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Rural Development From Vision to Action? Phase II

June 22, 2000

Sector and Thematic Evaluation Group
Operations Evaluation Department

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Acronyms

AFR	("Africa") Sub-Saharan Africa region, World Bank
CAS	Country Assistance Strategy
DFID	Department for International Development, U. K.
EAP	("East Asia") East Asia and Pacific region, World Bank
ECA	("East Europe") Europe and Central Asia region, World Bank
ESSD	Environmentally and Socially Sustainable Development Network
ESW	Economic and Sector Work
FONCODES	Social Development Fund (Peru)
LCR	("Latin America") Latin America and Caribbean region, World Bank
MNA	("Middle East") Middle East and North Africa region, World Bank
OCS	Operational Core Services Network
OED	Operations Evaluation Department
OPM	Oxford Policy Management, Inc.
PAD	Project Appraisal Document
QAG	Quality Assurance Group
RDV	Rural Development Department
SAR	("South Asia") South Asia region, World Bank
PROAGRI	Agriculture Sector Public Expenditure Program (Mozambique)
PRONAMACMS	Sierra Natural Resources Management/Poverty Project (Peru)

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June 22, 2000

MEMORANDUM TO THE EXECUTIVE DIRECTORS AND THE PRESIDENT

SUBJECT: Rural Development—From Vision to Action? (Phase II)

This report covers Phase II of an OED evaluation of the World Bank's rural development strategy, *From Vision to Action*, which was endorsed by the Board in March 1997. Phase I evaluated the impact of the strategy within the Bank, making several recommendations for increasing process efficacy. Phase II examines partners perceptions of *From Vision to Action* in five countries¹ and reports on progress in implementing Phase I recommendations. It makes a series of recommendations that are geared to the update of the Bank's rural strategy, which is due by the end of FY01.

The principal findings of this report are:

- The principles of *From Vision to Action* are broadly sound, but the strategy failed to provide an enabling framework for effective action.
- Since *From Vision to Action* was prepared, the Bank's effectiveness at rural development is perceived to have increased—but it is still less than satisfactory.
- The Bank's rural work is not sufficiently focused on poverty reduction.
- Rural advocacy remains weak, both within the Bank and beyond—rural strategy still needs to be better articulated in Country Assistance Strategies.
- Bank practice is only now beginning to address the cross-sector nature of rural development, and the nexus between urban and rural development

Phase II addresses four questions:

1. Is the Bank's rural development strategy relevant to the Bank's partners?
2. Do partners perceive the Bank's support for rural development to be effective?
3. What progress have countries made toward targets consistent with *From Vision to Action*?
4. What progress has been made by the Bank in implementing OED's Phase I recommendations?

These questions were addressed through the medium of focus group consultations and questionnaires, involving 202 persons in the five countries (henceforth, the "partners"), including representatives from government, civil society and donors. In addition, the report draws on other evaluation material from OED and the Quality Assurance Group, Bank staffing and budgeting data, rural family reviews of Country Assistance Strategies, and presentations to the Rural Sector Board.

1. Latvia, Morocco, Mozambique, Peru and the Philippines.

Question 1. Relevance

Comparing all partners with a control group of Bank staff, there is strong agreement on the overall rural development strategy and the principle of a participatory approach to rural development. Partners express skepticism about the scope for market-based solutions and decentralization. However, the great majority of stakeholders perceive the Bank's rural development strategy as sound: only 8 percent were not satisfied. The significant differences among the five countries seem to bear little relation to familiarity with the Bank's corporate strategy, or to the amount that the Bank has spent on sector work. There is some evidence that the more open the economic environment, the more likely that partners will endorse *From Vision to Action*.

Another measure of relevance is the extent that *From Vision to Action* principles are reflected in projects. A review of post-1995 project evaluations for the five countries finds that, of 74 projects, 59 percent had a major involvement with rural areas and, of these, one-half were relevant in terms of sound policy orientation, private sector development, participation and decentralization.

Reservations about from *Vision to Action's* relevance center on partners' perceptions that it gives insufficient consideration to the broader (national) development context; and that it offers little guidance for action in resource-poor areas.

Question 2. Efficacy

Forty-six percent of the stakeholders indicated that they were either "very satisfied" or "satisfied" with the overall effectiveness of the Bank's work on rural development. Sixty-one percent felt that effectiveness had increased since 1996. Contrary to the view expressed in the FY99 survey of Bank staff, stakeholders find that the Bank is somewhat less effective at projects than it is at policy dialogue and sector work; in this respect, donors are particularly skeptical. The Bank has not been effective at communicating its corporate rural strategy: only 39 percent of stakeholders from across the five countries had heard of *From Vision to Action* before the consultation.

Stakeholders felt that the Bank has been most effective in reforming macroeconomic and sector policy, in restructuring government and in encouraging participation. It is perceived to have been less effective at promoting decentralization and least effective at promoting private sector development. Only 36 percent of those consulted were satisfied that the Bank has been effective in promoting a sustained reduction in rural poverty.

Question 3. Country Progress

The five countries were rated according to progress on targets consistent with *From Vision to Action* principles—targets derived from Bank strategy reports released around the time that *From Vision to Action* was endorsed by the Board (March 1997). Performance on macroeconomic targets is generally sound but progress in the areas of trade policy, decentralization and natural resource management is weaker. Based on ratings by partners and Bank staff, the most progress has been made by Latvia and Mozambique (joint first), followed by Peru and the Philippines (joint third); Morocco ranked fifth.

Question 4. Progress within the Bank

In relation to a progress benchmark set in 1996, the following trends are evident. Spending on project preparation and supervision has been squeezed. Since hitting rock bottom in FY97, sector work outputs have increased. The target for the number of yearly project approvals has been amply exceeded. But supervision intensity has languished.

Between June 1999 and February 2000, the Rural Sector Board satisfactorily implemented 6 of the 11 recommendations made in OED's Phase I report. Highlights are as follows. Significant steps have been taken to strengthen **monitoring**; but more effort is needed to ensure that rural strategies are adequately articulated in the Country Assistance Strategy; also, the issue of modifying the budget coding system to reflect the full extent of the Bank's rural work has not yet been tackled.

On **portfolio quality**, there is a major difference between completed and ongoing projects. The positive FY98 upswing in outcome ratings reported in Phase I was not sustained in FY99. However, trends for the active portfolio are overwhelmingly positive: quality at entry is up, supervision quality has improved and the proportion of projects at risk has fallen. The analytic work that underpins the portfolio has improved substantially: ESSD now leads the networks in terms of sector work quality. More work is needed to ensure that thematic groups serve the quality enhancement goals set out by the Rural Sector Board.

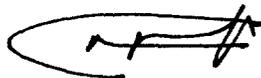
FY99 recruitment has strengthened **staff capacity**; however, more action is needed to offset the imminent retirement of an estimated 24 percent of rural personnel .

Recommendations

Findings from Phases I and II show that "the vision" in *From Vision to Action* is essentially sound; but the new strategy needs to be more action-oriented. It could usefully build on the five strategic principles outlined in *From Vision to Action*—sound policy framework, healthy private sector, restructured government, efficient decentralization, and greater participation—grounding these in regional action plans, which include all aspects of rural work, not just agriculture.

This evaluation finds that actions are needed in three areas:

- more effective outreach by the Rural Sector Board to country management units, other sector boards, and partners outside the Bank;
- closer linkage of the five strategic principles to the goal of poverty reduction; and
- redesign of the budget coding system to reflect the full breadth of the Bank's work in rural areas.

A handwritten signature in black ink, consisting of a large, stylized initial 'R' followed by several loops and a final vertical stroke.

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1. Background and Methodology

1.1 Phase I of this OED evaluation¹ asked if the Bank's 1997 rural development strategy, *From Vision to Action* (outlined in Annex A) was being put into practice. It was an "in-house" review based on responses from Bank staff and actions taken inside the Bank. Phase II incorporates the views of partners in five countries, with respect to the relevance of the strategy ("Is the Bank doing the right thing?") the efficacy of its implementation ("Is the Bank doing it right?"), and country progress toward targets consistent with *From Vision to Action*. This report does not address the impact of the Bank's interventions on poverty reduction, which will be deferred to Phase III.

1.2 A principal objective of Phase II is to provide an input to the revision of *From Vision to Action*, which is due by the end of FY01. Therefore, the primary audience for this report is the Rural Sector Board—which is responsible for updating the corporate strategy—as well as all staff working on rural areas.

1.3 Phase II addresses the following questions:

- Is the Bank's rural development strategy relevant to the Bank's partners?
- Do partners perceive the Bank's support for rural development to be effective?
- What progress have countries made toward targets consistent with *From Vision to Action*?
- What progress has been made by the Bank in implementing OED's Phase I recommendations?

1.4 To answer these questions, OED organized consultations in five countries—Latvia, Morocco, Mozambique, Peru, and the Philippines—one from each of the Bank's regions except South Asia.² These countries constitute a purposive, not a random, sample. Therefore, findings may not be representative of other countries. The selection of countries was negotiated with regional managers, the final cut emerging after several rounds of discussion.

1.5 In each country, OED evaluators met, in small group meetings, with representatives of specific stakeholder groups (each group being interviewed separately). Altogether, 202 people participated in these meetings—61 government representatives, 77 civil society and private sector representatives, 36 donor representatives, and 28 team members from World Bank projects (one for each country). Selected on the recommendations of the Bank's resident missions, the participants represented an informed constituency known to have knowledge of the Bank's work in rural areas.

1.6 With the assistance of a local facilitator, OED administered questionnaires at the group meetings, followed by discussion. Using questionnaires with closed response categories made it possible to "add up" the responses across the groups and to permit statistical analyses of significant differences among countries and types of stakeholders. OED also compared the participants' responses with a control group of Bank staff working in the rural sector.

1. Operations Evaluation Department, *Rural Development: From Vision to Action?* Report No. 19448, June 11, 1999.

2. These consultations took place between July and November 1999. Plans to visit India did not materialize. The Government of India declined to participate in the study, and OED and the South Asia Region were unable to organize a timely substitute from among the other countries in the region.

1.7 Questionnaires A and B (Annex C) were geared to the evaluation framework in Figure 1, testing respectively participants acceptance of *From Vision to Action's* goals and principles ("relevance") and their rating of the various aspects of the Bank's work ("efficacy").

Figure 1: The Evaluation Framework



The goals are reasonably self-explanatory but the strategic principles merit some elaboration

- **Coherent policy framework:** The policy and institutional framework must be supportive of project success, rather than working against it.
- **Private sector development:** Wherever possible, the private sector must be mobilized to provide investment capital, production, and most services.
- **Restructuring government:** The state must shift away from heavy intervention in the economy toward promoting enabling macroeconomic, fiscal, and sector policy environments.
- **Participation:** A plurality of institutions is involved: community-level groups and lower-level governments as well as central ministries.
- **Decentralization:** Projects and programs are decentralized and designed and executed with a high degree of influence and participation by communities, associations, and local governments.

1.8 With respect to relevance, OED could not presume that partners were familiar with the Bank's rural development strategy. OED also wanted to avoid biasing participants' responses to the Bank's strategy by commencing each small group consultation with a presentation of *From Vision to Action*. Therefore, Questionnaire A presumed no prior knowledge of *From Vision to Action*, and solicited participants' responses to 30 statements about leading issues in rural development without indicating what *From Vision to Action* says about these issues.³

1.9 Questionnaire C invited the partners in each country to rate that country's progress—as distinct from the Bank's performance—towards a set of targets defined (jointly with the Bank) in a Country Assistance Strategy or a rural strategy report. The targets selected were chosen for their consistency with the goals and principles of *From Vision to Action*, and because they were set around the time at which *From Vision to Action* was prepared (1996/97). Thus, Questionnaire C measures progress between that baseline and the date of the country consultation (July-November 1999). Ratings by partners were compared with those of Bank staff working on the five countries.

3. Questionnaire A (see Annex C). The statements were drafted so that *From Vision to Action* agrees with roughly half the statements and disagrees with the other half.

1.10 In addition to the country case studies, this report also examines progress in implementing Phase I recommendations—Bank-wide, not just for the five countries. This section of the report is based on staffing and budget data, OED and Quality Assurance Group evaluations, ratings of Country Assistance Strategies by peer reviewers from the Bank’s rural family, and minutes of Rural Sector Board meetings.

2. The Relevance of *From Vision To Action* in Five Countries

Low Prior Awareness of *From Vision to Action*...

2.1 Only 39 percent of the participants in the small group meetings had previously heard of *From Vision to Action*—69 percent in Latvia, 54 percent in Morocco, 46 percent in Peru, 24 percent in Mozambique, and 22 percent in the Philippines. The relatively high awareness in Latvia and Morocco is readily explicable. In Latvia, the Bank distributed copies of the document to counterparts, and the Ministry of Agriculture prepared a rural development implementation manual that refers extensively to *From Vision to Action* and includes the full text as a supplement—in English.⁴ In Morocco, the government’s rural development plan draws heavily on a Bank sector report that was keyed explicitly to *From Vision to Action*. On the other hand, in Mozambique, a project appraisal document⁵ refers extensively to the principles in *From Vision to Action*—but, in order to promote local ownership of the project’s objectives, does not cite the source. In any event, as the next section shows, prior awareness of the *From Vision to Action* report has very little bearing on whether or not participants endorse its principles.

...but overall satisfaction with Bank strategy

2.2 After *From Vision to Action* was outlined to them in the group meetings, the majority of participants felt that the Bank’s rural development strategy was sound: 5 percent were

“very satisfied”, 41 percent “satisfied”, and 46 percent “somewhat satisfied”—only 8 percent were “not satisfied”.⁶ However, partners said that, although *From Vision to Action* set the right long-term objectives, it was not sufficiently sensitive to the short-term realities in client countries, particularly those associated with weak public and private institutions.

2.3 While there is no significant difference in the response to this question among government, civil society, and donors, there is a significant difference among countries (Figure 2).

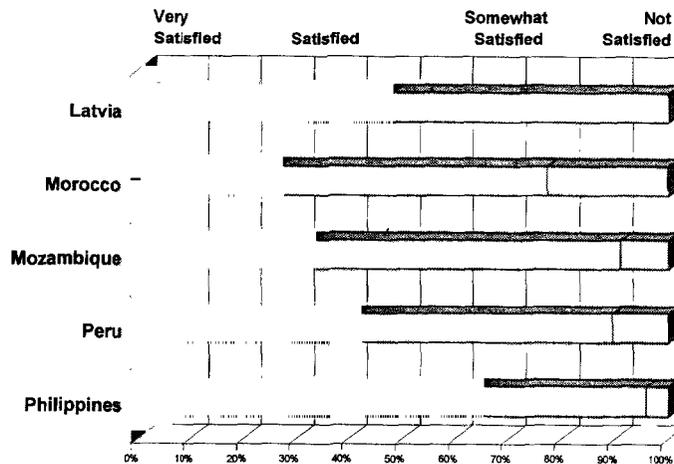
4. The Bank has only translated *From Vision to Action* into one language, Chinese.

5. Agriculture Sector Public Expenditure Program (PROAGRI), Report No. 18862 MOZ, January 22, 1999.

6. Table C2, Module I, question 3.

2.4 Inter-country difference does not appear to reflect the level of exposure to the strategy (as reflected in the proportion of participants who knew of the *From Vision to Action* report before the OED consultation). There is a moderately negative correlation ($r = -.61$) between satisfaction and previous knowledge of the report). Morocco—one of the two countries where a majority of stakeholders were familiar with *From Vision to Action* before the consultations took place—has the largest proportion of participants that are dissatisfied with the strategy—almost one-quarter. Also, it is not the case that higher Bank spending on rural sector work (the main channel for expounding strategy) leads to greater partner satisfaction with the Bank's strategy. The Bank's investment in sector work in Morocco was much the highest among the five countries—and, as a proportion of spending on project preparation, more than double the Bank average for this period (42 percent compared to 20 percent).

Figure 2. Country ratings of the Bank's rural strategy



"Taking into account what you have heard at this meeting, how satisfied are you that the Bank's rural development strategy is sound?"

2.5 The country environment possibly had more influence on stakeholder receptiveness to *From Vision to Action* than Bank advocacy. Countries strongly influenced by free market philosophy may be more inclined to endorse the strategy than those where a high level of state regulation and intervention is accepted. This may explain why Morocco is less accepting of the strategy than—at the other extreme—Latvia and the Philippines. According to the Heritage Foundation's world rankings, Morocco (and Mozambique) had relatively high levels of government intervention in 1999.⁷

What Partners Agree on

2.6 Agreement is strongest with respect to the main thrust of the Bank's rural strategy and the principle of participation. Eighty-nine percent of partners agreed with *From Vision to Action* that "promoting broad-based rural development that is founded upon a thriving agricultural economy is the most effective strategy for reducing rural poverty."⁸ Seventy-eight percent of respondents agreed on the need for agricultural intensification,⁹ and 75 percent agreed with the view that countries do not have to make a choice between producing food and protecting the natural environment.¹⁰

2.7 With respect to participation, 97 percent of respondents agreed that "ownership is a key ingredient in any successful rural development project. To achieve ownership, it is very important to

7. See PREM/DEC Country Indicators. The scores were (1=low intervention; 5=high intervention): Latvia (2.0), Morocco (3.0), Mozambique (3.0), Peru (1.5), Philippines (2.0).

8. Table C1, statement 1.

9. Table C1, statement 2.

10. Table C1, statement 3.

involve the beneficiaries in formulating the project before the implementation stage.”¹¹ Respondents also expressed strong support for involving stakeholders in policy and institutional reform at the national level, for establishing local accountability mechanisms for central government fiscal transfers, and for including women in local water supply and sanitation committees.¹²

Table 1. Differences between partners and Bank staff with respect to key rural development issues

Issue	Questionnaire A statement	Percent endorsing From Vision to Action		Significant difference between World Bank and other respondents?
		Partners (N=202)	Bank staff (N=17)	
Market-friendly policies				
Food security	4*	46%	94%	HS
Food security	9*	45%	88%	HS
Agricultural marketing	12*	37%	87%	HS
Water allocation	5*	40%	75%	HS
Credit subsidies	13*	35%	94%	HS
Holding size limits	15*	60%	94%	HS
Agricultural extension	17*	51%	88%	HS
Agricultural extension	18*	30%	56%	HS
Decentralization				
Rural infrastructure	28*	26%	75%	HS
Natural resource mgmt	25	59%	81%	NS
Teacher supervision	30	60%	93%	NS
Veterinary services	19	27%	71%	HS
Cost savings	26*	15%	37%	NS

Source: Questionnaire A responses.

HS Highly significant ($p < 0.01$); NS No significant difference.

* Agreement with the question indicates disagreement with the strategy: For these items responses have been rotated so that all item percentages show proportion responding in a way that is consistent with From Vision to Action.

What Partners Disagree on

2.8 The partners disagreed with three aspects of *From Vision to Action*. First, the strategy does not discuss potential conflicts among what it identifies as the four major goals: poverty reduction, widely shared growth, food security, and natural resource management. The document appears to presume that widely shared growth will lead naturally to the other three. Stakeholders disputed this view strongly in the small group discussions. They also pointed out the absence of explicit linkages between the five strategic principles and the four major goals.

2.9 Second, respondents expressed considerable skepticism, relative to *From Vision to Action* and to the Bank control group, about the efficacy of market-based solutions to the achievement of certain rural development goals. They expressed little conviction about the capacity of market-friendly policies to enhance food security or allocate water resources equitably among competing users.¹³ Sixty-five percent indicated that the government should subsidize interest rates to rural households, and 60 percent that the government should establish upper and lower limits to the size of farm holdings.¹⁴ Forty-nine percent responded that the central government should be the major supplier of agricultural extension services to smallholder farmers, and 80 percent that the major objective of

11. Table C1, statement 21.

12. Table C1, statements 11, 27, and 29.

13. Table C1, statements 4, 9, 12 (food security), and 5 (water allocation).

14. Table C1, statements 13 (credit subsidies) and 15 (land holdings).

public agricultural extension should be to extend improved agricultural technologies to progressive farmers.¹⁵ In short, respondents expressed considerable doubt about the desirability or feasibility of reducing government interventions and promoting private sector development. These stakeholder views are significantly different from the control group of Bank staff working in rural development, who clearly reflect the views expressed in *From Vision to Action* (Table 1).

2.10 Third, respondents expressed skepticism, although to a lesser degree, about decentralization. A significant majority expressed strong doubts about the capacity of rural communities to plan and manage rural infrastructure services such as rural roads and water supply systems, without first building up their capacity to do so.¹⁶ A large minority expressed doubts about decentralizing the management of natural resources and the supervision of teachers.¹⁷ Relative to the more optimistic view of *From Vision to Action* expressed by the control group of Bank staff, they doubted the capacity of farmers to make sound economic decisions, for example, with respect to veterinary services¹⁸ and of rural people to take charge of their own affairs. On the other hand, 85 percent indicated that decentralization has considerable promise for reducing overall central government expenditures.¹⁹ As shown in Table 1, these stakeholder views are significantly different from the control group of Bank staff on two issues and insignificantly different on three. Both the stakeholders and Bank staff share ignorance about the fiscal implications of decentralization, which, when well done, does not reduce central government expenditures.

Do Projects Reflect *From Vision to Action* Principles?

2.11 Another measure of relevance is the extent that corporate strategy is reflected in projects. For the five countries, OED examined all completed projects (N=74) that have been evaluated since 1995—all of which were prepared well before *From Vision to Action* but may, nevertheless, mirror some of the strategic principles. In aggregate, 43 of the projects show major rural content, of which 18 model one or more of the principles of sound policy orientation, private sector development, and decentralization. Of the 18 projects, only 4 correspond to the agriculture sector (Table 2).

15. Table C1, statements 17 and 18.

16. Table C1, statement 28.

17. Table C1, statements 25 and 30.

18. Table C1, statement 19.

19. Table C1, statement 26.

Table 2. Projects that are “sound” on *From Vision to Action* principles

	N of all projects ¹	Projects with major rural content			
		N	% with sound policy framework	% with sound private sector development	% with sound participation and decentralization
Latvia	3	2	-	50% ^a	-
Morocco	26	20	20% ^b	5% ^c	20% ^d
Mozambique	15	7	14% ^e	43% ^f	-
Peru	8	2	50% ^g	50% ^h	-
Philippines	22	12	17% ⁱ	8% ^j	25% ^k
Total	74	43	19%	14%	14%

Source: OED Project Ratings Database and Evaluation Textbase.

1. Refers to completed projects, evaluated between 1995 and 1999.

List of projects that best exemplify “*From Vision to Action*” principles: a. Agricultural development (L3695); b. Health (L2572, L3171), Telecommunications (L2798,3557); c. Water (L2825); d. Water (L2825), Irrigation (L2954), Training (L2779), Agricultural research & extension (L3036); e. Economic recovery (CN010); f. Transport (C2454), Economic recovery (C2628, CN010); g. & h. Privatization (L3540); i. Rural finance (L3356), Economic integration (L3539); j. Economic integration (L3539); k. Health (L3099), Water (L3242), Municipal development (L3146).

Reservations

2.12 Based on findings for the five countries, three reservations emerge concerning the relevance of *From Vision to Action*.

2.13 First, partners observed that *From Vision to Action* is almost exclusively focused on rural areas, and is not nested within a wider strategy for national development that includes urban areas. Partners said that this may run the risk of creating a false rural-urban dichotomy. To the extent that *From Vision to Action* discusses rural-urban linkages²⁰ it raises the issue in terms of the benefits to the urban poor of successful rural development, rather to the rural poor of opportunities to generate incomes from urban sources and as a means of reducing pressure on scarce natural resources. Participants saw rural-urban linkages as an integral part of how rural households make a living. They stated that rural development cannot *always* provide the principal answer to rural poverty. In Latvia, Morocco, and Peru, participants indicated that migration from isolated, resource-poor areas to towns will continue to form an important part of the solution to rural poverty.

2.14 Second, there is no strategy for resource-poor areas. Some partners said that resource-rich areas offer greater growth potential and a higher return on public investment, but considerations of poverty reduction and regional equity appear to argue for investment in lower-return areas. “Low-return” areas include eastern Latvia, the Atlas mountains of Morocco, the Peruvian Sierra, northern Mozambique, and Mindanao in the Philippines. *From Vision to Action* does not offer guidance on how to balance the needs of such areas with the objective of maximizing broad-based growth.²¹

20. *From Vision to Action*, pp. 22-23.

21. In January 2000, the Rural Development Department sponsored a discussion of these issues, inviting a team from the International Food Policy Research Institute to present a paper that demonstrates high returns to investing in “low potential” areas (Peter Herzell and Shenggen Fan, *Balancing Regional Development Priorities to Achieve Sustainable and Equitable Agricultural Growth*, unpublished paper, IFPRI, August 14, 1999).

2.15 Third, project design needs to be more relevant for reducing poverty. A content analysis of rural projects in the five countries²² reveals that, on average, only 44 percent explicitly refer to poverty reduction in the description of objectives and components and in reporting project results (Table 3).

Table 3. Rural projects explicitly addressing poverty reduction

Country	Number of rural projects ^a	% with explicit poverty objectives, results
Latvia	2	-
Morocco	20	35%
Mozambique	7	57%
Peru	2	50%
Philippines	12	67%
TOTAL	43	44%

Source: OED Evaluation Textbase.

a. Completed projects evaluated since FY95 (see Table 2).

3. The Effectiveness of The Bank's Work in Five Countries

Room for Improvement...but the Trend is Positive

3.1 The current rating of effectiveness leaves ample room for improvement. Overall, 46 percent of the respondents said that they were "very satisfied" or "satisfied" with the overall effectiveness of the Bank's work on rural development in their countries, 40 percent said that they were "somewhat satisfied," and 14 percent said that they were "not satisfied."²³ Respondents reported they were most satisfied with the Bank's policy dialogue and analytic work, and least satisfied with the public discussions and project work (Figure 3).

3.2 Sixty-one percent of the respondents felt that the Bank had become more effective in supporting rural development since 1996, 26 percent indicated that there was no change, and 13 percent responded that the Bank had become less effective since 1996. Respondents rated the greatest improvements in analytic work and policy dialogue, and the least improvements in project preparation and implementation (Figure 4).

