

*Rural Development Strategy
Regional Development Strategy*

Reaching the Rural Poor

*A Rural Development
Strategy for the Middle East
and North Africa Region*

Main Text



Work in Progress

*Rural Development, Water, Environment
and Social Group
Middle East & North Africa Region
The World Bank*

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This paper is a contribution to the draft rural development strategy for the World Bank, which is currently pending approval by the Board of Executive Directors. The findings, interpretations, and conclusions are the author's own and should not be attributed to the World Bank, its management, its Board of Executive Directors, or the countries they represent. Some of the numbers quoted are estimates or approximations, and may be revised at a later stage.

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Abbreviations and Acronyms

AFPPF	Agriculture and Fisheries Production Promotion Fund	IFAD	International Fund for Agricultural Development
ADS	Social Development Agency	LSI	Large-Scale Irrigation
APL	Adaptable Program Lending	LWCP	Land and Water Conservation Project
AUEA	Association des Usagers des eaux Agricoles	MENA	Middle East and North Africa
BAJ	Social Priorities Program (Morocco)	NEAP	National Environmental Action Plan
CAS	Country Assistance Strategy	NGO	Non Governmental Organization
CDD	Community driven development	NRM	Natural Resource Management
CDF	Comprehensive Development Framework	NWRA	National Water Resources Authority
CDP	Community Development Project	O & M	Operation & Maintenance
CNCA	Caisse Nationale de Crédit Agricole (National Agricultural Credit Bank)	PBDAC	Principal Bank for Development and Agricultural Credit
CPPR	Country Portfolio Performance Review	PHRD	Policy and Human Resources Development
ESW	Economic and Sector Work	PM	Prime Minister
EU	European Union	PWP	Public Works Project
FAO	Food and Agricultural Organization	PSMAC	Public Sector Management Adjustment Credit
AFD	Agence Française du Développement	RBA	River Basin Agency
FDR	Rural Development Fund	RDF	Rural Development Fund
GAREW	General Authority for Rural Electricity and Water	SAL	Structural Adjustment Loan
GDP	Gross domestic Product	SASP	Seeds and Services Project
GEF	Global Environment Facility	SFD	Social Fund for Development
GNP	Gross National Product	SME	Small & Medium Enterprise
IAAS	Irrigated Areas Agricultural Services	SPPF	Special Project Preparation Facility
ICR	Implementation Completion Report	UN	United Nations
IDA	International Development Association	WB	West Bank
IDAS	Innovation and Development in the Agriculture Sector (GTZ Project)	WBI	World Bank Institute
		WSIL	Water Sector Investment Loan
		WTO	World Trade Organization
		WUA	Water Users' Association

Acknowledgments

This document is one in the series of regional development strategies developed for the 2001 update of the World Bank's Rural Development Strategy, *Reaching the Rural Poor*. The Rural Development Strategy for the Middle East and North Africa Region was prepared through a process of active participation of many individuals and institutions and consultations in and outside the Region. The Strategy was formulated by a Core Regional Team led by Petros Aklilu, Sector Manager, Rural Development, Water, Environment and Social Department (MNSRE) and comprising, Vahid Alavian, Sr. Water Resources Specialist, Joan Collier-Von Eden, Program Assistant, Salah Darghouth, Sector Manager, Water and Environment, Ndiame Diop, Economist, YP, Matthias Grueninger, Agricultural Economist, Douglas Lister, Sr. Agricultural Economist (also representing the Region in the Bank-wide Steering Committee), Kutlu Somel, Sr. Economist and Madani Tall, Sr. Agricultural Economist (MNSRE). Regina Bendokat and David Steel, Human Development (MNSHD), Mohammed Feghoul, Finance, Private Sector and Infrastructure (MNSIF) and Dipak Dasgupta and Shaha Riza, Social and Economic Development (MNSED), also provided valuable inputs. The Principal Author is Professor Wallace Tyner of Purdue University, assisted by Adair Morse. Other MNSRE staff, including Country Cluster Coordinators and members have also made valuable contributions. The draft Strategy was reviewed in a Regional meeting chaired by Mustapha Nabli, Chief Economist and Director, MNSED. A panel headed by Csaba Csaki, the Bank's Senior Advisor for Rural Strategy and Policy comprising Rural Development Department (RDV) and Development Economics (DEC) staff also provided useful comments on the first draft of the Strategy. Overall guidance for the Strategy's formulation was provided by Doris Koehn, former Director, MNSRE.

In March 2001, two Regional Consultations were held--one in Montpellier, France for Morocco, Algeria and Tunisia, and another in Beirut, Lebanon for Egypt, Jordan, Lebanon, West Bank and Gaza, Syria and Yemen. These consultations were attended by government, NGO, academic and farmer organizations, as well as EU, FAO, IFAD, AFD and Islamic Development Bank representatives. The Region is grateful to the Governments of France and the Netherlands for the financial assistance they provided for various studies conducted for the Strategy and for the two regional consultations.

Foreword

The key word for describing the process followed to develop this rural development strategy is teamwork. Development of the strategy involved literally hundreds of people both inside and outside the World Bank. The work began with a review of relevant Bank documents pertaining to the MENA countries and projects over the past five years. Data on the current context of rural development activities in MENA countries was also collected and analyzed. From this data and literature review, the team extracted some important lessons learned from completed Bank operations in the region.

Given the context and lessons learned, key objectives and strategies were formulated for the region's "rural space," referring to the geographic area (as opposed to sector) where agriculture plus other rural development activities designed to alleviate poverty take place, including natural resource management, rural transport, water and sanitation, telecommunication, education, health and other social services. This was an iterative process that involved participation and feedback from scores of people both within Rural Development and from other sectors. Once we agreed upon the three MENA objectives to: reduce rural poverty; decrease vulnerability of rural populations and ensure the sustainable use of natural resources; we identified five strategic directions and created rural development implementation plans.

Implementation plans were developed for the region as a whole covering thematic areas, and for each MENA country. Implementation plans provide specific actions and performance indicators for each of the five MENA strategies. Thus, the implementation action plans, particularly the country plans constitute the heart of the MENA strategy. The indicative country plans will provide the point of departure for more detailed discussions with each of the MENA countries.

Very useful feedback was obtained from the two regional consultations which enriched the final version of the document. In addition, external reviewers provided useful comments.

Thus, through the hard work and active participation of many people from all over the world, we now have the MENA Rural Development Strategy. The region is fully committed to implementing the program outlined in this strategy. But in a sense the work is just beginning. The key to success will be in implementation, which requires the support of cross-sectoral inputs, and we now dedicate ourselves to implementing the strategies and achieving the goals contained in this document.

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Executive Summary

In 1997 the World Bank issued its rural development strategy, *Rural Development: From Vision to Action*. The purpose of this exercise is to update that strategy and to render it much more region-specific and action-oriented than the previous undertaking.

Our approach is to characterize the current situation in MENA countries, examine the implementation of the Vision to Action strategy in MENA, develop a series of lessons learned from Bank activities in recent years – and then use all that material in developing the objectives, strategies, action plans and implementation approach for the development of MENA’s “rural space,” referring to the geographic area (as opposed to sectors) where agriculture and other rural development activities designed to alleviate poverty take place. This includes natural resource management, rural transport, water and sanitation, telecommunication, education, health and other social services. This framework is illustrated in figure 1 in chapter 1.

In MENA, an estimated 70% of poverty is in rural areas, even though rural areas support only 43% of the population. Most of the poor will still be in rural areas for at least another twenty years. Rural development is crucial to MENA not only for directly reducing rural poverty but also for making rural areas more attractive places to live and thus easing rural-urban migration pressure.

Box A Objectives for rural development in the Middle East & North Africa

- Reduce rural poverty
- Decrease vulnerability of rural populations
- Ensure the sustainable use of natural resources

Variability in climate and rainfall is a significant issue in most MENA countries. The rainfall variability is a major source of variability in crop production and rural household incomes. It is one important reason why a large portion of the population is considered vulnerable in MENA.

Water is a precious and increasingly scarce commodity in MENA. Every country in the region has major issues in irrigation, water policy, water demand management, and water resource allocation. Closely related to water are all the issues dealing with sustainable use of natural resources.

Box B Five strategies for rural development

1. Rationalize water management and policies
2. Improve access to social and economic infrastructure
3. Facilitate agricultural growth and competitiveness
4. Enhance rural non-agricultural and private sector economic activities
5. Improve natural resource and environmental management.

Community driven development and policy reform are the key implementation instruments associated with all five MENA strategies for rural development. Ensuring community participation in

the design implementation, operation and maintenance of projects and programs, and implementing policy and regulatory reforms linked to the strategies are critical.

Current Situation in MENA Countries

Economy, Policy, and Agriculture

Per capita income in MENA (excluding the Gulf countries) averages about \$2,000 and ranges from \$350 in Yemen to \$3,700 in Lebanon.

Agricultural GDP growth has generally ranged between 2 and 5 percent per year, but for Morocco, Jordan, and WB & Gaza, it has been zero or negative for the decade of the 1990s.

Variability in agricultural income from year to year is high in MENA, with the standard deviation of the agricultural GDP growth rate reaching 33% and 25% for Morocco and Jordan respectively. Thus countries with high variability have been experiencing negative growth or stagnation in agricultural value added over the decade.

Following are production systems typical of the MENA region:

- Rainfed mixed
- Dryland mixed
- Pastoral
- Irrigated
- Highland mixed

Although water availability is crucial to all agricultural systems in MENA, variability, and thus vulnerability, varies significantly across production systems.

Water policies are crucial in all MENA countries. Other important policy areas include natural resource degradation, land tenure issues, food subsidies, and rural infrastructure.

For the development of the irrigated and humid mixed system, access to export markets is also essential. The largest trading partner for most MENA countries is the EU. The EU's policies are quite restrictive and limit export expansion by MENA countries.

Social

Illiteracy rates are high, especially for women. On average, half of the women are literate in the region. In rural areas, literacy rates fall even from these levels. In Yemen and Morocco, only half of school-age children in rural areas are in school, as compared with 80-90% in urban areas.

Access to safe drinking water and sanitation for the rural population is quite low in many MENA countries and well below access in urban areas.

Public social safety nets are generally quite weak in rural areas, a problem which is accentuated by the high variability in rainfall and agricultural production, and which leaves a large fraction of the rural population vulnerable.

Vision to Action Impact on MENA Activities and Lending - The 1997 *Vision to Action* themes are still valid, but our interventions have evolved over time and reflect: i) strong sector analysis (e.g. water and agriculture sectors in Yemen and rural development in Morocco); and ii) beneficiary/user and community participation (rural water supply, natural resource management, irrigation/drainage operations) based on social assessments.

Lessons Learned

The Bank has learned valuable lessons in its operations over the past few years. These lessons contribute significantly to the formulation of strategies for improving success in future rural development operations.

1. **More attention needs to be paid to political constraints and institutional capacities.** There is a need for Bank activities to accurately assess the political and institutional setting in planning and implementing rural development projects.
2. **Non-lending activities should have greater importance in some countries.** By emphasizing its comparative advantage in analytical and policy advice, the Bank can make strides in rural development. Lending activities should have built-in flexibility, and analytical work should serve as support to that flexibility.
3. **Variability in climate and incomes has differential effects on policy decisions in the MENA region.** Many governments seek consumer and producer price stability as an objective, but the

economic and agricultural policy frameworks may not match the climatic variability and production conditions in the country.

4. **Encourage private sector and mandate community participation.** A need for local participation for sustained success is not a new theme. However, unsatisfactory project results across varying rural development programs are often caused by a lack of community participation.
5. **A greater emphasis on small-scale projects in rural infrastructure and natural resource management is warranted.** Small-scale rural infrastructure projects have at least four desirable traits applicable to rural development in the MENA region:
 - They often are more labor-intensive than large-scale projects.
 - They tend to involve the community more in their implementation.
 - They may be more sustainable in that rural associations may have the ability to carry out operation and maintenance.
 - From MENA experience, small-scale projects have the advantage of generally being able to target poorer quintiles of the population.
6. **The Bank needs to be sensitive to the negative implication of accepting a status-quo stance on issues requiring long-term, re-institutionalizing efforts.** Decades may be required in certain instances to implement policy change. Thus, the Bank should launch and continue dialogue on issues, even when it is only marginally effective in bringing about immediate change. This may particularly be the case for natural resource management, but is also true in MENA for regulatory and tariff reform. In the latter cases, the lesson may be that disbursements made that ignore compliance with an agreed reform agenda may send the same signal of a lack of concern by the Bank.
7. **The Bank's awareness of the need for integrated water management should be reflected in policy dialogue with governments and users.** The Bank needs to ensure that all projects involved with supply creation or restoration are integrated with a participatory demand management element.
8. **A lack of indicators for rural development is inhibiting project planning and evaluation.** Often projects cannot be adequately planned or measured simply because the data do not exist. The capacity to understand deficiencies in rural areas is often hindered by remote locations. Yet, policies are made to raise income and address issues in such places where little prior analysis can be done to offer insights on sustainable income opportunities.

Objectives

Reducing rural poverty. Rural poverty reduction is our overall objective. This objective is the real guiding principle by which all other rural development objectives and policies are implemented.

Reducing vulnerability in rural areas. Income variability in rural areas is high, which means that the percentage of the population that is vulnerable to income swings is quite large. Reducing vulnerability is not synonymous with poverty reduction and goes beyond policies that endeavor to bring the poor to an acceptable minimum level of consumption. It also means putting in place a safety net to prevent the non-poor from falling below the poverty line, along with the creation of opportunities that will help improve living conditions for the poor and non-poor.

Ensuring the sustainable use of natural resources. There are four important components of the natural resource base of rural life to address – water, land, forests, and pastoral areas. These resources are scarce and fragile and our objective is to ensure the long term sustainable use of these natural resources.

Strategies

Rationalizing water management and policies. In MENA, efficient and effective water use is absolutely critical for success in rural development. Improving performance and productivity in water management requires institutional, policy, and planning system reforms. This strategy calls for an examination and possible revision of legislative, policy, and institutional framework for water resources, along with actions to strengthen the role of rural communities, the public, and the private sector.

