

# Implementing *Reaching the Rural Poor*

A Progress Report on  
Rural Strategy Implementation  
for the World Bank  
Board of Executive Directors

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#### Related Working Papers Available from ARD

Summary of Regional Agricultural and Rural Strategy Implementation Reports  
 Regional Implementation Matrices  
 State of Agriculture and Rural Development  
 Rural Portfolio Review (2003)  
 Agriculture Investment Sourcebook  
 Agriculture and Rural Development Briefs  
 Agriculture and the WTO  
 Shocks and Commodity Risk  
 Gender Analysis of Rural Portfolio Review (2003)

# Abbreviations

AAA	Analytical and Advisory Activity
ADB	Asian Development Bank
AfDB	African Development Bank
AFR	Africa Region of the World Bank
ARD	Agriculture and Rural Development Department of the World Bank
ARSB	Agriculture and Rural Sector Board
ASR	Agriculture Sector Review
BNPP	The (World) Bank Netherlands Partnership Program
BMZ	German Ministry for Economic Cooperation and Development
CABFIN	Capacity Building in Rural Finance
CAS	Country Assistance Strategy
CBO	Community Based Organization
CD	Country Director (of the World Bank)
CDD	Community Driven Development
CEM	Country Economic Memorandum
CGA	Country Gender Assessment
CGIAR	Consultative Group on International Agriculture Research
CIDA	Canadian International Development Agency
CIF	Community Investment Fund
CIMMYT	International Maize and Wheat Improvement Center
CP	Cooperative Program of the World Bank and FAO
CSO	Civil Society Organization
DEC	Development Economics Department (of the World Bank)
DECRG	Development Economics Research, Data, and Prospects Group
DFID	Department for International Development (UK)
DGF	Development Grant Facility
DPR	Development Policy Review
EAP	East Asia and Pacific Region of the World Bank
EC	European Commission (of the European Union)
ECA	Europe and Central Asia Region of the World Bank
ESSD	Environment and Socially Sustainable Development
ESW	Economic and Sector Work
EU	European Union
EuroAid	European Agency for International Development
FAO	Food and Agriculture Organization (of the United Nations)
FRM	Resource Mobilization Department (of the World Bank)
G8	Group of Eight Industrialized Nations
GEF	Global Environmental Facility
HIPC	Heavily Indebted Poor Countries
HR	Human Resources (of the World Bank)
IABD	Inter-American Development Bank
IBRD	International Bank for Reconstruction and Development
ICRISAT	International Crops Research Institute for Semi-Arid Tropics

IDA	International Development Association
IFAD	International Fund for Agricultural Development
IPM	Integrated Pest Management
IPPC	International Plant Protection Convention
JICA	Japan International Cooperation Agency
LCR	Latin America and Caribbean Region of the World Bank
M&E	Monitoring and Evaluation
MNA	Middle East and North Africa Region of the World Bank
NGO	Non-Governmental Organization
OECD	Organization for Economic Cooperation and Development
OED	Operations Evaluation Department
OIE	World Organization for Animal Health (of the United Nations)
PA	Poverty Assessment
PER	Public Expenditure Review
PREM	Poverty Reduction and Economic Management Network
PRSC	Poverty Reduction Support Credit
PRSP	Poverty Reduction Strategy Paper
PSA	Programmatic Structural Adjustments
PSR	Project Supervision Report
QAG	Quality Assurance Group
QEA	Quality at Entry
QER	Quality Enhancement Review
RDS	Rural Development Strategy
RPO	Rural Producer Organization
RSIG	Rural Strategy Implementation Group
SAR	South Asia Region of the World Bank
SDV	Social Development Strategy
SIDA	Swedish International Development Agency
SPS	Sanitary and Phytosanitary Standards
STDF	Standards and Trade Facility (of the World Bank)
TG	Thematic Group
USAID	United States Agency for International Development
WBI	World Bank Institute
WFP	World Food Programme
WHO	World Health Organization (of the United Nations)
WIRPI	World Bank-IFAD Rural Partnership Initiative
WSSD	World Summit on Sustainable Development
WTO	World Trade Organization

## Executive Summary

The World Bank's Board of Directors endorsed a new agriculture and rural development strategy for the World Bank, *Reaching the Rural Poor*, in October 2002. It was motivated by a sharp decline in Bank Group lending for agriculture and rural development as well as a slowing of analytical work directed to this sector. The new strategy outlined a detailed program for reinvigorating the Bank's rural programs in new directions which address the issues of past failed project approaches and highly distorted agricultural and rural development policies. After one and one-half years of implementation, there have been several positive developments, but major challenges still remain.

### *Significant increase in rural lending and improved project quality*

The adoption of "Reaching the Rural Poor" has already made a significant positive impact on many, though not all, of the Bank's activities in rural areas. Rural development has become a multi-sectoral activity leading to enhanced cooperation among many Bank units active in the rural space. During the first year and one-half of strategy implementation, both the client countries and the World Bank Country Directors emphasized the development of rural infrastructure and improved rural education as essential for increased lending to the productive rural sectors (especially for agriculture) in the coming years. The impact of this can already be seen in the greatly expanded rural lending in FY03 and FY04. Although total Bank IBRD/IDA<sup>1</sup> commitments declined slightly to US\$18.5 billion in FY03, rural lending increased by about 50 percent, reaching US\$7.5 billion, or 41 percent of total Bank lending. At the same time the number of projects with rural lending components increased by one-third to 155 projects. The quality of the agriculture and rural development projects is also showing improvement, with assessments of quality at entry to the portfolio showing better results in many aspects than the Bankwide average.

### *Increasing lending to agriculture remains a major challenge*

Lending to agriculture experienced a continuous decline in the second half of the 1990s, both in dollar amount and share of overall Bank lending. While the past two years represent a turning point, to achieve strategy objectives the positive lending projections have to be realized. In FY03, while commitments of US\$1.3 billion were slightly below those of FY02 (US\$1.5 billion), they were above the average commitments in FY00 and FY01. Preliminary results for FY04 and projections for FY05 indicate further increases in agricultural lending for all regions except ECA. Agricultural lending in the AFR region has seen a steady increase since FY00-01, to US\$318 million in FY03, and a rather significant further increase is projected for FY04, and especially for FY05 (US\$805 million). Significant increases are projected for SAR and LCR, and, to a lesser extent EAP. Agricultural lending in MNA came back dramatically from the extremely low FY02 levels.

The implementation reports prepared by the six regions give detailed accounts of the richness of regional efforts. New investment approaches appear to be doing better. These include

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<sup>1</sup> The fully spelling of all abbreviations found in the main text can be found in the Abbreviations Key on page v.

investments in land management, forestry, marketing, and agricultural services managed by local communities and farmer associations. Small-scale irrigation, micro-credit, private-public partnerships in agricultural extension, emergency preparedness, agricultural research, conservation oriented fisheries and forestry are all being introduced successfully in Bank programs. To aid in these efforts, ARD prepared an agricultural investment sourcebook of good and innovative project and policy practices.

### ***The changing nature of economic and sector work***

During the past several years, the nature of economic and sector work related to rural space has changed. The actual scale of rural and agricultural ESW has become significantly larger than ESW done by the Bank's Agriculture and Rural Development units. First, a number of rural and agricultural ESW outputs are now funded by trust funds. Secondly, some self-standing rural ESW activities are not managed by rural units. Third, agriculture and rural development is often a significant component of multi-sectoral ESW (e.g., CEM, DPR, Poverty Assessments, PERs, etc) which are primarily undertaken by PREM with inputs from rural and agricultural staff. Future trends in agriculture and rural related ESW will be carefully monitored. Estimates for FY04 indicate a significant upward trend in ESW activities managed by the Bank's Agriculture and Rural Development units. Information on other rural-related ESW activities shows similar trends.

### ***Expanded support to National Rural Strategies and country level analytical work***

Supporting preparation of national rural development strategies was envisioned as one of the key implementation activities at the country level. In selecting the countries, the windows of opportunity for influencing the PRSP or other country-driven processes, and informing CASs and Bank-supported analytic work (such as PERs and CGAs) were the decisive element. Two modalities were developed to achieve this: a) the Bank provided direct support to the development of a full-fledged national development strategy in eleven countries (Mongolia is a good example of this type of activity, while in LCR, a regional study "Drivers of Rural Growth and Poverty Reduction in Central America" was supported to assist national strategy development); and b) the Bank also provided other analytical work to acquire a better understanding of the rural issues in client countries. This was done by supporting the enhancement of the rural aspects of Poverty Assessments, Public Expenditure Reviews, and the preparation of Rural Policy Notes. Bank-supported activities in Sri Lanka provide a good example of this approach.

### ***Implementing global corporate priorities***

The Bank's efforts in providing global public goods have been focused on ensuring that: a) the interests of the rural poor are safeguarded in an increasingly global world; b) there is ready access to new and appropriate technology, particularly that which is suitable for poor farmers and poor rural communities; and c) poor countries are able to cope with challenges of global climate change. The Bank has supported client countries as they participate in the current WTO round of negotiations, has continued to work on commodity risk management, has developed a new fisheries strategy, a land policy paper, and launched a food safety and food standards



initiative. The Bank's support for the CGIAR has been broadened to create direct linkages between the centers and the Bank to use the potential of the CGIAR network to facilitate rural strategy implementation.

### ***Enhancing partnerships***

The implementation of the new strategy has provided an opportunity to rejuvenate and improve relations with the Bank's traditional rural partners, such as the FAO, EC, and IFAD; bilateral partners including the Netherlands, USA, UK, Germany, France, Canada and Japan; various UN agencies; regional development banks, AfDB, ADB, IADB, and others. It also led to the development of a Global Donor Platform for Rural Development. The Bank's links to citizens groups, producer organizations, and other civil society organizations (CSOs) and non-governmental organizations (NGOs) have increased further in FY03-FY04. A consultation with European CSOs/NGOs on rural strategy implementation was held in May 2003, and another dialog with CEOs of major agri-business companies in early 2004. Improved linkage with the private sector in a country framework is among the top priority objectives for each region.

### ***Critical challenges for the future***

There are several challenges in further implementing the rural development strategy. Some of these are largely internal, and others largely external. Among these, the most critical are the following:

- Improving project and budget support modalities for rural investments, institutional arrangements, incentive frameworks, and staff skills within the constraints of country driven assistance programs. The Agricultural and Rural Development Sector Board is working to reconcile country perspectives with the global rural development objectives of the Bank.
- Keeping the Millennium Development Goal of poverty and hunger reduction at the forefront of the international development agenda. To achieve this, the Bank will work even more closely with donors, country partners, and other stakeholders to mobilize country and donor buy-in for rural and agricultural development.
- Pressing for results from the Bank's advocacy and policy reform efforts on trade liberalization and removing distorted agricultural policy regimes.



# Implementing “Reaching the Rural Poor”

## A Progress Report on Rural Strategy Implementation to the Board of Executive Directors

The World Bank Board of Executive Directors endorsed the Bank’s rural development strategy “Reaching the Rural Poor” in October 2002. This report covers the first year and a half of strategy implementation, since *de facto*, actual implementation of the strategy commenced at the beginning of FY03. While the report focuses primarily on developments during FY03, it includes preliminary reviews of activities in FY04 as well. It uses as a reference the quarterly reports on the rural portfolio and strategy implementation prepared for Senior Bank Management during FY03-04, the FY03 agriculture and rural portfolio review, as well as the implementation reports prepared by each Region (the regional implementation reports are available from ARD on request).

