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# **Toward Sharpening the Focus on Rural Poverty: A Review of World Bank Experience**



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## Acronyms and Abbreviations

ASR	Agricultural Sector Review
CAS	Country Assistance Strategy
CDF	Comprehensive Development Framework
CGAP	Consultative Group to Assist the Poorest
DEC	Development Economics
EHS	Education, health, and social sector
ERR	Economic rate of return
ESW	Economic and sector work
GDP	Gross domestic product
HNP	Health, nutrition, and population
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IDG	International Development Goals
IFAD	International Fund for Agricultural Development
M&E	Monitoring and evaluation
NGO	Nongovernmental organization
OED	Operations Evaluation Department
PA	Poverty Assessment
PAD	Project Appraisal Document
PF	Poverty-Focused
PREM	Poverty Reduction and Economic Management Network
PRS	Poverty Reduction Strategy
PRSC	Poverty Reduction Support Credit
PRSP	Poverty Reduction Strategy Paper
PTI	Poverty Targeted Interventions
QAG	Quality Assurance Group
RDS	Rural Development Strategy
RDV	Rural Development Department
SAR	Staff Appraisal Report
SIDA	Swedish International Development Cooperation Agency
TFP	Total Factor Productivity
TOR	Terms of Reference
WBI	World Bank Institute
WDR	World Development Report

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## Summary

1. This report presents the findings of a limited-scope study to evaluate the performance of World Bank processes in addressing rural poverty. The study, a desk review, analyzed available portfolio data and documentation, mainly Country Assistance Strategies (CASs), Project Appraisal Documents (PADs), past Operations Evaluation Department (OED) and Quality Assurance Group (QAG) findings, and a brief literature review. It did not include any field evaluation of rural poverty outcomes beyond drawing from the database and the findings from a sample of recent project performance assessments. The purpose of the study was to obtain some preliminary understanding of how well the rural family (the Bank's Rural Board, Rural Development Department, Rural Sector Units, and Thematic Groups) is performing on rural poverty design and to feed those findings into an update of the Bank's strategy—*Reaching the Rural Poor*. The study builds on the OED *Vision to Action* Phase I and Phase II studies and the OED study *Poverty Reduction in the 1990s* (Evans 2000a).

2. The Phase I OED study found that only 36 percent of Bank rural staff were satisfied that the policy dialogue bearing on rural development addressed rural poverty effectively, and only 48 percent were satisfied that the design of rural development projects addressed rural poverty effectively. Phase II, which surveyed stakeholder groups in five countries (Latvia, Morocco, Mozambique, Peru, and the Philippines), found that only 36 percent of respondents were satisfied that the Bank was effective in promoting a sustained reduction in rural poverty, with the donors even more lukewarm at only 18 percent satisfied. It was against the background of these disappointing ratings on rural poverty by staff and stakeholders that this Phase III investigation was initiated.

3. The evaluation addressed five questions, with a predominant analytical focus on the last one:<sup>1</sup>

**(1) What should the revised strategy say about the kinds of investment and the policy conditions, needed to deliver equitable and sustainable agricultural productivity growth?**

The literature and lessons of experience suggest that the updated strategy, *Reaching The Rural Poor*, should signal that:

- Growth is good for poverty and rural growth contributes strongly to reducing rural poverty and moderately to reducing urban poverty
- The spatial dimensions of rural poverty are important and sectoral analysis should particularly address vulnerability, inequality, and asset distribution
- Research, infrastructure, and education should be priority areas
- Focusing on institutional strengthening, including decentralization, is particularly important
- Increasing agricultural productivity remains fundamental
- Casting program and project rationales within a framework of promoting opportunity, facilitating empowerment, and enhancing security would help to clarify the logical connections in poverty interventions
- There are no blanket solutions and, therefore, country-specific analysis is essential.

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1. Management notes that this evaluation focuses predominantly on the direct, project-based approach to rural poverty reduction. It is unlikely that the World Bank can assist most countries in substantially reducing rural poverty only by directly reaching the rural poor through Bank-supported projects. While analytically much more difficult, the evaluation does not address the often more powerful indirect effects. Through its economic and sector work, policy dialogue, and lending, the Bank has worked to assist countries to address policy distortions negatively affecting sustainable rural development, such as excessive tariffs on imports, taxation of agricultural exports, distorting agricultural subsidies, and financial repression. These policy changes by client countries have contributed to rural poverty reduction.

**(2) What is known about changes in the volume, profile, and performance of rural lending and about the reasons for those changes?**

The share of Bank lending to the rural sector has declined from about 30 percent in 1978–81 to about 17 percent in the early to mid-1990s, with a recent peak of 21 percent in 1997, down to 10 percent in 2000. This decline is substantially greater than the decline in either the aggregate share of agriculture in GDP (gross domestic product) or in the rural sector’s share of the poor. The reasons for the decline in Bank rural lending appear to include economic and sector work (ESW) that is low in volume and insufficiently convincing, modest project performance levels, weak Bank incentives for poverty alleviation results, increasing pressure on Country Directors to achieve results at low cost and low risk (whereas rural projects have high cost and quite high risk), comfort about global food production, and weak borrower demand (itself associated with some of the above factors). Rural project performance has been variable. It was significantly below the Bank average for the first third of the decade, parallel to the Bank average for the second third of the decade, and below the Bank average for the last third.

**(3) To what extent is the Bank lending to the rural poor?**

The data show weak targeting of the rural portfolio to the poorest countries or regions within countries. Sectorally allocable rural commitments per rural poor person are substantially lower in poor countries and regions than in less-poor countries and regions. In recent years there has been no increase in the share of rural Poverty Targeted Interventions (PTIs) with specific mechanisms for targeting the poor, policy reform that corrects distortions detrimental to the poor, or a reorientation of public expenditure toward services for the poor. While it must be acknowledged that the Bank’s program of assistance to the rural poor extends beyond the rural portfolio—because it includes sector work, policy dialogue, and lending that indirectly affects rural populations—the impact of these broader initiatives is not now being measured and may be negative as well as positive. In the absence of a more comprehensive metric, the rural strategy should at least pay close attention to the orientation of lending that is explicitly directed at rural populations.<sup>2</sup>

**(4) Was the original *Vision to Action* strategy appropriate, and was it applied? In particular, what did the *Vision to Action* program achieve with its 15 focus countries?**

OED’s 1999 study *Rural Development: From Vision to Action?* found the strategy to have strengths in its substantive content, analysis of past rural development performance, proposals for improvements, and realism (by not calling for increased funding). However, the study also found weaknesses in impact, awareness of the strategy, lack of clarity of main messages, and diffuse accountability. This study confirms those findings. In the PAD review undertaken by this study, the quality of poverty analysis in relation to the four *Vision to Action* goals—poverty reduction; widely shared growth; household, national, and global food security; and sustainable natural resource management—was found to be satisfactory in only 36 percent of

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2. Management agrees that the design of the overall Bank assistance program—including ESW, policy dialogue, and lending, in the context of the country’s own poverty reduction program and support from other development partners—is the most important element in effectively helping countries reduce poverty, notably rural poverty. Therefore, measuring the geographic destination of a subset of Bank projects, excluding other Bank lending, other forms of Bank assistance, and support from development partners, is not likely to be a good measure of the effectiveness of Bank assistance in helping countries reduce rural poverty. For example, the bulk of IDA assistance to South Asia goes to support rural poverty reduction, a fact that is not picked up in the report. Additionally, recipients of Bank lending must be able to effectively use it if poverty reduction is to be achieved, a factor that is not taken into account in looking just at the geographic distribution of lending.



post-strategy PADs. The weakest of the four areas were poverty reduction and food security. Attention to poverty reduction was found to be improving, but not attention to food security.

Overall, program performance in the 15 focus countries can be rated only modest. The rural strategy in a sample of 11 of these 15 countries was rated somewhat higher than in non-focus countries, although the increase in expenditure under the Strategic Compact-funded areas (ESW, project preparation, and supervision) was actually lower than in non-focus countries. Since *Vision to Action*, the volume of rural lending to the focus countries rose marginally compared to a slight fall for the same countries across all sectors over the same period. The performance of rural lending to the focus countries was only marginally better than the all-rural average. However, institutional development impact rose substantially.

**(5) How well does the sequence of poverty diagnosis, strategy, and design function in the development of relevant and effective rural poverty interventions?**

Rural poverty analysis remains quite weak, although it has improved since the pre-strategy period. At the country program level, CASs are generally good as overview strategic documents, albeit still not strong on many aspects related to rural poverty. However, the baton is often dropped in moving to the lending program and the PAD. Weaknesses in PADs include limited discussion of livelihoods and vulnerability, lack of attention to food security, absence of analysis of gainers and losers, and lack of measurable poverty-related performance indicators. There appears to be a dearth of clear and brief rural strategy statements lying in the important intermediate sector strategy zone between CASs and PADs.

**Earlier OED Findings**

4. The Phase I study recommended:

- Development of a Quality Enhancement Action Plan by the Rural Sector Board
- Exploration of revisions to the budget-coding system
- Publicizing examples of good practice and drawing rural family attention to them
- Taking special steps to involve Country Directors in revising *the strategy*, including eliciting their support for the Rural Scorecard
- Conducting a new survey of staff competency and review of training requirements.

Action was taken in all these areas except in the coding changes, where only minor adjustments were made. Phase II recommended:

- Consulting stakeholders outside the Bank in the process of updating the strategy
- Preparation of Regional Action Plans
- Improving the linkage between the five strategic principles in *Vision to Action* and the overarching goal of poverty reduction
- Emphasizing in the updated strategy the multifaceted nature of rural livelihoods
- Clarification of the links to urban development
- Improving the coding system.

Apart from the coding system changes, these recommendations appear to have been largely adopted for the ongoing strategy update. The outcome is not yet evident as the strategy is still being developed. The recommendations outlined below build on those of the Phase I and II studies.

5. The findings of this study are largely consistent with the earlier OED study *Poverty Reduction in the 1990s* (2000), which found, with reservations, that “poverty concerns and the strategy for poverty reduction have entered the mainstream of the Bank’s country assistance work.” It also concluded that the Bank had found it difficult to move from the generalities of the 1990 Bank strategy toward CASs that address specific social and structural constraints; that many Poverty Assessments did not convincingly address macro linkages to poverty or sectoral issues, particularly the prominent role of land policy, food policy, and rural development in poverty reduction; but that the strategy remained highly relevant if combined with a focus on rural development and a system of well-designed safety nets. It noted that the evaluation had been made difficult by lack of evaluation relating to social outcomes and that a credible framework for measuring poverty results was needed.

## Recommendations

➤ **Recommendation:** *Broaden poverty analysis at the country level aimed at improving the rural focus in Poverty Reduction Strategy Papers (PRSPs), but avoid allowing this to dissipate the strategy or the support for action. Focus on a limited number of prioritized rural thematic areas, regions and countries, and analytical entry points, and avoid being spread too thinly. In particular, do not neglect agricultural productivity.*

6. The report suggests broader, more spatially differentiated, analysis of rural poverty. This calls for understanding the impact on the poor of location and local context; who the poor are and why they are poor; the diversity of income sources; the links between coping strategies and location, history, and the policy and institutional environment; and the impact of household asset holdings, infrastructure and services on the poor. Broader analysis does not have to lead to a diffuse Bank rural strategy, however. Limited resources, past problems with performance, weaknesses in some analytical areas, and concerns that the past strategy did not deliver enough action suggests that the rural family should give priority to a limited number of thematic areas but be ready to adjust these depending on findings from country analysis. The strategy should focus support in three dimensions, although not blindly or exclusively. First, it should focus thematically/sub-sectorally, with lead candidates being rural institutions, agricultural productivity, and rural infrastructure, with institutions being a potential centerpiece. Second, it should focus on priority Regions and focus countries; the poverty data point toward Sub-Saharan Africa and South Asia, where the share of rural poor is high. Third, it should focus on the most promising entry points: the borrower’s PRSP and complementary Bank country rural strategy papers.

➤ **Recommendation:** *Building on recent Rural Development Department (RDV) portfolio findings, develop a phased work program to improve the poverty focus and impact of ESW, rural strategy work and project interventions that draw on best practice reviews, case studies, and pilot testing of methodological and process innovations.*

7. OED’s Phase I study found that effective rural development work was closely correlated with the quality of related analytical work, particularly the focus on rural poverty. The OED poverty study found that, notwithstanding a substantial mainstreaming of the 1990 poverty reduction strategy and the importance given to this in the Bank’s Operational Directive on Poverty Reduction (OD 4.15), many Poverty Assessments still did not convincingly address macro linkages to poverty or sectoral issues. The study found the same linkage problem and that the baton was sometimes dropped at the next level down, when passing from sector work to project work. Logical frameworks and project rationales need to be improved by wider use of framework elements, such as the WDR opportunity, empowerment, security framework, and by operationalizing poverty analysis that accommodates spatial differentiation at the country and local level. Guidance and best practice examples are needed for Task Managers to improve the poverty focus of ESW, the diagnosis, development of strategy, and design elements of PADs, and the links between the two. Early evaluation of the rural element of the

rapidly increasing number of PRSPs will be needed to maintain relevance of methodologies and to feed into learning events. Some revisiting of the logframe structure and guidelines may be warranted.

- **Recommendation:** *The Rural Board should selectively develop internal and global rural partnerships with the aim of increasing efficacy and enhancing efficiency of Bank and global rural poverty impact. Supported by these partnerships, the Rural Board should develop a phased rural staff training and information systems program, improve poverty-related methodologies, and provide selected support to priority country interventions. These directions should be signaled in the new strategy and supported in staffing composition.*

8. At the global level, external partnerships should be formed by the Rural Board/RDV with a limited number of other agencies, exploiting comparative advantages and leading to a collaborative program of poverty-related analysis and training linked to country Comprehensive Development Framework (CDF) and PRSP processes. The form of partnership—from less demanding programmatic collaboration to more demanding full institutional partnership—would need to be justified, defined, and agreed. The limited budget now available to the Bank rural network will make additional work on rural poverty very difficult unless more resource sharing with partners and greater use of trust funds is sought. But for balanced partnership such trust funds need to be matched by internal Bank resources. Partnerships would enable increased support for selected studies that would feed into PRSPs at the country program level and would contribute to gradually building a more comprehensive global picture on the poverty effectiveness and efficiency of rural interventions. Within the Bank, selective alliances should be developed with PREM, and other sector boards, to provide analytical and training support particularly related to rural spatial issues at country level and with respect to broader skills development. These internal partnerships should be an obligation on all Bank units dealing with rural poverty. The Rural Sector Board has made a start in some of these areas.

9. Weaknesses in poverty work lie in many of the areas that the WDR 2000/2001 found to be of most concern to the poor: food security, sources of livelihoods, and household vulnerability. Widespread weaknesses were also found in poverty monitoring. Some of the weaknesses appear to be due to lack of operational methodologies, others to weaknesses in skills. Workshops and training modules in these areas—designed by rural Thematic Groups in collaboration with PREM, other sector boards, and external partners, and sharing out designated topic areas—could help to address the most important of these knowledge areas. Improved knowledge and skills should particularly cover understanding spatial and temporal aspects of rural poverty, analysis of gainers and losers in policy and institutional reform, poverty monitoring, incorporating equity impacts into economic analysis, and, most important, clarifying the links between policies and poverty. At the policy level, this study underscored the difficulty of weighing the poverty impact of direct pro-poor projects (predominantly investment projects) against indirect pro-poor projects (predominantly policy or institutional reform). There is a need for interactive training to advance rural family understanding of the poverty impacts of different policy and institutional reforms. There may be a case for having a rural poverty specialist in RDV, or an equivalent adjustment in collective responsibilities, mainly to manage the poverty-oriented component of the methodology, skills development, and operational support program and to develop and coordinate outside alliances and partnerships.

## **The Future**

10. Finally, with respect to the future, internal changes within the Bank may have a profound impact on the way the rural family addresses rural poverty. It is too early to evaluate the impact of programmatic lending, but it presents both opportunities and risks for the achievement of rural poverty objectives. The revised strategy needs to help the rural family seize the opportunities. Programmatic lending could improve rural spatial analysis leading to better cross-sectoral rural poverty design, address overarching institutional and policy constraints, support better national poverty monitoring, and improve donor coordination. Some preliminary guidance is warranted in the new rural strategy on two questions. First what changes in support from the Rural Board would be introduced to guide the rural aspects of the shift to programmatic lending? Second, how would the rural family ensure that the analysis of sources of livelihood, vulnerability, security within a broader spatial framework, and beneficiary participation be addressed in both small and large projects?

## 1. Background, Purpose, and Methodology

1.1 About 75 percent of the world's poor live in rural areas, and the majority will continue to live in rural areas until about 2035. Furthermore, only about one-third of these poor live in what the Consultative Group for International Agricultural Research (CGIAR) defines as favored agricultural lands, the remainder living in technologically challenging areas. Rural development, therefore, is highly relevant for poverty alleviation. Poverty in rural areas and the interventions to reduce it are complex. An agricultural innovation has different impacts on small farmers who are net buyers of food, on those who are net sellers, on landless laborers, on rural non-farm laborers, and on the urban poor, and many households have several of these characteristics. Clearly, the Bank's overarching poverty reduction objective and the international development goal of halving the number of people living on less than \$1 a day by 2015 cannot be achieved without substantial progress on rural poverty.

1.2 This study poses five questions: (i) What kinds of investment, under what policy conditions, deliver equitable and sustainable agricultural productivity growth? (ii) What do we know about changes in the volume, profile, and performance of rural lending and the reasons for those changes? (iii) To what extent is the Bank lending to the rural poor? (iv) Was the Bank's original *Vision to Action* strategy appropriate, and was it applied? In particular, what did the subsequent program achieve with the strategy's 15 focus countries? (v) How well does the sequence of poverty diagnosis, strategy, and design function in the development of relevant and effective rural poverty interventions?<sup>1</sup>

### Changing Rural Operating Environment

1.3 The environment within which the updated strategy will operate is changing, and can be expected to change further, although these changes will not happen automatically and will be influenced by national and global policies and by such exogenous influences as global technology and financial flows and perhaps, in due course, by climate change. The combined effects of global and national trends can be expected to bring about major changes in rural space over the next two decades. The share of agriculture in developing countries can be expected to decline from 20 to 40 percent of GDP (gross domestic product) to 10 to 20 percent, and rural population will decline to less than 50 percent of the total (except in Africa). Commercialization of food production will increase. Demand for livestock and horticultural products will rise as incomes rise. Policy will likely emphasize cheap food supplies to urban areas, and the net taxation of agriculture that has been characteristic of low-income countries will decline. Liberalization will bring both the opportunity of new export markets and the threats of increased competition. Early adoption of new technologies, including biotechnology, and investing in rural infrastructure, will offer competitive advantage with a risk of widening the technological gap between rich and poor countries. The extent to which countries can capture, and capture early, the advantages of the information revolution is likely to have a significant impact on outcomes. Most rural income will be non-agricultural, although much of it will be still linked to agriculture. Demographic changes related to economic growth and migration, and HIV/AIDs will have a significant impact.

1.4 Within the Bank the most important changes in the rural operating environment to be addressed by the revised strategy and by the Rural Sector Board are the emerging process changes within the Bank

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1. Management notes that this evaluation focuses predominantly on the direct, project-based approach to rural poverty reduction. It is unlikely that the World Bank can assist most countries in substantially reducing rural poverty only by directly reaching the rural poor through Bank-supported projects. While analytically much more difficult, the evaluation does not address the often more powerful indirect effects. Through its economic and sector work, policy dialogue, and lending, the Bank has worked to assist countries to address policy distortions negatively affecting sustainable rural development, such as excessive tariffs on imports, taxation of agricultural exports, distorting agricultural subsidies, and financial repression. These policy changes by client countries have contributed to rural poverty reduction.

itself and the change from a focus on rural sectors to one on rural space. With respect to the process changes, the main shifts are in the Poverty Reduction Strategy Papers (PRSPs) and the related Poverty Reduction Strategy Credits (PRSCs) and in the move toward programmatic lending. The emergence of PRSPs will call for some shift of focus by the rural family (the Bank's Rural Board, Rural Development Department, Rural Sector Units, and Thematic Groups) away from the Country Assistance Strategy and toward the PRSP as the primary vehicle for strategic influence and partnership. It will call for greater attention to the rural and spatial analysis feeding these PRSPs and the appropriate skills to apply these new approaches. With respect to the broadening of the focus into "rural space," the challenge will be to accommodate this in analysis and partnerships to improve rural poverty alleviation results while maintaining sufficient focus on improving performance and efficiency in the traditional areas of direct rural family accountability—including agricultural productivity.

## Study Components

1.5 The study was based on a review of documentary evidence.<sup>2</sup> The main components were:

- Analysis of the Bank, Operations Evaluation Department (OED), and Quality Assurance Group (QAG) databases on performance ratings and other variables related to rural poverty.
- A review of QAG findings related to the quality of rural economic and sector work (ESW) and changes in volume of resources for such work.
- A review of a sample of 32 Country Assistance Strategies (CASs) to assess the extent to which rural poverty is addressed in country-level strategic planning. Countries were selected by a stratified, purposive process with substantial coverage of countries with large numbers of poor and a good regional spread, particularly in Africa.
- A review of a sample of 72 appraisal documents (Project Appraisal Documents, or PADs, and Staff Appraisal Reports, or SARs) covering rural projects within those same countries to assess the extent to which rural poverty is addressed in project preparation and appraisal, including attention to relevance, efficacy, efficiency, sustainability, and institutional development. To pick up trends, the review covered two periods—the pre-strategy period and the post-strategy period. The projects were selected only from the Agriculture plus Natural Resource Management, Rural Roads, and Rural Water Supply and Sanitation group (commonly referred to as Agriculture+3) rather than from all projects in "rural space," because these are the projects lying largely within the responsibility of the Rural Board and where there have been particular concerns about past performance.
- A review of recent OED project performance assessments.
- A review of the performance of lending to the 15 *Vision to Action* focus countries.
- A selective literature review focused mainly on sources of growth, equity issues, growth in Total Factor Productivity, non-farm income sources, process and institutional literature, and lessons of experience, including World Development Report findings.