Improving access to social and economic infrastructure. Social infrastructure here encompasses especially health care and education for rural areas. Economic infrastructure includes rural roads, rural water supply, and rural electrification, and today also, access to information technology. To increase rural agricultural and non-agricultural incomes, it is imperative to increase access to both social and economic infrastructure in rural areas. Particular attention needs to be paid to enhancing women's access to these services. Egypt, Morocco and Yemen provide encouraging examples where school enrollments in rural areas for girls are increasing.

Facilitating agricultural growth and competitiveness. Reversing deteriorating agriculture performance and facilitating growth to increase rural income (farm and non-farm) is a fundamental means of realizing poverty reduction. Policy change, secure land tenure, creation of economically viable and efficient farms, facilitating the emergence of competitive and farmer-friendly processing and marketing infrastructures, and support of farmer-induced technological change in agriculture are critical for the promotion of competitiveness in the region.

Increasing growth in agricultural exports, requires the removal of anti export bias, namely high protection of importable agricultural or industrial goods and real exchange rates overvaluation. In MENA, increasing agricultural exports also will require changes in the protectionist policies of its primary trading partner, the European Union.

Formulating agricultural pricing and trade policies that consider reducing farm income variability as one of the strategic priorities (see Lesson Learned three). Agricultural policies must be better aligned with the climatic reality of the region, which is high rainfall variability and frequent drought.

Agricultural research and extension must be responsive to farmers' production constraints and improved especially in adapting crop varieties to the drought-prone regions (and associated climatic variability) plus research on efficient use of irrigation water and irrigation techniques appropriate to each crop and region. Land tenure reform – Land tenure issues in some MENA countries have become a major impediment to agricultural productivity growth. Rural development programs must address these issues.

Investments are needed in developing the public institutional capacity in policy analysis, particularly related to agriculture and natural resources.

Enhancing rural non-agricultural and private sector economic activities. A full integration of non-agricultural rural activities is one of the major challenges of this exercise. Following are some actions that can serve to effectively enhance the non-agricultural rural economy:

Agricultural policies can promote non-farm activities such as agro-processing and the other industrial, commercial and service sectors that characterize modern agriculture. Projects and policies aimed at promoting the non-farm economy should not just focus on improving the *capacity* of households to become involved in the non-farm economy, but should also stimulate the *engines* that pull rural households into the non-farm economy. Engines of non-farm growth that offer employment to women in particular should be emphasized.

Local government and institutional participation will have to be engaged in a whole variety of capacities, ranging from land-use planning, education provision, infrastructure investment, regulation, training and financing.

Facilitating the growth of small urban poles for regional development may be an attractive means of creating non-agricultural employment and incomes.

Improving natural resource and environmental management. Sustainable rural development is inextricably linked with sustainable natural resource management. Examining the impacts of projects on the sustainable use of natural resources must be a part of the design and implementation of all of our activities. Water is very scarce in MENA, and the productive agricultural areas, particularly pastoral zones, are increasingly threatened by human interventions.

Action Plans

Indicative action plans are prepared for each country and major themes in MENA. The country plans are linked to the five strategies mentioned above and will serve to guide Bank actions linked to those strategies. The plans also include monitoring and performance indicators tied to the specific actions. In other words, the actions constitute the specific implementation measures for the five strategies, and the monitoring and performance indicators will help determine in what measure success has been achieved in future years. These action plans will be further elaborated in line with evolving issues, changing country priorities, and intervention by other donors. These plans are summarized in table 1.

The action plans are cross-sectoral. Hence, successful implementation will depend upon strong support for cross-sectoral units in the Bank, technical ministries in client countries, the private sector, non-governmental organizations and other agencies.

While these plans were developed by Bank staff to guide Bank actions, they also are presented to stimulate discussion and collaboration with governments and the development community as a whole. The Bank will need to look for synergies and partnerships with other lenders and donors to implement the plans.

Monitoring implementation of action plans will depend on having effective country teams within the Bank and client country support for acquisition of data on rural, social and economic indicators.

Implementation

In implementing these action plans, the Bank and other donors must recognize the diversity of situations in rural areas of MENA countries, both across countries and even within the same country. This diversity means that instruments must be tuned to the specific region, with its unique economic, social, and cultural characteristics. Therefore, flexibility will be essential in developing programs tailored to each unique region.

The evolving experience in allowing communities to participate effectively in seizing opportunities to improve their well-being is an encouraging approach for rural development. Our approach will be to promote locally and spatially focused rural development (holistic approach to rural well-being) with strong community participation. Sectoral interventions would generate maximum development impact if they are appropriately coordinated and communities are part of the decision-making process (see figure 2 in chapter 7). For example, for a given region of a country, we might have an education project supported by the education sector in the Bank in conjunction with the Ministry of Education and local authorities in the country. At the same time and in the same region, there might also be irrigation, health, or other projects. These projects will operate in parallel, with collaboration across sectoral departments in the Bank and similar collaboration among line agencies in client countries. Another approach is the Rural Development Fund (RDF) being piloted in Morocco. Based on demand from the beneficiaries as expressed through a participatory planning process, the RDF would be used by the Governors of selected provinces, on the advice of a Provincial Rural Development Committee composed of relevant line ministry representatives, to complement or fill gaps in existing sectoral programs in a coordinated way, based on demand from communities, without any predetermined of funding by line ministry. These holistic, multi-sectoral approaches constitute a major component of the MENA implementation strategy

for accomplishing our rural development objectives. It will also entail improving local institutional mechanisms for planning, coordinating, and implementing projects with greater community participation.

Another important issue for implementation is the implication for MENA staffing and resource allocation. We foresee a growing demand for MENA staff to work with client countries in strategic sectoral issues, economic policy analysis and knowledge sharing. For example, experience in other regions indicate that quick policy notes are increasingly proving very effective compared with the traditional sector reports. We may not need to build full in-house capacity for all such services but to have the resources to be able to tap the best technical services on short notice. We also need to foster cross-sectoral task teams to address effectively our rural poverty reduction objective.

To enhance development assistance effectiveness, close collaboration among bilateral and international agencies is imperative. Interagency collaboration could take various forms. The most conventional method is participating in financing operations. Many MENA countries have access to grant and concessionary resources from bilateral and international agencies. The Bank is well positioned to avail its technical expertise for policy analysis and project formulation with a view to developing a multi-donor financing plan for an agreed rural development program. Collaboration among the international community could also be enhanced by improving the exchange of information on country strategies and programs.

Additional Materials

In the course of preparing this Strategy, background studies were prepared on MENA farming systems, macroeconomic issues, analysis of the MENA loan portfolio, sustainable natural resource management, dryland agriculture and other issues. These studies are available upon request.

Table A Summary of action plans and performance indicators for the MENA region

Strategy	Action Plan Components	Performance Indicators/Monitoring
Rationalizing water management and policies	<ul style="list-style-type: none"> •Promote and assist in the development of national water strategies that encompass both rural and urban water needs. •Design and implement projects that include improved demand management (including water pricing) and rationalized water charges, increased system efficiency, greater user participation, infrastructure rehabilitation, and protection of the environment. •For countries and regions with available renewable ground and surface water, encourage the development of small and medium scale irrigation. •Increase the role of user associations in the implementation of water projects. 	<ul style="list-style-type: none"> •Development and adoption of national water plans. •Implementation or strengthening of water use efficiency through appropriate water charges and other measures. •Transfer of operation and maintenance to beneficiaries. •Rehabilitation of irrigation infrastructure. •Extent of increase in small and medium scale irrigation.
Improving access to social and economic infrastructure	<ul style="list-style-type: none"> •Design and implement rural infrastructure projects that encompass education, rural electrification, rural roads, health, rural water supply and sanitation as appropriate for the country and region. •Ensure rural beneficiary participation in project design and implementation. •Increase access to improved communication and information technology in rural areas. 	<ul style="list-style-type: none"> •Level of rural school enrollment and increases in literacy in rural areas by gender. •Changes in access to health care in rural areas. •Extent of increased investment in rural infrastructure. •Degree of participation of local citizens in infrastructure project implementation. •Amount of increase in communication and information technology in rural areas.

Table A Summary of action plans and performance indicators for the MENA region

Strategy	Action Plan Components	Performance Indicators/Monitoring
Facilitating agricultural growth and competitiveness	<ul style="list-style-type: none"> • Promote agricultural trade reform, marketing, and price policies and food subsidy systems while at the same time improving the social safety net. • Support land tenure reform initiatives. • Improved market infrastructure including market information systems. • Increased investments in agricultural research and extension adapted to the local production and market conditions and aimed at reducing risk. 	<ul style="list-style-type: none"> • Market and price policy reforms implemented. • Market based land reforms initiated. • Improvements in marketing infrastructure. • Level of investment in locally adapted farmer demand based agricultural research and extension.
Enhancing rural non-agricultural and private sector economic activities	<ul style="list-style-type: none"> • Increased emphasis on non-agricultural employment and income generating activities. • Use of micro-credit and other instruments to stimulate non-agricultural rural investments • Increase private sector participation in marketing channels for agricultural inputs and outputs. • Encourage strong private sector role in the expansion of information technology in rural areas. 	<ul style="list-style-type: none"> • Extent of increase in rural non-farm income and employment. • Development of sustainable rural financial systems for rural investment. • Extent of privatization of marketing channels for agricultural inputs and outputs.
Improving natural resource and environmental management	<ul style="list-style-type: none"> • Compile and disseminate best watershed management and monitoring practices internationally and in the region. • Design and implement water projects as watershed system projects aimed at sustainable water use while improving environmental management. • Ensure that the economic policy set is consistent with the climatic and natural resource reality in the country so that policies are not leading to adverse impacts on the environment and natural resource base. • Reduce soil erosion. • Complete a regional inventory of natural resources and use it as the basis for developing regional and national policy frameworks for long-term sustainable management of natural resources. • Promote reasonable and transparent environmental regulations and standards. 	<ul style="list-style-type: none"> • Dissemination of best watershed management practices information. • Degree of incorporation of sustainable natural resource management and environmental improvement in watershed system management plans. • Implementation of policy reforms to ensure that economic incentives are aligned with long-term natural resource and environmental preservation. • Extent of reduction of soil erosion. • Completion of natural resource inventory and plans. • Implementation of transparent and effective environmental regulations.

1. Setting the Stage for Rural Development

This document provides an update of the 1997 *Rural Development: From Vision to Action for the Middle East and North Africa Region (MENA)*. The update is designed to build upon the implementation of lessons learned from the 1997 rural development strategy and to render the regional dimension much more specific and action-oriented.

*Rural poverty reduction is our primary objective.*¹ Because of high climatic variability in many MENA countries, reducing vulnerability (especially to drought) also is a second objective, and coupled with the critical role of water, sustainable use of natural resources is the third objective. Most (70%) of MENA's poor live in rural areas; thus, rural, social and economic development are essential to achieve our poverty reduction objective.

Box 1 Vulnerability

As traditionally defined and measured, poverty is a static concept--a snapshot in time. But insecurity and vulnerability are dynamic--they describe the response to changes over time. Insecurity is exposure to risk; vulnerability, the resulting possibility of a decline in well-being. The event triggering the decline is often referred to as a shock, which can affect an individual (illness, death), a community, a region, or even a nation (natural disaster, macroeconomic crisis.)

Risk, risk exposure, and vulnerability are related but not synonymous. Risk refers to uncertain events that can damage well-being--the risk of becoming ill, or the risk that a drought will occur. The uncertainty can pertain to the timing or the magnitude of the event. For example, the seasonal fluctuation of farm income is an event known in advance, but the severity is not always predictable. Risk exposure measures the probability that a certain risk will occur. Vulnerability measures the resilience against a shock--the likelihood that a shock will result in a decline in well-being. Vulnerability is primarily a function of a household's asset endowment and insurance mechanisms--and of the characteristics (severity, frequency) of the shock.

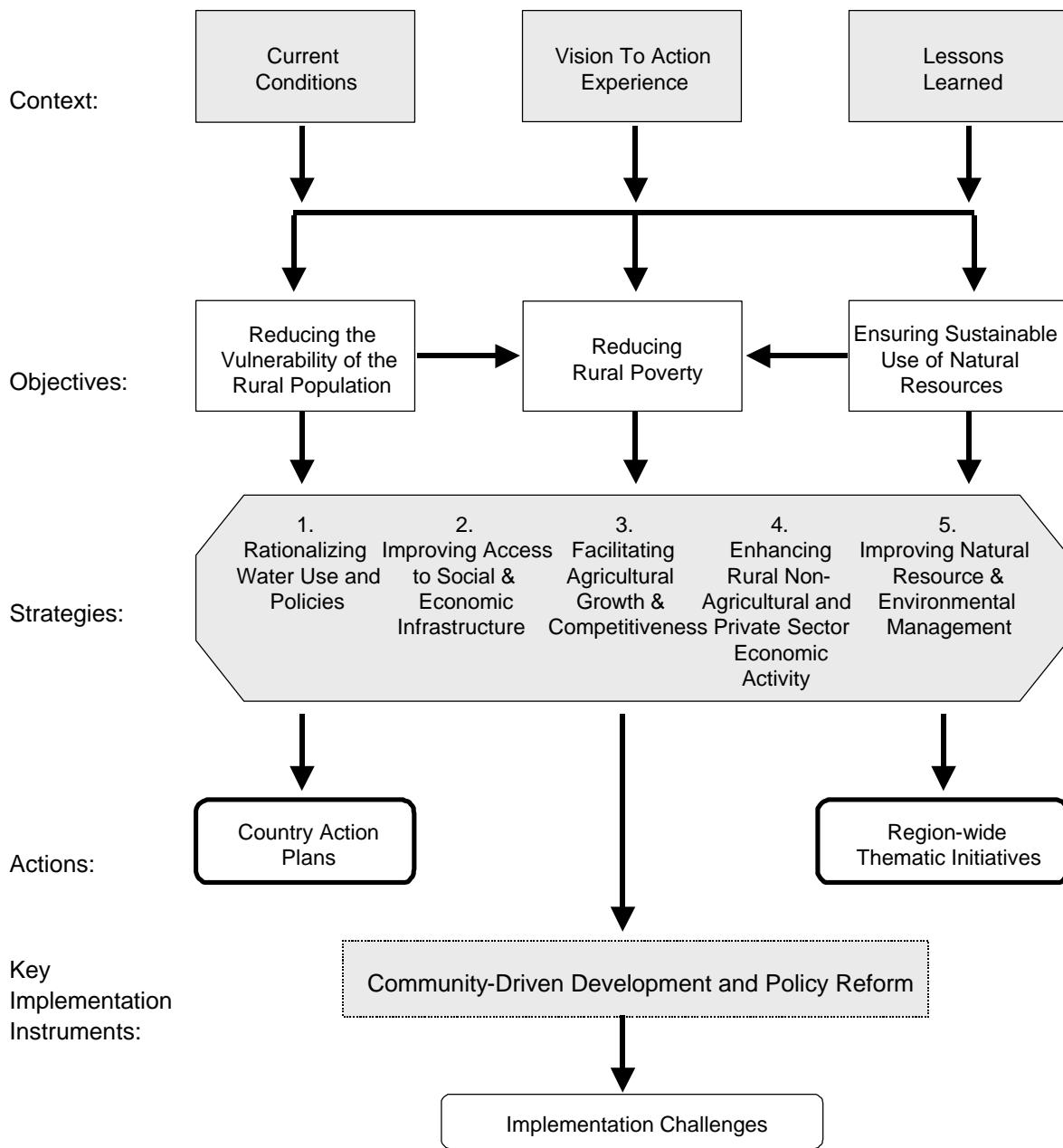
World Development Report, 2000-01, p. 139.

