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Activity Details (ID 1474)**ACTIVITY OVERVIEW**

Activity Title:	Integrated Weather Risk Management for Sustained Growth in Burkina Faso		
Amount Approved:	\$50,000.00	Status:	Active
Track:	2		
Actual Start Date:	01/30/2008	Original End Date:	
Revised End Date:		Actual End Date:	

Summary of activity and implementation strategy:

Burkina Faso's economy has been dominated by cotton production, on which 2.5 million people depend for their livelihood. However, cotton yields have decreased from 1,124 kg/ha in 2004/2005 to 920 kg/ha in 2006/2007 due to irregular, insufficient and unpredictable rainfalls, thereby severely affecting the poor. The next World Bank Country Assistance Strategy (CAS) will identify risk reduction and revenue increase for rural households as key targets to match Government's poverty reduction strategy. Over the past three years, the cotton sector in Burkina Faso has accumulated around USD100 million in net loss (or close to 2% of GDP) from a combination of exogenous shocks. It has been estimated that over half of this loss --which more or less equals to the amount IDA provides each year in budget support to the country-- could have been avoided had adequate hedging instruments been available. This proposal suggests the development of new emergency relief systems in Burkina Faso by building on recent innovations in resource mobilization, and, to the extent possible, by shifting away from ex-post disaster relief to ex-ante risk management as the modus operandi for response to emergencies. The proposed work will provide analytical grounds for the forthcoming Country Economic Memorandum on shared growth scheduled for December 2008 as well as the CAS, with the objective of mainstreaming disaster reduction in the country's poverty reduction strategy while providing Government with the required tools to deal with weather risks hedging.

Objective and Impact Assessment:

The proposal will help minimize the poor's vulnerability to poor cotton harvests by enabling Government to provide safety nets through the development of early warning systems and cost-effective risk mitigation in order to enhance shared growth and reduce poverty. It will ensure Government ownership of strategies targeting disaster reduction and recovery, to which the client has already shown commitment. It is necessary to achieve emergency preparedness when developing risk mitigation strategies. An additional purpose of this demand-driven work is to disseminate knowledge about documented lessons learned in order to better deal with future risks. This shall be done through various knowledge sharing events. The timeline for this work is expected to cover FY08 through FY12.

Approach and schedule:

The proposal will be based on recognized international expertise in weather indexing and monitoring, risk transfer and marketing of ex-ante market-based instruments to advise the Government of Burkina Faso on developing a portfolio of risk management tools. It will assess the feasibility of using index-based weather derivative contracts to transfer the financial risks pertaining to irregular rainfalls that impact cotton production as well as the Government's budget to the international risks market. The Ministry of Finance and Economy, in collaboration with the Ministry of Agriculture, will be our key counterparts. This study will be conducted in coordination with AFD (French Development Agency) which has developed reputable expertise on related issues (such as transferring commodity price risks through market-based instruments). Results of the study will be disseminated during the preparations of the CEM and the CAS (Strategy Week in Ouagadougou, seminars on shared growth, etc.) as well as within the CGAB (Cadre Général des Appuis Budgétaires), the multi-donor group coordinating budget support. Targeted audiences are Government officials responsible for budget management, cotton producers (through the AICB or Confederation of Peasant Farmers of Burkina Faso), ginning companies, domestic banks and international re-insurance companies. This study will start as soon as funds are available. An initial draft will be presented to the client government in April 2008. The final report will be delivered to the client in December 2008 and dissemination activities will shortly after. This timeline matches the preparation of the next CAS in FY 08 which will design the World Bank's assistance strategy to Burkina Faso for FY 09 through FY12. Preliminary findings from the study might help in the preparation of PRSC-8.

Coordination Issues:

This proposal fits into an earlier identification mission IDA (ARD) and AFD (French Development Agency) conducted in April/May 2007 to explore the feasibility of developing risk-transfer instruments for the cotton sector in conjunction with a smoothing fund designed to stabilize producer prices. IDA (AFTSN) has since then proposed specific parameters for a financially sustainable smoothing fund at the request of the authorities. This work also supports the Government's effort in diversifying away from cotton through PAFASP (agro-pastoral project), led by AFTAR. This proposal, in a context of CAS preparation and the related production of a Country Economic Memorandum, will, in close collaboration with ARD and AFTAR, complement the proposed work agenda by focusing on weather risk transfers.

Government authority endorsing this proposal:

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COUNTRIES & REGIONS SUPPORTED

Country(s):	Burkina Faso
Region:	Africa

BANK PROJECTS SUPPORTED

Project ID	Project Name	Region	Country
P083830 (primary)	Dropped: BF-CEM	AFRICA	Burkina Faso
P111378 (primary)	Burkina-Faso CEM	AFRICA	Burkina Faso

CONTACTS

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IMPLEMENTATION RESULTS & GOOD PRACTICES

<p>REPORTING PERIOD (01/01/09 - 06/30/09)</p> <p>Primary Nature</p> <ul style="list-style-type: none"> Disaster Risk Reduction and Financing for Sustainable Development <p>Expected Outcomes</p> <ul style="list-style-type: none"> Specific policies and plans are being implemented to reduce the vulnerability of impoverished groups. <p>Result Indicators</p> <ul style="list-style-type: none"> The development and strengthening of institutions, mechanisms and capacities to build resilience to hazards <p>Output Indicators</p> <ul style="list-style-type: none"> Risk assessment