### 1. Status of Agriculture and Rural Development (Outcome Indicators)<sup>2</sup>

This section highlights recent developments which reflect the aggregated outcomes of many years of national and donor efforts to reduce rural poverty and facilitate agricultural and rural development. The sources of these developments have been years in the making and do not only reflect events subsequent to the Bank’s new rural development strategy.

Some of the global outcomes continuing to cause concern:

- **Persistent rural poverty.** About 70 percent of the world’s poor live in rural areas, and in the world’s poorer regions, the majority of the population remains rural and engaged in agricultural activities.
- **Significant urban-rural gap.** Rural areas still suffer the most from extreme poverty, weak institutions, low public service delivery, and underdeveloped infrastructure compared to their urban counterparts.
- **Stagnating agricultural production with declines in production growth in low-income countries.** Despite the critical role it plays in sustaining livelihood, global agricultural production has exhibited a stagnation in the rate of growth in recent years. There are, however, important

**Table 1: Agriculture Value Added Annual Growth Rates (percent)**

Region	1990-9	2000-2
Sub-Saharan Africa	2.4	3.3
South Asia	3.2	1.0
Eastern Asia and Pacific	3.5	2.2
Europe and Central Asia	-2.5	2.4
Latin America and Caribbean	2.6	2.1
Middle East and North Africa	3.2	3.4
Low income	2.8	1.8
Middle income	2.2	2.3
High income	1.1	2.3
World	1.9	2.0

Source: SIMA

<sup>2</sup> A Working Paper discussing the status of agriculture and rural development in greater detail was prepared by Lire Ersado and is available from ARD.

regional variations in agricultural growth patterns (Table 1).

- **Continued trade distorting policies.** Subsidies in OECD countries amount to more than US\$300 billion per annum, nearly US\$250 billion going directly to producers. Industrialized countries levy higher tariffs on imports from developing countries than from other industrial countries. The tariff rates on non-agricultural products are considerably lower than those on agricultural goods, the very commodities for which many developing countries tend to have a comparative advantage. The declining terms of trade is undermining the economic prospects of many developing countries, jeopardizing their food security, and causing stress to the environment.
- **Continued deforestation in tropical areas.** Unabated deforestation of tropical forests has become one of the most critical environmental problems facing the world today, with serious long-term economic and social consequences. The tropical rainforests continue to diminish at an alarming rate because of the human need for food and demands for timber, energy, minerals, and other resources.
- **Water scarcity, deterioration of irrigation and drainage structures, and soil depletion.** Increasing water scarcity, competing demands of other sectors, pressing environmental concerns, and the high cost of investment in water supply pose challenges to the new generation of irrigation and drainage structures. Meanwhile the existing structures in many parts of the developing world are deteriorating due to poor maintenance and inefficient management. The depletion of natural soil fertility due to continued cultivation and inadequate use of fertility-enhancing inputs have adverse impacts on agricultural productivity and food security.

There are, however, some encouraging outcomes:

- **Increased agricultural growth in sub-Saharan Africa.** Recently agricultural productivity in Africa has shown improvement over its performance during the 1990s. This is attributable mainly to increases in crop productivity.
- **Increased role of livestock sector and high value crops.** As global food consumption shifts from heavy dependence on grains to more animal products, the livestock sub-sector plays an increased role in meeting changing food demand. Livestock provides a substantial source of income and nutrition for the rural poor. Another area of agricultural activity that holds some promise for rural development is diversification through increased cultivation of high-value crops such as fresh fruits, flowers, vegetables, beans, and condiments. A significant trend in food trade has been the rise in non-traditional exports. World prices for these products have performed better than prices for traditional agricultural goods.
- **Promising new approaches emerged.** There are new and innovative approaches to rural development such as community-driven development (CDD), community forestry, watershed management, and decentralized agricultural services that are promising, and can be scaled up for significant impact.

- **Improved donor support and regional policy environment.** After a relative neglect of agriculture in the 1990s, multilateral and bilateral donors are placing a renewed emphasis on agriculture and rural development, notably in sub-Saharan Africa. Official development support to rural development and agriculture began to rise in the past year. Throughout the developing world, policy makers are more actively including rural poor people, who seek participation and voice, in decision-making.

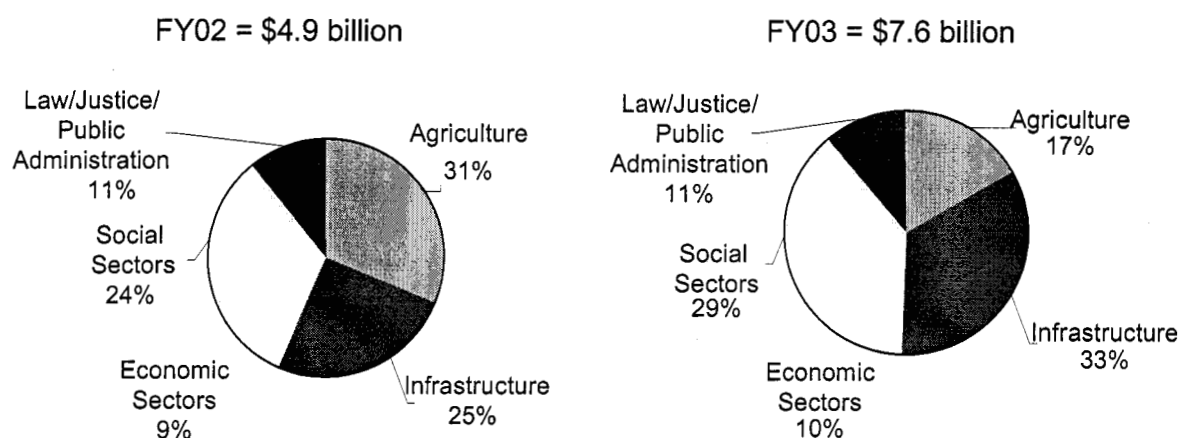
## 2. World Bank Lending and Non-Lending Services (Output Indicators)<sup>3</sup>

The adoption of “Reaching the Rural Poor” has already made a significant positive impact on many, though not all, of the Bank’s activities in rural areas. Rural development has become a multi-sectoral activity leading to enhanced cooperation among many Bank units active in the rural space. During the first year and one-half of strategy implementation, both the client countries and the World Bank Country Directors emphasized the development of rural infrastructure and improved rural education as essential for increased lending to the productive rural sectors (especially for agriculture) in the coming years. The impact of this can already be seen in the greatly expanded rural lending in FY03 and FY04, and in projections which show expanded lending to agriculture in FY04 and FY05.

### 2.1 Significant Increase in Rural Lending in FY03

Although total Bank IBRD/IDA commitments declined slightly to US\$18.5 billion in FY03, rural lending increased by about 50 percent, reaching US\$7.5 billion, or 41 percent of total Bank lending. At the same time the number of projects with rural lending components increased by one-third to 155 projects (Figure 1).

**Figure 1: Distribution of commitments to rural areas, among major sector groups, FY02 and FY03**



<sup>3</sup> A detailed analysis of the FY03 portfolio performance is provided in *Rural Portfolio Review 2003* (ARD).

- *IDA responsible for some half of rural lending.* IDA committed 52 percent of its total funding (US\$3.7 billion) to rural areas in FY03, amounting to approximately one-half of total investment in rural areas, compared to a 40 percent share in FY02. Eighty-four percent of FY03 IDA rural investments is concentrated in AFR and SAR, compared to 76 percent in FY02.
- *Rural Infrastructure takes the lead in lending in rural space.* Lending to the infrastructure sectors<sup>4</sup> increased to 33 percent of lending to rural areas, from 27 percent in FY02. Lending to the social sectors<sup>5</sup> increased to 29 percent, from 26 percent over the same period. Lending to agriculture was 17 percent of rural lending, down from 31 percent in FY02.
- *Regions with the most rural poor attract the greatest amount of rural lending.* In the East Asia Pacific and South Asia regions more than half of all lending in FY03 was for rural areas. In Africa, about half of the FY03 commitments were rural related. In contrast, for the other three regions, the share of rural lending was 27 percent. (**Table 2**).
- *Adjustment lending increased.* After the steep increase in rural Adjustment lending in FY02 to US\$859 million, the amount further increased to US\$978 million in FY03. However, more than half of this amount (52 percent) is concentrated in one project (Mexico Rural Finance Development Structural Adjustment Loan). Outside rural lending, an increase was seen in Programmatic Structural Adjustment loans (in LCR) and in PRSCs (mainly in AFR), while Sectoral Adjustment lending declined.
- *Delivery of rural investments through the Community Driven Development (CDD) approach is up, but has declined as a percentage of total rural lending.* Although rural commitments via CDD increased to US\$1.8 billion in FY03 from US\$1.5 billion in FY02, the share of total rural lending delivered through CDD dropped by 7 percentage points to 24 percent of total commitments to rural areas. All regions except for ECA and SAR saw increases in delivery of rural investments via CDD. Agriculture was selected as an option in 26 percent of CDD projects, while Natural Resource Management was selected in 30 percent of the 46 CDD type projects.
- *Working with Rural Producer Organizations (RPOs) remains a challenge. CDD and Social Funds projects are currently the main supporters of RPOs.* There was an increase in the share of projects that included RPOs, from 20 percent in FY97 to 40 percent in FY02, the percentage of project funds committed to RPOs remains low, however, at an average 8 percent.

**Table 2: Rural Commitments a percent of Bank**

Region	FY99-01	FY02	FY03
AFR	39	30	51
EAP	23	51	56
ECA	16	19	27
LCR	16	12	27
MNA	38	5	27
SAR	41	39	64
<b>Total</b>	<b>25</b>	<b>25</b>	<b>41</b>

<sup>4</sup> Infrastructure sectors are: Energy and Mining; Information and Communications; Transportation; Water, Sanitation and Flood Protection. Economic Sectors are: Finance; Industry and Trade.

<sup>5</sup> Social Sectors are: Education; Health/Social Services Education.