Figure 1 illustrates the overall structure of the approach used in this document. Section II presents the current situation in MENA countries, followed by a section with an assessment of what has happened in MENA since the 1997 Vision to Action document was issued. In Section IV we examine the lessons learned in recent Bank operations in MENA. Within this context, we derive in Section V the three major objectives of rural development in MENA. These objectives and the other contextual material form the basis for the MENA rural development strategies. Community driven development and policy and regulatory reform are important instruments for implementing all the strategies. In turn, these strategies are the starting point for the action plans, presented in Section VI for each MENA country and several cross-cutting themes. These action plans are the heart of the MENA rural development programs. The final section deals with the challenges in implementing the action plans and the underlying strategic directions.

Rural development is critical to make rural areas more attractive places to live and work. The incidence of poverty is much greater in rural areas than in urban areas – about 70 percent of the poor live in rural areas. Most of the poor still are expected to be in rural areas twenty years hence. To achieve our poverty reduction objective requires development of rural areas.

¹ The World Bank's mission is "To fight poverty with passion and professionalism." Our focus in this document is on rural poverty.

Figure 1 Framework for Rural Development Strategy Formulation



The proportion of people living in rural areas in MENA is falling and could reach 25 percent by 2025, but rapid urbanization is a major concern of MENA region governments. Rural development is focused on poverty reduction in rural areas, which at the same time, eases rural-urban migration pressure.

2. Selected Economic, Social, and Rural Development Indicators

General Economic Indicators

Some general economic indicators for selected MENA countries are provided in Table 1. Additional economic and social indicators are contained in Appendix 1. Per capita income in the Bank client countries in the region averages about \$2000, but there is wide variability among countries. Yemen clearly is the poorest country with per capita income of \$350. Syria, Morocco, and Egypt are at \$970, \$1,200, and \$1,400 respectively. Jordan, Algeria, West Bank and Gaza, and Iran range between \$1,500 and \$1,760. Tunisia (\$2,100) and Lebanon (\$3,700) have the highest incomes in this set of countries. When measured in purchasing power parity terms, Yemen, Syria, Morocco, Egypt, and Jordan are still the poorest in the region, with the rest of the progression being Lebanon, Algeria, Iran, and Tunisia, ranked from lowest to highest. By comparison, the 1999 U.S. GNP/capita (using both measures) was \$30,600.

Over the decade of the 1990s, the fastest growing economies in terms of GNP were Lebanon, Syria, Jordan, Tunisia, and Egypt. Countries with the slowest growth rates were Algeria, Yemen, WB & Gaza, and Morocco. In terms of growth in GNP/capita, the fastest growth rates were for Lebanon, Tunisia, and Egypt, whereas Algeria, WB & Gaza, and Yemen all had negative growth rates in per capita income.

A substantial share of the population in the MENA region lives in rural areas – 43 percent for the region as a whole, with a range of 11 to 76 percent. Poverty rates, while lower than some other regions, are still substantial, with most countries having a fifth to a fourth of the population living in poverty. Poverty is predominantly in rural areas with 60 to 70 percent of the poor in many countries living in rural areas.

Agricultural GDP (value added) generally grew 2-5 percent over the previous decade, but three countries (WB & Gaza, Jordan, and Morocco) had negative or zero growth rates. The share of agriculture in total national income varies considerably among MENA countries, but agriculture is a major source of employment in most countries. Variability in agricultural incomes also is an important factor in MENA. This is particularly true in Morocco and Jordan where the standard deviation of agricultural growth is 33 and 25 percent respectively. The high variability in agricultural incomes also means a much larger percentage of the population is vulnerable.

Social Indicators

Throughout the MENA region there is a significant disparity between rural and urban areas not only in terms of levels of incomes but also in terms of access to social services, infrastructure, and social safety nets. Education is one important area of disparity. Illiteracy rates are high in the region, especially for adult females. On average, half of adult females in the region are illiterate. The percentage in rural areas is considerably higher. In Yemen and Morocco about half of school-age children are in school in rural areas, compared to 80-90 percent in urban areas. Many studies have shown that education, especially primary and secondary education, is critical to achieving improved economic well being.

Access to economic and social infrastructure also is biased towards urban areas in many MENA countries. Access to safe drinking water and sanitation in rural areas is quite low in many MENA countries. In Morocco, for example, most urban dwellers have access to safe water, but only 30 percent of rural inhabitants. Two-thirds of urban citizens in Morocco have access to sanitation, but less than one third in rural areas. Urban bias in social service delivery is prevalent in many countries. However, for countries like Lebanon and West Bank & Gaza, the urban/rural distinction is less meaningful, as there are many who work in urban areas and live in rural areas.

Table 1 Key economic indicators in selected MENA countries

Country/ Indicator	GNP/capita atlas method	GDP/capita Growth Rate (1990- 99)	GDP Growth Rate - % (1990-99)	Rural population (% of total)	Agr. GDP (value added), ave. annual growth (1990-99)	GNP/capita PPP method	% in Poverty		
	(1999 US\$)				(1999 US\$)	Rural	Nat.	Urban	
Algeria	1550	-0.6	1.6	40	3.0	4753	30	23	15
Egypt	1400	2.5	4.4	55	3.1	3303		27	
Iran	1760	1.8	3.4	39	3.8	5163		15	
Jordan	1500	0.4	4.8	26	-4.6	3542		12	
Lebanon	3700	5.8	7.7	11	3.5*	4129		15	
Morocco	1200	0.5	2.3	45	0.0	3190	27	19	12
Syria	970	2.8	5.7	46	Na	2761			
Tunisia	2100	2.9	4.6	35	2.1	5478	14	7	4
WB & Gaza	1610	-1.8*	2.1*	Na	-9.8*	Na		26	
Yemen	350	-1.0	3.0	76	5.0	688		25	

* These figures correspond to the period 1995-98

Sources: World Bank SIMI data base, World Bank, *World Development Report 2000* and other sources.

Macroeconomic and Rural Development Policy Environment

A strong and competitive agricultural sector requires a stable macroeconomic environment. In effect, the macroeconomic environment sets up the overall incentive framework within which economic activities take place. A stable macroeconomic environment symbolized, *inter alia*, by the absence of excessive fiscal and current account imbalances and low inflation facilitates long-term planning of the private agents (including rural producers), avoids the crowding out of private investment by the public sector, promotes high aggregate savings, raises the country's creditworthiness in international markets, and supports trade and exchange rate policies. Moreover, it sends direct positive price incentive signals to agricultural producers by keeping domestic inflation at low levels.²

International trade and access to markets for exports is critical to growth in agricultural exports. The largest trading partner for most MENA countries is the European Union, which accounts for 31 percent of exports and 44 percent of imports. The U.S. and Japan each accounts for 15 percent of MENA exports. Only 8 percent of exports and 7 percent of imports represent intra-MENA trade. The fact that so little is traded among MENA countries is explained in part by the fact that they produce and export many of the same commodities, especially in agriculture. Since about a third of MENA exports are destined to the EU, the trade environment with the E.U. is critical for future export growth, especially for agricultural goods. Unfortunately, **current EU policies are quite restrictive and severely limit export expansion by MENA countries**. Quotas, restrictive tariffs, and non-tariff barriers form major obstacles to trade with the EU for several MENA countries.

The policy environment varies considerably among the MENA countries, but there are also similarities. Table 2 provides a qualitative assessment of whether or not several important policy areas are considered to be critical in selected MENA countries. Food subsidies are considered an important issue in five of the nine countries. High border protection for agricultural commodities is a major issue in four of the countries (Algeria, Iran, Morocco, and Tunisia).

² A separate paper entitled "Macroeconomic Dimensions of Rural Development in MENA Countries" is available upon request.

Table 2 Policy Areas Important in the Countries of the Middle East & North Africa Region

<i>Country</i>	<i>Food Subsidies</i>	<i>High Border Protection</i>	<i>Land Tenure Issues</i>	<i>Urban Bias in Social Services</i>	<i>Natural Resource Degradation</i>	<i>Water Policy</i>	<i>Rural Infrastructure</i>
Algeria	x	x	x	x	x	x	x
Egypt	x		x	x		x	
Iran	x	x			x	x	
Jordan				x	x	x	
Lebanon					x	x	
Morocco	x	x	x	x	x	x	x
Tunisia		x	x		x	x	x
WB&G			x		x	x	x
Yemen	x		x	x	x	x	x

Water policy and issues related to natural resource degradation are considered critical in most of the countries. In several countries environmental issues arise both from expanding dry land agricultural production and also from irrigated agriculture. Water management and scarcity are the leading issues throughout the region.

Agriculture in the Middle East & North Africa Region

Recent evidence has emerged demonstrating a strong link between agriculturally led growth and rural poverty reduction. Datt and Ravallion (1998), Timmer (1997), and Mellor (1999) have completed research which demonstrates that agricultural growth is closely linked with rapid poverty reduction.³ It is mainly the indirect or multiplier effects of agricultural growth which trigger non-farm income generating activities that bring about poverty reduction. Furthermore, Mellor concludes that, “The same cross national data show little effect on poverty reduction of urban growth or of growth in the manufacturing sector. Typically, high rates of agricultural growth bring a reduction by half in poverty levels in a 15 to 20 year period.⁴ Despite this strong evidence, we are cognizant of the fact that other non-agricultural interventions are equally critical for rural poverty reduction.

The MENA region covers an area of 10.5 million km² and includes a wide diversity of environments, from the wetter coastal regions to high mountain plateaus and to drier steppes and desert in the interior. However, apart from a narrow strip close to coastlines, which receives moderate rainfall, over much of the region rainfall is low and variable. The long history of human settlement and unequal access to land has led to moderate to severe degradation of land and forest resources through much of the region.

The humid areas account for about two percent of the land area and about 12% of the population, whereas the arid and semi-arid areas account for 85% of the land area and contain 60% of the population. These averaged figures mask the fact that there are centers of population in arid and semi-arid areas, and there are intensively irrigated areas carrying high population densities in these arid zones as well.

The characteristic features of the “mediterranean” environment are the long summer droughts and the mild, wet winters. Crops are either grown with rainfall through the winter period or with irrigation during the summer or year round. The main rainfed crops are wheat, barley, legumes, olives, vines, fruit trees and vegetables. Many subtropical crops are also grown with irrigation in the summer months. Livestock, mainly sheep and goats, are now an important feature of many farming systems and provide an important

³ To the extent that agricultural growth depends heavily on irrigation and water use is already approaching or exceeding sustainable levels, e.g., Yemen, agriculturally led growth may not be a viable approach.

⁴ John Mellor, 1999.

link between and within the different farming systems, from extensive pastoralism to feed lots in peri-urban agriculture.

The major, broad farming systems have been identified based on annual rainfall amounts, cereals, livestock, altitude and access to supplementary or full irrigation, around which there is considerable heterogeneity. Off-farm incomes are an important characteristic of many of the farming systems throughout the region. The intimate linkages between the main types of farming systems make it difficult to define sharp boundaries. The principal systems used in this analysis (table 3 and box 2) are rainfed mixed, dryland mixed, pastoral, irrigated, and highland mixed. It is in the context of these farming systems that rural development projects and actions must function. While other systems constitute over half the total land area, there is little potential for agricultural growth or poverty reduction under those systems.

While rainfed agriculture is very important in the region in terms of number and percentage of people involved in agriculture (and of the poor in the region), irrigated agriculture is responsible for a large share of total value of production, especially for high-value and export crops. That will continue to be the case in MENA, but water availability to agriculture in the future is likely to shrink because of competing demands from urban and industrial users. Thus it will be critical for agriculture to use the available water at the highest efficiency possible.

Table 3 MENA land area and population by farming system

<i>Farming System</i>	<i>Rainfall</i>	<i>Length of growing period (days)</i>	<i>Total Land Area (m. ha.)</i>	<i>Cultivated Land Area (m. ha.)</i>	<i>Land Area (% of region)</i>	<i>Population</i>		
						<i>Total (mil.)</i>	<i>Total Rural (mil.)</i>	<i>Ag. Pop. (% of region)</i>
Rainfed mixed	300-1000	180-365	24.3	14.2	2	38.9	19.8	11
Dryland mixed	150-300	120-180	44.6	17.2	4	41.5	20.0	12
Pastoral	<150	0-365	273.0	3.8	26	88.0	22.0	23
Irrigated	Variable	365	20.5	6.6	2	53.2	17.3	11
Highland mixed	200-800	0-180	79.0	18.9	7	60.9	50.0	37
Other systems			608.6		58	32.3	9.0	6
Totals			1050.0	60.7	100	323.0	129.1	100

Source: "Global Farming Systems Study: Challenges and Priorities to 2030, Volume 3: Regional Analysis – Middle East and North Africa Region," U.N. Food And Agricultural Organization, 2000.