The most difficult analytical issue in a study of this type is to appropriately weigh a predominantly direct poverty intervention with short-term, relatively narrow impact (addressing poverty largely through investment with modest policy and local institutional reform) against a predominantly indirect intervention with longer-term impact (addressing poverty largely through policy and higher-level institutional reform). Moreover, activities often combine these elements. Many direct interventions are designed as first phase or pilot projects with potential for scaling up, and direct investment interventions often have a significant policy component. In reviewing PADs, the evaluators accommodated this range.

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2. The original concept paper proposed a broader study, but a subsequent decision limited the study to a desk review to deliver findings in time for the *Vision to Action* update.

## 2. Lessons From the Literature and Development Experience

2.1 The recent empirical literature reaffirms the basic premise of past development paradigms that growth is critically important for poverty reduction (Dollar and Kraay 2000). At the same time, there is compelling evidence that inequality also matters significantly: both for growth, through the effects of unequal initial distribution of assets (Deininger and Olinto 2000), and for determining the distribution of the fruits of growth and, hence, for poverty reduction (Ravallion 2001). There are three broad areas of the literature with surprisingly few linkages between them: the macro-level growth/equity literature, the sectoral level rural-focused literature, and the process literature, addressing such matters as spatial analysis and livelihoods approaches. Overlaid on these is a loose hierarchy starting with overall growth impacts on poverty, and passing through inequality impacts, rural growth impacts, agriculture impacts, and into the institutional processes. This review follows approximately that gradation.

### Growth Reduces Poverty

2.2 Perhaps the most contentious of the growth/equity literature findings is Dollar and Kraay (2000) who find that the income of the bottom fifth of the population rises one for one with overall growth, that the effect of growth on the income of the poor is no different in poor countries than rich, that the incomes of the poor do not fall more than proportionately during economic crises, that the poverty-growth relationship has not changed in recent years, and that policy-induced growth is as good for the poor as it is for the overall economy. This would seem to argue for designing interventions largely for growth and letting rural poverty alleviation take care of itself.

### Inequality Affects the Growth-Poverty Link

2.3 However, Ravallion (2001) suggests that growth considerations alone are not enough, and argues that distribution-neutral growth will raise incomes of the wealthy more than the poor, that the selection of countries and aggregated form of many analyses confounds the measurement of poverty, and that aggregate data ignore the “churning” effect of populations moving into and out of poverty. Ravallion (1997) also suggests that inequality diminishes the effects of growth on poverty both through distortionary interventions and through the poor receiving a lower share of incremental income.

2.4 Reviewing the individual country experiences, Sarris (2001) concludes that while the role of agriculture in poverty reduction has been important for labor-abundant economies like India and China, much depends on initial conditions, including the share of agriculture in employment, land distribution (Deininger and Squire 1998), labor supply, improvements in education, health, and roads, and an elastic demand for the incremental production. Ravallion and Datt (1999) confirms the strongly adverse impacts of asset inequality, and not income inequality, in growth for China. A cross-country analysis also shows that an unequal initial distribution of assets (rather than income) has a significantly negative impact on both the overall growth rate and the effectiveness of education (Deininger and Olinto 2000).

### Rural Growth Reduces Rural Poverty

2.5 The role of agriculture in economic development has long been recognized. Timmer (1995) summarizes the three sets of linkages between growth in the agriculture sector and growth in the non-agriculture sector. First, agriculture fuels the non-agriculture sector with labor and capital. Second, interactions between the two sectors occur through forward and backward linkages. Third, efficiency gains in the rural economy generate increased demand for non-agricultural goods, reduction in urban bias leads to more efficient use of physical capital, and profitability of agriculture spurs demand for

investments in education, which aids labor productivity. Large multipliers have been found in agriculture (Delgado et al. 1998), with the backward multipliers significantly larger than forward multipliers. This suggests that agriculture has an important role to play in promoting overall growth, not just rural growth.

2.6 Much of the work on the sectoral composition of growth uses data from India. The most significant findings are from Ravallion and Datt (1996), who show that rural growth contributes to poverty reduction in both urban and rural areas, but that rural poverty reduction is not sensitive to urban growth, therefore, targeting the rural poor is particularly productive. In further work, Datt and Ravallion (1998) explored regional variations and found that across-state differences in rural poverty were associated with differences in yield growth rate and that these agricultural productivity gains were transmitted to the poor through wage and price effects. Thorbecke and Jung (1996) provide similar conclusions for Indonesia.

2.7 A recent review of the evidence from China and India (Lele, Gandhi, and Gautam 2001) confirms the importance of rural development, and agriculture in particular, in poverty reduction. Both countries experienced declines in poverty, and the trends over time and across areas show a high correlation between agricultural performance and poverty reduction. Off-farm employment and the non-farm sector have also been important. The literature, while mostly suggesting a strong role for rural development (IFAD 2001; Maxwell, Urey, and Ashley 2001) and agriculture (Lipton and Ravallion 1993, Sarris 2001, Timmer 1995) for poverty alleviation, does not suggest blind rural advocacy. Rather, it suggests the need for careful analysis of the physical and economic variables of a country to determine appropriate design.

### **Agriculture and Poverty Reduction**

2.8 Explanations of agricultural growth usually focus on Total Factor Productivity (TFP) (Mundlak 2000; Fan, Zhang, and Zhang 2000; Fan, Hazell, and Thorat 1999). The major determinants of which are generally found to be education, research, and infrastructure. Significantly, several studies have found the rate of growth of TFP in agriculture to be greater than the rate of growth of TFP in industry (Sarris 2001, for example). While these results are informative, the constraints to raising productivity are specific to individual circumstances. This is reflected by De Janvry and Sadoulet (2000), who show that shares of direct and indirect effects on poverty reduction from agriculture TFP growth are very different in different institutional and economic settings. In some further analysis of the Indian data, Ravallion and Datt (1999) find a positive impact of farm yields, development expenditures, and non-farm (urban and rural) output on poverty alleviation. Most important, they note that while the impact of agricultural productivity does not vary by state, it is unambiguously good for rural poverty. While about two-thirds of people living in rural areas inhabit technologically challenging areas, recent work by Hazell and Fan (1999) suggests that dryland lending may be more promising than previously thought. They found that, in India, the growth of Total Factor Productivity slowed in irrigated areas since 1990. It remained largely unchanged in the high-potential areas, but accelerated considerably in the low-potential rain-fed areas—approaching the figure for the high-potential rain-fed areas where productivity levels appear to have reached a plateau.

### **Urban/Rural Linkages, Employment, and Non-farm Income**

2.9 De Janvry and Sadoulet (2000) review the regional performance on rural poverty for Latin America. Their analysis highlights the importance of focus on rural development, which has been negligible in recent years, for the structure of overall poverty. While rural poverty has declined in recent decades, this has largely been due to migration—transforming a rural poverty problem into an



urban one. De Janvry and Sadoulet note the importance of identifying the asset (physical, natural, human, institutional, and social) to identify what the poor do and how they can be best assisted. They note that the poorest are highly dependent on agricultural labor. The literature demonstrates that rural development is more than just agriculture (see Maxwell, Urey, and Ashley 2001 for a review of the evolving thinking on rural development). Rural non-farm income has become a subject of increasing investigation. Reardon et al. (1998) report that average non-farm income shares in total rural income is 42 percent in Africa, 40 percent in Latin America, and 32 percent in Asia. A number of studies find that the poorer rural households have fewer alternative sources of income.

### **Agricultural Productivity, Technology, and Land Policy**

2.10 With respect to *agricultural productivity*, some researchers have warned that, with the growth of indirect process-type community activities and increasing cross-sectoral focus, there is a danger of neglecting directly productive investment needs such as agricultural technology and rural infrastructure. IFAD (2001) in particular flags these concerns about agricultural productivity and calls for radical changes in research incentives, organization, and management, and in the relationship between private and public sectors in research. With respect to *technology*, since social returns to research are substantially higher than returns to private investors, and since in agriculture it is particularly difficult for private investors to realize returns (Huffman and Evenson 1993), there is a strong case for public investment, including global public investment. On the issue of *biotechnology* in relation to the poor, IFAD (2001) argues convincingly that because many plants and animals in marginal areas—where many of the poor live—have been selected for hardiness in a resource-poor environment, yield improvements are less likely from traditional within-species crossing. Introduced genes may be relatively more important in these marginal areas than for areas with higher potential. However, since research is currently focused predominantly on the world's rich, to impact on the poor will require a reorganization and revival of public research. Offering some hope for the future is the impressive anti-poverty record of the Green Revolution. IFAD calls for refocusing attention back to yield and, in particular, to improving conversion efficiency—difficult within the range of genetic material available in less-favored areas, much easier and faster with the insertion of genetic material. For the poor, speed is important. As noted also by IFAD (2001), *land reform* is back on the agenda as an important option. However, there are some uncertainties in this area. The potential of land reform to deliver poverty reduction on a significant global scale is not entirely clear. While there are circumstances where the potential of land reform to address poverty is clear under some circumstances, questions about potential efficacy and efficiency call for careful analysis. Important considerations are the capacity of the poor to cope with agricultural risk, the probability of the poor being rationed out of demand-based land redistribution programs, and a supply of land arising from farmers wanting to exit the sector.

### **Policy, Institutional Development, and Scaling Up**

2.11 OED's 1996 study, *Reforming Agriculture: The World Bank Goes to Market*, found substantial unfinished business in a number of areas, much of which is still valid. The report found that Bank practice was consistent with a belief that once market liberalization had been achieved, *de jure*, competition would quickly develop. Recent OED project assessments still find weaknesses in this area.<sup>3</sup> The report also found unfinished business in the integration of the supply of agricultural

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3. For example, associated with the Bank-funded Pakistan Northern Resources Management Project, input supply was privatized which resulted in marginal and remote areas no longer receiving inputs as the private sector inevitably focused on the easier marketing options first. In such a case, while it is appropriate to adhere to the growth-oriented objective of privatization of input supplies, some transition measures for disadvantaged areas should have been considered. In another case, OED found significant unfinished business in Ghana in the important area of quality seed supply.

equipment and inputs into world markets, in addressing how well local agricultural commodity and input markets operate, and in dealing with licensing and other legal aspects of agricultural marketing.

2.12 The Bank's Operational Directive on Poverty Reduction (OD 4.15) emphasizes the importance of institutions. Public sector management and private sector development are going to be central to progress on rural poverty alleviation given the particular weaknesses of these aspects in rural areas. Gerrard (2000), drawing on the New Institutional Economics, notes that past institutional strengthening in the rural sector generally failed because it did not adequately accommodate the "rules of the game" elements. He calls for getting beyond the dichotomy between public and private sector and being open to the diversity of organizational forms now evolving. He characterizes four institutional reform strategies with different impacts on subsectors in agriculture and rural development. Liberalization strategies tend to be associated with marketing, rural finance, and land policy. Restructuring government strategies tend to be associated with research and extension. Decentralization strategies tend to be associated with rural roads, irrigation, and water. Community-based management strategies tend to be associated with rangelands and forestry. The need in the future is to link institutional reform strategies more appropriately with the nature of the goods or services to be addressed and to give more attention to the physical attributes of the system, the motivations and capacities of the actors, and the rules that govern interactions.

2.13 Decentralization has been an increasing area of attention in the institutional literature. Goldman (1998) finds considerable promise for decentralization in increasing attention to local institutions, which had been neglected in integrated rural development interventions, in making projects more flexible, in increasing information flows, and in enhancing transparency. He finds less promise for decentralization in reinforcing central government commitment to rural development, in broadening project focus beyond agriculture, in tackling problems of complexity, and in facilitating scaling up. OED findings from project assessments show some success with community empowerment, more modest achievement in sustainable decentralization to local government, and limited tackling of the redirection of central government support within a decentralization framework.

2.14 Scaling up of community development interventions is also an emerging focus in the literature and an increasing concern of development agencies. The North East Brazil Rural Development Program, for example, has financed more than 30,000 subprojects and an estimated 93 percent of program resources now reach communities, compared to only 40 percent under the original NRDP and 20 percent under the previous integrated rural development programs. The challenge of multiplying scarce local facilitating capacity can be met in some cases by local government partnerships with other actors—as OED has observed in rural projects in Ghana.

### **Findings of the 2000/2001 World Development Report**

2.15 The WDR outlines a framework for action that calls for promoting opportunity, facilitating empowerment, and enhancing security, with actions at local, national, and global levels. With respect to *opportunity*, the WDR notes that the cross-country macroeconomic evidence does not suggest that the benefits of reform bypass poor people. However, it notes that in any particular country there can be winners and losers, and the losers can include the poor. In general, market reforms were found to have helped agriculture. The WDR notes that land reform has returned to the policy agenda in the past decade and that public action is critical to ensuring secure access to land for poor people. The role of initial literacy is stressed. With respect to *empowerment*, the WDR stresses making state institutions more accountable and responsive to poor people, strengthening the participation of the poor in political processes and local decision-making, removing social barriers, and building social capital at a number of levels. Macro institutions can provide an environment in which micro institutions flourish. With respect to *security*, the WDR discusses the importance of reducing poor

people's vulnerability to shocks. It notes that the technology for reducing risk in agriculture is less available in poor areas. The report reminds us that market liberalization, which can boost prices to the benefit of small farmers, can hurt the urban poor and the landless rural poor as net food buyers. It also notes that movement in and out of poverty is the norm for the vast majority of households in many countries. With respect to *international aid*, the WDR finds that, to be most effective at reducing poverty, aid must be well targeted. It suggests that if all aid money were allocated on the basis of high poverty rates and reasonably effective policies and institutions, the number of people lifted out of poverty each year could be almost doubled.

## Processes

2.16 The literature and donor and Bank experience is increasingly addressing the process issues, such as the need for analysis of the spatial dimensions of poverty—who are the poor, where are the poor, what are their opportunities and vulnerabilities and how can programs be designed to empower the poor and to be inclusive. Evans (2000b) proposes increased attention to the spatial dimensions of poverty analysis and improved understanding of the roles and capacities of the different levels of public institutions. Ellis (2000) outlines the broad livelihoods approach being adopted by DFID accommodating multi-sectoral linkages, including non-farm income sources. He notes that if a new paradigm of rural development is to emerge, then it will be one in which agriculture takes its place alongside a host of other potential rural and non-rural activities.

## Summary

2.17 The literature ranges from the macro to the micro on the economic axis and from the theoretical to the practical on the lessons of experience axis. Because the macro and theoretical have at least as much impact on poverty as the micro and the practical, this report selectively touches on the full range. The literature and lessons of experience suggest that the rural strategy update should accommodate the following:

- There are no blanket solutions, so *country-specific analysis* is essential.
- Growth is good for poverty.
- Rural growth contributes strongly to reducing rural poverty but also contributes to reducing urban poverty.
- Agriculture, in most poor countries, is still the only sector that can offer *sufficient scale* to substantially affect poverty and reach the poorest, who are often in *marginal areas*.
- *Research, infrastructure, and education* should be given particular attention because they can have significant poverty impacts.
- Focusing on *institutional strengthening*, including decentralization, is particularly important for both performance and linkages in the sector.
- Sectoral analysis should particularly characterize inequality and asset distribution. The *spatial dimensions* of rural poverty—in particular, understanding the impact of location and local context, and the links between coping strategies and the policy and institutional environment, are important as one shifts toward a broader rural perspective.
- Increasing *agricultural productivity* remains fundamental.
- Casting program and project rationales within a framework of *promoting opportunity, facilitating empowerment, and enhancing security* would help to clarify the logical connections in poverty interventions.

### 3. Changes in Rural Lending Profiles and Performance

3.1 Portfolio performance is more important than lending volume, but this section discusses lending volume first since it provides a backdrop on the shape of the portfolio. To the extent that the data allow, the section reviews four forms of support for rural development from broad to narrow: overall donor lending for agriculture (data on donor lending to rural space is not available); Bank lending to rural space; Bank lending for what is defined as rural lending within the Bank coding system,<sup>4</sup> which covers agriculture lending plus natural resource management, rural roads, and rural water supply and sanitation—commonly referred to as Ag+3; and, finally, Bank agriculture lending.

3.2 **Donor Agriculture Lending.** Globally, the real value of net aid disbursed to agriculture in the late 1990s is estimated at only 35 percent of the level in the late 1980s (IFAD 2001). Whether this decline has been matched by compensatory increases in lending into rural areas not classified as agriculture is not known due to inadequate data, but it is probably part of the story.<sup>5</sup>

3.3 **Bank Lending to Rural Space.** A Rural Development Department (RDV) study of 500 projects with commitments during fiscal 1999–2000 finds that what the Bank defines as rural (Ag+3) represents only about one-third of projects with “components in rural space”<sup>6</sup> Approximately 60 percent of the remainder cover education; health, nutrition, and population; and social protection. Bank lending in rural space in fiscal 2000 is estimated at 27 percent of total Bank lending (Table A23). However, if the unallocable portion of lending is left out, the total allocable rural space lending as a percentage of the total allocable lending appears to be close to 50 percent, although there are considerable difficulties in determining allocation. Unfortunately, the lending volume *trends* for rural space projects are not known because only two years of data are available. RDV should assign a high priority to reassessing the rural space data back into earlier years to better understand the true trend in rural space lending. The RDV portfolio study found significant differences between regions in both the percentage of total lending to rural space and the share of agriculture plus natural resource management lending within that total rural space lending. With respect to lending in rural space, SAR was the highest at about 45 percent followed in order by MNA, AFR, EAP, ECA, and LCR the lowest at about 15 percent. With respect to the share of agriculture plus natural resource management lending in total rural space lending, MNA was the highest at about 67 percent followed in order by EAP, LCR, ECA, SAR, with AFR the lowest at about 27 percent. This suggests a significant focus on social services rural lending (i.e., non-agriculture) relative to the more productivity-oriented agriculture lending in the two regions with the largest percentage of rural poor in the total population—South Asia and Africa—arguably risky for rural growth if sustained over a long period.

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4. OED recommended in the Phase I study that this coding system be redesigned. In its present form it remains a serious constraint to understanding where lending is going. It is also highly inefficient for the institution, leading to numerous studies in many parts of the Bank revisiting past PADs trying to pull out incidence and volumes of lending for subcomponents.

5. Notwithstanding low donor support in the rural area, a number of DAC development agencies are undertaking or planning evaluations concerned with poverty reduction including Canada, Japan, Norway, Sweden, Asian Development Bank, and Inter-American Development Bank, with the United Kingdom planning one for 2002.

6. The RDV portfolio review studies referred to in this report, while not formally published, are summarized in the new rural strategy paper: “Reaching The Rural Poor” World Bank, 2002. To estimate the total funding for rural locations, RDV identified three types of projects: (i) Rural Emphasis with High Accuracy of Estimation with either specific rural components or specific rural indicators; (ii) Rural Emphasis with Moderate Accuracy of Estimation with no conclusive indicator enabling apportionment, where either rural share of population or agriculture share of GDP was used; (iii) National Projects with no specific information on rural share where, again, rural share of population or agriculture share of GDP was used.

**3.4 Bank Rural (Agriculture+3) Lending.** While there is uncertainty about trends in Bank lending to rural space, Bank rural lending<sup>7</sup> has clearly fallen significantly, albeit with wide fluctuations over time. Figures 1 and 2 indicate the annual changes and the trend lines in commitments of both total Bank and rural lending. In fiscal 2000 it slipped below 12 percent of lending for the first time for many decades, down from a peak of 21 percent in 1997 and fluctuating levels for the earlier two-thirds of the 1990s between 12 and 20 percent.

**3.5 Bank Agriculture Lending.** Trends in agriculture lending have been similar to those in rural lending, but at a somewhat lower level. Agriculture lending has fallen below 9 percent of total commitments (Table 1). While it has fluctuated considerably, taking the trend line, IDA lending for agriculture has fallen by about 50 percent from 1985 to the present and IBRD lending has fallen somewhat less—by about 40 percent.<sup>8</sup> While rural lending needs to be justified on its growth and poverty performance, because performance matters and influences lending decisions, it is noteworthy that the fall in rural lending by the Bank has been much greater than the decline in the share of agriculture in GDP.<sup>9</sup> As a percentage of GDP, agriculture for the low-income countries fell only from 32 percent in 1985 to 27 percent in 1999, and for middle-income countries, from 14 percent in 1985 to 10 percent in 1999. As of mid-June agriculture lending for fiscal 2001 appears likely to reach about the same level as the fiscal 1999–2000 average.