22. Completed projects evaluated between FY95 and FY99 with components indicating significant intervention in, or likely impact on, rural areas.

23. See Annex Table C2, Module IV(a), question 7.

Figure 3. Specific aspects of the Bank's work—How satisfactory now?

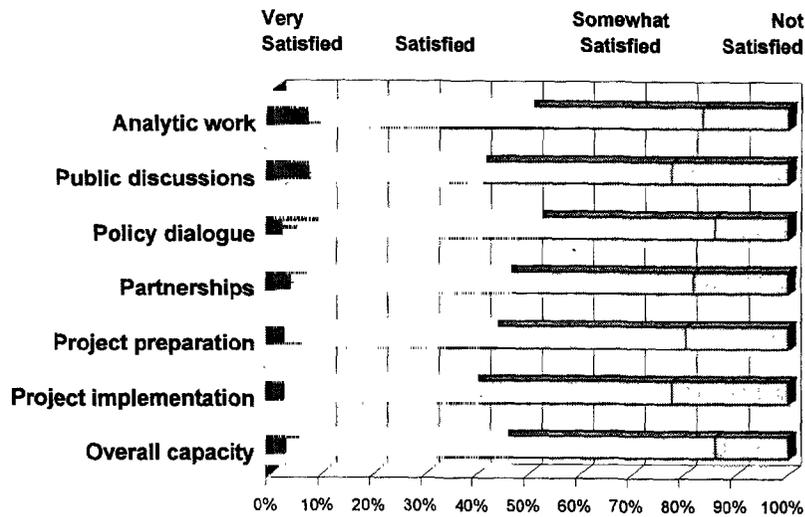
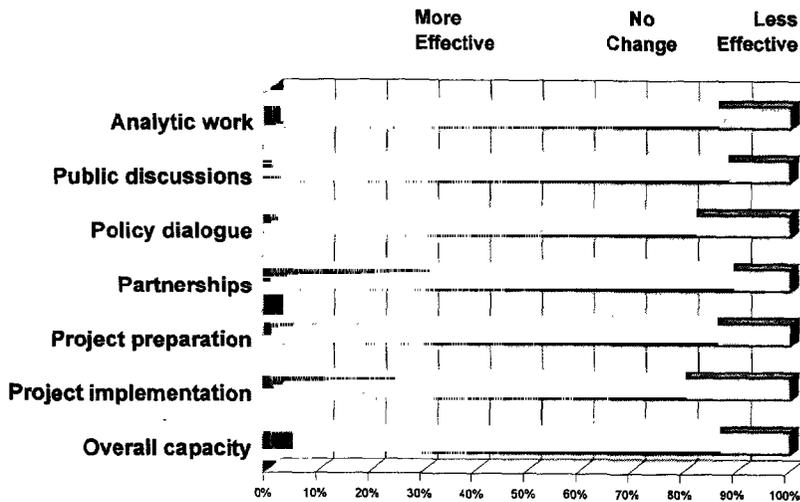


Figure 4. Specific aspects of the Bank's work—Has effectiveness changed since 1996?



3.3 Table 4 compares these views with those of Bank staff working on rural development whose views were solicited in FY99.²⁴ Staff uniformly rated their satisfaction with the Bank's work somewhat higher than partners in the five countries, but they reported less improvement since 1996. The biggest difference between the two groups is on project preparation and supervision, partners being substantially less satisfied than staff.

24. Operations Evaluation Department, Rural Development: From Vision to Action? Report No. 19448, June 11, 1999.

Table 4. Comparing the views of partners and Bank staff on specific aspects of the Bank's work in rural development

	<i>How satisfactory now?</i>				<i>Has effectiveness improved since 1996?</i>			
	<i>Respondents in the five countries</i>		<i>World Bank respondents</i>		<i>Respondents in the five countries</i>		<i>World Bank respondents</i>	
	<i>N</i>	<i>% satisfied^a</i>	<i>N</i>	<i>% satisfied^a</i>	<i>N</i>	<i>% more effective</i>	<i>N</i>	<i>% more effective</i>
Analytic work	134	51%	104	57%	107	68%	71	55%
Public discussions	152	41%	/b	/b	126	62%	b	b
Policy dialogue	128	52%	114	53%	105	68%	87	56%
Partnerships	138	46%	108	54%	118	64%	85	44%
Project preparation	137	43%	90	54%	121	60%	69	62%
Project supervision	130	35%	106	65%	120	54%	83	57%
Overall capacity	142	46%	111	50%	119	61%	b	b

Source: OED consultations with stakeholders in FY00 and responses to the staff survey in FY99

a. Percentage of respondents who responded "satisfied" or "very satisfied"

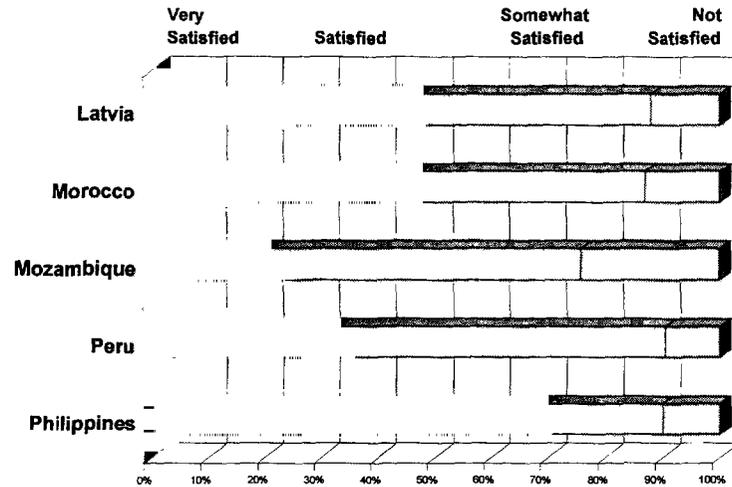
b. No responses; this question was not included in the staff survey.

3.4 Aggregating results from the five countries, there are some statistically significant differences between stakeholder groups. Government representatives were significantly more satisfied than civil society representatives with the Bank's ability to work in partnership with other agencies.²⁵

Government representatives were also significantly more satisfied than donor representatives with the Bank's work with respect to project preparation and implementation.²⁶ Eight-five percent of government representatives rated the Bank's policy dialogue as more effective since 1996 compared with only 20 percent of donor representatives.²⁷

3.5 There were also statistically significant differences between countries. There was more satisfaction in the Philippines than in Mozambique and Peru with respect to the Bank's current overall capacity to support rural development (Figure 5).

Figure 5. Country ratings of the Bank's overall capacity for supporting rural development



"How satisfied are you today with the Bank's overall capacity for supporting rural development?"

25. Table C2, Module IV(a), question 4. Government 63% satisfied and civil society 32% satisfied.

26. Table C2, Module IV(a), questions 5 and 6. Government 56% satisfied and donors 12% satisfied with project preparation. Government 52% satisfied and donors 21% satisfied with project implementation.

27. Table C2, Module IV(b), question 3.

Partners in the Philippines also showed the highest level of satisfaction with the Bank's analytic work, the ability to work in partnership with other agencies, and the preparation and implementation of Bank projects bearing on rural development.²⁸ On the other hand, stakeholders in the five countries generally shared the same positive view about improvements in the Bank's effectiveness since 1996.²⁹

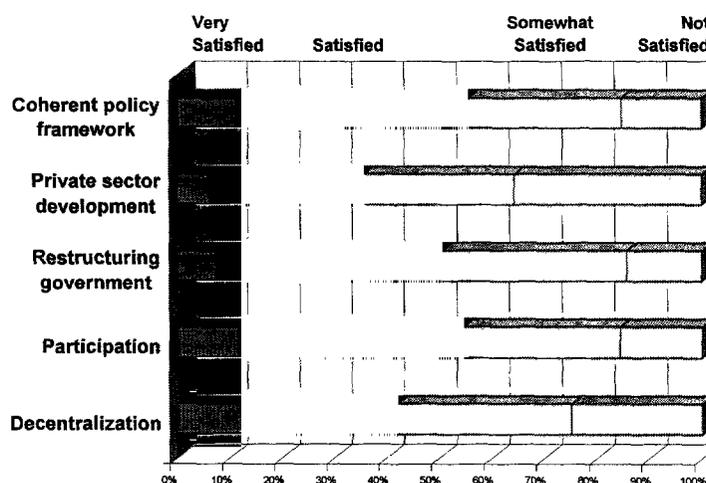
Mixed Effectiveness in Promoting the Five Strategic Principles

3.6 Partners reported that the Bank has been most effective in making the macroeconomic and sector policy framework more supportive of rural development, in restructuring the role of the central government in rural development, and in involving the participation of a wider range of beneficiaries in rural development programs and projects. They indicated that the Bank has been somewhat less effective in promoting decentralization and the least effective in promoting the development of the private sector (Figure 6).

3.7 There are some significant differences between countries. While 67 percent of the Latvian respondents were "very satisfied" or "satisfied" with the Bank's effectiveness in making the macroeconomic and sector policy framework more supportive of rural development, only 30 percent of the Peruvian respondents were similarly satisfied. With respect to the Bank's effectiveness in promoting private sector development 51 percent of Philippine respondents were "very satisfied" or "satisfied" but only 24 percent of Peruvian respondents were satisfied.³⁰

3.8 Compared to Bank staff, partners are less convinced of the importance of private sector development and decentralization for broad-based rural development. They are also skeptical of the Bank's effectiveness in these two areas. Partners stated that the Bank has not been effective in communicating the ingredients of an enabling environment for private sector development. With respect to decentralization, partners indicated that *From Vision to Action* understates the complexity of community realities, including opposition to empowerment, the impact of civil conflict, and the legacy of centralized political systems.

Figure 6. Bank's effectiveness in promoting the five strategic principles



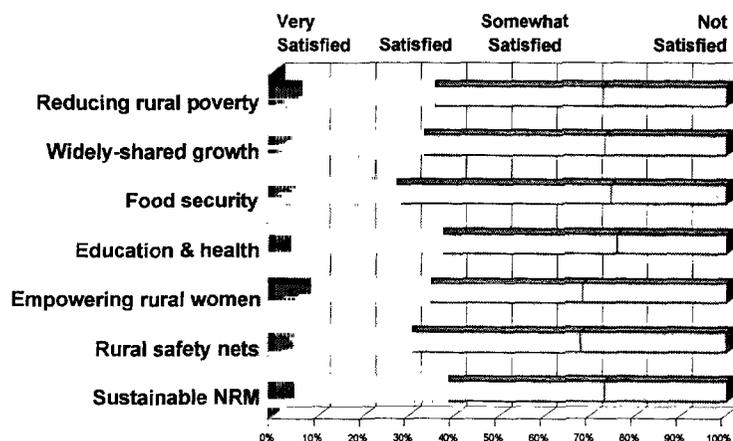
28. Table C2, Module IV(a), questions 1, 4, 5, and 6.

29. The only significant difference occurs in the extent to which stakeholders in the Philippines regard the Bank as more effective in discussing its analytic findings and recommendations in public. See Table C2, Module IV(B), question 2.

30. See Table C2, Module III, questions 1 and 2.

Low Effectiveness in Promoting Goals

Figure 7. Bank's effectiveness in promoting the four major goals



3.9 Respondents reported limited satisfaction with the Bank's effectiveness in achieving any of its major goals for rural development and poverty reduction (Figure 7). Only 36 percent of respondents described themselves as "very satisfied" or "satisfied" that the Bank is effective in promoting a sustained reduction in rural poverty. On all other goals, the proportion satisfied was also under 40 percent. There are some significant differences between stakeholder groups—government representatives are generally

more satisfied with the Bank's effectiveness than civil society and donor representatives. There is only one significant difference between countries. Peruvian respondents are less satisfied than the others with the Bank's effectiveness in promoting widely shared growth.³¹

Room for Better Donor Coordination

3.10 Feedback on donor coordination was mixed. The highest rating goes to Mozambique, owing largely to the agriculture sector public investment program, which has involved substantial donor coordination. In Latvia, the excellent record of coordination during the Agricultural Development Project was not sustained in the Rural Development Project that succeeded it. In Morocco and the Philippines, resident missions do not appear to have enhanced donor coordination. On the contrary, in Peru, donors reported that coordination has improved since 1996, attributing it largely to the increased effectiveness of the resident mission: the Bank has reportedly become more open and cooperative in the past couple of years.

4. Progress in Five Countries toward Targets Consistent with From Vision to Action

4.1 Based on responses to Questionnaire C by partners and Bank staff the countries may be ranked according to their progress toward targets—taken from Country Assistance Strategies and rural strategy papers—that are broadly consistent with *From Vision to Action* goals and principles. An analysis of variance shows that, pooling all partner responses, differences between partner groups are not significantly greater than differences within each group. On the other hand, inter-country differences are significantly greater than intra-country ones ($p=0.04$). Because inter-country

31. See Annex Table D2, Module II, questions 1 to 7.

differences are statistically significant, it is legitimate to rank the countries based on the proportion of its targets that have been met. Tables 6 to 10 rate the progress on each target—this is deemed satisfactory if the sum of "highly satisfactory" and "satisfactory" responses is 50 percent or more of all responses (excluding "don't knows").

4.2 *The five countries compared.* In Latvia and Peru agriculture value-added accounts for a small and declining share of the GDP (respectively 7 percent and 5 percent) and little more than one-quarter of the population in each country is located in rural areas. In Morocco and the Philippines agriculture value-added accounts for 17 percent of GDP and the rural population accounts for about 45 percent of the total. Mozambique is in a class by itself: with agriculture value-added equal to one-third of GDP, almost two-thirds of the population living in rural areas; this is by far the poorest of the five countries. Some hint of inter-country differences in the magnitude of poverty is given by the countries' order of ranking on the 1999 Human Development Index: Latvia (74), Peru (77), Philippines (80), Morocco (126) and Mozambique (169). Although this ranking is for the total population rather than the rural population, the same relative positions probably apply for the rural populations—which tend to be uniformly worse off than the population at large. It also important to note differences in the level of government intervention in the economy: high in Morocco and Mozambique; middling in Latvia and the Philippines and low in Peru (see footnote 7). Private sector investment accounts for only 11 percent of GDP in Mozambique, while in the other four countries it ranges from 15 to 20 percent of GDP. In terms of decentralization, Morocco, Mozambique and Peru have made little progress compared to the front-runners, Latvia and the Philippines.

Table 5. Short-term development trends in the five countries

	Latvia	Morocco	Mozambique	Peru	Philippines
Latest data					
Inflation, (CPI), 1998 (%) ^a	4.7	2.7	0.6	6.0	9.7
Current account balance/GNP (%), 1998 (%) ^a	-11.0	-0.4	-21.6	-6.2	7.0
Fiscal balance/GDP, 1998 (%) ^a	-0.8	-2.7	-6.5	-0.7	-1.9
GDP capita annual average growth rate, 1996-98, (%) ^a	6.4	2.8	7.7	1.7	1.3
Agriculture value added, real growth rate, 1993/98(%) ^b	-2.0	4.4	8.0	5.8	1.2
Human Development Index % change, 1990/97 ^c	-4.0	8.0	2.0	5.0	4.0
Trends					
Macroeconomic stability (1997/98) ^d	Worsening +/-	Worsening -/+	Improving +/-	Improving +/-	Worsening -/+
Growth (1997/98)	Improving	Improving	Improving	Worsening	Worsening
Agriculture value added 1993/98	Contracting	Growing fast	Growing fast	Growing fast	Growing
Human Development Index 1990/97	Worsening	Improving fast	Improving	Improving	Improving

a. Source: PREM/DEC Indicators

b. Source: Rural Scorecard, World Bank, 2000.

c. UNDP Human Development Report, 1999

d. "+/+/" means improvement on three macro indicators: respectively, inflation, current account balance and fiscal balance. A "+" on at least two out of three indicators counts as improvement.

4.3 Recent economic and social trends (Table 5) may have influenced the country progress ratings by partners and staff. The macroeconomic status of all five countries is much sounder now compared to a decade or so ago. But Latvia, Morocco and the Philippines have experienced some weakening in the last couple of years. Mozambique is the only country to show a positive trend not just on overall macroeconomic picture, but also on growth and social indicators. Attempts to liberalize agricultural trade are most advanced in Peru—which has the most open economy—and have also made headway in Latvia (although it remains to be seen which of the distortions in the

Common Agricultural Policy will be passed on when Latvia accedes to the European Union). In Mozambique, with the notable exception of cashew nuts, agricultural markets are now liberalized and the government has withdrawn from direct intervention in most economic activities. In Morocco and the Philippines there are substantial food self-sufficiency lobbies that have impeded liberalization of basic grains. Overall growth of the economy has languished in Peru and the Philippines, partly because of El Niño; but Peru's agricultural value-added (most of which is generated by the coastal irrigated areas) has grown strongly while the Philippines farm sector is still stuck on a low growth path. Poverty indicators have improved in all countries except Latvia.

Latvia (Rank: Joint 1st with Mozambique)

Table 6. Latvia. Progress toward targets from the April 1998 Country Assistance Strategy

1. Undertake analytical studies of the depth and nature of poverty in Latvia, and design a strategy and recommendations for reducing poverty in Latvia.	2. Pursue economic policies to contain the current account deficit, increase savings and improve the ability of the economy to adjust to volatile capital flows.	3. Take measures to promote rural non-farm economic activity.	4. Improve the delivery of social assistance through the development of a national policy and consistent criteria, and through local government capacity building.	5. Promote an integrated approach to environmental management through mainstreaming environmental concerns into rural, infrastructure, and private sector development.	6. Take measures to improve rural infrastructure.	7. Improve the coordination of the local government reform program in order to consolidate and strengthen sub-national governments.
Partners rate: Unsatisfactory	Partners rate: Unsatisfactory	Partners rate: Satisfactory	Partners rate: Unsatisfactory	Partners rate: Satisfactory	Partners rate: Satisfactory	Partners rate: Satisfactory
Bank staff rate Unsatisfactory	Bank staff rate Satisfactory	Bank staff rate Satisfactory	Bank staff rate Satisfactory	Bank staff rate Satisfactory	Bank staff rate Unsatisfactory	Bank staff rate Satisfactory
N of targets with progress rated "satisfactory" by both partners and Bank staff =3/7 (43%)						

Partners (N=16). Staff (N=1)

4.4 Latvia has made considerable progress in a short time. The shrinking of the agriculture sector and the declining social indicators (Table 5) reflect the difficult adjustments associated with the transition to the market economy. Despite some recent weakening of macroeconomic performance due to the Russian financial crisis (reflected perhaps in partners' rating of Target 2), the fundamentals are sound, and the country has made great strides in private sector development (Target 3), environmental management (Target 5) and decentralization (Target 7). The government has taken a broad approach to rural development which is fully consistent with *From Vision to Action*. Partners remain concerned by weak progress on social service delivery and local government capacity building (Target 4)—particularly in the east which is the poorest region. Decentralization may have gone too far—there are a large number of very small rural municipalities. A poverty assessment (Target 1) was included in the Bank work program but never materialized.

Morocco (Rank: 5th)

4.5 The most striking failure is agriculture trade reform (Target 1), with substantial obstacles remaining to the liberalization of grains, oilseeds and sugar—the last of these being the most intractable owing to the strength of an industry lobby. There is little evidence yet that the share of public spending on the poorer non-irrigated areas is increasing (Target 2), or that safety net programs are being strengthened. Until recently, progress on decentralization (Target 4) was obstructed by the limited support from the powerful Interior Ministry; however, with the accession to power of a new, progressive king and the recent replacement of the Interior Minister, prospects may now improve.

Table 7. Morocco: Progress toward March 1997 rural strategy targets

1. Change the incentives structure in agriculture to make the sector more competitive	2. Refocus public expenditure to provide more support to rural areas, improving rural infrastructure, health, education and agricultural services	3. Restructure and implement compensatory programs that target vulnerable groups in rural areas, providing timely support in periods of crisis	4. Accelerate decentralization to increase local ownership and cost-effectiveness of rural development programs
Partners rate: Unsatisfactory	Partners rate: Unsatisfactory	Partners rate: Unsatisfactory	Partners rate: Unsatisfactory
Bank staff rate Unsatisfactory	Bank staff rate Satisfactory	Bank staff rate Unsatisfactory	Bank staff rate Unsatisfactory
N of targets with progress rated "satisfactory" by both partners and Bank staff =0/4 (0%)			

Partners (N=23). Staff (N=5)

Mozambique (Rank: Joint 1st with Latvia)

4.6 Macroeconomic performance is very sound (Target 3). Inflation has been substantially reduced since the 1992/93 civil war, and exchange rates and interest rates are stable and market-driven. The fiscal deficit is still large relative to GDP, but this will not boost inflation as long as the Bank and other donors continue to provide foreign assistance. (Foreign aid was equal to 30 percent of GDP in 1997). Working closely with the Bank, the government has made progress in drawing up a poverty action plan (Target 1) and a rural development strategy, with better provision for managing natural resources (Target 6). The general thrust is to emphasize the role of the central government as a facilitator, creating legal and institutional frameworks that encourage local governments, the private sector, and civil society to provide multiple rural services. Decentralization (Target 7) still has a long way to go: there have been elections in 31 small towns but no progress so far on fiscal decentralization.

Table 8. Mozambique: Progress toward November 1997 Country Assistance Strategy targets

1. Complete poverty assessment and prepare national poverty action plan.	2. Improve cooperation with government... CAS consultations..., collaborative economic and sector work, joint training... improve Bank staff understanding of local conditions and constraints.	3. Pursue sound macro-economic policies that ensure continued price stability and economic growth.	4. Adopt and regulate a land tenure policy framework that provides tenure security for smallholder farmers.	5. Foster rural credit and microfinance networks.	6. Develop a national forest and wildlife program and review existing natural resource legislation, including concession policies and the protection of community rights.	7. Provide legal framework for decentralization, followed by decentralization of some public sector functions
Partners rate: Satisfactory	Partners rate: Unsatisfactory	Partners rate: Satisfactory	Partners rate: Unsatisfactory	Partners rate: Satisfactory	Partners rate: Satisfactory	Partners rate: Satisfactory
Bank staff rate Satisfactory	Bank staff rate Satisfactory	Bank staff rate Satisfactory	Bank staff rate Satisfactory	Bank staff rate Unsatisfactory	Bank staff rate Satisfactory	Bank staff rate Unsatisfactory
N of targets with progress rated "satisfactory" by both partners and Bank staff =3/7 (43%)						

Partners (N=10). Staff (N=2)

Peru (Joint 3rd with Philippines)

4.7 Although this is the most open and deregulated of the five countries, the attempt to promote cross-sector trading of water rights and to make irrigation users responsible for cost recovery (Target 2) has foundered, partly owing to the paternalistic attitude of the Ministry of Agriculture—which is at loggerheads with the Ministry of Finance on almost all issues bearing on the rural areas. The same schism has hampered progress on research and extension (Target 1); although a recently approved

Bank project is winning support for a more pluralistic, demand-driven approach to service delivery. Paternalism is also evident in the government's approach to indigenous communities (Target 3), with little attempt to empower them or to redress the long tradition of exclusion. The social development fund (Target 4) has been hailed as a well targeted and client-responsive intervention but there is little evidence that is effective in remoter, poorer areas of the Sierra.

Table 9. Peru. Progress toward June 1997 Country Assistance Strategy targets

1. <i>Agricultural research and extension.</i> Reach consensus on private and public sector roles and appropriate policy/institutional framework	2. <i>Irrigation.</i> Pass water law and accompanying regulations; reform ownership and management of major coastal hydraulic projects	3. <i>Indigenous peoples.</i> Review legal framework and land tenure regulations affecting development of indigenous rural communities	4. <i>Rural community development.</i> Target FONCODES subprojects to support social and economic infrastructure and productive activities in the poorest communities	5. <i>Rural water and sanitation.</i> Reach agreement with Ministry of Presidency on technical standards and economic and financial criteria
Partners rate: Unsatisfactory	Partners rate: Unsatisfactory	Partners rate: Unsatisfactory	Partners rate: Satisfactory	Partners rate: Satisfactory
Bank staff rate Unsatisfactory	Bank staff rate Unsatisfactory	Bank staff rate Unsatisfactory	Bank staff rate Satisfactory	Bank staff rate Unsatisfactory
N of targets with progress rated "satisfactory" by both partners and Bank staff =1/5 (20%)				

Partners (N=21). Staff (N=3)

Philippines (Rank: Joint 3rd with Peru)

4.8 The Bank's sector strategy work appears to have played a major role in increasing the government's focus on rural development (Target 1). Budget limitations, and weak local government capacity, have limited the delivery of services to agrarian reform beneficiaries (Target 2). There has been no progress in improving credit access for the poorest farmers (Target 3), partly because agrarian reform holdings cannot be pledged as collateral. Since the accession of the Estrada administration there has been some backtracking by the Department of Natural Resources on community-based natural resource management (Target 5), which the Department had previously supported.

Table 10. Philippines. Progress toward February 1996 Country Assistance Strategy targets

1. Increase the focus on rural/community development, intensifying the dialogue with central agencies and at the community level.	2. Improve infrastructure and services to poor beneficiaries of agrarian reform.	3. Improve access to credit among poor upland and lowland farmers.	4. Improve the institutional framework of the water sector and prepare plans for critical water basins.	5. Improve natural resource management by implementing community-based approaches and strengthening the capacity of the Department of Natural Resources
Partners rate: Satisfactory	Partners rate: Unsatisfactory	Partners rate: Unsatisfactory	Partners rate: Unsatisfactory	Partners rate: Unsatisfactory
Bank staff rate Satisfactory	Bank staff rate Unsatisfactory	Bank staff rate Unsatisfactory	Bank staff rate Satisfactory	Bank staff rate Unsatisfactory
N of targets with progress rated "satisfactory" by both partners and Bank staff =1/5 (20%)				

Partners (N=34). Staff (N=1)

5. Bank-wide Progress in Implementing *From Vision to Action*

Trends since *From Vision to Action* was Prepared

5.1 Comparing the three years before preparation of *From Vision to Action* (FY93–95) with the three subsequent years (FY97–99), a number of trends emerge for "rural"³² projects and sector work. These are illustrated by graphs in Annex E, which also breaks down the numbers by region and for selected countries from FY93 to FY99.