Box 2 Farming Systems in Middle East & North Africa

Rainfed mixed. The system is primarily rainfed, although some in areas supplementary irrigation on wheat and full irrigation for summer cash crops, is developing rapidly. This system may be considered to be of two phases which differ only in the amount of rainfall received and often closer access to markets. The more humid phase (1000 to 600mm) has 270 to 365 growing days. This system can support tree crops, olives, fruits (trees and melons) and also vines. There may also be protected cropping with supplementary irrigation for potatoes, sugar beet, vegetables and specialist crops and flowers. In the drier end of this range, there are fewer trees apart from more drought resistant ones. This is considered moist, sub-humid and has a growing period of 180 to 269 days. Rainfall is generally between 500mm and 300mm. Common crops are wheat and barley, together with fodder crop, vetches, medics and some supplementary irrigation for vegetable and cut flower production.

Dryland mixed. This system is dry sub-humid with 20 to 180 days growing period. Annual rainfall is usually between 300 to 150mm. The main rainfed cereals are barley with some wheat with annual or two year fallows. Sheep and goats interact strongly with the cropping and fodder system. Local barley varieties are particularly well adapted to this system.

Pastoral. Pastoral systems, mainly involving sheep, are found across large areas of semi-arid steppe lands. They are usually found away from coastal zones and are characterized by a growing season of between 1 and 119 growing days. In such areas rainfed barley is grown as a whole crop fodder or in good years, for both grain and fodder. Such systems have strong linkages to other farming systems, both in wetter areas and with large feedlots located in urban areas. The animals are involved in seasonal migration which is dependent on the availability of grass, water and crop residues. These systems are often partially controlled and financed from urban capital.

Irrigated Large-scale irrigated agriculture. Large in this context means that there is a relatively large area being irrigated, although ownership and tenant patterns may be quite varied, and include small holders. The systems are found across all zones and include high value cash/export cropping, intensive vegetable and fruit cropping, and irrigation for cereals and sugar. Efficiency of resource use varies greatly, but often water is not used effectively, and there are major problems linked to falling water tables and rising levels of salinisation and alkalinity.

Small-scale irrigated systems. These systems occur in many places across the region and although they may not be significant in terms of numbers of people involved or in the amount of food and other crops produced, they are a significant element in the survival of people in dry areas. Such systems develop at oases and boreholes, or are built around flood and spate irrigation activity. The major crops found are mixed cereals and vegetable cropping. These water abundant places always provide a focal point for the interaction between livestock owners, with camels and cattle and settled agriculture within dry areas.

Highland mixed. There are two, sometimes interlocking systems here. The first is dominated by rainfed cereal and legume cropping. Tree crops, fruits and olives can be found on terraces, together with vines. In Yemen the production of Qat and coffee are the most important tree crops in mountain regions. The second type of system is based on livestock (mostly sheep) which are found on communally managed lands in several countries. In some cases, livestock, and the people who control them, are involved in a transhumance system - alternating seasonally between lowland steppe and uplands in the wet season. Such systems still exist in Iran and Morocco.

3. Analysis of Recent Bank Lending

Lending Within the Context of From Vision to Action

Appendix 2 classifies recent MENA sector work and lending activities according to the themes of the 1997 *Vision to Action* program envisioned for MENA. The 1997 themes are still valid, but our interventions in rural development have evolved over time and reflect: i) strong sector analysis (e.g. water and agriculture sectors in Yemen and rural development in Morocco); and ii) beneficiary/user and community participation (rural water supply, natural resource management, irrigation/drainage operations and provision of agricultural services) based on social assessments.

Consistent with the Bank-wide trend, the expected higher lending volumes under *Vision to Action* did not materialize in MENA. In FY99 and FY00, however, considering “Agriculture +3” (defined as agriculture + natural resource management (NRM) + rural roads and water supply and sanitation) as an indicator of total lending in “rural space,” the proportion of such lending in MENA has been high compared to other regions, second only to South Asia Region. Lending in rural space was 34% of total lending in MENA in FY99 and 39% in FY00, compared to 20% and 27%, respectively, Bankwide. As a share of total lending to rural space, however, lending to agriculture + NRM declined from 84% to 43% between FY99 and FY00.

Across the Bank, a number of factors are often cited to explain the drop in lending for agriculture and rural development, including: (a) in the current “client-oriented” environment, priorities are often set by Ministries of Finance and Planning who may not attach the same importance to agriculture and rural development lending as the sectoral ministries who are more attuned to rural interests; (b) agricultural and rural development loans are perceived as riskier than many other areas of Bank lending, due to the inherent riskiness of agriculture as a sector, with the variability of commodity market prices and of weather conditions, and to the fact that many safeguard policies have their direct impact in rural areas, resulting in risk averse behavior on the part of Bank staff; and (c) the great complexity of rural development must of necessity involve multiple ministries in government and sectors in the Bank, but historically multi-sectoral projects have had a higher incidence of problems, especially the top-down Integrated Rural Development (IRD) ones of 20 years ago which were judged as failures and abandoned; and (d) agricultural development and rural poverty reduction require a very long-term commitment which contrasts with the very short time horizon of most decision-makers.

In MENA, however, the causes of the decline seem to be more related to the external environment. With the exception of Yemen, the only IDA country, the Bank is a relatively expensive source of funds, compared to cheaper bilateral and multilateral sources. Even if our clients do appreciate the strategic thinking and policy advice which is almost unique to the Bank, they may perceive Bank lending rates as too expensive, especially for rural development projects. In some countries, Bank lending was also delayed by lengthy decision-making processes (e.g. Morocco) and/or effectiveness delays (e.g. Egypt).

In terms of “outcome domain,” about 70% of MENA lending volume is considered to have supported “policies and actions which promote sustainable livelihoods.” An additional 28% is considered to have supported “better education, health and opportunities for rural people,” and 2% is considered to have supported “protection and better management of natural and physical environment.” Based on the further breakdown of lending within these categories, MENA is considered to have had a low level of lending for nutrition, conflict resolution and NRM.

In terms of poverty, 50% of MENA projects in rural space are classified as “inclusive” (defined as broad-based actions which improve opportunities and services generally, and also address issues of equity and barriers to participation or access of poor people), while 39% are classified as “focused” (defined as

predominantly focused on the rights, interests and needs of poor people) and 11% are classified as “enabling” (defined as supporting the policies and context for poverty reduction and elimination). All of the projects rated “focused” are also tagged for the Program of Targeted Interventions (defined as having either a specific mechanism for targeting the poor and/or the proportion of the poor among project beneficiaries is significantly larger than their proportion in the overall population).

Diagnosis of poverty is rarely discussed in Project Appraisal Documents (PAD) in MENA. The quality of analysis of poverty is weak, with minimal treatment of the distribution of poverty, including the non-income dimensions of poverty, sources of vulnerability and livelihood options. Although presentation of strategy is linked to the CAS, fewer than one in five projects are reported to be associated with ESW. Links to other projects are commonly made, but references to Bank operations dominate over other donors and national actions, and strategy options are not well presented.

Treatment of institutional development and sustainability issues lacks a pro-poor focus. Project objectives and indicators are improving with the logframe, but many indicators are hard to measure and are weak on poverty-related performance, including indicators of access, use and satisfaction with services and institutions. Arrangements for monitoring and evaluation are mainly supply-driven and are not integrated into management and lesson-learning.

Nevertheless, it is clear that *Vision to Action* had a significant impact on sector work, especially in Morocco where, through the Rural Development Strategy, the Region tried to apply the holistic vision of rural development advocated in *Vision to Action* to a “focus country.” Although the rural development report was never officially issued as a Bank document, it served its purpose in the sense that the Government published its own “2020 Rural Development Strategy” drawing heavily on the Bank report. The adoption of this strategy, in turn, led to the preparation of a series of new-style integrated rural development type projects with greater emphasis on decentralization and beneficiary participation: Irrigation Based Community Development, Rainfed Agriculture Development Project, Rural Infrastructure and, in the future, Integrated Rural Development Based on Improved Natural Resources Management. There has also been significant progress recently on liberalizing the market in oilseeds and vegetable oils, consistent with Bank advice.

Rural Development Reflection in the CASs

Several CASs (Egypt, Lebanon, Morocco, Tunisia, Yemen) explicitly recognize spatial disparities in the countries, quantify rural poverty, and identify rural poverty alleviation and raising rural incomes as explicit objectives for development. Yet, high unit cost of service delivery in remote rural areas and sometimes low economic returns on investment due to their long-term orientation may discourage countries from financing rural investments on external foreign resources if these are to be procured at close to market conditions. In the MENA region, where only Yemen is left to be eligible for borrowing under IDA terms, this issue may be of significant importance. In addition, the extreme water scarcity and overwhelming significance of water resources management issues in the region lead to a situation where other sectoral concerns in rural areas receive less attention.

In general, the treatment of rural development in the CASs reflects well the current discussion within the Bank on understanding rural development as a spatial rather than a sectoral concept.

4. Lessons Learned from Bank Operations in the Countries of the Middle East & North Africa Region

The 1997 *Vision to Action* document (pp. 5 and 33-34) identified six major areas where we have learned from past mistakes:

“Integrated rural development” – top down centralized programs

Credit support to specific crops or sectors

Frontier settlement programs

Large-scale irrigation programs

Seed production through parastatals

Public sector production, distribution, processing, or marketing⁵

These lessons are still applicable today but are covered quite well in the 1997 document and need not be further discussed here. Rather, our objective is to glean from recent MENA experience any additional lessons learned in rural development and poverty reduction in the MENA region.

An evaluation of Bank experiences in rural development across the MENA region leads to a series of eight lessons that reflect both successes and failures of Bank assistance programs. This section presents the general lessons (see box 3). Appendix 3 provides a more complete description of the experience in MENA countries from which the lessons are taken.

Box 3 Lessons Learned from operations in Middle East & North Africa

- More attention needs be paid to political constraints and institutional capacities;
- Non-lending activities employing the Bank’s strong analytical talent may be more important in some countries;
- Variability in climate and incomes affects policy decisions in the MENA region in different ways;
- Projects need to involve more private sector and/or community participation;
- A greater emphasis on small-scale projects in rural infrastructure and natural resource management is warranted;
- The Bank needs to be more sensitive to the negative implication of accepting a status-quo stance on issues requiring long-term, re-institutionalizing efforts;
- The Bank’s awareness of the need for integrated, water resource management should be reflected in policy stances with governments;
- A lack of indicators for rural development is inhibiting project planning and devaluation.

More attention needs be paid to political constraints and institutional capacities. There are many country examples testifying to the need for Bank activities to accurately assess the political and institutional setting in planning and implementing rural development projects. Generally the difficulty arises from optimistic assumptions regarding institutional capability or the pace at which institutional or political reform can progress. To the extent that project success depends upon implementation capability of local institutions, realistic assumptions regarding that capability must be used in project design. And where that capacity clearly does not exist, adequate resources and sufficient time must be provided for improving institutional capacity. Also, consensus building is often a long-term process, which is related to institutional capacity.

⁵ World Bank (1997d).

Non-lending activities employing the Bank's strong analytical talent may be more important in some countries. By emphasizing its comparative advantage in analytical and policy advice, the Bank can make strides in rural development. Lending activities should have built-in flexibility, and analytical work should serve as support to that flexibility. The testimony from country studies reflects these lessons.

In Egypt, which in the past focused on structural adjustment, the Bank's emphasis should be redirected toward non-lending services complemented by high priority investments.

Likewise, in Tunisia's previous CAS (1997-1999), the Bank turned more effort toward non-lending activities. In particular, support was given for structural reform and competition promotion that accompanies structural reform, human capital improvements via education, health and social safety net programs, and modernization of services with emphasis on banking and agricultural services. Water sector studies led to the Water Sector Investment Loan.

In Yemen, the Bank engaged in a serious and in-depth partnership with Government in sector analysis culminating in two major Bank Economic and Sector Work (ESW) reports (water and agriculture), both of which were the basis of national policy papers subsequently adopted by the Council of Ministers. A third initiative in institutional reform resulted in the "Aden Agenda" for change in institutional structure, personnel and financial resources.

Analytical work on Morocco scored a tremendous success in late 1999 with the publication of the Government's "2020 Rural Development Strategy." This document drew heavily on the Bank's earlier green cover Rural Development Strategy which, in turn, was heavily inspired by the Bank's 1997 "Rural Development – Vision to Action" report. The strategic framework was thus established for a new more holistic approach to rural development activities extending beyond traditional agricultural operations to include rural roads, water supply, electrification, health and education, all on a demand-driven, integrated basis.

Variability in climate and incomes affects policy decisions in the MENA region. On the one hand, many governments seek consumer and producer price stability as an objective, and in a different sense, in many cases, the economic and agricultural policy framework does not match the climatic variability and production conditions in the country.

Reliance on irrigation for agriculture reduces the variability resulting from weather conditions. The huge difference between Morocco and Egypt in variability of agricultural income growth makes this abundantly clear. Egypt has a very low variability and relies heavily on irrigation, while Morocco has a very high variability in agricultural production and incomes and relies much more on rainfed agriculture. In addition, cereal cultivation in Morocco and other MENA countries has been encouraged by high support prices that have led to increased cereal area on marginal lands and even higher variability in production.

However, as irrigated agriculture in many MENA countries moves toward non-subsistence crops and away from basic cereals, the risks grow for variability in living standards resulting from fluctuations in world prices of agricultural imports, cereals in particular, and from agricultural export values. Most of the MENA Mediterranean countries export fruits and vegetables and import cereals.

Another avenue for variability to negatively impact the rural poor is via fluctuations in remittances of the population working abroad. This has been particularly important in the MENA region as labor migrated to meet oil extraction needs in the Gulf and Arabian Peninsula as well as basic labor needs in Europe.

Projects need to involve more private sector and/or community participation. The lesson learned that projects must have local participation for sustained success is not a new theme for strategic program planning. However, cases of unsatisfactory project results across varying rural development programs caused by a lack of community participation add evidence to the significance of this point. Also, there are

country success stories where changes made to increase community participation have led to more satisfactory results.

A greater emphasis on small-scale projects in rural infrastructure and resource management is warranted. Small-scale rural infrastructure projects have at least four desirable traits applicable to rural development in the MENA region: 1) they often are more labor-intensive than large-scale projects; 2) they tend to involve the community more in their implementation; 3) they may be more sustainable in that rural associations may have the ability to carry out operations and maintenance; and 4) small-scale projects have the advantage of generally being able to target poorer quintiles of the population relative to large-scale programs.

