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Rural Development

1972/74

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Rural Development - Bank Administration and Policy File



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OF RURAL DEV.

Report No. 588

Rural Development and Bank Policies: A Progress Report

December 2, 1974

Agriculture and Rural Development Department
With the assistance of:
Development Economics Department,
Policy Planning and Program Review Department

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SUMMARY AND RECOMMENDATIONS

1. Rural development is a growth strategy for a particular target population--the rural poor. It involves extending the benefits of development to those whose futures lie in the pursuit of a livelihood in rural areas. These include small scale farmers, tenants and the landless.
2. A strategy for rural development must be based on a recognition of three points. First, that the rate of transfer of people out of low productivity agriculture and related activities into more rewarding pursuits has been slow and, given the relative size of the modern sector in most developing countries, will continue to be slow. Second, that the mass of people in rural areas of developing countries are in varying degrees of poverty, and that this can only get worse as population expands at unprecedented rates relative to existing available resources, currently used technology, and present institutions and organizations. Third, that rural areas have labor, land and some capital which if mobilized could reduce poverty and enhance the quality of life of rural people. This implies fuller development of existing resources, including the construction of infrastructure such as roads and irrigation works, the introduction of new production technology and the creation of new institutions and modes of organization.
3. The concern of rural development with the amelioration of poverty means a clear orientation towards increasing production and raising productivity. Rural development recognizes, however, that improved food supplies and nutrition, together with basic services such as health and education, can not only directly improve the physical well-being and quality of life of the rural poor, but also indirectly enhance their productivity and their ability to contribute to the national economy. It is concerned with the modernization and monetization of rural society and with its transition from traditional isolation to integration with the national economy.
4. The objectives of rural development therefore extend beyond any particular sector. They encompass improved productivity, increased employment and thus higher incomes for target groups, as well as minimum acceptable levels of food, shelter, education and health. A national program of rural development should include a mix of activities, including projects to raise agricultural output, create new employment, improve health and education, expand communications and improve housing. Such a program might be made up of single sector or multi-sectoral projects, with components implemented concurrently or in sequence. The components and phasing must be formulated both to remove constraints and to support those forces prevailing in the target area which are favorable to development.
5. The nature and content of any rural development program or project will reflect the political, social and economic circumstances of the particular country and region. Where the scope and need for rural development are not accepted by government leaders, or where resource constraints are binding

(especially the supply of skilled manpower) initial projects may be experimental in nature or restricted in extent. Where particular needs are pressing, such as in cases of famine or disease, narrowly focused projects may be appropriate.

Target Population

6. Approximately 85 percent of the 750 million poor in the developing world ^{1/} are considered to be in absolute poverty--based on the arbitrary criterion of an annual per capita income equivalent to US\$50 or less. Three-quarters of these are in the developing countries of Asia, reflecting both the low levels of national per capita income and the relative size of the rural sector in these countries. The other 15 percent are judged to be in relative poverty--having incomes above the equivalent of US\$50, but below one-third of the national average per capita income. Most of these are located in the less-poor developing countries, a large fraction being found in Latin America.

7. Of the population in developing countries considered to be in either absolute or relative poverty, more than 80 percent are estimated to live in rural areas. Agriculture is the principal occupation for four-fifths of the rural poor. These people are found in roughly equal shares in both densely populated zones (over 300 persons per square kilometer) and sparsely populated zones (less than 150 persons per square kilometer). Thus poverty is found in the highly productive irrigated areas of Asia, as well as in the adverse conditions of the Sahel, North East Brazil, the Andean Altiplano and the dry zones of India.

8. The rural poor include small scale farmers, tenants and sharecroppers, and landless workers and their families. There are over 80 million smallholdings of less than two hectares, many of them comprising several small fragments of land, most of which generate incomes below the absolute poverty level. The tenants, sharecroppers and squatters, who represent another 30 million or more families, are often less well-off. While the largest proportion of workers in agriculture is self-employed, there is also a growing group of landless or near landless workers--especially in Asian countries. These people are dependent on seasonal work and are among the poorest of the rural community.

9. Despite high rates of rural-urban migration, the rural population is still growing at approximately two percent a year. The consequent worsening of the man/land ratio means that increases in output and income must come primarily from increased yields per acre and cultivation of higher value crops. This will require both access to suitable new technology and the capital to utilize it. This in turn implies the need for new or improved service systems to support a modern agriculture. The new seed-fertilizer-water technology for wheat, rice and maize provides the first major opportunity for extending science-based agriculture to low income, small scale producers of traditional crops. Further adaptive research and extension are required to ensure an

^{1/} The poor are defined as those with incomes per capita of US\$50 or less, plus those others with incomes per capita less than one-third of the national average.

adequate rate of technological change. Special programs are necessary to aid the rural poor to contribute more to an increase in output. These programs must include the provision of infrastructure and on-farm improvements.

10. The need for special intervention to raise rural production and incomes applies also to the provision of social and other services such as health and education. Poverty is reflected in poor nutrition, inadequate shelter and low health standards. These affect not only the quality of life but also the productivity of rural people. In particular, there is a need for nutrition and preventive health programs, including improved water supplies and sanitation. Better education is an important element in this and may also provide an opportunity for the rural young to escape from poverty. In order to remedy both quantitative and qualitative educational deficiencies, increased use of "basic education" is considered imperative.

11. Rural areas also have a smaller share of other services, such as domestic water, electricity, waste disposal and other economic infrastructure, than do urban areas. Even where these services exist, the poor are often excluded from access by reason of inadequate organization and cost. These problems indicate the need for a special effort to provide appropriate social and economic infrastructure for the rural poor, and the importance of integrating these components into rural development projects. Without a concerted effort, rural poverty will remain all-pervading.

Policy Framework

12. Experience indicates that a strong commitment to rural development at the national policy level is a requisite for an effective, broad-based impact. In many countries this is lacking. However, most governments are prepared to experiment at the project level and to examine the results of experience. This should provide the basis for some dialogue between these countries and the Bank from which a broader approach may eventually develop.

13. All too often, macro-economic policies are inconsistent with agricultural and rural development. Price policies that favor manufacturing and processing industries, and those which aim to keep food prices low in urban areas, work against rural development. In such cases subsidies on farm inputs may be justified. Fiscal policies also often militate against the rural poor, who are less well organized and less vociferous than other groups. Thus public sector spending is heavily skewed in favor of urban dwellers, and in rural areas the rich have favored treatment. Yet the poor often pay considerably more taxes in proportion to income due to indirect commodity taxes and low direct taxes. In addition there is often a reluctance to charge those benefitting from publicly-financed investments, thus widening the gap between the few who have access to such investments and those who do not. Land policy has obvious implications for the rural poor given that their incomes depend on the extent to which they control land and its output. In many instances, therefore, land reform is a necessary concomitant of a rural development program.

14. Technology policies aimed at ensuring a flow of new, field-tested technical knowledge relevant to smallholder production are essential for the success of rural development. Often the poorest areas are overlooked by such policies. There is frequently also a failure to treat the subsistence farm as a system. Where technology is available it is frequently not applied due to a lack of extension services, inadequate support services, financial constraints and limited marketing facilities. Research and demonstration on a local basis to facilitate adoption is required in all these areas.

Organization and Planning

15. Ideally, planning and implementation of rural development programs involve adequate regional planning, strong central coordination, effective local level organization and the participation of the rural people in the planning and implementation processes. Few countries have been able to come even close to this ideal. Regional planning is desirable both because rural development cuts across all sectors and because rural programs need to be framed to meet regional conditions. Such planning necessitates the collection of statistics on a regional rather than a sectoral basis, and the use of regional surveys and resource inventories. Interregional allocations of technical and financial resources must be decided in relation to resource endowments, the domestic and foreign funds available, a balance of equity and growth considerations and mutually acceptable center/local sharing arrangements. All these elements should be brought together into an internally balanced rural development plan. However, the lack of a comprehensive rural development plan should not prevent the evolution of programs on a local level.

16. Strong coordination at the center is increasingly regarded as essential to successful rural development program implementation. This is a reflection both of the political nature of many of the decisions that must be made and of the need to coordinate the activities of ministries or departments organized along sectoral lines. A special office or unit is favored, having responsibility for definition of target groups, coordination of national/regional efforts and integration of the activities of national sector agencies. It has also to ensure that all sector policies are commensurate with rural development objectives.

17. Coordination at the local level is emphasized because of the growing evidence that multi-sectoral programs can be implemented most effectively through a substantial increase in decentralization. Local control provides the flexibility needed for the proper integration and timing of activities and modification of programs in response to changing conditions. Community involvement, which is essential to a sustained development process, is greatly facilitated by local rather than centralized control. One particular advantage is that the problems of the community as perceived by its residents and those imputed by local officials tend to be less far apart and can be more easily reconciled.

18. Group arrangements such as cooperatives provide an organized basis for handling many of the problems of providing access to services for large numbers of rural people. They allow a measure of involvement through participation, but also provide a vehicle for collective negotiation of credit, input supplies and delivery of marketable surpluses. Even land management can be organized on a cooperative basis, as in Egypt. Group approaches enjoy widespread support by governments, even though their performance has been mixed. They provide an impetus to rural development that is difficult to attain in any other way. In many cases, they build on an established base of mutual aid within the rural population. A major requirement for the successful operation of cooperative groups and for regional and local government is the provision of trained manpower. Thus training facilities are needed both to prepare full-time staff and to improve the effectiveness of community leaders, school teachers, religious leaders and other agents for change.

Program Design and Implementation

19. Existing rural development projects can be classified for purposes of discussion into three approaches:

- (a) The minimum package approach, as exemplified by the Bank-supported projects in Ethiopia and Korea (seeds);
- (b) The comprehensive approach, which can be either (i) nationally integrated programs or (ii) area development and settlement schemes. Examples of nationally integrated programs are the JCRR in Taiwan and PIDER in Mexico. Area-specific projects can be either single product projects such as tea in Kenya, tobacco in Tanzania, cotton in Mali and oil palm in Malaysia, or comprehensive area projects which have more diversified crop and integrated farming systems, such as Comilla in Bangladesh, Lilongwe in Malawi and Caqueta in Colombia; and
- (c) Sector and other special programs, including rural public works, education and training and credit schemes.

20. A review of these projects reveals the many difficult issues in rural development planning and project formulation and implementation. Time and again there are problems of lack of knowledge, incomplete understanding and limited institutional, technical and financial capabilities and capacities. It is possible, however, to make a few simple affirmative propositions:

- (a) Given sound preparatory planning, leadership and the involvement of people in the local community, the small farmer can become an instrument of change to the advantage of the nation as well as of himself.

- (b) Material resource requirements for rural development need not be disproportionately large, and in many successful rural development schemes the capital cost per beneficiary has been quite low. Although low capital cost per beneficiary is not by itself a criterion of a good rural development project, low capital costs are an important element in designing projects to reach large numbers in the target groups.
- (c) Rural development schemes benefitting a mass of people can be as productive and economically attractive as schemes of a conventional kind directly benefitting far fewer people.
- (d) With well-designed programs, offering proper incentives to small farmers, development can be much more rapid than is sometimes believed, and the impact on level of living following the expansion of cash incomes from a subsistence baseline can be dramatic.
- (e) Finally, while much remains to be done, conviction of the need for a change in strategy, and commitment to specific actions and programs towards rural development, have probably never been greater in the developing countries than at the present time. This is an important bridgehead on which new understanding can be built and from which new programs can be launched.

Country Guidelines

21. The following are desirable characteristics of a framework within which to design and implement rural development programs.

- (a) Central leadership and coordination. Effective rural development planning should be given high priority. Steps towards improvement in planning capacity might include establishing a small but expert unit charged with the development of a national program of action. Such a body should provide leadership and should have a coordinating role with respect to project identification and preparation and with the monitoring of ongoing programs. Where nationally integrated rural development programs are desired, such a central unit should also be actively involved in project identification and preparation.
- (b) Decentralization and participation at local level. Provision of an institutional framework at the regional or local level and of good center-local communications and coordination, with appropriate devolution of responsibility to local bodies, are critical. There is no single model for dealing with these problems, but the importance of evolving planning and programming units in both regional/local government institutions and sectoral departments cannot be stressed too strongly. Also important is the need to involve local people in planning, decision-making and implementation.

- (c) Research. Expanded technical and economic research into small farm systems, and into crops and techniques generally appropriate for use by the small farmer, should have high priority. A second type of research which is both important and much neglected is concerned with the dynamics of traditional rural societies as they begin to enter the modern sector.
- (d) Training. An insufficiency of trained manpower is perhaps the most serious obstacle to large scale rural development efforts. An intensified training effort, particularly directed toward the needs of local level institutions, and calling for greater efforts focused on training in the local environments where people work, must also be pursued.
- (e) Intermediaries. The establishment of effective group organization, such as farmers' associations and cooperatives, should have high priority. These provide the best means of lowering the cost of delivering services and marketing output so that larger numbers can be reached.

22. Activities related to rural development planning include the following:

- (a) Identification of target groups. Identification should be in terms of category, number, location and other attributes, with detailed specification of the relationships between these categories and the proposed project actions.
- (b) Project design. Several different kinds of projects may be appropriate to reaching rural development objectives:
 - (i) some projects may emphasize specific functional services, such as minimum packages of inputs like fertilizers and seed, and phasing, so that moderate benefits can be introduced progressively, at low cost per beneficiary, in order to cover a wide cross section of the rural poor;
 - (ii) other more comprehensive projects may involve the integration of related economic and social services in order that full advantage is taken of opportunities to build better balanced and more focused efforts;
 - (iii) in some cases sectoral and other special programs may be needed to remove a binding constraint (such as an endemic disease problem) or to meet a special need (such as public works to employ the landless).

In any event, each project must contain that blend of inputs and services necessary to ensure a sustained increase in productivity on the part of the beneficiaries. Particular attention to the

appropriate balance between the directly productive and indirectly productive project elements is desirable. This balance should reflect the levels of services proposed for the sector on a national basis, the least-cost means of providing such services and restrictions on resources that can be used for this purpose.

- (c) Implementation. Items requiring specific attention include:
- (i) local level training schemes and use of locally available human resources in order to minimize demands on the rest of the economy;
 - (ii) adherence to sectoral and regional planning considerations so as to ensure that proper attention is paid to linkages between sectors and regions;
 - (iii) establishment of user charges, graduated according to ability to pay, and provision for adequate savings to be drawn from local communities so that funds are available to extend programs on a broader scale;
 - (iv) local agricultural research to provide a basis for continuing productivity gains from small scale agriculture;
 - (v) full use of existing local governmental structures, and assistance in strengthening them for greater subsequent use;
 - (vi) promotion of institutional structures which enable the beneficiaries to participate in the running of projects; and
 - (vii) use of simple monitoring and evaluation systems, both as integral parts of the project management system and as a means for feeding the lessons of experience back into the process of designing future projects.

Changes in Bank Lending

23. Bank activities in rural areas have related mainly to lending for agriculture. The Bank is now the largest single external source of funds for direct investment in agriculture in developing countries. This is a consequence of a purposeful shift in Bank policy over the past five years reflected in changes in the lending program. These include a shift in the sectoral pattern, a widening and deepening of lending and the emergence of "new style" projects. Lending for agriculture has increased from 6 percent of total Bank lending between FY48-60 to 16 percent in FY71-72 and 24 percent in FY73-74, over a period when total lending expanded several times.

24. Bank lending for agriculture was also widening over the period to include financing of storage, marketing, processing, farm credit, fisheries and forestry projects in addition to the more traditional irrigation and infrastructure projects. A concurrent deepening of lending is reflected in the fact that lending to countries with per capita GNP below US\$150 has increased from 22.5 percent of the total up to 1968 to 38.2 percent over FY69-74. There has also been an increase in the number of projects providing benefits to the rural poor. This has been achieved through "new style" projects characterized by the fact that: (a) they are designed to benefit directly large numbers of rural poor; (b) they take a comprehensive approach to small scale agriculture and may include components that are indirectly as well as directly productive; and (c) they have a sufficiently low cost per beneficiary so that they may be extended or replicated over broader areas.

25. In short, the Bank's changing philosophy on agricultural development has resulted in: (a) a larger share of total lending to agriculture, within which poverty-oriented projects are getting an increasing share; (b) an increased share of lending going to poor countries; (c) a larger number of people benefiting from Bank projects; and (d) projected net output increases well above the 5 percent target suggested in President McNamara's Nairobi speech.

The Way Ahead

26. One might ask whether an emphasis on rural development will be inconsistent with the urgent need for increased food production, which has been brought into focus by the World Food Conference in Rome, since: (a) it implies a heavy investment in the small farmer group (two hectares or less) which controls only 16 percent of the land; (b) it is sometimes more costly to provide services to large numbers of small farmers than to a smaller number of large farmers; and (c) it may conflict with a concentration of resources in areas of high potential which are not necessarily among the poorest.

27. Rural development does not necessarily mean a diversion of resources away from increasing food production since: (a) most of the rural poor are engaged in agriculture; (b) employment of the landless and near-landless on rural public works can provide them with the income to purchase food while creating productive facilities for agriculture; and (c) small farmers are often more efficient in the use of on-farm resources. In recognition of the prevailing high priority placed on food production, the Bank recognizes amelioration of poverty in rural areas and increased food production as twin goals. Its emphasis on rural lending, therefore, includes lending not only for those in the poverty target groups but also for the larger scale farmers when increases in their production are necessary to increase domestic food supplies and/or contribute to exports.

28. Assessing the requirements for achieving the 5 percent annual growth of output from small scale farmers is a complex task. It involves not only estimating the financial resources needed, but assessing the

problems of transferring technologies and the many manpower and institutional constraints. Many of these parameters are difficult to quantify and available data preclude detailed analyses. Country experience indicates that finance alone is seldom the limiting factor; frequently technology, institutional, procedural and manpower factors are more critical. Nonetheless, approximate indications of the investment needed to achieve the goal of 5 percent output growth by small farmers have been calculated by use of a simple model and by reference to recent Bank experience. These rough estimates range from US\$70 billion to over US\$100 billion--the higher figure being based upon an analysis of Bank experience with 25 "new style" rural development projects in which, on the average, 50 percent of the direct project beneficiaries were poor rural families with annual incomes of less than US\$50 per capita. However, this estimate is subject to a substantial margin of error because the 25 "new style" projects analyzed do not constitute a very secure base from which to make such projections.

29. Even the figure of US\$100 billion, or US\$10 billion a year, when taken over a ten-year period, may appear relatively modest when viewed in the light of the projected US\$170 billion total investment in developing countries in 1974 alone. However, for low income countries, where the poor are concentrated, investment in 1974 will be nearer US\$25 billion so that proportionately the investment required for rural development is extremely large.

Bank Program

30. Projected Bank lending for agriculture and rural development during FY75-79 is approximately US\$7 billion for projects with total costs estimated at US\$15 billion. Assuming a lending program of this magnitude for agriculture and rural development, half would go to rural development. The total investment accounted for by these Bank projects would provide one-fifth of the annual investment needed to expand productivity of the rural poor by at least 5 percent per year during the five-year period FY75-79 (see para 3.21). The agricultural and rural development program of the Bank should reach a total rural population of some 100 million, 60 million of whom should be in the poverty target group. The numbers of rural poor are expected to increase by 70 million in the same period.

Deployment of Bank Resources

31. In order to meet the goals of rural development, attention is being given in the Bank to: (a) monitoring progress of economic, sector, and project work; (b) adjusting the project cycle, especially with respect to project preparation work; and (c) modifying the technical assistance program, including training and research.

32. The Bank regularly monitors the progress on economic, sector and project work. Recently a detailed system for monitoring of rural development projects has been introduced based on "project information briefs." These will be reported quarterly and used as a guide to further modifications to ensure the accomplishment of the Bank's objectives.

33. The increased emphasis given to project identification in rural development suggests the need for greater attention to identification in country economic and sector work. Special reconnaissance missions may be useful for this purpose.

34. Project preparation acquires greater importance because of the number and variety of components and the special implementation needs. This creates the need for a longer lead time. Possible measures for providing assistance in preparation include expanded use of reconnaissance missions; creation of project planning units in developing countries; and special preparation projects. In recognition of the importance of "implementation" in realizing goals, particular attention should be given to planning, monitoring and evaluation systems within project organizations.

35. No significant changes are required in project appraisal procedures, but specific guidelines are necessary for assessing those components for which benefits cannot reliably be estimated. In such cases attention should be given to sectoral policy standards, minimum cost alternatives, appropriate pricing of the services, replicability and the availability of fiscal resources to maintain and carry on programs on a broader basis.

36. The kind of technical assistance required to support the proposed Bank lending program for rural development includes training to overcome manpower constraints, attention to public sector organizations and research and information gathering to provide more adequate understanding and guidelines.

Effective Steps to be Taken by the Bank

37. The Bank should encourage and, where requested, assist technically and financially those governments wishing to devise comprehensive rural development plans. Where governments do not appear interested in developing a strategy of poverty reduction in the rural areas, the Bank should seek to identify and prepare rural development projects while engaging in a dialogue on possible changes in development strategies and policies. Where governments are interested in experimental rural development programs or projects, the Bank should support them.

38. Bank economic, sector and regional planning missions should identify both the target groups in the rural areas and the key technical, policy, organizational, management and manpower constraints which inhibit the amelioration of poverty in the rural areas. Such reports should be used as vehicles for dialogue with governments with a view to removing constraints through such actions as:

- (a) special missions to identify the institutional causes of low absorptive capacities in public sectors, paying particular attention to civil service procedures and conditions of service which militate against efficiency in the planning and implementation of suitable projects and programs;

- (b) projects to provide increased training of indigenous personnel such as "corps of development managers," regional and project planners, cooperative managers and accountants; and
- (c) provision for training specialists in larger projects.

39. Within the lending program, there should be increasing effort to develop projects which:

- (a) reach large numbers in the low income groups of the rural population;
- (b) are low in cost per person reached relative to benefits;
- (c) provide a rate of economic return at least equal to the opportunity cost of capital;
- (d) provide a balance between productive and welfare components, consistent with minimum cost standards and fiscal resources;
- (e) involve local participation in decision-making; and
- (f) incorporate rural works for the landless as a part of an integrated rural development effort.

40. There should be continued experimentation with:

- (a) the design of projects and the development of low cost delivery systems for all facets of rural development (such experimentation should include the evaluation of low cost minimum packages, area development projects and public works and other special programs); and
- (b) multi-sectoral projects designed within sectoral and regional contexts rather than within a purely project context. Putting projects in these contexts provides guidelines for minimum national standards.

41. There is need for more resources to be allocated at the earlier stages of project identification, preparation, and supervision/evaluation; these should make possible some staff economies at the appraisal stage.

42. There should be greater emphasis on the ongoing evaluation of projects as part of internal management control systems; the scope of supervision missions should accordingly be broadened to include more evaluation of project impact.

43. In designing rural development projects, account should be taken of the possibility of including family planning elements where desirable.

I. THE NATURE AND EXTENT OF THE PROBLEM

A. Toward an Operational Strategy

1.1 The objectives of development include sustained increases in per capita output and incomes, expansion of gainful employment and greater equity in the distribution of the benefits from growth. This implies alleviation of poverty and human misery by increasing the productivity of the poor and providing them greater access to goods and services. A high proportion of the poor live in rural areas. Rural development must constitute a major part of an overall development strategy if a large segment of those in greatest need are to benefit.

1.2 Past strategies in most developing countries have tended to emphasize economic growth without specific consideration of the manner in which the gains from growth were to be distributed. The assumption has been that increased growth per se would lead to a reduction in poverty through the spread effects from an expanding economy. Accordingly, the emphasis has been on increasing growth, with a corresponding concentration of effort on the "high growth", modern sectors of the economy to the virtual exclusion of the traditional sector--where the smallholders, tenants and landless make up the bulk of the rural poor. Although, in the long-run, economic development for the growing rural population will be dependent on expansion of the modern sector and on non-agricultural pursuits, too strong an emphasis on the modern sector alone neglects the growth potential of the rural areas. Failure to recognize and act on this has been a major cause of slow rural growth rates and increasing rural poverty. At the other extreme, a few governments preoccupied with promoting social equity in the rural areas may have discouraged investment in growth to the point of economic stagnation. With rapidly growing populations, per capita incomes in the rural areas have declined even though the range of distribution of incomes is much narrower now than it has been.

1.3 A strategy for rural development with the objectives of raising growth rates and distributing the fruits of growth more fairly implies a growing interaction between the modern and traditional sectors, especially with regard to increased trade both in farm produce and in technical inputs and services. While the main thrust of this paper is concerned with direct ways and means of tackling problems of rural poverty--because of its relative neglect in the past--other methods are also required to deal with rural poverty in all its dimensions. For this reason modern sector and macro-economic policies are important, and the Bank should continue to devote part of its resources to helping the rural poor, indirectly, through projects designed to increase output, exports and growth generally.

1.4 The central concept of rural development presented here is of a process through which rural poverty is alleviated by sustained increases in the productivity and incomes of low income rural workers and households. The emphasis is on raising output and incomes rather than simply redistributing current income and existing assets although the latter may be desirable or

even required in an overall rural development strategy. Operationally this concept of rural development which links production with distributive or equitable objectives requires the specification of target groups among the rural poor whose conditions can be assessed, for whom specific production and income raising measures can be designed, and to whom a resulting flow of benefits--direct and indirect--is both identifiable and potentially measurable. This notion of target groups lies at the root of the definition of rural development as a separable and distinct component of general development strategy. It provides that necessary focus on groups of the rural population in terms of whose well-being policy actions and programs can be designed and evaluated. Target groups are best defined in the context of the individual country. However, a basic standard for identifying target groups would be the income necessary to cover minimum nutritional requirements and essential non-food expenses. In addition, an income equal to or less than one-third the national average would be an appropriate additional criterion to allow for extreme relative poverty--in developing countries. Target groups identified by low incomes, absolute or relative, include smallholders, tenants and the landless; each separate group may need a special program of its own to handle the specific problems it faces.

1.5 The operational goals of rural development extend beyond any particular sector: they include improved productivity, and thus higher incomes for the target groups, as well as minimum acceptable levels of food, shelter, education and health services. Fulfillment of these objectives calls for an expansion of goods and services available to the rural poor and institutions and policies that will enable them to benefit fully from the whole range of economic and social services. In order that this development be self-sustaining, special concern is attached to the participation of target group members in the organization of the program.

1.6 A program of rural development must, therefore, embrace a wide range and mix of activities, including projects to raise agricultural output, to improve health and education, to expand communications and to improve housing. The mix of activities will vary with the requirements of a region and the priorities assigned to components within a program at particular times and stages of development. The program may be based on a series of sequential projects--first health, then education, then agricultural development; or it may attempt a broad-based, multi-sectoral approach whereby a series of activities are to be undertaken almost simultaneously. In all cases the constituent elements should be complementary and reinforcing.

1.7 Most of the low income groups in the rural areas depend heavily on agriculture for their livelihood. It follows that many of the programs intended to raise rural incomes must center on agricultural development. For the landless who are among the lowest income groups public works programs that generate employment in the rural areas can be an important element in rural development programs. The same applies to health and education, when these services focus on the rural poor. In these instances, however, the effect of the programs may be to increase the capacity of the poor to become more productive rather than to increase output and incomes directly.

1.8 Approaches to rural development will also be influenced by country circumstances. Countries with surplus revenues--such as the oil and mineral rich nations--may be in a position to invest heavily in social overhead as well as in directly productive activities. Where economic dualism prevails, a rural development program may be an effective means of both redistributing income and expanding output through increasing the share of the budget allocated for services to low income groups. Elsewhere economic circumstances may dictate that the primary emphasis be on increasing short-run output to generate increased income--which can then be the basis for increased savings and further investment in development. The nature and content or mix of activities in any rural development program will vary depending on the political, social and economic circumstances that prevail in given countries or regions. There is no universal formula that prescribes the activity mix or the most effective sequence of activities to raise the incomes of the rural poor.

1.9 In conclusion, rural development programs (or projects) are intended to provide a sustained increase in the output and level of living of a significant proportion of the rural poor in a given area. In some instances this may require emphasis on indirectly productive operations, but, in the main, the focus is on those activities that either raise incomes directly or, at a minimum, provide the potential to be more productive. The implementation of such a strategy requires adequate trained manpower and efficient institutions which can prepare, plan and execute programs to assist the rural poor to become more productive. The strategy is one which in reaching the large numbers of the rural poor must involve their participation in its design and operation.

B. The Measurement of Rural Poverty

(i) The Extent of Rural Poverty

1.10 There is no uniquely correct way of measuring the extent of poverty or of rural poverty. In President McNamara's Nairobi Speech, emphasis was given to programs for increasing the productivity of "that approximately 40 percent of the population of our developing member countries who have neither been able to contribute significantly to national economic growth, nor to share equitably in economic progress". Our illustrative calculations build from this baseline, taking into account absolute poverty--defined by income levels below which minimum adequate standards of nutrition, shelter and personal amenities cannot be maintained, and relative poverty-- reflecting extreme differences in levels of living between the top and bottom strata of a developing society. The latter often afflicts countries higher on the income scale to a greater extent than it does the poorer countries.

1.11 The extent and regional concentration of absolute poverty can be illustrated by adopting an arbitrary standard that a person is in absolute

poverty when he or she has an annual income equivalent to US\$50 or less. 1/ On this basis, an analysis of all developing countries with populations of more than one million reveals that:

- (a) Approximately 85 percent of all absolute poverty is in the rural areas;
- (b) in total there are presently some 550 million people suffering from absolute poverty in the rural areas of the developing world in the mid-1970's;
- (c) about three-quarters of this total are in the developing countries of Asia with almost two-thirds of the number found in only four countries--India, Indonesia, Bangladesh and Pakistan;
- (d) in contrast, the developing countries of Latin America and the Caribbean account for only about four percent of the population in absolute poverty; and
- (e) the 53 countries with per capita incomes above US\$150, taken together, account for only eight percent of absolute poverty in rural areas.

Thus, much rural poverty is a direct reflection of low levels of national per capita income and the size of the rural sector in these economies. 2/

1.12 To provide a quantitative illustration of relative poverty, calculations were made of the total number of people with per capita incomes below one-third of the average per capita income of their own country. 3/ (See Table 2). By this standard of relative poverty:

- (a) the relatively poor make up 18 percent of the total population of developing countries (in contrast to 34 percent under the US\$50 absolute standard); but

1/ In 1969 prices--the year to which the original data used in these calculations refer. It would be preferable to use "household" or "family" income levels in place of the per capita measure used in this analysis, but data are lacking on the distribution of household or family incomes.

2/ See Tables 1 and 3; figures quoted in the text are rough projections from the 1969 estimates shown in the tables.

3/ A ratio which corresponds very roughly to the "poverty line" at which income supplementation through welfare payments begins in many developed countries.

- (b) a much larger fraction of the relatively poor (27 percent of the total) come from the countries of the Latin American region; by this criterion over 30 percent of the people of Latin America are poor.

1.13 If the estimates of the poor, measured by the absolute standard given, are added to the number of those whose per capita incomes exceed US\$50 but fall below one-third of the national average for the countries in which they live, then approximately 750 million or 40 percent of the total population of the developing countries must be considered to be living in absolute or relative poverty. Of this total, almost 70 percent is accounted for by the developing countries of Asia; 19 percent is accounted for by developing Africa; and 13 percent by Latin America and the Caribbean. The fraction of rural population counted as absolutely poor varies from over 40 percent in rural Asia to under 20 percent in the developing countries of Latin America and the Caribbean. Allowing for both relative and absolute poverty, however, these proportions fall between 37 and 47 percent of the rural populations of the various regions.

1.14 The data presented above indicate the geographic spread and magnitude of poverty. An estimated 600 million of the poor--or more than 80 percent of all poor--live in the rural areas. These 600 million rural poor constitute 40 percent of all the people in the rural areas. Nearly 550 million people living in the rural areas had incomes that are the equivalent of US\$50 or less.

1.15 These estimates also suggest that rural poverty is more severe and intractable in some countries than in others. The most difficult circumstances are those in which extensive rural poverty is combined with low levels of mobilizable resources. Countries in this situation include all the South Asian nations, many of the larger African countries such as Ethiopia, Sudan, Tanzania, and a few Western Hemisphere countries like Haiti and Bolivia. Rural development is the major development problem facing these nations now and for the foreseeable future. At the other end of the scale are countries with pockets of rural poverty, varying in extent and intensity, but with resources adequate to deal with the problem provided that the political commitment is made. Among this group are Iran, Argentina, Malaysia and Yugoslavia. In an intermediate category are those countries with relatively extensive rural poverty and relatively considerable resources to deal with it. This group includes oil rich Indonesia, Nigeria and Algeria, middle income countries such as Brazil, Colombia and Mexico, and moderately poor countries such as Thailand, Korea and the Philippines.

