



OED REACH

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Sharpening the Focus On Rural Poverty

- The Bank's rural lending* has declined from about 30 percent of the portfolio in 1978–81 to below 10 percent today, and donor lending for agriculture is down by two-thirds since 1987–89. On a rural per capita basis, the largest share of Bank rural lending goes to the less poor countries and the less poor regions within countries.
- CASs have improved in their overall poverty analysis and focus although they are still weak on rural poverty. PADs do less well in both the quality and coverage of poverty analysis. Issues of most concern to the poor—nutrition, livelihoods, and vulnerability—are the weakest areas in both CASs and PADs. Modest and declining spending on ESW, and poverty analysis that is below average in quality, contribute to weak performance.
- There is scope for improving the approach to rural poverty through strengthened poverty analysis, strategy development, and project design, and through greater rural focus in PRSPs and CASs. But in the new rural strategy not everything in “rural space” can be covered, so there will also be a need for selectivity and continued attention to agricultural productivity.

Background

About 75 percent of the world's poor live in rural areas, and the majority will continue to live in such settings until about 2035. The Bank's overarching goal of poverty reduction 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 in reducing rural poverty. Poverty in rural areas is complex. An agricultural innovation has different impacts on net buyers of food, net sellers, landless laborers, rural non-farm laborers, and the urban poor, and households may have several of these characteristics.

The Study

This study is phase III of a performance assessment of the rural sector designed to support the new rural strategy: *Reaching the Rural Poor*, which is currently being prepared by management. The current study builds on the findings of the earlier

study phases and on OED's 2000 study *Poverty Reduction in the 1990s*.

In phase I (*Rural Development: From Vision to Action?* See Fast Track Brief dated June 4, 1999), OED 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 thought that the design of rural development projects addressed rural poverty effectively. Phase II (*Updating the World Bank's Rural Development Strategy*. See Fast Track Brief dated March 14, 2000), which surveyed stakeholder groups in five countries (Latvia, Morocco, Mozambique, Peru, and the Philippines), found that only 36 percent of respondents thought that the Bank was effective in promoting a sustained reduction in rural poverty; among donors, 18 percent were satisfied. It was against the background of these disappointing ratings on rural poverty by staff and stakeholders alike that phase III was initiated.

Findings and Recommendations

The literature review found that rural growth is good for both rural and urban poverty; that agriculture is still the only sector in the poorer countries that can offer sufficient scale of poverty alleviation and reach the poorest, who are often in marginal areas; that spatial dimensions of rural poverty are important—where the poor are, who the poor are, and why are they poor; that research, infrastructure, and education should be priority areas; and that agricultural productivity and institutions are particularly important.

The findings from the review of CASs and PADs are largely consistent with the finding of *Poverty Reduction in the 1990s* that poverty concerns and the strategy for poverty reduction have entered the mainstream of the Bank's work. However, rural poverty analysis remains quite weak, although it has improved since before the 1997 *Vision to Action* (Rural) strategy. At the country program level, CASs were found to be generally good as overview strategic documents, albeit still not strong on many aspects relating to rural poverty. However, the poverty baton is often dropped in moving to the rural lending program and PAD. Only 36 percent of rural PADs in the post-*Vision to Action* period were found to have satisfactory poverty analysis in relation to the four *Vision to Action* goals. 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. With monitoring and evaluation related to poverty outcomes weak it would be difficult to develop any Bank poverty performance incentives.

Performance in the 15 selected *Vision to Action* focus countries was only modest. The rural strategy

in 11 of the 15 was rated somewhat higher than non-focus countries, the volume of rural lending in the 15 rose marginally, and the performance of rural lending was marginally better than the all-rural average.

The following actions are recommended:

- Broaden country-level poverty analysis aimed at improving the rural focus of PRSPs, but do not let this 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. Do not neglect agricultural productivity.
- Develop a phased work program to improve the poverty focus and impact of ESW, rural strategy development and project interventions that draw on best practice reviews, case studies, and pilot testing of methodological and process innovations.
- In partnership with other sector boards, the Poverty Reduction and Economic Management Network (PREM), and outside partners, the Rural Board should develop a phased rural staff training program (including information systems support), improve poverty-related methodologies, and provide selected support to priority country interventions. The Rural Board should selectively develop global and internal rural partnerships to increase the efficacy and enhance the efficiency of Bank and global rural poverty interventions.

* Rural defined here as all projects coded as Agriculture + Natural Resource Management + Rural Water Supply and Sanitation + Rural Roads.