**Table 1. Current Rural Lending**

<i>Lending</i>	<i>Avg. FY99–00 (US\$ billion)</i>	<i>Share of Total (%)</i>
Rural Space (US\$ billion)	4.9	22
Rural (Ag+3) (US\$ billion)	2.4	11
Agriculture (US\$ billion)	2.0	9

*Source: World Bank data and RDV*

**3.6 Bank Agriculture Lending for Technology.** Declines in research and extension lending, in aggregate about 50 percent over 10 years, are shown in Figures A1 and A2. The decline for agricultural extension seems to be partly attributable to the abandonment of an unsatisfactory model, but without a substitution on a sufficient scale. This raises some questions about lesson-learning capacity, innovation capacity, and attention in ESW to scaling up. It has sometimes been argued that agricultural credit lending is declining also (see Table A3). However, in this case, although OED project performance assessments and the department’s recent review of IDA have found widespread concerns about the limited availability of credit in rural areas, there is evidence from work by RDV that, at least over the period 1994 to 1999, a significant amount of rural finance has taken place under other coding categories.

7. Throughout the report the terminology used is as follows. “Agriculture” = all the subsectors classified as Agriculture in the Bank’s coding system, i.e., Ag. Credit, Ag. Extension, Ag. Adjustment, Agro-Industry, Fisheries and Aquaculture, Forestry, Irrigation and Drainage, Livestock, Other Agriculture, and Research. “Rural” = what is commonly termed within the Bank “Ag +3” which is the above list plus Natural Resource Management, Rural Roads, and Rural Water Supply and Sanitation. “Rural space” = all projects which have direct activities relevant to rural people including all Bank-coded rural (Ag+3) projects plus all other projects having direct financial allocation to rural areas including education, health, social protection, energy, and power. This “rural space” grouping does not formally exist within the Bank coding system, but important recent work by RDV has classified the 1999 and 2000 cohorts into this category by inspection.

8. The Bank’s Quality Assurance Group (QAG) notes in its “Annual Report on Portfolio Performance” for fiscal 2000: “Some sectors that are important for poverty reduction such as Agriculture, Urban and Water and Sanitation have declined significantly; this trend warrants further investigation.”

9. OED’s recent review of IDA notes that, “Relative decreases in rural or agricultural lending over other sectors cannot be assumed a priori to be a bad thing.... However, given that most of the world’s poor will continue to live in rural areas well into the 21st century, and that agriculture accounts for a sizable share of poor countries’ GDP, lack of consensus regarding rural development strategies among development partners and the reduced priority of agriculture in aid programs is a cause for concern” (OED 2001b)

### Is Bank Rural Lending Going to the Poorest?<sup>10</sup>

3.7 **Globally.** Analysis of 40 countries with good data (Table A21 and Figure A4) shows that, overall, Bank rural lending commitment per poor rural person (below the country rural poverty line) ranges from about \$1 to about \$20 average per annum from 1994 to 2000—the upper end being particularly sensitive to which countries are included. Higher levels of rural lending per rural poor person are found mainly in the richer countries and lower levels in the poorer countries. While there may be valid reasons for high levels of lending per poor person in less-poor countries (for example, absorptive capacity, policy reform status, IBRD lending, and the fact that not all lending is even intended to be directly poverty focused), the extent of the rural lending spread seems sufficient to be inconsistent with an institutional objective to give priority to the poor.

3.8 **China and India.** For the two most populous countries, housing a significant proportion of the world's poor, India and China, the allocable rural portfolio distribution by sub-national units (states in India and provinces in China) was analyzed (see Figures A7 to A10). In both countries, while the level of allocable lending varies widely across administrative units, the trends show a weak but positive relationship between Bank rural commitments and the total number of rural poor. This suggests that the Bank's in-country programs, to the extent that these two countries can be representative, appear to be *somewhat* targeted at the poorest regions, but the relationship is weak. Over the 1982–2000 period in India, allocable Bank commitments (by state) per rural poor person for the four poorest states was about \$13, while for the four least-poor states it was about five times higher at \$65.<sup>11</sup> The Bank lending picture for these two countries is reflected in global aid. IFAD (2001) noted that “the low shares of world aid and low aid per person... in India and China are striking in view of their large shares of the world's extreme poor... together with their relatively good reputations for using aid to reduce poverty.” Both the global and country-level findings are based on the Agriculture+3 definition of “rural.” It is possible that the relationship between lending volume and poverty would be stronger using the broader “rural space” definition, but the coding system does not currently enable this and the recent RDV study categorization is over too short a period. However, the fact that aggregate Bank lending also exhibits less lending per poor person in the poorer countries suggests that this is a more general phenomenon.

3.9 The correlation of project performance with the allocation of current lending was also reviewed to test the hypothesis that this may also be a factor. In China, there have been relatively few unsatisfactory commitments, so the analysis does not reveal much. Interestingly, however, in India, the current Bank strategy of engaging only “reform-minded” states does not seem to be rewarding good past implementation performance. In the three states with a significantly greater proportion of satisfactory to unsatisfactory outcomes in terms of commitments, the Bank has no lending program.<sup>12</sup>

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10. Management agrees that the design of the overall Bank assistance program—including ESW, policy dialogue, and lending, in the context of the country's own poverty reduction program and support from other development partners—is the most important element in effectively helping countries reduce poverty, notably rural poverty. Therefore, measuring the geographic destination of a subset of Bank projects, excluding other Bank lending, other forms of Bank assistance, and support from development partners, is not likely to be a good measure of the effectiveness of Bank assistance in helping countries reduce rural poverty. For example, the bulk of IDA assistance to South Asia goes to support rural poverty reduction, a fact that is not picked up in the report. Additionally, recipients of Bank lending must be able to effectively use it if poverty reduction is to be achieved, a factor that is not taken into account in looking just at the geographic distribution of lending.

11. In Ghana, while no allocation of Bank lending by region is available, OED found that expenditure by the Ministry of Food and Agriculture as a whole in the poorest three regions was significantly lower per rural person than in the seven less-poor regions.

12. The issue of the extent to which, in India, there should be a focus on well-performing states on the policy front versus a focus on high poverty-level states has been addressed recently by OED. The 2000 Country Assistance Evaluation for India (World Bank 2001) concluded that, while emphasis on policy reform should be maintained, it should be complemented with

**3.10 Poverty Targeted Interventions (PTI).** Direct targeting at the project level may not be a better route to poverty alleviation than broader growth approaches, however. To identify the more direct and poverty-targeted interventions, the Bank embarked on the PTI labeling.<sup>13</sup> With respect to the overall lending program, the PTI status was reviewed in Evans 2000a (which identified some problems with the PTI system). With respect to the rural sector program, the data show that the amount of rural lending targeted at the poor has not changed much over the past decade. Rural lending classified as poverty targeted exhibits an inverted U-shaped curve that grows in the early 1990s, then flattens out in the mid 1990s, and falls in the late 1990s, reaching its lowest level for 10 years in 2000. On average over that period, rural PTI projects have represented 28 percent of total PTI projects, and rural PTI projects have averaged 43 percent of all rural projects.

### Why Has Agriculture Lending Declined?

**3.11** It is not possible to provide hard evidence on the relative importance of the factors contributing to the decline in rural lending. It is, in any case, driven by borrower preference over which the Bank has variable but often limited influence. Moreover, as noted above, performance is more important than volume, with the latter arguably being partly dependent on the former over the medium term. The most plausible explanations—but warranting further analytical exploration—include the following:

- Changing incentives for Country Directors faced with pressure to lend at low cost, who find rural lending low performance and high cost, and may not see scale of poverty performance as a substantial element in the incentive framework.
- Limited sectoral analytical work.
- An appropriate response for the less-poor countries as the share of agriculture declines.
- Some shifting of rural lending under other labels.
- Reduced demand from borrowers who, faced with less immediate urgency on food supplies, find social sectors easier to justify.
- A decline in some traditional lending areas such as large-scale irrigation and drainage, agricultural credit lending to large borrowers such as China, Brazil, India, and Mexico, and support for public marketing and input supply parastatals.
- Lack of analytical methodologies within the Bank that adequately capture poverty impact, which might raise the comparative social returns to rural and agriculture investment.

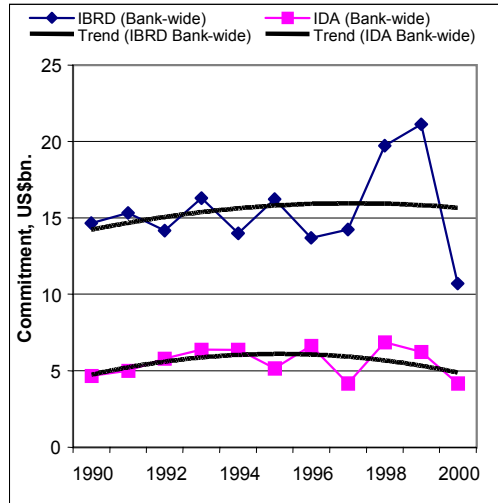
**3.12** A possible explanation for the apparent decline in rural (Ag +3) lending is that it has simply shifted to, or been subsumed by, other labels more broadly within rural space, for example, in the education, health, and social sectors (EHS). But the limited data available do not seem to support this. The project coding data related to the whole of “rural space” (see footnote 7 for definition) are inadequate to get a full picture over time, and only fiscal 1999 and fiscal 2000 projects have been reclassified by RDV to identify “rural space” projects, so no trend can be assessed. But an OED analysis of the trends in the EHS sectors shows that taking the two regions of most poverty concern, in Africa in the 1990s, the rural IDA trend is definitely negative, while the trend for EHS is flat. In South Asia, in the 1990s, rural IDA lending is negative, but EHS is only very slightly positive.

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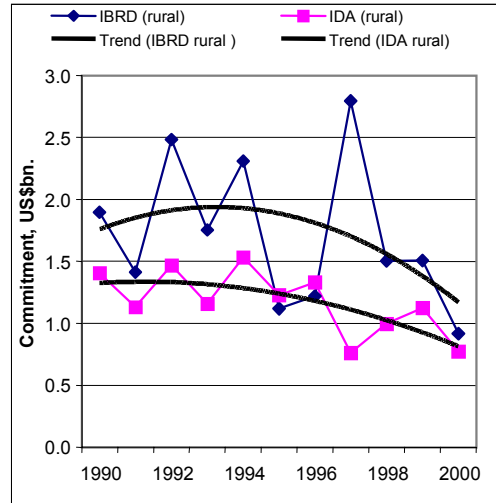
a more proactive and intensive dialogue with the less-progressive states aimed at enhancing the initial conditions for poverty reduction.

13. DFID has developed a useful broader Policy Information Marker System (PIMS) covering policy aims and policy objectives (worth a review by the Bank). It replaced an earlier Direct Assistance to Poor People marker in order to accommodate indirect as well as direct means of assistance to the poor, which was the focus of the earlier system.

**Figure 1. Bank IBRD and IDA Commitments**



**Figure 2. Rural (Ag+3) IBRD and IDA Commitments**



### The Performance of Rural Projects Based on OED and QAG Assessments

3.13 Turning to the more important issue of performance, rural<sup>14</sup> lending has often had performance problems (see Figures 3 and 4, Table 2, and Tables A15, A16, and A17), but not inevitably. There appear to have been three periods over the past decade, the first third of the decade, when rural outcome ratings were below overall Bank performance, the second third of the decade, when they were similar to overall Bank ratings, and the last third of the decade, when they slipped again. However, performance ratings for rural projects on a *commitment* basis are better than performance ratings on a *project* basis, indicating that larger projects get better ratings. Problem projects in the rural sector declined from 20 percent at the start of fiscal 1997 to 14 percent in June 2000 compared to 17 percent for the Bank-wide average. However, adding all the leading performance indicators together, over the decade 1990–2000, the Aggregate Project Performance Indicator<sup>15</sup> used by OED shows

**Table 2. Recent Rural Portfolio Quality (1999–2000)**

<i>FY00</i>	<i>Rural</i>	<i>Other Bank</i>
At risk	17%	14%
Pro-activity	94%	82%
Realism	70%	81%
<i>CY99</i>	<i>Rural</i>	<i>Other Bank</i>
Quality at entry	100%	85%
Quality of supervision	89%	81%

<i>OED Ratings</i>	<i>Rural</i>		<i>Other Bank</i>	
	<i>1999</i>	<i>2000</i>	<i>1999</i>	<i>2000</i>
Outcome	63%/76%	67%/81%	74%/84%	79%/72%
Sustainability	46%/54%	54%/70%	56%/70%	77%/72%
Institutional development	33%/40%	44%/59%	41%/56%	52%/57%
Disconnect	15	19	4	9

a. Percentage by number of projects and commitment is separated by a slash.  
 Quality at Entry and Quality of Supervision %= satisfactory and above.  
 Quality at Entry for CY00 not complete yet. Quality of Supervision CY00 for Agric. =90%  
 Source: OED, QAG

14. Rural in this section refers to the so-called “Ag+3” definition of agriculture plus natural resource management plus rural roads plus rural water supply and sanitation.

15. This index aggregates outcome, sustainability, and institutional development impact.



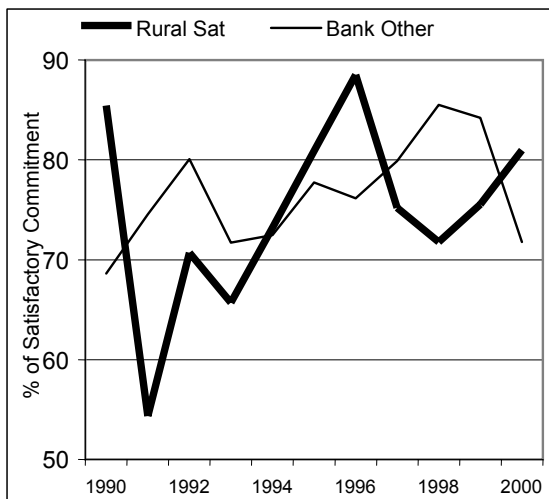
agriculture (the figure is not available for rural) to be consistently close to, although never quite at, the bottom of the sectoral ranking.

3.14 QAG finds some recent improvements in the agriculture portfolio in its 2000 Report on Portfolio Performance. The percentage of Projects at Risk in agriculture has fallen over the past 4 fiscal years to 17 percent. Commitment at Risk has fallen to 14 percent. Realism has leveled out over the past 3 years at about 72 percent. Proactivity has gone up to 96 percent, higher than most other sectors. The Disbursement Ratio in agriculture has remained steady over recent years at about 20 percent.

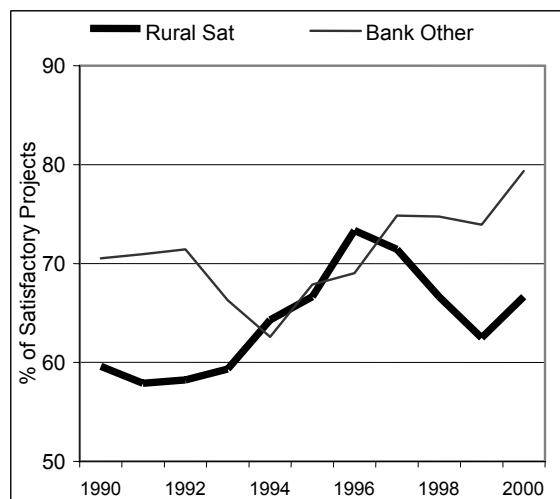
3.15 OED Project Performance Assessments and studies have found the following common weaknesses:

- Weak progress on institutional development, including over-optimism on the rate at which institutional development can progress, including, for example, pushing specialized technical agencies into broad multisectoral approaches for which they were not designed, for example, India's West Bengal Forestry Project.
- The need to look more broadly beyond the narrow sectoral issues, for example, as evidenced in the 2000 OED Forest Policy Study.
- Readily predictable implementation issues, often related simply to unrealistic scheduling and procurement planning or lack of realism about policy ownership and lack of political realism about reforms, for example, Kenya's Second Agricultural Sector Management Project.
- Lack of financial sustainability due to unrealistic forecasts of counterpart funding capacity and weakness in cost recovery strategy, as in the Burkina Faso Agricultural Services Project and Ghana National Agricultural Research Project.
- Failure to appreciate that the process of reform is as important as the substance of reform, for example, the comparison between Albania Agricultural Sector Adjustment Credit, a generally good experience, and Ukraine Agricultural Adjustment Loan, a more problematic experience.

**Figure 3. Rural and Other Outcome**



**Figure 4. Rural and Other Outcome by Project**



## Performance of *Vision to Action* and the 15 Focus Countries

### *Vision to Action Achievements*

3.16 OED's June 1999 report *Rural Development: From Vision to Action?*, while outlining several strengths, identified five main problems with the Bank's rural strategy. First, the multiple matrices for subsectors and regions clouded the main messages and diffused accountability. Second, the definition of goals and actions were muddled, and not all the specified actions were linked to indicators that could be monitored. Third, the absence of benchmarks would make monitoring difficult. Fourth, the rationale for the focus countries was not identified. Fifth, the participatory process of preparing the strategy was less successful in engaging persons outside the rural family, particularly Country Directors.

3.17 Three major outcomes were posed in the final paragraphs of *Vision to Action*. The first of these—being seen as a leader in the fight to reduce rural poverty—had arguably been largely achieved even at the time of *Vision to Action*. While the Bank has much to learn from other partners and stakeholders, its substantial presence in international forums on this topic would support rating this achievement as satisfactory. The second outcome—progress toward freer world agricultural trade—was hugely ambitious given the constrained position of the Bank in this arena. More realistic would be to judge this on a narrower criterion such as whether the Bank effectively and efficiently used its skills to address world agricultural trade issues for the benefit of the Bank's clients. However, performance on this is still difficult to assess due to lack of data, so a rating is not attempted. The Bank has certainly given support in the past, sponsoring a number of conferences, workshops, and papers related to global trade, and appears to be doing more work in this area now, but budget constraints have limited this type of activity. Given the substantial poverty payoff from freer world trade, it is questionable whether the Bank has been sufficiently active in this area. The third outcome—helping the rural under-performers to change their ways—is difficult to evaluate since the under-performers were not identified. Following a request by management when *Vision to Action* was being finalized for focus countries, the under-performers, apart from those who happened to end up in the focus group list, were not, in fact, given special treatment. We therefore consider it fair to evaluate the third outcome on the basis of the 15 focus group countries. This is covered in the next section.

3.18 There were a number of thematic areas of concentration indicated in *Vision to Action*. However, few were stated in actionable and measurable terms making it difficult to formally evaluate them. Nevertheless, based on OED audits and Implementation Completion Report reviews, it is clear that some progress was made. Areas of achievement in *Vision to Action*-stated areas of thematic focus include community development processes and decentralization (e.g. India Sodic Lands Reclamation Project and, more generally, the increased use of such techniques as Participatory Rural Appraisal and Beneficiary Assessment); watershed management—both in the technology and social areas (e.g. India Watersheds Projects); reform of public research systems and increasing farmer's voice in research (e.g. Ghana); policy reforms involving privatization of public input supply and marketing activities (e.g. privatization of many Africa parastatals); and, arguably, some success with microfinance—although the scale is still modest. Weaker areas include the integration of food and nutrition policy into sector strategies (found in this study to be still a weak area in the PADs); facilitating public/private dialogue in agribusiness (with some exceptions in ECA); finding efficient and sustainable pluralistic systems of extension (e.g. the weaknesses of the Training and Visit system became clear but effective and efficient pluralistic alternatives are still elusive); and support for pastoral systems (an area that has declined significantly and where many poor live). Also, there has been only modest progress in shifting to the proposed “broad rural focus”—a theme being emphasized again in the early work on the strategy update—now characterized as a shift toward “rural space.”

### *The 15 Focus Countries*

3.19 No measurable indicators were set at the time for the 15 focus countries and there is not yet sufficient evidence of outcomes from closed projects arising from work done during that period. Overall, achievements with these 15 countries were only modest. With respect to ESW attention, since ESW is not classified in the database by sector, it is not possible to be sure how *rural* ESW has changed for these countries. Both number and cost of *total* ESW for these countries did not follow the downward trend of the whole Bank average—a trend that started about 1995. However, as of 1999, the increase in expenditure for the rural sector under the Strategic Compact for a sample of 11 of these projects (which funded areas of ESW, project preparation, and supervision) was actually lower than the increase in non-focus countries. Nevertheless, the rural strategy in the same sample was rated, by OED, as somewhat higher than in non-focus countries.

3.20 With respect to lending volume and performance, these 15 countries did not fare much better than the average. Since *Vision to Action*, the *volume* of rural lending to these countries rose marginally by 8 percent in nominal terms in the 1997–2000 period compared to 1993–96 (see Tables A18 and A19). This compares with a very slight fall of 3 percent for those countries across all sectors over the same period. The most noticeable declines in lending volume were in Morocco, India, and Madagascar. The most noticeable increases were in Bangladesh, Brazil, Guatemala, and Ukraine. The *quality* of rural lending for the 15 countries was marginally better than the all-rural average. Over the same periods, the percentage by commitment of satisfactory outcome in rural projects for these countries rose slightly from 77 percent to 78 percent. This compares with a fall from 77 percent to 75 percent for all rural projects, but a rise from 75 percent to 81 percent for all sectors. The percentage of projects rated “likely” for sustainability rose from 50 percent to 63 percent (compared to 48 percent to 58 percent for all rural projects). However, the institutional development impact rose sharply from 33 percent “substantial” rating to 60 percent (compared to 34 percent to 48 percent for all rural).

