in the most recent Bank-financed agricultural water projects;
- (2) evaluate their contribution to poverty reduction and its measurement; and

Phase 2

- (3) recommend ways to improve pro-poor results of agricultural water projects and to prepare tools and methodologies that could help achieve that.

Phase 1: Review of Bank AWM operations

Sample:

- 21 representative projects from FY04/ 05
- 6 good practice completed projects from the IEG review

These include 18 dedicated projects and 9 non-dedicated projects.

Approach:

- PADs and ICRs reviewed and rated on:
 1. Poverty analysis
 2. Pro-poor design
 3. Economic and financial analysis
- Interviews with operational staff and economic management/ social development specialists

Phase 1

Main findings: some projects have tried to maximize the poverty reducing impact

In the more pro-poor projects:

- The project have been designed with the poor in mind
- The poverty problem has been analysed
- Targets and indicators have been set that illustrate the poverty reduction results
- Provisions have been made for monitoring and evaluating the results.

Phase 1

Good practice: India Madhya Pradesh Water Sector Restructuring Project

- The project fits well with national and state strategy for poverty reduction
- The design is clear about the beneficiaries and their incomes.
- The poverty reduction model is clear.
- Social analysis drove the pro-poor design.
- This pro-poor design was helped by a preparation process that considered the poor

Phase 1

Most common weaknesses:

- Rarely a sense of agricultural water projects as part of a coherent *poverty reduction strategy*
- The *poverty reduction process* supported by the project was often not explicit
- The *technical design* of projects rarely considered alternative pro-poor options
- *Financial analysis* usually stopped short of distributional analysis
- *Social assessment and social analysis* were unclear on relationships between social development objectives and poverty reduction.
- The relationship of *institutional design* to poverty was not always coherent.
- *Risks and alternatives* related to poverty were generally not fully considered.
- *M&E systems* typically did not set poverty targets or intermediate results or provide a clear picture of progress against poverty related targets
- *Employment aspects*, important for the landless poor, were often not considered.

The case for change and proposed next phase

Proposed phase II:

“Sourcebook on Improving Poverty Reduction Performance of Agricultural Water Operations”

*Would include a series of Guidance Notes on specific topics:
measuring poverty in irrigation project investments, manage integrated
teams and approaches , choice of irrigation as a poverty-reducing
investment...*

*Guidance Notes could be written in collaboration with external
partners*

THANK YOU

Review of Bank AWM operations

...but generally many opportunities are being missed

Many projects are less clear in their pro-poor approach and results measurement:

- In most project documents the treatment of poverty is hesitant and scattered.
- In many cases significant poverty reduction may be achieved but it is not adequately analysed and measured.
- In other cases it is likely that changes to project design could have increased poverty reduction effectiveness or mitigated negative impacts on the poor.

The case for change and proposed next phase

It is certainly possible to improve poverty reduction impacts in Agricultural Water Projects through better analysis and design

There are three reasons why change is worthwhile.

- improved design and results measurement would add value and *contribute further to poverty reduction.*
- the changes required are more in terms of better linkages and synergy than a wholesale change in the way of doing business, so that *costs need not be excessive.*
- improving and demonstrating poverty reduction impacts would *revive and reposition the sector*

Review of Bank AWM operations

What lies behind these weaknesses?

Four causes of the characteristics highlighted above are suggested:

- lack of clarity about agricultural water's role in poverty reduction
- a lack of strategic focus
- a lack of appropriate tools
- a lack of knowledge and incentives to address the poverty issue