5.2 The number of rural approvals has risen, with a somewhat less than proportional increase in commitments—meaning more, smaller projects (Figures F1 and F2). But as a proportion of the Bank's total portfolio, the number of rural projects under supervision has progressively declined (Figure E3).³³ Supervision intensity has remained flat for rural projects, but increased for the Bank as a whole (Figure E4).³⁴ Sector work has recovered from the deep slump of FY96–97 and the number of rural reports is now just shy of the FY93 level—but failing to match the sharp rise in FY99 in the Bank-wide number of sector reports (Figure E5). Comparing sector work across regions, the most striking trend is the fall in the number of Africa reports (Figure E6). (According to QAG, the reduction in quantity has not been offset by higher quality.)

5.3 What progress has been made since the baseline year (FY96) against benchmarks set by the strategy? *From Vision to Action* contains few monitorable targets, but an October 1996 progress report made some projections, based on several budget scenarios.³⁵ Relative to the high case projection, performance has been mixed (Table 11). After growing substantially in FY97 and FY98, spending on project preparation and supervision was squeezed in FY99, possibly anticipating the end of the Strategic Compact. Reduced spending on project preparation, plus the upward trend in spending on sector work—from US\$3.2 million in FY96 to US\$5.6 million in FY99—contributes to the successful performance of the indicator relating sector work to lending costs (which is supposed to capture the richness of the analytical base on which projects are founded). The target for the number of yearly project approvals has been amply exceeded. But supervision intensity has languished.

32. "Rural" is defined—following the convention currently employed by the Rural Development Department—as all activities coded agriculture plus natural resource management, rural roads and rural water supply and sanitation.

33. This is based on the definition of the rural portfolio employed by the Rural Development Department: agriculture plus rural roads, rural water and sanitation and natural resource management. This report argues that this definition fails to capture the full extent of the Bank's work in rural areas.

34. This is counterintuitive: rural projects are more often located in institutional environments that require closer supervision.

35. *Rural Development: From Vision to Action*. Progress Report, October 21, 1996, p. 35.

Table 11. Progress toward projections made by *From Vision to Action* in 1996

Indicators	(a) FY96 Baseline	(b) Projection (high case)	(c) Output in relation to projection			
			FY96	FY97	FY98	FY99
Spending by regions ¹	US\$46.7 million	Baseline+15% (US\$53.7 million)	87%	94%	105%	92%
Annual commitments	US\$2,613 million	Baseline+48% (US\$3,867 million)	68%	105%	83%	99%
Number of projects Approved yearly	39 projects	Baseline+13% (44 projects)	89%	130%	134%	118%
Weeks of supervision per project per year	19.2 weeks	Baseline+10% (21.1 weeks)	91%	90%	85%	92%
Sector work as % of direct lending costs	16%	Increase to 25%	14%	20%	16%	25%

Source: Columns (a) and (c), Corporate Resource Management; Column (b) *From Vision to Action* Progress Report, October 1996, p. 35
 1. Sum of direct costs for sector work, (ESW), project preparation (LEN) and project supervision (SPN); does not include completion (ICR).

Progress in Implementing Phase I Recommendations

5.4 Phase I identified five key areas of action for the Rural Sector Board:

- Strengthen country sector strategy
- Improve rural monitoring
- Further improve portfolio quality
- Improve knowledge management
- Upgrade staff capacity

5.5 Annex B of this report shows the steps taken by the Rural Sector Board in each of these areas: in OED's judgment, six out of 11 detailed recommendations were satisfactorily implemented between June 1999 and February 2000. Notable achievements include the increased attention that the Rural Sector Board is paying to quality enhancement, and the progress in developing a rural strategy template (intended to facilitate sector work) and a rural scorecard (a set of standard indicators for measuring the rural development status of individual countries). The rest of this section presents quantitative data bearing on implementation of OED's recommendations, focusing on monitoring, portfolio quality, and staff capacity.

Monitoring

5.6 *Rural strategy* The rural family reviews Country Assistance Strategies before they are sent to the Board of Executive Directors, checking to see that they contain a sound rural strategy. Since OED last reported—Phase I comments covered the period up to December 1998—the review process has become more systematic, both in the proportion of strategies covered and in the reporting format. Whereas in the Phase I report, OED had to impute a rating based on the tone of the review's text, the reviews now give explicit ratings for six categories that are consistent with the goals and principles of *From Vision to Action* (Table 12). The Rural Development Department issues a twice-yearly report analyzing trends in rural family reviews.

Table 12. Rural family rating of Country Assistance Strategies on six dimensions

<i>CASs reviewed by the Rural Family, 1998-00 (N=45)</i>	<i>Satisfactory¹</i>
Policy and regulatory framework	44%
Poverty reduction	51%
Shared growth	42%
Food security	36%
Natural resource management	51%
Building alliances for rural development	42%

Source: Rural Family reviews. 1. Percentage of CAS reports rated satisfactory on the respective dimension.

5.7 There is no indication that Country Assistance Strategies are becoming better at articulating corporate rural strategy. Phase I found that 48 percent of the strategies reviewed dealt satisfactorily with rural issues; the Phase II figure is 44 percent (Table 13), although on the dimension of poverty reduction 51 percent of strategies are rated adequate. Once again it emerges that countries with rural majorities are not more likely to have strategies with sound rural content. It is difficult to assess the impact that the rural family review has had on the shape of the final Country Assistance Strategy. The reporting format does not register whether changes were made to the final draft of the strategy in line with the rural family's comments. It is too early yet to check progress over time, with two exceptions: Nepal graduated from unsatisfactory to satisfactory between FY98 and FY99; Russia's rural strategy was rated unsatisfactory on three separate occasions.

Table 13. Rural family review of Country Assistance Strategies

<i>CASs reviewed by rural family, 1998-00</i>	<i>Satisfactory (N=20)</i>	<i>Unsatisfactory (N=25)</i>		
Rural population 70% or more of total	Cambodia*	Bhutan		
	Gambia*	Chad*		
	Guatemala*	Kenya*		
	India*	Nepal (FY98)		
	Indonesia*	Sri Lanka		
	Lao PDR*	Thailand		
	Malawi*			
	Nepal (FY99)*			
	Vietnam*			
	Rural population less than 70% of total	Albania*	Argentina	Malaysia
		Brazil*	Azerbaijan	Panama*
China*		Belarus	Russia (FY98)	
Dominican Rep.*		Bosnia & Herz.	Russia (FY99)	
Ghana*		Cameroon	Russia (FY00)	
Honduras*		Chad	Slovakia	
Jordan*		Colombia	South Africa	
Lithuania*		Croatia	Trinidad & Tob.	
Mexico*		Ecuador		
Philippines*		Gabon		
Tunisia		Macedonia		

Source: Rural family reviews.

Method: An overall rating of "satisfactory" is imputed if 4 or more of the 6 categories are rated satisfactory or higher by the Rural Family reviewer. A rating of satisfactory is also imputed when 3 of the 6 categories are rated satisfactory or higher, provided that 1 of the 3 is "Poverty Reduction". *Indicates a rating of satisfactory or higher on poverty reduction. The categories rated by the Rural Family are: (1) Policy and regulatory framework; (2) Poverty reduction; (3) Shared growth; (4) Food security; (5) Natural resource management; and (6) Building alliances for rural development.

5.8 *Breadth of the rural portfolio.* It is impossible to monitor the broadening beyond agriculture. Budget codes have not yet been revised to give a clearer sense of the extent of lending and non-lending activities bearing on rural areas. Phase I estimated that 44 percent of projects involve substantial work in rural areas; there is a substantial gap between this number and the share of projects coded "agriculture" (23 percent). In the five countries studied in Phase II, 58 percent of

completed projects evaluated between 1995 and 1999 (N=73) had rural components or objectives; agriculture accounted for only 11 percent.

5.9 A Bank-wide review of completed projects in the health and education sectors reveals that respectively 68 percent and 39 percent have explicit rural content (Tables 10 and 11). In both sectors, paradoxically, the frequency of rural content is higher for projects located in countries where the majority of the population *does not* live in rural areas.

Table 14. Education—All projects evaluated since 1995

<i>Rural population share</i>	<i>Rural Content^a</i>		<i>Total</i>
	<i>Yes</i>	<i>No</i>	
50% or more	33 (32%)	70 (68%)	103 (100%)
Less than 50%	15 (71%)	6 (29%)	21 (100%)
Total	48 (39%)	76 (61%)	124 (100%)

Source: Evaluation Text Base, OED (see Table D1).

a. Reference to rural areas or decentralization in the Objectives/Components and Lessons section of the evaluation report.

Table 15. Population, health, and nutrition—All projects evaluated since 1995

<i>Rural population share</i>	<i>Rural Content^a</i>		<i>Total</i>
	<i>Yes</i>	<i>No</i>	
Over 50%	26 (65%)	14 (35%)	40 (100%)
50% or less	14 (74%)	5 (26%)	19 (100%)
Total	40 (68%)	19 (32%)	59 (100%)

Source: Evaluation Text Base, OED (see Table D2).

a. Reference to rural areas or decentralization in the Objectives/Components and Lessons section of the evaluation report.

5.10 Until projects in these and other non-agriculture sectors are appropriately flagged it will be impossible to appreciate the full breadth of the rural portfolio. In the absence of flagging it is harder for the rural family to effectively advocate the rural dimension with other families and with country directors and regional vice-presidents. This sort of advocacy is essential if a truly cross-sector approach is to be brought to bear.

5.11 The review of health and education projects shows the sorts of rural issues that cut across sectors. In many respects, these issues are location-specific rather than sector-specific. Projects in rural areas tend to be constrained by sparse population, poor information, and inadequate communications—raising business transaction costs—aggravated by low skills, weaker institutions, and cultural conservatism. Many education and health projects with major interventions in rural areas share the following problems.³⁶

- Inadequate community contribution and ownership
- Lack of incentive for staff to remain in rural areas
- Overcentralized planning and administration
- Misprocurement of construction contracts
- Lower female than male participation
- Weak inspection procedures
- Weak policy framework.

36. See Annex D.

Some of these problems may also affect projects with an urban emphasis; but they tend to be more acute in “rural” projects.

Portfolio Quality

5.12 *From Vision to Action* set a target of 80 percent with respect to the share of completed projects whose outcome was rated satisfactory. This was exceeded in FY98, but in FY99 only 50 percent of projects had a satisfactory outcome (Table 16). The trend is corroborated by data on the share of projects that had satisfactorily achieved their development objectives when they exited the portfolio: down from 81 percent in FY98 to 50 percent in FY99. A deterioration is also observed for the sustainability and institutional development ratings. But with respect to the active portfolio, the results are overwhelmingly positive: quality at entry has risen, supervision quality has improved and the share of projects at risk has declined; in each of these areas agriculture outperforms projects in other sectors. (These data are for agriculture only: the full picture will only emerge once it is possible to see which projects in the total portfolio involve work in rural areas).

5.13 Phase I recommendations for raising portfolio quality consisted of shoring up sector work to improve the analytical underpinnings of projects; providing better training for staff and their national counterparts in monitoring and evaluation; and using the thematic teams more effectively to advise on project preparation. The quality of sector work in the network has been turned around: ESSD had the lowest rating of all networks in FY98 (50 percent of reports satisfactory) but the highest rating in FY99 (93 percent satisfactory). Summing the results of the FY98 and FY99 assessments (100 reports), ESSD still comes out as top network with 86 percent of reports rated satisfactory. The China Rural Development Strategy received the highest rating, corroborating the top billing it was given by an external evaluator in Phase I. However, Africa continues to perform substantially worse on sector work: taking all sectors together, only 49 percent of the reports were rated satisfactory compared to a Bank-wide average of 73 percent.³⁷

37. Quality Assurance Group, Quality of ESW in FY99, January 12, 2000.

Table 16. Portfolio performance

% of projects	Completed projects				Active projects		
	Outcome satisfactory ^a	Sustainability likely ^a	Institutional development impact substantial ^a	Development objectives rated satisfactory at exit ^b	Quality at entry satisfactory ^b	Supervision quality satisfactory ^b	Projects at risk ^b
Agriculture							
1990-95	62	35	28	71/d	NA	NA	36/d
1996	72	43	48	77	NA	NA	35
1997	76	55	39	77	83/e	NA	28
1998	85	54	62	81	78/f	77	23
1999	50	43	29	50	100/g	83	14
All sectors							
1990-95	67	46	30	78/d	NA	NA	34/d
1996	71	48	39	82	NA	NA	33
1997	75	54	37	83	82/e	NA	26
1998	80	50	40	83	86/f	76	25
1999	72/c	49/c	39/c	77	89/g	82	19

a. OED; b. Quality Assurance Group; *Figures refer to FY unless otherwise indicated.* NA Not available. c. FY98-99—FY99 data not reported separately in 1999 Annual Review of Development Effectiveness; d. FY95 only; /e CY97, "Agriculture" refers to ESSD Network as a whole; f. CY98, g. CY99. "Agriculture" refers to ESSD Network as a whole. Note. The difference between "agriculture" and the Rural Development Department's portfolio definition of "rural" is insubstantial: e.g. in FY98, the number of projects exiting the portfolio was 37 (agriculture) and 41 (rural).

Staff Capacity

5.14 The 1996 Staff Survey was repeated in autumn 1999,³⁸ finding that

- The downward trend in the number of personnel began to reverse in 1999, the full complement (staff plus long-term consultants and special assignments) reaching 387 persons in that year—but still 17 percent lower than in 1996 (467 persons).
- The distribution of staff between Bank units has remained broadly unchanged, almost one-quarter remaining in Africa.
- In East Asia, East Europe, and Latin America the share of rural staff is lower than these regions' share of projects in the rural portfolio.
- The number of staff in field offices continued to rise, climbing from 88 in late 1998 to 104 a year later.
- If there is no further recruitment, the number of rural staff will fall by 24 percent between 1999 and 2003, based on projected retirements. The proportion of staff likely to retire within that period is highest for East Asia (44 percent) and the Middle East (42 percent).
- Between 1996 and 1999, there was a decline in the numbers of staff in all skill groups except knowledge management; with forestry experiencing the sharpest decline.
- In descending order, the need for new recruits is greatest in community-based development, agricultural intensification, and irrigation.

5.15 Sector board members recognize that the skill categories adopted in 1996—and re-applied in the 1999 survey—were geared to the needs of an earlier period, based on *From Vision to Action's* reading of rural as "agriculture plus," rather than responding to the requirements of a genuinely cross-sector approach focused on poverty reduction (a view more in line with the Comprehensive Development Framework).

5.16 Reviewing these data, sector board members referred to the dilemma that recruitment is driven by the Regions (holders of the purse strings), responding to short-term, country-driven demand rather than long-term, strategic requirements. In these circumstances, it is difficult to design a corporate staffing strategy, partly because the sector board members (except those in the anchor) are

38. The results were reported at the Rural Sector Board meeting of November 1, 1999.

obliged to put Regional before corporate interests.³⁹ Country directors (*and*, by extension, sector managers) express a demand for generalists—people who can task manage a variety of activities—while the anchor (not just the rural anchor) stresses the need to recruit technical specialists.⁴⁰

6. Recommendations

6.1 These recommendations are mainly geared to the update of *From Vision to Action*, which is due by the end of FY01. They are based on the findings of Phase I as well as Phase II.

6.2 This evaluation—and a parallel initiative by a task force on rural strategy effectiveness⁴¹—found that Bank staff and stakeholders generally agree on "the Vision" presented by *From Vision to Action*. The importance of a clear vision statement should not be underestimated: *From Vision to Action* provided a rallying point for rural staff, helping to give them a sense of cohesion and common purpose. The "Vision" undoubtedly needs fine-tuning but the process for updating the strategy should focus mainly on a stronger action orientation. This evaluation finds that actions are needed in three areas: more effective outreach to country management units, other sector boards, and partners outside the Bank; closer linkage of strategic principles to poverty reduction; and redesign of the budget coding system to reflect the full breadth of the Bank's work in rural areas.

Recommendation 1: Strengthen Outreach

6.3 *Justification.* The Rural Sector Board needs to increase its outreach within the Bank. Phase I found that, while *From Vision to Action* is rural rather than purely agricultural in scope, implementation of the strategy has not raised commitment to work in rural areas by country management units. Also, although steps have been taken to advocate the rural strategy with other sector boards, so far progress has been limited—in particular, there has been little outreach to the health and education sector boards. This suggests that preparation of the new strategy might usefully be guided by an advisory committee that includes representatives from other sectors. A similar proposal was recently made by the rural strategy task force.⁴²

6.4 Outreach beyond the Bank needs improving. Phase II found that a majority of those consulted in five countries had no previous awareness of the strategy. When *From Vision to Action* was prepared there was little consultation with partners outside the Bank; and there was little dissemination of the strategy document in client countries.

6.5 Phase I demonstrated how, within the Bank, the current system of matrix management impedes effective advocacy. This is because the networks have low leverage in relation to the regions, and because the sector boards strongly reflect regional interests—a concern that is not limited to the

39. The sector board's role in staffing is to: (i) review job descriptions before posting; (ii) approve shortlists for posted vacancies; (iii) review and decide on higher-level promotions and conversions from term to open-ended status; (iv) review proposed redundancies and determine whether assignment to other rural units is feasible or desirable; and (v) decide on the sector board's application of human resource policies.

40. See minutes of sector board meeting on November 1, 1999.

41. The task force, chaired by Odin Knudsen, was set up in response to a request from Mr. Wolfensohn in June 1999. It presented its findings to the Rural Sector Board on December 20, 1999.

42. The task force recommended that "the Rural Sector Board...reconstitute itself bringing into its membership key Board members from other families: Urban, Education, Infrastructure and Health... These changes would give the Board a more comprehensive approach to rural development and ensure that the corporate agenda is prominent in Board decisions."

rural family.⁴³ By virtue of the imbalance of power between networks and regions, the rural strategy will only be acted on if it is geared to the regional work programs. *From Vision to Action* erred by giving subsector action plans (generated by the nascent thematic groups) equal status to the regional action plans. This was a recipe for inaction. Reflecting the balance of power in the matrix, subsector plans need to be incorporated in regional plans. A possible rider to this recommendation is that the work of thematic groups be more explicitly linked to the regional action plans, in order to enhance the groups' operational relevance.⁴⁴

6.6 Phase I of this study found that neither country directors nor sector managers have taken many steps to form multi-sector project teams. It is not feasible for each and every staff member to have multi-sector expertise; but it is important that the various sector specialists work effectively together. The reorganization of the Bank into networks has not facilitated transactions across sectors; cases where this has worked need to be publicized.

6.7 These considerations suggest that the following actions are needed:

- *The process of revising the strategy paper should involve, from the outset, country directors, regional vice-presidents, sector boards other than Rural; it should also include consultations with stakeholders outside the Bank.*
- *The rural strategy update needs to be guided by an advisory committee that includes representatives from the Environment, Social Development, Urban, Infrastructure, Health and Education sector boards.*
- *Regional action plans should form the core of the revised strategy document, taking precedence over sector or subsector action plans.*
- *The strategy report should be shorter and easier to read than From Vision to Action, it should be widely disseminated, and it should be made available in languages other than English.*
- *Examples of good cross-sector process should be included in the updated strategy paper.*

Recommendation 2: Develop the Strategic Principles, with Linkage to Poverty Reduction

6.8 *Justification.* *From Vision to Action* makes schematic reference to five principles—sound policy framework, healthy private sector, restructured government, efficient decentralization, and greater participation. The principles are valid; but they need to be more effectively advocated. Phase II showed that even persons familiar with *From Vision to Action* were not necessarily persuaded by all its principles. Many partners are more skeptical than Bank staff about the potential of market-based resource allocation, private sector development and decentralization.

6.9 Phase I and Phase II surveys of staff and partners demonstrated that major doubts remain about the Bank's focus on, or effectiveness in, tackling rural poverty. The revised rural strategy needs to show how adherence to the five principles will advance the overarching goal of poverty reduction. This is essential if partners outside the Bank are to be convinced that the Bank's work in rural areas is poverty-focused.

43. See memorandum from R. Picciotto, Director General, Operations Evaluation to K. Sierra, Vice-President, Operational Core Services Network, September 14, 1999: "Regions effectively control the sector boards and can tell the anchors what to do. Without control over sector staff and budgets, Networks cannot be made accountable for implementation of sector strategies... teamwork means doing what the Region wants... The result? A Bank responsive to the borrowers to be sure. But also a Bank peculiarly resistant to corporate initiatives, subject to severe reputational risks and poorly equipped to deliver on global initiatives."

44. This rider is consistent with the recent findings of S. Barghouti and K. Cleaver, reporting respectively on thematic groups in the rural family and ESSD network (see Minutes of Rural Sector Board Meeting, February 14, 2000).

6.10 Poverty cannot be addressed effectively unless consideration is given to the multifaceted nature of rural livelihoods. Phase II found that many partners are wary of "compartmentalized" rural strategies, emphasizing the need for linkage to national strategies and the continuity between urban and rural development. The proposed emphasis in the new strategy paper would be consistent with the Rural Sector Board's growing collaboration with the infrastructure and urban development families, building on the recent high-profile seminar that explored the continuum between urban and rural development. It would also be consistent with the "livelihoods" approach which emphasizes how rural people span sectors and occupy different spaces on a rural-urban continuum.⁴⁵ Much of the development work that goes on in rural areas and enhances people's ability to work in urban as well as rural areas. Profiling the multifaceted livelihoods of rural households and communities may help to sharpen poverty strategies.

6.11 The five principles are action-oriented, relevant to all regions, and cut across sectors. Potentially they form a good platform for more effective outreach: because they are not tied to an agriculture agenda these principles are more likely to appeal to constituencies—country management units, other sector boards, Ministries of Finance—that are inclined to conflate "rural" with agriculture, dismissing rural work because agriculture itself is dismissed as a "declining sector".

6.12 These considerations indicate that the following actions should be taken:

- *The new strategy should explain and illustrate how each of the five strategic principles in From Vision to Action are linked to the overarching goal of poverty reduction.*
- *The updated strategy paper should emphasize the multifaceted nature of rural livelihoods and the nexus between rural and urban development.*

Recommendation 3: Make Budget Coding More Transparent

6.13 *Justification.* Phases I and II demonstrated the extent to which projects with major rural content cut across sectors. Many Bank activities impinging on rural areas—sector work as well as projects—are not coded as rural and are therefore, for all intents and purposes, invisible. The Rural Sector Board has made little progress in implementing the Phase I recommendation for revised coding, partly because of inaction by Operational Core Services. Without appropriate coding of the budgets they administer, regional vice-presidents and country directors may underestimate the scale of the Bank's work in rural areas; and they may therefore be less inclined to listen to advocates for rural strategy. The same issue has been picked up by other recent OED evaluations (e.g. forestry). The scope of the recoding task remains to be assessed. It may suffice to add "rural flags" to the existing sector codes for lending and non-lending activities: this would be a modest incremental enhancement rather than a total revamp. The following specific action is called for:

- *The Rural Sector Board and Operational Core Services should as soon as possible agree how best to identify and code Bank activities with major rural content.*

45. The Department for International Development (UK) has taken a lead in this area with its work on Sustainable Rural Livelihoods. Also, see Cabinet Office, Rural Economies, UK Government, December 1999.

Annex A. The *From Vision to Action* Strategy

The rural strategy has **four goals**:

- Poverty reduction
- Widely shared growth
- Household, national, and global food security
- Sustainable natural resource management.

According to the strategy, these goals can be attained if the Bank's support of rural development is guided by **five principles**. "First, the policy and institutional framework must be supportive of project success, rather than working against it. Second, wherever possible, the private sector must be mobilized to provide investment capital, production, and most services. Third, the state must shift away from heavy intervention in the economy toward promoting enabling macroeconomic, fiscal, and sector policy environments. Fourth, a plurality of institutions is involved: community-level groups and lower-level governments as well as central ministries. Fifth, projects and programs are decentralized and designed and executed with a high degree of influence and participation by communities associations, and local governments."¹

Strategic Checklist for Rural Development

- Macroeconomic and sectoral policies are stable. The foreign exchange, trade, and taxation regimes do not discriminate against agriculture, but are similar for rural and urban sectors.
- The growth of private agriculture is encouraged by minimizing distortions among input and output markets and by market development for agricultural and agro-industrial products, both at home and abroad.
- Public investment and expenditure programs for economic and social infrastructure, health, nutrition, education, and family planning services do not discriminate against rural populations or the rural poor.
- Large farms and large agro-industrial firms do not receive special privileges and are not able to reduce competition in output, input, land, or credit markets.
- The agrarian structure is dominated by efficient and technologically sophisticated family operators, who rely primarily on their own family's labor. The rights and needs of women farmers and wage laborers are explicitly recognized.
- Access to and security of land and water rights is actively promoted. Restricting land rentals hurts the poor. Where land distribution is highly unequal, land reform is needed. Decentralized, participatory, and market-assisted approaches to land reform can achieve this much faster than expropriation by land reform parastatals.
- Private and public sectors complement each other in generating and disseminating knowledge and technologies. Public sector financing is particularly important for areas of limited interest to the private sector, such as strategic research, smallholder extension, and diffusion of sustainable production systems and techniques.
- Rural development programs mobilize the skills, talents, and labor of the rural population through administrative, fiscal, and management systems that are decentralized and participatory, and through private sector involvement.
- Rural development programs are designed so that the rural poor and other vulnerable groups are fully involved in the identification, design, and implementation of the programs. Otherwise, rural elites will appropriate most of the benefits.