3.21 With respect to PAD quality ratings, 29 projects from the focus countries were selected in the sample, covering all but two of the focus countries. The ratings given for the main poverty analysis elements were very marginally better than those of the rest of the sample. Consistent with findings reported later, however, that strategic work is not carried through well into PADs, the OED Phase I study had earlier found the overall rural development strategy for these focus countries was rated more highly than the non-focus countries and more than two-thirds had recently produced a sector strategy paper, compared to less than one-half of non-focus countries.

## 4. From Sector Analysis to Project Design

4.1 The methodology involved a review of data and QAG findings on ESW, and a review of the poverty focus in a sample of 32 CASs and 72 PADs. The CAS review format was designed to assess the extent to which the CAS addressed overall poverty issues and rural poverty, the focus on social provisions and safety nets, the employment and asset accumulation focus and poverty monitoring (see Table A12). The PAD review assessed three main aspects (see Tables A1 to A11): (i) *Poverty Analysis*: the extent to which a sound poverty analysis was conducted for, during, or prior to the preparation of the project; (ii) *Project Focus and Strategy*: the extent to which the project targeted poverty, the extent to which the project was derived from the poverty analysis or relevant CAS or ESW analysis, and the extent to which it was consistent with *Vision to Action* and appropriate in the context of the country and other sector interventions; (iii) *Project Design*: the extent to which the project design was internally sound and had appropriate arrangements for institutional development, management, governance, and sustainability. To assess the extent to which there was translation of PAD poverty analysis into implementation, 15 of the most recent project assessments were examined. The following sections summarize the main findings.

### Rural ESW Has Declined—Quality Is Below Bank Average

4.2 A contributing reason for declining rural lending and probably a reason for weak performance on project-level poverty analysis, may be the modest and declining spending on rural ESW and some quality problems in the area of poverty analysis. The data show that expenditure on rural ESW from fiscal 1990 to 1999 declined by about 30 percent in real terms (using two-year averages) from about \$6.5 million in constant fiscal 2000 dollars in 1990/91 to about \$4.6 million in 1999/2000.<sup>16</sup> This compares with about a 25 percent decline for the Bank as a whole. Significantly for poverty, by far the highest percentage decline was in Africa (65 percent). The cost of rural ESW as a percentage of lending completion cost has fallen by about 30 percent over the 1990–99 period. This study analyzed the QAG data for rural projects in calendar year 1998 and 1999 and found that the quality of rural ESW was lower than the Bank-wide average: 64 percent satisfactory or better for rural against 74 percent for the Bank-wide average.

4.3 While QAG did not comment separately by sector on poverty treatment, with respect to the Bank-wide ESW sample across all sectors, QAG notes: “the overall rating on poverty sensitivity has to be seen as rather disturbing in the context of mainstreaming of this central Bank agenda.” QAG recommended that sector boards provide leadership on how to bring an appropriate sensitivity to poverty-related issues into the mainstream of ESW analysis. These QAG findings are very similar to some of the findings of this OED study.

### CASs Are Strong on Broad Poverty Diagnosis but Less Strong on Rural Poverty

4.4 The review found (Table A12) that CASs generally do well in the diagnosis of poverty and setting strategic direction at the broader level, but they do less well with respect to *rural* poverty. Overall, about 80 percent of the CASs were rated relevant to broad poverty conditions in the country, but only about two-thirds were relevant to *rural* poverty conditions. The strongest areas were the degree of correspondence with the 1990 poverty reduction strategy and the fit between the policies and instruments chosen and the challenge of reducing poverty. The weakest areas were the treatments

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16. Over fiscal years 1999 and 2000, 35 ESW tasks were completed in each year; of these about two-thirds were Agricultural Sector Reviews (ASRs), which are more in-depth, longer-term analyses, and about one-third were Rural Development Strategies (RDSs), which focus on more current sectoral status.

of poverty monitoring and evaluation issues, and of new-generation issues such as social exclusion and asset ownership. Nearly all CASs included some analysis of vulnerability or risk, but only about one-third adequately linked this analysis to a strategy for mitigating vulnerability. Nearly all CASs viewed broad-based economic growth as the most important of the three strategic prongs (broad-based labor-intensive growth, human capital development, and social safety nets) but only about one-third addressed distributional or equity issues satisfactorily. The CASs also performed quite poorly in articulating actions that might positively affect the accumulation of assets by the poor.

### **All CASs State Poverty Reduction as a Primary Objective—Few PADs Do**

4.5 There appears to be a disparity between the poverty objectives in the CASs and those in the PADs, the CASs have stronger objectives. Surprisingly, only 19 percent of the pre-strategy sample and 17 percent of the post-strategy PAD sample noted poverty reduction explicitly as a primary objective. In the post-strategy period, poverty is mentioned as an objective at some level, primary or secondary, in only about half the PADs.<sup>17</sup> This contrasts with the CASs, where 100 percent state poverty reduction as the primary objective. One indicator of the poverty focus intention of a project is whether it is labeled a Poverty Targeted Intervention (PTI) or a Poverty Focused (PF) operation (see Table A2).<sup>18</sup> In the sample selected, about 20 percent appeared either not suited to the label or warranted the label but were not given it. Outcome ratings for rural projects with a PTI label have fluctuated widely, but over the period 1990–2000 the with-PTI projects have been marginally below the without-PTI projects on outcome rating and have been lower on sustainability but somewhat higher on institutional development impact.

### **Lack of Strategic Frameworks for Rural Poverty Reduction Has Implications for the CDF**

4.6 In more than half the projects there is no clear indication of a substantial contribution of ESW in project preparation. Often the projects do not present a strategic framework for poverty reduction or explain how the proposed intervention fits with the overall (Bank or borrower) poverty reduction strategy. The RDV portfolio review concluded that, in most cases, it was not possible to trace the development of the project strategy from the diagnosis. Of significance for a programmatic approach and for the Comprehensive Development Framework (CDF) is that explicit links to other donor's projects, while improved, are still only evident in about half the cases, and links to national or state projects are evident in only about one-third. However, a majority of the appraisal documents in both periods indicate the existence of a national or sectoral plan or strategy document (64 percent pre-strategy and 69 percent post-strategy). Moreover, there has been an increase in the extent to which individual project objectives and strategy are linked to either the CAS or the relevant ESW. But this is

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17. Interestingly, a recent SIDA evaluation, *Poverty Reduction, Sustainability and Learning—An Evaluability Assessment of Seven Area Development Projects (SIDA 2000)*, offers findings strikingly similar to this study: “none of the projects can be considered to have poverty reduction as a main and clearly stated objective.... the poverty focus of the projects is vague.... and links between objectives and means are unclear and unspecified.... Different versions of implicit “trickle down” thinking predominate as a substitute for more specific and critical analysis of the mediating links between project activities, outputs and outcomes.”

18. A project is supposed to be designated a PTI if it has a specific mechanism for targeting the poor and/or if the proportion of poor people among its beneficiaries is significantly larger than the proportion of the poor in the total population. For adjustment operations a project is supposed to be classified as poverty focused if the reform program corrects distortions that are detrimental to the poor or the program involves a reorientation of public expenditures toward social or infrastructure services the poor. Evans 2000a found that 40 percent of staff felt strongly that the PTI tag was not an effective instrument for tracking the Bank's progress on poverty. The criteria were considered to be too broad to be meaningful. (Recently, with the new coding system, the PTI flag has been dropped.)

not surprising since for many of the earlier projects there was no CAS, although ESW levels were then higher. However, these links still appear to be somewhat superficial.

### **Quality of Poverty Analysis in PADs Is Improved But Still Weak**

4.7 In order to meet the Bank’s overriding goal of poverty reduction, individual project analysis, or associated analysis which informs the project design, needs to be able to show who the poor are, why they are poor, and what the project design will do about it. While PADs may not need to contain a detailed poverty analysis if it is available elsewhere, it is reasonable to expect that they draw upon such analyses and present some discussion of the nature and extent of rural poverty to provide a context and basis for management and peer review. The overall quality of the poverty analysis and conclusions in appraisal documents has improved from about one-third satisfactory in the pre-strategy period, but it remains at an unacceptably low level of about half satisfactory in the PADs in the post-strategy period.<sup>19</sup> The quality of poverty analysis *in relation to the four Vision to Action goals*—poverty reduction, widely shared growth, and household, national, and global food security—was satisfactory in only 36 percent of post-strategy PADs, an improvement from 11 percent in the pre-strategy period.

4.8 RDV recently completed an important piece of work on poverty as part of their Rural Poverty Review. They reviewed 92 PADs including 33 “other rural” PADs that lay in rural space outside the traditional rural grouping. The sample was from FY99 to FY00. Overall they found poverty *diagnosis* aspects were largely not taken into account in 55 percent of PADs, pro-poor *strategy* aspects were largely not taken into account in 20 percent, and pro-poor *design* was largely not taken into account in 16 percent. Moreover, they found all of these three aspects taken into account in none. Sectorally, the best performance was in social protection projects, the next best in environment, followed by agriculture, and then—with lower ratings—education, health, and transport. Based on what has been observed in the better poverty-focused projects, portfolios, and strategies, Box 1 offers some of the most important elements of a sound poverty-oriented diagnosis, strategy, and design. RDV is currently doing further work to identify best practice.

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19. The RDV portfolio review found that, under current operational practice, it is not possible to assess the quality of poverty diagnosis from the PAD because that analysis may be elsewhere. It found that poverty diagnosis was largely absent from about two-thirds of PADs. There are some significant differences between the OED findings and the RDV findings, with the RDV findings rating performance lower than OED. Sample and methodology differences are part of the explanation but the following three reasons almost certainly contribute: (i) the OED review was more forgiving in accepting the existence of poverty analysis outside the PAD; (ii) in a number of cases OED reviewers found it difficult to rate the linkages with strategy and design following a weak poverty analysis since the one is the basis for the others; (iii) OED accepted projects that were substantially growth-oriented as having somewhat different poverty analysis needs and may have been more forgiving on these in terms of their more indirect poverty focus.

### Box 1. A PAD Can Adequately Reflect a Rural Poverty Strategy

The 1997 Ecuador Indigenous and Afro-Ecuadorian Peoples Development Project does a good job in poverty analysis, strategy, and design largely through the following:

1. It has a clear poverty-related objectives statement.
2. It links well to the CAS and provides a clear rationale.
3. It clearly identifies who the poor are, which communities will be covered, and why they are poor.
4. It builds on existing institutional capacity.
5. It carefully specifies the institutional mechanisms for support and the linkages with grassroots organizations.
6. It has a strong focus on investments as well as processes.
7. It supports asset accumulation through the regularization of land rights.
8. It reviews alternatives from a poverty perspective.
9. It does not avoid economic analysis and uses the economic analysis to define the parameters of sound subprojects.
10. It adopts widespread stakeholder participation, including a participatory planning program.
11. It has a frank outline of the implementation risks, especially capacity and political change risks.
12. It has measurable output indicators.

### Project Design Has Shifted Toward More Balance Between Growth and Targeting

4.9 Applying the WDR classification, a majority of projects seek to promote *opportunity* (54 percent pre-strategy and 53 percent post-strategy). The proportion facilitating *empowerment* has increased (17 to 33 percent), and the proportion enhancing *security*, while the lowest category, has increased (11 to 22 percent). The results show the continued focus on rural growth-oriented policies—viewed as both promoting opportunity and broad-based, labor-intensive growth. Over time, the balance between growth and targeting has shifted somewhat. Exclusive focus on the extremes, either on growth or on targeting, has declined in favor of a more balanced approach (see Table 3), perhaps partly reflecting elements of the wider debate on the impacts of growth and

**Table 3. The Shift Toward Balance**

<i>Focus</i>	<i>Pre-strategy (%)</i>	<i>Post-strategy (%)</i>
Exclusively on growth	39	11
Primarily growth with targeting	22	50
Primarily targeting with growth	33	36
Exclusively targeting	6	3

inequality found in the literature. (The RDV portfolio review found a somewhat larger share of projects exclusively targeting.) With respect to the merits of this shift, the balance between growth and targeting in relation to the development objectives of the project was assessed by OED evaluators to have been appropriate in more than two-thirds of the projects in the pre-strategy period, increasing to nearly all of them in the post-strategy period. There has been a significant increase in targeting institutions and processes.<sup>20</sup> About half the projects address poverty mainly through targeting locations. Very few

20. A number of PAD reviews (and some CAS reviews) found implicit targeting decisions that were not evident within the PAD. Does this matter? Yes it does, first, because it may be depriving management and peer reviewers of information and, second, because it may reflect an inadequate poverty alleviation strategy. In the Ghana Second Community Water and Sanitation project, the Brong Ahafo, Ashanti, Upper East, and Upper West regions were selected. But the PAD gives little rationale beyond noting that the rural and small-town communities in these regions “depend on agriculture or trading activities for subsistence, and are mostly below the poverty line.” It also does not mention under the target population section the fact that the first two regions were supported under the previous project and the second two were not and whether the previous project experience had any bearing on the selection. Poverty data for Ghana show that, ranking the 10 regions by percent of poor from best to worst, Upper West and Upper East rank 10 and 9, but Brong Ahafo and Ashanti rank

projects specifically target people or households (less than 20 percent). This may be appropriate given the social and mechanism difficulties that a number of donors and NGOs have had with such fine targeting.

### **Issues of Most Concern to the Poor—Nutrition, Livelihoods, and Vulnerability—Are the Weakest Areas of Focus and Analysis in CASs and PADs**

4.10 With respect to the WDR focus area of enhancing security, the emphasis in the past was low, and it remains low. The proportion of recent projects that contain any discussion of the sources of vulnerability is 30 percent and of livelihoods 24 percent. With respect to the provision of social services, the services most widely covered were education (84 percent), health (81 percent), and water supply (66 percent). Only 34 percent of the CASs addressed nutrition. Given the importance of nutrition in poverty alleviation, this would seem to be an area warranting greater attention. This was found to be a weak area in PADs also. The RDV review of investments in rural space found less than one-half of one percent of rural space lending commitments in their 1999–2000 sample classified as food security and gave surprisingly low attention to marginal areas.<sup>21</sup> This is of concern given that marginal areas are home to about one billion people and that a substantial share of the rural poor live in such areas.

### **Social Impact Analysis of Policy Reform and Investment Is Largely Absent**

4.11 None of the PADs, including those with policy reform content, included any significant analysis of gainers and losers. While this may be more often relevant at the country or sector strategy level than in PADs, several projects had a clear potential for creating losers, but it was not addressed in the PAD. For example, some projects supported the phasing out of line agency functions and the restructuring, or preparing for privatization, of parastatals, yet the documents rarely addressed the short-term risk for the poor or how it might be ameliorated, neither did they refer to other documents that did.

### **Gender Is Covered More Widely Now, But Questions About Quality Remain**

4.12 The 1999 OED study *Rural Development: From Vision to Action?* found that only 41 percent of staff were satisfied that the design of rural development projects addressed women's participation effectively. The current review finds that there has been approximately a doubling to about 75 percent in the mention of gender as a distributional dimension of poverty in the post-strategy period compared to the period before. Obviously, this cannot be attributed solely to the gender focus in *Vision to Action* given the increasing overall Bank focus on gender over that period, but the strategy probably helped to give a more rural slant to this issue. However, based on OED's 2000 Gender Study there remain questions about the quality of this gender work.

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5 and 3. There may well be fully satisfactory reasons for the selection, indeed, one reason is probably that other donors and NGOs are supporting other regions. But a PAD should be explicit about targeting rationale.

21. In this respect it is worth recalling that OED's study *Reforming Agriculture: The World Bank Goes To Market* (World Bank 1996), found that 44 out of 50 reviewed agriculture sector adjustment operations included no measures to cope with reduced food security that may result from reform actions. The report noted that achievement of national food security is by far the most important element in reducing poverty and should therefore rank high among the Bank's goals in setting up agricultural reform programs.



## Monitoring, Objectives Statements, and Risk Treatment Can Be Improved

4.13 CASs were weak with respect to poverty monitoring and performance indicators. Only a little more than half had clear, monitorable benchmarks relating to poverty outcomes. This aspect of poverty monitoring was not found to be mitigated when carried through to the PAD. Only half had clearly stated objectives that could be specifically related to project outputs, and only a third had measurable, time-bound indicators. (Over a third were judged not likely to fully realize their objectives). Attention to institutional development objectives has remained high. Empowerment and community participation have also increased in importance as the driving elements in institutional development. An increasing number of projects are adequately reflecting risks, up from a low of 28 percent to 58 percent. However, of substantial significance for performance and risk, more than half of the projects contained critical assumptions that reviewers considered could jeopardize the project outcome. The RDV portfolio review found that more than half of all projects have indicators that are difficult to measure, and 28 percent have no poverty-related performance indicators, and even in the better cases indicators are less than satisfactory (see Box 2). The implementation arrangements for monitoring and evaluation (M&E), although improved, remain an important shortcoming.

### Box 2. A Promising Case on Indicators, But Still Falling Short

Even in a better-practice CAS—the Uganda 1997 CAS—which appropriately identified new poverty-focused investments in five priority areas, the setting of indicators can really only be assessed as partially satisfactory. At the time of the CAS most of the indicator *levels* were still to be set at a later date, although some were defined by *type*. For example, the roads targets set were institutional development targets, that is, input targets rather than outcome targets; the target for agricultural research and extension was defined simply as an Action Plan; and the targeted support for the north indicated the indicator type (poverty monitoring by household) but did not specify the baseline or target level. While it may be appropriate to leave some of the indicator-setting to more detailed later work, such lack of specificity makes it difficult to evaluate the achievements of a CAS.

### Smaller Projects Are Better for Poverty Analysis, But Bigger Projects Have Better Outcome Ratings—Is This Relevant to Programmatic Lending?

4.14 Overall quality of poverty analysis in relation to the four *Vision to Action* goals was found to be better in smaller projects. Institutional and empowerment issues get more attention, and overall poverty analysis is relatively better. Smaller projects do better at presenting a rural poverty profile and have improved on this more over time than larger projects. For example, 54 percent of small projects, compared with only 6 percent of large projects, discuss sources of vulnerability. They do better at the analysis of livelihoods and enhancing security and have somewhat greater emphasis on targeting institutions and considerably more emphasis on empowering people's participation. Interestingly, it is not the case that the small projects are primarily poverty-targeted projects and large projects are primarily growth projects. Small projects are about 50 percent primarily or exclusively growth-oriented and about 50 percent primarily or exclusively targeted. This finding on smaller projects performing better on poverty analysis is consistent with other studies by OED<sup>22</sup> and with recent RDV findings. There may be implications here for the trend toward programmatic lending since such lending seems likely to result in larger projects. However, it is difficult to compare

22. In reviewing water projects the OED study "Bridging Troubled Waters—Assessing the Water Resources Strategy Since 1993" (OED 2001) found that smaller projects (in dollar terms) had a sharper poverty focus; that IDA projects were more likely to target poverty; that beneficiary costs of poverty-focused projects were higher than others; and that projects involving partnerships with other donors were likely to be more poverty focused. It also found that there had been an impressive doubling of the use of participatory methods to address social development concerns between the 1988–93 period and the 1994–99 period.

programmatic lending with traditional investment lending, and the issue is more complex because the study also found that larger rural projects tend to have better outcome ratings (see Table A16). Over the 1997–2000 period, the percentage of satisfactory outcomes in projects below the size of \$50 million was 54 percent whereas the percentage of satisfactory outcome ratings for projects above \$50 million was 72 percent and over \$100 million was 79 percent. We return to the issue of programmatic lending in Section 5.

4.15 Analysis was also done to see whether cofinanced projects did better on poverty criteria because some studies have found that partnerships helped (although partnerships are not necessarily the same as cofinancing since cofinanciers have different levels of substantive involvement). The hypothesis was not strongly supported by the review conducted for this study, but a weak association was found. Nevertheless, placed alongside the quite strong relationships on partnerships found in other studies, partnerships should remain an important consideration for the future strategy.

### **PADs with Weak Poverty Analyses Tend to Yield Projects with Weak Poverty Focus**

4.16 Some operational staff have argued that even if the PAD is weak on poverty diagnosis and design, what matters is what actually happens during implementation. This issue has been examined across 15 project performance assessments OED carried out within the past two years. We conclude that, while weak poverty diagnosis in a PAD does not preclude a significant poverty impact, a PAD with strong poverty diagnosis has a much better chance of doing so. The implementation of 12 out of 15 projects was found to reflect fairly closely the poverty analysis in the PAD, either strong or weak, and the implementation of 3 was found to have some poverty focus even with limited poverty focus in the PAD. For example, the Bangladesh Third Fisheries Project PAD addressed poverty analysis and poverty strategy reasonably well and later performed quite well on that score, whereas the Bangladesh Second Small-Scale Flood Control, Drainage, and Irrigation Project did not address poverty well in the PAD and did not have any particular pro-poor focus in implementation.<sup>23</sup> A number of extension projects, Kenya, Turkey, and Ghana for example, have exhibited no strong pro-poor focus in the appraisal documents and have not shifted significantly in a pro-poor direction during implementation. While a larger sample and country and project case studies would be needed to be sure of this finding, those cases where a weaker PAD has been followed by stronger poverty performance during implementation may be those where there is already some level of established poverty focus in the country institutions and processes which carries the project along with it. In other words, strong institutions and existing pro-poor processes may override a weak project design. This may have implications for programmatic lending and PRSCs.

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23. The Region argues that this project was aimed at enhancing the livelihoods of the entire population in the area and, by its nature, could not be targeted toward the poor. OED, while agreeing that this project had broad growth objectives, thinks that improved poverty criteria in subproject selection, better initial needs assessment with beneficiary involvement, and more attention to potential negative fisheries impacts on the poorest were design elements that could still have improved poverty impact even within a broad, growth-focused, project.