- *Rural commitments are well-aligned with the Millennium Development Goals.* As in the previous three years most of the lending to rural areas targets the ‘Eradication of extreme poverty and hunger’. Rural lending to combat HIV/AIDS, the achievement of primary education and to ensure environmental sustainability has increased since FY02 to levels above the FY99-01 baseline.
- *The rural–urban interface has been strengthened.* The Rural Strategy recognizes that urban and rural areas and their economies are inextricably linked in the process of development. While a large number of projects (90) did not differentiate between targeting rural or urban areas/people (so called national projects), 35 of the 155 operations in FY03 with rural components (23 percent) also targeted urban locations (primary cities, secondary cities, peri-urban areas, towns, small/medium urban centers) either because they had identified poor rural and urban communities as targets or because the interventions recognized a specific linkage between rural and urban areas that needed to be addressed.
- *Gender persists as a marginal segment of the rural portfolio.* Specific gender related lending received less than 1 percent of total rural lending in FY03, down from FY01 (2 percent) and FY02 (3 percent). Sixty-four projects, however, mentioned gender among project objectives, and eight allocated resources to specific components that addressed gender issues.<sup>6</sup>

## 2.2 Reversal of Decline in Lending to Agriculture

Lending to agriculture experienced a continuous decline in the second half of the 1990s, both in dollar amount and share of overall Bank lending. The past two years represent a turning point. In FY03 while commitments of US\$1.3 billion were slightly below that of FY02 (US\$1.5 billion), they were above the average commitments in FY00 and FY01. Preliminary results for FY04 and projections for FY05 indicate further increases in agricultural lending (**Table 3**). At the same time, in FY03, infrastructure overtook agriculture to become the leading sector for lending in the rural space (**Figure 1**). This is a positive development, as adequate rural infrastructure is a necessary precursor for effective investments in agriculture.

**Table 3: Lending commitments to the agricultural sector (by region) US\$ million**

Region	Avg. 99-01	FY02	FY03	FY04*	FY05*
AFR	190	308	318	604	805
EAP	363	151	119	507	608
ECA	278	644	342	186	273
LCR	229	100	61	480	691
MNA	188	5	199	160	357
SAR	157	328	251	505	677
Total lending	1,405	1,536	1,289	2,441	3,411

\* projected

There are significant trends in the agricultural portfolio:

<sup>6</sup> For further details see *Gender Analysis of Rural Portfolio Review FY2003*, prepared by the Gender in Rural Development Thematic Group, October 2003

- *Lending to Agriculture shows a significant upward trend in all regions except ECA.* Agricultural lending in the AFR region has seen a steady increase since FY00-01, to US\$318 million in FY03, and a rather significant further increase is projected for FY04, and especially for FY05 (US\$805 million). Significant increases are projected for SAR and LCR, and, to a lesser extent EAP. Agricultural lending in MNA came back dramatically from the extremely low FY02 levels. These trends and lending projections in general, however, have to be discounted somewhat since historical experience shows that actual commitments are below the level of projections.
- *A significant shift can be observed in the composition of lending to agriculture.* “General agriculture, fisheries, and forestry” became the most prominent subsector in overall agricultural lending, signaling a move toward projects that combine several agricultural activities under one umbrella. Similar to general agriculture, irrigation and drainage, which is the second largest subsector, shows very significant growth projections. Commitments to the forestry sub-sector have increased since the release of the Bank’s Forestry Strategy, and further increases are projected in FY04 and FY05. The projections indicate the Bank’s return to lending for agricultural extension and research. (Table 4).

**Table 4: Composition of lending to agriculture**

Sector\Fiscal year	Avg. 99-01	FY02	FY03	FY04*	FY05*
Agric ext & research	137	70	48	283	480
Agric market & trade	107	221	72	64	138
Agro-industry	60	68	4	81	66
Animal production	53	25	23	63	79
Crops	119	487	96	35	99
Forestry	56	128	166	122	339
Gen agric/fish/forestry sector	479	202	660	746	1,191
Irrigation & drainage	394	335	220	1,049	1,020
Totals	1,405	1,536	1,289	2,441	3,411

\* projected

- *Lending to agriculture blends investment and adjustment instruments.* In FY03, 74 percent of agricultural commitments were made using investment instruments, reversing the situation in FY02 when commitments using an investment instrument totaled only 48 percent of agricultural lending. However, agricultural investments via Poverty Reduction Support Credits (PRSCs) and Programmatic Structural Adjustments (PSAs) increased to 7 percent in FY03 from 2 percent in FY02. A review of rural issues in the 13 PRSCs approved so far is being undertaken.
- *New, innovative approaches to lending to agriculture are becoming more widespread.* The increased role of the private sector and rural communities, the combination of several components of agricultural development into development programs, as well as innovative support to new agricultural technologies characterize the current and projected lending to agriculture. The India National Agricultural Technology Project, the Cote d’Ivoire National Agricultural Research Center, the Tanzania Participatory Agricultural Development and Empowerment Project, and the Tunisia Northwest Mountainous and Forestry Areas Development Project, are all examples of innovative approaches (see Box 1).



### **Box 1: New and Innovative Project Approaches to Agriculture**

**India - National Agricultural Technology Project.** The World Bank is financing institutional support and capacity building for the national agricultural research system in India (1998-2003). Through support to teams of excellence, funding for biotechnology research has led to significant advances in: 1) development of transformation methods for rice, cotton, and pigeon peas; 2) two resistant genes to leaf rust in wheat; 3) work on protease inhibitors and lectin genes and sequences from genomes of plant viruses that can be used to develop insect and virus resistance; 4) development of diagnostic kits useful in management of plant viruses; and 5) training 200 scientists annually.

**Tanzania - Participatory Agricultural Development and Empowerment Project.** The project seeks to raise the production of food, incomes, and assets of participating households and groups in about 840 villages in a sustainable manner through the implementation of small agricultural development subprojects planned and managed by community members and farmers' groups. This objective will be achieved by: (1) empowering self-selected rural communities and farmers' groups to make decisions regarding choice of sustainable and remunerative productive technology; (2) sharing of costs by the public sector and participants, and hence sharing the risk of adoption of improved technologies, again for self-selected participants; (3) enhancing demand for products and services provided by the private sector in rural areas by increasing the purchasing power of participating groups and encouraging the growth of savings; (4) promoting improved land and crop husbandry practices by participants; (5) supporting the ongoing decentralization process at the district level; and (6) partially financing maintenance and/or construction of roads, bridges, and other small subprojects to improve access to markets. The project has two components: (i) Community Agricultural Development Subproject; and (ii) Capacity Building and Institutional Strengthening. The first component will assist the government to provide matching grants to communities and farmers' groups to finance agricultural development subprojects selected through PRA and approved by the Village Councils. Under this component, the project will support both Community Investment Subprojects (CIS) and Farmer Groups Investment Subprojects (FGIS).

**Tunisia - Northwest Mountainous and Forestry Areas Development Project.** The Project seeks to improve the socioeconomic conditions of populations in the five governorates of the project area, while ensuring sustainable management of the natural resources. The project components will: 1) support capacity building activities to strengthen the Northwest Forestry and Pastoral Development Agency - ODESYPANO - by financing the adjustment of ODESYPANO's organizational structure, through the redefinition of responsibilities, human resources planning, and management. Technical assistance will be provided to update operations, and help formulate community development plans. In addition, information systems will be improved, training programs provided, and, capacity building for beneficiary communities and partners should enhance participation in the implementation of development activities; 2) support the implementation of integrated pilot operations, through forestry extension services, and provision of equipment, training, and trial demonstrations on improved forestry practices; land consolidation operations to facilitate agricultural farming, targeting communities requiring titling operations; and, promotion of micro-enterprise projects, including assistance on technically and financially sound proposals for presentation to financial institutions; 3) strengthen the extension services for improved crop production, livestock husbandry, and veterinary services. In addition, rehabilitation of small-scale irrigation schemes will be supported, depending on beneficiary demand; 4) support the improvement of environmental, and natural resources management, through practices in soil and water conservation, pastures and rangelands under-utilized, and agro-forestry development; and, 5) support rehabilitation and/or construction of basic rural infrastructure, to facilitate community access to markets, and social services, by improving rural roads, and access to potable water.

## **2.3 The Changing Nature of Economic and Sector Work**

The Rural Strategy – Reaching the Rural Poor, had called for increased support for analytical work (ESW and other analytical products) both in numbers and expenditures and has envisaged

that sound diagnostics resulting from these products will provide important information for countries in preparing their PRSPs, support the formulation of national rural strategies and advocacy processes, and feed into the Bank's CAS process. It was also expected that increased analytical work, especially ESW products, would in part translate to increased lending operations, especially in the agriculture sector.

**Box 1: New and Innovative Project Approaches to Agriculture (cont...)**

**Cote d'Ivoire - National Agricultural Research Center.** By the early 1990s, poor human and financial management, weak staff accountability, and lack of farmer input to program content caused inefficiency within the Cote d'Ivoire public research institute. Agricultural research therefore came under strong pressure to provide technical support to producer organizations (POs) and extension staff accountable for results. The National Agricultural Research Center (CNRA) was established as a private company with minority financial participation by the state. Board members are elected by the general assembly, which has a majority of users. After an external selection process, researchers were appointed by CNRA and given three years to choose between remaining as civil servants with the Ministry of Sciences or becoming CNRA staff with private status. The researchers agreed to take CNRA employee status, provided their retirement and health insurance rights were guaranteed. CNRA structural reforms and decentralization facilitate relationships with the private sector; a new salary and incentives system is enjoyed by researchers; and POs, which have strong representation on the CNRA board, support the new structure. Following four years of discussion, POs, CNRA, the extension agency, the Ministry of Agriculture, and donors are setting up a National Decentralized Interprofessional Fund for Agricultural Services Financing, which will finance research, extension, training, and PO development. The Fund will be managed by users, with funding from levies on major crops to ensure financial sustainability for core agricultural services. The government and donors may provide additional funding.

There is no direct information available on the actual scale of all of the rural and agriculture-related ESW activities. During the past several years, the nature of economic and sector work related to rural space has changed. The data in **Table 5** shows only one component of rural and agricultural ESW, namely, those activities directly managed by the various agriculture and rural development units in the Bank (regions and anchor). While the number of ESW products assigned to the responsibility of the rural units in the Bank increased from 30 in FY01-02 to 37 in FY03, their share of total Bank ESW expenditures dropped from 11 percent to 5 percent during the same period. This indicates a declining demand for self-standing agriculture-related ESW activities financed directly from Bank budget. In about 58 percent of the Bank's active borrowing countries, there has not been a single agricultural and rural development ESW product since FY00 financed by the Bank Budget.

**Table 5: Agriculture and Rural Sector ESW by region (US\$'000)**

Fiscal year	Average FY00-02		FY02		FY03		FY04 estimated	
Region	Number	Cost (US\$T)	Number	Cost (US\$T)	Number	Cost (US\$T)	Number	Cost (US\$T)
AFR	5	1,424	4	693	6	1,062	20	2,727
EAP	3	2,033	5	1,106	6	583	17	820
ECA	10	678	6	1,220	1	294	10	760
LCR	5	911	2	329	7	601	7	840
MNA	1	160	2	41	5	683	7	615
SAR	8	785	2	344	6	869	8	1,111
OTH	0	0			6	54	6	436
Overall Result	30	5,991	21	3,733	37	4,145	75	7,309

The actual scale of rural and agricultural ESW, however, is significantly larger than ESW done by the Bank's Agriculture and Rural Development units. First, a number of rural and agricultural ESW outputs are now funded by trust funds. Secondly, some self-standing rural ESW activities are not managed by rural units. Third, agriculture and rural development is often a significant component of multi-sectoral ESW (e.g., CEM, DPR, Poverty Assessments, PERs, etc) which are primarily undertaken by PREM with inputs from rural and agricultural staff.