(ii) Characteristics of the Rural Poor

1.16 There is little detailed information on the levels and distribution of income within rural areas and little analysis of the anatomy of rural poverty. In most cases, however, the poor are found side by side with the prosperous. While they are sometimes restricted by a limited endowment of natural resources, they are more frequently constrained by a lack of access to technology and services, and the institutions which would sustain a higher level of productivity. In many cases entrenched vested interests operate to

ensure not only that the benefits of productive activity are distributed inequitably, but that the poor are denied access to the inputs, services and organization which would allow them to increase their productivity. Thus the socioeconomic system operating in the rural areas is often hostile to the objectives of rural development, serving to reinforce rural poverty and to frustrate upward mobility on the part of the poor. Clearly this is not always the case; for example, the isolated community, characterized by a uniformity of poverty and ignorance and with ultimate rights to land exercised by a tribal or clan council of elders, is also common. The important point is that devising effective programs calls first for a clear understanding of the system through which poverty is produced and perpetuated.

1.17 Dependence on agriculture for a livelihood. Labor force surveys in Africa and Asia show that agricultural employment is the principal occupation for 75 to 85 percent of the rural population; with the partial exception of some relatively advanced countries, and areas close to cities, almost everyone has some connection with agriculture. There is a correspondingly thin scatter of jobs in rural industry, commerce, transport and services (including educational and administrative services). Activity data for the rural poor are rare. What little there are serve to show that agriculture is even more important as a source of income for this group than for the rural population in general. A detailed evaluation of relatively commercialized and developed rural Malaysia, for example, confirms that agriculture is more significant for the poor than for others: agriculture is the principal source of livelihood for 82 percent of the poor householders, compared with only 50 percent of rural households not classified as poor. In the more remote regions of most developing countries almost every family either rears animals or raises crops as a main activity.

1.18 Importance of non-agricultural sources of income. Although agriculture provides most work and incomes in rural areas, non-agricultural activities are important supplementary sources of incomes for rural households. A lack of remunerative off-farm work opportunities during slack seasons may greatly exacerbate the poverty of those with holdings too small or too unproductive to provide an adequate livelihood. The dependence of the poorest income groups in rural areas--the landless and near-landless--on activities which may be only indirectly linked to higher levels of agricultural output is one of the fundamental reasons why rural development efforts cannot be confined simply to productivity increasing measures without explicit regard for effects on poverty target groups.

1.19 Variety of climatic and ecological conditions. The bulk of the rural poor living in absolute poverty is concentrated in fertile areas with relatively favorable climates of South and Southeast Asia where the density of population is great and where many holdings are less than one-third hectare in size with incomes limited accordingly. But poverty persists as well in sparsely populated areas where land is infertile and climate adverse as in parts of the Sahel zones of Africa, the Andean Altiplano or the dry zones of India and Pakistan. A calculation based on a country-by-country regional breakdown of both absolute and relative poverty, in fact, shows about equal shares--40 percent in each case--in the more densely populated zones

(300 or more persons per square kilometer) and in the less populated zones (150 or less persons per square kilometer). Rural development efforts to alleviate poverty obviously have to be differently shaped according to the widely differing ecological circumstances in which rural poverty occurs.

1.20 Compounding effects of national calamities. There are times-- typically after flood or drought has ruined the harvest--when virtually the entire population of a large area is seriously affected. One important example of a region where such a situation is common is the so-called "drought prone areas" of India, which cover about 600,000 square kilometers and have a population of approximately 66 million. The bulk of this population is engaged in a perennial struggle to meet subsistence needs in a generally harsh environment. Within this broad zone, drought has occurred in three or four years out of every ten--with good and bad years tending to cluster together. The succession of drought years has had severe effects on the harvest and has resulted in absolute poverty for more than 50 million people or three-quarters of the total population of the zone. A similarly extreme situation exists in the drought prone areas of North East Brazil, affecting more than 20 million people. Elsewhere severe floods (partly occasioned by typhoons) contribute to perennial poverty. Such floods occur every two or three years in Bangladesh and in parts of the Philippines, and their effect is to diminish the already low incomes that prevail in those areas.

1.21 Proportion operating small and fragmented holdings. Incomes at the farm level are determined by a host of factors that include the quantity and quality of inputs such as land, labor and water, the technology used, the prices received for outputs and the prices paid for inputs. Thus, a one hectare irrigated farm using high-yielding varieties of rice and fertilizer can generate double the income of the same hectare farmed under traditional methods; one hectare devoted to tea (at prevailing market prices) can yield an income seven times as great as when it is used for maize. The acreage required to generate the same level of income will also vary with ecological conditions. Thus the recent Kenya Agricultural Sector Survey indicated that, for rainfed agriculture, the farm size needed to produce approximately US\$40 per annum per capita increased progressively from 2.6 hectare to 6.4 hectare to 16.4 hectares according to ecological zones; between 90 and 135 hectares were needed to generate the same level of income in range areas bordering the true Sahel. But, while the use of inputs varies widely, land remains the most important factor of production determining levels of output and income; studies indicate that most of the smallholdings in Asia, Africa and Latin America are used for traditional low-yielding subsistence production. These studies also indicate that very few farms of less than two hectares of arable land, producing traditional crops, generate incomes in excess of the poverty line. According to the 1960 World Census of Agriculture, there are 80 million smallholdings of under two hectares of land. 1/

1/ IBRD Land Reform, World Bank Paper - Rural Development Series, July 1974, Table 6, Annex 1.

1.22 Tenants, sharecroppers and squatters. There are instances-- especially in the more developed regions--where large holdings are leased under fixed rentals and where the farm operators have relatively high incomes. However, most renters of land, tenants and sharecroppers in the least developed countries share their output with landowners and often operate under insecure tenancies. Other things being equal, tenants' incomes will be even lower than those of the small operator-owners, and the amount of land required for an income above the poverty line is correspondingly increased. The largest numbers of low income persons in these categories are in Asia (26 million or 89 percent of the total). 1/

1.23 Landless and other rural workers. Most workers in rural areas are classified as self-employed or family workers, but the poorest farm households also derive significant proportions of their incomes from wage employment in agricultural and non-agricultural activities. There is a large and growing group of landless and near landless workers--with a heavy concentration in those Asian countries with the largest concentrations of the poor (see Table 4). Most of the landless work irregularly, often on a seasonal basis with many working only when there are peak labor requirements. Wage rates are extremely low, often less than the equivalent of 50 cents a day. Not all farm workers are so badly off; there are comparatively few plantation workers in relatively advanced countries and workers in enclaves in poorer countries whose incomes would place them above the poverty level. In the main, however, agricultural workers and the landless whose employment is governed by the seasons are among the poorest of the agricultural community.

C. The Dynamics of Rural Poverty

(i) Rural Population and Agricultural Production

1.24 Despite high rates of rural/urban migration, the rural population is now growing at approximately two percent a year. 2/ In the past, in most countries, increased rural population could be accommodated by expanding the acreage under cultivation. This may continue to happen in countries which have an ample supply of land that can be brought into production at relatively low cost, but, in the main, the opportunities for such low cost expansion have substantially diminished. With a worsening man/land ratio, increases in output and farm income must come from a widespread increase in yields per acre cultivated and from the cultivation of higher value crops.

1/ Ibid, Table 10.

2/ Except in some countries of Latin America where population growth rates are low.

1.25 It is the requirement for raising yields per acre that places the poor farmer at a disadvantage under present programs and encourages the view that poverty will increase unless there is a reorientation in development strategy in many countries. To raise the output and incomes of the bulk of the rural poor will require that they have access to a suitable technology and to the capital to utilize that technology. At present--for the reasons discussed at length in the recent Bank policy papers on Agricultural Credit ^{1/} and Land Reform--the public and private institutions that provide the goods and services to promote technological change tend to bypass the poor farmer, typically operating a holding of two hectares or less, and to ignore the needs of the landless laborer.

1.26 The new seed-fertilizer technology for wheat, rice and maize has provided the first major opportunity to spread a high-yielding technology among low income, small scale producers of traditional crops. Although considerable adaptive research and breeding is required, this technology can lead to substantial increases in output in many areas, even where population is very dense and where there are large numbers of small scale, low income producers, such as in Bangladesh and Java. However, as long as the institutions that provide the inputs for technological change continue to be biased against the small producer, it is inevitable that small scale, low income producers will become increasingly impoverished as they have to share their output among increased numbers. A special effort must be made to aid the rural poor to contribute more to an enlarged increase in output. This can be done only by special programs. These programs must include provision of infrastructure and on-farm improvements.

1.27 There are opportunities for considerably expanding employment within agriculture, particularly by increasing cropping intensities on irrigated lands, for both farmers and landless labor. But agriculture cannot absorb at ever increasing levels of productivity all of the prospective additions to the working age population in rural areas. Consequently, rural development programs have to include provision for the promotion of non-agricultural activities in rural areas and for the linkages with agricultural sectors on the one hand and the urban, industrialized sector on the other hand.

(ii) Health and Education

1.28 Health. The logic regarding special intervention to raise the agricultural incomes of the rural poor also extends to the provision of minimum standards of food, clothing, shelter, health and education. These not only improve the quality of life, but also indirectly affect human productivity. An income of less than US\$50 per capita implies inadequacies of nutrition, shelter, health standards and other components of a basic living level. As a consequence, we observe in rural areas high levels of **morbidity and mortality**--especially infant mortality; physical and mental

^{1/} See IBRD, Agricultural Credit, World Bank Paper - Rural Development Series, August 1974.

lethargy and inability to sustain hard work on a regular basis; limited ability to recognize or to respond to problems and challenges; lack of awareness, inactive and poor motivation toward improvement and learning; and, often, hostility toward outside sources of change (and sometimes toward potential achievers on the inside who threaten the cohesion of the group). Some of these reactions, particularly those more psychological than physiological, are associated as much with the deprivation of relative poverty as with those of absolute poverty. A link between rural poverty and food intake has been established for a number of countries. (See Table 5). Nutritional deficiencies affect all age groups, but the toll is greatest among the very young. In most low income countries children under five years of age, although they generally constitute less than 20 percent of the population, account for more than 60 percent of all deaths. Malnutrition is the largest single contributor to child mortality in these countries. 1/

1.29 One of the important elements reinforcing rural poverty is that those most needing medical or health care are precisely those who are too poor or too remote from any facility to obtain it. (See Table 6). Since almost everywhere 2/ the medical doctor remains the lynch-pin in the system of public health care, the absence of doctors generally means the absence of adequate medical facilities. It is estimated that more than 80 percent of the rural population is completely out of touch with official health services.

1.30 Another factor that exacerbates the health problems of the rural poor is neglect of preventive services. Approximately 70 to 80 percent of public health expenditures is usually allocated to curative services, even though it is generally recognized that preventive health programs, primarily environment oriented, are critical to a successful attack on the disease problems which underlie the prevailing high rates of morbidity and mortality. Through improved water supply and sanitation, the prevalence of a whole host of diseases can be diminished.

1.31 Education. Although it may take time, access to education can well provide some chance for the rural young to escape from poverty. There are, however, two important considerations which militate against the rural poor receiving satisfactory education. The first is the relative shortage of facilities and the poor quality of education in the rural areas; the second is the relatively high cost of education to the poor in terms of fees, books and other materials.

1/ For a fuller discussion of the serious effects of malnutrition see IBRD, Health Policy Paper, World Bank Report No. 554, October 17, 1974, Section C.

2/ Mainland China being the most noteworthy exception; Tanzania is also developing its rural health services with heavy emphasis on the use of medical auxiliaries rather than doctors.

1.32 There has been a significant increase in educational opportunity in rural areas, but this has been unevenly distributed and has generally lagged behind educational expansion in urban areas, particularly on the post-elementary levels of education. A comparison of UNESCO statistics for the primary level shows that the ratio of "complete" schools to the total number of schools by area is significantly less in rural than in urban areas. (See Table 7). On the basis of an intensive survey of the general situation, the judgment of one expert was that, "in a country with an overall primary school participation rate of, say 50 percent, the chances are that in some of the poorer rural areas as many as 90 percent or more of all young people (especially girls) are reaching maturity without knowing how to read or write". 1/ It is probable that unless the situation changes greatly, millions of children in rural areas will remain illiterate. One reason is that, despite what may be substantial public expenditures on educational facilities, charges for education, though nominal, are often well beyond the means of the rural poor. In many countries education for large numbers of rural poor children ends after two years of primary school, even where a school is available for use.

1.33 Not only are the rural areas discriminated against in the provision of education services, but the type of education often is not appropriate to the needs of rural dwellers. It is increasingly recognized that to remedy both the quantitative and qualitative deficiencies of education in rural areas more widespread use of systems of "basic education" will be required. 2/

(iii) Other Services

1.34 Rural areas tend also to be provided with a lower proportion than urban areas of such other services as domestic water supply, electricity, waste disposal and other economic infrastructure. The relative scarcity of these services means that they are not available in the areas where most of the poor live; the poor simply do not have access to them. Even where such services are available, the poor tend to benefit less from them than do other groups. Even when services are subsidized, there is often a requirement of some payment toward the cost; despite the subsidy, the personal contribution may serve as an effective barrier to use by the poverty stricken.

1.35 The analysis above indicates that special efforts to provide appropriate social and economic services for the rural poor should focus on meeting the needs of the lowest income groups--the smallholders, tenants, landless--in the rural areas. To this end, not only must services be geared to rural requirements, but special pricing arrangements must be maintained so that the poor will have access to services which can assist them to break out

1/ P.H. Coombs (with R.C. Prosser and M. Ahmed), New Paths to Learning for Rural Children and Youth, International Council for Educational Development, October, 1973.

2/ See IBRD Education Sector Working Paper, World Bank Report No. 561, October 25, 1974.

of the otherwise self-reinforcing cycle of poverty. The analysis also indicates the importance of integrating economic with social services in rural development projects, for poor health and lack of education are important causes of continuing low productivity and resistance to change. 1/

1.36 The amelioration of widespread and pervasive rural poverty will require a maximum effort from both within and outside the rural sector. The thrust here is a direct attack on poverty in the rural areas, although, as has been emphasized in the Bank paper on Land Reform, an expanding non-rural sector is essential to increasing employment opportunities for the rural poor. This is especially the case in the more populous countries of Asia where man/land ratios are already unfavorable. Furthermore, other indirect measures may well be essential to the amelioration of the problem. By way of illustration, on the basis of demographic trends alone the number of rural poor could exceed that of the beneficiaries likely to be assisted under the proposed program of lending by the Bank Group for rural development. (See paragraph 3.29). The need for population control is obvious. 2/ The likely stimulus to family planning associated with a more favorable environment as higher levels of living result from rural development programs is a further reason for adopting such programs.

1/ One specific study, recently undertaken for the Bank among low income agricultural workers in Indonesia, stressed the self-reinforcing impact of poverty and a deficient diet on production. This report comments as follows:

"Once infestation or anemia occurs, the environmental, economic and nutritional factors are likely to enhance the debilitating effects of the disease resulting in a vicious circle. An anemic individual will tend to work less, and thus earn less income if he is on a piece-work or an incentive basis. This in turn pre-disposes him to a poorer nutritional status (less food), aggravating further the anemia, and increasing susceptibility to infection. Increased absenteeism and lowered productivity will therefore result, and he is trapped in a series of events in which he can neither improve his income, his nutrition nor his health."

2/ See "Population Planning - Sector Working Paper", in World Bank Operations-Sectoral Programs and Policies, Baltimore and London: The Johns Hopkins University Press, 1972, pp. 291-369. See also Population Policies and Economic Development, World Bank Report No. 481, July 12, 1974.

II. POLICIES AND PROGRAMS FOR RURAL DEVELOPMENT

2.1 National commitment to policies and programs for rural development is a recent phenomenon in many countries. In only a few has such a commitment long been reflected in national policies (for example Japan and Taiwan). In addition, there have been any number of pilot projects--Comilla in Bangladesh, Puebla in Mexico, the Special Rural Development Projects in Kenya, among others. Bank support for activities in this area is relatively new and sufficient time has not yet elapsed for proper evaluation of the more recent efforts. Also, due to the diversity of rural situations, country experiences often provide insights relevant only to particular country circumstances. At this stage, therefore, it is important to emphasize the incompleteness of our understanding relative to the complexity and scale of the problems to be tackled. Consequently, any conclusions derived remain tentative and preliminary; they are likely to be considerably modified as more is learned about the process of change in rural areas.

A. The Policy Framework

(i) Role of Government

2.2 A strong commitment to rural development policies at the national level is a requisite for an effective broad-based impact on the problems of rural poverty. In some developing countries, present policies and institutional structures are so far from favorable to rural development that a policy shift could only be attained as part of a major political change. This is a key problem in situations demanding extensive land reform; it applies even more so where government itself is dominated by special interests unsympathetic to the objectives of rural development. In most other countries, governments are prepared to experiment at the project level. However, some hold the view that rural development is technically difficult or economically unsound in terms of slower growth in output and exports. Whatever the reasons, unless more governments commit themselves firmly to devising strategies and policies to raise the standard of living of the rural poor, there will be little significant improvement in the lot of millions of people.

2.3 There are various ways in which rural development objectives can be sought once there is firm commitment. The choice among these, and the sequence in which they are taken up, will reflect social, cultural and political factors as well as narrower technical considerations. Thus far, however, while numerous rural development projects and activities with significant impact on the rural poor have been introduced, the great majority of countries still operate without fully articulated policies, programs or plans for rural development. Similarly, national policies are often inconsistent with agricultural and rural development. We now turn to a consideration of these policies.

(ii) Price Policy

2.4 It is important for rural development that the overall relationship between input and output prices within agriculture and the terms of trade between agriculture and other sectors of the economy should be such as to stimulate growth in the rural areas. Bank analysis indicates that all too often government policies discriminate against development, particularly agricultural development, in the rural areas. Designed to provide assistance to manufacturing and processing industries or to raise government revenue, such policies result in raising the costs of agricultural inputs relative to output prices, making innovation unrewarding and highly risky.

2.5 Many governments justify low prices for food on the grounds of keeping down the cost of living in urban areas, while in some cases compensating the farmer by subsidies on inputs or credit. Frequently, however, such subsidies have undesirable distorting effects upon the economy, are costly to implement and often available only to those in contact with and enjoying the confidence of the organization through which they are supplied. This typically excludes the small farmer from these advantages. In general, therefore, it is more beneficial or less costly to provide incentives by guaranteeing minimum prices than to subsidize inputs, and better to subsidize specific inputs in order to transfer specific technologies rather than to have general subsidies such as subsidized interest rates. ^{1/}

(iii) Fiscal Policy

2.6 Fiscal policies in many countries lack consistency of approach. They have tended to develop piecemeal in response both to particularly urgent revenue needs and to powerful pressure groups. As such they militate against the rural poor who are either unrepresented or inadequately represented in the councils of government. For instance, in most developing countries the distribution of public sector expenditure is heavily skewed in favor of urban dwellers; and within rural areas the relatively rich receive favored treatment. These inequalities are apparent across a broad spectrum of services.

2.7 Through high levels of indirect commodity taxation and low effective rates of income or property tax, the poor often pay considerably more in proportion to income than do the rich. In the rural areas, the failure to extract a reasonable contribution from the richer members of the community is most obvious in the case of taxes based on property ownership--especially land ownership. A properly constructed tax on agricultural land is probably most desirable to mobilize resources for public purposes, since such taxes can function without destroying incentives related to agricultural output. Yet few countries appear to have effective land taxes of any sort. Where they have there is more often than not widespread evasion through nominal transfers of parcels of land to relatives and by misclassification of land potential.

^{1/} See IBRD, Agricultural Credit, op. cit., for an analysis of interest rates.

2.8 A related and greatly significant aspect of fiscal policy is the complex of issues falling under the general heading of cost recovery. In most countries there is an inability or lack of will to impose charges on those benefiting from publicly financed investment or current services on the grounds that the poor cannot afford to pay. Seldom, however, is any attempt made to impose progressive charges which subsidize the poor by recovering proportionately more from the rich. Failure to impose adequate charges in turn severely limits the rate at which investments can be undertaken or services provided in the rural areas, even though the social and economic returns from these investments are high.

(iv) Land Policy

2.9 Land reform has obvious implications for the rural poor, for whom subsistence depends for the most part on the extent to which they control land and the output from that land. The recent Bank paper on Land Reform stressed the necessity of viewing land reform in the context of the multiple objectives of rural development. On the other hand considerable income growth can be achieved by smallholders without land reform (a) in densely populated areas where the tenancy ratio is low, the distribution of land is not excessively skewed and the private marketing system effectively reaches the small as well as the big farmers; and (b) by participating in settlement schemes in those areas where there are vast tracts of land which can be exploited productively through such settlement schemes. But where the incidence of onerous tenancy is high, the distribution of land extremely skewed, the rural oligarchy controls credit and marketing institutions, appropriating for itself the bulk of input supplies and even the income generated by rural works, land reform must precede any massive input of resources into small farms or rural works.

(v) Regional Policy

2.10 When multi-objective, multi-activity, rural development programs and projects are contemplated, including not only private agricultural and industrial activity but also government infrastructure and social service activity, the locational aspects of the units of non-farm activities require careful consideration. For whereas agricultural activity is soil-bound, there are many feasible alternative locations for non-farm activities. And economies of scale and external economies due to the interdependence of different activities, can be very significant. There are obviously problems of determining the optimal areas and populations to be serviced by a local market center, an electricity transmission station, a water supply system, a school, an extension office, a research station, a medical clinic, a feeder road, a bank or a credit cooperative.

2.11 Many of these service units are best located in towns serving the surrounding rural area rather than in every village rural settlement. Alternatively, service units with a small capacity may be located in the villages and larger units in towns and cities. As rural, regional planning spreads, it will have to be coordinated with urban regional planning. Increasing migratory movements and changes in the geographical distribution of the poor and the unemployed add urgency to the need for a coordinated provision of public services in contiguous rural and urban settlements.

2.12 Regional development policies require a careful appraisal of the growth potential of different areas. Resources to finance minimum standards of public services and infrastructure facilities should be available to all regions, particularly those least well-endowed. Of particular importance is expenditure to identify the natural resources and growth potential of every area. It is a disturbing fact that in vast areas of the developing world comprehensive scientific surveys of natural resources have not yet been completed. Many regions remain poor because their resource endowments and potentials for growth have not been properly established as a basis for investment in material and human capital.

(vi) Technology Policy

2.13 A constant flow of new, field-tested technical knowledge relevant to smallholder production is a precondition for the continuing success of most rural development programs. Many of the poor live in harsh environments where investments would produce little income growth until technological discoveries create reliable new opportunities. Major improvements in production technologies and product mixes must be evolved for arid lands, some mountain regions, areas of low quality soils where shifting cultivation is practiced, and rain forest areas. Failing this, migration may be the only solution.

2.14 Inappropriate research programs and inadequate adaptive research and extension have in many cases been a major factor in limiting the effect of programs on the incomes of poor farmers. One common problem emerging is the failure to treat the subsistence farm as a system of cultivation, requiring a comprehensive approach to on-farm technological improvement. Another problem is the lack of attention to factors especially important to the small farmer. These include risk-reducing innovations, such as better pest and weather resistant crops; more intensive research into the so-called poor man's crops, including sorghum, millet, cassava, pulses and upland rice; and better advice on simple improvements in crop husbandry and soil and fertility conservation. Also, although there has been more research on small farm equipment than is generally supposed, the efforts have not been coordinated nor the results subjected to simple production engineering for manufacture. One approach to this problem being pioneered by the International Rice Research Institute in the Philippines and other groups, involves dissemination of research results and prototype specifications for local manufacture.

(vii) Commitment, Planning and Resource Requirements

2.15 The commitment of resources to rural development and the extent to which promotion of rural development programs is reflected in national economic policy depends, both on the nature and severity of the problem and on the resources which the nation can allocate to it. As noted in Chapter I, where rural poverty is restricted to small pockets and resources are available, individual countries may follow very different policies with regard to rural development. For instance, the fifth five-year plan of Iran, covering the period 1972/73 through 1977/78, drawn up before the recent three-fold increase

in oil prices, projected investment outlays for the agricultural sector equivalent to some US\$900 million per year. The rural population of Iran is approximately 18 million. Of these, some eight million could be counted among the target group of rural poor, as defined in Chapter I. It follows that if half of the total investment outlay projected for agriculture were to be directed toward Iran's rural poor, annual investment per capita among that group could be over US\$50 per year. By contrast, in Bangladesh over 90 percent of the population lives in rural areas and at least 40 million of these rural people must be counted among the poor. A feasible investment outlay for agriculture was assessed by a recent Bank economic mission at the equivalent of approximately US\$300 million per year over the mid-1970's. Applying the same arithmetic, in Bangladesh less than US\$4 per capita is available annually to help improve the productivity of the rural poor--about one-fifteenth of the amount available in Iran. While rural poverty is far from negligible in Iran, it clearly is not the dominant development concern that it must be for Bangladesh. At the same time, the resources available to Iran for dealing with the problem allow for a much wider latitude in approach to rural poverty and permit a much faster pace of implementation. It is obvious that planning, program formulation and implementation will vary considerably from one case to the other.

B. Organization and Planning

2.16 There is a growing consensus that the effective planning and implementation of rural development programs requires the following elements:

- (a) a national plan or program of action for rural development, together with supporting national and regional policies and adequate center/local financing arrangements;
- (b) a strong organization at the national level to coordinate vertically organized, central government sectoral departments;
- (c) greater decentralization with effective machinery at the regional/local level to coordinate the sectoral activities of national departments operating in the region and regional/local departments; and
- (d) participation by the rural poor in the planning and implementation processes through local government, project advisory committees, cooperatives, and other group forms of organization.

These elements are discussed separately in the following sections.

(i) National Rural Development Programs and Plans

2.17 Few countries have developed an overall plan for rural development. It is no easy task to do this for several reasons: (a) by definition rural development cuts across all sectors; (b) rural programs, more than most other kinds, ideally should flow from national and regional planning; (c) the kinds of supportive policies discussed in the preceding section involve fundamental political considerations; and (d) the information base is poor.

2.18 Yet the advantages of a coordinated effort, focused on a national plan or program for rural development, are almost self-evident. Basic questions such as the financial, technical and administrative efforts to be allocated to the program, the areas for major concentration, the phasing and sequencing of activities, the linkages among sector programs and the developmental impacts aimed for, can seldom be addressed effectively in a piecemeal fashion. At the present time effort tends to be fragmented and dispersed because there is no clear idea of the overall size of the problem; the location, density and economic characteristics of specific target groups; or the developmental potential in the areas where rural poverty is concentrated. To obtain the benefits of planning, however, calls for great determination in the face of very real difficulties. At the level of central government, the concerns of rural development tend to cut across the conventional boundaries of department organization and responsibility. At the other extreme, regional and local planning involve acceptance of the delegation of some central authority for program design and implementation to staff in touch with local requirements and able to assess local potential. Finally, it is increasingly recognized that to create a basis for self-sustaining development in rural areas requires that local resources-- financial and human--be mobilized within a planning framework involving the active participation and assistance of local people. Local self-reliance implies involvement, as distinct from simply reaching the low income rural population through development programs. This, too, calls for major new efforts in the many countries where the administrative system has been highly centralized. In view of the difficulties, partial planning, for particular areas or regions, may be more realistic and effective in some circumstances.

(ii) Coordination at the Center

2.19 There is some experience--although no consensus--emerging on approaches to the organizational problems of rural development planning. There appear, for instance, to be advantages in creating a special unit or office, located directly under the president or prime minister to coordinate national planning and program development for rural development. The experience is that such units are most useful when they coordinate efforts rather than themselves undertaking the specialized work of other agencies. Coordination is particularly important with regard to: (a) national/regional efforts to overcome the current lack of data and improve the information base generally; and (b) the activities of the major sector agencies. (The success of a rural program or project initiated by one department or agency often depends on complementary actions taken by another department. Experience in any number

of countries suggests that lack of adequate preparation, including attention to those linkages, is an important cause of failure or disappointing results.) Finally, (c) there is the very important and difficult task to ensure that national and sector policies are in line with the overall objectives of rural development.

(iii) Decentralization and Coordination at the Local Level

2.20 Experience indicates that the planning and implementation of rural development activities calls for a substantial measure of decentralization in program management, involving the strengthening of local government and other development institutions. The adjustments needed vary significantly from country to country. Unless the functional aspects of rural development projects are completely delegated to some level of regional and/or local government--an unrealistic and probably undesirable situation--problems typically arise with regard to overlapping functions of central and local government departments. An institutional arrangement--perhaps through regional planning units or coordinating committees--must be found to resolve issues and, in the last resort, provide adjudication machinery. Where national investment priorities are concerned, provision has to be made to ensure that the central planning authority is brought into the picture.

2.21 The many meanings of decentralization should be clearly distinguished. Decentralization may mean decentralization of authority: (i) to formulate projects; (ii) to administer projects and run enterprises, (iii) to allocate expenditure, and (iv) to raise revenue. If three major levels of government are considered, the central or federal, the state or provincial, and the district, ^{1/} it will be seen that in large countries the responsibility for planning, budgeting and executing rural development schemes usually rests at the provincial level, and in small countries at the central level. But almost everywhere central planning agencies and ministries are playing an increasingly dominant role in directing and providing funds for rural development. In some countries special ministerial or presidential agencies have been established to plan, coordinate and accelerate the rural development activities of central as well as regional agencies.

2.22 There is now a near-unanimity about the need for a strong planning and executive machinery for rural development at the district or sub-district levels. The advantages in planning and administering development from local levels are particularly great where there is a complex, multi-sectoral mix of activities that requires proper integration and timing of activities. At the same time, local level management provides the needed flexibility to modify programs as conditions become better understood or as circumstances change. More generally, the combination of authority, responsibility and

^{1/} The exact terminology and hierarchy of course differ as between countries. But in all countries at least three levels are clearly distinguishable. The word 'district' is used here to cover all levels below the provincial.

accountability focused at the local level leads to much more active promotional efforts than otherwise. This is particularly true in the more backward and isolated regions which are generally neglected under a highly centralized system. In Mainland China, reliance on decentralized local level management is a corner-stone of the economic system. And there is a clear trend in this direction in a number of other countries - in Algeria, Tanzania, Kenya, and India for example. In general, however, (apart from use of the special project authority--often separate from the existing local authority), progress toward decentralization is still modest.

2.23 At the present time, the proportion of expenditure on development which is allocated as a result of local decisions is fairly small--perhaps in the range of 10 to 20 percent. Budget authority continues to rest with the central authority, with a major part of the funds allocated on a departmental basis. Funds which provincial authorities can allocate out of their own revenues for rural development are generally hopelessly inadequate or insignificant. Even where there is a considerable measure of local autonomy in spending, reliance on central transfers is very great. Central governments usually curtail local powers to raise additional revenue directly from local sources, although there are some arguments favoring such local resource mobilization to supplement central government allocations. For one thing, total resources for investment may be increased. For another, local contributions would strengthen the basis for local participation in program concept and design and, more generally, would increase fiscal responsibility at local level. Some countries, Indonesia for example, are experimenting successfully with schemes to increase local level contributions, in this case using a matching grant system as inducement.

(iv) Importance of Local Participation

2.24 Community involvement in the selection, design, construction and implementation of rural development programs has often been the first step in the acceptance of change leading to the adoption of new techniques of production. The manner in which early participation is to be achieved, and balanced with the need for overall guidance and control from the center, is a problem which can only be resolved within each country. There is some evidence, however, such as that at Comilla in Bangladesh, that a strengthened local authority is better able to secure effective participation than are officials answerable to far away central governments. It appears that Tanzania has gone further in its attempts to deal with these problems than have most other governments. For example, preparation of regional development budgets now begins with proposals from a system of local committees, composed of villagers and low level officials. These are then filtered through higher level district and regional committees, again composed of a mixed group of officials and party members, before presentation to the central government. Agreement must be reached at each level before final proposals are passed through to the next higher level. A somewhat similar system of decentralized planning and decision-making is practiced in Malaysia and one is being developed in Indonesia. Country experience shows that one major problem of participation is that the rural people have perceptions of needs and

possibilities for action which are generally different from those of "rational" officials. A reasonable balance in this relationship is hard to strike. At one extreme, local politicians may completely dominate local officials, with the possibility of perverse results. At the other extreme, also common, officials may make the final decisions and recommendations.

2.25 Local institutions such as farmers' associations, cooperatives, or similar organizations have obvious potential advantages with respect to a number of the problems that raise major administrative difficulties in reaching the rural poor. On one side, they provide some measure of participation through the involvement of their members. On the other, they perform intermediary functions which make it possible to provide credit to larger numbers than can be done through official agencies. Group members can be held jointly responsible for repayment of credit, for acceptance of input supplies or other produce purchased from outside and for delivery of marketed surplus to the appropriate agencies (public or private). In some systems, cultivation is arranged on a cooperative basis, in some cases with the application of more or less uniform cultivation practices to land and crops that remain the responsibility and property of the individual cultivators. Local groups and associations can thus, in principle, reduce the need for government servants or personnel of government-supported agencies to deal with the individuals and families that comprise the target groups.

2.26 Almost all governments support cooperative development for the rural areas in one form or another. An examination of the experience indicates that the performance of cooperatives has been mixed. In some, the problem has been that the skills--particularly entrepreneurial and trading skills--that are required of the managers have been underestimated. With inefficiencies and losses, the cooperative may well become a high rather than low cost purveyor of services for its members. In some places these difficulties have been considerably accentuated by active and effective opposition to the cooperative by private traders, landlords and others to whom organization among low income families is not advantageous. Sometimes such groups capture much of the benefit by working from within: for example, when membership of a cooperative is a condition for access to subsidized credit. Dishonesty among the officials has also been a major problem.