## 5. Sharpening the Focus on Rural Poverty and Revising the Sector Strategy Paper

5.1 There have been considerable achievements in Bank support for the rural sector over the past 10 to 15 years. Policy distortions, exchange rate overvaluation, import tariffs, export taxes, inefficient parastatal marketing regimes and finance corporations, and a number of other policy distortions have been addressed by borrowers with Bank support. In many countries, social and infrastructure services have improved. Participation through community development has become the norm rather than the exception, replacing the earlier top-down Integrated Rural Development Projects—a holdover from central planning. Institutional reform has increasingly been tackled. These changes have contributed to declines in the incidence of poverty in many rural areas. Nevertheless, much remains to be done, particularly to reach the poorer rural households.

5.2 The literature offers convincing arguments for the poverty benefits of rural investment under the circumstances of the majority of the Bank's low-income borrowers. Beyond the reality that about 75 percent of the poor are in rural areas, rural growth contributes to poverty reduction in both rural and urban areas. The impact on growth from investment in rural infrastructure, agricultural technology, and education has been shown to be consistently high and to have significant poverty impacts. Beneficial interactions between the agriculture and non-agriculture sector have been shown to operate through forward and backward linkages in output and input markets. Although non-farm and non-rural income is increasingly important, the poorer rural households have less opportunity for capturing those income sources than the less poor, therefore, agriculture remains very important for the poor even with increasing non-farm opportunities. Four particular areas have been emerging recently from the lessons of experience in the literature: first, the need to increase attention to non-farm income sources and broader local economic development; second, somewhat as a counterpoint to the first, the importance of maintaining focus on agricultural productivity; third, the need to broaden diagnostic approaches to address spatial and cross-sectoral issues; and fourth, the need to increase focus on strengthening local rural institutions and mechanisms of downward accountability. Finally, the literature suggests that, notwithstanding the generally positive poverty impacts of rural investment in lower-income countries, due to differences arising from initial country conditions and locally unique institutional profiles, country-specific analysis is essential.

5.3 Against this background, as noted earlier, we find from the earlier phases of this study in 1999 and 2000 that borrower stakeholders, Bank rural staff, and other donors rate the Bank's achievement in the area of rural poverty lower than almost any other aspect<sup>24</sup> of rural development project design. Clearly, for an institution that has poverty alleviation as its primary goal, and for a sector which sustains the majority of the poor, something is not right.

5.4 The data show a declining trend in the share of Bank lending to the rural (Agriculture+3) sector since 1978. Possible reasons for the decline that warrant further study include the low volume of ESW and insufficiently convincing sector analysis, modest project performance levels, weak Bank incentives for poverty alleviation results, increasing pressure on Country Directors to achieve lending volume at low cost and low risk, lack of immediate urgency for food production, and weak borrower

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24. Other design aspects included policy framework; environment; stakeholder participation; private sector development; women's participation (one of two aspects that scored lower); economic analysis; risk; lessons of experience; implementing capacity; lending instruments; program lending; monitoring; impact evaluation (the lowest rated); quality control; overall satisfaction; and comparisons with earlier years.

demand. With respect to the direction of lending, the largest share of Bank rural lending on a per rural capita basis goes to the less poor countries and the less-poor regions within countries.

5.5 With respect to lending quality, we find generally weak rural poverty analysis, although improved since the pre-strategy period. At the country program level, CASs are generally good as overview strategic documents. However, as found by the 2000 OED Poverty Study—that the Bank had found it difficult to move from the 1990 strategy toward CASs addressing social constraints—so this study finds the baton is often dropped in moving from CAS to PAD. Only 36 percent of PADs were rated satisfactory or better on poverty analysis in relation to the four *Vision to Action* goals. Only about half the PADs provided an adequate poverty context, and only a quarter adequately discussed sources of livelihoods and a third adequately discussed sources vulnerability. None included an analysis of gainers and losers. Only about a third contained measurable poverty-related performance indicators.

5.6 Looking at project assessment findings to see whether weak PADs matter much, the study finds that, while weak poverty diagnosis in a PAD does not preclude a significant poverty impact in implementation, a PAD with strong poverty diagnosis has a much better chance of doing so. The study concludes that there is a need for the updated strategy and future Rural Sector Board support to focus particularly on four areas related to rural poverty. First, there is a need to focus and prioritize the revised strategy, thematically, regionally, and with respect to point of focus, on PRSPs. Second, there is a need to improve poverty analysis through enhanced methodologies. Third, there is a need to improve analytical and design skills and support. Fourth, there is a need to improve effectiveness and efficiency through external and internal partnerships exploiting comparative advantage. This section expands on these after recapitulating the earlier OED findings.

5.7 The recommendations that follow from the analysis presented in this report build on those of the first two studies and the earlier OED Poverty Study and should be seen as a part of a package with those recommendations. Since the study reviewed PADs in the narrower (Agriculture+3) rural category as opposed to broader “rural space,” the recommendations apply particularly to the rural family and those activities overseen by the Rural Board. This narrower rural category is the direct responsibility of the rural family and also has had weak past performance. However, the overall findings, including the CAS and literature review, do support the broader “rural space” focus. In that respect the recommendations apply more broadly to the Bank as a whole and to other sectoral boards whose direct responsibilities lie across portions of “rural space.”

### **Focusing and Prioritizing the Revised Strategy**

- ***Recommendation:*** *Broaden poverty analysis at the country level aimed at improving the rural focus in PRSPs, but avoid allowing this to dissipate the strategy or the support for action. Focus on a limited number of prioritized rural thematic areas, regions and countries, and analytical entry point, and avoid being spread too thinly. In particular, do not neglect agricultural productivity.*

5.8 The evidence suggests that the original *Vision to Action* strategy was short on action, that performance of rural projects, while improved, is still relatively weak, and that focus on rural poverty could be sharpened. These findings, set alongside the decline in rural lending and the interaction between performance and budget, suggest the need for focus and prioritization in the revised strategy. The need outlined in this report for broader, more spatially differentiated analysis of rural poverty and for increasing cross-sectoral connections at the country level—more open-ended in terms of country outcome—should not be allowed to lead to a diffuse Bank rural support strategy. With reduced resources, the rural family should avoid being spread too thinly. It will need to prioritize on a limited

number of thematic areas, regions, countries, and analytical entry points, although not blindly or exclusively, and with regular adjustment to respond to priorities emerging at country level. First, it should focus thematically/sub-sectorally. Second, it should focus on priority Regions and focus countries; the poverty data point toward Sub-Saharan Africa and South Asia, where the share of rural poor is high. Third, it should focus on the most promising programmatic entry points: the borrower's PRSP and complementary Bank country rural strategy papers, a neglected vehicle in terms of brief, living statements of rural strategy. In other words, while the CAS remains important, the entry point for rural strategy has shifted toward the PRSP.

5.9 With respect to thematic/sub-sectoral focus, four areas flagged widely by the literature and evident from the lessons of experience are potential contenders for thematic/sub-sectoral areas of focus: (i) rural institutions, including public sector management, private sector development, and community development; (ii) agricultural technology (narrower) or agricultural productivity (broader), linking to both national and global research (CGIAR) and the biotechnology issue; (iii) rural infrastructure; and (iv) rural and agricultural policy, including trade policy. While individual country analyses would undoubtedly uncover other priorities, it would be surprising if these four did not feature strongly in many cases. Strengthening rural institutions is a potential centerpiece for five reasons. First, broadly defined, it is central in *policy* reform—often a “rules of the game” issue. Second, it addresses what OED has found to be the often-neglected *mechanism* issue—how a particular service will be delivered. Third, it is central to *incentives* and *privatization*. Fourth, the timing is right, with many borrowers in the early stages of *decentralization* programs linked to expanded community development interventions. Fifth, it lies at the core of the increasingly important question of *scaling up*.

5.10 In order for the updated strategy to focus and then monitor performance it will be essential to avoid repetition of the lack of realistic, actionable, and measurable benchmarks in the original strategy, which was one of the findings of the OED Phase I study.

### **Operationalizing Methodologies for Improved Pro-Poor Focus**

➤ **Recommendation:** *Building on the recent Rural Development Department (RDV) portfolio findings, develop a phased work program to improve the poverty focus and impact of ESW, rural strategy work, and project interventions that draws on best practice reviews, case studies, and pilot testing of methodological and process innovations.*

5.11 **Improving Frameworks for Poverty Analysis.** OED's Phase I study found a close correlation between effective rural development work and the quality of related analytical work, particularly the focus on rural poverty. The 2000 OED Poverty Study found that, notwithstanding a substantial mainstreaming of the 1990 poverty reduction strategy and the importance given to this in the Bank's OD 4.15 on Poverty Reduction, many poverty assessments still do not convincingly address macro linkages to poverty or sectoral issues. The same linkage problem and some dropping of the baton was found in this study at the next level down when passing from sector work to project work. While new poverty analysis may not need to be done specifically for project design if the existing poverty assessments already meet the need, it is still necessary to establish the linkages within the program or project design to those analyses and, in many cases, poverty assessments do not carry enough detail to preclude the need for further project-specific poverty analysis. Logical frameworks and project rationales need to be improved by wider use of framework elements such as the WDR *opportunity, empowerment, security* framework, and by operationalizing poverty analysis that accommodates spatial differentiation at the country and local level. Guidance and best practice examples are needed for Task Managers to improve the poverty focus of ESW, the diagnosis, development of strategy, and design elements of PADs, and the links between the two. In particular,

greater attention needs to be given to understanding the types of agricultural policies that are especially relevant to poverty alleviation. As noted in the literature review section, these include policies connected to the free flow of goods and services, subsidy regimes, improving agricultural commodity and factor markets (price data, weights and measures, quality grading, market access, collusion, contract law, property rights, *ad hoc* government intervention), public expenditure priorities in the poorest regions, land policy, cost recovery mechanisms, and, particularly, transition arrangements during liberalization. Early evaluation of the rural element of the now rapidly increasing number of PRSPs will be needed to redirect methodologies and to feed into learning events. Some revisiting of the logframe structure and/or guidelines may be warranted to ensure that poverty logic is carried through sufficiently from CAS and Poverty Assessment to PAD.

**5.12 The Link Between Incentives and Poverty Monitoring.** Incentives for improved poverty performance by Bank staff are needed Bank-wide. This lies outside the responsibility of the Rural Board but is particularly relevant to the rural sector and therefore warrants Rural Board support because of the high percentage of the poor in rural areas. However, it will only be possible to operationalize enhanced poverty incentives when better poverty monitoring and poverty-oriented *ex ante* analysis is developed and when growth-poverty links are better understood in terms that can be operationalized by the Task Manager. It is sometimes argued that rural lending is inherently more complex, difficult, and costly and that, therefore, more resources per dollar committed should be given to rural than to other sectors.<sup>25</sup> These arguments are not convincing because the Bank's objective is not rural development but poverty alleviation. The stronger case is for improving the monitoring and the social elements of the cost/benefit methodology to demonstrate the poverty and equity impacts of investments and to then apply that to internal Bank incentives for poverty performance. Given the weakness in monitoring and analytical methodologies, it will take time to reach that point.

**5.13 Offering Best Practice.** Box 3 offers a limited set of minimum requirements for poverty-sensitive program and project design. Papers by Evans (2000b) and some of the RDV work offers other useful question sets and matrices indicating the elements of models for improved poverty analysis. Further work in this area is need to develop best practice and guidelines and agreement is needed within the rural family, and more broadly within the Bank, on what constitutes a minimum for good practice. Much of this will need to emerge from interactive training programs related to real cases, particularly for interventions involving policies or institutional reform where what constitutes a pro-poor design is less immediately apparent than in a direct targeted investment.

**5.14 Improving the Project Coding System.** OED and others had recommended this many times before. The recommendation was repeated in the draft of this report but prior to finalizing the report had been adopted. There will inevitably be teething problems to be resolved.

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25. Reasons offered include the preponderance of the poor, the greater number of safeguards applicable to rural, the relatively low population density, the institutional complexity, the diversity of social issues, the complications of technology development due to zonal variation, and the fact that land is often a highly charged political issue.

### Box 3. The Elements of a Model

Based on better-practice cases and recent literature (especially Evans 2000b), the following are suggested as some of the elements of a model set of diagnosis, strategy, and design to address rural poverty:

- Disaggregation of rural poverty data by location, household type, income source, resource endowments, assets, and other factors explaining *livelihood patterns* and *vulnerability*, especially risk for those in marginal areas.
- Analysis of income and employment *opportunities* for the rural poor by location with realistic comparative advantage and marketing assumptions.
- Analysis of social and economic *linkages* across sectors and thematic areas, for example, urban, health, migration, non-farm or non-rural income sources, and place in the overall national and Bank strategy.
- Clear statement of poverty *objectives and rationale*, and an organizing framework linked to the diagnosis which explicitly draws the policy links to poverty alleviation.
- Review of program or project *alternatives* from a poverty impact perspective.
- Disaggregation of existing and proposed *policy* and *institutional reform* impacts on households—assessment of impacts on gainers and losers—including a clear link between the proposed investments and policy interventions and the poverty diagnosis and strategy.
- Analysis of *capacities* of local government and other potential implementing institutions.
- Development of a targeting strategy and design of *targeting mechanisms* to reach the poor.
- Design of the *participatory processes* and the elements of those processes that are relevant to the poor in the knowledge that community participation alone, in the absence of explicit measures, may exclude the poor.
- *Monitoring and evaluation* design, including poverty monitoring, outcome indicators, design of the M&E mechanisms, and strengthening M&E capacity, linked into national systems.
- Potential *partnerships* with poverty skills for design and implementation.

### Selectively Establishing Priority External Partnerships and Internal Alliances To Improve Skills and Support

- **Recommendation:** *The Rural Board should selectively develop internal and global rural partnerships with the aim of increasing efficacy and enhancing efficiency of Bank and global rural poverty impact. Supported by these partnerships, the Rural Board should develop a phased rural staff training and information systems program, improve poverty-related methodologies, and, provide selected support to priority country interventions. These directions should be signaled in the new strategy and supported in staffing composition. .*

5.15 **External Partnerships.** At the global level, partnerships should be formed with a limited number of other agencies, exploiting comparative advantages and leading to a collaborative program of poverty-related analysis and training linked to country CDF and PRSP processes. For example, a well-balanced global partnership with substantial complementarities might consist of IFAD, providing strengths in direct poverty-alleviation and scaling up, FAO, lending strength in the agricultural technology area, and the Bank, bringing to bear its policy and institutions strengths. Whoever the partners are, the form of partnership—from less demanding programmatic collaboration to more demanding full institutional partnership—would need to be justified, defined, and agreed. The limited budget now available to the Bank’s rural network will make additional work on rural poverty very difficult unless more resource sharing with partners and greater use of trust funds is sought. Partnerships would enable increased support for selected studies that would feed into PRSPs at the country program level and would contribute to gradually building a more comprehensive global picture on the poverty effectiveness and efficiency of rural interventions.<sup>26</sup>

26. Increasing numbers of partnerships are emerging in the field of evaluation. For example, multidonor evaluation of the Comprehensive Development Framework (CDF) is being planned with a steering group consisting of about 30 members

5.16 **Internal Alliances.** Within the Bank, selective alliances should focus on mainstreaming interconnected rural issues into a more coherent whole. There is significant commonality of constraints between agriculture, health, and education interventions in rural areas. As OED found in its Phase II study, projects in rural areas in most sectors are constrained by sparse population, poor information, inadequate community contribution, inadequate communications, weak skills, weak institutions, weak policy framework, over-centralized planning, lack of incentives for staff to remain in rural areas, inadequate participation by the poor, weak community ownership, low female participation, challenges in the location of facilities, and sometimes cultural conservatism. These represent mainstreaming opportunities for the rural sector as well as common development constraints. Two sectoral areas to pilot potential linkages would be in rural infrastructure itself, which connects to all sectors, and nutrition, which has important education, health, and agriculture linkages and, as noted earlier, has been relatively neglected. Alliances need to be further developed with other sector boards and with PREM, and should include analytical and training support to mainstream cross-sectoral rural issues and to develop broader skills.

5.17 A start has been made by the Rural Sector Board in some of these partnership areas, such as the recent European Community discussions on a rural partnership OED supports recent draft proposals within RDV to initiate consultation meetings on the formation of partnerships.

5.18 **Diagnosis, Strategy, and Design Skills.** Weaknesses in poverty work lie in many of the areas the WDR 2000/2001 found to be of most concern to the poor, such as food security, sources of livelihoods, and household vulnerability. Widespread weaknesses were also found in poverty monitoring. Some of the weaknesses appear to be due to lack of operational methodologies, and some appear to be due to weaknesses in skills. Workshops and training modules in these areas, designed by rural Thematic Groups in collaboration with PREM, other sector boards, and other external partners, and sharing out designated topic areas, could help to address the most important of these knowledge areas. Improved knowledge and skills should particularly cover: understanding spatial and temporal aspects of rural poverty, analysis of gainers and losers in policy and institutional reform, poverty monitoring, incorporating equity impacts into economic analysis, and, most important, clarifying the links between policies and poverty.<sup>27</sup> An outcome target might be to raise poverty analysis quality ratings of ESW and PADs by 50 percent from the current level over two years.

5.19 **RDV Staffing.** There may be a case for having a rural poverty specialist in RDV, or an equivalent adjustment in collective responsibilities. The purpose would be: (i) managing the poverty-oriented component of the methodology and skills development program; (ii) developing and coordinating outside alliances and partnerships; (iii) maintaining and publicizing a database (mainly drawing on existing databases) related to the poverty impact of lending; (iv) coordinating RDV and Thematic Group support to ESW directed at PRSPs; (v) contributing as a peer reviewer,<sup>28</sup> and (vi) communicating and coordinating with PREM and other sector boards on the poverty issue. If possible this would need to be someone with broad enough skills to straddle the policy, institutional, poverty analysis, and community development areas.

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from different agencies and organizations. A major initiative led by the Netherlands is under way on basic education with Canada, Denmark, the European Community, Germany, Ireland, Norway, Sweden, the United Kingdom, UNESCO, UNICEF, and the World Bank. Others may join.

27. This study's review of PADs suggests that policies have been typically seen as blunt instruments offering little opportunity for pro-poor focus. Yet the literature points to a number of potential areas for pro-poor policies, for example, infrastructure investment prioritization; agricultural research (e.g., Byerlee 2000); extension policy; pricing policies; decentralization policies; policies on privatization of services; targeting of subsidies; land policies; cooperative and community associations legislation; cost recovery; rural finance policy and legislation; public works targeting; and safety net policies.

28. An informal poll by OED during the study of a small sample of peer reviewers suggested some opportunities for greater poverty focus.



### **The Future—The Shift Toward Programmatic Lending**

5.20 Finally, with respect to the future, internal changes within the Bank may have a profound impact on the way the rural family addresses rural poverty. It is too early to evaluate the impact of programmatic lending but there are both opportunities and risks for the achievement of rural poverty objectives in this shift. The revised strategy needs to help the rural family seize the opportunities. Programmatic lending could help to set a framework for improved rural spatial analysis leading to better cross-sectoral rural poverty design, it could address overarching institutional and policy constraints, it could support better national poverty monitoring, and it could improve donor coordination. Some preliminary guidance is warranted in the new rural strategy in two areas. First, more generally, what changes in support from the Rural Board would be introduced to guide the rural aspects of the shift to programmatic lending. Second, more specifically, how would the rural family ensure that the analysis of sources of livelihood, vulnerability, security within a broader spatial framework, and beneficiary participation is not shortchanged with programmatic lending given that these aspects have generally been less well covered in larger projects than in smaller projects. Seizing the programmatic lending opportunity will call for improved quality and coverage of rural ESW.