Source: *From Vision to Action*, 1997, p. 5

Table B1. Progress in Implementing OED's Phase I Recommendations⁴⁶

OED Recommendation	Management Response (FY99)	Status ⁴⁷	OED Comments (FY00)
<p>1. Strengthen country sector strategy</p> <p>(a) The Rural Sector Board should develop a Quality Enhancement Action Plan which includes: a clarification of the quality enhancement responsibilities of the Rural Sector Board, Rural Development anchor, thematic groups, and rural sector managers (as determined by Regional Management).</p> <p>(b) In consultation with Regional Management, the Rural Sector Board should develop a set of criteria for selection of countries where rural development is top priority, and then disseminate the list of countries selected as Priority Countries and the rationale for doing so.</p> <p>(c) For Priority Countries, the Quality Enhancement Action Plan will include: (i) a program to provide demand-driven assistance in rural strategy formulation at the country level; (ii) a program of just-in-time assessment of the adequacy of rural sector strategies in draft CAS documents; (iii) follow-up monitoring of the content of the final CAS; and (iv) establishing procedures for informing Regional Management of rural Sector Board's views on rural strategies, and how well strategies are reflected in CASs.</p>	<p>(a) Management endorses this recommendation and will have a plan developed by December 31, 1999.</p> <p>(b) Management endorses this recommendation and proposes to develop a set of criteria by September 30, 1999.</p> <p>(c) Management agrees with this recommendation. It will be incorporated within the same time frame as 1a.</p>	<p>IM</p> <p>OT</p> <p>IM</p>	<p>(a) A draft Quality Enhancement Action Plan (QEAP) was completed in August 1999. The Sector Board approved the revised version—referred to as the Rural Quality Assurance Program—at the Board meeting of November 11, 1999. Also, the Rural Development Department drew up terms of reference for a Portfolio Adviser and a Rural Strategy Adviser, responsible for quality enhancement of lending and non-lending services respectively.</p> <p>(b) Criteria have not been identified. The Rural Sector Board is not yet convinced that it is its responsibility to prioritize countries. The broader issue of selectivity will be addressed when the sector strategy paper, <i>From Vision to Action</i>, is updated (to be completed by end of FY01).</p> <p>(c) The Rural Quality Assurance Program provides for demand-driven assistance for rural strategy development and portfolio enhancement. Candidates for assistance have been identified—Madagascar, Tanzania, Guinea, Nigeria and India. The Rural Development Department continues to monitor and analyze the treatment of rural issues in CASs, reporting semi-annually to the Sector Board; the first report was delivered on January 24, 2000. The Regions will report semi-annually to the Sector Board on the quality of their portfolio and linkages to the CAS; first report delivered on February 1, 2000.</p>

46. Operations Evaluation Department, Rural Development: From Vision to Action? June 11, 1999 (Report No. 19448).

47. Code: IM=Implemented—Relegated to inactive list; OT=Outstanding—Action still required; NR=No longer relevant (or superseded); SP=Follow-up study planned

OED Recommendation	Management Response (FY99)	Status ⁴⁷	OED Comments (FY00)
<p>2. Improve rural monitoring</p> <p>(a) The Rural Sector Board should explore with Corporate Resource Management the possibility of revising the budget coding system to allow for better tracking of the diverse areas encompassed by Rural Development.</p> <p>(b) In consultation with Rural Family thematic groups and other Networks, the Rural Sector Board should develop indicators that measure rural development at the country level, with particular reference to rural poverty. To the extent possible, the indicators should be those used by the OECD Development Assistance Committee. These indicators (or a subset of them) would be put into a Scorecard which would provide regularly updated summary information about the status of rural development in client countries, enabling trends to be monitored over time and comparisons to be made between countries.</p>	<p>(a) Management accepts this recommendation and will approach the Corporate Resource Management Unit to begin this process. To be completed by September 30, 1999.</p> <p>(b) Management accepts this recommendation. The Rural Development anchor has assembled a team that is currently working with the thematic groups in the Rural Family to identify country level indicator and project level implementation, output, and impact indicators. Their ultimate goal is to develop a rural development index by which comparisons across countries and regions can be made. To be completed by September 30, 1999.</p>	<p>OT</p> <p>IM</p>	<p>(a) The need to design a new rural coding system is recognized but initial discussions (with Operational Core Services) were delayed until December 1999 and the design of the new system has yet to be finalized.</p> <p>(b) Draft sub-sector indicators were reviewed by thematic groups and the Rural Sector Board in June 1999. Operational Core Services suggests that they need to be harmonized with its latest guidelines on monitoring and evaluation. In a separate initiative, a draft Rural Scorecard was completed in September 1999 and reviewed in a Rural Family Clinic on November 23, 1999. The Rural Sector Board agreed on December 13, 1999 that this initiative should be treated as "work in progress": a living document has been assembled and will advanced as data permit, through further consultation with the World Development Indicators team, and users.</p>
<p>3. Further improve portfolio quality</p> <p>(a) In order to help strengthen the analytical work and policy dialogue that underpins projects, the Rural Sector Board should publicize and draw the attention of the Rural Family to examples of good practice sector work, country sector strategies, and policy dialogue.</p>	<p>(a) Management accepts this recommendation. The thematic groups have identified disseminating good practice examples as a priority activity. In addition, the Rural Development anchor has assembled a small team to work on knowledge management and outreach activities that is also working with the ESSD anchor to develop an outreach strategy targeted at various audiences, including Bank staff.</p>	<p>IM</p>	<p>(a) Following a meeting between the Sector Board and Mr. Wolfensohn on June 10, 1999, a Bank-wide Steering Committee was formed to review countries where good rural development programs exist, with a view to (i) identifying good practices, (ii) developing a template to guide preparation of rural strategies, and (iii) identifying changes needed for enhancing the quality of rural strategies. A report was delivered in December 1999. The template has been reviewed with the Rural Family in several workshops and generally found to be highly useful. The report's findings will feed into the revision of <i>From Vision to Action</i>.</p>

OED Recommendation	Management Response (FY99)	Status ⁴⁷	OED Comments (FY00)
<p>(b) In collaboration with OED and the World Bank Institute, the Rural Sector Board should develop training on good practice monitoring and evaluation of projects, emphasizing country capacity building.</p> <p>(c) The Rural Sector Board should ensure that the Quality Enhancement Action Plan includes a review of the role of thematic groups, with specific consideration given to the possibility that the groups would contract with the Rural Sector Board to advise on upstream project preparation; the contracts could specify number of projects and subsectors to be covered each financial year.</p>	<p>(b) Management accepts this recommendation. To be completed by December 31, 1999.</p> <p>(c) Management accepts this recommendation. This action will be complete as per the QEAP deadline of December 31, 1999.</p>	<p>OT</p> <p>IM</p>	<p>(b) Both the Portfolio Adviser and the Training Specialist in the Rural Development Department have been assigned specific responsibility for ensuring that training programs include good practice on monitoring and evaluation in projects, including country capacity building. New training modules are still in preparation</p> <p>(c) In June-July 1999, the budget allocations to thematic groups for FY00 were based on a review of the past achievements of these groups, including their contribution to quality enhancement. The Rural Development Department's Portfolio Adviser has been made responsible for collaborating with the Regions and the thematic groups in conducting quality-enhancement reviews of selected projects.</p>
<p>4. Improve knowledge management</p> <p>(a) In preparing the updated version of the Bank's corporate rural development strategy (scheduled for FY01), the Rural Sector Board should take special steps to involve country directors. This would include eliciting their support for the Rural Scorecard referred to above, and their collaboration in updating it.</p> <p>5. Upgrade staff capacity</p> <p>(a) The Rural Sector Board should conduct a follow-up to the 1996 survey of staff competency, augmented to include a skills inventory of staff working on rural development.</p>	<p>(a) Management accepts this recommendation. This will be ongoing while developing the revised strategy.</p> <p>(a) Management accepts this recommendation. It will be carried by June 30, 1999.</p>	<p>OT</p> <p>IM</p>	<p>(a) Work on updating the sector strategy paper will begin in the fourth quarter of FY00. Refinement of the Scorecard indicators will be an iterative process, including consultation with country directors and other institutions.</p> <p>(a) A preliminary skills analysis was included in the briefing papers for the meeting with Mr. Wolfensohn in June 1999. A more comprehensive analysis, using the same categorization of skills employed in 1996, was completed by November 1999. A proposal for addressing rural sector staffing, skill and diversity needs was reviewed by the Sector Board and submitted to senior management on November 15, 1999.</p>

OED Recommendation	Management Response (FY99)	Status ¹⁷	OED Comments (FY00)
<p>(b) The Rural Sector Board should ensure that the Quality Enhancement Action Plan includes a joint review of current training requirements with the World Bank Institute. The Plan would show how training was intended to raise the overall quality of the Bank's work on rural development. The Plan would also include arrangements for strengthening the trainee course evaluation process, and periodic surveys would assess how satisfied managers are with impact of training on staff performance.</p>	<p>(b) Management accepts this recommendation. It will be accomplished by December 31, 1999.</p>	<p>OT</p>	<p>(b) Feedback from the quality enhancement process has not yet been incorporated in the design of training modules.</p>

Table C1. Summary Statistics from Questionnaire A and B

This survey consists of 30 statements about rural development about which you may have an opinion. For each statement, please make an “X” in the box corresponding to the answer that best expresses your view: (1) strongly agree, (2) agree, (3) disagree, or (4) strongly disagree. Select (5) do not know, only if you feel that you are unfamiliar with or uninformed about this particular issue.

	Statement	Respondents in five countries		World Bank respondents		Significant difference...			Outliers
		N	% agree with statement /a	N	% agree with statement	...between countries /b	...between stakeholder groups /c	...between World Bank and other respondents	
	Overall rural development strategy								
1	In _____, promoting broad-based rural development that is founded upon a thriving agricultural economy is the most effective strategy for reducing rural poverty.	196	89%	16	94%	**			Latvia (70%)
2	The potential for bringing new land and water resources into production is low in _____. Therefore, the greatest challenge in increasing agricultural production is to increase agricultural yields per hectare.	199	78%	17	76%				
3	_____ has to make a choice between producing food and protecting the natural environment. At this stage in the country's development, producing food for the rapidly growing population is clearly the higher priority even if it means some damage to the environment.	199	25%	16	31%				
4	The government of _____ should encourage each region of the country to be self-sufficient in the production of staple food grains in order to promote domestic food security.	195	54%	17	6%	**	*	**	Mozambique (75%) Peru (32%) Donors (40%)
5	Since access to water at an affordable price is a basic right of all citizens of _____, the central government should directly manage the allocation of the country's water resources equitably among competing users.	189	60%	16	25%	**		**	Morocco (89%) Peru (22%)

	Statement	Respondents in five countries		World Bank respondents		Significant difference...			Outliers
		N	% agree with statement /a	N	% agree with statement	...between countries /b	...between stakeholder groups /c	...between World Bank and other respondents	
Coherent policy framework									
6	On balance, controlling the central government deficit and reducing the domestic rate of inflation will have a positive impact on agricultural production, food security, and rural well-being even if this means reducing government expenditures on health and education.	175	39%	17	53%				
7	Decontrolling domestic food prices and liberalizing domestic food markets can simultaneously increase the crop prices paid to producers and reduce the food prices paid by consumers.	155	52%	14	57%				
8	A targeted public works program to rehabilitate rural roads would represent a better "safety net" than a generalized food subsidy at the retail level to relieve hardship during an economic crisis.	181	83%	16	81%	*			Peru (100%) Philippines (68%)
9	For a food-importing country, encouraging farmers to grow staple food crops rather than export crops would generally have a positive impact on national and household food security.	184	55%	17	12%		**	**	Government (68%)
10	Since the rural poor tend to spend the largest proportion of their income on food, a generalized food subsidy at the retail level is the best way to increase the purchasing power of the rural poor in order to reduce malnutrition.	185	21%	15	0%	**		*	Philippines (40%) Morocco (38%) Latvia (4%)
Private sector development									
11	The government should collaborate closely with farmers and agro-industry associations in establishing and enforcing grading standards, agricultural input regulations, and other "rules of the game" in order to help domestic agricultural markets function better.	197	94%	17	94%		**		Donors (86%)
12	In a given agricultural market, variations in the price of the commodity in different locations and times of the year generally indicate the monopoly power of traders and processors, and are unfair to farmers and consumers.	171	63%	16	13%			**	

	Statement	Respondents in five countries		World Bank respondents		Significant difference...			Outliers
		N	% agree with statement /a	N	% agree with statement	...between countries /b	...between stakeholder groups /c	...between World Bank and other respondents	
13	The greatest challenge that the government faces in supporting the development of rural financial institutions is to extend lines of credit to rural financial institutions at subsidized rates that rural households can afford.	181	65%	17	6%		*	**	Donors (30%)
14	The government should give first priority to improving the operation of land rental markets rather than land sales markets.	140	52%	13	23%	*			Mozambique (70%) Peru (33%)
15	In the interests of equity and efficiency, the government should establish both an upper and a lower limit to the size of farm holdings.	184	40%	17	6%	**	**	**	Philippines (59%) Latvia (14%) Donors (26%)
Restructuring government									
16	The greatest challenges facing public sector research organizations in _____ are primarily managerial and organizational rather than financial. Well-trained research staff lack the incentives to produce quality research.	185	62%	16	50%				
17	The central government should be the major supplier of agricultural extension to smallholder farmers in _____.	196	49%	17	12%			**	
18	The major objective of public agricultural extension should be to extend improved agricultural technologies to progressive farmers.	194	80%	16	44%			**	
19	Smallholder farmers are knowledgeable about animal health and production and make sound economic decisions about using veterinary services.	176	27%	14	71%	*		**	Philippines (36%) Peru (5%)
20	Since fully qualified physicians tend to locate in urban areas, the central government should train and employ para-professional clinical officers to provide basic clinical services in rural areas, such as prescribing drugs and performing minor surgery.	186	80%	16	63%			*	

	Statement	Respondents in five countries		World Bank respondents		Significant difference...			Outliers
		N	% agree with statement /a	N	% agree with statement	...between countries /b	...between stakeholder groups /c	...between World Bank and other respondents	
Participation									
21	Ownership is a key ingredient in any successful rural development project. To achieve ownership, it is very important to involve the beneficiaries in formulating the project before the implementation stage.	200	97%	17	100%	**			Peru (91%)
22	Most agricultural reforms have winners and losers in the short term. Therefore, reform managers should work closely with the influential losers who might otherwise wreck the reform process.	171	77%	14	93%	**		*	Morocco (93%) Peru (33%)
23	Both road users' and road contractors' associations should be represented on the boards of road funding agencies, since both are legitimate stakeholders with legitimate interests in the awarding of road construction and maintenance projects.	187	87%	13	54%				
24	The major cause of land degradation in semi-arid pastoral areas is that growing populations are putting increasing pressure on existing land and water resources.	183	67%	16	75%	**			Peru (90%) Latvia (7%)
25	Rural communities in _____ are able to manage their local natural resources such as land, water, pastures, and forests in a sustainable way. They are more likely than the central government to pay attention to the long-term consequences of current resource use.	190	59%	16	81%	**			Philippines (80%) Mozambique (46%)
Decentralization									
26	The transfer of authority and responsibility for some government functions from central to intermediate and local governments – known as decentralization – has considerable promise for reducing overall central government expenditures.	183	85%	16	63%	**			Latvia (67%)
27	When the central government transfers financial resources to local governments and communities for small infrastructure projects, it is possible to establish accountability mechanisms to prevent local elites from appropriating the funds for their own purposes.	194	96%	15	100%	*			Latvia (87%)

	Statement	Respondents in five countries		World Bank respondents		Significant difference...			Outliers
		N	% agree with statement /a	N	% agree with statement	...between countries /b	...between stakeholder groups /c	...between World Bank and other respondents	
28	Small rural communities in _____ have little latent capacity to plan and manage rural infrastructure services like rural roads and water supply systems. Central government agencies should not devolve responsibility for such services without first building their capacity to do so.	198	75%	16	25%	**		**	Latvia (90%) Mozambique (89%) Philippines (47%)
29	For the decentralized delivery of water supply and sanitation services, the legal framework of _____ should require a minimum level of women's representation on local management committees.	179	78%	15	67%	**			Latvia (31%)
30	In the decentralized delivery of primary education, the Ministry of Education should devolve the responsibility for supervising teachers to local governments.	181	60%	15	93%	**	*		Mozambique (84%) Peru (81%) Latvia (31%) Morocco (26%) Government (48%)

/a Percentage of respondents who "agree" or "strongly agree" with the statement

/b Latvia, Morocco, Mozambique, Peru, Philippines

/c Government, Civil Society, Donors

* p = 0.1 to 0.5

** p < 0.1

Table C2: Summary Statistics from Questionnaire B: The Effectiveness of the World Bank's Work in Rural Development at the Country Level

Module I: The World Bank's strategy for rural development							Significant difference...		Outliers
		N	% heard	% not heard			... between countries /a	... between stakeholder groups /b	
1	Before this meeting had you heard of the World Bank's rural development strategy, <i>From Vision to Action</i> ?	167	39%	61%			**		Latvia (69% heard) Mozambique (24% heard) Philippines (22% heard)
		N	% very satisfied	% satisfied	% somewhat satisfied	% not satisfied			
3	Taking into account what you have heard at this meeting, how satisfied are you that the Bank's rural strategy is sound?	147	5%	41%	46%	8%	*		Philippines (65% satisfied) /c Morocco (28% satisfied)
Module II: The World Bank's goals for rural development and poverty reduction							Significant difference...		Outliers
	<i>In _____, how satisfied are you that the Bank's work is effective in promoting . . .</i>	N	% very satisfied	% satisfied	% somewhat satisfied	% not satisfied	... between countries /a	... between stakeholder groups /b	
1	... a sustained reduction in rural poverty?	150	7%	29%	37%	27%		**	Government (45% satisfied) Donors (19% satisfied)
2	... widely-shared economic growth?	149	5%	28%	40%	27%	*		Peru (50% not satisfied)
3	... food security?	126	6%	21%	48%	25%			
4	... a sound program for education and health in rural areas?	124	10%	27%	39%	24%		*	Government (50% satisfied) Civil society (27% satisfied)
5	... empowerment of rural women?	116	10%	24%	34%	32%			
6	... adequate rural "safety nets (temporary assistance programs at times of economic crisis)?"	115	5%	25%	37%	32%		*	Government (43% satisfied) Donors (18% satisfied)
7	... sustainable management of land, water, pastures, forests and fisheries?	133	7%	32%	35%	27%			
Module III: The World Bank's strategic principles							Significant difference...		Outliers
	<i>In _____, how satisfied are you that the Bank is working effectively to...</i>	N	% very satisfied	% satisfied	% somewhat satisfied	% not satisfied	... between countries /a	... between stakeholder groups /b	

1	...make the macroeconomic and sector policy framework more supportive of rural development?	151	11%	44%	29%	15%	*			Latvia (67% satisfied) Peru (30% satisfied)	
2	...mobilize the private sector to invest in, and provide services to, rural areas?	146	6%	29%	29%	36%	*			Philippines (51% satisfied) Peru (24% satisfied)	
3	...restructure government and reduce the role of the state as a producer and service provider, enabling it to focus on areas that are not appropriate or attractive to the private sector?	148	7%	43%	35%	14%					
4	...involve a wider range of organizations and beneficiaries in rural development programs and projects?	154	12%	43%	30%	16%					
5	...make local governments and communities more responsible for providing infrastructure and other services in rural areas (decentralization)?	145	12%	30%	33%	25%					
Module IV(a): Specific aspects of the World Bank's work — How satisfactory now?										Outliers	
		Respondents in five countries				World Bank respondents		Significant difference...			
	In _____, how satisfied are you today with...	N	% very satisfied	% satisfied	% somewhat satisfied	% not satisfied	N	% satisfied /c	...between countries /a	...between stakeholder groups /b	
1	...the Bank's analytic work bearing on rural development?	134	15%	36%	33%	16%	104	57%	*		Philippines (73% satisfied) Peru (22% satisfied)
2	...the extent to which the Bank discusses its findings and recommendations in public?	152	9%	32%	36%	22%					
3	...the Bank's dialogue with government on policies and strategies that influence rural development?	128	10%	42%	34%	14%	114	53%			
4	...the Bank's ability to work in partnership with other agencies in supporting rural development?	138	13%	33%	36%	18%	108	54%	*	*	Philippines (65% satisfied) Mozambique (25% satisfied) Government (63% satisfied) Civil society (32% satisfied)
5	...the design of Bank projects bearing on rural development?	137	7%	36%	36%	20%	90	54%	*	**	Philippines (63% satisfied) Mozambique (24% satisfied) Government (56% satisfied) Donors (12% satisfied)

6	...the implementation of Bank projects bearing on rural development?	130	5%	35%	38%	22%	106	65%	**	**	Philippines (53% satisfied) Latvia (52% satisfied) Mozambique (21% satisfied) Government (52% satisfied) Donors (21% satisfied)
7	...the Bank's overall capacity for supporting rural development?	142	9%	37%	40%	14%	111	50%	*		Philippines (71% satisfied) Mozambique (21% satisfied)
Module IV(b): Specific aspects of the World Bank's work — Has effectiveness changed?											Outliers
		Respondents in five countries				World Bank respondents		Significant difference...			
	In _____, how does effectiveness now compare with 1996, with respect to...	N	% more effective	% no change	% less effective	N	% more effective	...between countries /a	...between stakeholder groups /b		
1	...the Bank's analytic work bearing on rural development?	107	68%	18%	14%	71	55%				
2	...the extent to which the Bank discusses its findings and recommendations in public?	126	62%	26%	12%			**			Philippines (77% more effective) Latvia (35% more effective)
3	...the Bank's dialogue with government on policies that influence rural development?	105	68%	14%	18%	87	56%		*		Government (85% more effective) Donors (20% more effective)
4	...the Bank's ability to work in partnership with other agencies in supporting rural development?	118	64%	25%	11%	85	44%				
5	...the design of Bank projects bearing on rural development?	121	60%	26%	14%	69	62%				
6	...the implementation of Bank projects bearing on rural development?	120	54%	26%	20%	83	57%		*		Government (68% more effective)
7	...the Bank's overall capacity for supporting rural development?	119	61%	26%	13%						

/a Latvia, Morocco, Mozambique, Peru, Philippines

/b Government, Civil Society, Donors

/c Percentage of respondents who responded "satisfied" or "very satisfied"

* p = 0.1 to 0.5

** p < 0.1

Table D1. Weaknesses in Primary Education Projects with Major Rural Content

<i>Issue</i>	<i>Projects in which this issue was raised/a</i>
Too much focus on physical outputs (buildings, textbooks)	***** L3295, C1018, C1568, C1195, C1751
Community contribution inadequate	***** L3295, C2593, C1598, C1735, L3010,
Lack of incentive for teachers to remain in rural areas	**** L3407, C1821, C1735, L3010,
Overcentralized planning and administration	*** L3054, C1821, C2593,
School building involves misprocurement	*** L3407, C1821, C1735,
Need to complement state schooling with private schools	*** L3054, L3410, C1740,
Gender gap in pupils and teachers	*** C1821, C1018, C1568,
School inspection procedures do not enhance quality	*** L3054, C1195, C1751,
Weak policy framework	*** C1735, L2685, L2987,
Poor parents feel no ownership of schools	** C1821, C2593
Weak coordination with agricultural extension	** C1018, C1568,
Many students drop out or fail to progress	** L3054, L3010,
Curriculum inflexible/inadequate	** L3054, L3407,
Staff selection procedures do not enhance quality	** L3054, C2593,
Weak teacher and administrator training	** L3410, C1821,
School buildings poorly sited	* L3295
Lack of pre-primary education in rural areas	* L3410
Weak monitoring of outcomes	* L3010
Local school committees poorly trained and funded	* C1821

Source: OED, Evaluation Textbase

/a All completed projects evaluated between 1995 and 1999; issue mentioned either in project objectives or lessons learned.

N= 12 countries and 16 projects: Tunisia (L3054), Mexico (L3407), Morocco (L3295), Chile (L3410), Pakistan (C1821, 2593), Burkina Faso (C1598), Niger (C1740), Senegal (C1735), Togo, (C1018, C1568), Comoros (C1195, C1751), Malaysia (L2685, L2987), Colombia, (L3010).

Table D2. Weaknesses in Population, Health and Nutrition Projects with Major Rural Content

<i>Issue</i>	<i>Projects in which this issue was raised/a</i>
Overcentralized planning and administration	***** C1607, C1668, C1903, C2300, C2193, L3042, L3201, L2744, L3299,
Community contribution/ownership inadequate	***** C1837, C2310, C2133, C2031, C2059, L3042, L2744, C2217
Weak demand for service, low quality expectations	***** C1768, C1837, C2059, C2211, C2255, L2699, C2217,
Lack of incentive for professionals to remain in rural areas	***** C1913, C2057, C2031, L3042, L2744, L3272, C2217,
Weak policy framework	***** C1607, C2360, C1837, C2310, C2009, L2699, C2217,
Facilities poorly sited in relation to demand (difficult physical access)	***** C1768, C1837, C2310, L2572, L2699, L2744, C2217
Local oversight committees poorly trained and funded	**** C1903, C1913, C2193, C2255, L3099,
Focus on physical outputs, not outcomes	**** C2173, L3201, L2699, L3135
Weak monitoring	*** C2133, L3042, C2217,
Misprocurement of construction contracts	*** C2360, C1913, L2744,
Weak staff training	*** C2133, L3272, C2217,
Weak family planning program	** C1607, C2360,
Weak inter-ministerial coordination	** C2360, L2744,
Weak community outreach, prevention	** C2158, C2217
Weak essential drugs program	* C1607
Lack of demographic data hampers planning	* C2009,
No performance-based financing of regional units	* C2133
Too much focus on physical outputs (buildings)	* C1913,
Weak accountability of decentralized agencies	* L3427,
Ancillary determinants of health outcomes (nutrition, clean water, education) neglected	* C2217,
Gender gap	* C1837
Inspection procedures do not enhance quality	* C1913,

Source: OED, Evaluation Textbase

/a All completed projects evaluated between 1995 and 1999; issue mentioned either in project objectives or lessons learned.