2.27 But experience with cooperatives has not been all bad, and local organization provides the participation and impetus to rural development programs that it is hard to attain in any other way. Moreover, in most societies, there is a well established informal system of mutual aid upon which to build. The work of non-government agencies furnishes some of the more successful examples in fostering cooperation, usually working outside the framework of officialdom, often in quite modest circumstances. The Bank should explore ways and means of working more closely with non-government agencies, especially where they have gained useful local experience and have experimented with pilot projects.

(v) Manpower and Institutional Constraints

2.28 The shortage of skilled staff to implement rural development programs should be a major consideration in their design. In many countries, particularly in Africa, the scarcities of skills extend through all levels: experienced and junior staff, technical and administrative. Even when the stock of trained manpower is more adequate, the number of personnel serving the rural areas is often low in comparison with urban areas. This may be due to rural development being assigned low priority or to an absolute paucity of financial resources. Typically, however, the salary scales and allowances of people working at the bottom of the development hierarchy in the rural areas are low, their status is low and their promotion prospects uncertain. In addition, the lack of amenities in rural locations deters well trained persons from staying there. Moreover, in many countries civil service practice does not respect and reward specialization. Therefore, the turnover of rural staff is very high; and officers appointed to supervise rural development are frequently generalists in the very early or the very last stages of their careers.

2.29 The remedies for this situation are obvious but seldom instituted. Staff working in the rural areas should be given better pay and allowances. Distinguished rural service should be given special recognition. Promotion prospects for specialized field staff should be improved. But competitive pay and career prospects must be regarded as complementary to the development of the motivation and commitment to service that accompany true professionalism. Manpower can often be used more effectively than it is at present. In particular, where good managers and higher level staff are scarce, lower level staff must be utilized much more effectively. The need for formally trained manpower is determined largely by the way in which the delivery of services is organized. Thus, many agricultural credit programs, following conventional forms of credit administration based on complex criteria of creditworthiness of the applicant, involve the processing of complicated forms and thus require large amounts of highly trained manpower. Modification of such procedures could free this manpower for other tasks.

2.30 If decentralization is to be effective, regional and local government, development authorities, and cooperative-type organizations must be provided with the trained manpower to fulfill obligations. The available evidence indicates that present systems of training are weak especially with regard to the handling of relationships with the local population. Recruitment must be localized to strengthen the links between development services and the community; training exercises for agricultural extension agents, health workers and cooperative staff must be relevant to the actual needs and priorities of particular local situations. More consideration also should be given to the possibility of training community opinion leaders, such as primary school teachers, religious leaders and village cooperative secretaries as agents of change. The number of people which need to be trained is so large that the only practical way is to adopt a multiplier approach by training the trainers. This could be done through the establishment of internationally financed regional training institutes. These would prepare experienced staff to return to their countries and set up courses to train development managers, regional and project planners, cooperative staff, agricultural extension agents and other specialists.

C. Implementing Rural Development

2.31 Because experience with rural development projects is limited, and conditions vary widely from one rural area to another, generalization about project design is fraught with the twin dangers of being either too specific or too trite. Nevertheless, an attempt has been made to distill some lessons of experience by examining a cross section of projects in which alleviating poverty in the rural areas was a major objective. ^{1/} In this respect it is notable that rural development schemes do not usually aim to provide benefits exclusively to the rural poor. There are several reasons for this. Often, the rural development objective is subordinate to the objective of increasing agricultural output (or marketed output). Even where this is not the case, a program aimed at providing advice or extension to the small farmer will rarely exclude the medium sized farmer, if by including him sizeable increases in output can be obtained.

2.32 Moreover, it may frequently be desirable to design a program so that all sections of a rural community benefit to some degree from it. Often this can ensure its effectiveness with respect to the target groups whose need for the program is its main justification. Involving the community implies the provision of some element of general interest. And in many countries, avoidance of opposition from powerful and influential sections of the rural community is essential if the program is not to be subverted from within. Program design must take into consideration the existing rural social system if lasting benefits for the poor are to be achieved. Thus, in cases where economic and social inequality is initially high, it is normally optimistic to expect that more than 50 percent of the project benefits can be directed toward the target groups; often the percentage will be considerably below this. But, in all cases, project design should reflect the particular needs and conditions in the particular developing country situation.

2.33 At one extreme, some countries are giving emphasis to the provision of a package of minimum requirements to as large a group as resources permit. We describe this as the minimum package approach to rural development. At the other extreme are the more comprehensive programs which include social as well as directly productive elements. Partly because of the heavy financial and human resources required by such programs, however, most experience with them relates to specific area or regional schemes (e.g., settlement schemes) rather than to nation-wide programs. We refer to this as the comprehensive approach. Finally, there are a variety of supportive programs which provide benefits to the rural poor. These usually need to be integrated with some broader effort if full potential is to be realized. A rural works program

^{1/} Some insights are also provided on this subject by the African Rural Development Study (ARDS) carried out in the Development Economics Department. The report of this study, which examines experience with thirteen rural development programs and projects in Africa, is scheduled for publication by the Bank.

intended to help the landless laborer is one example of such an approach. A national credit scheme for smallholders would be another. Most sector-specific programs fit into this category, including those related to education, health, transport improvements, village power and water supplies for the rural poor. Such programs are described as sector or special programs in the detailed discussion. It is worth emphasizing, however, that most experience with rural development stems from various ad hoc or piece-meal approaches, and not from the application of an overall rural development plan. Thus, the classification of project activities serves mainly as a basis for organized discussion of issues, and the examples used do not necessarily reflect intention or conscious design on the part of the originators of the programs.

(i) The Minimum Package Approach

2.34 Minimum package programs aim to provide generally modest but broad-based improvements in levels of living through increased agricultural output. Special attention is given to the sequencing of operations in the light of the development needs and requirements of the target groups on one side, and financial and staffing constraints on the other. The great advantages of minimum package approaches are their promise of low-cost, extensive coverage with comparatively simple objectives and operating procedures. The importance of sequencing is also worth attention. An initial emphasis on a broad-based increase in productivity, through a minimum level of institutional development, may be the most effective way of ensuring mass participation in a subsequent more complex type of program.

2.35 An illustration of the approach in operation is the Minimum Package Program (MPP) established in Ethiopia in 1971, which is supported by IDA. Designed to cover eventually the entire agricultural population of small farmers in Ethiopia, MPP provides extension, production credit, cooperative development, and feeder roads in 10,000 farm family units or blocks. These blocks typically extend five kilometers on each side of a 75 kilometer stretch of all-weather road. Services are organized through specialized credit agencies and the Ministry of Agriculture, with no regional or local government participation. The experience of those working with the project suggests some important conditions for the success of this approach:

- (a) a first class technical package (under the soil and rainfall conditions of Ethiopia's highlands, the application of fertilizers has produced such yield increases as to convince farmers of their usefulness without much persuasion by extension staff);
- (b) an intact social structure of rural life, with certain people commanding general respect being prepared to act as model farmers without remuneration;
- (c) a land tenure system which does not discourage production above subsistence level; and

- (d) a loose system of credit supervision with satisfactory repayment rates enforced through firm and visible government credit discipline.

2.36 It follows that a different approach will be necessary where the technical package itself is not markedly superior to existing practice and where the initial requirements for raising productivity are more complex--for example, where the rural poor are stratified by access to land, farm type, skill level and occupation. This partly explains why there are few examples of this type of national program, despite its considerable advantage for countries with limited resources and massive rural poverty. Social and economic stratification in many South Asian countries, for example, would seem to preclude widespread application of the minimum package approach.

2.37 One Asian example of the minimum package approach, however, is furnished by a recent Bank seed improvement project for Korea, under which some 500,000 farmers are to be assisted with improved varieties of paddy, barley, wheat, soybeans, and potato to raise incomes by a modest but significant 10 percent over a five-year period. The program also includes both provision for research to improve the quality of seeds and a system of seed distribution through the national cooperative organization to individual farmers. Credit and extension services, provided mainly through cooperative societies (to which 90 percent of Korean farmers belong), are already adequate. Project cost, at 1973 prices, works out to less than US\$50 per family.

2.38 Under adverse conditions, provision of minimum package facilities tends to result in relatively few direct beneficiaries among the rural poor. There may, however, be favorable indirect effects stemming from minimum package programs addressed to small farmers who are not themselves sufficiently poor to be classified among the target groups on the basis of low income. For example, as small farmers become more prosperous, there is a tendency for them to make more extensive use of hired labor--drawn from the poorest groups. Expanding demands for trading and transport services also tend to improve the market for hired labor. Clearly, projects for which such indirect effects on the rural poor are a major consideration also merit special attention, particularly in otherwise unfavorable situations such as those where the poor have little or no direct access to land.

(ii) The Comprehensive Approach

(a) Coordinated National Programs

2.39 While most schemes under this category are specifically designed for a particular area, some countries have pursued concerted programs of rural development directed at a wide spectrum of the rural population. These have been characterized by careful definition of the needs and resources of the target population; detailed planning of preparation and implementation; phasing of multi-sectoral components; and extensive adjustments or complete restructuring of related institutions. Some of these programs, for example, those in Japan, Republic of China (Taiwan) and Korea, have met with notable success. In other countries, such as Pakistan and Mexico, the programs are yet in an early stage.

2.40 The success of the Taiwan experience is reflected by the fact that during the period from 1950-1970, output from the agricultural sector grew at five percent per year. In addition the greatest increases were registered on the 890,000 farms with less than one hectare of cultivated land. These represent two-thirds of all farms and one-third of the cultivated area. The farm income of this group exceeded US\$300 per capita in 1970. The Taiwanese experience is characterized by the rapid adoption of new technology by a large number of small farmers, with most of the increase coming from improved yields, derived from the use of improved inputs and the expansion of irrigation.

2.41 It is generally agreed that this success would not have been achieved without the organization of farmers into associations. Farmers are organized into a federated three tiered system of multipurpose organizations. At the base are the small agricultural units made up of several families, who are collectively represented in the 328 Township Farmers' Associations. Above these there are 20 County Associations and the apex organization. Although multipurpose, the farmers' associations have become an important source of institutional credit, and this appears to have been one of the major factors responsible for the acceleration of agricultural development. The organization of the farmers was accomplished under the aegis of an autonomous central development agency known as the Joint Commission on Rural Reconstruction (JCRR).

2.42 In contrast to the Taiwan experience, the Mexican "Integrated Rural Development Program" (PIDER) is very new and thus has no spectacular achievements to report. It is of particular interest, however, because of the detailed planning and institutional adjustments that have been made. The primary objective of the program is to provide resources and services in selected rural areas in order to increase permanent and temporary employment; raise rural living standards by introducing directly productive activities; and improve basic social infrastructure and production services. The criteria for selection of the regions chosen for the programs are that each must be economically depressed, with potential for expansion of agricultural, mining, or industrial production; must have at least one growth point for development; and it must have fairly high levels of unemployment and underemployment. This program reflects Mexican endeavors to improve the planning and implementation of systems for the distribution of investment and services. It also is indicative of efforts to decentralize budgeting and resource distribution at the state level, and to encourage local and state participation in the decision-making process.

2.43 Finally, there is one other example of a national approach which on grounds of general importance merits separate and detailed discussion--that of Mainland China. Application to other countries and regions is, however, a subject for considerable debate, but the Chinese achievement itself is no longer in question. It appears to have been based on broad acceptance of community and nation-inspired developmental goals over individualist or personal goals. Perhaps better put, the individual in China appears to satisfy personal goals and ambitions through contribution to the development of the nation and community--almost of reversal of the situation in most countries.

(b) Area Development Schemes

2.44 An emphasis on area development is common in many countries, for agricultural as well as rural development projects. Basically, arguments in its favor stem from consideration of the often complex nature of the target group situation, which calls for specific programs locally prepared and tailored to local conditions. Technical considerations related to specific requirements for agricultural improvement also tend to favor placing development schemes in an area framework. Even when the focus is on the promotion of a single product, the very nature of modern agriculture may require a large number of inputs to be put together by private or public effort: improved seed varieties or animal breeds, irrigation facilities, fertilizers and chemicals, energy and equipment, credit, extension, storage, marketing and transport services and price incentives. One type of comprehensive, limited area approach is illustrated by a variety of single product projects, such as the promotion of tea in Kenya, groundnuts or tobacco in Tanzania, cotton in Mali and Tanzania, coffee in Papua New Guinea and oil palm in Malaysia.

2.45 The special advantage of comprehensive area development projects, however, is the opportunity to focus directly on the needs of the rural poor through diversified crop and integrated farming systems. The development of these activities can then be linked with training and social services, and possibly, with rural works programs. A closer examination of some successful experiences suggests that area or regional rural development programs can encompass a great variety of objectives, organizational forms and possible responses. At one extreme, the primary objective of some of the most successful schemes is not so much to help the poor farmer or settler as to generate additional output for disposal in the marketplace. Thus, some schemes place a heavy emphasis on one or two major crops. They also provide services to growers in the form of a good technical package and credit and marketing arrangements, associated with relatively close control of farm operations and supervision of credit. Typically, such schemes operate through a well funded and staffed special authority outside the existing local civil service structure, often with little community or other direct local participation. Under such schemes arrangements may be made to mobilize resources for schools or medical facilities, and settlement may include provision of basic amenities, like water supplies. While the impact on productivity may be an important influence, these services are typically supplied in an ad hoc way, without much consideration for wider programs of development. The Gezira settlement scheme in the Sudan had many of these features. Begun in the 1920's, by 1970 it had accounted for nearly two million acres of irrigated land, directly benefiting 75,000 farm families.

2.46 Settlement schemes have a number of special advantages. They provide an opportunity to break through modes of thought and action that are often problems in traditional, closely integrated and inward-looking rural communities. They also afford an escape from communities where power is concentrated in the hands of a few large landowners who are opposed to measures designed to reduce their special status and likely to erode the low

cost labor situation. There may also be an opportunity to select well motivated settlers and, especially where new crops are involved, the package of technical advice and services made available will carry greater weight and authority than otherwise.

2.47 An example to be contrasted with Gezira, in terms of concern with community involvement and application in the very different circumstances of long established settlement, is provided by the Comilla projects (Bangladesh). This series of pilot schemes designed by the Pakistan Academy of Rural Development during the period 1958-71 demonstrated a potential for substantially raising within ten years the incomes of small farmers in a limited but fairly large area. It has also provided models for improved local organization and administration (at modest cost and with a limited number of professional staff), including training systems. Large numbers of people, many of them at village level, were trained in cooperative organization, pump irrigation, taxation, conciliation court procedures, Muslim family law and literacy. A rural public works program, growing out of Comilla, achieved an impressive record of road building and repair, canal excavation and construction of flood embankments, serving over 4.6 million acres of farmland. An irrigation program, adopted throughout the province in 1968, had by 1972-73 placed 32,900 low-lift pumps and tubewells to irrigate an estimated 1.3 million acres. The Academy was also responsible for establishing a village cooperative credit system, with emphasis on self-help through thrift among workers. Associated in part with the credit system and farmer extension services, fertilizer use quadrupled in the area mostly affected while incomes among village farmers more than doubled. Another important innovation was a system for coordinating the activities of the various government departments in a local development center (the Thana Center).

2.48 The Comilla project was fortunate in enjoying exceptionally innovative and imaginative local leadership. The degree of success achieved is particularly impressive given the limited resources available, and an environment with many unfavorable factors. A distinctive feature was the careful phasing of program development, based both on pretesting and use of experience gained under pilot or trial schemes and on the flexible evolution of program design as further knowledge and experience were gained. While such schemes can be successful, the Comilla experience illustrates the critical importance of leadership and commitment to program goals.

2.49 A model of another type is provided by the Puebla project, developed for a relatively homogenous area with some 50,000 small farmers in Mexico. The project, begun as recently as 1967, is much less authoritarian than Gezira, but much more technically agricultural in orientation than Comilla. The Puebla approach has stressed the provision of new technical packages for smallholder farmers based on local adaptive research, mostly for maize, with much of the initial work associated with identifying problems with soil, seed, disease, and cultivation practices, and training technicians to work in small farm development. The scheme also includes credit and marketing facilities. For participating farmers, the increase in maize yields (net of climatic effect) averaged 9.5 percent a year over the period 1968-72, raising farm family

incomes by approximately US\$110. Total project cost over the six-year period to 1974 was approximately US\$1 million or US\$135 per credit-receiving farmer. The Puebla project has not, however, been very successful in integrating its activities into the fabric of regular governmental services. Banks must still be prodded to lend to small farmers; and the Puebla research and extension functions are largely outside regular government channels. Organizations which articulate local farmers' opinions and concerns have not emerged and are therefore not tied into higher levels of the service system. Significantly, while the achievement is already considerable, only 25 percent of those in the maize growing area have responded to the project to date.

2.50 A final example, which combines some of the features already discussed, is the Lilongwe Land Development Program (LLDP) begun in 1967 in Malawi. It is the focal point in a large-scale area development approach to rural transformation. Presently covering an area of 1.15 million acres and with a population of 550,000, most of whom are small farmers, the program was organized as a special department of the Ministry of Agriculture. Access to the services and staff of other departments, including staff specially seconded to the program, has been a feature of LLDP. As a consequence, the program enjoys the high level of cooperation and coordination among departments that should (but often does not) flow from integration of activities in a national policy framework. The program has concerned itself with a wide variety of activities and functions, most notably with physical planning of sub-regional centers for markets and services; provision of regional infrastructure--roads, bridges, water supplies, health clinics and service buildings; consolidation of land holdings; community organizations and village committees for local participation in decision-making and planning; and credit schemes--initially, unsecured loans to individuals, but with progressive adaptation to group credit systems based on shared responsibility for repayments. Considerable importance is also given to agricultural extension and to the training of extension workers. (The program has trained all its field staff.) Program targets were set in relation to a 13-year development period, and a full assessment is difficult to make at this stage. It is anticipated that by 1980 net income per farm family in the project areas will increase 75 percent in relation to the initial situation, accompanied by roughly doubled yields of maize, smaller increases for other crops and improvements in animal husbandry.

2.51 The Lessons of Experience. There are perhaps three major potential dangers with such area development schemes:

- (a) as already mentioned, the schemes may concentrate a disproportionate share of resources in providing benefits to a group that is relatively small in relation to the overall size of the national rural target group;
- (b) the schemes tend to suffer from overly ambitious and complex program design, calling for exceptional leadership that cannot always be made available on a sustained basis; and
- (c) they may distort priorities in the allocation of resources among sectors.

2.52 Recognition of the need for quality staff and management in such schemes is often accommodated through the provision of foreign technical and financial assistance. Donor agencies have tended to favor provision of high density, high quality manpower (be it local or foreign), and often of new institutional arrangement, as a condition for launching such projects. But high powered management, with and often without foreign backing, is sometimes overly successful in appropriating a disproportionately large amount of available resources for "showpiece" or "enclave" projects. Technical feasibility and economic viability, together with weak central planning and control over resource allocation, may lead to the adoption of project objectives that are unnecessarily ambitious. Sometimes a doubling or tripling of income may be feasible and economically viable but not, in the light of overall country circumstances, an appropriate target. There is a need to look closely at schemes during the design stage to see whether a modest objective--perhaps an increase in incomes by 50 percent over a ten year period--might not enable significant economies to be made, particularly in the use of high level staff.

2.53 In some cases, however, particularly irrigation/land improvement projects, the problem lies less with the objectives than with the failure to provide the needed reforms in the structure of land holdings. Thus, a project that results in a doubling of the carrying capacity of the land may be utilized to increase the density of settlement--so providing modest benefits to a wider group of participants. The combination of land reform and land improvement--potentially an attractive approach to rural development in conditions of land scarcity--needs to be more vigorously pursued.

2.54 The comparative affluence in management and finance enjoyed under many of these projects during the implementation period often does not survive the transfer of functions to the local administrative system. First, the indigenous regional administrations may not have the capability to carry out the necessary policy and coordinating functions at the regional headquarters. This capability is critical in administering complex integrated programs when they involve activities of a number of departments and local governmental agencies, for instance, agriculture, transportation and health. Second, institutions to handle the commercial aspects of the programs, such as agricultural credit and input and output marketing, either do not exist--since the programs have handled these functions--or do not yet have the administrative capability to manage the activities on a large enough scale. Third, the local organizations and local administrative units developed under the programs may not correspond to the existing local governmental institutions, raising difficult questions related to maintenance and expansion of the various local services.

2.55 These problems cannot be resolved quickly and so are not entirely avoidable if more rapid progress is to be made. Experimentation with decentralization and with the working of new administrative structures and procedures must begin somewhere. If the improvement of the system is to await its functioning everywhere, it may not improve anywhere within an acceptable

period of time. In fact, a demonstration of the efficiency of new structures and procedures in a few pilot areas is often the only way to convince traditionalists of the feasibility, as well as the need, of improving the general system. This being said, however, greater efforts must be made to design area development schemes on the basis of realistic assessments of the quality and number of the officials and technicians likely to be made available in the long term. This approach to area development should help to foster greater concern for training activities (the importance of which was dealt with in paragraphs 2.28 to 2.30), a particular weakness of programs that rely heavily on expatriate manpower. 1/

2.56 Balancing Economic and Social Components. A special aspect of the resource allocation problem in multi-sectoral activities concerns the balance of outlays between sectors. As indicated in Chapter I, projects aimed at the rural poor are likely to contain a mix of elements--directly productive components as well as social services and amenities such as health, water supplies, basic education and village electrification. In principle, the different sectoral elements need to be consistent with individual sector objectives and should conform to a logic that is internal to the project or program as a whole so that the components are mutually reinforcing. This need to conform to a well-considered and carefully structured rural development program may result in the better design of such services than would be the case under a non-integrated or sector program. Sector programs often reflect inappropriate standards and result in elaborate and costly services, poorly structured in terms of the overall priority needs of rural communities. The principle, however, is more easily stated than observed, and in practice a good deal of judgement regarding inclusion of such items is called for. If good sector programs do not exist they cannot be improvised and made to work within the context of an individual rural development project. Moreover the indirectly productive impact of such services as better health care and environmental sanitation are inherently difficult to measure, and the base of good research studies is lacking. Such difficulties add to the importance of making sure that the social service components of a rural development project are the "least costly" among alternative methods, that they are potentially replicable over broader areas, and that the recurrent costs involved can be sustained within the limits of the fiscal resources available.

2.57 There are two other points worth making about the inclusion of social services and amenities in rural development programs. First, there is evidence that rural people rate selected social or amenity services--particularly health and access to water--very highly indeed, sometimes above productive benefits, as a quick means of improving the quality of life. Participation fostered through community involvement in the design, construction and use of such facilities may be the first step in the acceptance of proposals for change relating to production techniques and methods. Second, it is worth recalling that the allocation of resources among sectors (as among regions) is likely to reflect a balance of considerations, and economic criteria may not necessarily be the most important. Concentration of resources in more

1/ A conclusion that applies to most of the projects reviewed under the African Rural Development Study referred to above (page 26, fn 1).

productive areas may increase inter-regional inequality, particularly where migration from the less favored regions is not feasible. A relatively strong emphasis on inter-regional balance and equity may be justified where the poorer regions contain a heavy concentration of the rural poor (for example, in North-east Brazil) or for countries with access to an unusually generous flow of resources (like Algeria).

(iii) Sector and Special Programs

2.58 The types of activity described under this heading are usually organized on a nation-wide basis. They may or may not be tailored to meet the specific needs of the rural poor. In practical terms, it is usually impossible to confine the benefits to a particular class of beneficiaries, even were it desirable to do so. Thus, roads built under a works program are available for the benefit of all users. Schools and health facilities in rural areas can hardly turn away potential users on the grounds that they are too rich to qualify. The most important feature of these programs, however, is that they generally do not in themselves constitute a basis for self-sustaining general productivity and income increases. Rather, they are complementary to or components of programs with this objective.

2.59 Rural Public Works. Rural public works programs have been receiving increasing attention. In the off-peak seasons, substantial fractions of the landless labor and the very small farmers are idle or severely underemployed. The poverty of these groups is made worse by the near or total cessation of income during these seasons. Rural works programs can provide direct and timely income to those needing it most while creating productive infrastructure at low social opportunity costs. However, in practice, these programs have rarely developed their full potential. Opportunities for improvement exist both in the primary benefits of the program and in the secondary benefits flowing from the infrastructure created within the program. A review of past and on-going rural works programs identifies these recurring weaknesses in the design and implementation of the primary programs: (a) The portion of total program expenditures going to unskilled workers is frequently less than it might be because unnecessarily equipment intensive construction methods are used. (b) Projects may be poorly selected and designed resulting in high cost investment and low efficiency in terms of income supplements to the needy. (c) Inadequate management and supervision may produce a "make-work" character and consequent high cost structures and low morale. (d) Some programs have tended to extend into the peak demand periods for agricultural labor. (e) When "self-help" elements are included, the poor usually are required to contribute their labor with very small or no wage payments. (f) Payment in kind is administratively cumbersome and frequently very inefficient for the workers as they resell inappropriate commodities at a deep discount. (g) The appropriate blend of local initiative and decision-making with central control is difficult to achieve. (h) There is evidence of non-poor influence groups altering programs so as to increase their own benefits.

2.60 Even in the best designed and managed programs the unskilled wage share of total expenditures will not be much above one-half. Secondary income distribution effects flowing from the created assets may be substantially greater than the primary effects. And without careful integration into a progressive rural development program and without complementary public policies, the secondary effects may be very small for the poorest rural groups. The chief vehicle for secondary benefits to these groups is the induced demand for labor in productive activities which arises from the created infrastructure. Most of the opportunity for such employment growth is in more intensive land cultivation; this is also consistent with increased agricultural output which is a necessary condition for continuing benefits to the poor. The sustained expansion and intensification of productive activity will require complementary inputs and supportive policies and programs. The rate of induced employment generation may be quite sensitive to public policies such as those relating to farm mechanization and intensive cropping patterns. While the rural poor target groups gain from secondary employment, the owners of assets, especially land, typically will obtain large benefits from the created infrastructure. These benefits constitute one motivation for the political support of public works programs by non-target groups, a necessary condition for the success of these programs in most countries. However, if land ownership is highly unequal, the incidence of the secondary benefits will be similarly unequal, and the public recovery of part of the landowner's benefits should have high priority. The services of some created assets can be priced, but in many cases land and income taxes would be necessary. Some governments may be tempted to introduce public works programs as a substitute for more fundamental reforms and policies which promote sustained income growth for the rural poor. Such a course of action should be resisted because the immediate alleviation of underemployment and poverty--necessarily limited in scope and time for budgetary constraints and for the availability of suitable projects--would be offset by the inequitable distribution of the secondary benefits of the program.

2.61 The most important general conclusion is that public works need to be part of a larger employment and development strategy and used in coordination with other programs and activities if their potential is to be developed fully. Basic decisions on issues such as target groups, wage levels, location and type of projects, taxes or other recoupment of secondary benefits, and program administration would then be made in conjunction with national or regional development planning. In particular, such planning must ensure that wage goods output increases to match the higher demand for them created by any large-scale works program. Public works activities should also be coordinated with specific local development schemes. Public works, particularly because they are decentralized in implementation, provide an excellent opportunity to begin local level planning but this potential remains in general unrealized.

2.62 Education and Training. 1/ A major share of public sector outlays, with impact on the rural poor as an important justification, relate to

1/ Training is dealt with in paragraphs 2.28 to 2.30 above. See also the Education Sector Working Paper, op. cit.

education. Here attention is focused on minimum learning needs for all members of the rural society. This "basic education" ^{1/} includes functional literacy and numeracy, knowledge and skills required for earning a living, operating a household (including family health, child care, nutrition and sanitation), and civic participation. Thus defined, basic education is the lowest common educational denominator necessary to permit an acceptable rate and distribution of development.

2.63 In many countries basic education can be partly contained within the primary school system, but, major constraints on its provision to the rural poor have been time and cost. There is, therefore, considerable interest in schemes for providing non-formal and more cost-effective education and training to adults and adolescents. Many of the schemes surveyed as a part of a recent Bank-sponsored study indicated typically small scale operations promoted by a wide variety of different agencies and often not integrated into a national education system or development plan. ^{2/} The study drew particular attention to:

- (a) the need for the horizontal integration of rural education programs both with other education activities and with other development activities in the same geographic area, and vertical integration with organizations and services at higher levels to provide support and backstopping services;
- (b) the need for the decentralization of planning and management so that education activities can be effectively adapted to local needs and conditions; and
- (c) the need for greater equity to avoid widening the socio-economic gaps in rural areas. Worthy of particular note is the neglect of training for women despite acknowledgement of the importance of roles in both decision-making and farm work.

2.64 To meet the needs of rural development, primary education must be improved, particularly to reduce wastage, lower costs and raise quality. Other possibilities invite further experimentation, including adjustments with regard to age of entering school, length of cycle, size of class, simplification of curricula, use of mass media and adaptation of indigenous learning systems. A number of other actions might also be taken to spread basic education more effectively to the rural poor:

^{1/} This has been defined as the threshold level of learning required for effective participation in productive life as well as in social and political processes. See "New Paths to Learning for Rural Children and Youth," op. cit.

^{2/} P.H. Coombs with M. Ahmed, Attacking Rural Poverty: How Non-Formal Education Can Help. Prepared for the World Bank by the International Council for Educational Development. Baltimore: Johns Hopkins University Press, 1974.

- (a) schooling should be integrated with employment and development; this may be through skill training of those who have left the schools, or by means of a program such as that of Botswana where practical skill training directly related to the creation of new self-employment opportunities is given in the schools;
- (b) rural education should be functional in serving specific target groups and in meeting identified needs;
- (c) rural education programs should be designed as part of a total education delivery system; they can themselves become the focus of coordinated action through the use of multipurpose centers to serve other activities such as cooperatives and health services; this is being done in Tanzania at both district and village levels through the establishment of Rural Training Centers and Community Education Centers;
- (d) rural education projects should be integrated with other development activities and linked wherever possible to the provision of other appropriate inputs and services; this has been effectively demonstrated in a number of integrated rural development projects such as the Comilla project in Bangladesh and the PACCA project in Afghanistan; this may also be achieved through the design of functional literacy programs; and
- (e) the provision of basic education and training should be designed flexibly to make use of existing facilities and resources, and to use mobile units in order to remain replicable in terms of costs and management requirements.

2.65 Credit. Credit schemes provide illustrations of the difficulties encountered with sectoral programs. The recent paper on Agricultural Credit draws attention to a number of common deficiencies and problems with respect to lending to small farmers. ^{1/} In particular, large farmers have been the main beneficiaries of institutional credit. Commonly, 60 to 80 percent of small farmers in a given country have limited or no access to institutional credit. Moreover, the available supply of credit to all farmers is heavily skewed in favor of short term credit, and this skewness is even more pronounced in the distribution of whatever credit is available for small farmers. Although not always essential, conditions under which credit is needed and can be used effectively are characterized by:

- (a) clear opportunities for economic gain from adoption of new production technology or other improvements;

^{1/} IBRD Agricultural Credit, op. cit.

- (b) widespread recognition and acceptance of such opportunities on the part of the farmer, along with access to training in the necessary skills; and
- (c) delivery systems which provide ready and timely availability of inputs required, and market outlets for farm production.

2.66 For small farmers, it is essential to provide a comprehensive package if the potential for increased productivity is to be translated into commercial reality. There appears to be scope for the use of institutional credit to replace or augment credit from traditional sources in order to alleviate monopoly situations which cause excessively high interest rates; to overcome inelasticities in the supply of credit which become apparent when new opportunities emerge; to ease the seasonal financial problems of rural households; and, most importantly, to encourage small subsistence farmers to raise their output and enter the commercial sector. Furthermore, land reform, if pursued widely, could sharply increase the credit needs of former tenants previously supplied by landlords. In this general context several recent experiments warrant further examination, including the "passbook" scheme in Pakistan, the Cooperative Production Credit Scheme in Kenya, and the Masagana 99 program in the Philippines.

2.67 Other Sector Programs. Other specific sector programs--for example those concerned with provision of feeder roads, village electrification, water supplies, health facilities and the promotion of rural industry--may also be important means of conveying benefits to the rural poor. The major issues involved with these have been covered earlier--namely, the need to integrate such programs with both programs of rural development and particular projects, and the problem of appropriate design standards, suited to rural conditions. The latter is a serious problem for a number of these services and, in some cases pending further technical development, extension of facilities to villages will remain prohibitively expensive. One reason for neglect of the small scale system suitable for the rural areas is the convenience and lower unit cost of preparing and appraising project feasibility for larger scale undertakings better suited to the urban environment or, in the case of transport, for inter-urban connections. Here too, however, recent research indicates some promising new approaches calculated to reduce these difficulties in the future.

2.68 The promotion of rural industry in the context of rural development merits special attention. In many countries, existing village crafts are in the process of rapidly disappearing, while modernization of agriculture creates a demand for new inputs and consumer goods which largely could be produced locally. If these two trends can be combined through relevant planning and support measures, the outcome might be local modernized industrial structures geared to serving rural areas and with linkages to national industry as well. Such rural industry could provide employment, increase incomes, slow rural-urban migration, increase the supply of goods and services to farmers at lower costs and generally stimulate further rural and regional development.