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## Annex A: PAD Review Tabulations

**Table A1. Poverty Analysis**

	<i>1993–1996</i>	<i>1997–2000</i>
<b>PADs with a discussion of...</b>		
Country poverty profile	34%	56%
Rural poverty profile	23%	50%
Rural-Urban dimensions	43%	79%
Distribution across locations within rural areas	43%	56%
Gender dimensions	40%	74%
Intra-household dimensions	7%	15%
<b>PADs with a clear analysis/discussion of...</b>		
Sources of livelihoods	13%	24%
Sources of vulnerability	13%	30%
Access, use and satisfaction with social services	10%	30%
Access, use and satisfaction with economic services	6%	27%
<b>Overall quality of poverty analysis and conclusions (% satisfactory)</b>	<b>33%</b>	<b>49%</b>

**Table A2. Poverty Focus**

	<i>1993–1996</i>	<i>1997–2000</i>
Is the project PTI Labeled?	53%	42%
Is the PTI label appropriate?	94%	83%
If not, should it be labeled PTI?	8%	3%
Is poverty reduction Primary development objective	19%	17%
If no, is it a secondary or supplementary objective	28%	37%
In either case, is Rural poverty emphasized	44%	61%
<b>Projects highlighting in project design the three elements in the 1990 Poverty strategy</b>		
Broad based, labor intensive growth	64%	50%
Human capital development	20%	25%
Social safety nets	6%	0%
<b>Projects highlighting in project design the three elements in the WDR 2000/2001</b>		
Promoting Opportunity	54%	53%
Facilitating Empowerment	17%	33%
Enhancing Security	11%	22%

**Table A3. Addressing Poverty**

	<i>Primary Emphasis</i>		<i>Secondary Emphasis</i>	
	<i>1993–1996</i>	<i>1997–2000</i>	<i>1993–1996</i>	<i>1997–2000</i>
<b>By Stimulating Economic growth</b>				
Overall	11%	17%	42%	39%
Rural	42%	42%	25%	42%
Agriculture	53%	61%	22%	17%
<b>Targeting</b>				
Locations	44%	53%	6%	17%
People	11%	17%	19%	25%
Households	3%	19%	17%	19%
Villages	11%	19%	17%	17%
<b>Targeting Specific Assets</b>				
Natural	28%	36%	14%	14%
Physical	31%	33%	8%	25%
Financial	3%	17%	3%	6%
Human	14%	19%	11%	14%
Social	8%	8%	6%	28%
Targeting a Commodity or economic enterprise	17%	11%	8%	6%
Targeting Institutions or processes	39%	61%	31%	6%
Empowering people's participation	33%	42%	25%	28%
<b>Enhancing Security against</b>				
Food insecurity	14%	22%	47%	28%
Market risks	3%	6%	17%	17%
Vulnerability	11%	28%	33%	33%
Macro shocks	0%	0%	0%	14%
Social risk	0%	0%	6%	19%
Civil conflict	0%	0%	0%	0%
HIV/AIDS/other diseases	0%	0%	0%	3%

**Table A4. Growth versus Targeting**

<i>Emphasis on broad based growth versus targeting poor people or groups of some kind</i>	<i>1993–1996</i>	<i>1997–2000</i>
Exclusively on Growth	39%	11%
Primarily on growth	22%	50%
Primarily on targeting	33%	36%
Exclusively on Targeting	6%	3%
Overall appropriateness of growth versus targeting in relation to development objectives of the project	72%	94%

**Table A5. Project Strategy**

	<b>1993–1996</b>	<b>1997–2000</b>
Existence of CAS	33%	100%
Existence of National/sector plan or strategy document	64%	69%
Existence of National Poverty analysis	17%	58%
Clear contribution of ESW in project preparation?	44%	44%
Clearly defined in a strategic framework for poverty reduction	31%	50%
Derived from poverty diagnosis	25%	44%
Extent to which project objectives and strategy are linked to CAS or relevant ESW (% sat.)	56%	85%
Explicit Links to other projects		
National/State Government	28%	34%
Other national/state agencies	6%	24%
World Bank	69%	86%
Other donors	20%	56%

**Table A6. Relevance of Project Objectives**

	<b>1993–1996</b>	<b>1997–2000</b>
Physical	81%	78%
Financial	25%	23%
Macro policies	3%	11%
Sector policies	53%	58%
Institutional	89%	92%
Social: Direct Poverty Alleviation	28%	36%
Social: Gender	12%	22%
Environmental	42%	53%
PSD	40%	25%
Project's Overall Relevance	72%	86%

% substantial or high

**Table A7. Project Design**

	<b>1993–1996</b>	<b>1997–2000</b>
Development Objective is...		
A single objective	28%	33%
Realistic (to proposed timeframe and resources)	28%	58%
Specific (to project outputs)	31%	50%
Measurable (with quantified, time-bound indicators)	14%	33%
Assumptions		
Reflect risks	28%	58%
Do not include "killer" assumptions	25%	42%
Are reasonable in project context	31%	69%
Quality of logical framework presented in PAD (% sat. or better)	17%	83%

% Yes

**Table A8. Institutional Development**

<i>Aspects</i>	<i>Importance</i>		<i>Pro-poor Focus*</i>	
	<i>1993–1996</i>	<i>1997–2000</i>	<i>1993–1996</i>	<i>1997–2000</i>
<b>National Government Capacity</b>				
Economic Management	8%	14%	67%	75%
Civil Service reform	3%	-	100%	100%
financial intermediation	8%	25%	33%	60%
legal/regulatory reform	14%	33%	0%	45%
sectoral capacity	69%	75%	17%	25%
Policy dialogue with local government	17%	11%	0%	67%
<b>Local government capacity</b>				
community participation	31%	53%	56%	59%
decentralization	28%	44%	38%	38%
financial intermediation	8%	11%	67%	67%
legal/regulatory reform	8%	19%	0%	50%
sectoral capacity	47%	53%	21%	27%
policy dialogue with central government	8%	17%	25%	50%
<b>Agency/NGO capacity</b>				
financial intermediation	22%	19%	17%	25%
legal/regulatory reform	28%	22%	10%	43%
sectoral capacity	56%	89%	12%	17%
policy dialogue with government	31%	25%	0%	29%
<b>Civil society/CGO capacity</b>				
legal/regulatory reform	17%	31%	17%	50%
empowerment	56%	64%	29%	47%
community participation	56%	83%	28%	35%
<b>Overall attention to Institutional Development</b>	<b>83%</b>	<b>92%</b>	<b>..</b>	<b>..</b>

Shows the percent of High or Substantially rated pro-poor dimension, if ID aspects were rated as important (i.e., rates 1 or 2 on scale 1–4).

**Table A9. Sustainability**

<i>Dimensions</i>	<i>Importance</i>		<i>Pro-poor Focus*</i>	
	<i>1993–1996</i>	<i>1997–2000</i>	<i>1993–1996</i>	<i>1997–2000</i>
Technical resilience	89%	67%	24%	18%
Financial resilience	67%	69%	19%	22%
Economic resilience	58%	61%	21%	30%
Social Support	47%	42%	26%	29%
Environmental resilience	47%	39%	12%	20%
Government ownership	89%	86%	22%	22%
Other stakeholder ownership	69%	69%	32%	26%
Institutional support	89%	81%	21%	26%
Resilience to exogenous influences	19%	31%	0%	10%
<b>Overall attention to Sustainability</b>	<b>61%</b>	<b>74%</b>	<b>..</b>	<b>..</b>

\* Shows the percent of High or Substantially rated pro-poor dimension, if Sustainability aspects were rated as important (i.e., rates 1 or 2 on scale 1–4).

**Table A10. M&E Arrangements**

	1993–1996	1997–2000
Identification of need for data collection	56%	78%
Appropriate mix of surveys	33%	58%
Links to national statistical service	25%	56%
User involvement	25%	50%
Identification of capacity constraints	47%	56%
Plan for capacity development	47%	50%
Link to national decision processes	28%	56%
Transparency in publication of results	28%	50%
Inclusion of stakeholders in dissemination and discussion	17%	33%
<b>Overall quality of M&amp;E arrangements in PAD</b>	<b>36%</b>	<b>61%</b>
<b>Measurable poverty related performance indicators identified in PAD</b>	<b>8%</b>	<b>39%</b>

% satisfactory or better

**Table A11. Summary Assessment**

	1993–1996	1997–2000
Overall quality of poverty analysis in relation to the four V to A goals	11%	36%
Appropriate poverty focus in relation to country context and four V to A goals	39%	61%

% satisfactory or better

**Table A12: Review of 32 CASs—Summary Statistics**

CAS Goals	% Yes			
Poverty reduction stated as a primary goal of the CAS:	100%			
Rural poverty is targeted:	97%			
Inclusion of a profile of the poverty situation in the country:	97%			
Inclusion of a profile of the rural poverty situation in the country:	88%			

<b>Sequential rating of thematic objectives important to the achievement of poverty reduction: [1=highest, 4=lowest]</b>				
	1	2	3	4
Broad based growth (1)	29	2	1	
Inclusion (health, education, safety nets, gender): (2)	1	25	6	
Governance: (3)	4	3	18	5
Environmental sustainability: (4)			7	25

<b>Sequential prominence of the following objectives stated in the Bank's 1990 poverty reduction strategy: (1=Highest 3 =Lowest)</b>			
	1	2	3
Labor-intensive broad based growth (1)	30	1	1
Social service provision (2)	2	30	0
Safety Nets (3)	0	1	31

Table A12 continued...

<b>Growth Strategy-Inclusion of Issues, Opportunities and Poverty Reduction</b>		<b>% Yes</b>		
A clear discussion of the main opportunities and constraints to growth:		100%		
A clear discussion of the main opportunities and constraints to rural growth:		91%		
An assessment of the opportunities and constraints to poverty reduction:		94%		
Description/ analysis of the links between growth strategy and its impact on poverty reduction:		97%		
Distributional or equity issues that might arise from the growth strategy itself:		34%		
The need to increase the demand for unskilled labor/ employment opportunities for the poor:		41%		
Specific gender & poverty issues arising from the growth strategy:		53%		
Rural development/poverty issues arising from the growth strategy:		66%		
<b>Inclusion of Reforms with positive Effect on Asset Accumulation by poor people</b>		<b>% Yes</b>		
Social sector policies to enhance the acquisition of human capital by the poor:		97%		
Financial sector policies to encourage the poor's access to financial capital		50%		
Land policies to support access to land /security of tenure for the poor:		47%		
Policies to help mitigate risk / vulnerability to shocks-economic, environmental etc.:		91%		
Specific measures / issues regarding women's access to assets (gender inequalities in asset distribution):		41%		
<b>Inclusion of Policy Actions to Stimulate Agricultural Development and Employment for Poor People</b>		<b>% Yes</b>		
Pricing policy for agricultural exports:		31%		
Reform of marketing systems:		34%		
Smallholder cash-crop development:		6%		
Rural infrastructure—rural roads, transport, water		81%		
Agricultural research /extension (with a focus on poor people's crops)		59%		
Rural credit/micro-finance		53%		
Land policies —tenurial change		56%		
Gender sensitive policies/measures		78%		
		<b>% High or Substantial</b>		
<b>Relevance of the growth strategy set out in the CAS for poverty reduction:</b>		75%		
<b>Basic Social Provision / Social Spending</b>				
<i>Does the CAS include a focus on the following sectors / issues:</i>	<i>% of Rural</i>	<i>National (no.)</i>	<i>Rural (no.)</i>	<i>Urban (no.)</i>
Education	84%	31	27	26
Health	81%	32	26	24
Gender	78%	25	25	15
Population	56%	24	18	18
Nutrition	34%	22	11	11
Sanitation	47%	17	15	15
Water	66%	28	21	23

Table A12 continued...

<b>Safety Nets / Social Protection</b>	<b>% Yes</b>
Includes an explicit analysis of issues relating to vulnerability and/or social risk in the population:	84%
Includes an explicit consideration of the benefit incidence for the poor	69%
The adequacy of analysis, linked to strategy for mitigating vulnerability and/or risk:	38%
Mention of Safety Nets	81%
Mention of Safety Net issues related to the Rural Poor:	59%
	<b>% of High/Substantial</b>
Relevance of the strategy for spending and provision of social services for the poor	81%
<b>Links to Poverty Assessment / Public Expenditure Reviews</b>	<b>% Yes</b>
Mention of a recent poverty assessment:	88%
Mention of a recent PER	69%
Mention of other ESW that has directly influenced the strategy:	88%
Mention of Rural ESW:	50%
	<b>% of High or Substantial</b>
<b>Poverty Monitoring and Performance Indicators: presence/ emphasis</b>	
Clear, monitorable benchmarks relating to poverty outcomes (or close proxies to poverty):	59%
Clear, time-bound benchmarks directly linking the CAS to specific poverty and social outcomes:	56%
<b>Borrower Commitment / Ownership &amp; Stakeholder Participation in the CAS</b>	<b>% Yes</b>
Evidence of a wide range of participation and consultation in the preparation of the CAS:	84%
	<b>% Sat. or higher</b>
<b>Summary of CAS Quality</b>	
The relevance of the CAS to poverty conditions in the country:	81%
The fit between the policies and instruments chosen in the CAS and the challenge of reducing poverty:	50%
The fit between the CAS and the priorities of the 1990 strategy:	41%
The treatment of poverty monitoring and evaluation issues in the CAS:	53%
The treatment of new generation issues, i.e., social exclusion, inequality, distribution and civil society etc.	44%
Use of data and recommendations from the poverty assessment and PER (other ESW) in the formation of policy issues in the CAS:	47%
Strategies on rural poverty issues / use of rural ESW recommendations / agriculture etc.	63%

**Table A13: Comparison of Average Project Size by Major Sector and Period, FY 1993–96 and FY1997–2000**

<i>Major Sector Name</i>	<i>Average Commitment per Project, US\$m.</i>	
	<i>FY1993–96</i>	<i>FY1997–2000</i>
Agriculture	67	66
Economic Policy	92	172
Education	75	63
Electric Pwr & Engy.	147	110
Environment	67	38
Finance	116	181
HNP	69	62
Mining	82	207
Multisector	38	122
Oil & Gas	111	38
Private Sector Dev.	59	40
Public Sector Mgmt.	35	61
Social Protection	57	77
Telecommunications	95	29
Transportation	113	109
Urban Development	99	58
Water Supply & Sanitation	88	49
<b>Mean</b>	<b>83</b>	<b>87</b>

Source: World Bank

**Table A14: Comparison of Average Project Size by Agricultural Sectors and Period, FY 1993–96 and FY1997–2000**

<i>Sector</i>	<i>Average Commitment per Project, US\$m.</i>	
	<i>FY1993–96</i>	<i>FY1997–2000</i>
Agency Reform	19	32
Agricultural Credit	102	49
Agricultural Extension	34	55
Agriculture Adj.	53	98
Agro-Industrial & Market.	79	52
Annual Crops	48	..
Fisheries & Aquaculture	9	43
Forestry	65	41
Irrigation & Drainage	105	98
Livestock	19	69
Other Agriculture	55	47
Perennial Crops	104	67
Research	33	39
<b>Mean</b>	<b>56</b>	<b>58</b>

Source: World Bank



**Table A15: Change in Lending by Sector Compared with Costs, Project Problem Status, Inspection Panel Requests, ERR,<sup>a</sup> and Project Age**

	% change in Lending, 93–95 to 98–01 <sup>b</sup>	R a n k	Preparation cost per \$1m. Commitment (US\$), FY95–99	R a n k	Preparation cost per Project, FY95–99	R a n k	% of Problem Projects (average of 1996–2000)	R a n k	Inspection panel requests	R a n k	Evaluated rate of return, 1996–2000	R a n k
Agriculture	-32%	12	6,582	9	408,657	8	15	9	5	9	22	6
Eco. Policy	38%	6	..		..		18	12	..	..	..	..
Education	-15%	9	4,700 <sup>c</sup>	7			12	4	..	..	..	..
E. P. Energy.	-73%	14	2,601	3	363,026	7	21	15	4	8	18	10
Environment	-23%	11	9,307	10	347,092	5	14	8	2	4	20	8
Finance	44%	5	2,284	1	318,974	4	21	16	1	1	29	4
PHN	20%	7	4,932	8	313,299	3	18	11	..	..	..	..
Industry	..	..			..		..	..	1	1	17	12
Mining	83%	2	2,601	3	363,026	7	13	6	2	4	18	10
Multi sector	89%	1	2,557	2	284,350	2	4	1	1	1	..	..
Oil & Gas	-683%	17	..		..		21	14	..	..	40	2
Private SD	-15%	8	..		..		19	13	..	..	..	..
Pub. S. Mngmt.	72%	3	4,580	6	273,537	1	12	5	..	..	154	1
Soc. Protection	63%	4	..		..		11	3	..	..	21	7
Telecoms	-279%	16	..		..		5	2	..	..	27	5
Transportation	-18%	10	..		..		13	7	2	4	31	3
Urban Dev.	-87%	15	4,150	5	351,939	6	15	10	2	4	20	8
Water Sup. San.	-41%	13	..		..		21	17	..	..	11	13

a. ERR: economic rate of return at evaluation.

b. Change with respect to recent period, i.e., avg. of (1998–2000) less avg. of (1993–95).

c. The education cost figure is from a different source and may therefore not be exactly comparable.

Data sources: Inspection Panel requests from initial requests received; cost data, CRM; all others, Business Warehouse.

**Table A16: Average Project Size and Satisfactory Outcome Rating, 1993–2000**

Period	Less than US\$24.9m.	US\$25–US\$49.9m.	US\$50m.–US\$99.9m.	More than US\$100m.	
1993–96	No. of Operations	123	39	46	35
	Total Commitment, US\$m.	2,464	1,895	3,990	7,418
	Avg. Commitment per Operation	20.0	48.6	86.7	211.9
	Percent of Satisfactory Outcome	55%	71%	73%	81%
1997–2000	No. of Operations	97	39	38	29
	Total Commitment, US\$m.	2,267	1,850	3,324	5,029
	Avg. Commitment per Operation	23.4	47.4	87.5	173.4
	Percent of Satisfactory Outcome	54%	55%	71%	77%

Note: No. of operations in the sample: 243 in 1993–96 with a net commitment of \$15,767 million, 203 in 1997–2000 with a net commitment of \$12,470 million.

**Table A17: Percent Of Projects with Satisfactory Outcome by Sector, 1994–2000**

<b>Sector</b>	<b>Total, 1994– 2000</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>
Agriculture	67%	64%	67%	73%	71%	67%	53%	67%
Economy Policy	100%	..	..	100%	100%	100%	100%	100%
Education	74%	73%	68%	68%	74%	81%	79%	79%
Electric Power & Other Energy	62%	53%	73%	69%	55%	61%	72%	45%
Environment	68%	..	..	50%	57%	67%	83%	50%
Finance	66%	55%	45%	56%	72%	81%	69%	67%
Industry	50%	65%	30%	43%	57%	44%	50%	..
Mining	77%	100%	67%	100%	67%	67%	100%	..
Multi sector	76%	65%	88%	91%	81%	67%	46%	..
Oil & Gas	75%	67%	100%	75%	75%	67%	78%	60%
Population, Health & Nutrition	66%	75%	71%	47%	83%	65%	62%	70%
Private Sector Development	60%	..	..	..	..	..	40%	80%
Public Sector Management	74%	39%	54%	71%	67%	94%	95%	91%
Social Sector	85%	67%	100%	75%	100%	80%	81%	100%
Telecommunications	87%	100%	100%	63%	67%	100%	100%	100%
Transportation	81%	68%	77%	82%	81%	95%	85%	100%
Urban Development	69%	64%	33%	60%	76%	85%	71%	100%
Water Supply & Sanitation	55%	70%	40%	40%	75%	47%	58%	67%
<b>Bank-wide Total</b>	<b>69%</b>	<b>63%</b>	<b>68%</b>	<b>69%</b>	<b>74%</b>	<b>73%</b>	<b>72%</b>	<b>77%</b>

Source: OED database.

**Table A18: Lending to Vision to Action Focus Countries—All Sectors and Rural—Pre- and Post-Strategy**

<b>Country</b>	<b>All Sectors</b>				<b>Rural</b>			
	<b>1993–96</b>		<b>1997–2000</b>		<b>1993–96</b>		<b>1997–2000</b>	
	<b>No.</b>	<b>US\$m.</b>	<b>No.</b>	<b>US\$m.</b>	<b>No.</b>	<b>US\$m.</b>	<b>No.</b>	<b>US\$m.</b>
Bangladesh	15	1192	23	2,160	6	234	9	612
Brazil	22	3,383	43	5,587	4	386	14	977
China	64	12,212	54	9,201	14	2,827	17	2,990
Guatemala	3	149	10	324	..	..	3	121
Guinea	10	231	8	174	2	56	1	22
India	40	7,749	39	6,526	15	1,864	10	1,312
Madagascar	11	247	16	530	3	50	1	17
Malawi	13	429	9	287	3	111	..	..
Mali	10	288	8	303	2	26	2	119
México	20	5,599	18	4,846	3	472	6	631
Morocco	16	1,559	14	755	6	619	4	39
Philippines	13	1,581	16	1,418	2	201	5	336
Uganda	18	610	14	621	4	73	3	50
Ukraine	7	1,016	10	1,824	1	32	1	300
Vietnam	11	1,242	15	1,341	3	318	5	360
<b>Total, Above</b>	<b>273</b>	<b>37,487</b>	<b>297</b>	<b>35,897</b>	<b>68</b>	<b>7,269</b>	<b>81</b>	<b>7,886</b>
<b>Total, Bank</b>	<b>1,050</b>	<b>88,440</b>	<b>1,087</b>	<b>92,013</b>	<b>193</b>	<b>13,000</b>	<b>210</b>	<b>12,680</b>

Rural Sector consists of Agriculture, Rural roads, Rural water supply &amp; sanitation and Natural resource management

Source: Business Warehouse

**Table A19: Vision to Action Focus Countries: Performance Ratings by Commitment—  
Rural (Agriculture, Rural Roads and Water and Natural Resources Management) and All  
Sectors, 1993–96 and 1997–2000**

	<i>Rural</i>						<i>All sectors</i>					
	<i>1993–96</i>			<i>1997–2000</i>			<i>1993–96</i>			<i>1997–2000</i>		
	<i>Outcome</i>	<i>Sustain- ability</i>	<i>ID Impact</i>	<i>Outcome</i>	<i>Sustain- ability</i>	<i>ID Impact</i>	<i>Outcome</i>	<i>Sustain- ability</i>	<i>ID Impact</i>	<i>Outcome</i>	<i>Sustain- ability</i>	<i>ID Impact</i>
Bangladesh	80%	12%	12%	100%	69%	80%	71%	30%	10%	85%	73%	18%
Brazil	67%	77%	32%	74%	70%	97%	62%	73%	30%	87%	73%	51%
China	87%	87%	17%	94%	80%	80%	93%	91%	36%	87%	79%	77%
Guatemala	..	..	..	100%	100%	100%	97%	0%	0%	100%	11%	66%
Guinea	63%	63%	63%	100%	100%	100%	66%	23%	39%	58%	52%	58%
India	81%	29%	47%	38%	27%	27%	71%	54%	28%	74%	72%	42%
Madagascar	61%	61%	61%	57%	25%	19%	39%	25%	18%	74%	25%	16%
Malawi	34%	71%	0%	0%	0%	0%	63%	59%	12%	31%	49%	6%
Mali	34%	21%	0%	100%	81%	81%	77%	53%	0%	88%	55%	58%
México	98%	39%	39%	66%	82%	15%	91%	63%	36%	76%	62%	46%
Morocco	19%	9%	9%	69%	91%	42%	68%	33%	16%	57%	78%	42%
Philippines	100%	59%	9%	100%	80%	64%	72%	61%	39%	71%	57%	39%
Uganda	60%	44%	60%	75%	75%	75%	68%	17%	31%	76%	66%	25%
Ukraine	..	..	..	100%	0%	0%	100%	0%	0%	89%	52%	43%
Vietnam	..	..	..	100%	100%	0%	..	..	..	100%	92%	79%
<b>Mean</b>	<b>77%</b>	<b>50%</b>	<b>33%</b>	<b>78%</b>	<b>63%</b>	<b>60%</b>	<b>77%</b>	<b>60%</b>	<b>30%</b>	<b>80%</b>	<b>69%</b>	<b>50%</b>
<b>Bank-wide</b>	<b>77%</b>	<b>48%</b>	<b>34%</b>	<b>75%</b>	<b>58%</b>	<b>48%</b>	<b>75%</b>	<b>55%</b>	<b>34%</b>	<b>81%</b>	<b>66%</b>	<b>47%</b>

Note: The projects rated Satisfactory / Likely / Substantial, computed as a percent of total rated commitments.