The Bank may need to be sensitive to the negative implication of accepting a status-quo stance on issues requiring long-term, re-institutionalizing efforts. The lesson from all our work on policy for natural resource management – and this is particularly drawn from the Yemen experience – is that changing national policies on natural resources and environment is a very long term affair. The lessons for the Bank are:

be provident and proactive to identify the problem as soon as possible – this demands a real investment in sector work, as we have done on water in Yemen, Tunisia and Jordan;

coordinate carefully within the Bank, as water issues particularly involve several units;

be clear, consistent and honest with Government, exploiting windows of opportunity like a drought or a city running dry to drive the message home; and

back up words with investment – a lending operation is a good vehicle for dialogue, creates incentives, and focuses the agenda for at least the period of the operation.

There is a greater need for better understanding and consideration of land tenure deficiencies in agriculture and irrigation projects. The basic idea is that if incentives are not aligned for farmers to think of their land as a long-term sustainable resource, then project success will not be maximized. Where land tenure is uncertain, rural development projects need to account for the lack of strong land ownership incentives.

The Bank's awareness of the need for integrated, water resource management should be reflected in policy stances with country governments. The simple idea that water is running out in much of the MENA region is not a new revelation. Neither is the fact that a supply-driven focus of water policies – dams, pumping systems, reservoirs, desalination, etc. – does not, by design, solve the allocation problem of the scarce water resource. The lesson here is that the Bank needs to ensure that all projects involved with supply creation or restoration are integrated with a demand management element. In fact, this approach has been predominant since the 1994 MENA water strategy was adopted.

Rural development in MENA is challenged and constrained by multiple-dimension water-related issues. MENA, as the most arid region of the world, faces water constraints in all aspects of development. Water-related projects in MENA suggest the following key points:

Competition for water among multiple users has increased the pressure on agricultural water uses requiring a dramatic increase in irrigation efficiency.

This is particularly evident in competition for water between urban growth and agriculture.

Heavy reliance on groundwater, as facilitated by tube-well and other technologies, in all sectors has led to unsustainable withdrawals.

Continued extensive state involvement in the water sector, particularly in irrigation water delivery, has led to unsustainable economics and management of water resources.

The political economy of water in the MENA countries is not conducive to rapid policy and institutional reforms, particularly in the private sector.

A lack of indicators for rural development is inhibiting project planning and evaluation. Often projects cannot be adequately planned or measured simply because the base data do not exist. The capacity to understand deficiencies in rural areas is often hindered by the remote locations. Yet, policies and projects are designed to raise income and address issues in such places where little prior analysis can be done to offer insights on sustainable income opportunities. As a consequence, the opportunity for more informed project and policy decisions is lost.

5. Rural Development Objectives and Strategies

MENA confronts major challenges of rural development as we enter the 21st century. This section elaborates objectives and strategies for rural development in the MENA region. The three major objectives are:

Reduction of rural poverty;
Reducing vulnerability in rural areas; and
Ensuring the sustainable use of natural resources

These objectives will guide rural development programs in the region. There are five specific strategies for achieving these objectives:

Rationalizing water management and policies;
Improving access to social and economic infrastructure;
Facilitating agricultural growth and competitiveness;
Enhancing rural non-agricultural and private sector economic activities;
Improving natural resource and environmental management.

Community driven development and policy reform are a part of each of these strategies and at the same time instruments for implementing the strategies. Intended beneficiaries should participate both in project planning and implementation, including operation and maintenance. Likewise, policy reform is a means of implementing at least part of each of the strategies. These specific strategies are tied to all three regional objectives.

Objectives

Reducing rural poverty

This objective is the real guiding principle by which all other rural development objectives and policies are implemented. Of course, increasing rural economic growth is linked to poverty reduction. In fact, all the international development objectives adopted by the Social Summit in the Hague relate to poverty reduction. To be serious about poverty reduction, we cannot ignore the rural economy in national investment allocation, and maintain the current urban bias in public policy. It will also mean that we focus operations on the relatively poorer countries and on poor regions within wealthier countries. To do that will require that we obtain better information on poverty indicators in rural areas (see the eighth lesson learned above). One step in better understanding rural poverty is to construct poverty profiles providing a general description of poverty in the country, and answering questions such as, “Who are the poor, where are they, and what are the main challenges they face?” Table 4 contains a simplified poverty profile for Morocco and Yemen.

Reducing vulnerability in rural areas

Income variability in rural areas is high, which means that the percentage of the population that is vulnerable to income swings is quite large. In Morocco, for example, while 27 percent of the rural population is considered to be poor, almost 50 percent is considered to be vulnerable. No wonder that many MENA governments are quite concerned about income variability in formulating policies (see the third lesson learned above). Reducing vulnerability is not synonymous with poverty reduction and goes beyond policies that endeavor to bring the poor to an acceptable minimum level of consumption. It also means putting in place a safety net to prevent the non-poor from falling below the poverty line, along with the creation of opportunities that will help improve living conditions for the poor and non-poor.

Reducing vulnerability implies improving social safety nets, improving targeting in food subsidy programs, providing health and nutrition assistance for infants from poor families, improving our understanding of how poor farmers cope with potential variability in agricultural income/consumption flows, among other endeavors. Policy incentives have to be right so as not to expand cereal production to marginal areas causing environmental degradation.

Table 4 Abbreviated poverty profiles for Morocco and Yemen

Poverty Characteristic	Morocco	Yemen
General poverty Description	<ul style="list-style-type: none"> The percentage in overall poverty increased from 13% in 1990/91 to 19% in 1998/99. The poverty rate in rural areas is 27%. The percentage considered economically vulnerable (at or below 50% above the poverty line) is 44%, or 12 million people. In rural areas, one out of four is poor compared to one out of ten in urban areas. In total, 66% of the poor live in rural areas. 	<ul style="list-style-type: none"> At the national level, 25% of the population are in poverty. Of that, over 80% live in rural areas. Yemen has the lowest life expectancy (51 years), lowest adult literacy rate (38%), highest fertility rate (7.5), and the highest infant mortality rate (11.7%) of all MENA countries. Access to basic services is much better in urban areas than rural: water supply- 87% urban, 31% rural; electricity- 92% urban, 24% rural; sewage- 54% urban, 0% rural.
Who are the rural poor?	<ul style="list-style-type: none"> About 44% of the poor are children under 15. The poverty incidence among children is 1.5 times that of adults. Most of the poor households are headed by men (91%). Poor rural households engaged in productive activities typically have access to agricultural land, but their holdings are small, rarely irrigated, and often low in productivity Larger household size is associated with a greater incidence of poverty Other categories of rural poor include landless laborers and agro-pastoralists 	<ul style="list-style-type: none"> Poverty is widespread, and the poverty percentage mirrors the percent living in rural areas (81%). Household size is larger for poor households. Literacy rate is lower for poor households. Groups of poor include: 1)Somali refugees of Yemeni descent, 2)Foreign refugees from Somalia who live in camps, 3)Disposed farmers in southern Yemen, and 4)the Akhdam ethnic group.
Location of the rural poor	<ul style="list-style-type: none"> Most of the poor live in the Center-north, Center-south and North-west regions. 	<ul style="list-style-type: none"> Al-Mahweet, Al-Beida, and Dhamar governorates have the highest poverty rates at around 35%. Poverty tends to be concentrated in areas with the highest concentration of small farms. Rural poverty is widespread, but the percentage is lower near the border with Saudi Arabia.
Main challenges faced by the rural poor	<ul style="list-style-type: none"> Poor natural resource base and degradation of the environment Climate variability (drought) Limited asset base (human and physical) Access to social and economic infrastructure Access to credit 	<ul style="list-style-type: none"> Access to social and economic infrastructure Agricultural productivity and water access and use Natural resource and water management and conservation

Sources: Most of the Morocco information was taken from a draft World Bank document, *Kingdom of Morocco Poverty Update*, June 2000. The Yemen information is taken from World Bank reports, *Republic of Yemen, Rural Development: Key Issues* (September 2000) and *Republic of Yemen Poverty Assessment* (Report 15158-YEM, 1996).

Ensuring the Sustainable Use of Natural Resources

There are four important components of the natural resource base of rural life to address – water, land, forests, and pastoral areas. These resources are scarce and fragile and our objective is to ensure the long term sustainable use of these natural resources. Box 4 describes some of the natural resource issues in MENA.

Box 4 Natural Resource Management Issues in Middle East & North Africa

Water. The first natural resource we must consider in the MENA region is water – both ground water and surface water. The major issues are the need to: (1) improve water resource management; (2) improve productivity of water use in agriculture; (3) improve access to safe water and sanitation; and (4) facilitate water transfers. Agricultural production requires large amounts of water. Irrigated agriculture uses 87% of the water in MENA and accounts for about 30 percent of total used arable land. Maintenance of irrigation facilities, water pricing, efficiency of water use, and crop pricing and production policies are important issues in many MENA countries. With economic growth, competition arises between agriculture and non-agricultural uses by cities and factories. Scarcity of water is becoming the most binding constraint on agricultural production in the 21st century. Hence improving water use efficiency and savings in both agricultural and non-agricultural uses is high priority agenda for MENA countries.

Soil. In some MENA countries, current agricultural policies have encouraged agricultural production to move onto fragile lands not suited for crop production, which accentuates soil erosion and land degradation problems. Moreover, as economic growth occurs, competition for land grows among agriculture; construction of cities, factories and roads; and environmental amenities.

Forests. MENA has the lowest per capita forest land in the world. It is equally important to recognize that forestry and agriculture compete for land with other economic development. As successful economic growth occurs, demand for wood based products also grows, including fuelwood, lumber for construction, poles, furniture, and paper. In addition to these economic benefits, forests also provide important environmental and social benefits. Tree roots help stabilize soil in hilly and mountainous areas, thereby reducing soil erosion; in flat terrains trees are effective at reducing wind erosion of the soil. Forests also provide wildlife habitat and the home for abundant biodiversity, and they sequester carbon from the atmosphere, thereby reducing the accumulation of carbon dioxide, a greenhouse gas whose accumulation contributes to global warming. Finally, forests provide a social benefit in their contribution to recreation activities. In MENA, defensive forestry generally is much more important than economic forestry.

Pastoral areas. MENA has a significant land area in pasture, much of it being very fragile. In recent years, there has been significant pressure on pastoral areas with some of it being converted to crop production. There are significant environmental and productivity issues associated with use patterns in pastoral areas in MENA. Close attention needs to be paid to the linkage between agricultural policies and preservation and sustainable use of the pastoral areas.

Strategies

Five specific strategies have been identified to accomplish the three objectives in MENA's "rural space," referring to the geographic area (as opposed to sector), where agriculture plus other rural development activities designed to alleviate poverty take place, including natural resource management, rural transport, water and sanitation, telecommunication, education, health and other social services.

Rationalizing water management and policies

In MENA, efficient and effective water use is absolutely critical for success in rural development. Improving performance and productivity in water management requires institutional, policy, and planning system reforms. The key concepts of integrated water resource management, as articulated in the 1994 MENA Water Strategy, should guide the rationalization of water use in the rural space. This strategy calls for an examination and possible revision of legislative, policy, and institutional framework for water resources, along with actions to strengthen the role of rural communities, the public, and the private

sector. It also calls for systematic management of land and water resources at the basin level to adequately address the increasing tension over water between rural agriculture and urban growth. This management should include institutional structures for the widespread participation of all stakeholders, the provision of information to all, and procedures for conflict resolution.

Improving access to social and economic infrastructure

Social infrastructure here encompasses especially health care and education for rural areas. Economic infrastructure includes rural roads, rural water supply, and rural electrification, and today also access to information technology. For several MENA countries, levels of health care, education (especially women), and rural electrification are lower than for other countries of comparable income per capita. To increase rural agricultural and non-agricultural incomes, it is imperative to increase access to both social and economic infrastructure in rural areas. Particular attention needs to be paid to enhancing women's access to these services. Traditionally, national-level social sector operations have had little rural focus. Recent social sector assistance in MENA is increasingly focusing on the rural sector, and we intend to increase awareness of rural conditions and problems. As an example, the MENA Education Strategy (1998) has a strong focus on ensuring universal basic education. In countries where enrollment in basic education is low - and that affects mainly rural areas and girls -, the Bank is supporting government efforts to improve access and quality of basic education through projects as well as sector work and policy dialogue to ensure the sustainability of these efforts. Egypt, Morocco and Yemen provide encouraging examples where enrollments in rural areas and for girls are increasing.

The social cost of promoting competitive agriculture in MENA countries likely will require various forms (including provision of market-based skills development) of social protection for the poor and marginal farmers adversely affected by policy changes.

Rural infrastructure improvement is very important for success in rural development. Research has shown that rural roads are a key ingredient in increasing growth in rural incomes. Rural infrastructure needs to be upgraded with the local communities participating in the decisions on how resources are allocated for infrastructure in their region.

Facilitating agricultural growth and competitiveness

Reversing deteriorating agriculture performance and facilitating growth to increase rural income (farm and non-farm) is a fundamental means of realizing poverty reduction. Policy change, secure land tenure, creation of economically viable and efficient farms, facilitating the emergence of competitive and farmer-friendly processing and marketing infrastructures, and support of farmer-induced technological change in agriculture are critical for the promotion of competition in the region. The increasing water scarcity in MENA likely will mean less water will be available for agriculture and greater movement towards higher valued crops and improved water efficiency.

The form and structures of farming are rather diverse throughout the region. Typical farming systems in MENA were described in box 2. The results and efficiency of various farming operations vary to a great degree, by ownership, organizational form, and scale.

The speed of technological change in agriculture in the 21st century is becoming an ever more critical element of agricultural growth. To gain competitiveness, the MENA region needs to continue its support for cutting age agricultural research and high quality production.

Facilitating agricultural growth and competitiveness also requires a combination of macro, sectoral and microeconomic policies. At the macro level, trade liberalization represents a major opportunity to achieve higher agricultural growth and better management of shocks. It breaks the limits imposed by small internal markets and provides new opportunities. But it also implies:

Increasing growth in agricultural exports, which requires the removal of anti export bias, namely high protection of importable agricultural or industrial goods and real exchange rates overvaluation. In MENA, **increasing agricultural exports also will require changes in the protectionist policies of its primary trading partner, the European Union.**

An adaptation to the new international trade environment currently being shaped by WTO rules and regional trade agreements (erosion of preferential access to some markets, new opportunities, etc.).