2.69 Development of rural industry at an early stage of agricultural development may, in the long run, permit a more rational spatial distribution of industrial and economic activity than might otherwise occur. Much of rural industry is likely to be located in market towns, which are generally a more desirable form of urbanization than the expansion of already very large urban centers. Modernization of agriculture creates a demand which has great potential for pulling certain categories of industry into rural towns. These industries are, in general, small and their interaction with medium and large enterprises is, in the long run, essential. Consequently, some urban-based industry can be decentralized, with little or no economic sacrifice, in order to achieve better interaction and more balanced distribution of industrial activity. At the same time, with an industrial base to provide for continuing expansion and development, such regional centers can serve to attract and retain professional and technical skills that otherwise most often concentrate in the major cities.

2.70 As well as the linkages with agriculture itself, there are other important cross-sectoral requirements for rural industry. Thus, at some stage the villages must have access to electricity for productive purposes. It is equally essential to develop a capacity to design and manufacture simple producer goods appropriate for more small scale village industry. There is often still a large reservoir of potential skills--technical and entrepreneurial--in the rural areas. Without special efforts, however, to upgrade these skills, to improve tools, to diversify production, to open up markets and change the outlook of the rural artisans, this important asset of the rural communities threatens to disappear. In many circumstances, the mechanization of agriculture required small pumps and motors (up to 20 to 25 horsepower), tractor drivers, tubewell operators, tractor and small motor mechanics and people skilled in the servicing and repair of mechanical equipment. Rural homes need basic furniture and improved kitchen utensils. These and a variety of other requirements are either not fulfilled or are met from the cities. It would seem natural to upgrade the skills and organization of village blacksmiths, carpenters, shoemakers, weavers and potters, so that they could assume new manufacturing and service roles in modernizing rural communities. This kind of support should be part of an integrated plan to modernize and develop rural communities.

2.71 Thus, in the same way that agricultural extension services are considered essential for introduction of new technology and development of agriculture, industrial extension should also be seen as a necessary element in developing rural industry. Essential characteristics of such an industrial extension service are mobility and relevance to rural industries in meeting actual local demands. An important aspect of any such program must be the development and support of the existing industrial structure in order to capitalize on the base of technical and entrepreneurial skills which today exists in villages, market towns and urban centers. Development of rural industries requires a nationally supported program to provide inputs like credit, raw materials and equipment, electricity, training for technical and

managerial skills, research-development-engineering efforts, etc. Provision of such a package is, in principle, facilitated by linking efforts with a rural development program. Indeed, the general lack of rural development planning cannot be more clearly illustrated than by the weakness of current efforts to promote rural industry.

(iv) Conclusions

2.72 The variety of programs and approaches that have been examined confirms that no single package or formula is likely to be either necessary or sufficient to ensure effective rural development. On the contrary, it is evident that the activity mix most likely to work is best characterized as the one that is designed and tailored to fit a particular and probably unique set of conditions and country circumstances. A number of other general conclusions are listed below in summary form.

2.73 The experience of rural development programs and projects appears to confirm:

- (a) that it is possible to reach large numbers of the rural poor at moderate cost, with reasonable expectations of acceptable economic returns;
- (b) that the achievement of this result involves political commitment to a strategy for rural development and to the general policies necessary to support such a strategy;
- (c) that low cost delivery systems for supplying inputs on credit terms, for providing extension and marketing services, and for organizing communal activities are of crucial importance in reaching large numbers of the rural poor; greater use of special financial intermediaries, cooperatives, community groups and farmers' associations should be explored;
- (d) the importance of balancing overall, central control with decentralized regional and project planning; rural development projects require a degree of flexibility in design and in responding to the lessons of experience, but flexibility must be within the limits of national or regional minimum standards; and financial resources.
- (e) that greater efforts should be made to integrate project management into existing and, if necessary, reformed central and local government organizations and procedures;
- (f) the importance of involving the rural poor in the planning and implementation of rural development programs;

- (g) the need for increased training at the local level, particularly for development managers, regional and project planners, cooperative staff and extension agents;
- (h) the importance of making equitable and adequate provision for the recovery of costs in order to provide funds for additional rural development projects in other areas;
- (i) the importance of devising technical packages appropriate to the requirements of small farmers, based on adaptive, national research;
- (j) the need to improve knowledge of national resources and provide an improved flow of disaggregated information, as a basis for realistic national, regional and rural project planning; and
- (k) that although increases in output can be achieved using existing technology, increases in productivity will require new technology suitable for use by small farmers.

III. THE BANK'S PROGRAM FOR RURAL DEVELOPMENT

A. Past Trends

3.1 The major thrust of Bank activities in rural areas has been in lending for agricultural development. The Bank is now the largest single external source of funds for direct investment for agricultural development in the developing countries. This is the consequence of a purposeful shift of emphasis in Bank policy over the past five years. It reflects, first, a change in the Bank's perception of development and its underlying processes and, second, an awareness of the growing pressures on the agriculture and rural sectors in developing countries. In an operational context these shifts have been characterized by changes in the pattern of lending, including changes in its sectoral distribution, by a widening and deepening of the lending program and by the emergence of "new style" projects.

(i) Changing Lending Patterns

3.2 Sectoral Changes. In the early years of Bank operations the emphasis was on non-agricultural development. Between FY48 and FY60 only 17 percent of total Bank projects and six percent of total Bank investment was for agriculture. In the recent years it has become apparent that greater agricultural output was not only a necessary condition for the expansion of most economies, but was perhaps the only way to achieve growth in many areas. There was a corresponding increase in the share of lending for agriculture. (See Figure 1.) As a result, lending for agriculture rose from 12 percent of all lending in FY61-65 to 24 percent of a much higher annual volume of lending in FY73-74. (See Table 8.)

3.3 Widening of Lending. In the early years of Bank operations the emphasis was on the transfer of capital and the development of capital-intensive projects, notably in irrigation. From FY47 to FY70, 48 percent of total Bank investment in agriculture was in irrigation. Between 1961 and 1965 the irrigation proportion was 79 percent. Since then, although investment in irrigation has increased absolutely, the proportion has fallen to about 30 percent in the years since FY70. (See Table 9.) The Bank will continue to invest in irrigation. However, the growing appreciation that agricultural development involves a whole complex of interdependent components has led to a substantial widening of patterns of lending for agriculture--including investments in tertiary canals and land leveling to ensure that irrigation water is used effectively at the farm level. By the mid-1960's the Bank was financing a wider range of activities--agricultural and livestock credit, storage, marketing, processing, fisheries and forestry development. Much more emphasis was given to the promotion of technological change at the farm level through the financing of programs to enable farmers to acquire improved seed, fertilizers and equipment. The Bank has also recognized the importance of agricultural research in supporting both individual

projects and international research institutions. In addition, individual projects are becoming more comprehensive and now include not only several agricultural elements but also non-agricultural components such as rural roads, health, training and water supply.

3.4 Deepening of Lending. In recent years the Bank has responded to an increasing awareness that agricultural growth does not necessarily diminish rural poverty. As a result the Bank has been attempting to "deepen" its lending in the rural sector as part of a program intended to aid lower income producers to become more productive. To this end, the poorer countries have been receiving a greater proportion of Bank funds, and project effort has increased the probability that more lower income groups are being reached. Between FY54-68 US\$138.8 million, or 22.5 percent of lending for agriculture, was for countries with per capita GNP lower than US\$150; during FY69-74 this rose to US\$1,356 million, or 38.2 percent of the total lending for agriculture. (See Table 10.) Second, there is some correlation between size of holding and income. Between FY68-72 the percentage of agricultural projects wherein the participating farmers owned under five hectares rose from 17 percent to 67 percent. This further indicates that Bank lending is increasingly directed toward lower income members of the community. Finally, there has been an increase in lending for projects that are directly focused in some respect on providing benefits to the rural poor. (See Table 11-12.) The number of such projects increased from five in FY68 to 28 in FY74, involving an increase of lending from over US\$29 million to almost US\$474 million. From 17 percent of all lending for agriculture in FY68, these projects accounted for 47 percent of a much larger total in FY74. 1/

(ii) The Emergence of "New Style" Projects

3.5 The changes in emphasis that have taken place over time and the focus on reduction of poverty has necessitated the introduction of what might be termed "new style" projects. These have been designed to encompass some, though not all, of what appear to be desired characteristics for rural development as described in Chapter II. The main elements of these projects are:

- (a) they are designed to benefit large numbers of the rural poor, while earning an economic rate of return at least equal to the opportunity cost of capital;

1/ A word of caution is in order regarding these figures. Until recently a large number of projects did not describe the beneficiary group with any detail, and an attempt to determine the intentions of the project at several years distance from time of preparation is difficult. The large increase in FY74 relative to earlier years owes something to better definition of project objectives, although in our judgment, the underlying change is still a considerable one.

- (b) they are comprehensive in their approach to small scale agriculture and provide for a balance between directly productive and other components (where inclusion of the latter is appropriate); and
- (c) they have a low enough cost per beneficiary so that they could be extended to other areas, given the availability of additional resources.

3.6 The "new style" projects have included a variety of approaches. Such projects are intended to reach large numbers through area development, settlement, irrigation and land improvement schemes. Most of the projects have an agricultural base and involve technological change--frequently the introduction of water, credit, improved seed and fertilizer. Many of the projects also include some diversification in agricultural production. The area projects often have some social components--health services, basic education and water supplies. Whenever possible, cost has been held down through evolving low cost delivery systems and working through intermediaries that can absorb some of the overhead costs--notably farmers' associations, cooperatives and other groups. Much remains to be done in this regard.

3.7 The expansion of new style projects has led to a substantial change in the nature of lending for agriculture. An analysis of the appraisal reports for 56 agricultural loans approved in FY74 shows that:

- (a) out of 38 projects for which information is available there are an expected 11.8 million beneficiaries; this does not include estimates of beneficiaries who are not farm operators, such as farm laborers and others whose incomes might have risen because of a project;
- (b) the average income per beneficiary before projects was US\$69; but the range of beneficiaries' incomes was from US\$22 to US\$1,460;
- (c) the projects taken as a whole, which involve a total investment of US\$2 billion, are expected to lead to an average increase in income of 7.3 percent per annum over the development period (an average of eight years); and
- (d) the average cost per beneficiary is US\$160 per capita; however five projects accounted for eight million of the 12 million beneficiaries at a cost per beneficiary of only US\$17 per capita and the increase in income expected from these five projects is also much lower than the average increase for the projects taken as a group.

3.8 The change in the Bank's philosophy on agricultural development over the years as reflected in the pattern of lending for agriculture can be summarized as follows:

- (a) the share of agriculture in total lending has, over the years, increased considerably, and within agriculture poverty-oriented projects now have a larger share;
- (b) the share of the poor countries in lending for both agriculture and poverty-oriented projects has increased significantly;
- (c) the number of people benefitting directly from the Bank operations in agriculture is increasing; and
- (d) based on information from Bank appraisal reports, the incomes of the beneficiaries, including many rural poor, are estimated to increase at a rate higher than the five percent suggested in the Nairobi declaration. But it must be remembered that this increase is for Bank financed projects and that the share of Bank Group financed projects in total investment in agriculture and rural development in developing countries is relatively small.

B. The Way Ahead

3.9 The extent to which direct programs to improve the lot of the rural poor can be mounted and "new style" projects pursued will be determined by:

- (a) the extent to which the goals of equity and growth can be reconciled; and
- (b) the extent of the resources available in relation to the magnitude of the problem.

Aspects of each of these are analyzed in turn.

(1) Reconciling Goals

3.10 An important question for the Bank and member governments is whether or to what extent greater emphasis on rural development implies a diversion of resources away from meeting the urgent needs for increased food production. The possibility of such diversion arises for various reasons. Among these are:

- (a) Heavy investment in projects for those with the lowest incomes could lead to a concentration of effort on a group which commands a small proportion of the basic resource for food production--the land. Based on a sample of 52 developing

countries, if the poor smallholders are considered to control less than two hectares of land per family, collectively they would control only about 16 percent of the arable land.

- (b) It is sometimes more difficult and time-consuming to provide services to large numbers of small farmers than to a smaller number of large farmers. Bank experience indicates that the costs of providing credit to small farmers can run 14 percentage points or more above those for large farmers. Similarly, large numbers of small farmers need more extension workers, so there may be a diversion of scarce resources away from larger producers in addition to the higher costs of expanding these services.
- (c) The immediate urgency of the need for increased food supplies over the next few years may require concentration of investment resources in areas where the potential is greatest for substantial increases in food production within a short period of time. Farmers in these areas might well be relatively better off in terms of resource endowment and infrastructure and not among the rural poverty target groups.

3.11 However, rural development does not always conflict with the objectives of higher food production. Small farmers are often more efficient in the use of resources on the farm than are large farmers. Most of the rural poor are engaged in agricultural production so that steps taken to aid them to become more productive will add to agricultural output. The food problem is most severe in the South Asia and African countries which have the greatest concentration of absolute rural poverty; in many of these countries the distribution of land and income is such that raising the agricultural output of the low income groups in rural areas is the only means by which both production and consumption of food can be increased. This applies also to the landless workers in agriculture for whom rural public works can lead to the creation of productive facilities as well as generating income to purchase food. Finally, at a more general level, the poorest rural--and urban--families who do not produce themselves sufficient food for their own needs stand to suffer most from food shortages and high food prices.

3.12 Bank policy recognizes the interdependence of both these objectives--of increasing food production and of alleviating poverty in rural areas. Bank policy is to aid all agricultural producers but to emphasize the deepening of lending to help small scale farmers--those with holdings up to 5 hectares (including those within the low income target groups)--who account for 40 percent of land under cultivation in developing countries. A Bank policy of assisting agricultural development with emphasis on smaller farms and rural development to help the rural poor will contribute both to raising food output and alleviating rural poverty.

(ii) Resource Requirements

3.13 The Nairobi Speech set the ambitious target of raising the annual rate of growth of output of small farmers to five percent by 1985. ^{1/} Achieving such a target requires that demand increase sufficiently (through both export opportunities and growth in the consuming sectors of the economy) to maintain producer prices; that institutional and organizational constraints be removed or lessened in effect; and that resources be mobilized to assist small farmers. Country experience, as discussed in Chapter II, and the Bank's own experience in implementing projects, confirm that, in many instances, finance alone is not the limiting factor in bringing about a sustained increase in output among small scale producers; frequently technological, organizational, procedural and manpower factors limit the effective use of additional investment. Nonetheless, it is possible to give some approximate indication of the order of magnitude of investment needs.

3.14 Rough estimates of total investment needs were obtained through two different approaches yielding broadly similar results. The first was based on a simple model to permit some analysis of the sensitivity of the results to crucial assumptions and policies. The second drew directly upon Bank experience.

3.15 The parameters of the model include the capital/output ratio, the depreciation rate of capital, the population growth rate of small farm households, the time-lag before investment becomes productive and the share of the benefits from investment which accrue to small farmers. Calculations based on this model yielded an estimate of US\$70 billion for the accumulated capital cost of achieving by 1985 a five percent growth rate in small farmers' production. To maintain this rate of growth beyond 1985 annual investment expenditures of approximately US\$20 billion would be needed. Moreover, the estimated total cost derived from such calculation is sensitive both to variations in the share of benefits assumed to accrue to the target group and to different assumptions about rates of population growth. For example, an overall production growth rate of five percent might be achieved with either a population growth rate of one percent per year and an annual production increase of four percent or a population growth of three percent with a per capita production increase of two percent. Calculations based on the model indicate that cumulative investment costs by 1985 would be US\$5 billion lower in the first of these cases, that is, with a lower rate of growth of population.

3.16 The importance of the share of project benefits accruing to the target population for any estimates of the total cost of reaching the Nairobi

^{1/} As explained in Chapter I, the target poverty group has been changed from the acreage basis in the Nairobi Speech to an absolute and relative income basis. Nevertheless, the five percent target rate of growth refers to all small scale farmers and not just those in the lowest income groups.

objectives is revealed as well in the calculations based upon the Bank's own experience. As is shown in Table 11, there was a subset of 25 agricultural projects (single- and multi-sector) approved in FY74 where at least 50 percent of the direct beneficiaries are likely to be farm families with annual incomes below US\$50 per capita. Including those outside this poverty group (a substantial number of whom would nevertheless be small farmers with holdings under five hectares), these projects are expected to benefit farm families accounting for some 11 million people. As a result of the projects, net output per farm family is projected to increase by more than five percent per annum over an eight year development period, beginning from a level of annual income that averages approximately US\$60 per capita. With total project costs of almost US\$900 million, average project cost is under US\$80 per capita. If sufficient projects at this average per capita cost of US\$80 could be and were designed and implemented solely for the rural poor (projected to number 700 million by the end of the 1970's) the implied global cost would be US\$56 billion. But, if it is not feasible to reduce the per capita cost significantly nor desirable to increase the percentage of direct beneficiaries among the rural poor (as distinct from other small farmers) above the 50 percent representative of recent Bank experience, the overall cost of projects and programs with direct benefits for the rural poor and small farmers could amount to over US\$100 billion.

3.17 The estimates above are, however, subject to a substantial margin of error because:

- (a) the mix of investment opportunities during the next decade could vary significantly from that in 1974 (though a provisional analysis of Bank projects in FY75 indicates a pattern similar to 1974);
- (b) indirect beneficiaries, such as landless laborers, are not included in the project appraisal estimates;
- (c) it is uncertain how much project design can reduce costs and increase benefits;
- (d) greater government commitment, more appropriate government policies, and better rural, regional, and project planning could also result in significant economies and higher benefits;
- (e) the cost estimates do not necessarily include all those costs which are external to the projects but essential for broader programs of rural development; and
- (f) because output may increase faster in future than consumer demand, farm-gate prices may decline and hence the net benefits may be lower.

3.18 On some counts, even the higher estimate of US\$100 billion would seem a remarkably modest total cost for providing the impetus toward sustainable increases in productivity and real income for the rural poor. Estimates ^{1/} of income, savings and investments in the developing countries, including the oil and mineral rich nations, indicate that total investment in developing countries in 1974 would be approximately US\$170 billion. Allowing for phasing over, say, a ten-year period, US\$10 billion per annum for rural development would account for only six percent of this total. But, for the low income developing countries (those with per capita incomes below US\$200 at 1967/69 prices), the picture is very different. Among this group of countries, investment in 1974 would be of the order of US\$25 billion. For this group the investment requirements for rural development are large relative to the availability of resources, since these countries account for more than 60 percent of the rural poor. The regional breakdown is shown in Table 13.

(iii) The Lending Program

3.19 There are many constraints on lending for agricultural and rural development. Nonetheless the compelling financial and human needs of the rural sector justify an ambitious five-year target. Under the Bank's lending program for FY69-73, US\$3.4 billion was allocated to agricultural development, some 20 percent of total lending over this period. The preliminary FY74-78 program allocates 26 percent of total lending to agricultural development, i.e., US\$6.5 billion (at constant FY74 prices). Dropping FY74 and adding FY79 would increase this figure to approximately US\$7.2 billion for the five-year period FY75-79. Based on past experience of cost sharing, this would involve a total investment of approximately US\$15 billion in the rural sectors of the developing countries.

3.20 Assuming a program of US\$7.2 billion for agricultural and rural development, the question then becomes one of the allocation of resources within the rural sector. The past trends in lending, and more particularly the experience in FY75, indicate that it is possible to design "new-style" projects that can fulfill many of the desired objectives of Bank policy. Close to half of the loans in FY74 are "new style" and indications are that a high proportion of all projects in FY75 will be also. While there is limited information on the projects in the latter part of the five-year period, there is every reason to anticipate that a high proportion of "new style" projects can be maintained during FY76-79.

3.21 The Bank should, therefore, plan to double the FY74 level of lending for rural development during the period FY75 to FY79. This would imply a total Bank Group investment rising from US\$0.5 billion in FY75 to US\$1.0 billion in FY79, at 1974 prices. Taken over the five-year period, this would represent one-half of the Bank's total projected lending for agricultural and rural development. Allowing for local contributions and other

^{1/} These were based on IBRD, World Economics Indicators, Sec M74-665, September 24, 1974.

funds, the proposed lending program would support a total annual investment program of approximately US\$2 billion by FY79. This is some 20 to 30 percent of the rough estimates of the annual requirement for financing the target income increase of five percent per annum discussed in paragraphs 3.15-3.18, i.e. US\$70-100 billion spread over 10 years averages US\$7-10 billion a year. The proposed lending program would test the absorptive capacity of many developing countries, especially the poorest countries most in need of external resources. Substantial new efforts to mobilize local resources would be needed, together with organizational changes to utilize existing resources more effectively as discussed in Chapter II. The role of the Bank in bringing about such changes is discussed in the next section. In some countries, however, to effect such changes will require a greater degree of political and social commitment to the general objectives of rural development than has been the case up to the present.

3.22 An analysis of the projected lending program for agriculture (based on the aggregate of the country lending program projections) shows some differences between the regional distribution of lending and the regional distribution of the rural poor. In particular, the concentration of rural poor in the South Asia region considerably exceeds the share of this region in total projected Bank lending for agriculture. If the proposed program of lending for agriculture and rural development were distributed among regions according to regional concentrations of rural poverty, projected lending for South Asia in these sectors would need to be more than double the present prospective regional total. This calculation reflects the fact that the South Asia region accounts for 75 percent of the 360 million rural poor in the low income, resource poor group of countries. Tables 13 and 14 show the details of these calculations.

3.23 The South Asian problem is quantitatively by far the most severe and, in view of the poverty of the countries involved, probably the most intractable. It is likely that rural development projects will play a considerably greater role in South Asia than in the past. For one thing, the previous emphasis on agricultural credit operations (which accounted for more than 50 percent of all agricultural lending for South Asia in the FY69-73 period), and were not primarily oriented toward specifically identified target groups of rural poor, was greatly reduced in the FY75 program. This change in emphasis is confirmed by estimated totals of agricultural lending Bank-wide by type of project as projected for the FY75-79 period. Compared with FY69-73, the FY75-79 share of area development projects (which include area-based rural development projects) increases from six percent to 30 percent, the increase being matched by declines in the relative importance of credit operations, irrigation projects and livestock projects.

3.24 Should additional resources become available, the claims of the agricultural sector in general, but especially the need for additional resources for agriculture and rural development in South Asia, seem persuasive. Some adjustment to increase lending for rural development in South Asia above the levels implied by the current lending projections

in the region should be contemplated. Questions concerning the technical and other assistance conducive to this goal which the Bank can supply, together with internal staffing implications, are taken up in the final section of this Chapter.

3.25 The proposed program is unlikely to be attained without continuing major efforts on the part of the Bank staff to support and further develop innovative approaches to project design and implementation. It is difficult to foresee the forms these innovations might take, but a number of the kinds of changes that will be needed are already embodied in recent projects. Many of these might be suitable for application on a wider scale. For example, the recent IDA credit to Upper Volta for agricultural development established a Rural Development Fund. Its purpose was, in part, to deal with the uncertainties of government finance, particularly after the termination of the project implementation period, and to mobilize additional local resources. A model for capitalizing effectively on the benefits of new agricultural research is provided by the recent Korea Seeds project which finances the establishment of a modern seeds industry in that country, including the capacity to undertake continuing research into a range of crops. The result should be broad based income increases for a large group of farmers at very low cost. This is an example of a national minimum package program. Also in Asia, the Keratong Land Settlement project in Malaysia includes the financing of project towns in the settlement area and thus provides an example of a linked or integrated approach to rural development that includes recognition of the impact on regional urban settlement. In this project there is a positive attempt to provide for the conditions and facilities calculated as necessary to attract skilled persons away from the largest cities and to reduce the migration of the unskilled, partly educated rural youth toward the same cities. In East Africa, the Kigoma project in Western Tanzania is an example of the use of a regional government authority for project management. The broad range of skills and expertise thus available enables a wide range of services to be financed under the cover of a regional development plan of operations, in which the project is itself the core part. This project is also providing finance for the preparation of other rural development programs in the context of improved regional and rural planning.

3.26 Another feature of growing significance is the support for ongoing programs of rural development, where there is sufficient experience or commitment on the part of government, and scope for design improvement and increased program effectiveness. One example would be the Mauritius Rural Development project supporting the rural works program there. There are a number of others at late stages of preparation and appraisal: a project supporting Government's drought-prone areas programs for India; support for the Mexican Government's PIDER program of rural development; and provision of services and facilities for improved training of local officials in program formulation and implementation relating to the INPRES program of rural works in Indonesia. Many of these are nation-wide programs, or have the

potential to become nation-wide programs. There will be increasing importance attached to support of a range of project activities under the umbrella of an overall strategy or rural development plan. A series of projects relating to Nigeria recently prepared for Board consideration provides one example of this approach. The size of the Mexican PIDER program referred to above implies that it is, in effect, a series of projects that can be packaged as one, because of the common philosophy and set of objectives to which they relate.

3.27 It is likely that the proposed program will also require greater efforts to prepare multi-sectoral, integrated programs, involving not only a mix of directly productive and social elements, but also a greater range of productive components than is now the case. In particular, it is highly desirable in some areas to prepare integrated rural industry projects, involving as possible components rural electrification, training, and credit as well as agricultural elements. Such efforts might fit particularly well into the later phases of the multi-stage type of project activity that will be called for in the more sophisticated environment. There will also have to be a greater emphasis on helping the landless through industrial and training types of projects, as well as single or multi-sector efforts focused on training and education more specifically designed for rural people. Multi-sectoral approaches are especially suitable for provision of rural health, family planning and other social services. For example, the Bank will introduce selected elements of reformed health services into rural development projects and will link control operations for specific diseases (such as river blindness and sleeping sickness) with rural development programs.

3.28 In addition to innovation and experiments with new approaches, however, there is a continuing need for the weight of Bank experience in more conventional types of activities to be brought to bear on the concentrations of rural poverty--through schemes of general land improvement, irrigation, clearance for settlement or drainage, credit programs and programs addressed to the needs of more specialized groups such as fishermen and herdsmen. Support for such activities will be further extended into the most challenging and difficult agro-ecological areas, such as those of the Sahel and the mountainous areas of Latin America. This will involve more national research and pilot testing of technology and special institutional arrangements in particular target areas. According to country needs and circumstances, therefore, in the terminology of Chapter II, there will continue to be a mix of minimum package, area development, national comprehensive, and public works programs in the rural areas.

3.29 Two rather different points relevant to the proposed lending program for rural development might usefully be made in conclusion. First, recalling the conclusions in Chapter II, the difficulties and uncertainties of the rural development process have been stressed. If the past provides any guide in this area, it surely suggests that innovation and experimentation which will clearly be necessary for any considerable measure of success

certainly be accompanied by some failure. A great many of the "new style" projects, and the innovative ideas they embody, have yet to be tested through a period of full development. One step that will help to minimize the risks is the provision of adequate facilities for monitoring and evaluation of the project experience, so that the lessons of experience can be learnt. The second point is that the Bank program--ambitious as it is--will scarcely keep pace over the five-year period with the increase in numbers of rural poor resulting from population growth. The latter could amount to 70 millions, while the rural poor benefiting from these programs will probably not exceed 60 millions. (Total beneficiaries--including those outside the target groups--can be estimated at 100 millions.)

C. Deployment of Bank Resources

3.30 What more is necessary to ensure that the manner in which the Bank Group processes projects is conducive to meeting goals and broader policy objectives? Recent actions have included providing guidelines with respect to the conduct of rural sector work and to elements of Bank policies and procedures which might be considered constraints on designing, processing, and implementing rural development projects; assisting governments with in-depth research; increasing resources for agriculture and rural development; and improving control and monitoring procedures.

(i) Monitoring Progress

3.31 The Bank now regularly monitors the progress of economic sector and project work. More recently, a monitoring system for rural development projects was introduced. The objectives are to help influence the design of projects at the earlier stages in order to increase their impact on the productivity and quality of life of the rural poor, and to follow the progress of projects through the pipeline. This monitoring will be achieved by the filing of regular "project information briefs" (PIBs) on all projects in the lending program, and will result in a system of quarterly progress reports. On the basis of these reports, any modifications necessary to ensure the accomplishment of the Bank program will be made in Bank policies and procedures.

3.32 It is important to spell out at an early stage in project identification the basic project rationale together with a broad project profile. This should indicate: number of farmers and other target groups, their income classes, the projected impact on productivity, cost of the project and its replicability and breakdown into directly productive and non-productive investment. This would focus the project preparation process in the face of institutional constraints at the local and national levels, define the scope of the project and establish appropriate component cut-off points.

(ii) The Project Cycle

(a) Project Identification

3.33 Internal monitoring of the kind outlined above should provide a useful series of reference points for reviewing progress in meeting the goals and objectives. But, for the system to provide a more positive stimulus to obtaining these goals, other action is required.

3.34 First, an intensive back-up effort is needed at the country economic and sector work level in order to both provide guidance and support for project planning strategies and tactics, and to facilitate more systematic consideration of rural development criteria in the selection and design of projects in the lending program. Agriculture and rural development sector work is essentially of two kinds: that which is needed to support country economic work and that which facilitates project identification. It is with the latter, which has to be given higher priority, that we are concerned here.

3.35 Rural sector studies need to be oriented toward (i) identifying and focusing upon target zones and populations; (ii) assessing technology constraints and the potential for small farms; (iii) examining infrastructure requirements; (iv) evaluating the capacity of existing service systems and their potential; (v) reviewing the administrative arrangements and capability for the rural sector; and (vi) vetting national policies relating to rural development. Preliminary guidelines to encourage such an approach have been issued and will be reviewed in the light of experience with regard to the manner in which agriculture and rural development sector work can best be carried out.

3.36 It is not feasible to present a fully quantitative picture of sector work because some sector work is done on other kinds of missions--reconnaissance, appraisal and supervision. Thus, it is difficult to find a numeraire to measure the output of varied sector work activities. Table 15 gives a breakdown of the FY75 sector work by regions as indicated from sector, sub-sector and some special missions. This shows a program of 14 agricultural and rural development sector reviews, five sub-sector reviews and six special missions. The work program for the next four years is being developed. In addition to the Bank Group programs, FAO plans to have "Country Perspective Studies" in Malaysia, Burma and the Sahelian countries of West Africa. Work is just ending on Iraq, Iran, Pakistan and Bangladesh. The ILO is also planning rural development country studies under its World Employment Program. The Bank and FAO are now actively coordinating their sector work and have established informal cooperative arrangements with the ILO in order to avoid duplication.

3.37 Early experience suggests the usefulness of a new type of activity known as rural reconnaissance missions, to supplement agricultural sector studies, especially in the integration of agriculture and other sector work,

and the evaluation of government rural development programs. Such reconnaissance missions may be restricted to one region or one area of a country, as opposed to studying the rural sector as a whole, but have a purview broader than a project mission. These missions are particularly useful in assessing new government proposals for rural development which are larger than a project but provide the administrative context in which rural development may be implemented. Their function thus falls between that of a typical Bank project and a sector mission.

3.38 A fully articulated program for project identification should be developed. This would include both sector and sub-sector review missions and rural reconnaissance missions. The articulation of such a program to identify and prepare an adequate pipeline of projects is likely to call for more, rather than less, resources to be devoted to these activities.

(b) Project Preparation

3.39 Because the number and variety of components in rural development projects make their design a complex and time-consuming task, a relatively long lead time is required for project preparation. Since there are likely to be continuing constraints on increasing the Bank's manpower resources (including consultants), there is a need to examine the feasibility of reallocating staff and rearranging the time spent on the various phases of the project cycle. Identification and preparation require time and this is especially important for rural development projects because of their complexity.

3.40 The identification and preparation of rural development projects is not well organized in many developing countries. Consequently, additional assistance is required and could take one or more of the following forms:

- (a) technical assistance to establish or strengthen the kinds of planning and programming units referred to in paragraph 3.41 below;
- (b) expand the project preparation capacities of the Cooperative Programs with FAO, WHO, and UNIDO;
- (c) introduce a special type of project, which might be termed rural preparation, the purpose of which would be to design rural development projects in detail prior to the appraisal of the actual projects themselves; this activity is analogous to the "engineering credits" used in the first phase of some transportation projects;
- (d) make more use of pilot projects, but on a scale of sufficient magnitude to test larger scale expansion.

3.41 The extent to which the Bank Group needs to shift and/or increase its resources for rural development work will depend in part upon the degree to which member governments develop project planning and programming units in departments and agencies concerned with agriculture and rural development. Experience confirms the great importance of establishing decentralized planning units with project preparation sections. In the case of rural development programs, such units are best situated in the planning units of regional or local governments, where such exist. Such an approach is in keeping with the rural development tenet of building on local initiative. It also has the advantage not only of strengthening local planning capacity but of having a direct bearing on the future implementation and implementability of projects. Where there is no regional or local government, and where nationally integrated programs are desired, preparation should be undertaken by a central office for rural development coordination, such as that outlined in Chapter II, or in a Ministry of Planning and Development.

(c) Project Appraisal Methods

3.42 Rural development projects, with their particular emphasis on distributional as well as productivity aspects, tend to be more complicated than typical agricultural projects. This is particularly true for those multi-sectoral projects which have benefits which cannot easily be quantified in monetary terms. However, experience thus far has been that all the rural development projects approved to date have shown adequate rates of return when the quantifiable benefits and costs are assessed in the usual manner. In some projects, the rates of return have also been satisfactory when the costs of those project elements for which the benefits cannot be quantified have been included along with other costs. It does not follow, however, that this will necessarily always be the case in the future. It is important, therefore, to consider more closely the non-quantifiable benefits and income distribution aspects of rural development projects, bearing in mind the necessity of maintaining the Bank's high standards of project appraisal.