Source: OED database as of August 2000.

Table A20: Projects Reviewed for PAD Analysis

Country	Region	Title	Sector	PTI Flag	Comm. US\$	Out-come <sup>a</sup>	Sustain-ability <sup>a</sup>	Inst. Dev. <sup>a</sup>	DO Rating	IP Rating
Cote d'Ivoire	AFR	Nat'l Agricultural S	Agricultural Extension	No	22	S	LIK	SUB		
Cote d'Ivoire	AFR	Agric. Svcs. I	Agriculture Adj.	Yes	50				U	U
Ethiopia	AFR	National Seeds Project	Agro-Indus.& Market.	No	22				S	S
Ethiopia	AFR	Ag. Research & Train	Research	Yes	60				HS	S
Ghana	AFR	Community Water & Sa	Rural Water Sup/Sani	Yes	22					
Ghana	AFR	Community Water li	Rural Water Sup/Sani	No	25				S	S
Guinea	AFR	Agr. Export Promotion	Annual Crops	No	21				S	S
Guinea	AFR	Village Community Support Program	Agriculture Adj.	Yes	22				S	S
Madagascar	AFR	Rural Fin	Agricultural Credit	Yes	4	S	LIK	MOD		
Madagascar	AFR	Micro Finance	Financial Sect. Dev.	No	16				S	S
Mali	AFR	Ag. Research	Research	No	20				S	S
Mali	AFR	Rural Infrastructure	Irrigation & Drainage	Yes	115				S	S
Mozambique	AFR	Rural Rehabilitation	Agency Reform	Yes	20					
Mozambique	AFR	Agric Sector Pep	Agricultural Credit	Yes	30				S	S
Niger	AFR	Pilot Private Irrigation	Irrigation & Drainage	Yes	7				S	S
Niger	AFR	Agro-Pastoral Export Promotion Project	Agro-Indus.& Marketing	No	10				S	S
Tanzania	AFR	Rural& Micro Fin Svc	Financial Sect. Dev.	No	2				S	S
Tanzania	AFR	ASMP	Agency Reform	No	25				S	S
Uganda	AFR	ICB-PAMSU	Forestry	No	12				S	S
Uganda	AFR	Agric. Res. & Trg. Phase I	Research	No	25					
Cambodia	EAP	Forest Concession Mgt And Control Pilot	Forestry	No	5				S	S
China	EAP	CN-Rural Water Supply IV	Rural Water Sup/Sani	Yes	46				S	S
China	EAP	Guanzhong Irrigation	Irrigation & Drainage	No	100				S	S
China	EAP	Agric. Support Services	Agricultural Extension	No	115				S	S
China	EAP	Loess Plateau	Forestry	Yes	150				S	S
China	EAP	Grain Distribution P	Agro-Indus.& Market.	No	490				S	S
Indonesia	EAP	Decen. Agr/For Ext	Other Agriculture	No	18				S	S
Indonesia	EAP	Integrated Pest Mgmt	Other Agriculture	No	32	S	UNC	MOD		
Indonesia	EAP	E.Indonesia Kabupate	Rural Roads	No	155	S	LIK	SUB		
Indonesia	EAP	Watsal	Agriculture Adj.	No	300				S	S
Philippines	EAP	Irrig. Oper. Supp II	Irrigation & Drainage	Yes	51					
Philippines	EAP	Rural Finance lii	Other Agriculture	Yes	150				S	S
Vietnam	EAP	Agric Rehabilitation	Agricultural Credit	Yes	96	S	LIK	MOD		
Vietnam	EAP	Rural Transport li Project	Rural Roads	Yes	104				S	S
Albania	ECA	Micro credit	Other Finance	Yes	12				S	S
Albania	ECA	Rural Roads	Rural Roads	Yes	15					
Armenia	ECA	Irrigation Dam Safety	Irrigation & Drainage	No	27				S	S
Armenia	ECA	Irrigation Rehab.	Irrigation & Drainage	No	43				S	S
Kyrgyz R.	ECA	Sheep & Wool Improvement	Livestock	Yes	12				S	S
Kyrgyz R.	ECA	On-Farm Irrigation	Irrigation & Drainage	No	20				S	S
Poland	ECA	Rural Development	Rural Water Sup/Sani	Yes	120				S	S
Poland	ECA	Forestry Development	Forestry	No	146	S	UNC	MOD		
Turkey	ECA	Priv. Of Irrigation	Irrigation & Drainage	No	20				S	S
Turkey	ECA	E. Anatolia Watershed	Other Agriculture	Yes	77				S	S
Brazil	LCR	Rural Pov.- Ceara	Other Agriculture	Yes	70					
Brazil	LCR	Ceara Water Mgt.	Irrigation & Drainage	Yes	136				S	S
Ecuador	LCR	Irrigation Ta	Irrigation & Drainage	Yes	20				S	S
Ecuador	LCR	Indigenous Peoples	Natural Res. Mgmt.	Yes	25				S	S
Guatemala	LCR	Rural & Main Roads	Rural Roads	No	67				S	S
Mexico	LCR	Rural Dev. Marg. Aarii	Other Agriculture	Yes	55				S	S
Mexico	LCR	On-Farm & Minor Irrigation	Irrigation & Drainage	No	200				S	S
México	LCR	Second Decentralization	Business Environment	Yes	500					

<i>Country</i>	<i>Region</i>	<i>Title</i>	<i>Sector</i>	<i>PTI Flag</i>	<i>Comm. US\$</i>	<i>Out-come<sup>a</sup></i>	<i>Sustain-ability<sup>a</sup></i>	<i>Inst. Dev. <sup>a</sup></i>	<i>DO Rating</i>	<i>IP Rating</i>
Peru	LCR	Res. & Extension	Research	No	10				S	S
Peru	LCR	Rural Rds. Rehab & M	Rural Roads	Yes	90					
Egypt	MNA	Matruh Resource Mana	Irrigation & Drainage	Yes	22				S	S
Egypt	MNA	Sohag Rural Dev.	Agriculture Adj.	Yes	25				S	S
Egypt	MNA	P. S. Rehab. III	Irrigation & Drainage	No	120				S	S
Egypt	MNA	Agricultural Modernization	Agricultural Credit	No	121				U	U
Tunisia	MNA	Dev.Of Mts NW Region	Natural Res. Mgmt.	Yes	28				S	S
Tunisia	MNA	TN-Water Supply And Sewerage	Natural Res. Mgmt.	No	58				HS	S
Tunisia	MNA	TN-Water Sector Inv. Project	Irrigation & Drainage	No	103				S	S
Yemen	MNA	RY-Privatization Supp.	Privatization	No	11				S	S
Bangladesh	SAR	Agricultural Serv. Innovation & Reform	Agricultural Extension	No	5				S	S
Bangladesh	SAR	Jute Sector Adj.Cred	Privatization	No	247	U	UNLIK	MOD		
India	SAR	Kerala Forestry	Forestry	No	39				S	S
India	SAR	Forestry Research Ed	Forestry	Yes	47				S	S
India	SAR	Karnataka Ws & Env/S	Rural Water Sup/Sani	Yes	92					
India	SAR	Natl Agr Technology	Research	No	197				S	S
Nepal	SAR	Rural Infra LIL	Rural Roads	Yes	5				S	U
Nepal	SAR	Sunsari Morang Headw	Irrigation & Drainage	No	28	S	UNC	SUB		
Pakistan	SAR	Northern Resource Mngmt.	Natural Res. Mgmt.	Yes	29	S	LIK	SUB		
Pakistan	SAR	National Drainage Project	Irrigation & Drainage	No	285				S	S

a. H/S: Highly / Satisfactory U: Unsatisfactory LIK: Likely UNC: Uncertain UNL: Unlikely SUB: Substantial MOD: Modest

Source: Business Warehouse (Commitments & QAG Ratings) and OED Data Base as of August, 2000.

**Table A21: Average Annual Rural (Agriculture, Rural Roads, and Water and Natural Resources Management) Commitment (1994–2000) per Rural Poor Person**

<i>Country</i>	<i>Avg. Commitment, US\$m. (per annum, since '94)</i>	<i>Population ('98, millions)</i>	<i>Rural Population, %</i>	<i>Rural Population, (millions)</i>	<i>Rural Poor, %</i>	<i>Rural Poor, (millions)</i>	<i>Avg. Commitment per Rural Poor Person (US\$)</i>
Nigeria	0.7	120.8	58	70.1	36.4	25.5	0.03
Zimbabwe	2.0	11.7	66	7.7	31	2.4	0.84
Cameroon	2.1	14.3	53	7.6	32.4	2.5	0.87
Chad	3.6	7.3	77	5.6	67	3.8	0.95
Kenya	10.7	29.3	69	20.2	46	9.3	1.15
Lesotho	1.0	2.1	74	1.5	54	0.8	1.22
Cambodia	4.9	11.5	85	9.8	40.1	3.9	1.24
India	387.7	979.7	72	705.4	36.7	258.9	1.50
Pakistan	56.1	131.6	64	84.2	37	31.2	1.80
Zambia	10.4	9.7	61	5.9	88	5.2	2.01
Nepal	18.1	22.9	89	20.3	44	8.9	2.03
Sri Lanka	12.0	18.8	77	14.5	38.1	5.5	2.18
Thailand	16.9	61.2	79	48.3	15.5	7.5	2.25
Vietnam	96.9	76.5	80	61.2	57	34.9	2.78
Bangladesh	120.9	125.6	77	96.7	39.8	38.5	3.14
Bolivia	7.9	7.9	39	3.1	79.1	2.5	3.20
Chile	2.1	14.8	15	2.2	26	0.6	3.71
El Salvador	7.1	6.1	54	3.3	55.7	1.8	3.92
Philippines	69.4	75.2	43	32.3	51.2	16.6	4.20
Dominican R.	4.0	8.3	36	3.0	29.8	0.9	4.52
Algeria	17.0	29.9	41	12.3	30.3	3.7	4.57
Ghana	18.3	18.5	63	11.6	34.3	4.0	4.58
Kazakhstan	15.0	15.6	44	6.9	39	2.7	5.61
Ecuador	12.3	12.2	37	4.5	47	2.1	5.80
Indonesia	176.6	203.7	61	124.2	22	27.3	6.46
Senegal	12.9	9.0	54	4.9	40.4	2.0	6.52
Peru	33.7	24.8	28	6.9	64.7	4.5	7.50
Colombia	33.9	40.8	27	11.0	31.2	3.4	9.85
Costa Rica	4.7	3.5	53	1.9	23	0.4	10.97
Kyrgyz R.	25.3	4.7	66	3.1	64.5	2.0	12.64
Mexico	157.6	95.8	26	24.9	47	11.7	13.45
Nicaragua	22.0	4.8	44	2.1	76	1.6	13.72
Honduras	21.1	6.2	49	3.0	46	1.4	15.24
China	695.0	1,238.6	69	854.6	4.6	39.3	17.68
Brazil	194.7	165.9	20	33.2	32.6	10.8	18.00
Morocco	63.3	27.8	46	12.8	27.2	3.5	18.21
Paraguay	12.9	5.2	45	2.3	29	0.7	18.88
Panama	15.4	2.8	44	1.2	64.9	0.8	19.55
Romania	55.3	22.5	44	9.9	27.9	2.8	20.01
Estonia	2.1	1.4	31	0.4	14.7	0.1	32.44
Tunisia	55.0	9.3	36	3.4	21.6	0.7	75.77

Note: (1) Number of rural poor = number of rural population below the country rural poverty line. (1) The sample was limited to data availability. Source: WDI (1999) and DECRG estimates from CEPAL, Social Panorama, 1996

**Table A22 : Sectoral Distribution of Projects and Commitment in Rural Space, FY1999–2000**

Region	Number of Projects and Commitments in US\$ m.								Percent Distribution						
		Agriculture	NRM & Forestry	Irrigation , Water Supply & Sanitation	Health & Education	Social Protection	Other	Total Rural	Agriculture	NRM & Forestry	Irrigation , Water Supply & Sanitation	Health & Education	Social Protection	Other	Total , Rural
AFR	No.	9	1	6	22	11	21	70	13	1	9	31	16	30	100
	\$ M	190	12	208	423	216	293	1342	14	1	16	32	16	22	100
EAP	No.	6	5	5	10	4	11	41	15	12	12	24	10	27	100
	\$ M	530	191	578	417	310	593	2619	20	7	22	16	12	23	100
ECA	No.	10	6	8	14	8	15	61	16	10	13	23	13	25	100
	\$ M	202	96	411	136	50	384	1278	16	8	32	11	4	30	100
LCR	No.	6	4	2	11	9	20	52	12	8	4	21	17	38	100
	\$ M	600	78	166	214	188	484	1729	35	5	10	12	11	28	100
MNA	No.	4	0	3	8	2	1	18	22	0	17	44	11	6	100
	\$ M	334	0	273	170	88	35	901	37	0	30	19	10	4	100
SAR	No.	4	0	2	8	1	11	26	15	0	8	31	4	42	100
	\$ M	362	0	53	582	111	890	1998	18	0	3	29	6	45	100
<b>Total</b>	<b>No.</b>	<b>39</b>	<b>16</b>	<b>26</b>	<b>73</b>	<b>35</b>	<b>79</b>	<b>268</b>	<b>15</b>	<b>6</b>	<b>10</b>	<b>27</b>	<b>13</b>	<b>29</b>	<b>100</b>
<b>Total</b>	<b>\$ M</b>	<b>2,218</b>	<b>377</b>	<b>1,689</b>	<b>1,942</b>	<b>963</b>	<b>2,678</b>	<b>9,866</b>	<b>22</b>	<b>4</b>	<b>17</b>	<b>20</b>	<b>10</b>	<b>27</b>	<b>100</b>

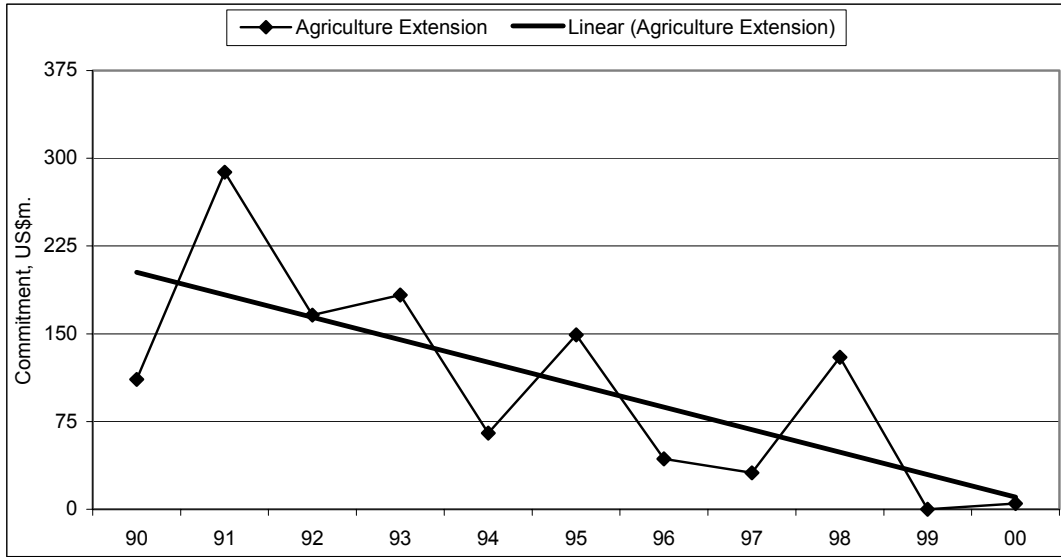
Source: RDV: "The Trends in Rural Development Lending" (draft).

**Table A23: Bank's Lending to Rural Space (US\$ millions)**

	1999	2000	Total	1999	2000	Total
Agriculture, Rural Roads & Water and Natural Resources Management (i.e., Ag. + 3)	3,260	1,494	4,754	11%	10%	11%
(ii) Projects with components in rural space of which, allocable to Rural Space:	5,500	5,060	10,560			
(iii a ) with moderate accuracy of estimation	1,534	1,131	2,665			
(iii b) with high accuracy of estimation	163	2,86	449			
(iii c) pro-rated national projects	<u>830</u>	<u>1,169</u>	<u>1,999</u>			
<b>Sub Total of commitments allocated to Rural Space</b>	<b>2,527</b>	<b>2,586</b>	<b>5,113</b>	<b>9%</b>	<b>17%</b>	<b>12%</b>
(iv) sum of Rural Space commitments	5,787	4,080	9,867	20%	27%	22%
(v) Urban Development, commitments	3,423	1,581	5,004	12%	10%	11%
(vi) Others, which are non-rural commitments	16,520	7,040	23,560	58%	46%	54%
(vii) Total, Bank-wide commitments	28,703	15,175	43,878	100%	100%	100%
(vii) Bank-wide commitment allocable to rural space (i.e., Bank-wide total minus Other non-rural )	12,183	8,135	20,318			

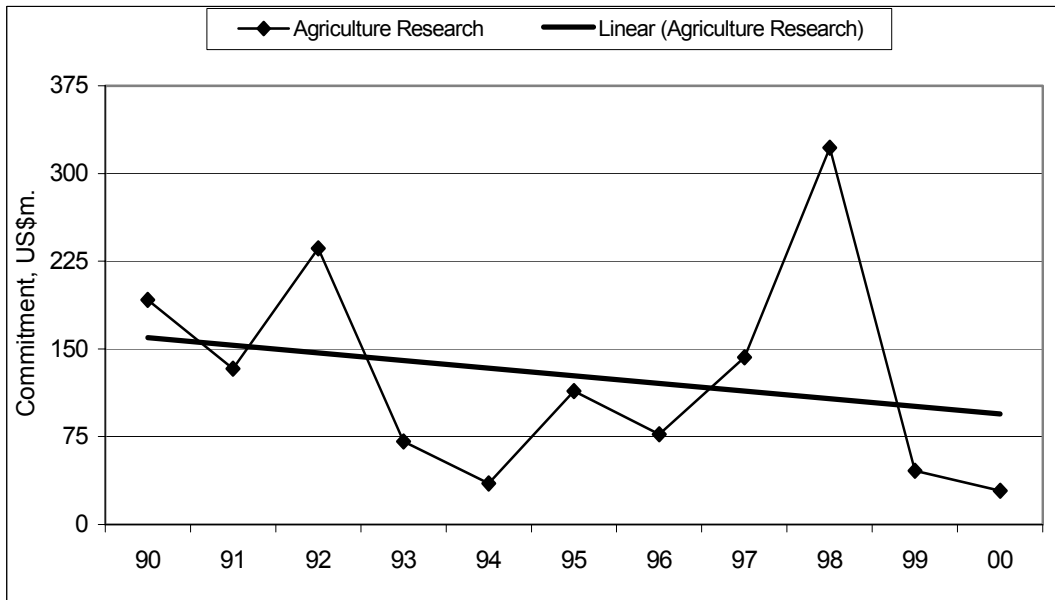
Source: RDV: "The Trends in Rural Development Lending" (draft).