N= 25 Countries and 31 projects: Burkina Faso (C1607); Niger (C1688, C2360); Malawi (C1768); Guinea (C1837); Sri Lanka (C1903); Kenya (C2310); Ethiopia (C1913); India (C2057, C2133, C2158, C2173, C2300); China (C2009); Benin (C2031); Lesotho (C2059); Ghana (C2193); Togo (C2211); Senegal (C2255); Nigeria (L3034); Indonesia (L3042, L3298); Morocco (L2572); Colombia (L3201); Brazil (L2699); Zimbabwe (L2744); Philippines (L3099); Mexico (L3272); Algeria (L3299); Chile (L3427); Mali (C2217).

Rural Development Output Trends

Figure E1. Trend in Project Approvals (Number of Projects)

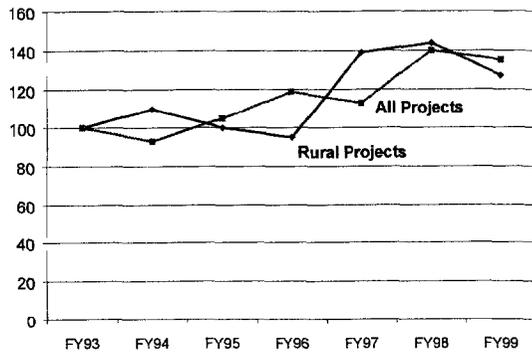


Figure E2. Trend in Lending Commitments (\$US millions)

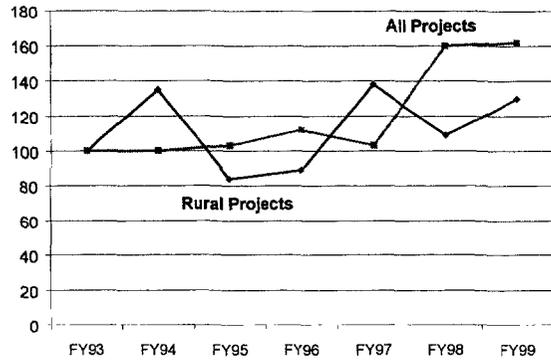


Figure E3. Trend in projects under supervision (Number of projects)

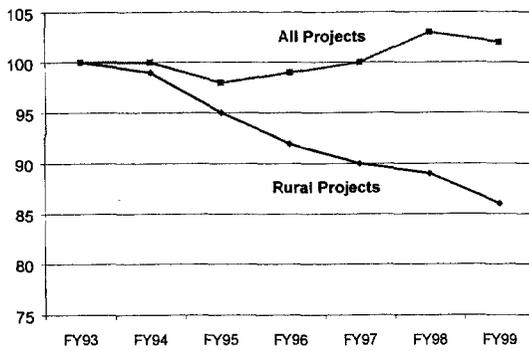


Figure E4. Trend in supervision intensity (Staff weeks per project per year)

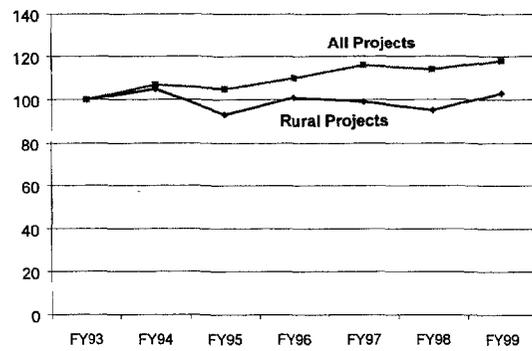


Figure E5. Trend in sector reports (Number of Reports)

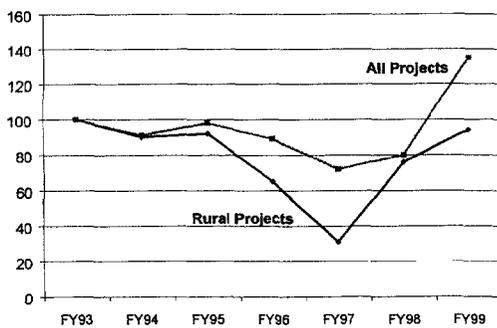


Figure E6. Number of Rural Sector Reports by Region

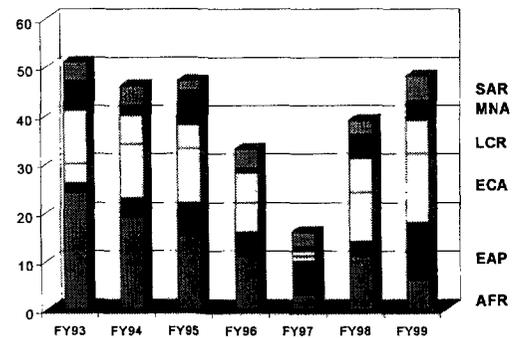


Table 1: Number of Lending Operations, Rural and All Sectors

	BFY93		BFY94		BFY95		BFY96		BFY97		BFY98		BFY99	
	Rural	All Sect.												
All	41	205	45	191	41	216	39	244	57	231	59	286	52	276
Africa	14	67	10	47	11	52	5	53	12	46	11	59	9	56
East Asia And Pacific	9	40	13	40	5	40	10	44	9	37	11	45	11	55
Europe And Central Asia	3	20	4	29	6	44	9	58	10	63	9	69	14	74
Latin America And Caribbean	3	38	7	43	8	49	9	53	18	50	13	68	9	51
Middle East And North Africa	4	19	7	15	6	13	1	16	4	16	6	20	5	22
South Asia	8	21	4	17	5	18	5	20	4	19	9	25	4	18
Cote d'Ivoire	-	2	2	3	1	3	1	4	1	1	-	5	1	2
Guinea	1	2	-	1	-	2	1	3	-	1	-	2	1	4
Madagascar	1	3	-	3	2	2	-	2	-	5	1	4	-	3
Mali	-	1	1	2	1	1	-	3	1	3	-	1	-	1
Mozambique	1	6	-	3	-	-	-	1	-	1	-	1	1	3
Senegal	-	1	-	-	-	3	-	2	-	3	1	4	1	2
Uganda	2	5	1	4	-	2	1	3	1	2	1	4	2	5
Tanzania	-	4	1	2	-	1	-	2	3	4	1	2	-	1
China	4	18	6	14	1	16	4	16	4	11	5	16	6	19
Indonesia	4	8	5	11	2	10	3	12	1	11	3	9	1	11
Philippines	1	4	-	3	-	1	1	3	2	4	1	4	1	5
Vietnam	-	-	1	3	1	2	1	5	1	3	1	5	1	4
Albania	1	3	-	5	3	6	2	5	-	-	-	6	1	5
Armenia	-	1	-	-	1	2	-	4	-	1	1	6	2	4
Georgia	-	-	-	-	-	2	-	4	1	3	-	5	1	7
Kyrgyz Republic	-	-	-	1	-	2	1	5	1	2	2	2	2	3
Latvia	-	-	-	-	-	3	-	1	-	2	-	1	1	4
Moldova	-	-	-	-	-	-	1	3	-	2	1	3	-	3
Ukraine	-	1	-	-	1	2	-	3	1	5	-	2	-	2
Brazil	-	5	-	7	1	4	1	4	7	12	5	15	1	8
Guatemala	-	1	-	-	-	1	-	-	-	2	1	3	2	5
Mexico	-	5	1	5	1	5	1	3	2	5	1	7	1	2
Peru	-	3	-	3	-	3	1	1	2	3	-	2	-	2
Egypt, Arab Republic of	1	3	1	1	1	1	-	2	-	1	1	4	3	6
Morocco	1	4	3	5	1	1	1	5	-	2	2	4	2	6
Bangladesh	-	1	-	2	-	2	2	3	1	3	1	4	1	6
India	5	12	3	7	4	9	2	9	2	10	4	11	2	7
Pakistan	2	4	-	4	1	5	1	5	1	2	1	4	-	2

Table 2: Lending Commitments, Rural and All Sectors

	BFY93		BFY94		BFY95		BFY96		BFY97		BFY98		BFY99	
	Rural	All Sect.												
All	2,942	17,902	3,964	17,862	2,459	18,445	2,613	20,075	4,047	18,385	3,219	28,594	3,825	28,982
Africa	277	2,250	169	1,570	322	1,845	254	2,632	242	1,596	234	2,874	203	2,057
East Asia And Pacific	1,324	4,954	1,873	5,882	571	5,471	866	5,330	1,460	4,866	1,066	9,623	1,238	9,765
Europe And Central Asia	197	2,216	508	2,863	172	2,384	186	3,977	810	4,840	149	5,224	270	5,286
Latin America And Caribbean	108	4,215	454	4,556	496	4,914	573	4,407	817	4,280	770	6,040	891	7,737
Middle East And North Africa	463	1,880	572	1,121	347	829	100	850	177	795	124	969	454	1,576
South Asia	573	2,387	388	1,870	551	3,003	635	2,879	542	2,009	876	3,864	769	2,562
Cote d'Ivoire	-	24	24	41	6	126	150	390	41	41	-	342	50	81
Guinea	21	71	-	25	-	66	35	54	-	25	-	75	22	55
Madagascar	4	33	-	83	46	46	-	86	-	173	17	115	-	131
Mali	-	12	20	85	6	16	-	101	4	101	-	22	-	40
Mozambique	20	123	-	227	-	-	-	99	-	100	-	38	30	176
Senegal	-	40	-	4	-	134	3	42	2	34	8	233	27	117
Uganda	41	224	14	182	-	82	18	42	12	137	30	172	38	165
Tanzania	-	341	25	195	-	13	-	116	68	196	22	45	-	40
China	952	3,172	1,325	3,070	210	3,000	500	2,970	1,130	2,815	900	2,616	656	2,097
Indonesia	321	868	444	1,490	143	1,345	73	992	140	915	44	703	300	2,741
Philippines	51	294	-	478	-	18	150	457	108	281	50	136	150	723
Vietnam	-	-	96	325	100	265	122	502	55	349	67	395	102	308
Albania	20	42	-	47	31	52	14	73	-	-	-	84	24	125
Armenia	-	12	-	-	43	57	-	92	-	32	15	135	35	121
Georgia	-	-	-	-	-	28	-	91	15	69	-	110	4	137
Kyrgyz Republic	-	-	-	18	-	32	12	99	16	60	50	65	25	62
Latvia	-	-	-	-	-	53	-	27	-	38	-	8	11	59
Moldova	-	-	-	-	-	-	10	55	-	26	5	126	-	66
Ukraine	-	27	-	-	32	146	-	343	300	990	-	216	-	600
Brazil	-	819	-	1,137	211	552	175	875	353	993	444	1,618	44	1,686
Guatemala	-	20	-	-	-	9	-	-	-	46	67	111	54	167
Mexico	-	1,154	200	1,530	85	1,387	187	527	55	960	47	1,767	444	950
Peru	-	442	-	284	-	446	90	90	136	286	-	173	-	338
Egypt, Arab Republic of	22	208	121	121	80	80	-	137	-	75	15	142	445	550
Morocco	215	549	246	412	58	58	100	290	-	108	30	200	9	440
Bangladesh	-	68	-	347	-	181	175	185	133	318	11	646	435	1,021
India	462	1,858	382	929	526	2,064	433	2,078	353	1,530	419	2,142	329	1,055
Pakistan	83	329	-	492	25	706	27	460	56	85	285	808	-	440

Table 3: Lending Completion Cost, Rural and All Sectors

Approved and dropped projects (\$'000)

	BFY93		BFY94		BFY95		BFY96		BFY97		BFY98		BFY99	
	Rural	All Sect.	Rural	All Sect.	Rural	All Sect.	Rural	All Sect.	Rural	All Sect.	Rural	All Sect.	Rural	All Sect.
All	16,736	79,490	21,436	88,927	24,071	103,005	22,800	111,447	24,769	106,136	30,828	127,954	22,513	106,646
Africa	4,953	20,674	3,955	19,331	11,568	32,270	6,246	30,865	6,308	27,833	5,529	30,179	5,512	24,405
East Asia And Pacific	4,798	19,125	7,416	20,768	2,238	17,178	3,799	16,625	3,311	14,716	6,609	21,522	3,365	20,548
Europe And Central Asia	761	6,344	2,082	13,224	2,204	20,988	5,695	27,403	3,902	24,618	5,106	30,056	4,850	28,509
Latin America And Caribbean	1,257	13,846	2,925	14,395	2,633	15,424	3,378	18,131	5,793	17,842	4,954	21,339	4,253	16,362
Middle East And North Africa	1,536	8,528	2,653	8,485	3,083	6,149	564	6,528	1,337	6,451	2,757	9,246	2,123	9,093
South Asia	3,431	10,973	2,406	12,725	2,345	10,995	3,118	11,895	4,117	14,677	5,873	15,612	2,411	7,730
Cote d'Ivoire	18	700	1,164	1,386	366	1,509	467	2,040	514	555	-	2,444	1,049	1,284
Guinea	509	913	-	580	-	1,197	947	1,332	94	688	-	351	379	1,132
Madagascar	350	1,610	-	727	778	1,074	302	1,911	102	3,309	503	1,359	-	788
Mali	-	382	355	587	272	283	-	609	280	729	-	793	-	866
Mozambique	311	1,159	-	493	-	-	-	645	-	345	-	819	1,279	2,355
Senegal	-	333	-	-	321	1,595	147	779	-	436	829	1,857	922	1,375
Uganda	505	1,630	354	1,889	168	652	419	1,069	26	1,205	110	678	446	1,359
Tanzania	-	1,092	183	1,859	323	594	-	1,087	614	1,455	422	1,506	-	1,195
China	2,134	9,535	3,417	7,437	819	7,986	1,509	5,760	1,291	3,407	2,219	7,650	1,676	6,086
Indonesia	1,525	3,636	2,477	6,072	766	3,787	927	4,569	169	3,389	2,203	5,128	544	4,166
Philippines	667	1,931	35	1,846	9	1,263	357	996	871	2,654	697	2,925	132	2,221
Vietnam	342	349	936	2,114	490	855	405	2,361	251	1,869	387	1,456	535	2,346
Albania	153	393	-	1,233	456	1,333	651	1,447	-	-	-	1,179	355	1,379
Armenia	-	126	-	-	323	365	-	669	-	335	487	1,379	132	879
Georgia	-	-	-	-	-	525	-	896	579	1,289	-	537	172	1,050
Kyrgyz Republic	-	-	-	971	-	958	522	1,660	666	1,042	1,026	1,070	495	850
Latvia	-	-	-	-	-	1,077	-	384	-	560	-	658	252	1,072
Moldova	-	-	-	-	-	-	476	1,874	-	392	968	1,802	1	799
Ukraine	-	296	-	-	326	490	-	2,090	551	1,825	-	2,123	-	2,071
Brazil	-	2,215	93	1,631	502	2,051	520	1,823	1,004	2,391	1,441	5,668	181	1,651
Guatemala	-	489	-	-	-	389	-	-	8	435	217	513	1,117	1,977
Mexico	96	2,670	614	2,543	195	1,536	216	732	1,043	3,613	490	2,226	484	1,477
Peru	-	662	-	876	-	1,438	234	234	569	889	-	863	567	1,773
Egypt, Arab Republic of	434	1,603	709	2,574	279	351	-	824	-	436	448	1,207	1,502	2,126
Morocco	565	2,011	776	1,541	691	800	537	1,825	-	928	1,374	2,659	620	2,438
Bangladesh	3	452	142	2,979	66	2,381	1,367	2,024	580	1,530	215	2,209	554	2,180
India	2,616	6,394	1,637	5,189	1,960	4,527	1,459	4,597	1,754	7,412	3,556	7,959	1,762	4,466
Pakistan	684	2,743	-	2,382	319	2,253	283	2,562	371	1,850	836	2,694	-	420

Table 4: Number of Projects under supervision, Rural and All Sectors

	FY93		FY94		FY95		FY96		FY97		FY98		FY99	
	Rural	All Sect.												
All	456	1,771	450	1,763	431	1,740	420	1,751	411	1,766	407	1,817	394	1,810
Africa	173	602	162	589	149	552	128	514	117	493	106	486	95	453
East Asia And Pacific	69	298	73	300	68	297	72	302	73	307	76	312	78	326
Europe And Central Asia	19	122	25	150	31	189	37	229	40	272	44	315	54	354
Latin America And Caribbean	70	324	72	327	74	341	79	357	83	362	82	375	79	371
Middle East And North Africa	41	168	43	153	42	141	40	140	37	135	39	134	36	134
South Asia	84	257	75	244	67	220	64	209	61	197	60	195	52	172
Cote d'Ivoire	4	16	6	17	5	16	5	15	5	14	5	19	4	16
Guinea	6	19	6	18	6	17	6	18	3	13	2	13	3	15
Madagascar	9	25	8	24	8	23	7	20	6	23	6	25	4	24
Mali	6	17	5	17	6	17	6	18	7	19	7	18	5	16
Mozambique	3	21	3	25	3	24	3	24	3	23	2	19	3	18
Senegal	4	17	4	14	5	17	5	19	5	20	4	18	4	18
Uganda	8	28	9	31	8	28	7	26	7	23	7	25	8	28
Tanzania	6	24	7	23	6	21	6	22	7	23	7	23	6	22
China	22	93	29	103	28	107	30	109	30	111	31	113	33	120
Indonesia	22	75	22	72	22	75	22	76	21	78	23	80	22	82
Philippines	8	36	7	34	6	29	7	30	8	28	9	29	9	29
Vietnam	-	-	1	3	2	6	3	11	4	14	5	18	8	21
Albania	2	5	2	10	5	17	6	21	6	20	6	26	7	28
Armenia	-	1	-	2	1	5	1	9	1	9	2	13	4	15
Georgia	-	-	-	-	-	3	-	7	1	9	1	13	2	19
Kyrgyz Republic	-	1	-	3	1	6	2	11	2	11	4	12	6	14
Latvia	-	1	1	2	2	5	2	5	1	8	1	9	1	11
Moldova	1	1	1	2	-	3	1	5	1	6	2	9	2	11
Ukraine	-	1	-	1	1	4	1	7	2	11	2	13	2	14
Brazil	28	62	25	63	27	65	27	67	26	62	24	64	23	66
Guatemala	1	7	1	6	1	6	1	6	1	7	2	9	4	14
Mexico	10	44	10	43	9	41	8	35	8	35	8	36	8	30
Peru	-	6	-	7	-	10	1	11	3	15	3	14	3	14
Egypt, Arab Republic of	7	24	8	22	6	15	6	17	5	16	6	18	9	22
Morocco	9	31	9	32	8	26	9	32	8	27	9	26	7	24
Bangladesh	12	34	10	33	9	28	10	28	10	29	9	28	7	26
India	38	112	34	103	31	92	30	89	28	87	29	88	29	81
Pakistan	17	51	15	49	13	47	13	48	12	42	11	41	8	31

Table 5: Supervision Cost, Rural and All Sectors
(\$'000)

	FY93		FY94		FY95		FY96		FY97		FY98		FY99	
	Rural	All Sect.												
All	20,845	77,957	22,431	86,228	20,309	83,029	20,776	85,417	20,811	92,066	20,886	97,088	21,245	97,773
Africa	8,408	28,993	8,802	30,401	7,391	27,192	6,926	27,801	6,119	28,134	5,803	28,578	5,556	24,980
East Asia And Pacific	3,150	10,703	3,488	11,928	3,468	11,670	3,581	12,606	3,770	13,972	3,804	15,494	3,718	15,948
Europe And Central Asia	839	6,143	1,257	9,551	1,816	12,429	1,877	13,218	2,614	17,794	2,558	19,183	2,874	20,175
Latin America And Caribbean	3,371	13,448	3,673	15,024	3,229	14,773	3,431	15,920	3,210	14,831	3,832	16,329	4,239	18,331
Middle East And North Africa	1,275	6,772	1,669	6,078	1,823	5,738	2,018	5,989	1,887	6,131	2,316	6,970	1,910	7,045
South Asia	3,801	11,898	3,542	13,245	2,583	11,227	2,943	9,882	3,211	11,204	2,573	10,535	2,948	11,294
Cote d'Ivoire	172	797	136	861	264	722	486	985	371	1,110	203	1,150	404	1,418
Guinea	428	1,226	450	1,068	266	911	308	769	284	857	319	746	517	1,044
Madagascar	467	1,328	633	1,465	758	1,714	345	1,059	304	979	226	1,306	247	1,295
Mali	339	998	212	783	306	946	274	712	251	664	239	819	167	771
Mozambique	101	992	186	1,188	191	1,419	111	1,155	135	1,296	140	1,048	123	50
Senegal	292	808	271	755	252	702	171	1,046	142	858	76	891	103	800
Uganda	255	1,132	430	1,388	356	1,591	473	1,911	453	1,815	412	1,796	493	1,731
Tanzania	306	1,489	383	1,282	381	1,366	356	1,515	355	1,764	352	2,031	583	1,687
China	1,183	3,786	1,447	4,097	1,385	4,010	1,488	4,606	1,472	4,637	1,584	5,198	1,543	5,504
Indonesia	989	3,329	1,206	3,570	1,092	3,293	1,098	3,205	1,146	4,139	1,115	3,975	985	3,971
Philippines	376	1,465	318	1,509	247	1,349	296	1,160	446	1,317	403	1,381	450	1,526
Vietnam	-	-	103	325	255	600	263	875	306	870	227	1,015	302	1,102
Albania	16	99	104	620	232	994	308	825	375	901	266	1,056	247	1,136
Armenia	-	60	-	173	72	263	159	597	88	575	118	740	150	799
Georgia	-	-	-	-	-	348	-	290	19	457	87	843	85	777
Kyrgyz Republic	-	11	-	194	1	610	173	600	64	738	196	869	331	863
Latvia	-	120	35	143	60	294	84	369	79	547	23	633	87	569
Moldova	-	-	23	161	-	180	3	104	78	246	108	616	129	503
Ukraine	-	13	-	243	17	304	78	305	172	1,094	116	787	85	851
Brazil	1,059	2,549	1,275	3,195	1,065	3,449	1,151	3,119	713	2,561	1,073	3,026	1,076	3,105
Guatemala	47	280	76	366	44	255	48	262	41	170	28	336	163	631
Mexico	793	2,150	435	1,673	353	1,571	295	1,886	379	1,384	410	1,433	477	1,603
Peru	-	263	-	629	-	716	33	580	86	610	153	647	164	614
Egypt, Arab Republic of	230	1,406	285	1,013	289	683	279	689	291	761	397	830	361	993
Morocco	235	1,092	418	1,375	481	1,203	640	1,583	545	1,317	641	1,575	312	1,208
Bangladesh	404	2,101	483	2,309	330	2,021	221	1,432	439	1,918	315	1,314	452	1,800
India	1,751	5,251	1,184	5,458	950	4,584	1,420	4,514	1,488	5,022	1,223	4,965	1,529	4,960
Pakistan	800	2,225	880	2,594	593	2,244	848	2,431	832	2,475	702	2,652	593	2,745

Table 6: Supervision Staffyears, Rural and All Sectors

	FY93		FY94		FY95		FY96		FY97		FY98		FY99	
	Rural	All Sect.												
All	167	557	172	594	146	574	155	606	149	647	141	653	148	674
Africa	68	213	69	216	54	185	55	200	45	194	40	179	38	171
East Asia And Pacific	21	69	22	73	23	80	24	86	24	91	24	97	25	106
Europe And Central Asia	6	40	8	61	12	81	13	90	18	121	17	136	21	143
Latin America And Caribbean	25	95	27	105	22	105	23	105	21	102	23	113	26	114
Middle East And North Africa	8	40	10	36	11	34	11	35	10	37	13	40	11	42
South Asia	39	100	36	103	25	89	28	90	30	103	25	87	27	97
Cote d'Ivoire	1	5	1	6	2	5	4	7	3	9	2	8	3	9
Guinea	3	8	3	7	2	7	2	5	2	6	2	5	3	6
Madagascar	3	8	4	9	5	11	2	6	2	6	1	7	1	7
Mali	3	7	3	6	3	7	3	6	2	5	2	6	1	6
Mozambique	1	6	1	7	1	9	1	7	1	8	1	6	1	5
Senegal	2	5	2	6	1	5	5	16	1	7	1	6	1	6
Uganda	2	7	3	9	3	10	3	13	2	10	2	9	3	10
Tanzania	3	11	3	8	3	9	3	10	2	10	2	11	3	10
China	7	23	8	24	9	28	10	34	10	33	9	32	10	36
Indonesia	8	25	9	25	8	25	8	23	8	27	8	27	8	30
Philippines	2	9	2	9	1	9	2	8	2	8	3	9	3	10
Vietnam	-	-	1	2	1	3	2	6	2	6	2	8	2	9
		557		594		574		606		647		653		674
Albania	0	1	1	4	2	9	2	7	3	8	2	8	2	10
Armenia	-	0	-	1	0	2	1	3	1	4	1	5	1	6
Georgia	-	-	-	-	-	2	-	1	0	2	1	6	1	5
Kyrgyz Republic	-	0	-	1	0	4	1	4	1	5	1	6	2	6
Latvia	-	1	0	1	0	2	0	2	1	3	0	4	1	4
Moldova	-	-	0	1	-	1	0	1	0	2	1	5	1	4
Ukraine	-	0	-	1	0	2	1	2	1	7	1	6	1	7
Brazil	9	20	10	24	8	25	8	22	5	16	7	17	7	19
Guatemala	0	2	1	2	0	2	0	2	0	1	0	2	1	4
Mexico	5	15	3	12	2	11	2	14	2	9	2	8	3	9
Peru	-	2	-	4	-	5	0	4	1	5	1	4	1	4
Egypt, Arab Republic of	1	8	2	7	1	4	2	4	2	5	2	5	2	7
Morocco	1	6	3	8	3	7	3	9	3	7	3	8	2	6
Bangladesh	5	19	4	17	3	18	4	16	6	21	5	15	6	19
India	22	48	17	48	12	37	14	44	14	44	11	37	13	41
Pakistan	6	17	7	19	5	18	7	20	7	24	5	21	5	22