3.43 The benefits of some project elements can be quantified--usually the directly productive components--and some cannot--usually social service ones. Some project elements all of whose benefits cannot be quantified may nevertheless be necessary for achieving production targets; in such cases the costs of these elements should be included in total costs. On the other hand there may be project components for which the benefits cannot be quantified which are not necessary for achieving production targets directly but which nevertheless are important elements for increasing production indirectly and for improving the quality of life of the rural poor, in such cases the costs should not be included in total costs for rate of return calculations. In either case, how does one assess whether the levels of services proposed are justified? In the first place, reference must be made to sector or national policies, which should preferably establish minimum standards criteria (e.g., so many health clinics of a certain standard per head of population, maybe stratified by population density). Second, one should make certain that, within the national or regional minimum standards,

the discounted total cost is the minimum among alternative ways of providing the services; the process of selecting the least cost alternative should be made explicit so as to ensure that realistic alternatives have been considered. Such an approach is accepted practice in public utilities and other projects where "administered" prices are charged or benefits cannot be quantified. ^{1/} Third, care should be taken that the social profitability of one component is not obscuring the negative social profitability of another component. This implies separate evaluation of project components. Fourth, where charges are made for services but the prices are "administered" ones, the marginal social costs should be estimated. Should it appear that the services are to be provided at less than their social cost, the implied subsidy must be justified in terms of government social objectives (including special pricing arrangements for the rural poor) and public savings. For example, are the subsidies going only to those who need them, and are costs being recovered sufficiently to provide funds for projects in other areas? Fifth, the recurrent costs of such investment must be estimated and the implications on the government's budgetary position worked out and justified.

(d) Project Implementation

3.44 Because our knowledge and experience of how best to help the rural poor to raise their productivity and improve the quality of their lives is limited, it is necessary to:

- (a) build a degree of flexibility into projects so that modifications can be made as experience is gained; and
- (b) in order to (i) control and monitor the extent of deviations from expectations, and (ii) learn the lessons of experience, evaluation systems must be devised. But such systems can be expensive and governments are naturally reluctant to tie up scarce human and financial resources in what might be regarded as sophisticated and esoteric monitoring systems. If such systems are viewed merely as something which aid agencies require, then the real point is missed. It is that evaluation systems should be in an integral element of the internal management control system. If they are introduced for this purpose, they can also serve the supervision functions of governments and assistance agencies and aid in learning the lessons of experience.

(iii) Technical Assistance

(a) Training

3.45 Because the chronic shortage of indigenous supervisory and managerial staff is a major constraint in most developing countries, the training of

^{1/} See IBRD, Economic Evaluation of Public Utility Projects, July 1974.

"development managers" is of top priority. Much of this must be done "on-the-job," but it usually has to be supplemented by more formal training. The traditional way of providing on-the-job training is to provide technical assistance and insist on counterparts being supplied. Some technical assistance experts are better than others in training counterparts, but in general the record is disappointing. There are many reasons for this, including a shortage of adequate counterparts and the fact that the experts are often fully and wrongly engaged in executive functions. Consequently, it is important--at least in the larger projects--to make provision for proper training courses for counterpart personnel. Increasingly, Bank projects are doing this and it is a trend to be strongly supported. Any increase in the supply of local expertise would also help to free scarce technical assistance for new projects.

(b) Public Sector Organization

3.46 Much more attention needs to be paid to public sector organization, procedures and personnel management and to the manner in which project organizations should be fitted into improved public sector systems. There has been an understandable tendency on the part of the Bank Group and other donors to establish project entities outside the cumbersome civil service structures in many developing countries. In this way highly privileged enclaves have been created to the detriment of longer-run improvement in public sector efficiency. Multi-sectoral rural development projects in particular depend critically on inter-agency cooperation and coordination. Hence those responsible for preparing such projects must identify the real public sector institutional constraints and seek practical solutions. Institutional constraints may be so pervasive, however, that general reforms may be required before particular projects can be implemented.

3.47 Reference was made earlier to the importance of strengthening local project planning capacities. Experience to date would also seem to indicate that there are few links between the preparation and implementation phases, and that "project managers" are appointed too late. It would not be an easy task to organize, but it would appear desirable for "project managers" to be appointed fairly early in the preparation stage so that they can be involved in the design of the projects they will manage. Not only would this help to reduce the growing delays between approval of projects and commencement of implementation, but it might improve the design of projects and should raise the quality of management.

(c) Research and Information

3.48 A recurring consideration in this paper has been the inadequacy of information concerning the circumstances of the rural poor and the means through which a broad scale acceleration of rural development can be achieved. This, together with the magnitude and inherent complexity of the problem, suggests high priority be given to research and information gathering relevant to the processes of rural development. The scale of Bank efforts in this area

can never amount to more than a fraction of the total national and international resources required. Therefore, in addition to doing research itself, its contribution should take the form of assistance to member countries in undertaking research and analysis to provide firmer foundations for rural development programs and projects.

3.49 The first need is for more insight into the general characteristics of target groups and the dynamics of traditional societies as they begin to modernize. In some cases this is simply a need for information on how many people there are, where they are, and perhaps who they are. But once program design is under way, there is also a need to know about their skills, resource ownership, incomes, nutrition and health status, family structure and general socio-economic environment. Such information has to be collected by survey and, to be adequate for project planning, must be current. Some information is available on a global basis in the FAO World Census of Agriculture and, on a country basis, from national censuses and surveys. The Bank is currently working with FAO to speed up analysis of the World Agricultural Census with respect to the small farm sector. The Bank should undertake and encourage more information gathering, especially as a precursor to rural development program planning.

3.50 Second, the importance of improving our knowledge of the micro-dynamics in rural areas for the design of projects, and increasing our understanding of micro-level responses to macro-policy in order to improve program formulation, suggests the need for research in these areas. To this end, the Bank is currently working with several external agencies on a study of "The Analytics of Change in Rural Communities". This has the following aims: (a) designing and evaluating key features of integrated rural development projects; (b) analyzing the effects on rural communities of different development policy instruments; (c) helping to identify those features of successful projects which can be replicated in other rural areas; and more generally, (d) providing an efficient feedback system to enhance the value of project experience in updating our understanding.

3.51 Third, it is important to have more information about the resources available for exploitation by the rural poor and others. To this end, the Bank should encourage others, and join with them, to finance resource inventory and evaluation work based on various kinds of field surveys; the use of ERTS imagery and aerial photography; national income, production and employment statistics disaggregated to the regional and local levels; and sectoral and regional studies to discover additional growth centers and rural/urban linkages. Indonesia provides examples of these kinds of studies. ^{1/}

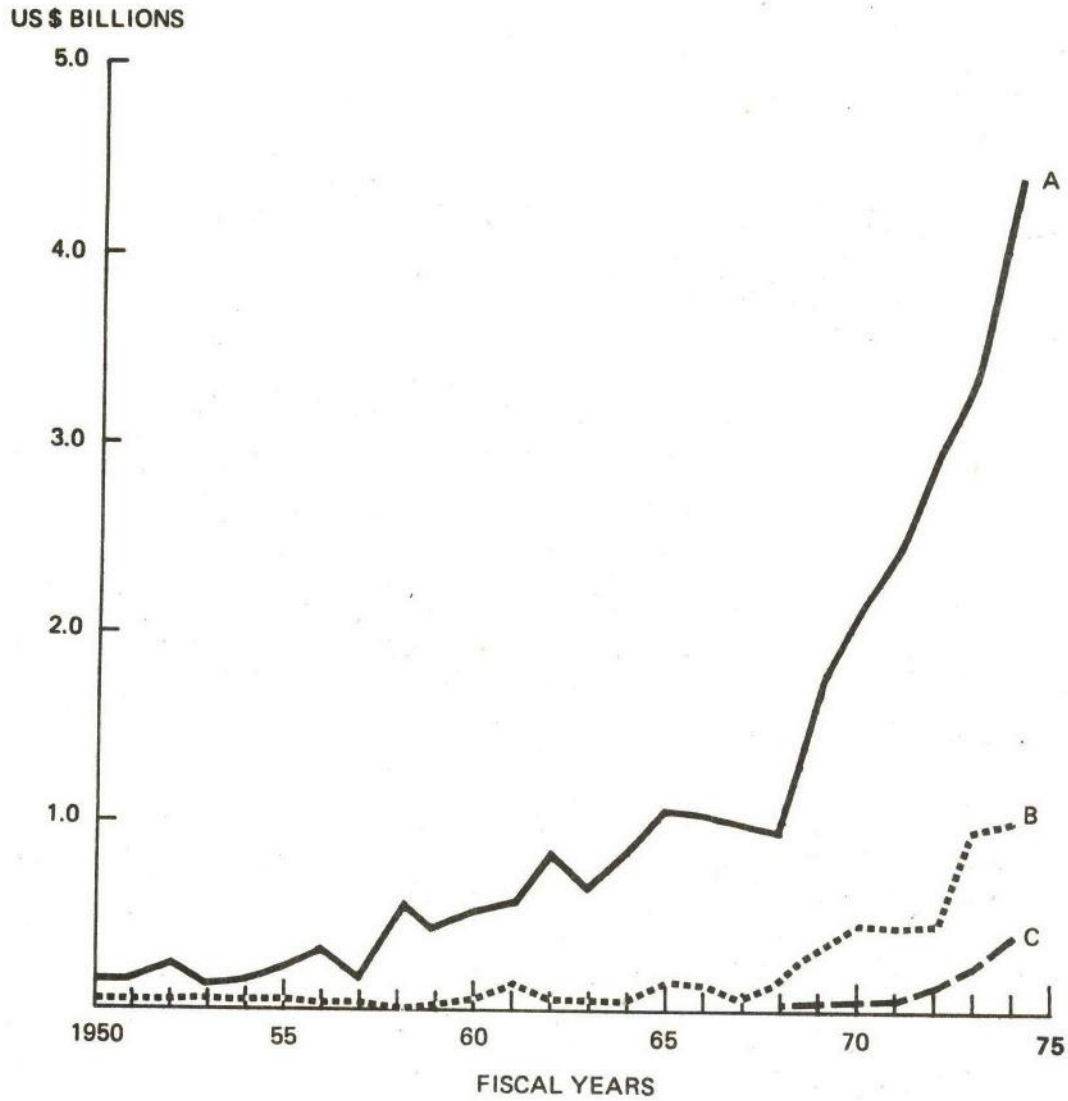
^{1/} Examples of regional planning studies are those of the southern half of Sumatra, Eastern Indonesia, and Suluwezi, being carried out with the assistance of the Bank, the Federal Republic of Germany, and the Canadian International Development Agency. Also the Bank and CIDA are currently considering financing a "National Resource Inventory and Evaluation Project" in Indonesia.

3.52 Fourth, it is very important to step up technical agricultural research to adapt known technologies to national and local situations. Such adaptive research includes varietal trials and plant breeding, experiments with fertilizer and water requirements for high-yielding varieties, development of improved cultural practices, especially for food crops and designing farming systems for smallholdings. Research also needs to be undertaken to collate and synthesize all the work which has been carried out into "appropriate technologies" and to make recommendations for the production engineering of such machinery and equipment for local manufacture. The Bank should, therefore, support projects for strengthening existing and establishing new national research institutions, working in harmony with the ten international research activities financed by the Consultative Group for International Agricultural Research centers.

3.53 Finally, the whole spectrum of research activities referred to above should be thoroughly reviewed to assess whether the Bank is focusing adequately on the research needed to support its commitment to rural development.

FIGURE I

WORLD BANK LENDING FOR ALL SECTORS
AGRICULTURE AND RURAL DEVELOPMENT FY1950 - 74



- A. LENDING FOR ALL SECTORS
- B. LENDING FOR AGRICULTURE
- C. LENDING FOR RURAL DEVELOPMENT

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Table 1: ESTIMATES OF TOTAL AND RURAL POVERTY AMONG DEVELOPING COUNTRIES, 1969

Region	Population 1969	Population in Poverty		Rural Population in Poverty	
		Below US\$50 Per Capita ^{a/}	Below US\$75 Per Capita ^{a/}	Below US\$50 Per Capita ^{a/}	Below US\$75 Per Capita ^{a/}
----- (millions) -----					
Developing Africa	360	115	165	105	140
Developing America	260	30	50	20	30
Developing Asia	1,080	415	620	355	525
Developing countries total	1,700	560	835	480	695
Four Asian countries ^{b/}	765	350	510	295	435
Other countries	935	210	325	185	260
----- (percentages) -----					
Share of 4 Asian countries ^{b/}	45	63	61	62	63
Share of Developing Asia	64	74	74	74	76
Share of Developing Africa	21	21	20	22	20
Share of Developing America	15	5	6	4	4
Combined share, relative to total population	100	33	49	28	41

^{a/} 1969 prices.

^{b/} Bangladesh, India, Indonesia, Pakistan.

Notes for Table 1

1. A calculation of poverty for a majority of developing countries, as defined in Table 1, was made for the IBRD and IDS study, Chenery, Ahluwalia, Bell, Duloy, and Jolly, Redistribution with Growth (London, Oxford University Press, 1974). To these data were added rough estimates for countries excluded in that study, using the same data sources with respect to population and per capita income in 1969 prices but with national income distribution based on experience in countries for which data were available.

2. To calculate rural poverty, data for the share of urban in total population were obtained from Kingsley Davis, World Urbanization 1950-1970, Population Monograph No. 9 (Berkeley, Calif: University of California at Berkeley, 1972). An assumed ratio of urban to rural income was applied, together with rough estimates for urban income distribution. With these assumptions, data for rural poverty were obtained after deducting estimates for urban poverty from total poverty.

Table 2: ESTIMATES OF RELATIVE POVERTY AMONG DEVELOPING COUNTRIES, 1969

Region	Population 1969	Population in Poverty	
		Income Below One-Third of National Average Per Capita Income	Income Below \$50 Per Capita Plus Population with Incomes Below One-Third of National Average Per Capita Income
----- (millions) -----			
Developing Africa	360	75	125
Developing America	260	80	80
Developing Asia	1,080	145	440
Developing countries total	1,700	300	645
----- (percentages) -----			
Share of Developing Asia	64	48	68
Share of Developing Africa	21	25	19
Share of Developing America	15	27	12
Combined share, relative to total population	100	18	38

Source: See notes for Table 1.

Table 3: RURAL POPULATION AND RURAL POVERTY AMONG DEVELOPING COUNTRIES

Region	Rural Population 1969	Rural Population in Poverty			The Percentage of the Rural Poor in Rural Population		
		Below US\$50 Per Capita	Below US\$75 Per Capita	Income Below One- Third of National Average Per Capita, OR Below US\$50 Per Capita	Below US\$50 Per Capita	Below US\$75 Per Capita	Income Below One- Third of National Average Per Capita, OR Below US\$50 Per Capita
		(millions)			(percentage)		
Developing Africa	280	105	140	115	38	50	41
Developing America	120	20	30	45	17	25	38
Developing Asia	855	355	525	370	42	61	43
Developing countries total	1,255	480	695	530	38	55	42
Four Asian countries <u>a/</u>	625	295	435	295	47	70	47
Other countries	630	185	260	235	29	41	37
		(percentages)					
Share of four Asian countries <u>a/</u>	50	62	63	56			
Share of Developing Asia	68	74	76	70			
Share of Developing Africa	22	22	20	22			
Share of Developing America	10	4	4	8			
	100	100	100	100			

a/ Bangladesh, India, Indonesia, Pakistan.

Source: See notes for Table 1.

Table 4: LANDLESS FARM WORKERS IN SELECTED COUNTRIES^{a/}

	Number of Landless Workers '000	Landless Workers as % of Active Population in Agriculture %	Active Agricultural Population as % of Total Active Population %
<u>Asia</u>			
India ^{b/}	47,300	32	68
Indonesia	5,673	20	70
Pakistan ^{c/}	8,013	29	70
Total	60,986	30	68
<u>Middle East & North Africa</u>			
Algeria	1,099	60	56
Egypt	1,865	38	55
Iran	903	25	46
Morocco	484	19	61
Tunisia	210	20	46
Total	4,561	33	58
<u>Latin America & Caribbean</u>			
Costa Rica	122	53	45
Dominican Republic	179	25	61
Honduras	138	27	67
Jamaica	72	41	27
Mexico (1970)	2,499	49	39
Nicaragua (1971)	101	43	47
Argentina	694	51	15
Chile (1971)	378	66	28
Colombia	1,158	42	45
Ecuador	391	39	54
Peru	557	30	46
Uruguay	99	55	17
Brazil	3,237	26	44
Venezuela	287	33	26
Total	9,912	35	39
Grand Total	75,459		

a/ Except for India, data presented here are estimated from ILO, Year Book of Labor Statistics, 1971, pp. 43-294, and 1972, pp. 44-301. Unless otherwise indicated, data refer to latest year available in 1960's and thus do not reflect recent reform actions, on the one hand, nor changes in the work force, on the other.

b/ Agricultural laborers as shown in India, Ministry of Agriculture, Directorate of Economics and Statistics, Indian Agriculture in Brief (Eleventh Edition, 1971) p. 14.

c/ Includes population now belonging to Bangladesh.

Table 5: NUTRITION LEVELS BY INCOME CLASS

	Percentage of Families	Calorie Intake Cals (per capita)	Protein Intake Grams (per capita)	
			Total	Animal
<u>Latin America</u>				
Brazil (1960/61)				
Annual family income (new cruzeiros per year)				
Rural areas:				
under 100	7.94	1.755	50.0	13.2
100-249	27.30	2.267	64.9	21.7
250-499	29.68	2.577	75.9	
500-1,199	24.56	3.144	95.4	39.1
1,200 and over	10.52	3.674	116.6	32.5
Total average		2.683	80.6	21.3
Colombia (1956-62)				
"very poor" rural		1.535	30	9
"middle class" rural		1.538	34	15
"middle class" urban		3.138	52	22
		2.133	60	31
Mexico (1958/59)				
"very poor" rural		1.788	45	
"middle class" rural		1.803	51	
"middle class" urban		2.275	57	
		2.331	64	
Peru (1951-58)				
Mountain area		1.794	47	
Coastal areas		2.205	64	
<u>Asia</u>				
Ceylon				
Rural (1961-66)		1.864	44	8.3
Upper class Colombo (1957)		3.271	84	
Iran				
Peasants		1.842	60	
Urban wage earners		2.132	65	
Landowners		2.658	74	
India (1958)				
Maharashtra State				
Expenditure per capita (rupees)				
Urban and rural areas:				
0-11	21.3	1.340	37.9	1.4
11-18	18.9	2.020	56.6	2.6
18-34	20.7	2.485	69.0	6.6
34 and over	39.1	3.340	85.7	11.9
Total average		2.100	59.7	4.5
<u>Africa</u>				
Madagascar (1962)				
Income ('000 fr. per family/yr.)				
1-20	54.7	2.154	47.3	5.5
20-40	27.7	2.292	54.1	6.5
40-80	11.0	2.256	53.6	9.4
80-130	3.8	2.359	61.2	15.2
130-190	1.5	2.350	59.1	15.2
190-390	0.8	2.342	64.6	21.8
390-590	0.3	2.456	65.4	23.6
Other classes	0.2			
UAR (1965)				
Low Income class		2.204	71	15.0
Middle Income class		2.818	84	18.0
Higher Income class		3.130	98	37.0
Tunisia (1965-67)				
Income per person				
Rural areas:				
less than 20	8.2	1.782		
20- 32	16.2	2.157		
32- 53	30.8	2.525		
53-102	32.4	2.825		
102-200	10.9	3.215		
200 and over	1.5	3.150		

Source: Data cited in David Turnham, The Employment Problem in Less Developed Countries: A Review of Evidence, OECD, Development Centre Studies, Employment Series No. 1 (Paris: 1971).

Table 6: POPULATION PER MEDICAL DOCTOR IN RURAL AND URBAN AREAS

Country	Year	Population/Medical Doctor		Urban Superiority in Doctors per Unit of Population
		Urban	Rural	
Honduras	1968	1,190	7,140	6:1
Jamaica <u>a/</u>	1968	840	5,510	7:1
Philippines	1971	1,500	10,000	7:1
Senegal <u>a/</u>	1968	4,270	44,300	10:1
Panama	1969	930	3,000	3:1
Colombia	1970	1,000	6,400	6:1
Ghana <u>a/</u>	1968	4,340	41,360	10:1
Iran	1969/70	2,275	9,940	4:1
Haiti <u>a/</u>	1968	1,350	33,300	25:1
Kenya	1969	880	50,000	57:1
Tunisia <u>a/</u>	1968	2,912	10,056	4:1
Pakistan	1970	3,700	24,200	7:1
Thailand <u>a/</u>	1968	800	25,000	31:1

a/ Urban = capital city only.
Rural = all other rural and urban.

Source: IBRD, Background Paper on Health, Report No. 554a, October 1974, Appendix Tables 16 and 17, pp. 87-88.

Table 7: PRIMARY SCHOOL AVAILABILITY IN RURAL AND URBAN AREAS

Percentage of the total number of primary schools
in each category (rural and urban) which offer a
complete number of grades

	Number of Countries	Complete Urban Schools as a % of Total Urban Schools	Complete Rural Schools as a % of Total Rural Schools
<u>Countries by GNP</u>			
<u>Per Capita</u>			
Up to \$120 (excluding India)	9	53	36
India	1	57	49
\$121 - 250	7	72	32
\$251 - 750	16	77	62
\$751 - 1,500	2	89	56
Over \$1,500	6	100	99
<u>By Major Regions</u>			
Africa	16	79	54
Asia (excluding India)	9	94	66
India	1	57	49
Latin America	10	88	34
Europe	5	98	99

Source: Based on data in UNESCO, Statistical Yearbook, 1972.

Table 8: WORLD BANK LENDING FOR AGRICULTURE BY NUMBER OF PROJECTS
AND AMOUNT LENT, 1948 - 1974

	(1) Number of Agricultural Projects	(2) Amount Lent for Agriculture	(3) Amount Lent per Project (2)/(1)	(4) Average Amount Lent per year	Agricultural Projects as a % of Total IBRD/IDA Proj.	Lending for Agriculture as a % of Total Lending
		----- US\$ Millions -----			----- Per Cent -----	
1948-1960	33	175.9	5.3	13.5	17	6
1961-1965	33	484.4	14.7	96.9	16	12
1966-1970	93	1,207.6	13.0	241.5	23	17
1971-1972	72	855.4	11.9	427.7	26	16
1973-1974	98	1,893.6	19.3	946.8	30	24

Table 9: WORLD BANK LENDING FOR AGRICULTURE, BY SUB-SECTOR, 1948-1974

	1948-60	1961-65	1966-70	1971-72	1973-74	1948-60	1961-65	1966-70	1971-72	1973-74
	US\$ millions					Per Cent				
General Agriculture	43.9	-	15.0	13.5	24.0	25	-	1	1	1
Agricultural Credit	20.2	45.0	183.2	255.8	240.3	11	9	15	30	13
Area Development	10.0	9.7	100.4	51.6	272.6	6	2	8	6	14
Irrigation	85.1	383.8	513.2	201.3	621.9	48	79	43	24	33
Livestock	7.0	35.3	252.4	176.7	314.9	4	7	21	21	17
Agricultural Industries	4.7	-	19.2	39.6	204.0	3	-	2	5	11
Non-food Crops	-	2.8	86.8	95.4	167.3	-	1	7	11	9
Research	-	-	-	12.7	-	-	-	-	1	-
Fisheries	-	7.8	21.0	8.9	28.6	-	2	2	1	1
Forestry	5.0	-	16.4	-	20.0	3	-	1	-	1
Total	175.9	484.4	1207.6	855.5	1893.6	100	100	100	100	100

Table 10: WORLD BANK LENDING FOR AGRICULTURE BY PER CAPITA GNP OF BORROWING COUNTRIES

Per Capita GNP of Borrowing Countries	FY64-68				FY69-74			
	Agriculture Lending IBRD & IDA		As % of Total		Agriculture Lending IBRD & IDA		As % of Total	
	Number of Projects	Amount (US\$M)	Projects %	Amount %	Number of Projects	Amount (US\$M)	Projects %	Amount %
Less than \$150	9	138.8	20.5	22.5	101	1356.0	43.7	38.2
\$151-\$375	18	173.8	40.9	28.2	78	1069.7	33.8	30.1
\$376-\$700	13	251.2	29.6	40.8	30	782.1	13.0	22.1
Over \$700	4	52.0	9.0	8.5	22	341.8	9.5	9.6
Total	44	615.8	100.0	100.0	231	3549.6	100.0	100.0

Source: IBRD, World Bank Atlas, 1973

Table 11: IBRD/IDA LENDING FOR AGRICULTURE AND RURAL DEVELOPMENT,
FY68 - FY74 a/

	FY68	FY69	FY70	FY71	FY72	FY73	FY74	TOTAL
<u>RURAL DEVELOPMENT</u> b/								
<u>Agriculture</u>								
No. of Projects	5	3	6	10	12	17	25	78
Loans (US\$M)	29.1	51.8	53.1	66.6	121.4	246.8	449.8	1,018.6
<u>Multi-Sector</u> c/								
No. of Projects	1	-	-	1	1	1	6	10
Loans (US\$M)	14.0	-	-	8.1	2.2	21.0	59.5	104.8
<u>Single Sector</u>								
No. of Projects	4	3	6	9	11	16	19	68
Loans (US\$M)	15.1	51.8	53.1	58.5	119.2	225.8	390.3	913.8
<u>Education</u>								
No. of Projects	-	-	1	1	-	2	3	7
Loans (US\$M)	-	-	1.5	3.3	-	9.0	23.8	37.6
<u>Roads</u>								
No. of Projects	-	-	2	-	2	-	-	4
Loans (US\$M)	-	-	25.6	-	23.5	-	-	49.1
<u>Total Rural Development</u>								
No. of Projects	5	3	9	11	14	19	28	89
Loans (US\$M)	29.1	51.8	80.2	69.9	144.9	255.8	473.6	1,105.3
OTHER AGRICULTURE (excluding predominantly agricultural rural development lending)								
No. of Projects	8	24	25	26	24	29	31	167
Loans (US\$M)	143.4	315.5	359.8	352.5	314.9	690.9	506.1	2,683.1
TOTAL AGRICULTURE								
No. of Projects	13	27	31	36	36	46	51	240
Loans (US\$M)	172.5	367.3	412.9	419.1	436.3	937.7	955.9	3,701.7
TOTAL AGRICULTURE AND RURAL DEVELOPMENT								
No. of Projects	13	27	34	37	38	48	59	256
Loans (US\$M)	172.5	367.3	440.0	422.4	459.8	946.7	979.7	3,788.4
OTHER IBRD/IDA								
Loans (US\$M)	781.0	1417.0	1846.0	2058.0	2506.1	2461.0	3333.9	14,403.0
TOTAL IBRD/IDA								
Loans (US\$M)	953.5	1784.3	2286.0	2480.4	2965.9	3407.7	4313.6	18,191.4

- a/ Data refer to original commitments and no cancellations and refundings are taken into account. Information used for the classification of rural development projects is based on project appraisal reports. However, it must be noted that many appraisal reports are deficient in information for this classification, e.g. lacking in income distribution data on project beneficiaries.
- b/ Projects for which there is an expectation that 50% or more of primary (direct) benefits would accrue to the rural poor.
- c/ Projects involving two or more sectoral components with the dominant sectoral component constituting less than 75% of the net project cost (i.e. cost excluding contingencies and components which are not integral parts of the project). In all multi-sectoral projects designated as rural development projects, agriculture is the predominant sector and the Programming and Budgeting Department has classified them all under agriculture. Basically small farmers.

Table 12: RELATIVE SHARE OF AGRICULTURAL AND RURAL DEVELOPMENT IN TOTAL BANK LENDING, FY68-74

	FY68	FY69	FY70	FY71	FY72	FY73	FY74	Total
	----- Per Cent -----							
<u>As Per Cent of Total Agriculture Lending</u>								
Rural Development Agriculture								
Projects	38.5	11.1	19.4	27.8	33.4	37.0	49.0	32.5
Lending	17.0	14.1	12.9	15.9	27.8	26.3	47.0	27.5
<u>Of which: Multi-sector</u>								
Projects	7.7	-	-	2.8	2.8	2.2	11.8	4.2
Lending	8.1	-	-	1.9	0.5	2.2	6.2	2.8
Single-sector								
Projects	30.8	11.1	19.4	25.0	30.6	34.8	37.3	28.3
Lending	8.9	14.1	12.9	14.0	27.3	24.1	40.8	24.7
<u>As Percent of Total IBRD/IDA Lending</u>								
Total Rural Development Lending (both agriculture and non-agriculture)	3.0	2.9	3.5	2.8	4.9	7.5	11.0	6.1
Total Agriculture Lending	18.1	20.6	18.1	16.9	14.7	27.5	22.2	20.3
Total Agriculture and Rural Development Lending	18.1	20.6	19.2	17.0	15.5	27.8	22.7	20.8

Source: Calculated from Table 11.

Table 13: ESTIMATED RURAL POPULATION IN POVERTY BY REGION AND COUNTRY
INCOME LEVEL, 1974 a/

Region	Rural Poverty Population in Countries with Incomes up to \$200 per Capita <u>b/</u>	Rural Poverty Population in Other Developing Countries	Total Rural Poverty Population
- millions of persons -			
East Africa	60	-	60
West Africa	15	35	50
South Asia	270	-	270
East Asia	10	105	115
EMENA	5	30	35
LAC	-	50	50
Total	360	220	580

a/ Estimates made by applying assumed population growth rates by region to figures for 1969. The regional breakdown in this table corresponds to the geographical divisions of the Regional Offices of the Bank and are not precisely comparable to the area breakdown of Table 1.

b/ Excludes some countries with low income per capita, but with large external receipts through oil (e.g., Indonesia, Nigeria).

Table 14: A COMPARISON OF THE DISTRIBUTION OF THE RURAL POOR BY REGION AND PROSPECTIVE BANK LENDING FOR AGRICULTURE AND RURAL DEVELOPMENT

	(1) Distribution or Rural Poor 1974	(2) Distribution of Projected Lending for Agriculture and Rural Development FY75-79	(3) Allocation of Agriculture and Rural Development Lending implied by (2) FY75-79	(4) Allocation of Agriculture and Rural Development Lending implied by (1) FY75-79
	%	%	- US\$ millions(1974 prices) -	- US\$ millions(1974 prices)
Eastern Africa	10.3	11.1	800	750
Western Africa	8.6	10.2	750	600
East Africa and Pacific	19.8	18.3	1300	1450
South Asia	46.6	19.3	1400	3350
EMENA	6.0	18.2	1300	450
LAC	8.6	22.9	1650	600
Total	91.9	100.0	7200	7200

Source: Column (1) from Table 13; Column (2) from Policy Planning and Program Review Department Calculations; projected total of lending in Columns (3) and (4) as described in text paragraphs 3.19-3.21.

Table 15: FY75 AGRICULTURE AND RURAL DEVELOPMENT SECTOR WORK ^{a/}

Region	Sector	Sub-Sector	Other
East Asia and Pacific	- <u>b/</u>	1 <u>h/</u>	1 <u>k/</u>
South Asia	3 <u>c/</u>	-	-
Eastern Africa	2 <u>d/</u>	-	-
Western Africa	4 <u>e/</u>	2 <u>i/</u>	1
Europe, Middle East and North Africa	1 <u>f/</u>	2 <u>j/</u>	4 <u>l/</u>
Latin America and Caribbean	4 <u>g/</u>	-	-
	14	5	6

- a/ Does not include sector work undertaken in conjunction with appraisal and supervision missions.
- b/ Sector work on Indonesia, Malaysia, and the Philippines will be carried out by staff attached to Economic Missions.
- c/ Nepal, Burma, and possibly Pakistan.
- d/ Sudan and Zambia. Lesotho, Swaziland, and Madagascar in FY76.
- e/ Dahomey, Ivory Coast, Cameroon, and Senegal.
- f/ Afghanistan.
- g/ El Salvador, Guatemala, Nicaragua, and Costa Rica--all jointly with USAID and IADB.
- h/ Malaysia - Smallholder sector review.
- i/ Regional studies (mainly the Sahelian zone) of Forestry and Livestock. The Forestry study will include Ivory Coast, Ghana, Cameroon, and the Democratic Republic of the Congo, and may also include Liberia, Niger, Gabon, and the Central African Republic.
- j/ Livestock and Fruits and Vegetable sub-sector surveys in selected countries of the Middle East.
- k/ A Review of selected aspects of regional and rural development in the Philippines.
- l/ Special missions to Egypt and Romania; an economic-regional (Macedonia) development study in Yugoslavia; a rural and regional development study in Tunisia.

Rural Development

Mr. Alexander Stevenson

December 27, 1972.

Uma Iele

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Rural Development Research

1. I have attempted below to summarize very briefly my views on the role the rural development research can play in influencing Bank policies.

2. (A) An integrated view of the many activities in the rural sector is essential in designing overall strategies for rural development for individual countries and in making investment choices based on these overall strategies.