Future trends in agriculture and rural related ESW will be carefully monitored. Estimates for FY04 indicate a significant upward trend in ESW activities managed by the Bank's Agriculture and Rural Development units. Information on other rural-related ESW activities shows similar tendencies.

## 2.4 Lending to Rural Space: A Multi-Sectoral Activity

In accordance with the objectives laid out in the rural strategy, a large number of Bank units contributed to the reduction of rural poverty and lending in rural space. All major networks were, *de facto*, active in rural areas. In FY03 the ESSD network was responsible for 29 percent of lending in rural space, of which the Agriculture and Rural units were responsible for 22 percent<sup>7</sup>, while the Infrastructure network surpassed ESSD, delivering 32 percent of all rural lending. These investments were mainly made in SAR, AFR and EAP. The Human Development network was also responsible for significant amount of rural lending (26 percent), of which 13 percent was managed by the Education sector (investments mainly in EAP, LCR and SAR), while the rest (13 percent) fell under the Health (mainly AFR and SAR) and Social Development sectors (Table 6).

**Table 6: IBRD-IDA Commitments to Rural Space by Network**

Sector Board\Fiscal year	Rural Space as a percent of Network			Network Share of Rural		
	Avg. 99-01	FY02	FY03	Avg. 99-01	FY02	FY03
Environmentally and Socially Sustainable Development Network	79	88	79	40	42	29
Finance Network	6	0	43	3	0	7
Human Development Network	40	41	41	29	25	26
Infrastructure Network	21	30	45	21	32	32
Poverty Reduction and Economic Management Network	3	1	11	4	1	6
Private Sector Development Network	19	2	11	3	0	1
Total	25	25	41	100	100	100

<sup>7</sup> Lending to Rural Areas under the responsibility of the agriculture and rural development units differs from the figures presented in Table 3 due to; (i) the cut off points used for this study, (ii) some urban components in these projects which were excluded.

### 3. Progress in Output Quality

Improvement in the quality of operations in rural space, and specifically in agriculture, is an important objective of *Reaching the Rural Poor*. With some exceptions, improvements in the quality of agricultural projects have occurred. Overall, the performance rating of all rural-related activities was around Bank average.

#### 3.1 Mixed Project Performance

*Performance of active projects under the responsibility of the Agriculture and Rural Development units is slightly better than that of the Bank as a whole.* The projects have performed well in comparison to Bank-wide averages on all of the Quality Assurance Group (QAG) indicators for portfolio performance. In fact, improvements have been made over FY99-01 and FY02.

- In addition to the portfolio monitoring indicators discussed above, QAG examines the quality at entry (QEA) and the quality of supervision (QSA) of a sample of projects in alternate years. During previous QEAs between FY99-02, Agriculture and Rural Development units' projects were rated 91 percent satisfactory, compared to 90 percent for all projects sampled. The FY03 QEA6 show 89 percent satisfactory, compared to 88 percent for the Bank overall.
- The last QSA exercise, conducted in FY02, included only 17 projects, so results are reported in combination with the FY01 assessment. Agriculture and Rural Development units projects were rated 90 percent satisfactory compared to 93 percent for all projects in the sample of the two years.
- *Characteristics of operations rated 'highly satisfactory' and 'marginally satisfactory' are strikingly different.* Of 75 projects under the responsibility of the Agriculture and Rural Development units reviewed by QAG, 8 were rated, "highly satisfactory" while 12 were rated, "marginally satisfactory" and the remainder were rated, "satisfactory." In contrast to projects rated 'marginally satisfactory,' the 'highly satisfactory' operations were found to have simple and measurable development objectives, simple and flexible project design, good M&E systems with baseline indicators, comprehensive risk assessments, strong borrower commitment and ownership, were ready for implementation at the time of Board presentation, had adequate supervision budgets, good supervision documentation including resolution of issues and continuity, and good skills mix of the supervision team.
- *Performance of closed projects under the responsibility of the Agriculture and Rural Development units has been mixed.* Projects assigned to the ARSB that closed in FY02 performed well, both in terms of the baseline for FY99-01 and in comparison to the Bank as a whole. However, there is an alarming development in projects that closed in FY03 – of the 27 projects evaluated so far, satisfactory outcome is expected in only 67 percent, compared to 79 percent in FY02. A similar decline is noticeable in the Bank-wide average, but the decline among ARSB projects has been greater – a drop of 12 percent points in Agriculture and Rural Development units projects versus a 6 percent point drop Bank-wide. The net disconnect between the last Project Supervision Report (PSR) and the OED rating for Agriculture and Rural Development units projects has increased by 9 percentage points since FY02 to 26 percent in FY03, versus a Bank-wide increase in

disconnect of 4 percentage points to 16 percent. Some 13 projects that closed in FY03 remain to be evaluated by OED and will determine the final result. Part of the problem is that OED evaluates projects against original objectives, while many countries, with the support of the Bank, reworked project objectives during implementation. Evaluation against revised objectives would show better results.

Some of these successes are due to the rural family's new focus on quality, including the creation of a portfolio committee consisting of all the regional portfolio advisors chaired by ARD. This group has assisted task managers deal with problem projects, and has engaged in project design assistance through quality at entry reviews.

### 3.2 Diversified Approach to Poverty Reduction

There is a trend toward the use of a more diversified and inclusive approach in achieving poverty reduction. This is seen in the substantially higher number of projects with secondary components that have a poverty reduction approach different from that of the main intervention (82 percent, compared to 13 percent in FY99-01), reflecting the increasingly multi-sectoral nature of most rural investments. The Andhra Pradesh Rural Poverty Reduction project is a good example of these new approaches (**Box 2**). In FY03, fewer projects are poverty "focused."<sup>8</sup> Poverty focused actions were mostly secondary interventions which means that they are smaller in scope and lending amount. The number of poverty focused operations increased in AFR, EAP and LCR, but declined in ECA and SAR.

#### **Box 2: India - Andhra Pradesh Rural Poverty Reduction Project**

The Andhra Pradesh Rural Poverty Reduction Project development objective is to enable the rural poor, particularly the poorest of the poor, in Andhra Pradesh to improve their livelihoods and quality of life. The project supports the Government of Andhra Pradesh's ongoing long-term Rural Poverty Reduction Program, which aims to eradicate poverty; promote human capital development; focus on the welfare of children, particularly girls, women, the old, and the infirm; and build an equitable society in which people participate in making decisions which affect their lives and livelihoods. The project components are: 1) institution and human capital development; 2) establishing of the Community Investment Fund (CIF) designed to transfer financial and technical resources to Community Based Organizations (CBOs) and local governments to support subprojects in; a) social development, b) community-level infrastructure, c) income-generation and livelihood improvements, and c) land purchases and development, and water resource management; 3) support to pilot programs; 4) educational support for out-of-school children and dropouts; 5) support to persons with disabilities; and 6) support activities for project management to the main implementing agency, SERP. The project strongly contributes to the Bank's Country Assistance Strategy (CAS) objectives and main goal, to assist the pro-poor rural development sector.

*Focus on poor and marginal areas increased in FY03 but still below baseline.* The share of lending directed to poor and marginal areas had decreased from 56 percent in FY01 to 39 percent of lending to rural areas in FY02, and has increased slightly to 41 percent in FY03.

### 3.3 Quality Assurance of Analytical Products

The Quality Assurance Group (QAG) has not yet concluded its work on the quality review of ESW products in FY03 but in previous years the quality of ARSB managed ESW products has

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<sup>8</sup> Projects are classified by the poverty orientation of their primary, and where applicable, secondary interventions into: 1) Focused Actions – predominantly those which bring benefits to directly to the poor; 2) Inclusive Actions – broad-based actions which improve opportunities and services generally; and 3) Enabling Actions – that support policies for poverty reduction.

not been significantly different from the Bank average (the FY98-FY02 data show that on average, the satisfactory rating of agriculture and rural sector ESW products is about 79 percent, compared to a Bank average of 84 percent for the same period – see **Table 7**). In addition, the analytical products of ARD and DECRG undergo rigorous internal and external reviews and are of high quality. The ARSB has mandated the Rural Portfolio Group to systematically monitor the quality of rural ESW products and to work closely with QAG to address any observed quality issues. The quality measures which are already in place include:

- Improving quality-at-entry guidelines, through a systematic peer review system and quality enhancement reviews;
- Ensuring sound rural poverty focus/analysis in ESW products, through special attention by Sector Managers, peer reviewers and during review meetings;
- Improving strategic relevance of ESW products by clearly setting out objectives for the task, defining the audience, and stating expected impacts which are measurable, in concept notes/issues papers;
- Promoting upstream clinics on agriculture sector reviews and rural development strategies to provide feedback to Task Team Leaders;
- Improving ownership of ESW products and increasing the chances of implementing its recommendations by systematic involvement/participation of client countries' institutions and key stakeholders; and
- Providing training for rural staff that prepare ESW through workshops and shared learning clinics.

**Table 7: ESW assessments I-V: all Bank vs Agriculture and Rural Development Units**

ESW Assessments I-V (FY98-02)	No of Projects	Percent Overall Satisfactory	Percent Highly Satisfactory	Percent Satisfactory	Percent Marginally Satisfactory	Percent Unsatisfactory
All Bank	310	84	9	75	15	2
ARSB	30	79	5	74	18	2

## 4. Progress in Key Implementation Thrusts

The key implementation thrusts in *Reaching the Rural Poor* were envisaged as the major underlying activities to re-invigorate the Bank's rural programs both in scale and in quality. This section outlines the achievements in each of these four thrusts.

### 4.1 Support to National Strategies – Rural Content of the CAS

One of the main characteristics of the development process, advocated by *Reaching the Rural Poor*, is its strong client-driven nature in national policy making. The strategy recognized that to have an impact, such processes must be integral to national development strategy processes e.g.,

Poverty Reduction Strategies (PRSPs), national development plans, etc., and be supported by the Bank diagnostic, analytical and strategic documents (Poverty Assessments (PAs), Country Economic Memorandums (CEMs), Country Assistance Strategies (CASs), Country Gender Assessments (CGAs), etc). The principal focus of this thrust has been to help countries strengthen the voice of the rural poor in national processes for agricultural and rural strategy formulation.

The Bank has partnered with all stakeholders involved in rural space in many countries in order to assist in rural strategy formulation. These include organizations of producers, women's organizations, local NGOs, line ministries, academic institutions, and the private sector. Two modalities were developed to achieve this:

- Client countries have been supported in preparing broadly owned national rural development strategies which focus on rural poverty reduction. This has been done through the organization of stakeholder workshops and consultation processes, the preparation of policy notes and undertaking diagnostic, analytical and strategic work on rural issues. Detailed guidelines in preparing national rural strategies to assist clients in this process were provided. The Bank encouraged a holistic approach reflecting the multi-sectoral dimension of sustained rural poverty reduction. The Bank provided direct support to the development of a full-fledged national development strategy in eleven countries (**Table 8**). Mongolia is a good example of this type of activity (**Box 3**). In LCR, a regional study "Drivers of Rural Growth and Poverty Reduction in Central America" was supported to assist national strategy development (**Box 4**).