**Fig A1: Commitment of Agriculture Extension with Linear Trend, 1990–2000**



Source: WB Business Warehouse

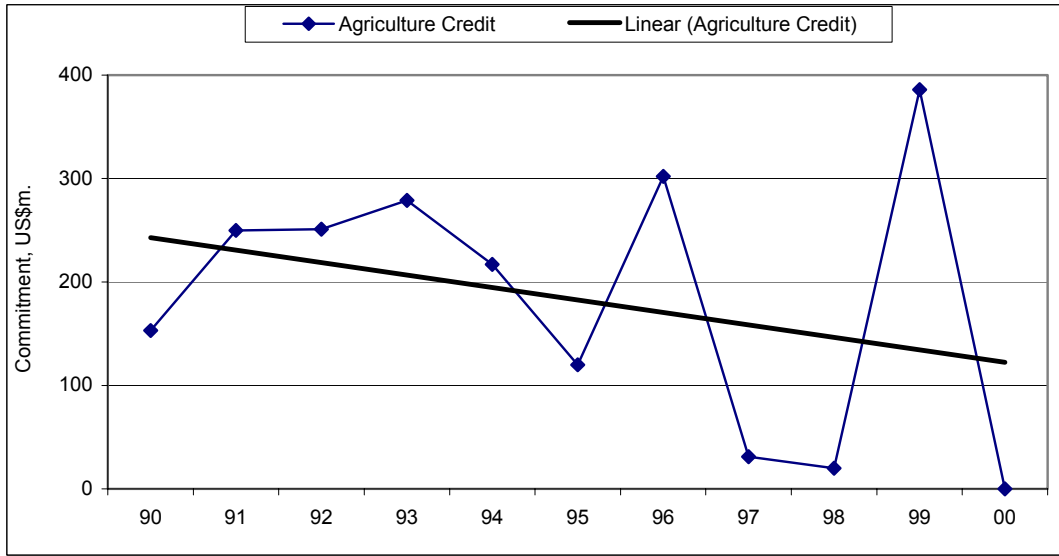
**Fig A2: Commitment of Agriculture Research with Linear Trend, 1990–2000**



Source: WB Business Warehouse

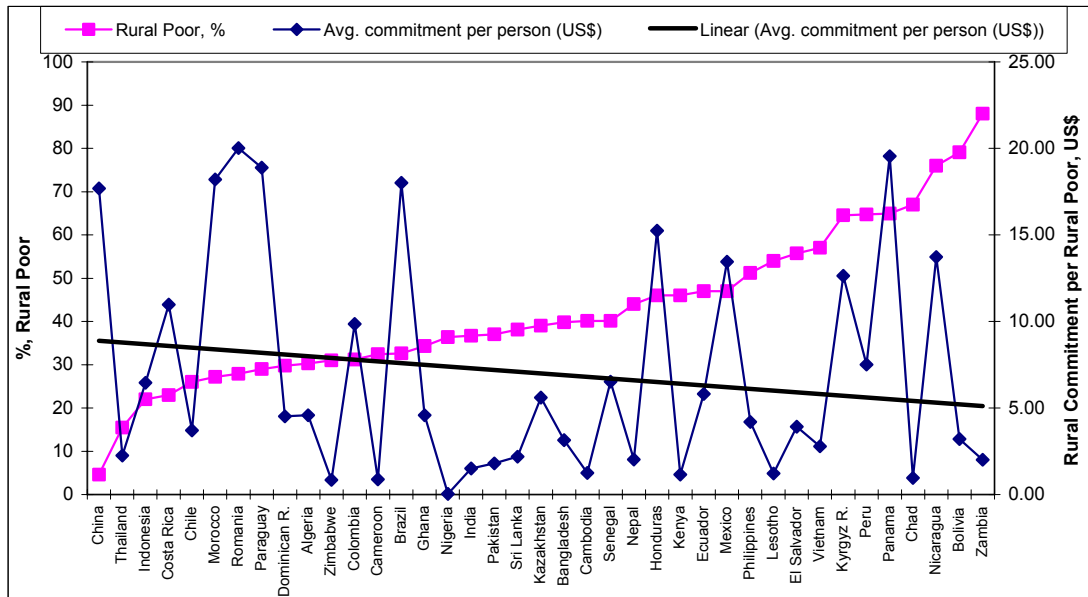


**Fig A3: Commitment of Agriculture Credit with Linear Trend, 1990–2000**



Source: WB Business Warehouse

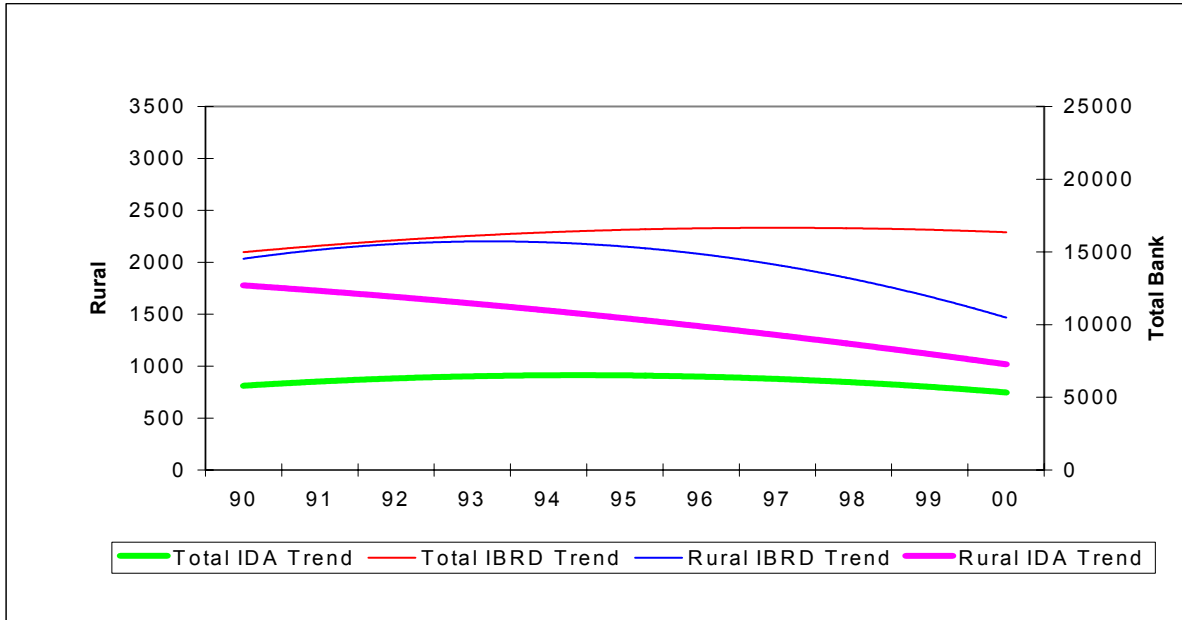
**Fig. A4: Average Annual Rural\* Commitment per Rural Poor Person (1993–2000) Against Percent of Rural Poor**



\*Rural includes agriculture, rural water and roads and natural resources management.

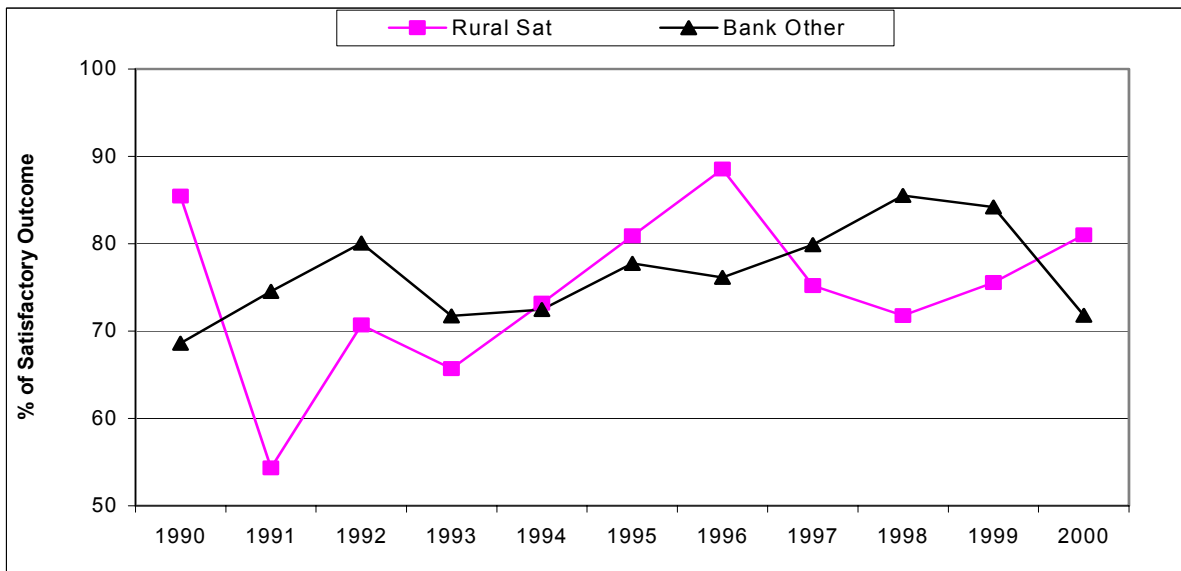
Source: Business Warehouse and WDI

**Fig A5: IDA And IBRD Commitment Trends—Rural and Total Bank, 1990–2000**



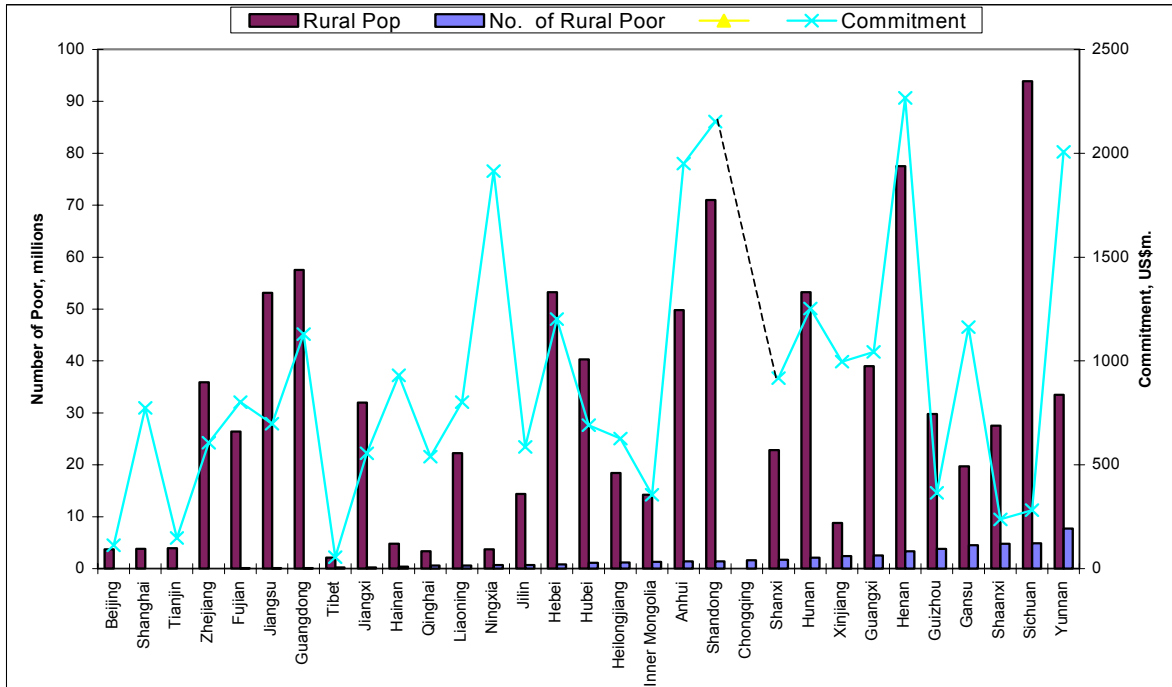
Source: Business Warehouse. Rural include agriculture, rural roads and water and natural resources management.

**Fig. A6: Evaluated OED Satisfactory Ratings by Commitment and Year of Exit—Rural, Bank—Other, 1990–2000**



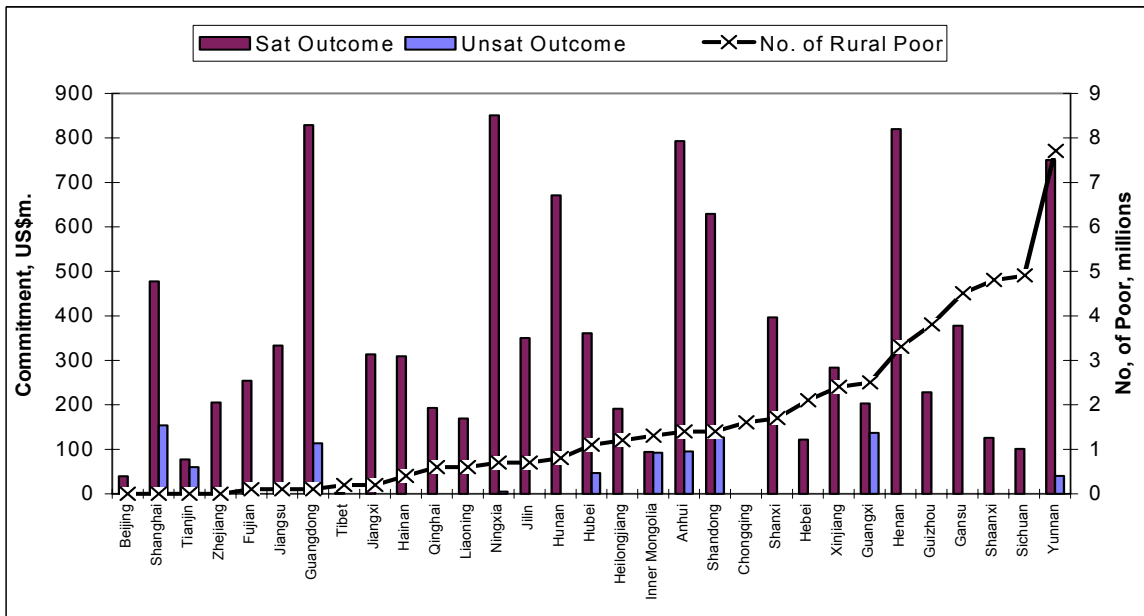
Source: OED Data Base (8/31/ 2000). Rural include agriculture, rural roads and water and natural resources management.

Fig A7: China Rural Poverty and Total Commitment 1982–99



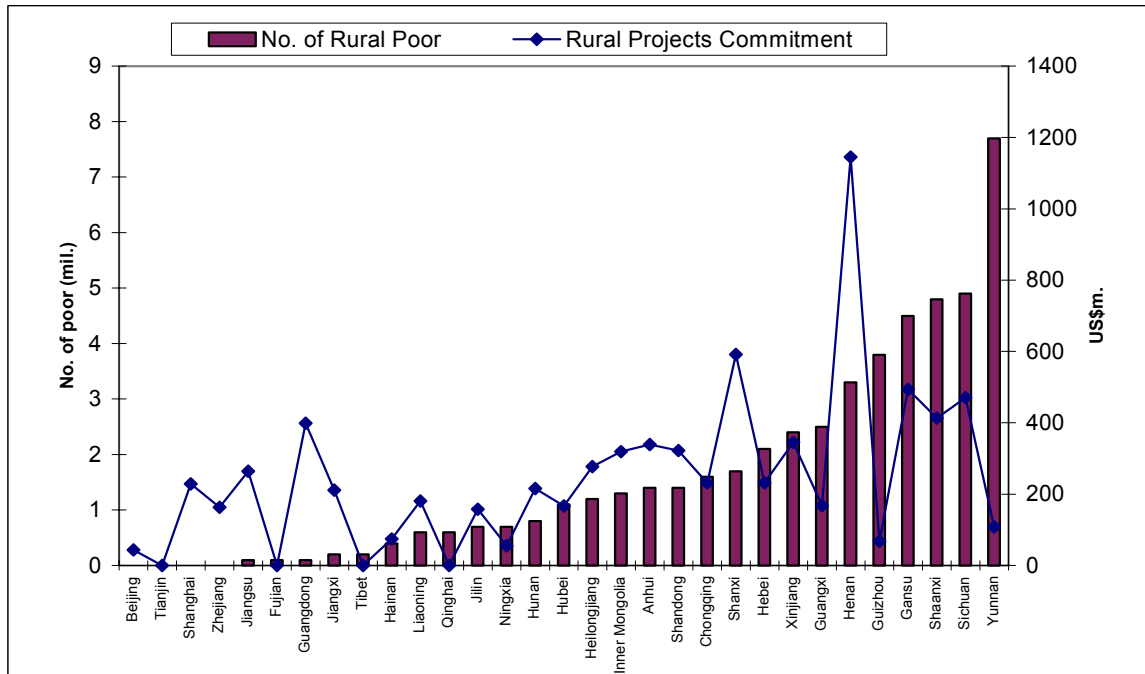
Source: Allocation of commitment by state, poverty data were provided by the Country Desk of China.

Fig A8: China—Evaluated and Ongoing Rural Commitments Versus Total Number of Poor



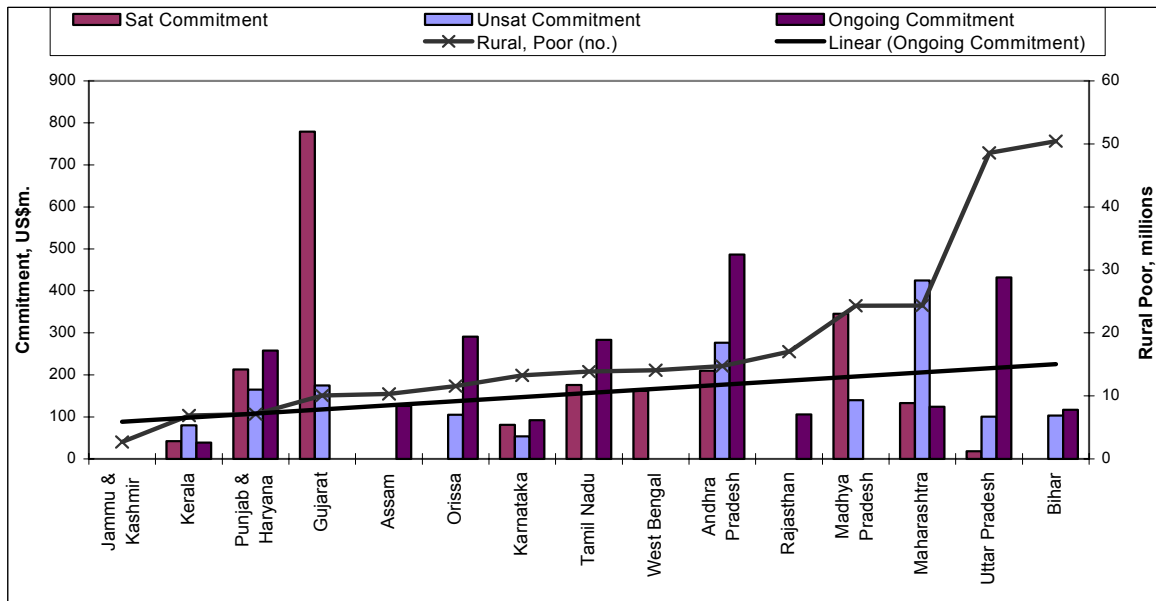
Source: Allocation of commitment by state, poverty data were provided by the Country Desk of China.

**Fig A9: China—Number of Rural Poor and Commitment of Rural Projects, 1980–99**



Source: Allocation of commitment by state, poverty data were provided by the Country Desk of China.

**Fig. A10: India—Evaluated and Ongoing Allocable Rural Commitments (Approved, 1980–2000) Against Rural Poor**



Source: Approvals and QAG data are from the Business Warehouse; Evaluated ratings are from OED Data Base as of August 2000.

## Annex B. Ledger of OED Recommendations and Management Response

<i>OED Recommendation</i>	<i>Management Response</i>
<p>Broaden poverty analysis at the country level aimed at improving the rural focus in PRSPs, but avoid allowing this to dissipate the strategy or the support for action. Focus on a limited number of prioritized rural thematic areas, regions and countries, and analytical entry point, and avoid being spread too thinly. In particular, do not neglect agricultural productivity.</p>	<p>a. The first implementation thrust of the new strategy aims at strengthening the support for the preparation of national rural strategies, to enhance client country processes in enhancing the rural focus of PRSPs and broadening poverty analysis at country level, as recommended.</p> <p>b. The strategy specifies prioritized selected rural thematic areas, of which good practice is available at country and regional levels for scaling up. Those priority areas focus on land administration and reform, technology generation and dissemination for rural economic growth, rural infrastructure, community driven rural development, irrigation and watershed development.</p> <p>c. The increase in agricultural productivity is treated as one of the major means of rural poverty reduction. This new approach toward increased agricultural productivity is attuned to various farming types and broadened toward high value crops, food safety and biotechnology issues.</p>
<p>Building on the recent Rural Development Department (RDV) portfolio findings, develop a phased work program to improve the poverty focus and impact of ESW, rural strategy work and project interventions that draws on best practice reviews, case studies and pilot testing of methodological and process innovations.</p>	<p>The implementation program of the new strategy plans are strongly expanded and quality enhancement, staff training, and monitoring program to enhance the poverty focus, fully in line with the OED recommendations.</p>
<p>The Rural Board should selectively develop internal and global rural partnerships with the aim of increasing efficacy and enhancing efficiency of Bank and global rural poverty impact. Supported by these partnerships, the Rural Board should develop a phased rural staff training and information systems program, improve poverty-related methodologies, and, provide selected support to priority country interventions. These directions should be signaled in the new strategy and supported in staffing composition.</p>	<p>a. An internal, multi-sectoral rural alliance and a global rural alliance are considered to be the key instruments to enhance multi-sectoral cooperation and improve global cooperation to reduce rural poverty.</p> <p>b. A phased rural staff training program is provided by the strategy, as recommended by OED.</p> <p>c. Based on the review of the current skill mix, the strategy outlined the required improvements in staff skill mix and training needs.</p>