Formulating agricultural pricing and trade policies that consider reducing farm income variability as one of the strategic priorities (see lesson learned three). **Agricultural policies must be better aligned with the climatic reality of the region, which is high rainfall variability and frequent drought.** There are many instances of perverse impacts of current and recent past agricultural policies because of the failure to adequately address the climatic variability issues in policy formation.

Agricultural research and extension must be improved especially in adapting crop varieties to the drought prone regions (and associated climatic variability) plus research on efficient use of irrigation water and irrigation techniques appropriate to each crop and region. **National agricultural research systems in most MENA countries are weak and need strengthening.** The way in which research and extension are decided, financed, managed, and delivered needs to be rethought to involve farmers and farmer groups much more, to tap private sector capacity and financing, and to create efficiency and demand-responsiveness through competition between service providers.

We need to consider innovative uses of information technologies in delivery of information to farmers and agricultural businesses in the region.

More emphasis is needed on crop/livestock systems and environmental sustainability of those systems. The interplay between different livestock systems and highly variable climatic (drought prone) conditions needs to be better understood. Livestock production potentially is one means of reducing vulnerability.

Land tenure reform – **Land tenure issues in some MENA countries have become a major impediment to agricultural productivity growth.** Rural development programs must address these issues. There may be lessons learned from other countries that would be useful in this regard.

Investments are needed in developing the public institutional capacity in policy analysis, particularly related to agriculture and natural resources.

Enhancing rural non-agricultural and private sector economic activities

A full integration of non-agricultural rural activities is one of the major challenges of this exercise. We need to bring rural infrastructure, the development of rural education, and health, and other social services, as well as the rural non-agricultural business activities into the mainstream of rural development activities. We must do this with appropriate attention to the rural – urban interface.

The rural economy components upstream and downstream to agriculture are also essential determinants of the well being of rural populations. Recent policy reforms in MENA have facilitated a prominent role for the private sector in input supply, farmer services, agro-processing and marketing. Private sector development is crucial for the success in improving rural well being (see lesson learned four). Mobilizing the private sector to provide investment capital, production, and services will continue to be our challenge. In many MENA countries, exports to the EU are important, which means that greater attention must be paid to food safety and quality. In Yemen and Tunisia, we are gradually building a consensus in defining the respective role of the public and private sectors in the delivery of support services to farmers. Establishing and respecting “rules of the game” which are transparent would encourage the development of a competitive private sector.

To provide work to household members that cannot be productively employed in agriculture, an increasing proportion of the employment will have to be provided by non-agricultural activities. But imperfect or missing credit markets impede diversification into non-farm activities characterized by investment entry barriers. For instance, rural households typically cannot afford purchasing a truck to

enter the long-haul transport niches of the food marketing channel. These niches tend indeed to be monopolized by well connected "semi-rural" notables, or rural families with strong social capital (typically having some members of the family in big towns or abroad).

Following are some actions that can serve to effectively enhance the non-agricultural rural economy:

Agricultural policies can promote non-farm activities such as agro-processing and the other industrial, commercial and service sectors that characterize modern agriculture. Policies (technology generation and diffusion, education, agrarian reform, credit, etc.) should be designed and developed with these links in mind.

Projects and policies aimed at promoting the non-farm economy should not just focus on improving the *capacity* of households to become involved in the non-farm economy, but should also stimulate the *engines* that pull rural households into the non-farm economy. Tourism and manufacturing are examples of engines that are not traditionally viewed as part of the rural landscape. **Engines of non-farm growth that offer employment to women in particular should be emphasized.**

Local government and institutional participation will have to be engaged in a whole variety of capacities, ranging from land-use planning, education provision, infrastructure investment, regulation, training and financing.

Efforts must be expended to assure that public institutions with responsibilities pertaining to non-farm activities (e.g. education, housing, public works, small-scale industry, etc.) coordinate efforts and look beyond their traditional competencies to include the non-farm economy. Education and transport infrastructure in particular, must receive concerted attention.

Facilitating the growth of small urban poles for regional development may be an attractive means of creating non-agricultural employment and incomes.

Richer and poorer zones must be treated differently, with less emphasis in richer zones on subsidization and more on reducing transactions costs. In poorer zones public intervention to provide the basic enabling environment will continue to be required.⁶

Improving natural resource and environmental management

In part because rural development and agricultural productivity have not advanced as much as needed, natural resource systems in many MENA countries are under tremendous pressure. Water withdrawals in several countries exceed 100 percent of sustainable rates. Crop and livestock production has encroached on fragile lands not suitable for those activities. Deforestation is advancing. Sustainable rural development is inextricably linked with sustainable natural resource management. Of the eight lessons learned described above, at least five have major implications for natural resource management: greater private sector and community participation in projects, more emphasis on small scale projects, importance of long-term re-institutionalizing efforts, need for integrated water resource management, and improved indicators for rural development and natural resource management.

Examining the impacts of projects on the sustainable use of natural resources must be a part of the design and implementation of all of our activities. Water is very scarce in MENA, and the productive agricultural areas, particularly pastoral zones, are increasingly threatened by human interventions.

⁶ Peter Lanjouw and Gershon Feder, "Rural Non-Farm Activities and Rural Development: From Experience Towards Strategy," draft World Bank (December 2000), p. 47.

Key Implementation Instruments

All of the strategies will adopt community driven development and policy reform as key instruments in implementing the strategies. Increasing reliance on community driven development has been one of the major changes since the 1997 *Vision to Action*. MENA will continue to seek the appropriate balance between government and community management of development in key sectors (e.g., health, education, agriculture, and infrastructure). We will continue to promote actions which transfer power and resources to local governments and to community groups in a ‘balanced’ way, and help local governments be accountable to communities in providing elected community representation, audits, and revenue sharing. At the same time, we must be careful to make sure that adequate local institutions and capacity exist. Toward this end, we must improve our knowledge of local informal and formal institutions to identify the organizational bases for community driven development and decision-making and implementation responsibilities and accountability of community groups (see lessons learned one and four).

Determining what is the appropriate unit for “rural space” will be an important issue. The RAFAC study phrased the question well: “The question that is posed is to know what is the space sufficiently large to be able to reap the gains from intersectoral complementarities and sufficiently small to be able to have true local management.” The French program LEADER attempts to create zones based on villages having a “common spirit of community development.” In Morocco, zones are based on geography, similar culture, and a common history.⁷

While there is general agreement on the importance of a community driven development approach, we must not underestimate the complexity and social and institutional changes necessary for successful implementation. Also, the strengthening of human and institutional capacities is fundamental, along with mobilization of substantial resources that will be necessary. In addition, we must recognize that we do not have all the answers and that experimentation and pilot projects will be necessary. We must learn from experiences in other regions and countries. See **Boxes 5 and 6** for a summary of community driven development experiences in Tunisia and West Bank and Gaza.

⁷ Réseau Agricultures familiales comparées (RAFAC), p. 600.

Box 5 Successful Rural Development Experiences In Tunisia

In Tunisia, the majority of the poor live in rural areas, with over one third of these people living in the Northwest of the region. The high state of poverty in the region is largely attributable to low agricultural productivity, resulting from the high soil erosion. The problem is compounded by the poor vegetative cover which means that large tracts of land are left exposed and therefore susceptible to erosion and subsequent degradation. In addition, forest areas in Tunisia remain highly degraded and suffer from constant deforestation and overgrazing. The poor infrastructure base in the northwest further limits the local populations' access to other basic resources.

The Northwest Mountainous Areas Development Project was designed to contribute to the alleviation of these problems. The 5-year project became effective in 1994 and was closed on June 30, 2001, after a one year extension. The principal objectives of the project are to alleviate poverty, improve the living conditions of the population, and to reduce the degradation of the natural resource base in the mountainous Northwest region. The project adopted a participatory approach to promote increased involvement of the local population – and hence sustainability. In view of the satisfactory nature in which the project has been implemented and the quality of investments, it is expected that the Development Objectives will be attained.

Lessons learned:

1. The decentralized structure of ODESYPANO, a small central unit coordinating the project's planning, implementation and monitoring and evaluation is efficient, and allows for a more intimate contact with the participating populations.
2. The implementing unit must have access to good management tools, such as a Management Information System (MIS) and Geographic Information System (GIS).
3. Periodic training both in and outside of the project's context is important for building capacity, but also acts as an incentive for the implementing agency.
4. To induce participation it is important to develop an approach, which takes into account the socio-economic parameters of the target population. The approach should also allow these populations to be involved in its development. The participatory approach used should be dynamic and flexible to allow for rapid changes so as not to lose the population's acceptance.
5. The possibility of long term sustainability of investments is increased through participation of local communities. A survey carried out on investments made in the NWDP and the previous project showed better maintenance of investments in areas where there was high ownership.
6. Developing technical packages that are easily adopted by the populations should be a key objective. A key finding was also the importance of involving farmers in the selection of research topics and subsequent demonstrations mounted to disseminate the information.
7. Partnerships are important at two levels: 1)with other local agencies, NGOs, and professional groups, and 2)with other donors, such as with GTZ and KfW, which implemented similar projects in the same zone.

Box 6 Community Driven Development in the West Bank & Gaza

Since 1994 the World Bank has been closely involved in the effort to rehabilitate and upgrade infrastructure services in West Bank and Gaza (WBG). Over the last three years the Palestinian Authority with the assistance of the World Bank and other donors is focusing on assisting rural and smaller municipalities of WBG. Two such initiatives under taken by the Bank are the Community Development Projects I and II. These projects addressed the needs of small municipalities and villages by rehabilitating and upgrading social and economic infrastructure services through microprojects. The projects placed heavy emphasis on cost-sharing and project sustainability, thereby helping to build institutional capacity, preserving public assets and creating an enabling environment for the private sector participation in the reconstruction process.

The project has thus far implemented over 300 labor-intensive small infrastructure projects, costing between US\$20,000 and \$150,000, using local contractors, suppliers and laborers. The projects include improvements in water supply, sanitation and solid waste management, as well as rehabilitation of local health clinics, primary schools and feeder roads. Poverty maps and poverty studies have been used as the basis for targeting interventions

Beneficiary Impact Assessment (BIA) conducted periodically on the program has concluded that projects under CDP are meeting their development objectives and are being well received by the beneficiaries. Lessons from the BIAs have been constantly fed back into the design of follow-up operations.

Lessons Learned

Promotional activities are extremely crucial for successful implementation of community based projects.

Monitoring and Evaluations on a regular basis are essential for continuous improvements in project implementation and follow-up activities.

Transparency and accountability are cornerstones for building trust among the beneficiaries, which contributes to their active participation in the success of the program.

Communities are willing to participate in program formulation and contribute directly (up to 25% of project costs) for projects which directly benefit them. The willingness to pay was in most cases linked to the project's impact on the target population. Basic infrastructure projects such as roads, sewage, schools, and water projects attracted the highest direct community contribution.

Empowerment of the implementing agency and other stakeholders are cornerstones for project ownership and sustainability. After the detailed review of the first batch of subprojects, the Bank moved to ex-post review thereby putting the responsibility for subproject selection on the implementing agency. Not only did the implementing agency meet the challenge but also was able to carry out many innovations on appraisal and monitoring.

Policy and regulatory reforms are also needed in each of the strategy areas. Water policy and regulations clearly are high priority for action. But each of the strategies encompass actions requiring some form of policy change ranging from trade policy reform to property rights and land reform (see lessons learned two and seven).

6. Indicative Priority Actions and Associated Performance Indicators

The real task at hand is to translate these objectives and strategies into an action plan for MENA. Our Action Plan has two parts: country-specific and region-wide. The region-wide component consists of topical cross-country initiatives. Table 5 contains a summary table of the major country and regional action plans and performance indicators. Table 6 provides information on the cross-cutting themes for MENA - water, natural resource management, dryland agriculture, the environment, gender, and information technology.. Appendix 4 contains a matrix of individual country strategies with specific implementation plans and performance indicators for Algeria, Egypt, Iran, Jordan, Lebanon, Morocco, Syria, Tunisia, Yemen, and West Bank and Gaza.

Not only in the MENA region but across the Bank, there is insufficient attention being paid to rural development indicators and data acquisition and analysis (see lesson learned eight). For example, the Bank publishes each year *World Development Indicators* with hundreds of data elements for countries and regions. Only one of these hundreds of data elements is specifically rural. While it is true that there are more rural indicators in the Bank's internal data base, it is still the case that our information base for improving lending and resource allocation decisions for rural areas is woefully inadequate. Improving this information deficit is imperative.

The overall approach will be for country teams to work with host governments to improve data acquisition and monitoring of indicators of living conditions and social and economic well-being in rural areas. In many cases data does not exist on rural areas to be able to effectively monitor progress or even to make good decisions on development priorities. While we have provided some specific indicators that need to be monitored for the various action plans, it is often the case that this data does not exist. For Bank operations but mainly for host government actions, it is imperative that quantitative indicators be developed that can be linked to each objective, strategy, and action area.