#### **Box 3: Mongolia's Rural Development Strategy**

The Bank-supported Mongolia rural development program provides a clear illustration of the way in which ongoing analytical, lending, and technical assistance activities can help to shape rural strategy in an iterative fashion. The strategy will re-shape Mongolia's approach to poverty reduction by focusing on more sustainable, market- and demand-led approaches to building and managing the assets that people need for livelihood security, rather than on income transfers alone.

Views elicited from rural and urban communities throughout the country helped to identify three sets of priorities to reduce vulnerability and build secure and sustainable livelihoods: *managing risk*, particularly in the pastoral livelihood sector that supports half the population and the vast majority of rural inhabitants; *community-driven approaches to basic infrastructure investments*, and their operation and maintenance; and more institutionally and financially sustainable approaches to the *outreach of micro-finance services* in rural areas. These three areas subsequently became the focus for the first in a series of Bank-supported Adaptable Program Loans to foster sustainable livelihoods in rural Mongolia. Achieving better coordination among donors is the next big challenge. Immediate priorities are to work towards stronger alignment of donor-supported efforts overall with ways of translating the Government's declared action program into practical outcomes on the ground and in people's lives. At present there remains a significant gap between the Government's own stated agricultural, rural, and regional development policies and the more demand- and market-led vision encapsulated in the (draft) Rural Development Strategy.

- The Bank also provided analytical work to acquire a better understanding of the rural areas in client countries. This was done by supporting the enhancement of the rural aspects of Poverty Assessments, Public Expenditure Reviews, and the preparation of Rural Policy Notes. Bank activities in Sri Lanka provide a good example of this approach (**Box 5**).

**Box 4: Drivers of Growth in Central America**

The study “Identifying the Drivers of Sustainable Rural Growth and Poverty Reduction in Central America”, is part of ongoing efforts by the Bank to strengthen analyses and strategies for rural development in Central America. During FY03 the LCSES project team completed the conceptual and analytical framework guiding the study, as well as the Nicaragua case study. Case studies in Guatemala and Honduras are scheduled for FY04. The “Drivers of Growth” study adopts an asset-based approach (where assets are broadly defined to include natural, physical, financial, human, social, political, institutional and locational assets) to evaluate how policies and investment strategies contribute to rural economic growth that is both poverty-reducing and environmentally-sustainable. It examines assets, livelihood strategies and well-being at the household level, taking into consideration government policies and multiple sources of risks. Spatial analyses and location-specific assets help determine how households with different portfolios of assets perform in rural areas differentiated by parameters such as access to infrastructure and services, agro-ecological potential, and climatic risks.

The study argues that governments and donors need to recognize the differentiated needs of regions with different social and environmental endowments and constraints and tailor broad strategies to allow flexibility within areas and households. The analysis expects to contribute to this policy debate and make operationally relevant recommendations, including implications for prioritizing rural development investments.

**Box 5: Supporting the Rural Development Strategy in Sri Lanka**

The Bank has been providing continuing support to the Government of Sri Lanka for the formulation and implementation of its rural development strategy, both in terms of analytical work and policy advice integrated into the lending program. More recently, these included policy advice and investment support under the Mahaweli (Irrigation) Restructuring and Rehabilitation Project, the Land Titling and Related Services LIL and AAA “Sri Lanka Promoting Agricultural and Rural Non-farm Sector Growth.” These served as inputs to the GOSL’s preparation of its PRSP, entitled “Regaining Sri Lanka.” The PRSP recognizes the importance of rural development as a means for accelerated income growth, employment generation, sustainable natural resource use and most importantly for reducing poverty (90 percent of the poor are in rural areas). The Bank’s work has highlighted a number of policy impediments to more rapid agricultural growth and poverty reduction relating to land, water and agricultural technology transfer. The government has taken the decision to progressively reform these policies, which the Bank is currently supporting through a series of poverty reduction strategy credits (PRSCs), the first of which was approved in FY03, and investment projects.

Supporting preparation of national rural development strategies was envisioned as one of the key activities, at the country level. In selecting the countries, the windows of opportunity for influencing the PRSP, or other country-driven processes, and informing CASs and Bank-supported analytic work (such as PERs and CGAs) were the decisive element. Not enough time has elapsed to be able to assess the full impact of these activities.

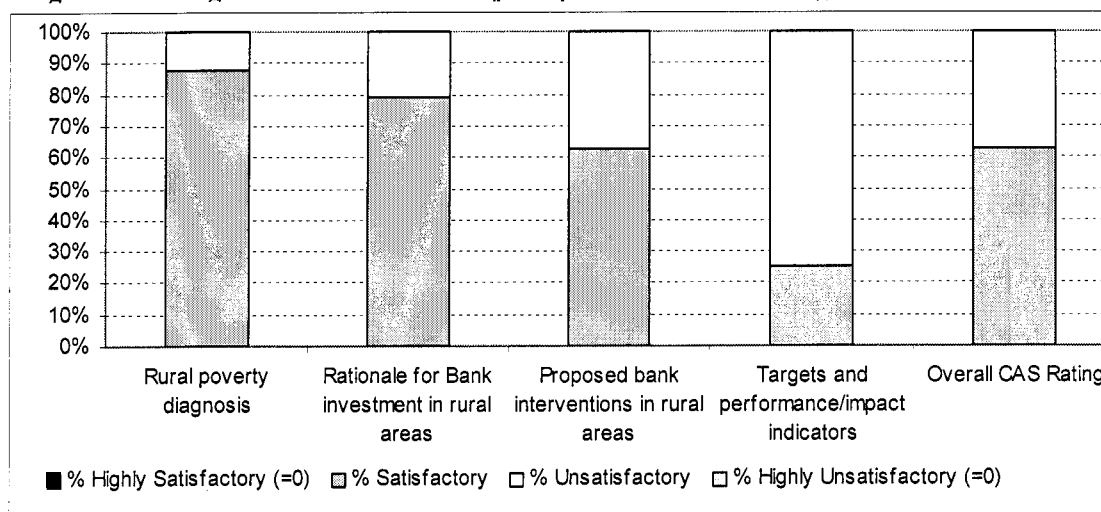
The review of 27 PRSPs completed in FY02-FY03 indicates that each of them included a detailed rural poverty diagnosis, and the majority identified low agricultural productivity as one of the major causes of rural poverty. In 30 percent of PRSP countries, the development of national rural or agricultural strategies has been completed or is currently underway. In six of the recent PRSP countries, the PRSPs have been followed by PRSCs. The Bank’s national rural strategy work in Vietnam and Sri Lanka provided direct input for the PRSC preparation.



**Table 8: Support to National Rural Development Strategies (NRDS) in FY03-FY04**

Regions	AFR	EAP	ECA	LAC	MNA	SAR
Countries with completed NRDS	Togo Madagascar Cameroon Benin	Mongolia	Ukraine Uzbekistan	Bolivia Drivers of Rural Growth and Poverty Reduction (Central America)	Yemen	Sri Lanka
Countries being supported in their NRDS preparation	Ghana (Forestry Policy Review) Sierra Leone Tanzania	Vietnam Papua New Guinea Cambodia	Turkey Armenia	Dominican Republic Ecuador	Morocco Lebanon	Nepal

Beyond PRSPs, one of the most important uses of national strategies is the CAS process. In FY03, 24 full CASs were presented to the Board and were reviewed in terms of rural and agricultural content (due to changes in the review system, the FY03 review results cannot be compared to previous years). Over all, the rural content of 63 percent of CASs was rated satisfactory (see **Figure 2**) with none rated highly satisfactory or highly unsatisfactory;

**Figure 2: Ratings of FY03 full CASs: major aspects and overall rating**

## 4.2 Scaling-Up Good Practices

The regional strategies set out the initial program for scaling-up. In strategy implementation, there has been a continuous process of selecting new projects for scaling-up, driven by the regional departments, and based on country programs. Scaling-up was interpreted as an effort to select and duplicate project modalities that can be considered as good practices. To aid in this work an Agricultural Investment Sourcebook of good and innovative project and policy practices has been prepared by ARD and a manual on the methodologies of scaling-up was disseminated. The Sourcebook describes and analyzes good practice in the various agricultural subsectors from

irrigation and drainage, natural resource management, community driven rural development, policy-based lending, research and extension. This will be the flagship ARD publication this year and will support scaling-up and innovation across Regions.

**Box 6: Good Examples of Scaling Up in Community Driven Development and Land Reform**

**Marsah Matrouh Resource Management Project Phase II—Egypt.** The decrease in nomadic lifestyle in the Marsah Matrouh area that has occurred over the past few decades has transformed traditional, ecologically balanced, pastoral systems to potentially unsustainable sedentary agriculture. This transformation has increased human and animal pressures on the fragile resource base and ecosystem of the arid environment, creating a cycle of resource degradation and poverty, threatening biodiversity and accelerating environmental deterioration. Phase 1 of the project, funded by WB and GOE was successfully implemented over seven years. Its innovative aspect has been its participatory approach, which combines technical innovations and the socio-economic and institutional development needs as expressed by local communities' representatives. The Project organized an unprecedented constructive dialogue between local community representatives and government staff, in particular with regard to the selection of project beneficiaries. New features of Phase II of the MRMP include: 1) moving forward towards community empowerment; 2) Biodiversity conservation and integrated ecosystem planning & management; 3) off-farm income-generating activities, targeting women; and 4) an innovative micro-finance scheme.

**Brazil - Land Reform and Poverty Alleviation Pilot Project.** The Land Reform and Poverty Alleviation Pilot Project seeks to reduce rural poverty in Northeast Brazil by: a) increasing poor family incomes through improved land access and participation in demand-driven community subprojects; b) raising the agricultural output of lands; and c) testing a market based approach to land reform in which beneficiaries obtain financing for the purchase of properties negotiated directly between rural communities and willing sellers. The components will be: a) a land purchase account to finance land purchase by rural community associations; b) community subprojects - small grants to communities for investments, technical assistance, and start-up; c) community development support and strengthening including technical assistance and training; d) project administration, supervision and monitoring; and e) impact evaluation and dissemination.

**Lao PDR: Second Land Titling Project.** The Laos Land Titling Project (LTP II), co-financed by AusAID, is the second phase of the long-term land titling program aiming at the development of the land administration capacity to support economic development and poverty reduction goals. The project is aligned to the government's National Growth and Poverty Eradication Strategy Program (NGPSEP), approved by the National Assembly in October 2003. The project responds to the findings of the I-PRSP that highlighted the importance of land policy and land management to provide the basis for poverty reduction and economic growth. The project will build upon the achievements and experiences of the first Land Titling Project (LTP). LTP II will provide secure land titles in peri-urban (mostly agricultural land) and urban areas, providing incentives for land holders to invest in land development and in sustainable agricultural practices and enabling greater access to credit for agriculture inputs and land improvement. The project will help build government capacity to coordinate the development of the national land policy and regulatory framework, and will support the formulation and adoption of key land policies for land administration and management.

The reports prepared by the six regions (and presented in the annex) give detailed accounts of the richness of regional efforts. New activities were developed to enhance multi-sectoral coordination and the role of the private sector in rural development. In addition to the new approaches in agriculture presented in **Box 1**, the regional programs reflect further innovations which include:

- Efforts to reduce poverty based on combining community driven development with natural resource management. (See Marsah Matrouh Resource Management Project in **Box 6**).