(B) Failure of the past performance has, however, been less due to lack of strategies and more due to lack of adequate understanding of the processes and the interaction between the various processes that make the strategies work.

(C) Thus there is a great deal of knowledge about technical input-output relationships that determine growth rates of output but little about developing institutions including rules and procedures, suitable for specific environments, that will assure broad participation in the development process.

(D) The experience related both to successes and failures in rural development is vast in LDC's. It is mainly the non-Bank experience from which the Bank will have to draw lessons to formulate sectoral strategies and to design projects.

3. These various factors have important implications for organization of research on rural development as well as for the nature of research conducted and research methods followed. I will address myself to the latter two questions in this memo.

Nature of Research

4. A vast amount of research is already underway outside the Bank, whereas the manpower and financial resources at the disposal of the Bank are extremely limited compared to the size of the operational task in the Bank. The Bank should, therefore, concentrate its efforts on summarizing ongoing research, on narrowing down areas for further research and on pursuing additional research, with emphasis on participation of research workers in LDC's, in areas where research findings are inadequate for operational support.

5. In order to do effective entrepreneuring of research, it is essential that the Bank staff, on the one hand, understand the needs of the operational departments and, on the other, be respected by

their colleagues outside the Bank with whom they must interact professionally. To meet both these requirements, it is essential that they have an opportunity to examine a vast number of micro experiences across regions and countries so as to provide a broad picture of appropriate strategies, that will be operationally meaningful, and suitable to specific environments.

Research Methods:

6. Research related to rural development processes must go far beyond simple specifications to take into account the numerous variables that simultaneously affect the process of rural development. The review of past programs as in case of the public works schemes, rural industrialization and agricultural credit indicates that it is often the simplistic emphasis on social and ideological variables and the inadequate understanding of the many economic constraints and the consequent inadequacy of the institutions to meet these constraints that have caused the failure of these efforts. The complexity of specification of the problem should, therefore, not be confused with interdisciplinary research. Experience shows that interdisciplinary research, at best, is at a primitive level of development. There are no appropriate methodologies for such research and there is a danger that the research may lack rigour and, therefore, may offer no potential in going beyond intelligent speculation. Often it may prescribe solutions in tackling socio-political factors which go far beyond the limits within which an international agency can hope to influence policies. A careful distinction must thus be made between institution building based on an understanding of the socio-political constraints and in altering these constraints. The Bank is in a particularly advantageous position to draw lessons of the former category based on a number of experiences across countries.

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cc and cleared with: Mr. Reutlinger

Rural Dev

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(3-70)

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ASSOCIATION

INTERNATIONAL BANK FOR
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INTERNATIONAL FINANCE
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SPECIAL RURAL DEVELOPMENT PROGRAMMES AS SOON AS POSSIBLE STOP REGARDS

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DEPT. Development Economics - Rural Dev.

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NAIROBI

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TEXT:
Cable No.: 8

SORRY TO KNOW OF YOUR RESERVATIONS ABOUT KINSEY STOP CAREFUL SEARCH MADE FOR
AVAILABLE CONSULTANTS AFTER SUDDEN WITHDRAWAL OF WYE TEAM STOP KINSEY CHOICE
MADE ONLY AFTER YOUR CABLE RECOMMENDING ALTERNATIVES OF LIPTON CONSORTIUM
KHAN-ARDS GROUP OR LELE DOING IT STOP LIPTON UNAVAILABLE STOP KINSEYS QUALIFICATIONS
AND TIME CONSTRAINT CAREFULLY CONSIDERED STOP AWAIT YOUR ARRIVAL TO SEND
KHAN-KINSEY IN FIELD SINCE YOU CANNOT GO TO MALAWI AS PER YOUR INITIAL PROPOSAL

REUTLINGER

INTBAFRAD

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME Shlomo Reutlinger
Rural Development Division
DEPT. Economics Department

SIGNATURE *Shlomo Reutlinger*
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

REFERENCE:
SReutlinger:coh

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INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE
CORPORATION

OUTGOING WIRE

TO: DONALDSON & SHAW
NORFOLK HOTEL
NAIROBI

DATE: November 3, 1972
CLASS OF SERVICE: IT

COUNTRY: KENYA

TEXT: Cable No.: 8

FOR SORRY TO KNOW OF YOUR RESERVATIONS ABOUT KINSEY STOP CAREFUL SEARCH MADE FOR
AVAILABLE CONSULTANTS AFTER SUDDEN WITHDRAWAL OF WYE TEAM STOP KINSEY CHOICE
MADE ONLY AFTER YOUR CABLE RECOMMENDING ALTERNATIVES OF LITTON CONSORTIUM
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AND TIME CONSTRAINT CAREFULLY CONSIDERED STOP AWAIT YOUR ARRIVAL TO SEND
KHAM-KINSEY IN FIELD SINCE YOU CANNOT GO TO MALAWI AS PER YOUR INITIAL PROPOSAL

REUTLINGER
IMBABARA

NOT TO BE TRANSMITTED

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AUTHORIZED BY

NAME: Shlomo Reutlinger
Rural Development Division
Economic Department
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Rural Dev

INCOMING CABLE

DATE AND TIME
OF CABLE:

DECEMBER 5, 1972 1830

LOG NO.:

121/6

TO:

INTBAFRAD

FROM:

RIO DE JANEIRO

ROUTING

ACTION COPY:

MR. CHENEVY

INFORMATION
COPY:

MR. ALTER

MR. WISE

DECODED BY:

TEXT:

DR HOLLIS B CHENEVY VICE PRESIDENT FOR DEVELOPMENT POLICY.

AS A RESULT OF OUR DISCUSSIONS WITH THE WORLD BANK MISSION HEADED BY DR PETER B CLARK AND WITH THE APPROVAL OF MR HENRIQUE FLANZER PRESIDENT OF IPEA WE CONFIRM OUR INTEREST ON A JOINT STUDY IBRD/IPEA OF A DEVELOPMENT CORRIDOR IN THE NORTHEAST. THE PURPOSE OF THE PROJECT IS TO DECIDE METHODS WHICH WOULD IDENTIFY COMPLEMENTARY INVESTMENTS AND POLICIES WHICH WOULD INCREASE THE DEVELOPMENTAL IMPACT OF AN INTEGRATED CORRIDOR PROGRAMS. THE PROJECT WILL STUDY THE INTERACTION OF INFRASTRUCTURE INVESTMENTS WITH THE PLANNING OF RURAL DEVELOPMENT DESIGNED TO RAISE PRODUCTIVITY INCREASE LABOR ABSORPTION AND SPREAD THE DEVELOPMENTAL EFFECT OF THE CORRIDORS PROGRAM OVER A WIDER AREA. HOWEVER DUE TO THE PRELIMINARY NATURE OF THE TERMS OF REFERENCE WHICH ARE AVAILABLE SO FAR, NO FINAL DECISION COULD BE MADE UNTIL WE HAVE FURTHER DISCUSSIONS TO CLARIFY AND IMPROVE THE DEFINITION AND SCOPE OF THE PROJECT AS WELL AS TO MAKE A DETAILED PLANNING OF THE COORDINATION ARRANGEMENTS AND PERSONNEL ASSIGNMENTS. I PROPOSE THAT THOSE DISCUSSIONS SHOULD BE HELD IN THE SECOND HALF OF JANUARY. CORDIALLY.

ANTONIO NILSON CRAVEIRO HOLANDA
 SECTION
 SUPERINTENDENT IPEA/IPLAN
 DEC 9 15 28 LW 1215
 UNDERSECRETARY FOR PLANNING

TYPED

DEC 6 12 56 PM 1972

COMMUNICATIONS SECTION

RECEIVED BY: [Illegible]

DATE: [Illegible]

FROM: [Illegible]

TO: [Illegible]

SUBJECT: [Illegible]

[The following text is extremely faint and illegible, appearing to be a series of lines of a memorandum or report.]

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SECTION:	
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INCOMING CABLE

Rural Development

December 29, 1972

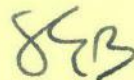
Dear Fritz:

You recently sent us a copy of AV-1427, a questionnaire on rural development aid. Delegations' answers to the questionnaire are expected to assist the DAC Secretariat in preparing for a March DAC meeting at which aid problems related to rural development in developing countries will be discussed. Replies to the questionnaire are to be submitted by January 15.

The subject of the meeting is, of course, of interest to Mr. Yudelman and, you will not be surprised to hear, he would like, and expects, to attend the meeting. The report which will emerge from the current study of the Bank's role in rural development is being drafted, and Mr. Yudelman will very likely want to arrange for its distribution to the DAC delegations at some later date. I do not know whether anything can or should be submitted which explicitly responds to the questionnaire, but I have sent it off to him and you may hear more on the subject. In any case, I thought you would want to know that he has attendance at the meeting in mind.

Happy New Year to you and Ellen.

Sincerely,



Shirley Boskey
Development Services Department

Mr. Fritz Steuber
Chief, Liaison Operations
European office
International Bank for
Reconstruction and Development
66 avenue d'Iena
75116 Paris, France

SEBoskey:tsb
cc: Mr. Yudelman

Rural Dev -

Mr. Montague Yudelman
Agriculture Dept., Central Projects Staff
Uche G. Kbanefe *U*.

December 20, 1972

Rural Development Study

1. Following is a brief response to your memorandum of November 20, 1972, on the above subject.
2. There are many reasons why development financed by the World Bank/IDA often does not get down to the "grass roots" i.e. the really poor people, in the countries in which the Bank operates. Among these reasons may be numbered the following:
 - a. It is far easier to design projects around urban sectors where the infra-structure is highly developed than to prepare a project in a rural setting where transportation, power, education and other pre-requisites of rapid development may be totally absent or, at best, primitive. There tends to exist a developmental vicious circle in these rural economies. Commercial developments shy away from them because they do not have the necessary infra-structure. At the same time electricity, power, road and similar developments are denied them, because there are not enough commercial or other users there to result in a favourable cost/benefit calculation. Unless a special effort is made to break this vicious circle, some 50% to 80% of the inhabitants of the countries in which we operate will gain very little from the Bank's development efforts.
 - b. Project designers often don't go out of their way to design projects which will benefit the rural rather than urban sectors.
 - c. Highly trained professionals in poor countries are often reluctant to live and work in rural areas where there may be no electricity, proper sanitation and other generally accepted necessities of modern life. Consciously or unconsciously, this factor causes civil servants and others who design projects in these countries to build them around urban centres.
 - d. Absence or poverty of publicity efforts to educate the often illiterate poor, especially in the countryside, about the private opportunities created by Bank/IDA-financed development.
 - e. Civil servants, politicians and others connected with project identification and implementation in these countries often ensure that either they or their close relations benefit from such projects. Benefits from numerous projects, therefore, tend to be concentrated within a few families, most of them already very well-off, while most families without a government "entrée" derive little or no benefits from developments.

Mr. Tadelman:

December 20, 1972

3. The above are some of the diagnoses. It would take quite a lengthy paper to go into all the possible cures. However, the diagnoses themselves suggest the cures, e.g. -

a. more and better programmes of rural education, especially on financial and economic development opportunities;

b. deliberate efforts to design development projects around a rural setting, despite the absence of necessary infra-structure;

c. intensification of rural electrification, road construction and other infra-structure development programmes;

d. a tactful interest by the Bank in the methods used to select individuals in poor countries who benefit from the projects it finances. It is realized that the Bank's powers here are severely limited.

e. The attachment of greater weight, in cost/benefit calculations, to the following matters:

(i) the future private investment which could be attracted to the rural area by the proposed Bank investment;

(ii) the increase in rural employment and incomes;

(iii) the reduction in the drift to cities, and consequently reduction of crime, civil disorders, political upheavals and urban unemployment;

(iv) the reduction in urban squalor and over-crowding;

(v) the ecological benefits of reducing further urban pollution, traffic-congestion, etc.

(vi) the political and economic stability likely to result from a more even distribution of capital, incomes and employment opportunities.

UGM/etm

cc: Mr. C.H. Walton

Rural Development

Mr. R. Picciotto

December 19, 1972

A. Golan

Rural Development

1. You have requested comments on Mr. Street's memorandum of December 8, 1972, on the above subject. I assume that you wanted comments on the general nature of the memorandum and not the specific projects listed for each country.

2. It appears that Mr. Street has accepted literally Mr. Yudelman's definition of a rural development project as one having the objective of raising the level of living in the rural areas. Consequently, he included virtually all the projects in FY'73 and FY'74 as rural development projects. I seriously doubt whether this approach is very meaningful and suggest that in our reply to Mr. Yudelman we state that while all the agricultural projects in the region are intended to help the rural poor, only selective ones are designed exclusively for that purpose. It would appear that a more restrictive and concise definition of rural development projects is needed in order to decide which of our projects falls into this category.

3. In the field of surface irrigation, it is difficult, if not impossible, to design a project specifically to help the poorest communities in the rural areas although if we accept that arid regions are usually among the poorest in the country, then we can say that some of our irrigation projects meet Mr. Yudelman's criteria. The Rajasthan Canal Project and the Drought Prone Area Program will fall into this category, while the Chambal and Tawa projects, both of which are located in a high rainfall area, will obviously not meet a more restrictive interpretation of Mr. Yudelman's definition.

AGolan:11

Mr. Robert Picciotto

December 19, 1972

R.H.
Risto Harma

Rural Development, Memorandum by Gordon M. Street (dated December 8, 1972)

The memorandum contains a list of agricultural projects for Asian countries, and it is not clear what qualifies them for a new designation "Rural Development Projects". The list includes three rural development projects for Bangladesh.

The advocated rural development can be different from the past efforts and successful only if it contains a radically increased effort on all-around schooling of rural population. Only then there would be a base for self-sustained improvement in rural institutions, a prerequisite of rural development. The approach to rural development as outlined in the memorandum referred to, does not show implicitly or explicitly that the projects included contain an adequately strong training component. (See Annex I)

RHarma/em

cc: Mr. Gordon M. Street

INTERNATIONAL ORGANISATION
FOR RURAL DEVELOPMENT

—
THE CHAIRMAN

Rural Development *FK*
1040 Brussels, December 14, 1971
rue du Commerce 22
n° 622

JB/jp

Dear Mr. Graves,

Following our conversation of last Friday, for which I am very grateful, I want to make a summary of the different points touched during our meeting.

1. IORD, being a pool on an international level of different bodies interested in integrated rural development projects in developing countries, is ready to become an operational contracting agency in this field. International teams will carry out the projects in the field. Through our constitution and the liaison with the NGO field, we are in a position to use (and are already using) English, French, and Spanish speaking staff. We would like to emphasize our own experience, as well as that of our member agencies, notably AIDR in Belgium, IRAM and IRFED, for exemple in France, INSTRUPA in Germany, OXFAM in Great-Britain, IUEF from the Scandinavian countries, the necessity to combine infrastructural work, agricultural education and general adult literacy, including indigenous organisations such as co-operatives, and councils.

A general report on IORD in English is being sent to you as well as a paper outlining the aims of our organisation.

2. Projects in RWANDA. In this country, the agency which has carried out successfully various projects of rural development is the AIDR. One of the most interesting projects which the IBRD mission visited was the RUSUMO project. I am sending by air-mail the important AIDR report where the Rusumo project is described, as well as a booklet written by Mr. J. WUIDAR, who worked for AIDR in Rwanda and wrote this article for the IRFED review "Development and Civilisations".

./.

Mr. Harold GRAVES,
IBRD
1818 H street N.W.
WASHINGTON D.C. 20433
U.S.A.

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WASHINGTON, D.C.

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3. Possible involvements of IBRD were considered : I gave you three short notices on the

- MPANGA project : emphasising the fact that AIDR has been working next to this area (south),
- MUTARA project,
- KAGERA project.

In everyone of these projects, IORD, with and through its members, will be interested and ready to consider an extension of its activities.

When I was in Washington DC last July 7th and 8th, I already met your African section, namely Mr. Van Isch with whom I spoke about the possibility to work in the MUTARA project and possibly in the KAGERA operation.

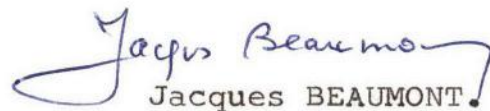
I also gave you a document on the KIGALI Nord project, for your information. This UNDP/ILO project is, for the time being "au point mort", because we have not been able through other sources (bilateral governmental or INGO) to find the possibility for the Rwanda government to get some money to cover the counterpart funds required.

4. IBRD advisory team in NAIROBI. In connection with a possible resettlement scheme in Uganda, I gave you a note on the possibility - eventually remote - to work with your Agricultural Advisory team in the field of pre-assessment of the area considered. I will let you know more on that point in the near future.

Hoping that you will find the above precisions satisfactory as regards on IORD possible collaboration with IBRD.

Thanking you for the invitation, I remain

Yours sincerely,


Jacques BEAUMONT.

PS. Concerning the project of the MPANGA lakes, it seems that some recent contacts occurred between Belgians and IBRD about this project. I thought I would inform you of this in order that you may investigate the possibilities of collaboration, keeping in mind the fact that our Belgian member, AIDR, is already responsible for an adjoining project (Rusumo) of integrated rural development.

OFFICE MEMORANDUM

TO: Mr. W. Thalwitz
DATE: December 13, 1972

FROM: J. Krombach *JK*

SUBJECT: Rural Development Projects
Public Utilities Sectors (Power, Water/Sewerage, Telecommunication)

1. Since we have very little relevant information on the rural situation in the public utilities sectors in the Western Africa Region, I can only offer a few general comments on the list prepared by Mr. Yudelman and on Messrs. Yudelman and Anderson's memoranda.
2. On those projects specifically identified as related to public utilities, e.g. Mauretania (Power/Water) and Nigeria (Water Supply, Power), I can only confirm that these are in the lending program and have or may have, a rural component. The same could, however, be said of various other power/water projects in our program, even of those which are expected to mainly serve larger urban areas, because we are increasingly trying to use these systems to supply the surrounding rural or semi-rural areas as well. This raises the general question of whether and when rural areas in the vicinity of urban areas are considered as "rural" for the purpose of this exercise.
3. Regarding the multisectoral or integrated rural projects on the list, I am somewhat confused about the terminology and I think it would be helpful to know if the differences between
 - Integrated Agriculture Development Projects (Liberia, Sierra Leone)
 - Integrated Rural Development (Mali)
 - Rural Development (Niger, Cameroon, Nigeria, Upper Volta)
 - Integrated Development (Gambia)
 - Regional Development (Upper Volta)
 - Agriculture Integrated Rural Development (Liberia)

are only apparent or are intended to indicate different types of projects. This clarification would help to understand, for example, if there are any already identifiable public utilities projects components in these projects. Incidentally, telecommunications is not mentioned in the list and in the various memoranda of Messrs. Yudelman and Anderson, neither as a potential component of multisectoral rural projects nor as a rural component of larger regional or national telecommunication projects.

cc: Messrs. Anderson
Vasudevan
WAPPB Staff

JKrombach/bl

OFFICE MEMORANDUM

Rural Dev

TO: Mr. Montague Yudelman

DATE: December 13, 1972

FROM: C. G. Ramasubbu

SUBJECT: Rural Development Study

I have set out these few thoughts in response to your circular of November 20, 1972 though it is possible that much of this ground is already covered in the recent discussions.

1. From the point of view of mitigating rural poverty, individual projects in different sectors, if suitably designed and combined into the right mix, can be at least as effective as schemes specifically formulated and designated as "rural development" projects. Land settlement projects, credit projects for beneficiaries of land reform or other medium and small sized farmers, rural electrification projects, rural works projects, etc. can all produce an impact on the rural employment and income situation, depending on the local circumstances.
2. Sufficient experience exists to show that small farms can achieve high productivity, given the necessary support. The Bank can, in any case, meet only a small part of the total resource needs for a country's agricultural development. In determining priorities for Bank support, therefore, the Bank may show preference for programs for medium and small farmers as compared with those for big ranches, larger farmers and agri-business units which may be able to obtain funds from commercial institutions whose standards of credit worthiness they can usually satisfy. This approach may be applicable to sectors other than agriculture too.
3. Not all multi-sector projects for rural areas necessarily help the small man. In fact, many of them have been seen to benefit only the top sections of the rural community. Further, in view of the small scale on which they have been tried, several of them have ignored cost considerations and served merely as show pieces which cannot be reproduced on a larger scale. There have been very few successful programs which are interdisciplinary and also oriented to the rural poor. Programs of this kind for intensive development of specific areas have sometimes aggravated inter-regional differences by merely helping good areas to become better.
4. Several of the programmes so far financed by the Bank in the agricultural sector (particularly in livestock) have been concerned with relatively large farms, extensive ranches and agri-business type of undertakings, though there have also been quite a few projects which are not so oriented (such as agricultural credit projects in India, the Philippines, Korea and Kenya). It will, therefore, be progress enough if we can finance more schemes than in the past for medium sized and small sized farms. There are many viable and

yellow copy

potentially viable farm units which are not large and are handicapped in achieving their potential because of the lack of access to credit and other supports. The practical thing would, therefore, be for the Bank to try to help such farmers initially rather than to think in wider terms of all the rural poor who would include sub-marginal farmers and agricultural labourers and present a much bigger problem, for instance, in terms of the subsidies involved and their capability to satisfy even diluted standards of credit worthness. This sector will need a far-reaching program and can be tackled after some experience has been gained with the problem of helping small but viable farmers.

5. Suitable areas for experimenting with such programs could include: a) those in which the potential benefits of adopting new technology (e.g., high yielding seed varieties) have been demonstrated but most small farmers cannot command the necessary supporting services and supplies; b) areas with small holdings to which new irrigation sources are being extended; and c) areas in which land reform has thrown up numerous independent producers but they lack resources to take advantage of their new opportunities.

6. Cooperatives assume special importance as units through which it will be easier and cheaper to reach a large number of small producers. One should, however, avoid: a) the danger of large producers capturing these institutions and using them for their exclusive benefit; and b) excessive bureaucratic domination by Government staff in the absence of good non-official leadership which it will take time for the cooperatives to develop.

7. The operational features of these programs have to be tailored to the needs and capabilities of the small producers. Such concern could be reflected, for example, in providing for a longer period of maturity and a longer grace for the loans; a smaller proportion of project cost being required to be found by the sub-borrowers from their own resources; the sub-borrowers not being required to pay, through the rate of interest, for the heavy costs of administering small loans which may be partly met by Government; the establishment of a special Government agency to ensure that small producers actually receive the necessary production inputs (e.g., fertilizer in short supply or water from a public irrigation system), and help in securing the titles to land required as collateral for institutional credit. Other features of agricultural projects relevant for benefiting the rural poor would include the extent to which farm mechanization is provided for, use of local labour for construction of access roads, communication channels for irrigation, etc.

8. Marketing and processing arrangements for the produce of medium and small farms will also need to be looked into. Additional facilities may be required because of the larger produce to be handled. Or, the traditional

agencies (landlord-cum-trader-cum-moneylender) may have ceased to function or may be operating inadequately, because land reform has dispossessed them or they have transferred their funds to industry, etc. Construction of storage and processing facilities would also help increase rural employment and incomes of the small producers.

9. Over the years, the Bank has evolved a technique for evaluating projects with reference to the rate of return on the invested capital. It is necessary now to develop a comparable methodology for measuring the impact of a project in terms of employment creation and progressive income distribution. This has to be done soon.

10. The working of a few schemes in different countries can offer guidance to the Bank in its attempts in this new direction. The efforts of the Farmers Home Administration in the US over the years may be of some relevance. The Small Farmers Development Agency (SFDA) programme in India (recommended by the All India Rural Credit Review Committee with which I had been associated) has been in operation for about 2 years now and its results might be worth looking in to, especially because the Agricultural Refinance Corporation (the main channel of Bank lending for agricultural credit in India) is also expected to finance some of the SFDA schemes. Puebla Project in Mexico is another effort of relevance. A recent article evaluating its progress is attached.

11. Finally, a point relevant to Latin America. In several countries, schemes for relatively smaller farmers have generally been financed by the IDB and those for bigger farmers, by the IBRD. This pattern will change when we begin to finance projects involving farmers with relatively small holdings.

CGRamasubbu:ac
IBRD

Attachment

Mexico's Puebla Project: Is There Hope for the Minifundistas?

A new formula for increasing grain production shows promise but attracts few farmers.

William I. Jones

Oberlin College

□ Puebla Project is not the world's only attempt to bring the benefits of new technology to poor farmers on very small, non-irrigated plots. But it is an especially interesting one.¹

The initiative came from the people who bred the Green Revolution: CIMMYT (International Maize and Wheat Improvement Center), the successor of the organization whose scientists created the new wheats, and the Rockefeller Foundation, which originally started the Mexican program and was a major force in the Asian rice "revolution" as well. Today Puebla Project is 5 years old and is big enough to matter, embracing 116,500 hectares of farm land with almost 50,000 farmers—so the average size, obviously, is just under 2½ hectares—and involving roughly 300,000 people in the farm families or through farm labor. Thus its size and age remove it from the category of "successes" we usually read about in development journals: minuscule pilot schemes with great promise if they could ever get big, if they could cut costs, or if sponsors' end-of-tour hopes could be realized.²

These days it hardly seems necessary to emphasize the importance of projects designed to help the small farmer. The 1950's were years of optimism that global poverty might be abolished—years for starting development decades. The 1960's brought the sinister realization that massive famine might be coming unless some of the parameters changed. The World Food Problem and the World Population Problem were "in."

¹ In addition to written sources, information for this article was gathered from visits to the Project area and interviews in September and October 1971 while a Council on Foreign Relations' International Affairs Fellow. I am indebted to Leobardo Jiménez S., Project Coordinator; Antonio Turrent F., Project agronomist and soil scientist; the five Project extensionists; Project farmers; Jeff Peters, itinerant student; and many Mexican agriculturalists and members of the CIMMYT staff, particularly Don Winkelmann, CIMMYT economist, and Edgardo Moscardi. Responsibility is still mine.

Some parameters did change through governmental fright over starvation and through the technical "miracle" of the Green Revolution. Now, with the population boom unchecked and massive famine's spectre pushed back a few years into the future, the problem of the 1970's is what to do with all the people—jobs and justice, in other words. The grain production changes that are deferring world famine did not at the same time handily give jobs to all the added population. So far, in fact, most of the Green Revolution's changes have been on the world's best—and irrigated—farm lands. Yet, although many irrigated farms are small and their farmers poor, the preponderance of the world's rural poor depend on rainfall. Are these farmers destined to become increasingly irrelevant?

The Rockefeller Foundation was aware of this predicament even before the deluge of articles criticizing the Green Revolution for making the rich richer and the poor poorer (or even, in one extreme case, personally accusing Norman Borlaug, Nobel Prize wheat breeder, of recklessly playing poker with other people's lives). The critical literature really started in 1969.³

² One typical example is John L. Simmons, "A Corporation for Peasant Farmers?—A New Form of an Old Institution Offers Promising Benefits in Mexico," *IDR* (1971), XIII, 2, 19-21. The land involved in this project is less than 100 ha. today; the article consists mainly of rosy projections. Success requires farmer-members of the corporation to buy up the corporation and pay the extension worker themselves just about when they will already have learned what he has to teach them. A likely prospect? Such examples are legion.

³ One of the earliest such articles is Clifton Wharton, "The Green Revolution: Cornucopia or Pandora's Box?," *Foreign Affairs* (April 1969), XLVII, 3 and *Development Digest* (October 1969), VII, 4, 75-82. The poker analogy occurs in Michael Perelman, "Second Thoughts on the Green Revolution," *The New Republic* (17 July 1971), CLXV, 3, 21-2—surely one of the least responsible writings on the subject.

WILLIAM I. JONES, now an assistant professor of government at Oberlin College, Ohio, worked previously with the U.S. Department of Agriculture's Foreign Economic Development Service. He later served as editor of the *Development Digest*.

Puebla Project began in 1967, hoping to do for Mexico's minifundistas on their rain-fed patches what the new grain seeds had done for irrigation farmers. About 85% of Mexico's farmland is unirrigated.

A special Rockefeller Foundation grant started the Project off, and Rockefeller has continued to be the principal supporter. The Project combines research, extension and assistance to farmers in arranging for credit. It has its own office with Mexico's Agriculture Secretariat in Puebla, five extension workers, and its own research and information effort.

The Target Zone

The Project's aim was to double maize yields in part of Mexico's Puebla State. The area was picked because it seemed fairly representative of Mexico's (and Central America's) highlands, because it was close to CIMMYT, and because the Puebla State government seemed sold on the idea. Moreover, care was taken to select an area where maize yields could be doubled—where risks of failure from hail, drought, frost or soil deficiencies would not be too high.⁴

The Project could not have picked a more beautiful setting. The valley, 2150 to 2700 meters in altitude, has a pleasant climate and is bounded by Mexico's three highest peaks. Rainfall during the 7-month maize season averages 800 mm., and volcanic soils are rich, though low in organic content after several millenia of maize culture.

Maize is easily the predominant crop, covering about 70% of the farmland. Other crops are beans, often intercropped with maize, and alfalfa and barley. Maize yields were a modest 1.3 tons per hectare when the Project started, and all the field crops together provided only about 40% of the farmers' total income and only about 1/4 of their cash income. A survey in 1967 showed cash income of about \$90 per capita, 53% from off-farm sources, 27% from crop sales and 20% from livestock. Crop production consumed within the family probably amounted to about \$25 per head.⁵

Farm families were poor, yet nearly 2/3 had electricity in their generally modest houses and 1/2 had sewing machines. Four-fifths of the people were literate in 1967—though most used these skills sparingly—

and were relatively well informed. Sixty percent owned radios and 8% even televisions, and even more got information through these media.

From the media and their own practice farmers knew quite a bit about modern farming practices. Virtually all knew about fertilizer and 70% were using it. Over half knew about the maize hybrids developed by the Rockefeller program, but only 15% had tried them, and virtually all of these had found them wanting and abandoned them.

In these circumstances, the farmers' low maize yields seemed to be an anomaly. A market for more maize was there too; Puebla State was a maize importer, and the federal government bought the product at a subsidized price of \$75 per ton. The preconditions for success seemed to be there.

The Formula

When Puebla Project started, maize improvement work sponsored by the Mexican Government and the Rockefeller Foundation had been in progress for over 20 years only 100 to 150 kilometers from the Project site. Yet not one of the hybrids developed and released there was sufficiently superior to the Project area's traditional varieties to warrant recommendation. Ironically, although so close to the birthplace of the Green Revolution, Puebla had nothing to gain from it.⁶ An improvement formula had to be worked out step by step.

The formula evolved includes higher seeding densities and application of more, and a different mix of, fertilizers at different times than before. It requires more weeding and also more work in planting, applying the fertilizer, and harvesting and handling the bigger crop. New varieties are not a part of the formula.

The Project's researchers spent 1967 studying the zone and working out the recommendations. CIMMYT's impressive technical capabilities were usually at their disposal. In 1968, 103 demonstrations were run on farmers' plots covering 76 hectares.

1968 was a great maize year; the regional average

⁴ Data furnished here and below, unless otherwise specified, come from *The Puebla Project 1967-69: Progress Report on a Program to Rapidly Increase Corn Yields on Small Holdings, Mexico*: CIMMYT, [1969], 120 pp., which contains the results of the base-line study of 251 farms in 1967.

⁵ These estimates are derived from the Puebla base-line study data and involve attributing a price to estimated non-marketed production.

⁶ In fairness to Mexico's maize breeders, maize—which is generally pollinated from neighboring plants—has been spontaneously improving itself in the area for about 7000 years, with unsystematic help from local farmers. There is thus less opportunity for improvement in breeding maize than there is for a self-pollinating crop like wheat. Also, maize varieties are very specific to local conditions: altitude, rainfall, etc. Hybrids from Chapingo will not work on the sides of the Valle de Mexico, within sight of the place on its floor where they were bred.

Table I
BASIC DATA ON PUEBLA PROJECT

		1967	1968	1969	1970	1971
Maize grown according to Project recommendations	(ha.)	0	76	5,800	12,700	14,500
Number of participating farmers		0	103	2,561	4,823	5,240
% of all maize land in zone	(%)	0	0.1%	3.3%	16.0%	18.0%
Maize yield for non-adopters	(T/ha)	1.3	2.1	1.6	1.8	—
Maize yield for adopters	(T/ha)	—	3.6	2.8	2.7	—
Adopters' edge	(T/ha)	—	1.5	1.2	0.9	—
	(%)	—	67%	72%	50%	—

yield was 2.1 tons per hectare. The yield on cooperators' demonstration plots, however, was 3.6 tons per hectare. Leaders realized that their formula was not perfected, but they decided to aim for general acceptance on the basis of the 1968 results, improving the formula as they went along.

In 1969 farmers adopted the original formula on 5,800 hectares—about 1/16 of the zone's maize land and a good start. The best recommendations for 1968 were not the best for 1969, a more normal year, with rain bunched at the other end of the growing season. Both cooperators' and non-cooperators' yields fell from 1968, to 2.8 tons and 1.6 tons per hectare, respectively, but the cooperators maintained their lead of about 70% more maize. The cooperators easily paid for the additional seed and fertilizer they used and received remuneration for the extra family labor involved.

Based on 1969's experience and additional experimentation, fertilizer recommendations were changed in 1970. New counsels are more specific by location within the zone.

