



ARD WEEK 2009

# AGRICULTURE IN A CHANGING WORLD

# Rural Investment Climate Assessment

*Laying the groundwork for poverty reduction  
through rural prosperity*

**John Lamb  
Naotaka Sawada  
Samjhana Thapa**

**Rural Investment Climate Team  
Agrobusiness Team**



ARD WEEK 2009  
**AGRICULTURE IN A CHANGING WORLD**

**ARD**  
AGRICULTURE  
AND RURAL  
DEVELOPMENT

# What comprises the Rural Investment Climate?

## 1. Enabling Environment

- Rural Policies
- Regulatory Framework
- Availability and Quality of Infrastructure & Public Services

## 2. Availability of a Healthy and Appropriately Educated/Skilled Labor Force

## 3. Access to Financial and Business Development Services



# Why worry about the Rural Investment Climate?

- **WDR 2008: Agriculture for Development** noted the two sides of a dynamic rural economy
  - **Rapid agricultural growth**
  - **Solid non-farm enterprise growth**
- Improvement in the rural investment climate helps eliminate constraints to new enterprise formation and long-term viability



# How can RIC Assessments help?

- 1. RIC Surveys provide baseline data on**
  - (i) Rural non-farm businesses and performance
  - (ii) Entrepreneurship
  - (iii) Investment climate constraints
  
- 2. Most Valuable for:**
  - (i) **Policy dialogue** and development priority setting
  - (ii) **Strategy formulation**
  - (iii) **Baseline information** for SME projects



# What does an RIC Survey consist of?

- 1. Aggregate Fact Data Sheet:** Regional Level of Data Collection;
- 2. Community Questionnaire:** Community Characteristics; Availability of Infrastructure and Financial Services; Local Governance; Social Cohesion; main Economic Activities; Taxes, Prices, Business Associations, etc.
- 3. Household Questionnaire:** Household Characteristics; Possible Constraints for Starting Business; Possible Causes of Closing Business; Identification of Household Enterprise
- 4. Enterprise Questionnaire:** Economic Activities; Ownership; Supply; market; Sales; Assets; Finance; Infrastructure; Labor; Information; Technology; Conflict



# Milestones in RICA History at the Bank

- 1. Six Pilot Projects:**  
(i) Sri Lanka 2003; (ii) Nicaragua 2004; (iii) Tanzania 2005;  
(iv) Indonesia 2006; (v) Benin 2006; (vi) Ethiopia 2006
- 2. “The Rural Investment Climate: It Differs and It Matters”** Report No. 36543-GLB 2006
- 3. “Rural Investment Climate Assessment Implementation Manual”** 2006; Under revision 2009
- 4. “The Rural Investment Climate: Analysis and finding”** Report No. 44009-GLB 2008
- 5. Various Research papers** including background papers



## **General Findings from the Surveys**

- 1. Rural Enterprises tend to be small**
- 2. Many are informal (i.e. not registered)**
- 3. The majority by far are household based**
- 4. Most trade only in the local market**
- 5. High rate of start-up & closing**
- 6. Usually finance through own savings and informal sources**



# Useful Findings from the Analysis

- 1. Better Household Income:**  
Rural HHs with nonfarm enterprises significantly better off than those relying solely on agricultural income (Nicaragua)
- 2. More in Rural Town and Women:** Rural business activity more prevalent in rural towns and especially important to women (Ethiopia)
- 3. Rural Nonfarm business Complementary to Agriculture:**  
Enterprise sales are strongly correlated with agricultural performance of local and adjacent communities (Ethiopia)
- 4. Nonfarm Business Helps Food Insecure HHs:**  
They generate an important source of additional income (Ethiopia)
- 5. SMEs Boost the Incomes of the Poor Directly:**  
SMEs tend to employ poorer people so stimulate growth (Indonesia)



# Useful Findings from Cross-country Comparisons

1. Definitions of “rural” vary between efforts
2. Differences in questions asked
3. Differences in culture and understanding of translated concepts
4. Limited training and instructions of survey teams



# Lessons Learned

## 1. Survey Design and Its Instruments:

Instruments are quite unique; most of the pilots had very long questionnaires, which contributed to higher costs; core questionnaires were not standardized

## 2. Management and Oversight of the Surveys:

Databases are not consistent in structure and variable names; management of the survey was controlled individually.

## 3. Focus Was More on Research, but not on Policy

**Recommendations:** RICS I and II focus was more on research than country clients would have wanted; some countries felt they lost ownership of the recommendations.



# Improvements Underway for RIC3

## ➤ **Survey Design and Its Instruments:**

- Survey questions are being much reduced to be more cost effective

## ➤ **Management of the Surveys:**

- ARD staff will take more active management of the surveys, from sampling design to data cleaning
- Core variable names and database to be standardized

## ➤ **More Focus on Operationalization of Policy Recommendations:**

- Build country ownership from the beginning
- ARD to provide support in analytical work and formulation of policy options (standardize potential policy recommendations)



## What Will Change?

1. **Costs will be reduced** (while preserving or improving quality of the survey data)
2. **Cross country analysis and comparison will be facilitated** through standardized databases
3. **Definition of policy options (recommendations?) will be more explicit and linked to Bank products** such as CEMs or CASs through standardization
4. **More operationalization** through a priori linkages to lending projects and more Government ownership the RIC process



# Any Comments or Suggestions?

1. On RICA concepts and approach
2. Re usefulness of RICS/RICA
3. How to better connect substantively and practically with Bank operations as well as major projects supported by client government