- Expanded use of the Bank's rich experience in land reform, land titling and land administration. (See Brazil-Land Reform and Poverty Alleviation Pilot Project and Laos Second Land Titling projects in **Box 6**).
- Enhanced natural resource management (see Niger – Community Action Program Project and Guatemala – Western Altiplano Natural Resources Management Project in **Box 7**).
- Inclusion of natural disaster mitigation (see Romania - Hazard Risk Mitigation and Emergency Preparedness Project in **Box 7**).
- Bringing the private sector to agricultural services (see India - National Agricultural Technology Project, and Cote d'Ivoire - National Agricultural Research Center in **Box 1**).

#### **Box 7: Good Examples of Scaling-Up in Natural Resource Management and Emergency Preparedness**

**Niger - Community Action Program Project.** The Community Action Program Project (CAP) for Niger is, a natural resource management project, co-financed by the Global Environmental Facility (GEF). Its development objectives aim at sustained poverty reduction and improved local governance through empowering communities and local governments, to improve natural resources and ecosystem management, and to raise the levels of health, education, and food security, thereby stimulating economic growth. These goals will be achieved through local-level capacity building and implementation of demand-driven micro-projects. The CAP explicitly aimed at supporting Niger's emerging process of decentralization by given communities the responsibility and resources for local development and by providing local governments with the means and administrative capacity to support the communities to which they are accountable. The global environmental objective of the project is to promote community-based integrated ecosystem management as a means of reducing the region's vulnerability to desertification and poverty, while fostering global environmental benefits such as reduction of vulnerability to climate change and conservation of biodiversity and agro-biodiversity.

**Guatemala - Western Altiplano Natural Resources Management Project.** The project aims to improve the management and conservation of natural resources and biodiversity and the incomes of the people who depend upon these resources, in the Western Altiplano of Guatemala by: (a) increasing social capital around natural resources management, through support to communities, organizations and local authorities to jointly define and implement a local development vision; (b) increasing opportunities to improve productivity and diversify farming and other (off-farm) livelihood systems; (c) extending and strengthening ongoing efforts of indigenous communities to establish permanent conservation areas within broader zones of biodiversity of global importance and to maintain the habitats which sustain this diversity; and (d) establishing and piloting a framework for environmental services markets to sustain local incentives for conservation.

**Romania – Hazard Risk Mitigation and Emergency Preparedness Project.** Romania is severely exposed to a range of natural disasters, particularly to earthquakes and floods that cause economic and human losses. The annual property loss from earthquakes and floods is estimated at around \$400 million. Romania is the first country in the ECA region whose government has requested Bank assistance in preparing a comprehensive disaster mitigation and emergency preparedness project on an ex-ante basis.

### **4.3 Implementing Global Corporate Priorities**

#### ***Support for Trade Liberalization***

The ultimate objective of the Bank's work in agricultural trade is to help create an international trading environment that opens opportunities for developing country producers, then assist them in overcoming impediments that might otherwise prevent them from taking full advantage of these opportunities. The work program supports the strategic objective of ARD to operationalize

the Rural Development Strategy, and those of the Trade Department<sup>9</sup> to: (a) play a positive role in catalyzing a renewed engagement in the Doha Round; and (b) strengthen trade integration in the Bank's operational work, placing special emphasis on those areas which emerged as central to developing-country concerns at Cancun.

The specific tasks can be broadly categorized in five clusters: the post-Cancun agenda; mainstreaming trade in the rural development strategies at the country level; commodity studies and commodity risk management; overcoming obstacles to export development, including standards and SPS related problems; linkages between trade, poverty and the environment. Each of these clusters also includes components to build developing country capacity, with a special emphasis on capacity for WTO negotiations.

ARD staff have represented the Bank at the WTO Ministerial meetings in Cancun and in follow-up meetings with major actors in the Doha process, including the EU, US and key developing countries, in order to better understand the positions and explore ways in which the Bank can facilitate the negotiations. In particular, one of the unit's flagship publications – *Agriculture and the WTO: Creating a Trading System for Development* – is aimed at suggesting ways in which the Doha Development Round can be made more pro-development. This and other research outputs are being used to build negotiating capacity, mainly in workshops sponsored jointly with WBI. ARD and regional staff are also actively seeking ways in which the Bank can help to resolve one of the major obstacles to progress – the cotton issue raised by the West African countries at Cancun. The Bank's upcoming research program contains work on post-Cancun concerns of developing countries, including the effects of preference erosion and concerns of the net food importing countries.

Agricultural trade is being mainstreamed into the Bank's operational work through support provided by ARD staff directly to task teams engaged in commodity related AAA and lending operations; support for development of comprehensive rural development strategies country by country; follow-up work to a series of commodity studies; and the prominent role of trade issues in the Agricultural Investment Sourcebook prepared by ARD.

Research is being carried out in ARD and in the AFR region to identify standards-related obstacles to export development of poor countries, and explore how these can be resolved. The Bank is also co-sponsoring with the WTO and other international donors the Standards and Trade Development Facility initiative to build capacity in countries dealing with this area.

ARD is embarking on a major joint research project on Trade Policy, Environment, and Rural Poverty with the World Wildlife Fund (with financial support from the EU, the Dutch, and the British governments). The overarching goal of this project is to identify policy and institutional measures for national governments and international trade bodies that will ensure the contribution of trade liberalization to alleviating rural poverty and promoting environmental sustainability in rural areas. Over the next 3 years, this activity will produce a number of case studies and syntheses, as well as a program of capacity building.

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<sup>9</sup> As elaborated in the "Post-Cancun Strategy", the background note for the quarterly progress review to Shengman Zhang, November 3, 2003.

## ***Commodity Risk Management***

Staff in ARD and other departments are carrying out in-depth research on global market structure in key agricultural commodities, support for AAA and operations involving commodities, and preparation of a Bank-wide agricultural commodity strategy (at the request of the G-8 and the Bank's Board). The Commodity Risk Management Group in ARD has been examining the feasibility for farmers and rural financial institutions to use risk markets for their commodity price and weather related risks. The Group has succeeded in piloting commodity price and weather risk management transactions in certain countries. It has done so by providing specialized technical assistance and capacity building on risk issues to producer organizations and financial institutions lending for commodities. The Group is now focusing on identifying low cost approaches and models that could scale-up the initial pilot experiences and could start making a larger development impact on small holders and agricultural finance. The Group's work, together with units in PREM and FRM, has also uncovered a need for a broader international program to assist countries in responding to economy-wide (macro) shocks – whether agricultural or non-agricultural commodity prices shocks or other shocks to an economy related to oil prices, weather (droughts, floods, etc.), or major natural catastrophes. A separate paper on this issue has been prepared and more detailed follow-up work is being undertaken.

## ***Support to Agricultural Science and Technology***

**CGIAR.** There has been continuous support from the CGIAR network in strategy implementation and in closer collaboration with the Bank. Workshops focused on science and technology and creating a new synergy with the CGIAR, were held in Vietnam, Nigeria, Ethiopia, Egypt, and Peru. These workshops were organized by the local/regional CGIAR institutes, and some also in conjunction with the agricultural technology assessment initiative of the Bank. In June 2003 a concluding workshop was organized to discuss the relationship of the CGIAR institutes to Bank operations and create new modalities to bring the institutes closer to the mainstream activities of the Bank. Bank staff continue to assist with the CGIAR reform process. Training sessions for Bank staff were held in CIMMYT and ICRISAT.

**International Assessment of Agricultural Science and Technology.** An international steering committee (of 55 people who have considerable credentials in the realm of agriculture science and technology) was formed by the Bank to determine the value and possible content of a large-scale international assessment of issues surrounding agriculture science and technology. The steering committee has completed its work, and found that such an assessment would provide benefits to the development business, and would justify an expenditure of about US\$15 million over three years. Among the major issues is the emerging role of the private sector (it used to be a public sector domain), the future of the international agricultural research centers and public goods research (to which the Bank is a major contributor), the likely value and the costs of various types of research from that on organic agriculture to genetically modified organisms and biotechnology applications, institutional issues such as international property rights, to good practices in supporting developing-country agricultural research. Several UN agencies have agreed to co-sponsor the initiative with the Bank. Other donors and NGOs are still considering it.

### ***A New Fisheries Strategy***

Following the recommendations of Reaching the Rural Poor and the outcomes of the WSSD and recent G8 meetings, the Bank is re-assessing its involvement in the fisheries sector, and in particular in marine and inland capture fisheries. This sector is heavily affected by over-fishing, threatening the livelihoods of about 30 million poor fishing families and the food security of many more. Current lending is mainly focused on coastal management and aquaculture, while very little attention is given to investment to improve the sustainability of these critical ecosystems. The Approach Paper "*Saving Fish and Fishers*" addresses these issues, documenting the crises, their underlying causes, emerging good practice, the possible entry points for the World Bank and the resource requirements. Partnerships with GEF, FAO, and the World Wildlife Fund are being developed. "*Saving Fish and Fishers*" has been reviewed by inside and outside peer reviewers, and has been considered by Senior Management. A major Workshop will be held in June to launch the paper.

### ***Food Safety and Food Standards***

In the past year and one-half the Agricultural and Rural Development Department and the International Trade Department have carried out surveys on the cost of compliance of SPS requirements and other related standards in exports for selected products from nine developing countries to the main OECD markets, the European Union, Japan and the United States. Based on the conclusions of this work a program will be launched in FY05 for mainstreaming SPS-related assistance in the Bank's operational work. The Bank is cooperating with the FAO, WHO, WTO and the standards-setting bodies CODEX Alimentarius, IPPC and OIE, in order to provide more effective assistance. At the initiative of the Bank the Standards and Trade Facility (STDF) was established in partnership with the other organizations. The STDF is preparing a business plan for a multi-donor trust fund that will be launched in FY05. The STDF will provide grants for capacity building activities that are not bankable but are likely to enhance lending in follow-up projects.

### ***Report on "Land Policies for Growth and Poverty Reduction," and Changes in Bank Policy on Land Purchase***

DEC, in collaboration with Bank rural staff and many external development partners, completed in June 2003 a research report entitled "Land Policies for Growth and Poverty Reduction." It provides guidance to policymakers and practitioners on appropriate policies and investments in an area that is often the source of political tensions and violence that hinder development and poverty reduction. This report has received considerable attention and is helping to improve the quality of the Bank's land administration projects. In addition, the Bank will, under special circumstances, waive the ban on using Bank loan funds for land purchases. The ban itself will be lifted if the changes in policy on eligibility of expenditures, currently under consideration by Executive Directors, are approved as expected. Given the sensitive nature of these transactions, clearance from the Bank's land policy committee will still be required. This is likely to result in expanded lending for land reform.

#### 4.4 Enhancing Partnerships

The development of the new strategy has provided an opportunity to rejuvenate and improve relations with the Bank's traditional rural partners, such as the FAO, EC, and IFAD; bilateral partners including the Netherlands, USA, UK, Germany, France, Canada and Japan; various UN agencies; regional development banks, AfDB, ADB, IADB, and others. The further development of partnerships with international partners was aimed at capitalizing on the comparative advantage of the various partners. Coordinated support for the development of national rural development strategies, in conjunction with client country PRSPs and Bank CASs based on those PRSPs, was a major focus of the Bank's engagement with international partners.