Table 5 Summary of action plans and performance indicators for the MENA region

Strategy	Action Plan Components	Performance Indicators/Monitoring
Rationalizing water management and policies	<ul style="list-style-type: none"> Promote and assist in the development of national water strategies that encompass both rural and urban water needs. Design and implement projects that include improved demand management (including water pricing) and rationalized water charges, increased system efficiency, greater user participation, infrastructure rehabilitation, and protection of the environment. For countries and regions with available renewable ground and surface water, encourage the development of small and medium scale irrigation. Increase the role of user associations in the implementation of water projects. 	<ul style="list-style-type: none"> Development and adoption of national water plans. Implementation or strengthening of water use efficiency through appropriate water charges and other measures. Transfer of operation and maintenance to beneficiaries. Rehabilitation of irrigation infrastructure. Extent of increase in small and medium scale irrigation.
Improving access to social and economic infrastructure	<ul style="list-style-type: none"> Design and implement rural infrastructure projects that encompass education, rural electrification, rural roads, health, rural water supply and sanitation as appropriate for the country and region. Ensure rural citizen participation in project design and implementation. Increase access to improved communication and information technology in rural areas. 	<ul style="list-style-type: none"> Level of rural school enrollment and increases in literacy in rural areas by gender. Changes in access to health care in rural areas. Extent of increased investment in rural infrastructure. Degree of participation of local citizens in infrastructure project implementation. Amount of increase in communication and information technology in rural areas.
Facilitating agricultural growth and competitiveness	<ul style="list-style-type: none"> Reform agricultural trade, marketing, and price policies and food subsidy systems while at the same time improving the social safety net. Land tenure reform. Improved market infrastructure including market information systems. Increased investments in agricultural research and extension adapted to the local production and market conditions and aimed at reducing risk. 	<ul style="list-style-type: none"> Market and price policy reforms implemented. Market-based land reforms initiated. Improvements in marketing infrastructure. Level of investment in locally adapted farmer demand-based agricultural research and extension.
Enhancing rural non-agricultural and private sector economic activities	<ul style="list-style-type: none"> Increased emphasis on non-agricultural employment and income generating activities. Use of micro-credit and other instruments to stimulate non-agricultural rural investments. Increase private sector participation in marketing channels for agricultural inputs and outputs. Encourage strong private sector role in the expansion of information technology in rural areas. 	<ul style="list-style-type: none"> Extent of increase in rural non-farm income and employment. Development of sustainable rural financial systems for rural investment. Extent of privatization of marketing channels for agricultural inputs and outputs.
Improving natural resource and environmental	<ul style="list-style-type: none"> Compile and disseminate best watershed management and monitoring practices internationally and in the region. Design and implement water projects as watershed system projects aimed at sustainable water use while improving environmental management. 	<ul style="list-style-type: none"> Dissemination of best watershed management practices information. Degree of incorporation of sustainable natural resource management and environmental

Table 5 Summary of action plans and performance indicators for the MENA region

Strategy	Action Plan Components	Performance Indicators/Monitoring
management	<p>water use while improving environmental management.</p> <ul style="list-style-type: none"> • Ensure that the economic policy set is consistent with the climatic and natural resource reality in the country so that policies are not leading to adverse impacts on the environment and natural resource base. • Reduce soil erosion. • Complete a regional inventory of natural resources and use it as the basis for developing regional and national policy frameworks for long-term sustainable management of natural resources. • Promote reasonable and transparent environmental regulations and standards. 	<p>improvement in watershed system management plans.</p> <ul style="list-style-type: none"> • Implementation of policy reforms to ensure that economic incentives are aligned with long-term natural resource and environmental preservation. • Extent of reduction of soil erosion. • Completion of natural resource inventory and plans. • Implementation of transparent and effective environmental regulations

Table 6 Action plans and performance indicators for MENA cross-cutting themes

Cross-Cutting Theme	Action Plan Components	Performance Indicators/Monitoring
Water	<ul style="list-style-type: none"> ▪ Promote and assist with the development of national water strategy, including rural water and sanitation. ▪ Promote regional cooperation, knowledge sharing, and capacity building on water management through seminars, workshops, study tours, etc. using the Regional Water Initiative as a vehicle. Specifically, emphasize groundwater management, water reuse, water quality management, efficiency of irrigation water delivery, private sector participation, rural water supply and sanitation, and water pricing. Prepare best practices manuals. ▪ Encourage investment in multi-sectoral water projects to address the competition between rural water needs (mainly agriculture) and urban water requirements ▪ Compile the best watershed management and monitoring practices internationally and in the region and disseminate the lessons learned to the client countries. ▪ Promote inclusion of watershed management components and activities in new and ongoing projects. 	<ul style="list-style-type: none"> ▪ Complete and/or update rate of water strategy documents; ▪ Degree to which elements of the strategy are included in projects. ▪ One regional event each year with a specific focus; ▪ Degree of client support and use of output; ▪ Degree to which the outcome is reflected in policy development and Bank project development; and ▪ Increase in the number of professionals with integrated water management training in client countries. ▪ Issues related to water allocation and compensation are explicitly incorporated in new projects and phased into existing activities.

Table 6 Action plans and performance indicators for MENA cross-cutting themes

<i>Cross-Cutting Theme</i>	<i>Action Plan Components</i>	<i>Performance Indicators/Monitoring</i>
Natural Resource Management	<p>Carry out a regional inventory of natural resources including estimate of monetary value.</p> <p>Develop regional and national policy frameworks for long-term management of natural resources.</p> <p>Review policies to determine those having an adverse impact on sustainable resource management.</p> <p>Community participation is imperative for successful planning for sustainable resource management. Develop partnerships with both public and private sector organizations to improve natural resource management.</p> <p>Women must be an integral part of the participatory planning process for natural resource management.</p> <p>Review land tenure arrangements to ensure that soil conservation and other sustainable practices are encouraged and agriculture becomes more competitive.</p>	<ul style="list-style-type: none"> ▪ Documents prepared and distributed. ▪ The degree to which an integrated approach is mainstreamed. <p>Completion of natural resource inventories</p> <p>Region and national frameworks developed.</p> <p>Policies changed as needed to prevent adverse NR impacts.</p> <p>Effective participation of local residents, especially women in natural resource planning activities.</p> <p>Realization of public-private partnerships.</p> <p>Land tenure reform implemented.</p>
Dryland Agriculture	<ul style="list-style-type: none"> • In countries with available renewable ground water, small and medium scale irrigation can be viable, especially as a source of supplementary irrigation, which can reduce risk associated with dryland agriculture. • Improved roads are important for marketing diversified agricultural production from (often remote) dryland areas. • Improved health care and education is important to make dryland rural areas more attractive places to live. • Research on development of more drought tolerant varieties, improved grain and straw quality, and shorter seasonal varieties. • Research on crop/livestock integration with the goals of risk reduction and sustainability of systems • Development of conservation methods that must be implemented collectively by farmers in a region to be effective – such as wind erosion control through windbreaks, water harvesting methods, etc. • Changes in regulations and controls to encourage private sector provision of inputs, including improved seeds, and marketing of outputs. 	<ul style="list-style-type: none"> • Increase in farmer owned or small cooperative irrigation. • Increased road length and quality leading to improved marketing opportunities. • Introduction and adoption of varieties more suited to the climate and natural resource base of the region. • Greater implementation of conservation practices. • Increased private sector participation in agricultural input and output markets and auxiliary enterprises. • Implementation of policy changes.

Table 6 Action plans and performance indicators for MENA cross-cutting themes

<i>Cross-Cutting Theme</i>	<i>Action Plan Components</i>	<i>Performance Indicators/Monitoring</i>
Environment*	<ul style="list-style-type: none"> •Changes in price policies to limit the encouragement of farmers to cultivate crops on marginal lands, suited only for pasture. •Ensuring that the economic policy set is consistent with the climatic and natural resource reality in the country such that the natural resource base and environment can be preserved. <ul style="list-style-type: none"> •improving water quality in water canals for re-use in agriculture and irrigation; and integrating in all water and wastewater related projects, a monitoring and enforcement component for water quality improvement in rivers, waterways and groundwater aquifers; •expanding the financing of wastewater treatment plants and developing wastewater guidelines (where appropriate) based on estimated pollution loads and WHO guidelines for water re-use in order to reduce the negative health impact from inadequate wastewater re-use; •financing cost-effective sanitation measures and hygiene education activities in poor rural areas; •mitigating the impacts of droughts and floods. •strengthening the involvement of local communities in monitoring and enforcing water quality standards, and ensuring the widespread sharing of information on water quality among NGOs, local communities and farmers; and •strengthen national and local institutions in the enforcement and monitoring of environmental regulations and activities; •assist countries to shift from project-specific environment assessment to sector or regional EAs whenever a multi-year program is planned for financing operations in a specific sector; •build-up the capacities of concerned institutions to develop emergency plans for floods, droughts and earthquakes as appropriate; •include an environmental awareness component and strengthen the role of governance in community development projects, in social funds, in agriculture/irrigation, educational and in health projects; and •involve NGOs and community leaders in the design and implementation of the above projects. •increasing integrated watershed protection from water and wind erosion; and work with Bank-wide Natural Resources Management (NRM) networks to pursue a unified 	Adoption and implementation of MENA Environmental Strategy

Table 6 Action plans and performance indicators for MENA cross-cutting themes

<i>Cross-Cutting Theme</i>	<i>Action Plan Components</i>	<i>Performance Indicators/Monitoring</i>
	<p>program;</p> <ul style="list-style-type: none"> •establishing reliable baseline data for water and soil contamination from agricultural runoff; •improving access to energy services in poor rural areas to reduce the dependency on firewood; and •developing effective methods to control agricultural pollution. 	
Gender	<ul style="list-style-type: none"> •Ensure that interventions in rural areas relating to health, education, transportation, and infrastructure take gender concerns into account. •Examine the gender impact of agricultural reforms in terms of equity, efficiency, and sustainability and design policy interventions accordingly. •Prepare country briefs on agricultural issues pertaining to gender issues in the agriculture sector (i.e. rural women's labor productivity; women's access to rural credit; women's land ownership; promotion of women's access to agricultural training); •Help overcome existing productivity constraints for women farmers by removing barriers to their access to information, inputs, credit and services; •Strengthen women's participation in community-based development (i.e. draw on women's knowledge base in agricultural production in research and extension to improve productivity); •Cooperate with gender coordination units within government agencies concerned with the agriculture/rural development sector 	<ul style="list-style-type: none"> •Incorporation of gender concerns (i.e. training, safety nets, etc.) in policy, project and program documents. •Inclusion of gender disaggregated data in agriculture policy, project and program documents (i.e. employment; division of labor; intensity of labor; production and consumption of extension services; decision making; land ownership; access to agriculture credit; etc.). •Establishment of effective gender disaggregated monitoring and evaluation systems. •Evidence of consultations with women groups and gender units in policy and project design and implementation.
Information Technology	<ul style="list-style-type: none"> •An important part of the infrastructure needed in rural areas in MENA is improved information and communication technology. Determining how best to adapt the technology to the current situation in each region will be a part of the design of rural development projects. •Information and communications technology can be instrumental in improving the functioning of agricultural markets and market information systems. Effective market information systems are vital for achieving efficient agricultural markets. •Information and communication technologies represent a potential source of rural non-ag employment. While most MENA countries have emerging IT sectors in urban areas, we need to consider how best to grow those private sector activities in rural areas. 	<ul style="list-style-type: none"> •Incorporation of appropriate information and communication technologies in project design and implementation. •Development of timely and usable market information systems for actors in the agricultural marketplace. •IT jobs generated in rural areas. •Evidence of local consultation on IT issues in project design and implementation. •IT sector growth in rural areas.

Table 6 Action plans and performance indicators for MENA cross-cutting themes

<i>Cross-Cutting Theme</i>	<i>Action Plan Components</i>	<i>Performance Indicators/Monitoring</i>
	<ul style="list-style-type: none">•In rural development projects, we will want to obtain input from local citizens on the appropriate role of information and communication technologies.•In order to retain the agility and flexibility inherent in the new technologies, they must be provided by the private sector. Our projects need to assure private sector provision in this area.	

* This section is drawn from the “Middle East and North Africa Region Environment Strategy Summary” (Draft, November 2000). It contains only the environmental strategy components directly relevant to the rural development strategies identified in this document.

7. Implementation of the Rural Development Action Plan

The country and region-based thematic matrices lay out a very ambitious set of action plans. Clearly, these plans represent a selected rural development agenda calling for joint country (government and civil society), Bank and external agencies collaboration. These plans represent what could be considered a challenge to the development community at large to support the region's agenda. Toward this end the Bank will look for synergies and partnerships with other lenders and donors.

In implementing these plans, the Bank and other donors must recognize the diversity of situations in rural areas of MENA countries, both across countries and even within the same country. This diversity means that instruments must be tuned to the specific region, with its unique economic, social, and cultural characteristics. Therefore, flexibility will be essential in developing programs tailored to each unique region.

What are the Challenges for the Bank?

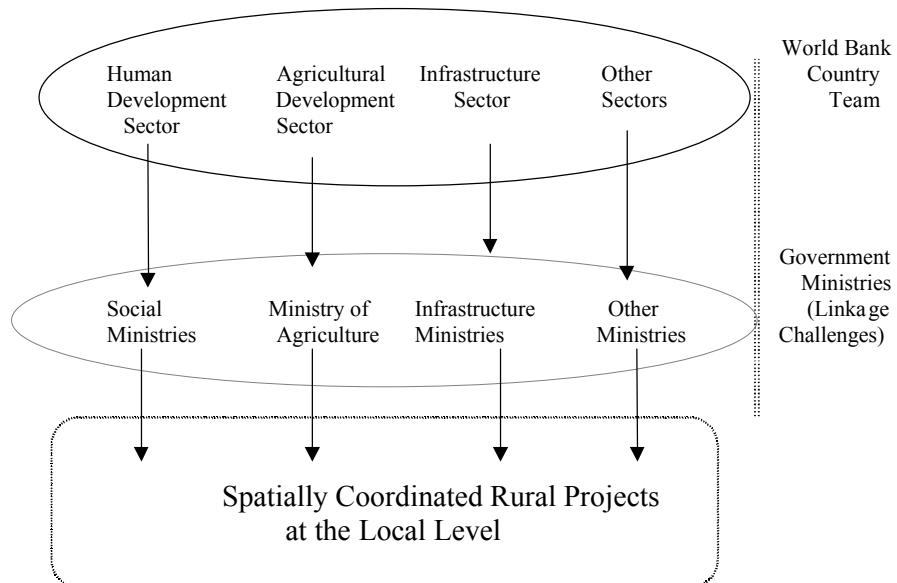
In the past, top down “integrated rural development” was tried in many parts of the developing world without replicable success. Over time the Bank has gained a clear comparative advantage in promoting alternative approaches for rural development. Based on its experience of the last 25 years, the Bank has a much better understanding of the rural issues and recognizes the strong links between agriculture and non-agricultural interventions for rural poverty reduction. More recently, the evolving experience in empowering communities to participate effectively in seizing opportunities to improve their well being is an encouraging approach for rural development. **Our approach will be to promote locally and spatially focused rural development (holistic approach to rural well being) with strong community participation.** Sectoral interventions would generate maximum development impact if they are appropriately coordinated, and communities are part of the decision making process (Figure 2). For example, for a given region of a country, we might have an education project supported by the education sector in the Bank in conjunction with the Ministry of Education and local authorities in the country. At the same time and in the same region, there might also be irrigation, health, or other projects. While these operations are prepared and implemented in parallel, it is imperative that the sectoral agencies coordinate their resource allocation decisions at the national/sub-national levels with significant community participation. This holistic, multi-sectoral approach constitutes the cornerstone of the MENA implementation strategy for accomplishing our rural development objectives. This approach will entail improving local institutional capacities and mechanisms for implementing projects with greater community participation. Understanding institutions including the incentives required for mobilizing the appropriate staff skills and performance are the key issues for rural institutional development.