Table 7: Number of ESW Reports, Rural and All Sectors*Scheduled and unscheduled*

	BFY93		BFY94		BFY95		BFY96		BFY97		BFY98		BFY99	
	Rural	All Sect.												
All	51	365	46	331	47	359	33	326	16	264	39	291	48	491
Africa	24	134	19	109	15	141	11	116	3	74	11	93	6	83
East Asia And Pacific	2	36	4	36	7	42	5	44	7	49	3	45	12	110
Europe And Central Asia	4	71	11	77	11	55	6	60	1	36	10	57	14	126
Latin America And Caribbean	11	72	6	55	5	67	6	59	1	51	7	49	7	86
Middle East And North Africa	6	24	2	28	7	32	1	22	1	17	5	18	4	37
South Asia	4	28	4	26	2	22	4	25	3	37	3	29	5	49
Cote d'Ivoire	-	2	-	2	1	4	-	3	-	2	1	2	1	4
Guinea	-	4	-	2	1	2	-	3	-	1	-	1	1	3
Madagascar	1	3	1	1	-	5	-	2	1	2	1	5	-	1
Mali	1	6	-	1	-	4	-	-	-	2	1	2	1	2
Mozambique	1	4	-	3	-	6	1	2	1	3	-	-	-	2
Senegal	-	5	1	3	-	3	-	2	-	2	-	1	-	3
Uganda	1	5	1	5	-	4	-	4	-	4	1	8	-	4
Tanzania	1	2	1	4	-	2	-	4	-	2	-	3	1	4
China	1	14	1	12	-	10	-	13	2	14	1	7	2	11
Indonesia	1	4	1	9	2	5	1	11	3	19	1	12	2	26
Philippines	-	5	-	2	1	4	1	7	-	5	-	4	2	11
Vietnam	-	2	1	2	-	4	-	3	-	1	1	6	1	12
Albania	-	3	-	2	-	1	-	-	-	1	-	-	-	8
Armenia	-	3	1	2	1	1	-	3	-	3	-	4	1	5
Georgia	-	1	-	1	-	3	1	3	-	3	-	5	-	4
Kyrgyz Republic	-	2	1	3	1	5	-	2	-	2	-	1	1	5
Latvia	-	4	1	4	-	3	-	4	-	1	-	-	-	2
Moldova	-	-	1	4	2	4	-	3	-	1	1	2	-	2
Ukraine	-	5	1	3	2	7	-	4	-	2	-	1	2	7
Brazil	1	6	-	4	-	9	-	6	-	10	-	5	1	10
Guatemala	-	-	-	2	-	1	1	2	-	-	-	-	-	1
Mexico	2	6	1	5	1	3	1	7	-	6	-	9	2	12
Peru	-	5	-	3	-	7	-	3	-	1	1	1	1	11
Egypt, Arab Republic of	1	4	-	2	2	6	-	2	-	1	1	1	-	2
Morocco	1	2	-	7	3	7	-	4	-	1	-	3	-	6
Bangladesh	-	3	2	4	1	4	2	9	1	10	1	8	-	10
India	1	8	-	5	-	5	2	2	1	10	2	13	3	21
Pakistan	1	7	2	6	-	6	-	7	-	8	-	4	-	6

Table 8: ESW Reports - Completion Cost, Rural and All Sectors*Completed reports (\$'000) - excluding dropped*

	BFY93		BFY94		BFY95		BFY96		BFY97		BFY98		BFY99	
	Rural	All Sect.												
All	6,782	52,089	8,295	55,187	6,294	51,096	3,235	41,623	4,989	37,022	4,803	30,513	5,602	45,970
Africa	3,659	17,663	2,774	13,608	1,671	15,945	452	15,027	359	9,861	1,347	10,067	802	7,039
East Asia And Pacific	500	7,323	544	7,766	660	6,841	876	7,447	1,218	6,069	339	4,280	1,240	9,856
Europe And Central Asia	433	10,698	2,629	13,255	1,852	8,814	900	7,762	253	3,890	978	5,906	1,178	12,097
Latin America And Caribbean	1,004	8,222	1,091	9,497	365	8,206	322	5,961	330	5,140	507	3,504	1,010	7,223
Middle East And North Africa	841	4,311	379	5,479	1,029	5,960	151	2,941	1,161	3,493	109	1,689	204	4,744
South Asia	346	3,873	880	5,584	718	5,331	533	2,484	1,688	8,569	1,524	5,067	1,168	5,011
Cote d'Ivoire	-	489	-	501	306	877	-	647	-	45	-	69	50	325
Guinea	-	272	-	65	289	305	-	509	-	12	-	56	83	146
Madagascar	202	389	270	270	-	608	-	421	82	182	321	675	-	110
Mali	42	248	-	73	-	301	-	-	-	28	97	266	20	76
Mozambique	22	334	-	174	-	552	8	22	124	314	-	-	-	281
Senegal	-	345	56	169	-	115	-	21	-	70	-	92	-	197
Uganda	155	399	2	323	-	432	-	227	-	145	172	667	-	455
Tanzania	213	393	421	730	-	294	-	952	-	243	-	136	39	325
China	290	2,315	252	2,373	-	1,411	-	2,161	675	1,963	50	445	436	1,801
Indonesia	209	1,260	28	2,746	331	1,136	25	1,552	214	1,813	91	1,148	154	1,565
Philippines	-	1,732	-	414	34	222	205	1,846	-	408	-	459	168	776
Vietnam	-	440	144	436	-	862	446	759	-	649	198	739	113	999
Albania	-	244	-	409	-	179	-	-	-	220	75	75	-	569
Armenia	-	441	315	444	91	91	-	264	-	179	-	130	-	341
Georgia	-	247	-	18	-	325	231	337	-	213	-	522	-	307
Kyrgyz Republic	-	285	23	377	244	973	-	55	-	78	140	169	0	463
Latvia	-	709	314	555	-	183	-	148	-	96	-	-	-	122
Moldova	-	-	143	664	257	428	-	223	-	72	9	27	-	156
Ukraine	-	1,041	403	752	208	815	-	414	163	279	-	136	32	890
Brazil	217	1,228	-	773	-	1,724	-	817	-	764	-	405	-	1,108
Guatemala	-	-	-	391	-	30	29	224	-	157	-	-	-	30
Mexico	148	375	282	1,566	256	938	61	633	-	839	-	746	427	1,747
Peru	-	753	-	628	-	647	-	199	-	58	98	98	17	987
Egypt, Arab Republic of	276	1,096	-	175	151	936	97	365	-	264	52	110	20	456
Morocco	290	445	-	1,484	603	1,380	-	454	763	1,089	-	363	-	1,088
Bangladesh	-	517	276	951	393	1,224	259	802	16	1,591	159	351	83	1,305
India	221	1,370	-	1,542	-	1,988	216	216	1,124	4,338	1,365	4,154	750	2,162
Pakistan	30	874	604	776	-	629	57	955	164	1,222	-	89	-	501

Country Summaries

The following summaries examine background issues in each country, the **relevance** to each country of *From Vision to Action* (henceforth, V to A), and the **efficacy** of Bank support to the rural sector.

LATVIA

Background

As a transitional, rather than a developing, nation, and as an associated country of the European Union, Latvia's circumstances and prospects are different from those of the other four countries. Some of the principal contextual issues are as follows:

Latvia has achieved a high degree of macro-economic stability after the break-up of the USSR, and has adopted a largely market-based economic system, with liberalized prices and well-advanced privatization programs. Economic growth resumed modestly in 1996 after a period of decline, during which agricultural production had halved and real incomes fell.

Two-thirds of the population is urban-based, and most of the poor live in urban areas. But the frequency and depth of poverty are worst in rural areas, especially to the east of the country. Few non-farm rural income opportunities exist, and social problems are common, undermining rural entrepreneurship. Rural to urban migration is widespread, especially among the young and better educated; with no increase in the total population, numbers in rural areas are falling.

As a consequence of economic, administrative and land reforms, the country has moved during the 1990s from having an agrarian structure based around 600 state and collective farms, to one in which there are around 100,000 privately-owned production units (out of a total of 450,000 plots), of which around 10% are primarily commercial. A land market has developed for sales and rental of land. Farm inputs are provided by the private sector, and advisory services by the Latvian Agricultural Advisory and Training Center, a largely state-owned enterprise which is mandated to secure increased levels of cost-recovery. A growing private financial sector has begun to provide rural financial services.

Local government is based on 26 districts and over 550 municipal entities, most of which have fewer than 3,000 inhabitants and little prospect of securing sufficient resources to become viable service-providers. The restructuring of sub-national government is a priority.

Latvia receives large concessional flows from the EU and its member states and from multilateral agencies including the Bank group and the EBRD. For the seven-year period 2000 to 2006 (or the date of accession to the Union), the country will receive from the EU an annual average of Euro 21.85 million under the Support for Pre-Accession Measures for Agriculture and Rural Development (SAPARD), and from Euro 36.4

million to 57.2 million under the Instrument for Structural Policies for Pre-Accession (ISPA) for infrastructure.

Relevance of the Strategy

Does V to A's analysis of poverty and underdevelopment apply in Latvia? V to A identified the following four major challenges: poverty and hunger must be reduced; economic growth must be fostered; food needs are rapidly rising; and degradation of natural resources must be reversed. These are of varying immediate relevance to Latvia. The **first**, the reduction of poverty, has become a major challenge since the break-up of the USSR. Latvia's poverty assessment, undertaken by local researchers with support from the Bank and UNDP, reveals the extent of poverty, notably rural poverty, and has focused policy-makers on the issue.⁴⁸ Many services, including those for credit and advice, do not reach the poorest groups in rural areas, and V to A's emphasis on this (and that of the Bank-supported Agricultural Development Project) is fully relevant to the Latvian case. There is a need, as V to A stresses, to orient assets and services so that they are more accessible to low-income people. In relation to the **second**, the anti-poverty approach adopted by government and the Bank (see CAS, p.13) aims to assist the economic transition to resume broad-based economic growth. To this end, a combination of stabilization and a fundamental restructuring of the economy and of the role of government has been pursued, with some measure of success. In rural areas, growth is fostered by agrarian reform, privatization of services, and programs that stimulate non-farm growth. It is, however, clear that much of the rural population is not participating in the partial economic recovery. This results from geography (some, especially eastern, areas are not benefiting from the agricultural recovery), the weakness of community organizations and networks, and infrastructural shortcomings. The impact of age is ambiguous: some interviewees consider that poverty is positively correlated with age; the Latvia poverty assessment, however, found no such link (*op.cit.*). Social safety nets will be required: for some recipients on a transitional basis only; but for others, there is little prospect of being able to participate in even a successful economy.

Third, V to A's focus on meeting fast-rising food needs is less relevant in Latvia as population is static or declining, and the main challenge is to raise and stabilize incomes rather than production. However, local production is important to low-income rural groups: poverty profiles show that the rural poor rely on their own holdings or other non-purchased sources for their food. **Fourth**, while there are localized problems of natural resource management and pollution relating to industry, agriculture or the military, these are not thought to threaten sustainable rural development. The fact that significant amounts of farmland are reverting, or being converted, to forest suggests that Latvia is not operating at the margin of its resources. Further, V to A's focus on community

48. "Who and where are the poor in Latvia?" (UNDP 1998, website: www.undp.riga.lv/undp/program/poverty) notes that both the frequency and depth of poverty are worse in rural than in urban areas. Based on the central of three poverty levels, 47% of rural dwellers (37.5% of urban) live in poverty; and the poverty gap in rural areas, which measures depth, is 13.8% in rural areas (9.8% urban). After assessing factors contributing to poverty, the study concludes "What really makes a difference is whether someone is living in an urban or a rural area."

management is seen as less relevant in Latvia; the main issues appear to center on forest resources.

Degree of consistency between V to A and government's own strategy. In many respects, the broad approach to rural development is shared between GoL (National Rural Development Program and the associated Implementation Manual) and the World Bank (V to A). But there are also significant differences. Consistency is considered according to V to A's five principles: (i) the need for a supportive policy and institutional framework for rural development; (ii) mobilization of the private sector; (iii) developing new roles for the state; (iv) promoting community level ownership and participation; and (v) decentralization.

The need for a supportive policy and institutional framework for rural development. While a recovery in agriculture is a necessary element of successful rural development in Latvia, GoL and the Bank accept that the approach needs to extend beyond agriculture. A principal focus must be on adequate levels and stability of income rather than on production *per se*. This would enable households to recover from the shocks to which they have been subject in recent years. Income diversification, in large part based on promoting entrepreneurship and new non-farm enterprises, is central to a sustainable reduction in poverty. Cross-sectoral perspectives covering health, education, training and infrastructure need to be integrated within a holistic understanding of what is needed to develop rural areas.

Latvian interlocutors and documentation emphasize that the rural development strategy needs to be embedded in a wider strategy for national development and for regional policy. This wider perspective is needed to illuminate those aspects of rural strategy development in Latvia which are perceived to be incomplete. In particular, clarification is required of the degree of emphasis which should be afforded to investments in depressed rural areas (in which many of the poorest live) rather than those in apparently higher-potential, higher-return areas. Linked to this, there is widespread ambivalence on rural-to-urban migration, which is seen by some as a threat to rural areas, and by others as the most practicable way out of rural poverty. V to A gives little guidance on these questions.

As is evident from economic policy, GoL shares V to A's understanding of the importance of macro-economic stability, even if it entails short-term costs in terms of growth. However, particular groups in Latvia understandably find the effects of the necessary monetary and fiscal policies difficult to accept, and there cannot be said to be consensus around individual measures.

Resolving output market problems is seen as critical to agriculture's future, the principal challenges being to improve quality and secure access to regional markets. The latter is thought by many in Latvia to be hindered by distortions to world trade, including those resulting from the CAP. While there is agreement between GoL and the Bank on the need to reduce trade distortions, some in Latvia feel the issue is of such importance for Latvia's agriculture to warrant a higher priority in development strategy. This is a complex issue that requires careful scrutiny. The mission was unable to obtain quantitative assessments of the impact of these distortions. Further, Latvia's probable

accession to the EU, and participation in the CAP, mean that any damage which trade distortions do to the country's agriculture will be transitional in nature, until the time of accession (currently estimated to take place in around seven years' time).

Mobilization of the private sector: There is agreement on the need for the private sector to take the lead role in production and in service-provision. However, the state has a critical role in resolving transitional problems of a weak private sector and, over the long term, in providing public goods and addressing equity issues. As will be suggested below, for the Latvian context V to A arguably does not give sufficient recognition to these transitional questions.

A debate is under way in Latvia about the future structure of ownership and production in the agriculture sector. Some take the view that there is a trade-off between (a) the creation of a sector that is able to thrive in the future context of the CAP, and (b) the smallholder farming patterns that have resulted from land reform. V to A explicitly favors a smallholder farming system as a means of promoting broad-based growth. While there is no simple answer, in practice this will be resolved over time by the GoL's promotion of a land market for rental and sales (which is currently leading to some consolidation of smaller units), in conjunction with the active land reform program which has created broad-based ownership.

Promoting community level ownership and participation: There is agreement on an active role for civil society, in particular trade associations, in promoting participation and in service provision. At present NGOs – some in the form of associations of farmers and other entrepreneurs – may be characterized as weak but growing. Unfortunately in Latvia the rural poor are relatively uninvolved in these, in good part because of a historical legacy which militates against cooperative formation. The CAS (para.48) provides an appropriate emphasis on partnerships with diverse organizations, including local NGOs.

Decentralization: There is agreement also on the importance for rural development of viable, decentralized government, with adequate human and financial resources.⁴⁹ Unlike other countries in this review, Latvia is arguably over-decentralized, as noted above. However, V to A and government share a view of the desirable end-point of viable sub-national government, and the emphasis both in the CAS and the Bank's lending program on this issue is entirely warranted.

V to A does not, though, focus on the process of transition to such end points, and the need to adapt its approaches in light of issues such as institutional weaknesses in the public, private or civil society arenas. This feature reduces V to A's immediate practical relevance. Nonetheless, the Bank has acted pragmatically in Latvia: where interlocutors highlighted the need for state intervention during the process of transition while institutions are still incompletely formed (e.g. in rural finance, or in developing markets),

49. Issues and options are explored in a draft paper "Latvia: strengthening Fiscal Decentralisation and Balanced Development: Current Situation and Policy Options for Reform," September 1999.

the Bank has implicitly accepted these arguments. This is shown by its support for a state-owned Agricultural Finance Company.

While the majority of these issues do not suggest a fundamental variance between government's approach and the Bank strategy, V to A probably fails to highlight some questions in the way that specifically Latvian conditions call for. This suggests that the value of V to A to stakeholders in Latvia may be to contribute to a coherent framework of thinking on rural development, but that it is no substitute for detailed locally-conducted analysis, and local priority-setting. Therefore V to A, while useful as a guide, needs careful and selective local adaptation to Latvia's conditions.

Efficacy of the strategy

What would constitute effectiveness for the Bank's strategy in the case of Latvia? Latvia presents an unusual case among the countries under review in that it has a high level of human resources at rural strategy and policy-making levels, and yet at a time of historic change, it has presented the Bank with a wide canvas on which to contribute to the design of broad national approaches. The Bank has used this opportunity well, supporting macro-economic reforms and crucial sectoral changes (notably land reform, privatization, and establishing rural financial services). In doing this, it seems to have retained the confidence of key players in Latvian society.

Two limitations on the scope for Bank influence may be noted. First, there are rural policy areas, related to Latvia's application to join the EU, which would not be those recommended by the Bank. These depend on ultimate post-accession outcomes, notably related to an active state role in price setting, marketing and trade distortions, determined by the CAP. Second, government's concerns about future indebtedness will reduce its future willingness to borrow on IBRD terms for rural development. This may, especially in view of the large forthcoming financial flows for rural areas on grant terms under the main EU programs (SAPARD and ISPA,) influence the scope for Bank non-lending services in support of rural development..

The dialogue between the government and the Bank on rural development. The Bank's analytical work and the consistency of its contributions to policy development and dialog, were highly rated.⁵⁰ Initially, the policy dialog between the Bank and the government on the ADP concentrated on sound economics and on the risks of agricultural subsidies in general and subsidized interest rates in particular. The Ministry of Agriculture continuously challenged the Bank's insistence on sound economics since the Ministry perceived its role as including social responsibilities (such as schools, rural roads, etc.) and since subsidized credit had been an important tool to transfer funds to rural societies during the Soviet period. Subsequently, the policy dialog focused more on the need for a comprehensive rural development strategy. The Bank was instrumental in convincing the

50. Surprisingly, the scores allocated in Questionnaire B to the Bank's analytical work were only moderate, apparently at variance with the tenor and content of discussions with the mission. There may have been a problem of presentation or translation that explains this. After carefully considering this apparent paradox, the study team accepts that in fact the Bank's analytical work has been of high quality and is well regarded.

government that rural policy was not the realm of the Ministry of Agriculture only, but also required collaboration with and commitment from the Ministries of Economics, Environment, and others. The Bank was also instrumental in getting the Government to establish a working group on rural development that included central government ministries and local governments and NGOs. Despite this support, the GoL has not chosen to produce a coherent rural strategy. The National Rural Development Program has important elements at the level of the wider approach which are consistent with V to A, but it is also clearly at the operational level a compilation of programs of different departments of government, not a strategy.

A rural development implementation manual has been prepared, under the aegis of the Ministry of Agriculture and the Latvian Agricultural Advisory and Training Center, with the assistance of an EU-funded project.⁵¹ Extensive use is made of V to A in this manual, in particular in arguing the case for a broad approach to rural development. This document is part of the process of aligning Latvia's rural development policy with that of the EU. A CD-ROM accompanying the document also includes the full text of V to A. The extent to which this manual has been internalized by all players is not, however, clear. The dialog between the Bank and GoL on agriculture and rural development has in recent years primarily been around the design and implementation of the two Bank-funded projects, ADP and RDP.

Implementation. The Bank's record in Latvian rural development is largely built on the performance of the ADP, and the design of the successor RDP that is under implementation. The projects are seen as relevant and well implemented. They have been based on the premise that land reform is essential to revitalized rural development, while effective and inclusive rural financial services are a critical element in achieving sustainable and broad-based development. The ADP began early in Latvia's transition, it was innovative, assisted in revitalizing rural financial services, and had a demonstration effect on other financial institutions. It also had strong linkages with the wider land reform program. The ADP's successor, the RDP, which became effective in December 1998, continues with the main features of the ADP, but takes a broader approach (its financial services being available for a wide range of rural services rather than just agriculture), and provides for a wider range of mainstream financial institutions to on-lend its funds. Only two banks (one in the public sector and one private) have, however, taken up the facility.

An important question is whether more should have been done to focus projects on lower-income groups. As far as land reform is concerned, the national program, which the Bank has assisted, arguably had a principal focus on equity rather than poverty-reduction. There appears to be widespread agreement that this was the right focus for the program whose rapid implementation has been a major achievement, and which has transferred some 450,000 holdings. In respect of financial services, the ADP and RDP have enabled loans to be provided for rural borrowers, in smaller amounts, and for lower-income borrowers than would have occurred through the private sector alone. It remains true, however, that the majority of borrowers under both projects have been from among

51. Support to the Diversification of the Rural Economy.

the 10,000 farmers classified as commercial, rather than among the much larger number of land reform beneficiaries who are not engaged in market-oriented production, or among the landless. The services have not been for the poorest, and there is little doubt that many of this group have an unmet need for services. However, both the uptake and viability of financial services under the ADP and RDP, and the contribution they have made to revitalizing the financial system, would have been reduced by a stronger focus on small-scale borrowers. Seen in the wider context of Latvia's needs during the 1990s, the thrust of the projects was justifiable. However, it is important that an explicit rural anti-poverty strategy be developed, and continued efforts made to design services for those still largely excluded.

There are two particular innovative features of the ADP and RDP. First, the Bank initially channelled funds through a newly established company in the public sector, which later merged with the Mortgage and Land Bank, a public sector bank. Establishing a public sector company was justified at the time by the lack of interest among commercial private banks in rural and agricultural lending, and its validity was borne out by events. Second, there are subsidy elements in the terms of the loans provided to farmers and rural entrepreneurs, with one-third of the principal payable as a grant if repayment is completed on time. However, in the mission's view these are small amounts, payable only once to first-time borrowers, and do not amount to a significant distortion of the market.

A key question for the World Bank, given the difficulties it has encountered with its rural finance portfolio internationally, is whether the factors leading to ADP success in Latvia are replicable in other countries. The mission did not make a systematic study of this, but it is clear that some of the success must be explained by the roles played by particular individuals, motivated in part to demonstrate that Latvia could make good use of its newly-won independence.

Donor coordination. The record on donor coordination is mixed. Government takes the lead through a national aid coordinator, the Minister for Special Tasks, whose office takes responsibility *inter alia* for information exchange. The Bank and other external players in rural development during the period of the ADP worked together well, strengthening land reforms and financial market development. Bank support to AFC was linked to EU/bilateral assistance to Latvian Agricultural Advisory and Training Centre. A joint Bank/EU project management unit played a key role in this.

Under the RDP, however, this arrangement has ceased, and Bank and EU assistance is managed through different ministries (Finance and Agriculture respectively). GoL now seems to find it difficult to ensure compatibility of approaches. This is unfortunate since (see below) the different terms of external programs could be counter-productive. An MOU was signed in 1998 by the Bank, EU, EIB and EBRD on modes of cooperation, but appears not to be effectively implemented. In respect of rural and agricultural matters, there is a case for a new initiative by GoL/EU/Bank to clarify matters of mutual interest. Bilateral agency representatives also expressed the view to the study team that the exchange of information on activities of different agencies in the rural and agricultural spheres is imperfect.

Comparative advantage of the Bank. The Bank is perceived to have operated capably and consistently at the level of macro-economic stabilization (in support of the IMF) and adjustment, and at sectoral level, in its ESW, engaging in dialog with government, and in designing and supporting implementation of the ADP and RDP, including their land reform and rural finance elements. The Bank is perceived to have the advantages of knowledge of international best practice, and to have provided quality and continuity of staffing in key positions. But the absence of grant facilities may restrict GoL's willingness to take Bank funds in future; the cost of on-lent Bank funds is not expected to be competitive with funds under EU-SAPARD which will be available on grant terms for a range of purposes, including on-farm improvements. Financial sector sources in Latvia suggest that there is some doubt that the rate of uptake of funds under RDP will equal that under its predecessor, the ADP. SAPARD funds will be disbursed through MoA and Regional Agricultural Offices, rather than the banking system. The impact of the program on the development of rural financial services is not yet known, but is unlikely to be favorable. The absence of a grant facility also raises questions over the extent to which Bank funds provided under the RDP for policy development will in practice be used.

Dissemination. V to A is relatively widely known among policy advisers and rural policy decision-makers in Riga, as compared with officials in other countries reviewed. Copies have been distributed through the Bank office and TA unit, and, as noted above, it is available through the rural development implementation manual. However, its accessibility is reduced by the language barrier, and there is a case for translating key elements of the document into Latvian, for instance for parliamentarians. Latvian participants in the mission's consultations expressed the view that government's strategies and policies would also benefit from wider dissemination and discussion.

Sustainability. Good progress has been made in institutional self-reliance. Technical assistance (Bank and EU-funded) was indispensable to the AFC, providing strategic guidance, assistance with operations and procedures, backed up through linkages with western banks. TA, while still significant, is less crucial to the successor Mortgage and Land Bank, as institutional development has occurred in the finance system, primarily as a result of the team-building under ADP.

While the mission did not enquire in detail into the financial viability of the two on-lending institutions under the RDP, they appear to provide a starting point for continued rural services. An increasingly competitive financial sector should help to assure sustainability. Administered grant funds under the SAPARD program might, however, affect the viability of some aspects of rural financial services.

A major weakness in the institutional framework for rural development lies, as discussed above, in the problems surrounding fragmented sub-national government. A Bank program is addressing this question.

MOROCCO

Relevance of the strategy

The relevance of V to A to Moroccan conditions may be assessed in two dimensions: first, the extent to which V to A's analysis of poverty and underdevelopment applies in the case of Morocco; and, second, the degree of consistency between V to A and the government of Morocco's (GoM) own strategy.