**FAO.** The FAO has been the major Bank partner in implementing the rural development strategy. The existing cooperation between the Bank and FAO has been strengthened and deepened through the implementation efforts. The partnership included three major components.

- The two institutions strongly collaborated in global advocacy to bring back agriculture and rural development into the focus of the international development agenda. In this regard, the FAO has made valuable contributions to the development of the strategy itself and the implementation programs, and was the key partner in the launch of the strategy and its implementation in the various regions.
- Under the FAO World Bank Cooperative Programme (CP), the FAO Investment Centre delivered over 2,300 staff weeks of inputs in support of the implementation of the Rural Development Strategy, representing a contribution by FAO of some US\$5.1 million. Around 27 percent of this effort was devoted to work in the Africa region<sup>10</sup>. Altogether, the Centre worked with the Bank on 660 tasks, with almost one-half of the work represented by pre-lending activities including project identification, preparation and appraisal. Thirty-six percent of the CP was devoted to project implementation including supervision and implementation completion tasks, as well as sector work, which accounted for 13 percent of the total staff weeks. An example of the Centre's contribution is shown in **Box 8**.
- In addition to the FAO/World Bank Cooperative Program managed by the Investment Centre, FAO technical divisions have also made recent important contributions to the implementation of the rural development strategy — farming system analysis, impact of globalization on smallholder farming in sub-Saharan Africa, in land tenure, statistics, water management, fisheries and forestry — to name just a few. There has also been long-running collaboration with the Bank on capacity building for the Codex Alimentarius Commission, the Global IPM Facility, the International Programme for Technology and Research in Irrigation and Drainage, and in the rural finance area (CABFIN).

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<sup>10</sup> Actual shares are: Africa 27 percent, LAC 21 percent, Europe, Central Asia 18 percent, South Asia 14 percent, East Asia Pacific 11 percent, and MENA 9 percent

**IFAD.** While the Bank and IFAD have been collaborating successfully at various levels over the past 25 years this relationship received a boost in 2001 with the launching of the World Bank-IFAD Rural Partnership Initiative (WIRPI). Aimed at supporting mutual efforts both at country and thematic levels, this initiative has led to regular consultative meetings, strengthened knowledge exchange and enhanced interest in thematic collaboration (in particular in the areas of rural finance, institutional development and impact assessment). A particularly interesting example of country level collaboration is the joint involvement in Nigeria (see **Box 9**). Cooperation has continued within the framework of the HIPC-initiative in which IFAD is a partner.

**Box 8: Community Based Rural Infrastructure Project in Vietnam (CBRIP)**

The FAO Investment Centre played a key role in preparing a US \$120 million project financed by the World Bank designed to reduce poverty in about 600 poor communities in Vietnam through small-scale infrastructure development. The Community Based Rural Infrastructure Project (CBRIP) follows community-driven development (CDD) principles and places strong emphasis on building communities' capacities to identify, plan, implement and manage pro-poor infrastructure works in participatory and accountable manners. Eligible infrastructure includes access road improvement, minor irrigation, and drinking water supply schemes. The project is currently implemented by the Ministry of Planning and Investment in 13 central provinces. An estimated 2 million people would benefit from the project.

Collaboration between the FAO Investment Centre and the World Bank Task Team for the project started in March 1999, when the Investment Centre participated in the identification mission, and continued until the project appraisal in late 2000. During the period, its staff and consultants joined all key missions and provided support in defining project designs. They also assisted the Government team in preparing a Project Implementation Plan. It was also a process of gradually widening support for CDD as a poverty reduction tool among key Government policy makers in a country where decentralized decision making and direct channeling of funds to poor communities were still novel ideas. The project became effective in March 2002 and implementation experience so far suggests positive results.

Joint design and implementation activities are an effective means to exploit synergies between the two institutions and usefully combine efforts aimed at reducing rural poverty. IFAD's exclusive focus on the rural poor and its broad experience in participatory rural development corresponds well to the main features of the Bank's strategy and provides a good basis for mutual learning. The Bank has been acting as IFAD's "cooperating institution" for 30 projects in 19 countries, fulfilling all functions related to loan administration and supervision of implementation. This has included 12 IFAD-initiated projects (of which three were co-financed by the Bank) and 18 WB-projects cofinanced by IFAD.

**World Food Program.** The World Bank and World Food Program hosted a workshop at the Bank in the latter part of July 2003, with the goal of fostering closer collaboration between the two agencies in pursuit of the Millennium Development Goals. Participants agreed to form a joint working group to promote the collaboration and engage task managers, including more shared mission work and policy planning, to focus on several key countries, and to pursue staff exchange programs.



**Box 9: IFAD/WB Collaboration in Nigeria.**

In an effort to improve the living conditions of the rural poor, external agencies including IFAD, World Bank, African Development Bank, FAO, and most other donors and UN Agencies are responding to the call for support from the Federal Government of Nigeria (FGN). To be effective, the parties (donors and FGN) have agreed to work at two levels: i) amongst donors; and ii) donor and government consultation. There has been for the past two years growing consensus on the policy changes, strategic thrusts and key areas for support needed to achieve rural poverty reduction and sustainable rural development. Modest, but encouraging results are being realised.

Donors in agriculture and rural development are now meeting regularly and progress is being made in harmonisation of initiatives in gender, basic agricultural services, technology development, and rural institutional development. In parallel, an Agricultural and Rural Development Consultative Group (ARDCG) made up of donors and Ministry of Agriculture and Rural Development has been meeting annually to share progress made in policy development, and learn from the experience of one another and help overcome uncoordinated rural development efforts. In July 2003, the WB, IFAD, FAO, ADB, EU, UNDP participated in the 2nd ARDCG meeting held in Port Harcourt. Participants also had an opportunity to visit field activities.

**Bilateral Donors.** The Bank-wide collaboration with the major bilateral donors such as EuroAid, BNPP, BMZ, DFID, USAID, JICA, AfDB, CIDA, SIDA, etc., has been expanded further. Some of the bilateral donors, such as BNPP and DFID provide crucial trust fund support for rural strategy implementation. Others assist implementation of the strategy through secondees to Bank departments. The strong strategic Bank partnership with the bilateral donors resulted in the establishment of the Global Donor Platform described below.

**Global Donor Platform for Rural Development.** A global understanding of approaches to meet the needs of the rural poor has never been closer, as many donor agencies have recently taken stock of their past experiences and redefined their approaches and commitment to poverty reduction in rural areas. The Bank is working with others in a broad-based global coalition to make the reduction of rural poverty a major thrust for the coming decade. As a result of these efforts a Global Platform for Rural Development was established in March 2003 and Germany's BMZ and FAO have agreed to provide a secretariat for the Platform's activities. In December 2003, a steering committee was established which established a detailed program for joint activities under the Global Platform, including the creation of a website. The next plenary meeting of the Global Platform was held in conjunction with Rural Week 2004, and a work program agreed. It will focus on knowledge sharing, a joint assessment of the impact of agriculture on the MDGs, and joint support of preparation of several national rural development strategies.

**UN Millennium Project (Hunger Task Force).** The Bank is an active member of the Hunger Task Force. The Bank has provided significant inputs to the Hunger Task Force Interim Report and is assisting the Task Force in raising money through the Development Grant Facility (DGF) of the Bank.

**Civil Society and Private Sector.** The Bank's links to citizens groups, producer organizations, and other civil society organizations (CSOs) and non-governmental organizations (NGOs) have increased dramatically over the past ten years, and have continued in FY03-FY04. Internet websites and information sharing now provide the opportunity for increased direct dialogue and interaction between the Bank and CSOs/NGOs. The consultation process on regional action

plans and the new corporate framework for the rural strategy proved to be a valuable and productive means of enhancing relationships with large numbers of NGOs as well as with the private sector across all regions. A consultation with European CSOs/NGOs on rural strategy implementation was held in May 2003, and another dialog with CEOs of major agri-business companies in early 2004. Improved linkage with the private sector in a country framework is among the top priority objectives for each region.

## **5. World Bank Internal Institutional Arrangements and Resources for Strategy Implementation**

Rural Strategy implementation required some innovation in dealing within the existing framework of Bank structures. Budgetary support for strategy implementation is at least temporarily in place but progress on the human-resource side has been slower than anticipated.

### **5.1. Institutional Arrangements**

Strategy implementation is supported by institutional arrangements at both the Bank-wide and regional levels:

- The **Agriculture and Rural Sector Board (ARSB)** provides oversight and guidance to the overall implementation process.
- The **Rural Thematic Groups (TGs)** share good practice between Regions, with ARD, WBI and external partners. They also monitor the implementation in their own specific area and support project and ESW quality-enhancement activities. TGs exist in agriculture and agro-industry services, natural resources management, rural policy, rural finance, gender, land policy, and community driven development.
- The **Rural Strategy Implementation Group (RSIG)** consists of senior rural staff from around the Bank, who sponsor implementation activities. The RSIG has focused on the finalization of Regional implementation arrangements; the preparation of implementation action plans for the individual regions and countries; reviewed and agreed on proposals for FY03 and FY04 Trust Fund allocations, including FAO funds allocated to rural strategy implementation; and facilitated fund-raising from donors. The RSIG has also sponsored preparation of national RD strategies, which will provide information to countries in the preparation of their PRSPs and inform CAS preparation; helped scale-up successful projects for significant impact; and introduced innovative operations.
- The **Rural Portfolio Implementation Group**, also consisting of rural portfolio managers, has prepared the FY02 – FY03 Rural Portfolio Review, and reviewed the poverty focus of selected rural projects (as part of rural strategy monitoring). Additionally, the group participated in Quality at Entry Reviews and has advised task managers of problem projects on project re-design. The five-year target for reducing problem projects promised to the Board has already been reached (with only 7 percent problem projects). The challenge will

be to keep to this level, as the portfolio has been highly problematic in the past. Collective action to improve project quality appears to pay off quickly.

- **Regional mechanisms** have been created in LCR, MNA, and SAR to support the monitoring of implementation of the regional rural development strategies. The LCR, MNA and SAR mechanisms are led by country directors. AFR, ECA, and EAP currently have other arrangements for implementation, making use of their regional management teams. The Agriculture and Rural Sector Board members interact with these structures within each region and have discussed institutional implementation arrangements region by region.
- **Working across networks** has been an essential component of the strategy implementation activities within the rural space. Education and Health have included rural considerations in their strategy work. Significant cooperation has developed among DEC, PREM, and the Trade Department and ARD. A joint meeting of the Rural Sector Board, the Urban Sector Board, and the Directors of the Financial Sector and Water Supply and Sanitation Sector Boards took place in 2003, and joint work programs were agreed upon. Regional sector managers for rural development are similarly consulting more actively with other network sector managers at the regional level. The criticism of the sectoral networks that each works in isolation from other networks has stimulated a great deal of effort to break down these internal barriers.
- **ARD** is committed to providing methodological and organization support for strategy implementation. In this context, a template for national rural strategy implementation was prepared and provided to the Regions. A study on "scaling-up" mechanisms and processes was completed. To ensure that the Bank's commitments to poverty reduction are being fulfilled, a methodology for reviewing the poverty focus of national rural development portfolios and individual projects is being prepared.