Our concept of rural development has also shifted from a sector to a spatial-people centered concept--thus becoming a multi-dimensional challenge. Reducing rural poverty and improving rural well being demand various measures-- improving incomes from agricultural and non-agricultural sources, improving access to social and economic services, adopting policies that do not discriminate against the rural areas and finally empowering the target communities to take the center stage in decision making. Does our organizational setup lend itself to delivering a coordinated multi-dimensional assistance to our client countries? The Bank's organizational structure is based on sectoral lines on one hand and the country units on the other. Given that the vast majority of the poor in MENA live in rural areas, the first order of business is to ensure that the rural space figures prominently in the Region's Country Assistance Strategies (CAS'). A number of CAS' will be prepared in the coming two fiscal years and the Update should serve as a basis for making the case for adequate treatment of rural issues suitably modified to meet specific country circumstances. This is the rural advocacy objective of the Update. The establishment of functioning country teams in MENA (aimed at loosening the sectoral barriers) would

facilitate the setting of priorities for Bank assistance. It is imperative for the rural member in the country teams to take the lead in demonstrating the unmet basic needs of the rural population and seek broad support from the Country Team. The Country Action Plans do not advocate the packaging of all rural interventions in singular rural development operations for every country. However, the gradual emergence of community driven development (CDD), as an effective development instrument may serve as a vehicle to avail resources to rural communities for setting their multi-sectoral development priorities.

The added challenge for the Bank is to engage in long-term rural development policy dialogue with our Clients with a view to defining key policy reform and structural issues and prepare quick and focussed policy notes. A good recent example is the Region's quick response to a request from Lebanon for a policy note on sugar and wheat subsidy. With most of the MENA countries entering negotiations for WTO admission and EU trade agreements, the Bank is well placed to provide timely technical advice. Furthermore, the World Bank Institute (WBI) has the tools to tailor region-specific training programs on rural development, trade negotiations and share the experiences of other regions. Toward this end, the WBI has plans to develop workshops on rural development, and agricultural trade issues with case studies from Tunisia, Egypt and Syria. MENA has also organized a regional conference on "Sustainable Investment in Dryland Ecosystems" in May 2001 with a view to raising awareness of senior policy makers in the Region on the issues related to the potential of drylands where the vast majority of the poor in the region live. Similarly, the Region will explore further collaboration with WBI to hold seminars on this Update and selected rural topics. Policy dialogue with our client countries requires resources to prepare selected policy notes. In view of the likely continued tight internal budgets and competing priorities, the Update should be viewed as a cross-sectoral agenda to which the country teams would extend their continued support. The proposed action plans will be discussed with each client country and further elaborated as a live document. These action plans also reinforce the region's environmental strategy, which is aimed at 'mainstreaming' environment as an integral part of all development activities. The resource requirements to implement the country and the cross-regional action plans should not be underestimated. Support from each country team and regional management team is *sin quo non*.

Figure 2 Parallel project orientation



We would also seek partnership with other external agencies for the preparation of policy notes. Lessons from our past engagements in policy dialogue strongly point to the need for long-term commitment and follow-through backed by investment assistance. Experience with policy reforms related to water tariff adjustments, consumer and producer subsidies, and rural finance, and institutional reforms requiring changes in the roles of public and private sectors demonstrate the need to maintain a long-term horizon. Beyond the economic rationales of policy and institutional reforms, governments often follow their own timetables and seize opportunities when they arise. Hence, linking conditionalities to loans have not produced encouraging results. Under these circumstances, we propose to widen our audience for policy dialogue beyond the public sector and play a more pro-active role by holding seminars and sharing lessons from other countries.

With the exception of Yemen and Djibouti, all the MENA countries are not eligible for the Bank's concessional financing. For such non-IDA countries, the Bank's growing challenge is how to leverage concessionary bilateral or EU resources with its technical know-how particularly in project design and formulation, and policy analysis. The Region will vigorously seek partnership with regional Banks, IFAD, bilateral aid agencies, and the EU. This effort would require institutional commitment to developing close working relationships at staff and management levels.

Another important issue for implementation is the implication for MENA staffing and resource allocation. We foresee a growing demand for MENA staff to work with government officials in strategic sectoral issues, economic policy analysis and knowledge sharing. For example, experience in other regions indicates that quick policy notes are increasingly proving very effective compared with the traditional sector reports. We may not need to build full in-house capacity for all such services but to have the resources to be able to tap the best technical services on short notice. Toward this end, the Rural Unit has been carefully planning and managing the staffing requirements with a view to having the flexibility for the evolving specialized demands of our clients. We also need to foster cross-sectoral task teams to address effectively our rural poverty reduction objective. The formation of real Country Teams would facilitate crossing Unit boundaries.

The Performance Indicators identified in the Action Matrices will measure our implementation performance. All the indicators are not quantifiable and the achievements or failures would be captured by qualitative assessments. As the actions to be taken depend on various actors, the Rural Sector Unit in the Bank will be in the front line to closely monitor implementation. At the country level, the indicators would be reflected in projects and would form part of the reporting under the respective project monitoring and evaluation. To follow-up with the experience of Morocco, a focus country under the 1997 *Vision to Action*, Yemen has been selected as a focus country for the Update and will be part of the Bank-wide pilot for establishing a set of indicators for a "Rural Score Card".

What are the Challenges for the Countries?

The approach to and speed of implementation will vary considerably among countries. In some countries, the most urgent need is the adoption of a rural development action plans. In that case, the Bank can play a constructive role in working with government officials and other interested parties in elaborating a country specific rural development action plan. In other cases, such as Morocco, the country has a well developed rural strategy and action plan and is piloting community driven development instruments. The challenge for Morocco is how to accelerate the implementation of its comprehensive rural strategy. In Tunisia, the Government is promoting rural development with community participation with a view to upscaling its successful models.

The Bank's clients also face similar sectorally based institutional arrangements for rural development as described above. Does a people-centered holistic rural development approach require complete overhaul of the institutional setups in our client countries? Parallel sectoral structures exist both within the World Bank and most client countries and they are likely to remain functioning along sectoral lines. (as

illustrated in figure 2) No single Ministry (except may be in Egypt's Ministry of Local Development) has the sole responsibility for rural development. In Morocco the recent establishment of the Inter-ministerial Committee for Rural Development, chaired by the Prime Minister, brings together the relevant line ministries to focus on the challenges to improve rural living conditions and to decentralize decision-making to local governments and communities.

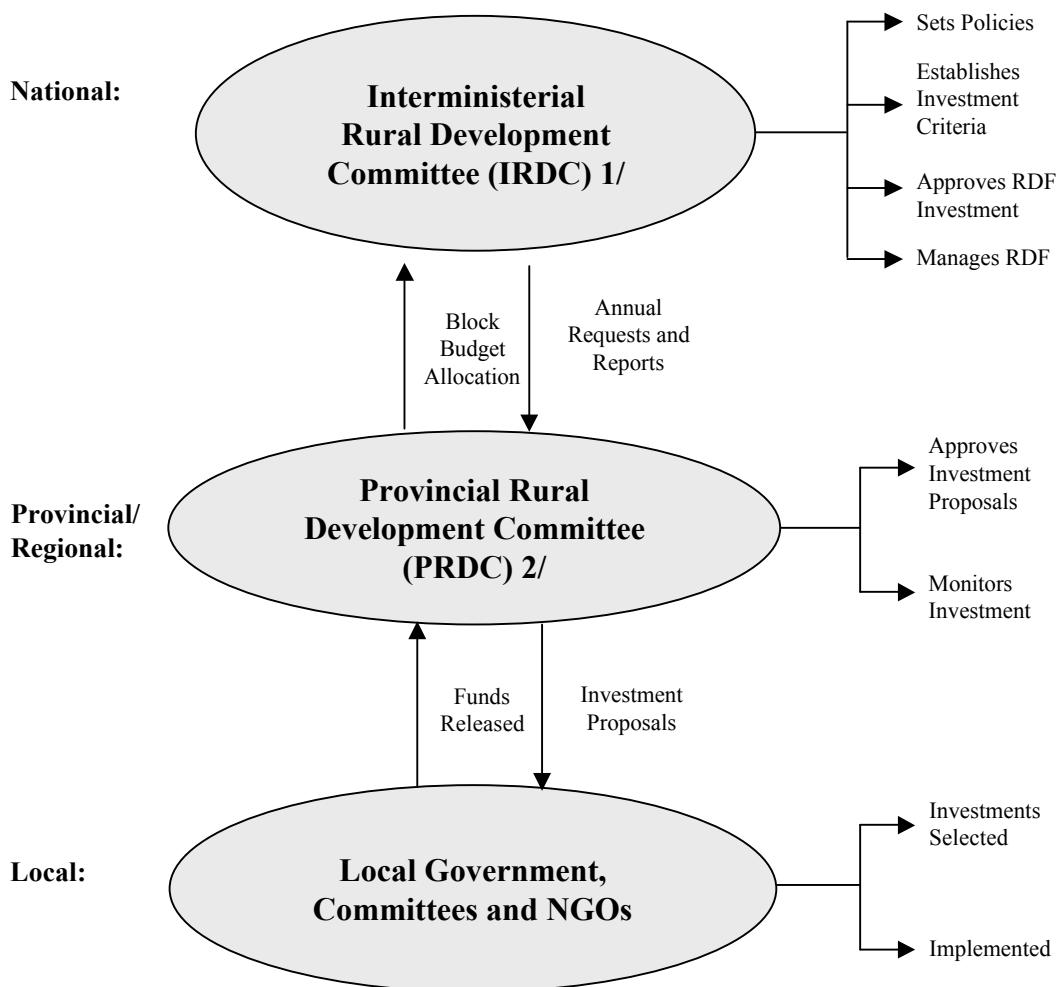
As a way of operationalizing their new holistic vision of participatory, integrated rural development, the Moroccans have also recently reactivated the Rural Development Fund (RDF) under the Prime Minister (see figure 3). Based on demand from the beneficiaries as expressed through a participatory planning process, the RDF would be used by the Governors of selected provinces, on the advice of a Provincial Rural Development Committee composed of relevant line ministry representatives, to complement or fill gaps in existing sectoral programs in a coordinated way, without any predetermined of funding by line ministry. For example, if the Ministry of Agriculture, Rural Development, Water, and Forests already planned to rehabilitate a small and medium irrigation scheme, but the Ministry of Public Works had no plans for rural road access from the nearby village, the Governor could call upon the RDF to finance the additional road, with the usual beneficiary contribution to the capital and O&M costs. Over time it is expected that the operations of the RDF would be expanded to include existing as well as new investments in selected areas. Ultimately, all investments in rural areas throughout the country would be done on a decentralized, participatory basis, without preallocation by line ministry.

Where line ministries are used to controlling even the smallest, most remote investments directly from the capital, a lot remains to be done to develop a consensus for the new "bottom up," community driven development. Compared with the relative security of budgets allocated from the center, some line ministries are hesitant to open themselves up to an un-predetermined investment selection through the participatory process, much less coordinate with their fellow ministries in such activities as locating roads so as to serve agricultural areas, or water and electricity supplies near to schools. The shift to this type of resource allocation mechanism is a challenge for many countries to adopt. In many MENA countries, the level of local expertise in technical areas is also increasing to the point that such expertise can be used effectively in preparing the new investment style projects/programs with maximum community participation. However, the role of outside catalyst is still an important function for the Bank other agencies.

Collaboration with Bilateral and International Aid agencies

To enhance development assistance effectiveness, close collaboration among bilateral and international agencies is imperative. How do we avoid competition and benefit our client countries from the comparative advantage of all aid agencies? The Bank's Comprehensive Development Framework (CDF) is an attempt to foster such collaboration. The Poverty Reduction Strategy Papers for Yemen and Djibouti are under preparation. We should establish links with other international initiatives like the outcome of the Social Summit with a consensus on a series of poverty reduction and social targets for 2015, the UN sponsored Global Compact where global business, labor and civil society leaders pledged to help build "...a more robust global community". Interagency collaboration could take various forms. The most conventional method is participating in financing operations. Many MENA countries have access to grant and concessionary resources from bilateral and international agencies. The Bank is well positioned to avail its technical expertise for policy analysis and project formulation and its global knowledge and expertise with a view to developing a multi-donor financing plan for an agreed rural development program. Collaboration among the international community could also be enhanced by improving the exchange of information on country strategies and programs. The increasing representation of the Bank in Field Offices would facilitate closer interaction with other aid agencies. Also, the Bank and other donors may want to consider working with an independent organization such as CIHEAM in Montpellier to help facilitate collaboration.

Figure 3 Rural Development Fund (RDF) for Community Driven Development



1. Comprising Finance and other key line ministries, chaired by the PM Office, with Ministry of Agriculture as Secretariat

2. Comprising provincial finance and sector departments chaired by provincial governors, with agriculture departments as Secretariat.

To promote the cross-regional themes in water, dryland agriculture, natural resource management, environment, information technology and gender, the Bank will continue its collaboration with bilateral aid agencies and other international organizations. For gender and information technology, where we do not have ongoing cross-regional initiatives, the challenge will be to mobilize international support to help mainstream gender issues as part of the development agenda. Similarly, closing the ‘digital divide’ is a challenge for the expansion of information technology in the rural space. In a pipeline integrated community development operation in West Bank and Gaza, we are exploring the prospects for including an information technology component with a view to linking community centers to the world wide web with possible private sector collaboration under the Global Compact. These cross-regional issues are of common interest to the MENA countries, and we would explore possible collaboration with MENA regional financial institutions to promote these initiatives.