Area farmed as part of the Project rose to 12,700 hectares in 1970 and to 14,500 in 1971. 1970 was relatively dry. Yields of non-cooperators averaged 1.8 tons per hectare; those of cooperators, 2.7 tons—a smaller edge than in previous years, both in percentage and in the absolute. At the time this article was written, 1971 results were not yet available.

Moving from a limited number of demonstrations to general extension required new tactics from the Project's five extension workers. Each could hardly deal individually with nearly 10,000 farmers. Cooperators were formed into groups and asked to choose a leader. (Puebla Project organizers are already looking hopefully ahead to the time when the maize problem will be solved and the groups will take on other functions; they point already to a few examples of cooperation to bring in a well, get more information on fruit trees, etc.)

The biggest expense of cooperation to the farmer is the new fertilizer which is recommended. Most farmers in the zone clearly do not have much spare cash. Before the Project started, 12% of the area's farmers were receiving credit, roughly half from private lenders and half from subsidized government banks. Although the latter exist to serve the small farmer, they have a reputation for excessive red tape, for not getting in-

puts to farmers in time for optimum use, and for alleged graft in procurements of materials; their loans are almost exclusively in kind.

A major Project effort has been to find effective credit for its cooperators. The government banks, which had stocks of the kind of fertilizer which they had been recommending, did not respond warmly at first to the suggestion that it be replaced by a new kind. Project leaders worked hard at getting lending practices simplified, at finding lenders, and at making sure that their cooperators would get the inputs on time. In 1969, government banks picked up a share of the burden and the rest was arranged through a variety of sources, including fertilizer dealers. But although it has become easier to get cooperators credit from government and private sources, farmers rightly complain that the government crop insurance they must take out is designed to insure banks against risks of default, not them against crop failure and hardship.

Evaluating Results

The 1970 results, and the prospects for 1971 when this was written, make it less and less likely that Puebla Project will achieve its original goal—doubling the zone's maize yields, either in 5 years (by 1972) or even by its termination date in 1975. In 1970, the cooperators barely doubled the zone's pre-project average yield. Moreover, so far, only 18% of farms and maize acreage are part of the Project. The recommended formula is a big improvement over traditional practices, but not as dramatic as had been hoped—or as it was on experimental plots, of course. Not only were most farmers not joining, but some cooperators were dropping out. The former head of CIMMYT's information department had felt so confident that Puebla Project would develop superior maize hybrids that he included benefits from them in his benefit-cost calculation even in 1970,⁷ but none have turned up.

As problems began to appear, critics emerged from the wings. The adjective "oversold" is commonly heard, but "overbought" might be better. Though CIMMYT's highly professional and well financed information staff certainly turned out attractive material on the project, the real problem lay in exaggerated hopes. Such hopes have been reflected in the stream of "visiting firemen," which continues to grow, even as insiders grow less

⁷ See Delbert T. Myren and Jairo Cano, "Cost-benefit Analysis of the Puebla Project," p. 60, in Myren (ed.), *Strategies for Increasing Agricultural Production on Small Holdings, Mexico*: CIMMYT, 1970.

sanguine. In fact, the calculation, only in 1970, that the Project would have a benefit-cost ratio of 7.8 by its 1975 termination already looks pretty silly and is based on assumptions one would hardly make today.⁸ Detractors add that the Project shouldn't have started with such a short research base or that it was wrong to focus exclusively on maize.

Predictably, criticism has made the Project's staff and supporters defensive. Crop insurance and bank rations are blamed for failure to expand more rapidly. All of the area's improvements in maize production are claimed for the Project on the unsubstantiated theory that there must be many farmers using the methods but not members of Project groups or taking credit through them. And there is some optimism, possibly correct, that a large increase in the number of cooperators and their returns is just around the corner.

Even five years is not sufficient to settle such issues. Unfortunately, decision-makers in a great many countries need to know what to do to help farmers like those in Puebla now. Should Puebla Project be copied? Two neighboring states, Tlaxcala and Mexico, are undertaking similar programs with their own resources. Is their decision a wise one? To answer, we need to know 1) whether Puebla Project pays, 2) whether it can be replicated, and 3) why the majority is still not participating.

Costs and Benefits

A sober, frankly conservative, estimate indicates that the Puebla Project does have a high economic return, though much less than the 7.8 units of benefits per unit cost estimated recently by Donald Winkelmann, CIMMYT economist, and Jairo Cano of Colombia's International Center for Tropical Agriculture.⁹ Including the value of additional family labor (@ 1/2 the official minimum wage) and the cost of fertilizer required, and assuming that no new farmers decide to cooperate by 1975, that cooperators merely maintain the edge they had over non-cooperators in 1970 (their worst year to date), and that there are no hidden benefits to non-cooperators, the Project's benefit-cost ratio is be-

⁸ Ibid. Myren and Cano assign no value to family labor; they net out the additional cost of fertilizer. Their benefit side assumes that 80% of the zone's maize land will be in the Project by 1970 (20,000 ha. by 1971) and that yield edges over traditional farmers will be boosted another 423 kg/ha by introducing new hybrids. Since fertilizer and labor are the principal costs, this procedure produces a high ratio.

⁹ "Puebla Project—An Analysis of Benefits and Costs," to be published in *El Trimestre Económico* later this year.

tween 1.13 and 1.78.¹⁰ The gamut depends on whether you use a) the bank interest rate (12%) or one designed to reflect the real scarcity of capital in Mexico (18%), and b) the local support price for maize (\$75/ton), the price at which maize imports would sell in Puebla (\$60/ton), or the price farmers could get if their maize were sold without subsidy on the world market (\$50/ton).

Let us assume that 18% is a good shadow price for the real cost of money. Let us also assume that Mexico's rapid population growth and limited supply of farm land make maize imports a likely prospect. If Mexico's exchange rate, which produces a constant and growing external deficit, is really over-valued by 15%, then the government maize support price is not very far out of line. What it gives through the support price, it takes away through the over-valued exchange rate! Imported maize, purchased at the official exchange rate, could be sold in Puebla for 20% less than the government price. Then, at 18% interest and \$75/ton for maize, Puebla Project's benefit-cost ratio is 1.78, certainly worthy of a banker's consideration. If new farmers are won to the project, or if the participants' edge grows before 1975, or if there really is some spread effect; then the pay-out from Puebla Project investments should be even better.

The Reluctant Majority

Even Puebla Project's attractive benefit-cost ratio cannot fulfill the high hopes placed in it if only one-fifth of the by-passed rural poor are benefited. Why are so many reluctant and some even dropping out? Three possible explanations suggest themselves.

First, the farmers may be minimizing risk by not using borrowed capital on fertilizer for a strategy they still feel to be uncertain. Crop insurance guarantees the banks' risks but not the farmer against famine and difficulty in getting future loans.

Interviews now in progress suggest that risk avoidance may be the predominant factor, although farmers could be using it as a pretext when another factor is more important.¹¹ Work by Carlos Flor indicates that the farmers' risk of actually losing by adopting the Project strategy—principally in a very dry year—is

¹⁰ Winkelmann and Cano also have alternative b/c calculations assuming that fertilizer is treated as a direct cost the first year only and then netted out. Obviously, in that case, as in Myren and Cano, the b/c is higher.

¹¹ Edgardo Moscardi and Winkelmann are now interviewing Project non-participants from the 1967 base-line sample. So far, risk is the predominant reason cited for non-participation.

only 2%.¹² However, his work was based partly on experimental results; the figure may be considerably higher in the real world, as field workers suggest.

Obviously, the closest possible attention to this factor is warranted in Puebla-type projects, for it has led to the failure of so many. At worst, the only solution may be hardship insurance for large numbers of small farmers—a bankers' and administrators' nightmare.

Second, the estimates of profitability to the farmer may be wrong, understating his cost. There are, for instance, different figures on the amount of labor needed to implement the Puebla strategy on one hectare.¹³ Or perhaps, in the relatively industrialized Puebla zone, off-farm employment opportunities are higher than generally realized, thus raising the opportunity cost of farm labor even above the minimum farm wage.

Third, participation or non-participation in Puebla Project may be simply a matter of individual variance. Everywhere, different people respond to the same economic circumstances differently.

For another Mexican highland village, psychiatrists Eric Fromm and Michael Maccoby isolated two predominant types of "social character." One, called "non-productive-receptive," is composed of individuals with little initiative who expect to take from the world, place a lower value on work and a higher one on leisure, and tend to be mother-centered and alcoholic. The other, "productive-hoarders," are obsessive workers, suspicious, and more apt to get ahead in small-farm society.¹⁴ Being psychiatrists, they maintain that such personality traits are deep-seated and not easily changed just because objective conditions change.

We are left, therefore, with the well-meant hope that, whatever the true causes for non-adoption by the Puebla-zone majority, they will work themselves out in a few years. In any event, whether or not Puebla Projects solve the big social problems of low-income countries, at least this one can cover its social and economic costs. □ □ □

¹² Unpublished thesis prepared for Escuela Nacional de Agricultura, Chapingo, 1971, under the direction of Antonio Turrent, Project agronomist.

¹³ Flor's thesis (*Ibid.*) indicates that about 7 additional days of labor input are required for Project strategy. This estimate is based on interviews and is accepted by Winkelmann and Cano (*op. cit.*). Myren's earlier estimate, however, was at least 33 days of additional labor, which constitutes "... more than half of the additional cost..." (*The Puebla Project 1967-69*, pp. 91-2)

¹⁴ See Eric Fromm & Michael Maccoby, *Social Character in a Mexican Village*, Englewood Cliffs: Prentice-Hall, 1971.

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Rural Development

Mr. Montague Yudelman

12 December, 1972.

Philippe Beuzelin and August Schumacher

FAO - Rural Development Discussions

Following your request we met with the officials listed below on December 6 and 7, 1972. Marius Veraart was particularly helpful in arranging our discussions.

J. P. Battacharjee	FAO/IBRD Cooperative Program
M. Veraart	
D. Masterton	
Ida Eid	
M. Cassam	
D. C. Kimmel	Deputy Director, Human Resources and Rural Institutions
A. J. Posada	Chief, Agrarian Reform Service, FAO
Jane C. Ebbs	Senior Officer - Home Economics and Family Development Service
N. Forni	Employment and Manpower Planning Officer, Policy and Planning Unit
R. Rowat	i/c Employment and Manpower Planning Section, Policy and Planning Unit, ESH Division
A. McCallum	Development Organizations and Institutions Policy and Planning Unit, ESH Division
E. A. Summers	Senior Officer, Agricultural Extension, ESH Division
A. F. Braid	Senior Officer, Farmers' Organizations and Cooperative Unit, ESH Division

General Impressions

Our overall impression is that current FAO work and thinking strongly emphasizes the agricultural aspects of rural development. Their work tends somewhat to equate integrated agricultural development with integrated rural development.

As an illustration of the above, we found that both the projects under preparation by the FAO/IBRD Cooperative Program (C.P.) and the projects being executed for the UNDP and SIDA were all agriculturally based

with few or none having elements of rural electrification, roads, health, education, etc. While FAO generally seems to continue to be more oriented towards a production of increased food and fiber output, some groups (Rural Institutions, C.P.) in FAO are pressing for changes in this policy to reflect the income distribution and employment effects of the increased output.

The C.P. argued that it could begin to prepare more projects affecting the poorer farmers in rural areas if the Bank Group were to accept both lower economic rates of return and lower financial rates of interest. They also felt that a major problem in developing such projects was institutional as it was difficult to get all the organizations within a government coordinated to focus on an integrated agricultural development project.

Specific Discussions

Mr. J. P. Bhattacharjee felt the major problems in rural development were the following:

- (1) Statistical The central statistical offices in most countries were financially strained. He felt special emphasis should be given to survey work which intensified statistical knowledge on the distribution of rural income and wealth. He argued that the Bank should set aside funds for this purpose in its project as the UNDP could not fund such surveys as most of their funds had already been committed through the new system of Five Year Country Programming.
- (2) Research He felt that the national accounting systems of most governments only dealt with functional segments (factor shares) and not with personal income distribution. He suggested that the statistical methodology on which national income accounting was done in the developing world would need to be altered to reflect not only the growth in the functional shares but the way in which this growth was distributed.
- (3) Rural Development Programming He felt that the overall system of public expenditure allocation needed to be altered with different planning mechanisms required. Based on his experience in India he had little faith in rural public works programs.
- (4) As regards the query "What can the Bank do?" He criticized the current mysticism of "integrated rural development" feeling this was another fad which differed very little from rural community development which was the previous fad. He felt the Bank should only finance those projects where the income streams from extra agricultural output generated by the project covered the capital and recurrent costs of incremental social services financed within the project. He also felt that more multi-sectorally projects missions would need to be mounted.

Doug Masterton had worked on a number of rural development projects and programs including Mexico, Turkey and more recently South Korea. He was most impressed with the Korean program which was just beginning. He said the government had allocated US\$ 250 million to this program. The program apparently had strong support from both villagers (self help) and the national government. The national government was to provide the materials and some of the technical assistance to villagers who were to provide the basic labor. This program, described as the "Sae Maeul" movement, he felt was taking a firm hold in South Korean policy. A decision he said had been taken by the President to even slow down the overall rate of GDP growth in order to distribute benefits of past growth more widely to the rural population. This decision he felt was taken because the South Koreans were concerned that in any reunification talks the rural poor in South Korea were significantly worse off than the rural poor in North Korea and that General Park was anxious to narrow this gap before serious reunification discussions were begun.

Ida Eid in contrast felt that the IBRD/FAO C.P. were having significant difficulties in getting integrated agricultural development off the ground in Turkey due to the very severe institutional coordination problems.

Human Resources and Rural Institutions Division (Don Kimmel - Chief)

This division has number of services and units listed below:

- Agrarian Reform Service
- Agricultural Extension Unit
- Development Organizations and Institutions Unit
- Employment and Manpower Planning Group
- Farmers' Organizations and Cooperatives Unit
- Home Economics and Family Development Service
- Policy and Planning Unit

Mr. Kimmel felt the central problem was one of organizing for rural development and coordinating the administration of projects. Mr. Kimmel's group felt that FAO was still dominated excessively by the food production ethic rather than the distribution effects of increased agricultural output. His group was trying to incorporate income distribution thinking into "planning the production process".

Mr. Posada felt that land reform concepts have evolved greatly in the past two years primarily away from the mere distribution of land to individuals into the broader concepts of social, administrative and economic organization of production units. Miss Ebbs felt that FAO, is over-emphasizing production, overlooked many aspects of the utilization of this production at the family level particularly in terms of better nutrition from improved household preparation of existing family grown food production.

Mr. Kimmel and his staff then described the desire to get research going on the "Employment absorption effects of different farming systems" comparing for example tea, sugar, dairying, beef, rice, wheat, vegetables,

etc., in terms of their labor absorbing capabilities. Mr. Kimmel also felt that public expenditure for rural development had been wrongly allocated with too much being spent on non-vocational education and not enough on social and production services in the rural areas. In criticizing this rural area public expenditure policy of developing countries he made the analogy between "mono-massive public investment" (education in Africa) and "balanced public investment" (education, roads, extension, electricity, telephone, credit, etc.,).

Mr. McCallum criticized a number of Bank projects such as Lilongwe, Lesotho, Ethiopia Minimum Package as absorbing an unduly high proportion of scarce administrative talents which left other government projects and regular government agricultural services starved. He said the least developed countries have the least developed administrative capabilities. All too frequently Bank projects which may or may not be of high priority absorbed an unduly high proportion of the administrative capabilities of the least developed twenty-five countries. He was not convinced that a comprehensive multi-sectoral approach is the most effective way to combat rural poverty, as he felt one gets bogged down in the complexity of such projects.

ATSchumacher:mal
BANK

cc. Messrs. Evans/McIvor
Mr. Kearns

Rural Development

Mr. Gordon M. Street

December 12, 1972

Chandra S. Hardy

Rural Development Projects

1. On December 6 we forwarded to you information on "rural development" projects for Sri Lanka, Nepal and Burma from FY73 through to FY76. It has been bothering me ever since that we submitted this information and I would like to explain why and ask you to pass this information on to Mr. Yudelman.
2. We received the request on the afternoon of December 5 and we were asked to submit the information by noon the next day. We noted that the definition of rural was very broad and since the above-mentioned countries are all predominantly rural, almost all our projects would benefit the rural population but not necessarily the rural poor. My colleagues did in fact make this point but we nevertheless sent the figures taken from the CPPs on various projects which could be broadly defined as affecting the rural population.
3. I have discussed this matter with Mr. Cleveland and Mr. Hideshima and on reflection we feel that the data is inaccurate since most of our projects (those beyond FY74) are not yet identified and of those we know about, very few are designed to raise the living standards of the rural poor. The Bank has only just begun to focus on this aspect of project selection and it would be too much to claim (at this time) that the projects foreseen in the lending programs would materially affect the life of the rural poor.
4. We were prompted to write this note because we think it would be misleading for Mr. Yudelman to use these and similar figures in his study. If we were asked to revise the data submitted, we could only do this with any accuracy up to FY74 and not beyond.

CSH
CSHardy/cb

rural Develop

Mr. Dieter Hartwich

December 11, 1972

Wolfgang E. Siebeck *ws*

Rural Development -- Mr. Eccles' memorandum of December 5

1. This memorandum responds to the request of Mr. Yudelman for information on proposed rural development projects. Before listing the projects, a caveat is in order: Mr. Yudelman defines a rural development project as "having the objective of raising the level of living in the rural areas," and then expresses interest in learning "about your proposed rural development projects (integrated or otherwise) intended to reach the rural poor." This may not be the same thing, for some projects may raise the general standard of living in rural areas without specifically assisting the rural poor. The following list includes all projects falling under the wider definitions, while projects likely to reach the local poor are marked "P".

FY '73 - no rural development projects.

FY '74 - Livestock I, \$5.0 million (P)
(This project, as initially conceived, involved only livestock; we are encouraging the Government to expand its scope to include feeder roads, rural water supply and rural electrification.)

Phosphate Industry Rehabilitation, \$16.0 million
(This project would be the first stage of a rehabilitation program for the financially troubled phosphate industry in rural Southern Tunisia; it would involve, inter alia, finding alternative employment for a large number of redundant workers and hence include a concern with regional development in a large area.)

Irrigation Rehabilitation, \$6.0 million (P)
(The purpose of this project would be to expand the utilization of existing irrigation facilities. Under-utilization has been caused by uncertainties concerning the implementation of the Agrarian Reform Law, land use policy, marketing problems, and the inadequacy of extension services.)

- FY '75 - Rural Development in Central Tunisia,
\$8.0 million (P)
Irrigation Development, \$9.0 million
Education, \$9.0 million (P)
Rural Electrification, \$5.0 million (P)
- FY '76 - Agricultural Credit II, \$6.0 million
Population II, \$5.0 million (P)
- FY '77 - Agricultural Credit III, \$8.0 million
Irrigation Development II, \$9.0 million
Livestock II, \$5.0 million (P)
- FY '78 - Fisheries, \$5.0 million (P)
Education IV, \$9.0 million (P)

cc: Mrs. Khoury
Mr. Eccles

Rural Dev ✓

Mr. Montague Yudelman (through Mr. Kapur)

December 11, 1972

Willea Struben

Rural Development Study

1. I refer to your memo of November 20, and would like to emphasize the importance of employment aspects in rural development projects.
2. Since every rural development projects is primarily initiated to counter urbanization and alleviate the growing distortion between urban and rural incomes, I suggest that in your studies rural employment generation be put as the central issue. A possibility might be to study employment generating incentives, not only in the Bank's lending policy for relevant projects, but also for onlending or action by the local project implementation units. You might consider the feasibility of a weighted average of prices and employment generation; instead of the lowest priced bid, the optimum combination bid would win.

WStruben:ub

Rural Development

Mr. M. Yudelman

December 11, 1972

Richard S. Dosik

Rural Development Projects

1. Attached per your request of December 1 is a summary table listing all "rural development" projects currently contemplated in this region. I am also attaching copies of the memoranda on this subject supplied to me by our program divisions. These memoranda give some additional detail and should be of help in using the table.

2. You will note that the projects are very much a mixed bag, reflecting the very broad definition of "rural development" which you suggested. All of the projects are intended to serve, wholly or in part, to assist the rural poor. However, some of our divisions took a strict constructionist attitude and limited themselves to reporting only those projects very directly and very largely concerned with the rural poor (e.g. the Caribbean countries), while others took a broad view of your broad definition and included such items as Highway Maintenance and Construction projects in rural areas (Paraguay and Uruguay). The table must, therefore, be used with care.

Attachments

cc: Mr. Gutierrez
Mr. Knox
Mr. Wiese
Mr. Goffin


RSDosik:pat

Rural Development

Mr. Gordon M. Street

December 8, 1972

B. G. Sandberg

Rural Development

Mr. Yudelman has asked for information about rural development projects in Indonesia in FY1975 to FY1978. Following our conversation and after talking to Mr. Gordon I suggest that you convey the following to Mr. Yudelman:

The lending program for Indonesia beyond the next two or three fiscal years is largely notional with the projects for these later years to be identified and prepared with the assistance of the Resident Staff. Although we cannot, therefore, identify specific projects in the field of rural development for FY1975 to FY1978 a considerable proportion of our lending should be in this general field and might include projects in transmigration/settlement, smallholder credit for various crops, fisheries, livestock, etc. feeder roads, improvement of minor roads, irrigation and rural works programs, as well as agricultural research and extension and agricultural processing. Projects in fields such as education, population and public utilities are also likely to include activities which would improve the situation of the rural poor. The total amount of IDA credits for these kinds of projects might be in the order of US\$40 - 75 million per year during FY1975-1978 or 25 - 50% of our total lending to Indonesia.

cc. Mr. Gordon

/gbr

Mr. Montague Yudelman

December 8, 1972

Gordon M. Street

Rural Development

In response to your memorandum of December 1, I attach hereto a list of rural development projects in the pipeline for fiscal years 1973 and 1974. In a second attachment are listed by country the rural development projects which may be processed each year from 1975 through 1978.

Several general comments are necessary. First, the Pakistan lending program is still in the course of formation and we cannot be specific about rural development projects between now and 1978, and you will, therefore, note that no Pakistan projects are included in the list. We can say, though, that the Government of Pakistan is trying to develop an integrated rural development program and we hope to assist this program. I understand that Mr. Brown has already spoken to you on this point.

The lending program for Indonesia beyond the next two or three fiscal years is largely notional with the projects for these later years to be identified and prepared with the assistance of the Resident Staff. Although we cannot, therefore, identify specific projects in the field of rural development for FY1975 to FY1978 a considerable proportion of our lending should be in this general field and might include projects in transmigration/settlement, smallholder credit for various crops, fisheries, livestock, etc. feeder roads, improvement of minor roads, irrigation and rural works programs, as well as agricultural research and extension and agricultural processing. Projects in fields such as education, population and public utilities are also likely to include activities which would improve the situation of the rural poor. The total amount of IDA credits for these kinds of projects might be in the order of US\$40 - 75 million per year during FY1975-1978 or 25 - 50% of our total lending to Indonesia.

The list for Korea consists of a number of unidentified agricultural projects. However, this does not mean that there are no bankable rural projects. The Government has recently identified 30 projects which it regards as suitable for external official finances (including the Bank Group); and the Bank's Agricultural Sector Mission which has just returned has identified some for the Bank's consideration. In addition, the Korean Government has been making informal approaches to the Bank for finance of agricultural projects. While there are these possibilities, a more specific program for the rural sector would have to await more detailed assessment of the rural development policy of the Government by the Sector Mission, and, second, discussion with the Government based on the detailed analysis of the Sector Mission.

As regards India, we do not have at this time a list of specific rural development projects for the period between FY75-FY77. However, we plan to continue with further agricultural credit projects for States which have not yet been covered and for second projects where disbursement under existing credits has been completed. We are also planning projects for irrigation and command area development. In addition, we plan to examine further possibilities in market development and seed development, and in new areas such as fisheries, and specialized processing.

Generally, two points should be noted. The projects listed are those we envisage for rural development but at this point we are not in a position to say whether or to what extent they will improve the economic conditions of the rural poor. The benefits of these projects will accrue to the rural populations but we do not know the proportion that will accrue to the lowest 40% of the rural income groups. Secondly, for some of the projects listed not all the benefits will accrue to the rural areas. For example an education project may include vocational schools for non rural areas as well as primary schools for rural areas.

M

Attach.
GMStreet:af

Mr. C.G. Melmoth

December 6, 1972

K. Hideshima (through Mrs. Hardy)

BURMA: Rural Development Projects

Please refer to your memorandum of December 5. The points made by Mr. Cleveland's memo. of December 5 regarding projects in Nepal and Sri Lanka, also apply to the cases in Burma. The projects listed below would raise the level of living in the rural areas, but we do not know at this stage if the benefits will reach the lowest 40 percent of rural income groups.

<u>Burma</u>	<u>F Y</u>					
	<u>73</u>	<u>74</u>	<u>75</u>	<u>76</u>	<u>77</u>	<u>78</u>
Inland Water Transport	15.0					
Pump Irrigation		10.0				
Irrigation			5.0			
Agriculture (Unidentified)				15.0	15.0	10.0
Transport (Unidentified)			10.0	5.0		15.0
				15.0		10.0
Total	15.0	10.0	15.0	20.0	15.0	25.0

K.H.
KHideshima/cb

Mr. Shlomo Reutlinger

December 5, 1972.

Uma Lele

Tanzania Rural Sector Mission

1. I have noted Mr. Donaldson's memo of November 29, 1972, which understandably raises a concern about rescheduling of the Tanzania Mission and its implications for the ARDS. However, we all recognize that the argument for doing the sector review in Fall '73 is powerful mainly because the Tanzanians have expressed a strong preference for it to be scheduled then.

2. It would be useful if we now give some thought to the question of how best to adjust to this situation. The idea of doing a broader review in Tanzania this spring instead of simply looking at Ujjaamas seems to me to be a good one. We should indicate to the Eastern Africa department officially as we already have verbally that we would like them to provide all the necessary cooperation to make such a broader review in Spring '73 possible. We should also consider what this review could cover, so as to make up for the loss of the sector mission as best as we can.

3. As we know, there was no formal agreement that the sector missions in Kenya and Tanzania will be tied to Phase I. It so happened that because of the delay in getting Phase I underway, they coincided with Phase I and we decided to make the best of the circumstance. Thus, our terms of reference for Phase I have always been very clear. Nor is there any new evidence to show that Phase I is not accomplishing as much as it would have. Our acceptance of the limited terms of reference for Phase I at the beginning of the study, and in particular our agreeing to use only secondary sources of data and pursuing only a limited examination of policy issues has clearly defined the scope of Phase I. It is, of course, true that in some cases the reviews could have been done differently. However, given what we now have from the reviews, to produce a good report we must supplement these findings through a literature search to cover issues we have not been able to provide answers to in the reviews. In some cases, where information gathering has been deficient, it may also be necessary to visit the projects again to acquire additional information. It is particularly important that we do not overlook the secondary sources of information that are already available, if the individual reviews are to be circulated widely. As we know, there is a considerable demand for their circulation. Efforts in these various directions are also necessary to ensure that our recommendations regarding direction for future action and/or research are based on a sound basis.

Mr. Shlomo Reutlinger

December 5, 1972.

4. Thus, there is a great deal of work to be done. At the same time, we do not really have any strong grounds now on which to argue for a change of timing for completing Phase I. Raising these issues and the uncertainty that it causes will only affect the pace of work and hence the quality of the report. Postponing the deadline will only raise expectations from the report, with no likely commensurate gains in accomplishments. We should, therefore, settle down on producing a report by June '73 based on reviews, the Kenya sector mission and literature review and gear all our efforts to that aim.

5. If we agree to do so, each of us can then concentrate on addressing ourselves to what should come out of the Phase I report. I will prepare a preliminary outline of what I think the report should look like as soon as I have my report for the rural development task force completed. It would be helpful if we each have our independent outlines so that we could compare them and discuss where the major differences lie in our respective approaches and expectations.

6. I would also like to know what was accomplished on the Kenya sector mission and how that could be integrated in the Phase I report. I suggest that we hold a meeting to discuss these various questions.

UJlele:cms

Mr. Christopher G. Melmoth

December 5, 1972

A. S. Cleveland (through Mrs. C.S. Hardy)

Rural Development Projects

Your memo of December 5 asks for information requested by Mr. Yudelman regarding rural development projects over the period FY73-78. I have talked to Yudelman and find that he is interested in projects aimed at improving the economic conditions of the rural poor. In formulating development programs, you will understand that this criterion has not as yet been specifically taken into account. Therefore, and in regard to the projects listed below for Sri Lanka and Nepal, the benefits will substantially accrue to the rural populations but we do not know the proportion that will accrue to the lowest 40 percent of rural income groups.

SRI LANKA

	FY					
	<u>73</u>	<u>74</u>	<u>75</u>	<u>76</u>	<u>77</u>	<u>78</u>
	(\$ Millions)					
Livestock (an FAO Identification Mission is presently in the field)		5.0				
Agriculture (Unidentified)			5.0	5.0	5.0	5.0

NEPAL

Irrigation I (Birganj)	6.0					
Irrigation (Unidentified)			9.0	4.0		8.0
Forestry/Settlement (Unidentified)		3.0			5.0	
Livestock (Unidentified)			3.0			
Rural Dev./Agric. Credit (Unident.)			7.0			10.0
Highways (Unidentified)		7.0			10.0	
TOTAL	<u>6.0</u>	<u>10.0</u>	<u>19.0</u>	<u>4.0</u>	<u>15.0</u>	<u>18.0</u>

It should be understood clearly that except for FY73, the projects listed above are subject to management review and, therefore, must be considered highly tentative at this stage.

ASC
ASCLevland:myc

Mr. Tesfai Teclé
c/o I.B.R.D. Mission
P.O. Box 5515
Addis Ababa
Ethiopia.

December 5, 1972.

Dear Tesfai:

Thank you for your letter of November 17. I was pleased to know that you are progressing well on the review.

As soon as you have completed the review of the package program, you should prepare a draft of the final report. This should involve integration of the material from the three reviews into one report. The emphasis of this report should be on comparative analysis of the three projects in the context of the ARDS review. Thus each question raised in the terms of reference should be addressed in a comparative way. Given that the material on the WADU and the minimum package program is much less comprehensive than on CADU, preparation of this draft should not take more than two or three weeks. I would like you to come to Washington sometime in early January to complete the report. While you are here we will go over the final draft, with an emphasis on summarizing your findings and on pointing out directions for further enquiry. I believe that this should take up to two weeks.

As you know the Bank is now completing appraisal of the minimum package program. Your review can provide an extremely useful input into setting up an evaluation for the package program. It would be most helpful if you could spend approximately a month in Washington after completing your review, to write a report on the nature of the evaluation that should be undertaken. In this respect, you could point out the aims of the evaluation, what data are now being collected, which of the numerous questions that we have raised in the review can these data answer, what is the quality of the data, what institutional arrangements are now used for data collection and analysis, what new data should be collected for evaluation, what staffing arrangements may be most suitable, how could these data be used for further analysis.

Mr. Tesfai Teclé

December 5, 1972.

I look forward to hearing from you about your plans and the exact dates of your arrival in the first week of January.

Kind regards,

Sincerely,

Uma J. Lele
Rural Development Division
Development Economics Department

Rural Development

Messrs. R. Barry, R. Dosik, S. Eccles,
M. Gillette, and G. Street
Montague Yudelman

December 1, 1972

Rural Development

mf.

1. As you may be aware, a report is being prepared for the President on the future role of the Bank Group in rural development.
2. One part of the report will be to introduce a tentative program for rural development projects. I have been instructed by the high level committee overseeing the study to seek proposed programs from each region. We would very much appreciate learning from you:
 - (a) what rural development projects are already in the pipeline for FY 1973 and 1974;
 - (b) what projects may be processed each year from FY 1975 to 1978.
3. We recognize margins of error may be substantial; we would like to assume that rural development projects will be given high priority. As there is some urgency about this report, we would appreciate having this information by December 8th at the latest.
4. A Rural Development Project is defined as having the objective of raising the level of living in the rural areas. Levels of living can be raised by integrated programs or projects (i.e. multisectoral activities) or by activities of a particular kind, i.e. agriculture, rural electricity, rural water, rural industry, education, public works, etc. At the same time rural development can be geared to a particular target group--and in this case the Bank definition of rural development includes the objective of raising the level of living of the poorest communities in the rural areas. In the above request we are interested in learning about your proposed rural development projects (integrated or otherwise) intended to reach the rural poor.

MYudelman:nw

cc: Messrs. Knapp
Shoaib
Alter
Baum
Bell
Benjenk
Cargill
Chadenet
Chaufournier
Kearns
Stern

Please send me copies of these - Jim made note.

Nov. 73

To: Mr. M. Kudelman

From: L.J. Walinsky

Subject: Rural Industries Development

Herewith a short note, as requested, on the subject of rural industries. I haven't taken time to polish it up, but I think it covers the chief points. I think it would be useful to get comments from Helen Hughes and Fred Moore, Roger Carmignani. (Hughes has a small scale industries research project in the making, and Industrial Projects has given some thought to small scale industries problems, although experience is as yet very limited.) In the same connection, I thought the Gordon to Diamond memo on the relevance of the DFC experience was very good, and I refrained from going over the same ground, except to mention the experience.