## **5.2 Resources for Agriculture and Rural Lending**

### ***Human Resources***

There are two main issues affecting human resources in agriculture and rural development: a) the Bank is losing some of its most senior and experienced staff, due to retirement, over the next few years. One quarter of all staff in the ARD family are 55 years old and above. These staff represent the most experienced task managers and technical experts, whose work has been critical to both lending and non-lending activities, including ESW work and supervision; and b) recruiting efforts at the Regional level are influenced by the multiple competing demands facing country departments. The recruiting effort made by the ARSB in FY02 had a much lower actual uptake in the Regions than the Agriculture and Rural Development Strategy projected as required, and that the Rural Sector Board endorsed. The process was that after the Strategy was endorsed by the Bank's Board, the Sector Board engaged in an international recruitment effort to re-capitalize the Bank's staffing in this sector. In tabulating the needs of each VPU, it was projected that more than 40 new staff were required. From the potential external candidates the

HR Department and the Sector Board found 250 of these people to be potentially suitable for the 40 positions identified by the Sector Board. Only 15 were eventually hired. The reason was that the budgets allocated by the aggregate of Country Departments to Rural Units permitted only this level of recruitment. In fact, the net outcome in terms of overall numbers of Bank agriculture and rural development staff was that the total number of staff was only stabilized in FY03, going neither up nor down.

There were 400 agricultural and rural development staff in 1995, while in FY05 and as of today there are 297 (**Table 9**). This number will decrease due to retirements unless new staff are recruited to the Bank who have the skills mix needed for successful implementation of the rural development strategy. Management does not expect any further erosion in the numbers of the rural staff as this might jeopardize the Bank's ability to successfully implement the strategy, or increase quality lending to the sector, or non-lending activities. To maintain the strength of the staff on hand and to ensure a global view to rural development, the ARSB has organized 10 swaps of staff between VPUs, and has also implemented the managed rotation of two staff, in FY03. While this is helpful in better sharing available skills, it does not address the issue of the net staffing and skills gap.

**Table 9: Rural family staff, as of September 2003**

	AFR	EAP	ECA	LCR	MNA	SAR	ARD	Other	Total
HQ	46	36	29	27	14	26	17	33	227
Field	25	12	10	13	3	15	0	0	70
Total	71	48	39	40	17	41	17	33	297

### ***Budgetary Resources***

As with human resources, the total budgetary outlay of the rural lending program is not directly accounted for in the Bank system. **Table 10** indicates the Bank budget dedicated to activities that are coded as either agriculture, fishing and forestry, agro-industry, or agricultural markets and trade. Out of these amounts in FY03, US\$50.6 million was related to activities linked to the ARSB. The total budget of the rural sector units amounted to about US\$99.9 million.

**Table 10: Bank Budget (BB) dedicated to activities coded as Agriculture, Fishing and Forestry (including Agro-Industry and Agricultural Markets and Trade) Sector, US\$ million**

	AFR	EAP	ECA	LCR	MNA	SAR	Other	Total
FY2002	11,307	6,709	7,857	7,355	3,646	52,789	4,047	93,711
FY2003	13,257	6,898	8,464	7,613	4,020	54,053	5,575	99,881

The Bank budget allocation has been supplemented by additional “off the top” resources to facilitate the implementation of the rural strategy objectives. Among these, the most important are:

- The FAO “Off the Top” program: US\$1.5 million in FY04 (US\$1 million in FY03).
- The Managing Directors’ credit line to expand projected rural/agricultural lending in FY04: US\$3.5 million.
- The BNPP (Netherlands Financed) Rural Window: US\$1 million in trust funds each for CY03 and CY04.

On the whole, there has been a modest increase in budgetary resources to implement the strategy, and to enlarge the lending program.

## **6. Impacts of Strategy Implementation**

To assess the impact of the implementation of the new strategy, and the Bank's rural program in general, upon developments globally, and in a given country specifically, is a difficult task. Even though it remains the largest donor for rural development among the donor agencies, the Bank believes strongly in country ownership and donor partnership. The Bank's analytical and project support provide information that feeds into country strategy setting, but it is difficult to measure its impact on country priorities. The Bank operates in a complex environment, both within a given country and globally, where outcomes are influenced by a large number of external factors outside the Bank's control. The clearest impact of the Bank's rural development strategy can be seen in some of the global and national policy debates and in global thinking on rural development issues in general, which increasingly match the Bank's own position.

### **6.1 Impact of the New Strategy on Global Thinking**

The strategy has been very positively received, both inside and outside the Bank. OED's *2002 Annual Review of Development Effectiveness* endorses the new rural development strategy and the shifting directions it envisages. Other donors have revised their rural and agriculture strategies using it as major input and sometimes as a model for new strategies (U.K. U.S., Sweden, EC, Canada). The work by the United Nations on the Millennium Development Goals is putting hunger and food security as a top priority in achieving these goals, as did the Johannesburg summit on sustainable development. The Bank's rural strategy contributed substantially to the working documents on agriculture and rural development, as well as forestry and water, at the Johannesburg summit and in the Hunger Task Force.

In the immediate aftermath of strategy approval the rural family has been working diligently on strategy dissemination and implementation. To that end, the Bank undertook the following activities.

In addition to the strategy being readily accessible on the internal and external websites, the strategy was published in three different forms in order to disseminate its ideas as widely as possible:

- A 32 page booklet geared toward broad distribution to the general public was widely disseminated. This brochure outlines the main content of the rural strategy and includes color photographs, and is currently available in English, French, Spanish, and Arabic. A German version is being prepared.
- A book version of the strategy for release to the general public (and geared primarily for academia, governments, NGOs, and the private sector) was published June 2003 and widely disseminated.
- The staff version of the strategy was finalized and distributed in January 2003. It contains the entire document endorsed by the Board.

Special Strategy launch events were organized to reach the widest possible public. Specific events included:

- On December 17, 2002 a launch event was organized in Washington, DC by IFPRI for a mainly Washington-based agencies (US and International), academics, and NGOs.
- A major launch event took place on February 21, 2003 at the FAO headquarters in Rome. President Wolfensohn presented the strategy in the company of FAO Director-General Jacques Diouf. Other participants included the presidents of IFAD and WFP, as well as FAO managers, country representatives to FAO, Italian government officials, academics, and NGO representatives.

## 6.2 Impacts in Selected Countries

**Table 11** lists the countries which achieved the most significant increase in agricultural output since the baseline years of 1989-91. The list of countries in this table almost exactly mirrors the list of countries which have received the most Bank attention to the agricultural sector in the past decade, and are also currently the major Bank partners in agricultural development. While not directly quantifiable, the success of these countries in boosting their agricultural production is partly a result of Bank activities.

<b>Table 11: Agricultural Production Indices for Selected Countries</b>		
<b>Regions/ Countries</b>	<b>Agriculture Production indices (base 1989-91=100)</b>	
	<b>1990-1999</b>	<b>2000-2002</b>
Ethiopia	123	149
Ghana	132	182
Nigeria	129	155
Uganda	111	139
Cambodia	117	150
China	133	179
Vietnam	128	181
Albania	112	132
Peru	121	170
Egypt	123	155
Yemen	114	145
Bangladesh	108	136
India	114	131
Pakistan	121	144

## 7. Critical Challenges for the Future

In conclusion, based on the experiences of the first year and one-half of implementation, there are several issues that need to be highlighted, as they will play an essential role in the future success of the strategy. Some of these are largely internal (**Table 12**), and others largely external (**Table 13**). Of these, the most critical are the following:

- Improving project and budget support modalities for rural investments, institutional arrangements, incentive frameworks, and staff skills within the constraints of country driven assistance programs. We are working to reconcile country perspectives with the global rural development objectives of the Bank.
- Keeping the Millennium Development Goal of poverty and hunger reduction at the forefront of the international development agenda. To achieve this, the Bank will work even more closely with donors, country partners, and other stakeholders to mobilize country and donor buy-in for rural and agricultural development.
- Pressing for results from our advocacy and policy reform efforts on trade liberalization and removing distorted agricultural policy regimes.

**Table 12: Internal Challenges**

Challenge	Actions to overcome
<ul style="list-style-type: none"> <li>• OED and QAG analysis suggests continued difficulty in fitting rural development objectives within Bank instruments. More analysis is needed of this issue, which fits within the ongoing effort at investment lending modernization. Rural investment support faces the same needs as other types of investment support for a more user-friendly and efficient operational policy framework, more flexibility of use to respond to client demands, and faster processing times.</li> <li>• Need to expand rural ESW in the Bank.</li> <li>• There is a need to mainstream innovations.</li> <li>• Need to expand staffing in rural units in the Bank.</li> <li>• There is a need for further improvement in multi-sectoral cooperation among units active in rural space, although improvements have been registered here.</li> </ul>	<ul style="list-style-type: none"> <li>• Explore new instruments—hedging and insurance products, introduce more rural and agriculture content to programmatic lending and PRSCs, make use of learning and innovation loans (LILs), carbon finance, and GEF.</li> <li>• Agriculture and Rural Development units will put together strong proposals for priority rural ESW in the Bank and continue to ensure its quality, while mobilizing added trust funds for this purpose.</li> <li>• Mainstream new project ideas including food standards and safety, fisheries, water basin management, natural resource management, land and risk management into investment projects.</li> <li>• Recruit new staff externally (requiring Senior Regional management support).</li> <li>• Enhance efforts by Bank rural sector managers to collaborate across networks (the main points of contact include: urban-rural; water; PREM poverty; finance; private sector; WBI.)</li> <li>• Expand multi-region training programs.</li> </ul>

**Table 13: External Challenges**

Challenge	Action to overcome
<ul style="list-style-type: none"> <li>• Industrial country tariffs and subsidies continue to hinder developing country access to markets.</li> <li>• Adequate private investment is not forthcoming in the agriculture and water subsectors, in part because of the protection/subsidy issues.</li> <li>• Difficulty in giving proper voice to the rural poor at national levels.</li> <li>• Desired multi-sectoral collaboration has not materialized within donor agencies, and governments.</li> <li>• Difficulty in overcoming negative bias towards agriculture caused by mistakes in the past (unsuccessful project approaches included: agricultural credit, forest and fisheries destruction, environmentally unsustainable irrigation, high-cost integrated rural development projects.)</li> </ul>	<ul style="list-style-type: none"> <li>• Continued forceful advocacy on trade and subsidy reform.</li> <li>• Greater emphasis on preparation of national agricultural and rural development strategies, through own ESW and that of partners and governments to give voice to the rural poor and to incorporate multi-sectoral inputs.</li> <li>• Mainstream into national strategies innovations in rural investment climate and agricultural supply-chain management. Improve connection of rural strategies and projects with private sector investment in rural areas, with IFC help.</li> <li>• Maintain advocacy role for agriculture and rural development in the donor community and in international fora.</li> <li>• Organize and promote knowledge sharing among members of the donor community.</li> </ul>