Overall, important elements of V to A are relevant to conditions in Morocco, as measured by both these indicators. First, in important respects, but not in all, the Bank's analysis is relevant in the case of Morocco. Poverty is indeed substantially rural in Morocco and resource degradation is serious, with a range of common-property related issues arising. More complex is the question of urban-bias in policy. GoM is sensitive to food issues, even if not all its policy responses (in terms of protection for wheat producers, for instance) are appropriate. There is also an important unfinished agenda in Morocco concerning the role of the public sector. Although change is taking place, it appears to have occurred in response to administrative fiat rather than as a reaction to demand-led concerns of clients.

Second, in relation to the degree of consistency between V to A and government's emerging strategy, we would argue it is in many respects high. The period since 1996/97 has been one of intensive debate around a strategy for rural development. A new government invited the Bank to participate in joint analysis leading to a rural strategy. The Bank's analytical contribution – in the form of a draft rural development strategy – has not been accepted uncritically and it has been clear throughout that the Moroccan authorities retained the initiative in determining the output of this process. The Bank's report was used by government as background for two sets of documents: a two-volume contribution to the preparation of the 1999-2003 five-year plan, the first setting out a broad approach to rural development, the second focusing on the agriculture sector (which has been approved by cabinet); and a longer-term strategic vision to 2020 intended to provide a framework for successive five-year plans—this has now been printed and made available to the public.

The government's analysis of the lessons to be drawn from its past approaches suggests a convergence with the Bank's experiences as set out in V to A, specifically: awareness of a lack of an overall vision and need for a coherent policy for rural development; partial integration of programs and activities with a predominance of sectoral approaches, accompanied by a fragmentation of investments, reducing their effectiveness; inadequate institutional mechanisms for concentration and coordination among different stakeholders in rural development; approaches to design and management which are often centralized and unresponsive to local need; and a weak incentive framework for encouraging and making secure private (economically efficient) investment in rural areas (GoM, Volume 1, p.12)

This common awareness of underlying problems has led to important areas of consistency between GoM's strategy and V to A. Thus, the government's approach emphasizes:

- A combination of a broad vision of rural development directed toward human development (to include health, education and other elements essential to well-being) with an emphasis on the need for a dynamic agriculture. The link between the two is forcefully argued in an introduction shared by both volumes of the contribution to the Plan;
- A strategic convergence of policies, resource mobilization and institutional and participative mechanisms (Volume 1, p.13);
- Partnership and contractual mechanisms linking public and private sectors (*ibid.* p.13);
- 'A new conception of the role of the state', especially in respect of decentralization (*ibid.* p.14);
- The 'fundamental principle' of '*responsabilisation*' of stakeholders, notably in the context of representative arrangements and new systems for associations (*ibid.* p.14);
- Integrating sectoral approaches, based on participative local processes and decentralized authority.

These are very close to V to A's five principles: the need for a supportive policy and institutional framework for rural development; mobilization of the private sector; developing new roles for the state; promoting community level ownership and participation; and decentralization.

Moving beyond the formulation of strategy, areas where there is not full convergence between the Bank's approach and that of government include: the need to phase out producer protection of "strategic commodities" (wheat, sugar and oil) driven by food self-sufficiency objectives; prioritizing public spending (in terms, for instance, of addressing problems of market failure, and of cost-effectiveness in targeting the poor); and the lack of emphasis in government's documents on promoting a diversity of service providers as a means to greater efficiency in public expenditure, especially in isolated areas. Although the scope for contracts between government and the private sector is discussed in GoM documents and a few examples exist, arguably the approach is not yet substantially developed.

Some Moroccan analysts are stressing the need to embed the rural strategy in a total national approach. This point was made in the context of whether there is a risk of a rural development strategy keeping people in ecological zones and in activities that in the end do not provide sustainable livelihood opportunities. Some argue the case for preparing at least some rural inhabitants for urban life, and encouraging a process of migration from marginal areas (including to small and medium towns) to reduce demographic pressure. The question was raised of whether the fact that the Bank has a rural strategy which is based largely on agricultural growth, may exclude this kind of analysis, and may not fully recognize the limits of agriculture's contribution to growth and livelihoods in certain agro-ecological zones. We do not pretend to be able to contribute to this highly complex debate; but it does underline the importance of the Bank being seen to be fully open to local realities.

In conclusion, this development of (largely) shared visions on paper arguably demonstrates the high degree of relevance of V to A to conditions in Morocco. It is, however, also necessary to demonstrate that the vision can be put into practice and that it holds out the prospect of effectively reducing rural poverty.

The efficacy of the strategy

What would constitute effectiveness for the Bank's strategy in the case of Morocco? In understanding the efficacy of the Bank's engagement with rural strategy in Morocco, a sense of proportion is required; several points suggest that one should not exaggerate the Bank's ability to affect outcomes directly. First, there is significant analytical capacity in Morocco around rural and agricultural policy, and the senior levels of administration are capable and powerful. The Bank is thus operating in a healthy, if occasionally difficult, relationship in which government retains the initiative in determining the content of its policy and the means of implementation. Second, in recent years Morocco's economy has been stable by comparison with the 1980s. This, taken together with Morocco's geo-political significance to the European Union, implies that the Bank's leverage in policy dialog is limited since the country is not dependent on Bank funding. Third, the government in most cases does not wish to borrow on IBRD terms, for programs with high social content, where funds on concessional loan terms are available from other sources. The extent to which the Bank is likely to be called on to finance rural development projects is therefore likely to be modest. [The Region notes that an adaptable program loan for an integrated rural development project based on small and medium irrigation is under preparation].

Pre-conditions for an effective rural strategy: Morocco has made considerable progress over the past 10-15 years in creating pre-conditions for effective rural development – notably, in macro-economic stabilization and political opening. However, some in Morocco consider that there is still a long way to go. First, the existence of monopolies in input and output channels leads to concern about the effects of liberalization, and call for vigorous action by the state to address market imperfections. Second, the political economy of agriculture is characterized by inter-linkages between parts of the formal private sector and government. Third, for reasons that are political and administrative, government continues to be relatively centralized. And lastly, some traditional values that persist in some rural areas at least mean that even robust efforts to bring women into the mainstream of rural development may be frustrated.

These are significant factors that suggest that a pragmatic view must be taken of the challenge involved, and time-scale needed, in adopting and implementing a strategy that will effectively address rural poverty. They need to be taken into account in the design and implementation of rural development, and in particular in guiding the dialog between the Bank and the government. The Bank's involvement needs to be guided by identifying, among the strategic levers which will determine the outcomes of rural development, those where it is able to play a constructive role.

The dialogue between the government and the Bank on rural development: Despite the limitations on its role, the Bank has engaged in an effective dialog with government –

effective in the sense that the Bank has made a measurable contribution to the development by GoM of a rural strategy which is coherent and has some prospect of reducing poverty. A contributory factor to the dialog was the atmosphere of greater political openness during the later 1990s than in earlier years. The new government was seeking new directions,⁵² and as the Bank is seen as the most capable of the international development agencies in respect of policy and institutional reform, there has been a serious engagement between government and the Bank. This has been most evident at the technical level, but also among some political decision-makers.

In conducting the dialog, the Bank's need for its own guiding strategy must be reconciled with the principle of government as the senior partner in developing country strategy. For the global V to A strategy to be relevant in Morocco, it must be seen as but one input in an internal process of strategy formulation that takes account of local realities. Broadly, our view is that this approach has dominated during the dialog between government and the Bank over the past three years. The Bank has helped to catalyze and stimulate debate by raising the quality and breadth of analysis. It has generally been sensitive to local realities – the opening of a Resident Mission is an important step to raise capacity in this respect – and the basis of its dialog with government has been a recognition of the lead role of Moroccan partners. For the future, a sound basis for the dialog will call for continuity, including of staffing on the Bank's side, and a recognition of the need to nuance policy in the light of Morocco's particular conditions.

The need to avoid the impression of prescriptiveness based on international guidelines is important in all countries, not least Morocco. This means that the Bank needs to emphasize the *processes* of developing the strategy, as much as its substance. V to A underlines this point, but it also needs to be fully applied in practice. Some participants have also suggested that the Bank gave the impression of arriving in Morocco with an intellectual template in place (V to A), and that its subsequent analysis was *ex-post* rationalization. We do not think this was the case, but it is easy to see how the impression arises, especially given the lack of prior sustained contacts among the partners, and with the Bank staff and consultants working under tight deadlines.

Some suggestions for avoiding these perceptions in future include: making full use of local capacities, with the Bank in supporting technical role (this is discussed further below); paying close attention to process design in order to ensure steering of the analysis by a high-level group; taking more time, with a smaller team if resources require; and sustaining continuity of dialog – through being able to follow up issues needing refinement or clarification (for instance the impact of reducing protection for wheat production, or strengthening the identification of viable options in the *Bour* and marginal areas). Nonetheless, it need not be a matter for concern if policy dialog is sometimes dialectical rather than harmonious; in respect of land tenure issues, for example, work by a Bank consultant was criticized by some stakeholders, but it is now widely agreed, resulted in progress in relation to the internal debate and understanding of issues.

52. V to A noted that the prospects of the Bank's engaging effectively with a government were higher in the first two or so years than thereafter. This appears to have been borne out in the case of Morocco.

Implementation of the strategy. Effective implementation of the government's rural strategy in Morocco will require a synergy between, on the one hand, sustainable cost-effective sectoral approaches (primarily health, water, education, infrastructure, and agricultural development) and, on the other, decentralized participative processes. The Bank's major efforts have been directed toward the former. To a much lesser extent, it has supported local participative processes. The Lakhdar Watershed Management Pilot Project is a pilot scheme intended to develop such processes.

Arguably the Bank's involvement, through linking policy and institutional matters, has contributed to raising the profile in public discussion, and in government's own strategy, of issues which are key to successful implementation of rural development. In the area of policy change, for example, GoM has made progress in strengthening the policy framework for sustained rural and agricultural development, not least in stabilizing the economy after the crisis of the 1980s, and in liberalizing economic management. But much of this progress was made prior to 1997, and important measures remained to be addressed at the time of the visit, notably to reduce remaining distortions around the production and marketing of certain commodities (wheat, sugar and oilseeds). Government is currently addressing these issues, which were intensively analyzed, if not always convincingly, as part of the Bank's strategy work.⁵³ There is reason to believe progress in implementing change may be made in the coming months. Arguably the role of the Bank has been to assist in putting these issues on the agenda, rather than to have a direct impact on their resolution.

Policy reforms so far undertaken have highlighted the need for greater attention to institutional matters, and in particular how to achieve greater effectiveness in public spending. The Bank is given some credit for putting this issue on the agenda. Nonetheless, actions to bring about the necessary improvements seem limited. If the Bank can find the appropriate approaches to engaging meaningfully with government, there appears to be a large agenda of reforms which are necessary, not just to encourage effective rural development, but a much wider range of government actions.

Decentralization is another area where progress remains elusive. It has received considerable attention within government in recent years as a means of giving expression to the new openness in public life in Morocco. The creation of 16 Regions is a move in this direction. There is a general recognition, however, that progress has been limited, especially to levels of government below the regions. Where progress has been made, it has been in the area of administrative deconcentration rather than devolution of decision-making and financial control. While there is general recognition of need to move decentralization forward, the maturation of ideas and of instruments will take some time. The Bank needs to take a measured approach based on what is feasible given political and administrative conditions, and given the instruments available. There may be scope for a local government support program, for instance, as one means of implementing a rural development strategy.

53. The conclusion that reduced protection for wheat, a labour-extensive crop, will have adverse effects on the poor is being questioned by some analysts in Morocco, and is counter-intuitive. In view of the fact that the majority of the poor are net buyers of wheat and wheat products, and are therefore likely to benefit from reduced protection for production, there is a case for further work on this as a matter of priority.

Finally, there are opportunities to create a greater diversity of service providers. Past approaches to rural service delivery have emphasized the roles of the administration. In recent years, however, political developments have encouraged the growth of civil society organizations that play advocacy and service delivery roles. The state has begun on a small scale to contract out the delivery of rural services to NGOs, in recognition that some of these may have a comparative advantage, especially in remote regions. This approach is consistent with the rural and agricultural vision set out by the *Commission Specialisee* for the Plan. A number of stakeholders felt that this process could be taken further, and that civil society organizations offer more scope for effective service delivery than is so far being used.

Areas of policy uncertainty: Strategy development is a continuing process. We do not seek to make judgments on particular areas, but rather to identify where uncertainties exist around the likely poverty impact of the strategy. Some participants have questioned whether Morocco's rural strategy, and by implication V to A, is sufficiently integrated with a wider national development strategy. Specifically, the question is whether some aspects of rural development – for instance, public investments in lower potential areas – may induce people to continue to rely on livelihoods, and to live in areas, that are not viable in the longer term. The argument would suggest that carefully managed support for rural-to-urban, or rural-to-small-town, migration, should form part of an overall strategy. The argument is based on the premise that the diversity of Morocco's rural conditions call for a nuanced strategy, to cater for areas which offer promise for sustained development, and the marginal areas which do so to a much lesser extent. In marginal areas, few economically and organizationally viable approaches to sustainable development have been identified. This provides the justification for the Lakhdar Watershed Management Pilot Project supported by the Bank. However, in emphasizing the importance of programs sustainably to reduce poverty in these areas, it is important to stress that the means of doing so remain unproven.

Comparative advantage of the Bank. Arguably the greatest strength of the Bank at the present stage of Morocco's rural development is its capacity to put difficult and sensitive items on the agenda for debate within government and, as Morocco's political culture opens up, in the public domain. In a complex political situation, there is value in a source of ideas and information that is to some extent outside of the internal political process.

The Bank is more capable than other external agencies in engaging with government on policy and institutional matters at macro-economic and sectoral levels (although if there is a partnership with government in strategy development, the Bank is very much the junior partner). In this respect, the Bank's currency is its integrity and neutrality, the quality of its ESW, and the degree to which it is a source of information on international best practice. The scrutiny to which the Bank is subject by politically aware and technically capable cadres in Morocco means that it needs to demonstrate its value-added through the merits of the analytical work it undertakes.

In the context of the Bank's international move away from projects as its principal instrument for supporting development, in favor of policy and institutional reform, and sector program approaches, the role of projects, such as Lakhdar needs careful scrutiny.

Where government and the Bank do need to devise effective means of implementing new approaches to rural development, we suggest that a case for pilots can be made, provided that all lessons from previous pilot projects are learned (such as adequate monitoring and evaluation systems, scaling-up, fiscal sustainability, and avoiding preferential treatment which is not replicable).

Dissemination: Just 54% of the generally well-informed participants in OED's consultations had heard of V to A, but fewer had a clear idea of its contents. At the same time, there was broad interest in knowing about international experience, together with a recognition that the Bank has a comparative advantage as a source of such information. In view of this, the fact that the Bank has not had a dissemination strategy for V to A that includes translation into Arabic and/or French, suggests a wasted opportunity.

A number of participants wanted the Bank to be more active as a source of information on international experience and best practice. Other than the wish to have V to A in an accessible language, suggestions included presentations by visiting Bank staff. We recommend that the Bank explore, in the context of its role as a knowledge bank, ways in which it can respond to such interest on a sustained basis. In this context, the President of the *Conseil General* suggested that a seminar on the findings of the current OED study on V to A.

Organizational Sustainability. It is too early in the development of Morocco's rural strategy to identify impact on public sector capabilities. Nonetheless, there is reason to think that the strategy may contribute to a longer-term process of enhancing relevant capacities. First, as the government's draft five-year plan indicates, the approach involves a new paradigm and new roles for the state in promoting rural development. As noted above, these are in important respects consistent with V to A. Defining clear and appropriate roles is a necessary early stage in building capabilities. Second, in highlighting the need for change, the strategy has directed the spotlight towards public sector reform as a necessary condition for successful rural development.

Some interlocutors felt that the Bank had contributed significantly to the building of analytical capacity for rural and agricultural development over the past 15 years. In part this has been achieved through support to *Agro-Concept* – a policy-oriented unit currently making a transition from public to private sectors. Capacity has also been built through creating a demand for analytical services. Certainly, the study team engaged with able analysts within or close to government who have had continuing associations with Bank policy development over the years. The development of this capacity has clearly shifted the appropriate balance between national and international skills to be drawn on for future analytical work.

The question has arisen among Bank staff in Washington and Moroccans whether more national consultants should have been used for the 1997/98 joint Rural Development strategic analysis. Four points are made: first, for some of the analysis, local capacity does exist, and in some cases had to be brought in to supplement the work of external consultants. Second, broadly valid analysis by an external consultant was marred by inaccuracies that allowed its impact to be weakened. Third, not all analysis by external

consultants was convincing. Finally, the cost of the expertise (c.US \$750,000) could have been reduced by using local consultants. There is validity to these points, and the Bank must be vigilant to ensure it is aware of changing local capacities, and uses them to the full. Having said this, however, there are important roles that for the foreseeable future will call for some use of external consultants. First, the ability to draw on international experience is an enduring comparative advantage for the Bank, a fact recognized and appreciated by Moroccan analysts and policy-makers. Second, in a complex political environment, external consultants are able to raise authoritatively for discussion issues that deserve a more prominent place on the agenda. Finally, it was stated as a fact of present Moroccan life that external consultants find doors open to them which are not open to the same extent to local analysts. A mixed national and international team may thus be better able to make horizontal cross-sectoral linkages, or to engage at higher levels, than a team consisting of Moroccans alone.

Fiscal sustainability. The adoption of decentralized, participatory approaches to rural development also has implications for public expenditure management. In the view of some of OED's interlocutors, present systems which tend to be centralized and reliant on *ex ante* controls are better suited to large-scale, state-led development, than to supporting decentralized and participatory processes.

MOZAMBIQUE

Background

Mozambique is the poorest of the five countries in this study (GDP per capita equal to \$206 in 1997) and with the highest incidence of rural poverty (more than 80% of Mozambique's poor households are rural). All social indicators are well below Sub-Saharan African averages. Agriculture and natural resource exploitation account for 32% of GDP, 70% of the labor force, and 80% of exports. The principal exports are prawns (40% of total export earnings), cotton, cashew nuts, and sugar.

The basic cause of rural poverty is the low level of agricultural productivity, which is low both relative to the potential and relative to what farmers are achieving in neighboring countries. Productivity is constrained by limited access to markets on the one hand and to seeds, tools, fertilizer, pesticides, and other inputs on the other. Although land is relatively abundant (it is estimated that only 40% of the cultivable land is presently being used), these access problems constrain development to areas where population density is high, and the overuse and degradation of natural resources are issues. However, Mozambique has much potential. Because of its share in the economy and because of its potential, agriculture and natural resource exploitation will be the most important engine of growth in the Mozambican economy for some time to come. Improvements in rural infrastructure to mitigate the access problems and to reduce transportation costs will be a key element in realizing the potential.

Mozambique's civil war damaged or destroyed much of the country's infrastructure in rural areas and led to the displacement of over 5 million refugees. Since then, the country

has made impressive strides from war to peace, from a centrally-managed economy to a market-oriented, rapid growth economy, and from a one-party state to a multi-party democracy – in many respects, exceeding the expectations of the international community. Following the end of the civil war and the severe drought in 1992/93, the agricultural sector has grown by an average of 14% per annum, albeit from a very low base. While this rapid growth reflects in part a recovery effect, it is also due to the gradual liberalization of macro and sectoral policies that started in 1997. Inflation is now less than 10%, and interest rates and exchange rates are now stable and market-determined. Agricultural markets are now liberalized and the government has withdrawn from direct intervention in most economic activities. Thus, while the challenge of reducing poverty and raising the living standards remains daunting, the prospects are now more promising than they have been in recent Mozambican history.

In response to the weaknesses of institutions and policies in the sector, planning for an agricultural sector investment program – PROAGRI – began in 1992. Difficulties in reaching consensus meant that the program document was not in fact completed until 1998. PROAGRI aims to improve the impact of public expenditure in securing an enabling environment for rural development such that poverty is reduced and food security improved whilst the natural environment is protected. The program is based on a set of agreed principles which are consistent with V to A.

Relevance of the strategy

Is the strategy relevant to the case of Mozambique? As on much of the rest of the continent, the principal development challenges faced in Mozambique reflect those outlined in V to A. The bulk of poverty is concentrated in rural areas, and widely-shared economic growth is considered the most viable means of reducing such poverty. With a fast-growing population that is vulnerable to drought, there is concern about access to food. And as pressure on land increases, there is growing sensitivity to actual and potential natural resource degradation.

Despite consensus on the primacy of broad-based rural development as a means of combating poverty, there were some differences of opinion between local stakeholders and V to A over the most appropriate means of addressing other goals. Regarding food security, a majority of stakeholders believed that the country's 10 provinces should aim for self-sufficiency in food grain production, and most government staff felt that food security would be enhanced if farmers were encouraged to produce staple foods rather than export crops. Underpinning such views is a concern about the poor state and high cost of local infrastructure, including roads and storage, and worries about the low quality of Mozambique's primary exports. There are further contrasts surrounding the issue of natural resource management in Mozambique. Stakeholders were divided and uncertain about the causes of resource degradation, and about opportunities to work with communities to reverse that degradation. There is a sound basis to some of these reservations, including concern about the effect which years of civil war have had on community capacity.

Discussion around the five strategic principles of V to A revealed further areas of contrast between the Bank's global vision and the case of Mozambique. Whilst there is near unanimity about the importance of participation, there is skepticism about the capacity of communities to manage rural infrastructure. There is little agreement between stakeholders on the need to restructure government involvement in rural development. Only the private sector – which feels that it is facing unfair competition from NGOs – considers that the central government should not be the principal supplier of agricultural extension. There is strong awareness of the need to involve a wide range of stakeholders in establishing and enforcing regulations so that markets perform effectively, but there is also tenacious support for subsidized rural credit. There is a widely held view that generalized food subsidies are ineffective in increasing food consumption and reducing malnutrition amongst the rural and urban poor. Support for decentralization is also mixed. Confidence in the ability of local governments to prevent domination by elites contrasts with pessimism about the present capacities of local communities.

As Mozambique grows, the value of a visionary strategy such as V to A is clear: it provides a focus for activities and targets for restructuring. Nevertheless, there is widespread concern in Mozambique that V to A may be unrealistic in the short term. Often, stakeholders pointed out that V to A failed to take into account some of the key interim activities which might need to be considered as Mozambique makes progress towards its social and economic goals. The lack of financial resources of the bulk of the rural population, the impact of the civil war, and the inadequacy of rural infrastructure all pointed to a need for short-term pragmatism, and to the development of Mozambique-specific solutions.

Is the V to A consistent with the government's own strategy?: The government of Mozambique developed an outline rural development strategy in 1998. Government observers note that it is quite consistent with V to A, although such a high degree of consistency is perhaps to be expected, given the influence of the Bank and other donors on the government of Mozambique – a direct result of the country's high level of aid dependency (over 90% of the Ministry of Agriculture and Fisheries [MAP] budget is sourced from donors). The key government initiative currently being undertaken in support of rural development is PROAGRI.

Despite broad endorsement of the goals and principles of V to A, contradictions remain in government policy and implementation. For example, the government's concept of rural development remains highly focused on agriculture and does not embrace other aspects of the rural economy. Likewise, there is reportedly a lack of integration between government strategies that deal with rural development. There is also concern about government policy in relation to the cashew industry. Moves to liberalize cashew marketing through the gradual reduction of export taxes have been challenged by the industry, preventing over a million growers from benefiting as a result of higher domestic prices.

Is the Bank's work in Mozambique consistent with V to A? Most Bank support for rural development has been through PROAGRI. The program aims to strengthen MAP's managerial capacity, support decentralization, refocus MAP to address its core functions,

build government consensus, strengthen stakeholder ownership, and build consensus amongst donors. PROAGRI will comprise three broad sub-programs – institutional development, agricultural support services, and natural resource management. During the development of PROAGRI, V to A was used as a broad framework which has helped to ensure mutual consistency.

Efficacy of the strategy

The Bank's potential influence: Since 1994, the government of Mozambique has worked to address the basic constraints to rural development. Macroeconomic and political stability has been achieved, and infrastructure investment – especially in road building – is taking place. Difficulties in the commercial banking sector have been dealt with and the government has begun to experiment with decentralization through the establishment of 31 municipal governments. Thus, some of the preconditions for effective rural development are being put in place.

Nonetheless, the extent of dislocation caused by the war, the burden placed on the economy with the repatriation of over 5 million refugees, and the impact of recent droughts, indicate that there is a need for realism in assessing the efficacy of V to A in Mozambique. There remain a number of outstanding issues which illustrate the scale of the development challenge facing the government and the Bank, including monopoly buying in the cashew industry (which accounts for 13% of export revenue), low levels of intra-government and government-donor coordination, and inequalities between those living in the south (especially in Maputo) and the rest of the country.

Reaction from stakeholders suggests that there are four principal areas of policy uncertainty in Mozambique. These concern food security, rural finance, agricultural extension and the fiscal benefits of decentralization. In terms of food security, high transport costs and poor storage infrastructure suggest that interim measures may be necessary before a fully market-based strategy can be implemented. With respect to rural finance, it appears that government legislation to cap interest rates prevents the establishment of effective rural institutions. In agricultural extension, there is support from stakeholders (apart from the private sector) for the contention that agricultural extension should primarily be provided by government, though PROAGRI aims to test alternative approaches and to help with the development of mechanisms to empower farmer's organizations. The decentralization debate is complex. Despite the establishment of provincial governments, there is uncertainty about how activities will be decentralized and financial responsibilities between central and local government distributed.

The Bank has an important role to play in rural development in Mozambique. The country is aid-dependent and the proliferation of donors creates a demand for donor coordination. With government capacity still recovering from civil war, some responsibility for such coordination falls on the donor community. To some extent, the Bank has been playing this role in connection with its work on PROAGRI.

The ability of the Bank to play a role as coordinator and to work with a range of partners is to a large extent conditioned by the tools and funding arrangements available to it. The

European Community emphasized the high cost it encounters in ensuring that its reports are made available to other donors, and has noted that it will not be able to support the (largely copying) costs that it incurs. Yet donors have bemoaned the lack of availability of other donors evaluation documents – including those produced by the Bank.

Evidence of dialog based on V to A: Stakeholders in Mozambique have not received the full benefit of the Bank's international experience of rural development issues. V to A was used as a framework by Bank staff in the development of PROAGRI, but the length of the document, and the fact it is not available in Portuguese or local Mozambique languages, suggests that the Bank has not made best use of the strategy as a means of focusing dialogue.

Just one third of government stakeholders consulted during the evaluation were aware of V to A, and only 9 % of civil society representatives. Although lack of awareness of the strategy need not necessarily imply a lack of familiarity with its core concepts, this appears to be a reasonable conclusion to draw.

Has V to A led to improvement in Bank activities? Consultations with stakeholders about the effectiveness of Bank work in rural development show mixed results. A small majority is either satisfied or very satisfied that that the Bank is effective in its traditional domains of developing a coherent policy framework (53%) and assisting in the restructuring of government (51%). But satisfaction with Bank work in private sector development and decentralization is low (27 and 38% respectively). Stakeholders also commented on their satisfaction with the Bank's work in five areas: analytical work, policy dialog, partnerships with other development agencies, project design and project implementation. Again, satisfaction was most marked in those areas where the Bank has traditionally concentrated, particularly analytic work (44%) and policy dialog (41%). But satisfaction with the Bank's overall capacity to support rural development was expressed by just 21% of respondents.

Stakeholders also commented on improvements discernible since 1996, when V to A was developed. Despite the low level of satisfaction with Bank work, its performance is perceived to have improved since 1996. Over 80%, for example, felt that the Bank's work in the area of policy dialog had improved, and over half felt that the Bank had improved its overall capacity to support rural development. Concern was nevertheless expressed at the Bank's performance on encouraging participation and ownership. Representatives from the private sector felt, for example, that there were insufficient opportunities for the commercial sector to find out about Bank activities and approaches. Likewise, representatives from civil society expressed frustration at a lack on engagement with the Bank. There appears to be a lack of attention to the processes outlined in V to A for encouraging greater participation, and the Bank does not seem to be making the most of opportunities to work with civil society and other organizations which have a strong field presence.

There are strong elements of consistency between the government's rural development strategy and V to A. The GoM rural development strategy contains six main elements: development of an enabling environment for market-base agricultural development;

improvements in road transport and communications; enhancing public support services for agriculture; regulation of agricultural markets and natural resources use; continued stable macroeconomic policy; institutionalisation of the principles of good governance; and, the establishment of a sound policy framework for micro and rural finance. The close relationship between this strategy and V to A has largely come about as a result of the engagement between the Bank, other donors and the government in developing PROAGRI. In the development of PROAGRI, V to A was extensively used as a framework for dialog.

Despite evidence that V to A has helped to support the development of a stronger government rural strategy, there are areas where the Bank has not been able to strengthen performance. It has not succeeded in engaging with the key institutions involved in rural development, particularly the private sector and civil society. There is also evidence that the high costs of internal travel have prevented stakeholders based outside Maputo from taking part in consultations. Questions were also raised during the evaluation about sequencing of reforms. The private sector, for example, considers that low levels of investment in port facilities makes it unprofitable for further private sector investment in export industries. And other stakeholders believe that capacity building investments are needed in advance of further decentralization moves. There is scope for the Bank to encourage debate on sequencing of reforms in the Mozambican rural economy.

PERU

Background

Peru has the highest incidence of rural poverty in the study, with the probable exception of Mozambique (Table F1). Also, *relative* inequality is much higher than in the other countries, largely based on urban-rural disparities. Most of the rural poor are concentrated in the Sierra region. The literacy gender gap is low by comparison with the other five countries in this group but well above the Latin American average, reflecting the preponderance of indigenous peoples in Peru. Incomes of poor rural households include a substantial component of non-farm origin, partly reflecting the importance of migration and the growth of the urban informal sector. Peru is highly urbanized, with about one-third of the nation's population concentrated in Lima.

Agriculture accounts for seven per cent of GDP. The sector grew vigorously in 1990-97, much of this catch-up growth following the economic collapse of the late 1980s. Most of agricultural GDP comes from the coast zone, which is substantially irrigated. The farm resource base of the Sierra—where most rural people live—is extremely limited.

Following election of President Fujimori there was sweeping economic liberalization. Trade and capital markets were liberalized, money supply growth was stabilized, state-owned enterprises were privatized, and high marginal tax rates were reduced.

*Trends since 1997.*⁵⁴ Growth collapsed from 6.9% in 1997 to 0.3% in 1998 reflecting fallout from El Nino and the East Asia crisis. The 1999 recovery is being led by agriculture (mainly rice and sugarcane) and the sector is expected to grow by 6-7% this year. Consumer price inflation (7% in 1998) has fallen sharply since the first half of the 1990s, partly driven by lower farm prices. Having declined between 1990 and 1994, the incidence of rural poverty has probably worsened since 1997 in line with overall growth trends. The government is trying to encourage the growth of the urban formal sector by lowering employment costs and suppressing street trading and other informal sector activities, possibly with a negative impact on the poor.

Relevance of the strategy

How relevant is the Bank's work in Peru to V to A? Neither the 1997 country assistance strategy nor the 1998 rural strategy report satisfactorily addressed the issue of rural poverty—particularly in the highland region. The 1998 report has been criticized for implying that the same market-based focus is appropriate for all regions of Peru; specifically, it takes no account of the severe limitations facing the sparsely-populated, resource constrained Sierra where the bulk of the poor are concentrated. There is little on the role of non-farm development in this region.

Project interventions are generally relevant: the FY97 Sierra - Natural Resources Management and Poverty Alleviation Project and the support to the social investment fund (FY97 FONCODES II), are both well-targeted but the FY97 Irrigation Rehabilitation project is mainly geared to the needs of better off farmers in the coast zone. The demand-driven approach of the FY00 Agricultural Research project promises to be responsive to the needs of poorer farmers.

Do partners in Peru perceive V to A to be relevant? Few of the participants had seen the V to A report (which was not translated into Spanish) and less than half (46%) were aware of the strategy. Nevertheless, ownership of V to A principles is generally high in Peru; the thinking of each group has probably been influenced by the rapid diffusion of market-based approaches in the 1990s (as reflected in Peru's spectacular progress on the Economic Freedom Index). However, for the same reason, there is also heightened awareness of the limits of markets, and the need to give greater attention to institutional development: participants in all groups suggested that the Bank had been too purist and inflexible in its focus on getting prices right: this comment was made with particular reference to a perceived neglect of the institutional dynamics of water resource management.

This mixed reaction is reflected in responses to questionnaire A. Respondents in Peru were the most skeptical in the five countries about the positive consequences for rural livelihoods of a stable macroeconomic environment (23%) and liberalized domestic food markets (40%), and were unconvinced of the capacity of local communities to make sensible decisions about using veterinary health services (just 5% felt that smallholders were sufficiently knowledgeable). Fully 90% of respondents agreed that the major cause

54. Source: Economist Intelligence Unit, Country Report. Peru. 3rd quarter 1999.

of environmental degradation in semi-arid areas is population pressure. On the other hand, there was strong conviction in Peru that a targeted public works program made more sense than generalized food subsidies (100%, against a weighted average across the five countries of 83%), and endorsement of V to A views on the fertility of generalized food subsidies as a means of reducing malnutrition (just 9% supporting the pro-subsidy proposition) and on the wisdom of subsidizing rural credit (41% supporting subsidy against a five-country average of 65%).

While participants welcomed the "rural"—as opposed to purely agricultural—slant of V to A, they also stressed that a development strategy should encompass the nexus between urban and rural development, taking into account migration as a survival strategy for rural households. There may be an argument for focusing poverty-oriented infrastructure investment on medium-sized towns in the Sierra that serve as growth poles for the surrounding countryside—rather than spreading spending thinly over sparsely-populated rural areas.⁵⁵ Some participants suggested that, given the limited prospects for agriculture in the Sierra, the focus should be on human capital formation to explicitly prepare people for migration to the cities.

The mindset of staff at the Ministry of Economy and Finance is closer to V to A than that of staff at the Ministry of Agriculture; but neither ministry has a mandate for rural development, nor have they promoted inter-ministerial coordination on rural issues. With the exception of the project team (83% of whom expressed satisfaction), the majority of participants in other groups are not convinced that the Bank's rural strategy is sound. This appears to be more of a judgment on the Bank's actions than on V to A's principles: the donors show higher endorsement of the principles than does the team implementing the Sierra Natural Resources Management Project.

Efficacy of the strategy

What progress is Peru making in terms of the V to A agenda? The country scores highly in terms of progress with macroeconomic stabilization and trade liberalization. Also, financial sector reform, removal of ceilings on coastal farm holdings, and promotion of land titling bode well for private sector development. However, attempts to make water resource allocation more market-driven have stalled, Congress failing to pass the Water Law and user groups resisting attempts to increase tariffs on irrigation water. Also, titling efforts have made little headway in rural areas; and there has been no attempt to increase tenure security of indigenous communities. Farming may also be constrained by the shallowness of rural financial markets and the failure of commercial banks to fill the vacuum left by the Agricultural Development Bank.

The country scores very poorly on participation and decentralization. The leadership style of the Fujimori administration is authoritarian and paternalistic, favoring handouts to poor constituencies rather than empowerment. This approach finds its strongest expression in the policy line of the Ministry of Agriculture, which tends to support measures that assist commercial farmers on the coast while doing very little to develop

55. Similar suggestions were made by interlocutors in Morocco.

peasant agriculture in the highlands. Since 1992 there has been progressive centralization of power, with municipal governments being starved of resources, accentuating local dependence on donor funds and leading to a fragmented and ephemeral, project-centered institutional development.

A high-profile social investment fund (FONCODES)—established to soften the impact of adjustment on the poor—both confirms and contradicts the overall lack of progress on participation/decentralization. On the one hand, it is effective at targeting the poor (and not just in rural areas) with infrastructure investments that are largely demand-driven. On the other hand, because the fund is an independent bureaucracy closely associated with the Presidency it tends to duplicate actions by line ministries, may be affected by the presidential succession, and possibly undermines lasting institutional development at the municipal level.

How is Bank progress rated? There seems to be little detailed awareness of the Bank's work in rural development. With respect to poverty reduction, only 21% of respondents considered themselves “satisfied” or “very satisfied” that Bank work was effective. When asked to rate the current effectiveness of the Bank's overall support to rural development, the only group with a majority of participants expressing satisfaction was the project team. However, government and donors felt that effectiveness had at least improved since 1997. Much of this was attributed to the arrival of new staff at the Resident Mission with a strong commitment to rural development. Rating the menu of project interventions, only 14% of the government group, and none of the donors were satisfied. In the civil society group, 71% said that they had insufficient knowledge to pass judgment.

How is country progress rated? For every group consulted progress toward each of the five strategic objectives was deemed less than satisfactory. Overall, scores were highest for FONCODES and lowest for irrigation. On irrigation, participants commented that thinking—both in the Bank and in the government—was too much fixated on getting the prices right, with insufficient attention paid to the practicalities of implementing tradable water rights, or to institutional development.

Bank staff concede that the policy dialog is currently going nowhere, seeing little prospect for improvement without a change of government personnel. Given the imminence of presidential elections—scheduled for April 2000—it is valid to ask why the Bank is not using the run up to broker a debate on rural development, going beyond conventional boundaries to engage with a wider range of political groupings and civil society. The civil society group suggested that the Bank could use its influence to convoke a forum on rural development, drawing on local expertise and aiming to thoroughly examine what constitutes regionally and nationally appropriate rural development strategy, and the role that the state should play.

PHILIPPINES

Background

With 44% of people living in rural areas and agricultural value added equal to 19% of GDP, rural development is an important part of the Philippines economy. Owing to the low import content of the agricultural sector, it generates more foreign exchange than manufacturing. Since 1989 the economy has become substantially more open. It is now characterized by limited state intervention, stable prices and secure property rights. The long-term growth of agriculture has been unimpressive: it was only 2% per year in 1990-97. The farm economy is dominated by rice and coconuts that contribute respectively 19% and 6% of sector value added; Philippines supplies half of the global marketed output of coconuts.

There are enormous rural/urban and regional wealth disparities. Metro Manila houses 14% of the population but generates one-third of GDP. Rural property is highly concentrated with 2% of landowners owning 36% of the land, and roughly half of the population of the Philippines is poor. The Comprehensive Agrarian Reform Program, launched by President Aquino in 1988, has made slow progress: 1.7 million hectares were redistributed under the Aquino administration and 2.7 million hectares under President Ramos, well shy of the target of redistributing 10 million hectares by 1998. A positive feature is the relative lack of gender bias in development: for example, the rate of illiteracy is only 1% higher for females than for males.

*Trends since 1997.*⁵⁶ President Estrada took office in May 1998 on a populist platform. There were rumors that this would lead to a reinstatement of the "crony capitalism" associated with the Marcos era but this has not so far been the case; economic policy remains sound. After a solid growth performance in 1997 (5.2%), the economy slumped in 1998 owing to an El Nino-induced drought that hit rice, coconut and maize output. Agricultural growth has rebounded in 1999 and the year-end forecast for the sector is 2.5%. The May 1999 appointment of Mr. Angara—closely associated with the Aquino/Ramos reforms—as Minister of Agriculture is a signal of the high priority that the President attaches to revitalization of the agricultural sector.

Relevance of the strategy

Do partners in the Philippines perceive V to A to be relevant? Based on responses to questionnaire A, ownership of V to A principles is mixed in the Philippines. In some respects, opinion in the Philippines leads that in other countries. For example, more respondents in the Philippines consider that liberalizing domestic food prices can lead to lower consumer prices and higher grower prices (62% against a weighted average of 52% across the five countries), and that rural communities have the capacity to manage their local natural resources (80% against an average of 59%). At the same time, more in the Philippines are supportive of the effectiveness of generalized food subsidies in reducing

56. Source: Economist Intelligence Unit, Country Profile, 1999-2000; Country Report, 3rd quarter 1999.

malnutrition (40% against an average of 21%) and consider that government should establish both lower and upper limits to the size of farm holdings (59% against an average of 40%).

There was concern that the Bank's focus on land issues did not give a higher prominence to indigenous communities. Also, there was skepticism about the relevance of market-based approaches to land reform, based on a sense that supply and demand were less favorable in the Philippines than in northeast-Brazil (i.e. the price of land was likely to be unacceptably high). There was a concern that the lack of specific project components in support of agricultural services would limit the effectiveness of the Bank's support for the Comprehensive Agrarian Reform. Some of the civil society representatives felt that the Bank's interventions did not pay enough attention to the island of Mindanao—one of the poorest in the archipelago—although this would seem to be contradicted by the generally positive assessment of the infrastructure project centered on that island.

Staff from the planning agency (National Economic and Development Administration) are probably the group most receptive to V to A messages. Dialog with the department of Agriculture and the Department of Environment and Natural Resources—neither of whom sent representatives to the consultation—is much more problematic. Although most participants were poorly informed of the Bank's rural strategy before the meetings, once the main principles of V to A were spelled out, a majority of persons in government, project team and civil society groups found it to be sound. Ownership of the V to A agenda was particularly weak among donors, one representative querying whether it was appropriate to give primary focus to poverty reduction.

How relevant is the Bank's work in Philippines to V to A? Rural development was front and center in the February 1996 country assistance strategy and was given equal prominence in the 1999 CAS. The V to A agenda is represented in the 1998 rural strategy report, although the strategy chose to focus on agriculture at the expense of a broader, rural focus. A more recent report addresses the poor performance of the treecrop sector. The overall rural strategy of the Philippines was rated third highest out of twenty countries reviewed by Professor Bruce Gardner.⁵⁷ Since the V to A baseline, five projects have been approved, all consistent with V to A: Community-Based Natural Resource Management (FY98), Water Resources Development (FY97), Agrarian Reform Communities Development (FY98) and Rural Finance III (FY98). Exploratory missions have been conducted on market-assisted land reform, an area of priority in V to A.

Efficacy of the strategy

What progress is the Philippines making in terms of the V to A agenda? The Bank is concerned that the Estrada administration may backtrack on trade liberalization although there is no decisive evidence of this yet. Early in his term the President made a populist concession on irrigation water tariffs, but once fiscal reality intruded this was reversed.

57. OED, Rural development: From vision to action?, June 1999. The document also notes that Gardner's views on the Philippines strategy are at odds with those of the Bank QAG.

Participants from outside government generally feel that unsatisfactory government intervention is the main constraint on development progress in the Philippines. Government is variously perceived to be inefficient and corrupt. The Department of Environment and Natural Resources was rated particularly badly, some of its officials allegedly being accomplices to illegal logging. Civil society is extremely well organized and dynamic, this being reflected in this group's very high turn-out to the consultation, including persons from outside Manila. Women are well represented. Roughly one-fifth of the country's municipalities are governed by female mayors. The Philippines shows a high level of political decentralization and has recently made major strides toward fiscal decentralization (Table F2).

Responses to Questionnaire C indicate a lukewarm assessment of the country's progress toward rural development objectives signaled in the 1996 CAS. Progress on each of the five objectives was rated less than satisfactory, with the highest rating given to efforts to increase the focus on rural and community development. The weakest rating was given to attempts to improve access to credit, and to improve natural resource management.

How is Bank progress rated? There is little detailed awareness of Bank interventions. Some of the civil society representatives indicated that this was the first time they had really heard about the Bank's work on rural development. In each of the groups consulted, the majority of participants (78%) were unaware of the V to A strategy. Representatives from government and the project team were no more familiar with it than the civil society and donor representatives. The effectiveness of the Bank's contribution to lowering poverty was given a mixed rating. Thirteen of the 15 members of the project team were satisfied with this aspect of the Bank's performance; but the majority of persons in the other three groups were not satisfied.⁵⁸ When asked to rate the Bank's overall support for rural development, majorities in the project team and civil society were satisfied—both in terms of the current position and with respect to change since 1997. Some of this bullishness may have been induced by these groups' satisfaction at being invited to participate in the OED consultation, taking this as evidence of the Bank's more transparent approach. Donors and government were less impressed, a majority of both groups indicating that they did not have sufficient information on which to base a rating. A similar lack of information also explains why the majority of all those consulted responded "don't know" when asked to indicate their satisfaction with the range of Bank project interventions.

Donors acknowledged and appreciated the quality of the Bank's analytical work, noting that "no-one else was capable of it" and saying how much they made use of it. The same group expressed concern, however, that the Bank may be spreading itself too thinly; one participant said that the Bank's focus on participatory approaches could be taken too far.

Irrespective of the (mixed) rating given by participants in this consultation, credit must be given to the Bank's efforts to engage interested parties in discussing the 1998 rural development strategy and the 1999 Country Assistance Strategy. This included extended

58. Some people misinterpreted the question: One participant queried "How can the Bank be said to be effective when there is still poverty in the Philippines?"

dialog with non-government organizations and a concerted attempt to move the debate beyond "metro Manila" by staging a series of regional fora. A Bank staff member noted that the real challenges of the policy dialog were to maintain continuity by steady persistence and to use every opportunity to strengthen relationships: this goes well beyond disseminating reports. The staff at the resident mission seem to be handling these challenges well.

One recommendation that emerged from the consultation was that the Bank make an effort to engage Congress in dialog; or at least to provide members with fuller information about the Bank's work. So far the Bank's dialog with government focuses exclusively on the executive branch, ignoring the legislature. Reaching out to Congress may have a positive effect in speeding up the commitment of counterpart funds (which have to be voted by Congress). More public relations work is also needed with other donors in the Philippines to raise awareness of the Bank's rural strategy.

Table F1. Five countries, baseline data, 1997

	<i>Latvia</i>	<i>Morocco</i>	<i>Mozambique</i>	<i>Peru</i>	<i>Philippines</i>
GDP per capita (U.S. dollars)	2,242	1,227	206	2,620	1,118
Population (millions)	2.5	27.3	16.6	24.4	73.5
Life expectancy at birth (years)	69.2	66.6	45.4	68.5	68.3
Literacy rate (% of people 15+ years)	99%	46%	41%	89%	95%
Rural population (% of total)	27%	47%	64%	28%	44%
Rural population in poverty (% of total)	NA	33% /a	NA	67% /b	53% /c
Labor force in agriculture (% of total) /d	15.8%	44.7%	82.7%	35.7%	45.8%
Agriculture, value added (% of GDP)	7.4%	15.3%	34.3%	6.9%	18.7%
Agriculture, rate of growth (% , 1990-97)	-10.8%	-1.2%	6.1%	5.7%	2.0%
Government consumption (% of GDP)	23	18	10	12	13
State-owned enterprises, value added (% of GDP)	NA	16.8 /e	NA	5.7	2.2
Exports of goods and services (% of GDP)	51%	28%	13%	13%	49%
Agricultural exports (% of total)	38%	34%	78% /f	38%	9%
Import duties (% of imports)	2%	15%	NA	10%	9%
Mean tariff, primary products (%)	12%	NA	17%	14%	14%
Foreign aid (% of GNP)	1.5%	1.4%	29.6%	0.8%	0.8%
Debt service (% of GNP)	2.4%	9.5%	3.2%	4.7%	5.3%
Government intervention (high=5) /g	2.0	3.0	3.0	1.5	2.0

Source: Unless otherwise indicated, World Bank, *World Development Indicators, 1999*

NA Not available

/a 1984-85 /b 1994 /c 1994

/d 1990 /e 1985-90 /f 1996

/g PREM/DEC Indicators, 1999 (Heritage Foundation Index of Government Intervention).

Table F2. Progress with respect to decentralization

	<i>Latvia</i>	<i>Mozambique</i>	<i>Morocco</i>	<i>Peru</i>	<i>Philippines</i>
Political decentralization:					
Subnational elections, 1999 /a ...					
...at intermediate level /b	No+	Yes	No+	No	Yes
...at local level /c	Yes	Yes	Yes	Yes	Yes
Number of elected subnational tiers, 1999	1	2	1	1	2
Number of jurisdictions, 1999 ...					
...at intermediate level /b	33	10	65	NA	76
...at local level /c	566	33	1,547	1,808	1,541
Fiscal decentralization:					
Share of subnational governments...					
...in total public expenditure (%)					
1990	NA	NA	NA	9.8	6.5
1997	25.8	NA	NA	24.4	14.2
...in total tax revenue (%)					
1990	NA	NA	NA	1.2	4.0
1997	15.8	NA	NA	2.1	14.1

Source: World Development Report, 1999/2000 (Table A.1, p. 216); Bank staff estimates

/a "No+" indicates that, although the legislature is elected, a nominated executive head (for example, a mayor or governor) holds significant powers.

/b State, province, region, department, or other elected entity between local and national government.

/c Municipality or equivalent.

Table F3. Recent strategy and analytic work in the five countries

	<i>Latvia</i>	<i>Morocco</i>	<i>Mozambique</i>	<i>Peru</i>	<i>Philippines</i>
Most recent country assistance strategies	April 1998	January 1997	November 1997	October 1994 June 1997	February 1996 May 1999
Agricultural sector review/ memorandum	December 1994		April 1997		
Agricultural development strategy			1995	March 1998	
Rural development strategy	January 1998 (draft)	March 1997			May 1998 (revised March 1999)
OED country assistance review		January 1997			March 1998

LEDGER OF OED RECOMMENDATIONS AND MANAGEMENT RESPONSE

<i>OED Recommendations</i>	<i>Management Response</i>
<p>1. Strengthen outreach</p> <p>(a) The process of revising the strategy paper should involve, from the outset, country directors, regional vice-presidents, and sector boards other than Rural; it should also include consultations with stakeholders outside the Bank.</p> <p>The rural strategy update needs to be guided by an advisory committee that includes representatives from the Environment, Social Development, Urban, Infrastructure, Health and Education sector boards.</p> <p>(b) Regional action plans should form the core of the revised strategy document, taking precedence over sector or subsector action plans.</p> <p>(c) The strategy report should be shorter and easier to read than From Vision to Action, it should be widely disseminated, and it should be made available in languages other than English.</p> <p>(d) Examples of good cross-sector process should be included in the updated strategy paper.</p>	<p>(a) and (b) Management endorses the spirit of these recommendations. A steering committee made up of representatives of RDV, DEC, WBI, the Regions, OED, and other Networks has already been formed. In addition Regional Groups charged with the development of regional</p> <p>Strategies will be formed, and ESSD-wide (Rural, Social and Environment families) Thematic Teams will provide assistance and contributions. Consultations with non-Bank stakeholders will be held.</p> <p>(c) Management fully supports this recommendation. The document will be action-oriented, and accordingly, well-elaborated regional programs will be the major components of the revised strategy. Regional strategies will include concrete objectives and targets for both the regional level, and also for country groupings.</p> <p>(d) Management endorses this recommendation. A concise document supported by detailed action plans is envisaged. As with Vision to Action the document will be available in multiple languages and will be widely circulated.</p> <p>(e) Management endorses this recommendation. The goal of updating the strategy paper is to prepare an operational document which provides a framework for revitalizing Bank rural development activities as a fully cross-sectoral and "people centered" program. Case studies and or examples of such will be included in the document.</p>
<p>2. Develop the strategic principles, with linkage to poverty reduction</p> <p>(a) The new strategy should explain and illustrate how each of the five strategic principles in From Vision to Action are linked to the overarching goal of poverty reduction</p> <p>(b) The updated strategy paper should emphasize the multifaceted nature of rural livelihoods and the nexus between rural and urban development.</p>	<p>Management endorses this recommendation.</p> <p>Management endorses this recommendation.</p>
<p>3. Make budget coding more transparent</p> <p>(a) The Rural Sector Board and Operational Core Services should as soon as possible agree how best to identify and code Bank activities with major rural content.</p>	<p>Management endorses this recommendation and has already taken steps to identify lending and ESW activities with major rural content. Discussions are currently underway with other Sector Boards for the creation of sector codes for "Rural Finance", "Rural Telecom", "Rural Energy" and "Rural Social Funds." These new codes will be available to Task Team Leaders and projects approved since 1990 will be re-coded by August 31, 2000.</p>