I expect you will have a draft paper pulling it all together along about Dec. 10-15; whenever you do, I shall be glad to come down for discussions on it, on two or three day notice. But quite apart from that, I'll be available on call, and will be glad to react by telephone to any material you may wish to send along.

Original to *Mr Crawford*
Date: *NOV 27 1972*
Communications Section

Rural Industries

Rural industries have a vital role to play in the process of rural development. They are needed to complement and balance the agricultural economy of rural regions, to provide employment and increase the value added in production, to act as both suppliers and markets for the agricultural sector and to play a modernizing role in the rural economy generally. Rural industries can ^{also} serve as schools for technology and entrepreneurship, ~~and~~ as bases for further industrial growth and as bastions of industrial democracy. Despite these important potentials, rural industry development has lagged rather badly almost everywhere in the developing world. This has been due both to the "natural" handicaps such industries almost inevitably encounter in the early stages of development, and to the generally inadequate and sometimes misguided efforts made by governments to assist them.

It will be useful, before going further, to clarify what we mean by "rural" industries. The term is frequently used in the sense of small scale industries; but while they have many identities or overlaps, they are in some rather important ways distinct. Small scale industries, for example, tend to cluster more in large urban communities than in rural ones. They are, moreover, always small, although different countries have their own definition of what "small" means, whether measured by employment, investment, horsepower used, value of sales, etc. Small scale industries may, variously, ^{serve} ~~industrial~~ industrial, consumer and sometimes even export markets. Their sources of materials may be similarly diverse. In contrast, rural industries, by definition, are located in rural areas. Although they commonly are, they need not be, small in scale - a large scale processing firm, for example, would appropriately be called a rural industry if located in a rural area. The forward and backward linkages of rural industries, one tends to think, are closely related to the rural areas, using local farm, forest and other primary products and looking to farms and farm people as their chief markets. In discussing rural industries here, we shall be using the term to cover both rural industries as above defined, and small scale industries located in rural areas,

(and small scale)

The handicaps and problems which have caused rural industries development to lag are commonplace and observable throughout the developing world. They comprise the familiar litany of shortages of entrepreneurship, capital, labor skills and procurement, design, production and marketing know-how. ^{All} These, ^{also} to be sure, are present in urban communities in early stages of development and industrialization. But while foreign investors have contributed importantly to helping overcome these handicaps in urban centers - albeit generally only in response to lavish protection and other incentives - small scale and rural industries have not been able to attract their interest. Further, government interest in accelerating industrial development has ^{tended to} looked in the first instance to medium and larger scale industries capable of attracting foreign capital and know-how, and government policies and incentives have been geared ^{mostly} to this kind of industrial development. The tariffs, import quotas, capital and interest subsidies, production licensing and other incentives extended have benefitted chiefly larger-scale, import substituting industries, but have done little to assist rural and small scale industries whose assistance needs have been of quite another kind.

Quite specific efforts have been made, to be sure, by most governments of the developing countries to assist ~~small scale industries~~ small scale industries, chiefly through industrial estates, industrial development ^{corporations and} ~~institutions~~ special small scale industry assistance institutions, as well as through various educational and training programs. In various combinations, they have endeavored to help with equipment and production credits, prepared land and buildings, machinery and tool rentals, technical assistance ^(procurement, design, marketing, etc) and artisan, vocational, technical and managerial training. These efforts, however, have for the most part been fragmentary and inadequate, poorly staffed and funded, and incapable of reaching or servicing more than a few of those needing help. (India, of course, is a notable exception to this. Her efforts have gone beyond those mentioned, and include priorities for scarce materials and the reservation of production in many fields for small scale industries only.)

Moreover, government policies designed primarily to assist larger, import-substituting industries are not only ^{generally} irrelevant to rural industries; they are sometimes even inimical to them, increasing the costs of equipment, tools and materials they must buy from heavily protected domestic producers and ^{sometimes} larger scale subsidizing the invasion of their own markets by these new/firms.

Given the formidable handicaps to rural industries, ~~and industrializa-~~tion, what are their advantages, and how may these be exploited? One possible advantage lies in ready access to cheap local materials. A second lies in cheap local labor, sometimes accomplished in handicraft and artisan skills. A third advantage lies, importantly, with the high transportation and distribution costs which ^{often} burden goods produced in the cities, especially as these affect relatively bulky, low value goods. And a fourth, perhaps even more importantly, lies in the potentially rapid ~~expansion~~ expansion of the local market as poor farmers are helped to become more productive, and agricultural laborers increase their cash incomes ^{through employment} on rural work~~ing~~ projects. This suggests a burgeoning ^{cash} market for industries which would supply ^{items like} wheelbarrows, ox and donkey carts, ~~plows~~ plows, hoes, rakes and other agricultural tools; forestry and fishing equipment like small boats, sails, fishnets and axes; building materials like sawn lumber, bricks, doors, windows and roofing materials; farm and household utensils like water buckets, harnesses, pots and pans and simple furniture; work clothing, shoes, umbrellas and so on. In addition to these, of course, lie further opportunities for small rural firms to supply parts and components to large urban producers.

Such production by rural industries can be economic, but it needs much assistance. At the core of such a program must be ^{appropriate} institutions and trained personnel, ready of access and capable of reaching out, ^{promote and} to provide training in essential skills, technical assistance in procurement, design, production and marketing, and capital and production credits. The mix of such institutions, their assigned roles, and so on, must be adapted in each case to the situations found in each country. What is also required is

a determination on the part of the governments concerned to accord a high priority, ~~with~~ a readiness to allocate a sizeable portion of their resources to such an effort. and a recognition that the process will be a long and difficult, albeit a rewarding, one. In ^{many} ~~the~~ ways, the rural industrialization effort will require ~~the~~ approaches and organization analagous to the agricultural development effort, and the creation, in effect, of an extension service operating from bases widely distributed throughout the countryside.

While the major effort will have to be governmental, interesting possibilities exist for enlisting ~~the~~ large ~~of~~ urban industrial firms in such an effort. These firms have the know-how and a self-interest in developing economic sources of supply for processing, for intermediate parts and components, for finished specialty items and for repair services. Inertia usually motivates them ~~to~~ to rely on foreign suppliers, and foreign exchange rate and tariff policies often favor such a reliance. Incentives and policies could be devised to encourage such firms to mobilize economic sources of rural domestic supply, making ^{The large firms} them pass-through agents ^{for} of both capital and production credits, as well as technical advisors. Programs for playing an important assistance role of this kind could be built into the various incentive and licensing arrangements presently available to (chiefly) urban industries.

The Bank can assist ~~the~~ in rural industries encouraging and development efforts by/helping governments to formulate appropriate programs and integrate them with overall rural development efforts, by research which studies and analyses comparative experience, ~~and~~ by ~~the~~ suggesting helpful institutional and policy measures and by financing. Training insti-
tutions, industrial estates, ^{special} small scale industry assistance organizations and credit institutions with a small scale industries assistance mission would appear to be the chief avenues for Bank financing for this purpose.

(see next page)

The Bank's rich experience in lending to industrial development financing institutions (DFC's) should be exploited for this purpose. The Industrial Projects Department, and the Economics of Industry Division/^{can and} should also contribute importantly to the Bank's assistance efforts in this field.

The capabilities of UNIDO for effective collaboration should also be explored.

Finally, Bank Group lending to large industrial enterprises could also seek to involve borrowers in serving as agents of rural industry development. ✓

LJ Mahoney
Nov. 13, 1972

^{potential}
1/ The/contribution of large firms to rural development is not limited to the industries field. Thus, large plantation operators can provide technical assistance to small farmers in the area, provide opportunities to use the plantation's processing facilities on a custom basis, and so on. A large livestock operation can make its in-house veterinarian capability available to small cattle raisers in the area. A large mining operation can assist small local ones with geological services, make its reduction plant available to the,, and so on. Oil companies in barren areas may use their technology to locate water for farming, as well as oil. Where foreign firms are involved, such actions can go a long way towards improving the environment for their continued welcome and successful operation.

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H 11/30

NO261 FOR ROULETSTOP OURCAB NUMBER 237 ON VISIT OF RURAL
DEVELOPMENT STUDY MISSION STOP VISIT IS WELCOME SO LONG AS
STUDY WILL RELATE TO LILONGWE PROJECT AREA ONLY STOP
CONFIRM VISIT ON AND PROVIDE ALL DETALS OF ITINERARY AND FLIGHT
REGARDS

FINANCE ZOMBA

November 20, 1972

Mr. R. D. Mann
Intermediate Technology Development Group
National College of Agricultural Engineering
Silso,
Bedford,
ENGLAND

Dear Mr. Mann:

Your letter of November 7 addressed to my colleague, Charles Weiss, has been drawn to my attention. I am deeply sorry that you feel you have not received the attention which your previous letter deserved. I assure you that is not the case.

On receipt of your material on September 1, 1971, I perused it for content of interest and drew it to the attention of other interested parties in my department. Subsequently, I prepared a memorandum urging that the Bank in general, and this department in particular, support the I.T.D.G. by taking up membership. This received ~~endorsement~~ from several colleagues, especially Mr. John Hansen of the Economics of Industry Division; and, I believe membership was effected.

The content of your reports was considered with interest. However, there was some question as to the validity of your claim (your letter - paragraph one) that they outline an "integrated rural development approach" since your concerns seemed specifically focused on technical aspects of farm production, whereas by integrated rural development we usually imply concern for non-technical aspects of social development and non-agricultural production as well. On the other hand, this does not detract from the quality and value of the reports per se. In the area of labor use on farms, we have found the work of Dr. G. D. Gwyer at the Institute of Development Studies in Nairobi of considerable interest. Perhaps you are aware of this work, too.

Although we do not consider farm-level evaluations to be our major task - since we do not have a competitive advantage in that field - we have, during the past year, launched a major study known as the Africa Rural Development Study. This involves reviews of some twelve different projects or developments in Africa and includes some consideration of farm-level issues. I enclose some of the basic documents relating to this study for your interest. As yet, we have no reports completed; but I will let you have these as soon as they are released.

November 20, 1972

One of the ARDS reviews which may be of particular interest to you relates to small rural industry development in Nigeria. If you wish to follow up on that, you might contact Mr. Robert d'A. Shaw of this department. Field work for this review was completed only last week.

As you may know, the Bank has recently been reorganized. Accordingly, the major contact for technical matters, including intermediate technology, within the Bank is Mr. Charles Weiss. Among others, I remain interested in economic and institutional aspects of technology choice. However, it may be of some interest to you to make direct contact with the Agricultural Projects staff in the East Africa and West Africa regions, respectively. The Division Chiefs there are Mr. Christopher Walton in East Africa region and Mr. Roger Rowe in West Africa region, respectively. They are responsible for all project work, including identification, appraisal and supervision. Since both of these officers are English, I am sure that they will know of the I.T.D.G. However, it might be useful to keep them informed of your work as it develops.

I will continue to keep you informed of our studies as they proceed, and have again drawn your work and interests to the attention of my Division Chief, Mr. Shlomo Reutlinger. I regret that, at this time, I see no opportunity for a more formal relationship between our two institutions; but please be assured of our continuing interest in your work and its subject material. In due course, I would like to know more of your project in Zambia.

Yours sincerely,

G. F. Donaldson
Rural Development Division
Development Economics Department

Enclosures

GFDonaldson/sks

cc: Messrs. C. Weiss
S. Reutlinger
R. Shaw
G. McRobie, ITDG

OFFICE MEMORANDUM

TO: See Distribution List

DATE: November 20, 1972

FROM: Montague Yudelman, Agriculture Department, Central Projects Staff *m.y.*SUBJECT: Rural Development Study

T 11/30

The Bank is presently examining the problems of rural poverty in developing countries in order to determine how it can reach the lowest income groups in the rural areas. Those conducting the study have had an opportunity to canvas ideas and suggestions from some staff members. We are anxious though that any staff members who have ideas and suggestions on how the Bank might be more effective in dealing with rural development express their views. Consequently, I would like to ask you to invite your staff members to submit to me in writing any suggestions which they might wish to be considered as soon as possible.

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Reutlinger
Clark

PBeuzelin:pen

cc: Messrs. Shoaib, Chadenet, Baum, Kearns, Stern

Isa.
Please circulate
cc Mr. Powell
20
11/21

Mr. Shlomo Reutlinger

November 28, 1972

Wouter Tims

Your Draft on Rural Development Sector Work

1. The major recommendation of your draft memo is to graft this new branch of work to existing agricultural sector work. I have doubts about the wisdom of this approach.
2. Agricultural sector surveys are both more comprehensive and, at the same time, more restrictive than the work you describe in the following paragraphs. The agricultural sector surveys which I have seen (admittedly only a few) have been restricted purposely to the economics of agriculture, usually on a national scale. They address themselves to efficiency of production, trade, incentives and domestic and foreign demand, but mostly the latter. I think that this is an appropriate focus if one also is willing to admit to its limitations.
3. I do disagree with your definition of rural development work (para 5), and consider your statements in para 6 (income distribution) inadequate. I thought that the emphasis of our involvement would not be on production, but on the creation of better levels of living for the poorest 40 percent of populations in developing countries; the large majority of them happen to be in rural areas so that the question then turns into one of, largely, rural development. The fact that those people are eking out a subsistence income from tilling the land brings in a number of agricultural development aspects through the backdoor.
4. The integrated approach to income by source, nutrition, health, education and economic infrastructure is not one that I can visualize as an extension of agricultural sector work. It is an approach which requires a number of non-agricultural inputs in terms of staff, in addition to specialized agricultural manpower. An agricultural sector survey preceding rural development work would certainly be useful, but so would a good education sector survey or a WHO study of nutrition and health.

Shlomo Eckstein

October 3, 1972

A. Stevenson

Terms of Reference for Trip to Mexico

1. On or about October 18, you should proceed to Mexico City, for approximately 3 weeks to visit and review major rural development projects in land reform areas. Your main contacts there will be the DAAC (Departamento de Asuntos Agrarios y de Colonizacion) for visits in the field, and the CDIA (Centro de Investigaciones Agrarias) for the review of research currently being done in this area.
2. You will also assist the Bank Mission, that is presently in Mexico preparing an economic report, in the evaluation of major programs and projects for rural development.
3. If requested, you will also participate in the discussion of the President's Advisory Group for the preparation of an overall agricultural and rural development program.
4. On your return you will prepare a back-to-office report.

SEckstein:coh

cc and cleared with: ~~(G. Pfefferman)~~
(S. Reutlinger) A.R.
cc: Mr. E. Lerdau

Rural Dev.

OFFICE MEMORANDUM

TO: Files

FROM: Ted Davis

SUBJECT: USDA work on Rural Development

DATE: September 22, 1972

Mr. John Baker, formerly Assistant Secretary of Agriculture for Rural Development and now senior staff assistant to the Senate Agriculture Committee discussed certain matters with me by phone today.

He stated that the chairman of the Senate Agriculture Committee, Senator Talimadge had written to various institution inquiring of their work in Rural Development. One of the institutions receiving an inquiry was the World Bank. Mr. Baker stated that the reply from World Bank was curt, perfunctory and indicated that World Bank was "self sufficient" in its Rural Development work.

Mr. Baker further stated that USDA was compiling a work (manuscript) relating to Rural Development abroad, both in developed and developing countries. He suggested that I contact the following persons in Economic Research Service to obtain information:

- 1.) Mr. Bill Mates
Division Director
Economic Research Service (ERS)
USDA phone 447-8225
- 2.) Joseph W. Willett
ERS phone 437-8219
- 3.) William A. Taught
ERS phone 447-7393

I shall make inquiries to determine status of such a report and if possible obtain copies.

cc. Yudelman
Schumacher

TDavis/bl

SECRET

SECRET
cc. [unclear]

SEP 24 10 34 AM 1972

order copies:

I enclose [unclear] for [unclear] copies of [unclear] report and [unclear] [unclear]

- 3.) [unclear] [unclear] [unclear] [unclear] [unclear] [unclear]
- 3.) [unclear] [unclear] [unclear] [unclear] [unclear] [unclear]
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regarding to [unclear] delegation [unclear] [unclear] in [unclear] and [unclear] [unclear] [unclear].
Mr. [unclear] [unclear] advised that [unclear] was [unclear] in [unclear] (state [unclear])

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[unclear] [unclear] [unclear] [unclear] [unclear] [unclear] [unclear] [unclear] [unclear] [unclear].
[unclear] delegation and [unclear] [unclear] [unclear] [unclear] to the [unclear] [unclear] [unclear]
Mr. [unclear] [unclear] [unclear] [unclear] [unclear] [unclear] [unclear] [unclear] [unclear]

SUBJECT: [unclear] work on [unclear] delegation
FROM: [unclear] [unclear]
TO: [unclear]

DATE: [unclear] 23 1972

OFFICE MEMORANDUM

Mr. Warren C. Baum

September 21, 1972

Montague Yudelman

Research on Rural Development

Mr. Evans asked me to pass on a possible division of labor on research on rural development.

We assume the Rural Development Unit will be engaged in policy formulation, operations, and research. We also assume that this research will be operationally-linked, while we assume the research undertaken by others such as the Central Economic Staff will be "broad based."

In this regard, it is worth stressing that the operationally-linked research will be project oriented; and, if staff were available, they could "follow projects" in the field so as to improve both methodology and means of appraising projects. The broad-based research would be more library oriented research, though not necessarily confined to work of this kind.

Attachments

MYudelman:mw

Research on "rural development" can be divided into work which deals with rural development in a broad regional or national context and which is "operationally linked."

The broader type of research might include inquiries into:

- (a) The urban-rural dichotomy including the distribution of development expenditures between rural and urban areas, comparative social indicator, and reasons for rural urban migrations. This research could be inter-regional or international, but will indicate a great deal about the "quality of life" in rural as opposed to urban areas.
- (b) Comparative analysis of rural incomes by countries and by regions. Trends in income distribution in rural areas--very little is known about this.
- (c) Effects of regional, rural development on rural incomes, on consumption and inter-industry linkages. In effect what happens inside rural areas when incomes rise and who benefits from rising incomes? Is increased consumption oriented toward labor-intensive industries or not?
- (d) What are the effects of increased literacy, improved health, etc., on rural productivity?
- (e) What is the occupational status of people in rural areas--very little is known about the distribution of labor by occupation and time in rural areas?
- (f) What are capital output ratios in rural areas, and how can they be used as a planning parameter?
- (g) What kinds of policies in rural development increase labor absorption, and what are the "economic" advantages of many small towns as growth centers?
- (h) What kind of planning methodology is most useful for integrated rural development in a national plan? How effective is location theory for planning rural development?

The operationally-linked research might include:

- (a) What is the most effective method of analyzing an integrated rural development project that includes social and economic components which have different periods of maturity?
- (b) What is the most effective form of mounting a rural works project? How does one measure costs and benefits of such a project?
- (c) What kinds of institutions are most effective for multi-sector, integrated rural development? Can they be duplicated?
- (d) What are the non-agricultural benefits from projects dealing with rural electrification, rural education, rural health?
- (e) Rural development necessarily deals with the lowest income groups in agriculture. This raises a whole host of issues related to "risk aversion" and "risk sharing." What kinds of lending institutions are effective; how can costs per loan be reduced; what about group borrowing and use of cooperatives; is a commodity approach the best approach or can there be lending to sociological entities?

More specifically does a differential interest rate, by size of borrower, make sense? What is effect on (a) repayments, (b) growth of farm income, (c) savings, (d) income distribution?

Is lending in kind to small farmers more effective than lending cash?

Research could also go on during project implementation to measure changes in living conditions as projects are implemented and to which extent results with ex-ante expectations and projections.

Mr. R.A. Sison

August 14, 1972

J. Ingersoll

Urban-Rural Development Linkages

The economic and social well-being of both rural villagers and city dwellers are largely attained in the working out of a complex set of relationships between the people of each city and the people of its hinterland. These relationships are composed of direct or indirect interactions between people in the course of which wealth, power, prestige, feelings (affection, hostility ...), information, ideas and the like flow in both directions between city and village. The urban-rural linkages, through which these relationships are carried on, are composed of various physical facilities, organizations and activities through which city people and rural people deal with each other. Urban-rural linkages are thus very important to urban and rural development in general and to secondary city infrastructure in particular. Equally important, but excluded from this memo for immediate convenience, is the only partly similar set of relationships which both these sorts of people have with people in the primate city.

Despite their wide influence and versatility, urban-rural roads can best be understood (and improved) by viewing them in the context of urban-rural linkages. In the course of trying to view them in this context, I will suggest a few social considerations and a few specific locations for development near the secondary northeastern cities. A further step to take in improving the developmental effectiveness of feeder roads in the infrastructure project would be that of relating particular urban-rural linkages to particular urban functions. I would like to present some such suggestions later.

Urban-rural linkages may support urban-rural relationships which further development, status quo or degeneration. These linkages are presented here only in their influence upon development.

This discussion will point out several partial levels of hinterlands different from (generally smaller than) the marketing hinterlands already presented by Ng.

Urban-Rural Linkages

1. Transportation

(a) Roads are crucial urban-rural links in all four areas. From my visits in June and July to three villages in which I had previously lived, I saw vividly that the influences an improved road might have on development activities depend in large part on those other activities. It is banal -- but also easy to miss -- that an improved road can serve better to stimulate and facilitate other activities already going on than it can to create or induce them.

In trying to get a complete jangwat picture of roads near the main cities, it is important to include the Royal Irrigation Department roads along with those built by other agencies. The very long roads along the Lam Phraploeng canals south of Khorat and the road along the west-bank Nong Wai canal north of Khon Kaen are particularly important. The even longer Nong Wai east-bank canal is still under consideration, but a road of sorts may already be functioning there in an area where no north-south road existed in the past. The location of this road, following the canal, should be checked with the planned (or partly built) ARD road running north-south a few miles east of Khon Kaen.

Since RID tends to run its projects somewhat like closed feudal fiefdoms (gates and guards at the ends of the roads to protect against heavy trucks), it becomes a real and perhaps unexamined issue: What impacts on transportation in the region do RID roads have? Given the length of their roads (and their expense) would the Government as a whole gain by investing more in construction of RID roads -- and then opening them to traffic more completely, free of concern about trucks ruining them?

Road Maintenance: (1) A convenient road to see (and feel) which should be instructive would be the road to the village of Ban Khok (บ.ค.ค.). You go north of Khon Kaen on the Friendship Highway to about km 9; a sign (in Thai only) points to บ.ค.ค. . It goes off to the right (eastward) about 3 km to the village. RID built it and maintained it very well for about 5 years to give access to a right-bank construction camp. The camp has now moved, and the laterite road is eroding badly, quite dangerously where it crosses the rail road tracks. It would be very useful to find out who now is supposed to maintain this once-excellent road. It is an important feeder road to 5, and soon 6, villages in the irrigable area, but it is falling apart. I lived there 1967-69.

Road Maintenance: (2) A more general issue is how much better, or worse, a road must become before it has an observable economic or social impact. Given that rural people have long lived with rough cart tracks, used by trucks in the dry season in recent years, how much improvement in a feeder road is required before transport costs go down? Before people make more frequent trips? Or, how much must a feeder road deteriorate before contrary trends begin?

Road Maintenance: (3) Khun Sawai in Saraphi made the point very firmly that a village dam built by a genuine self-help approach was not only much cheaper (he had figured that a \$ 50,000 dam would have cost 10 times more built by normal government procedures), but that villagers were determined to maintain it for their own interests. Villagers had put up, and enforced, the sign promising that owners of animals wallowing in the water would be fined. It should be easy to select a road built by ARD with heavy machinery and one built by CD with (partial) use of village labor. Any difference in organization or results of maintenance? Have CD people organized maintenance as well as they have (in some cases) organized construction? It would take a better sample than one pair of roads. But at minimum, it would be useful to compile

a picture of the organization and methods of road maintenance by all the agencies building feeder roads, and then observe some of their varied results. Udon and Ubon would have the most numerous ARD roads, but Khon Kaen and Khorat would have the only RID roads. All four would have CD and regular highways.

(b) Rivers and canals are also important links, but canals are very recent in the Northeast. The Nam Pong River, once dry nearly half the year, has become much more important for boat transport since the Nam Pong Dam delivers water all year long enough for shallow draft boats. Completion of the right bank canal and full irrigation may eventually reduce the current mild boom in river transport. Boat transport is long established on the River Mun at Ubon. Tugs can pull barges of substantial size downstream from Ubon, and smaller boats can go far up the Mun and Chl. I gather most of the boating is fairly short distance: both inter-city and urban rural.

Laterite roads from the highway into villages on the south bank of the Mun east of Warin have greatly reduced the previous network of boats to the Warin and Ubon markets. Trucks are about the same price, but faster -- enabling farmers to begin sending morning market produce at 4 or 5 a.m. rather than at 1 or 2 a.m. It seems to me that the gain in equity would be greater than any loss in economics (indeed, the regional gain in economics might be generally greater) if feeder roads were built to villages still isolated before being built to villages with river transport facilities. This point would apply to Khon Kaen and Ubon, but not, I believe, to the other two cities. This argument would not apply, I think, to ARD proposed road #19 east of Ubon. It might apply to road #20 east of Warin going to Phibun. Before asking ARD to make these two roads a higher priority in the interest of feeder roads, it would be worth the trouble to examine the use of boating on both banks of the Mun between Ubon and Phibun. Because of the possible interference of the air base to future Ubon growth (see the penciled area of the attached copy of the Ubon municipal map), road #19 is probably very important to future settlement and growth. To be sure, moving the air base farther from the city is truly necessary for life in the city, but that is probably too much infrastructure for us.

(c) Buses: Bus companies are proliferating in all of the cities. I was especially struck by the growth of services in Khon Kaen. A city bus goes out to the west along the bumpy road past the Rice Station, perhaps 3 to 5 km from the city. Regular service exists between the shopping area and the University. It would be very profitable to map the current extent of such city-to-suburb service; follow it out to the ends of some of their lines, and see how much farther bus companies would be prepared to go if roads permitted (finding out how much improvement of roads would suffice for such extension of services). Such extension would probably put some near-by village bus and truck service out of jobs, but it would greatly increase the frequency of access between city and immediate surroundings: a new, close-in hinterland.

(d) Trucks: Somewhat similarly, the following rule of thumb would serve efficiency with no loss in equity. It would be worth examining the extension of currently existing laterite feeder roads into villages, to reach still more remote villages before starting a new feeder road from another point in the highway. This approach would probably derive more and better results from the same effort and investment in that people in more remote villages, a few km beyond the end of a laterite road, are conscious of their relative deprivation. They might respond more fully and helpfully than villagers with no such road near-by with self-help efforts if initial stimulus and some promise of help were given.

2. Communications

(a) Newspapers are not widely read in Northeast villages, but they do reach villages (usually purchased in town), and they often pass through several hands. It might be possible, with some municipal encouragement or -- perhaps more likely -- CD or ARD encouragement, for newspapers to ask rural readers to write to the editor offering arguments why their village needs a road (or perhaps some other service). Newspapers might be able to encourage a bit more information from village to city than now exists. Such efforts might be easier in Ubon than the other cities -- the Lord Mayor is the Editor of the Nakhon Siam. He might welcome such a scheme as a way to sell more papers. ARD and/or CD might be able to run a regular column of and about village life in the paper. CD in Ubon is already editing a brief wall newspaper for local villagers.

(b) Other media (radio, movies, TV): All of these media are reaching villages. Transistor and larger battery radios are very common in homes and fields, especially carried about by younger people. Since ARD and CD both have a Youth Affairs section, and some sense of public relations, it might be worth the modest effort to enquire if they have ever tried to stimulate some of their future 'clients' by getting local radio or TV stations to do programs showing (or describing) rural development programs and interviewing villagers to get their reactions. Even if such programs should draw the bemused scorn of townsmen, they might stimulate other village people to try to organize their efforts to get a road or other projects.

3. Markets

One point worth checking in Ubon that might help decide a priority, if needed, between ARD roads #19 and 20, is the claim made by some villagers that most of the fresh foods for both the Warin and Ubon markets come from the Warin side of the river. I am skeptical of the claim, but information on this point might help decide which one to start first, or to choose if necessary.

Since the Lam Phraploeng irrigation area is so close to Khorat, some feeder roads in that area might stimulate truck gardening for the city markets.

The same point would apply to the Nong Wai irrigation area near Khon Kaen, unless B. Lam Phrakue can supply the entire city demands.

Since it would probably take only a few villages growing fresh market food crops to supply most of the four cities (those with air bases can consume more, to be sure), the rationale for extensive feeder roads cannot be limited to that of enabling more farmers to sell fresh foods in the city market. Any increase in processing plants would increase the demand for crops from the area, but such opportunities seem rather limited. Thus, a rationale that would apply to many more villages at present, beyond enabling them to market field crops, would be that of increasing their capacity to acquaint themselves with the proliferating influences of modernity and to cope with changing conditions.

4. Electricity

Electricity is an important link in so far as it moves rural life styles somewhat closer to urban ones rather quickly. For good or for ill, it permits village people far more alternatives within their own village. It probably makes for more consumption than production (more lights than motors) and more entertainment than education, but it presents opportunities of both sorts. As both town and village people rely upon the same PEA, the urban and rural worlds become much more closely joined. It might be very instructive to find out how many PEA village schemes have been built in villages with and without all-weather laterite roads. The villages with electricity probably constitute a sort of new, limited hinterland around their city.

5. Employment

Some sort of similar association might exist between employment of village people in the city and feeder roads as between electricity and feeder roads. I was struck with the large number of villagers (about 18 km from Ubon) working in the city every day. Because of commuting time pressure, they would be dependent on a reliable, fairly fast feeder road. Feeder roads seem to be a necessary but not sufficient condition for employment opportunities outside the village. The area from which workers come every day to work in town is another sort of limited hinterland.

6. Education

In every part of rural Thailand, a crucial urban-rural link is access to schooling beyond the elementary stage. Most rural schools still stop after the fourth grade, although compulsory education exists as national policy for seven years of schooling. The number of village pupils continuing

schooling in town after the fourth grade is generally very low: the expense of boarding them is too much for most village parents, and the years of schooling still ahead is also too long. The picture changes for those villages with seven years of schooling. Parents see more hope of getting their children through secondary school and close to a government or urban job. Very few farming parents see any point in years of expensive education (outside the village) for children who will return to farming. But they struggle for education for their children after they see some hope of getting them into a 'comfortable' urban job. A village with seven years of schooling is a much better prospect for, and a village in which people have a greater need for, an improved feeder road. Villages from which children commute to school (they can be at some considerable distance) constitute a very important kind of recent hinterland.

7. Government

Government services and regulations form a major urban-rural link; and also constitute one of the major gaps between urban and rural life. The chain of authority from jangwat to amphoe to tambon to muban, expressed in the monthly meetings of tambon and muban headmen at the amphoe office, is a very influential link in information, influence and authority; but its one-way downward flow is also indicative of the wide social gap between city and village.

The government services (education, health, agriculture, GD, ARD and the like) also show both link and gap in the world of city and village. As suggested in my note to you in Bangkok, I would anticipate far more development results from an extensive jangwat effort to build roads to the same villages in which other development activities are underway or planned. Whichever comes first -- road or other activities -- it seems wiser to me to combine them than to rely on an improved road itself to attract or stimulate other development activities. Such stimulation from a road clearly occurs, but the road needs further activities to make it worth while.

8. Religion

The hierarchy of Buddhist priests matches precisely that of the civil administration from King to village. The relationships among priests at village, amphoe and jangwat levels probably contribute more to continuing order than to development. But the numerous rituals and festivals for merit-making stimulate a great deal of movement, gathering of wealth, distribution of it among villages, and a great deal of commercial activity of feeding masses of people at big festivals. Similarly, financing of new temple buildings for merit-making and for communal improvement, represents one of the major efforts of Thais as citizens, rural and urban. Thus, a very good temple building normally indicates a widely respected, able head priest and the mobilization of wealth from a very wide area, rural and urban. Such villages are normally better candidates for improved roads: they can mobilize their wealth and their efforts to get what they want.

9. Tourism

A final, limited urban-rural link is that of rural points of interest -- special shrines, Buddha statues, ancient ruins, or natural splendors.

Khorat is built near the site of a much earlier Kmer ruin, over a thousand years old. It might well merit an improved road (I did not get to see it).

Rapids on the Mun River near Amphoe Phibun east of Ubon attract many picnic outings.

Archeological ruins near Khon Kaen (currently isolated by a very bad road) and near Udorn might make for stimulation of local tourism. It would be very important, however, to check first with the Fine Arts Department before raising such a possibility: it could well lead to more massive piracy without extensive control of the sites.

Enquiry about such points of interest in the general vicinity of the cities, especially if they coincided with some of the previous links discussed, might lead to some very good candidates for link roads.

JIngersoll:aj

cc: Messrs. Sadove, Vergin, Sison, Mera, Craig-Martin, Ingersoll,
Miss Nguyen

NOV 1972
STELLA

9. Tourism

A final, limited water-wire link is that of rural points of interest -- special features, historic structures, ancient ruins, or natural splendors.

There is built near the site of a much earlier Roman ruin, over a thousand years old. It might well merit an improved road (I did not get to see it).

Highly on the map River near Aquino Roman east of Udon street may be an outcrop.

Archaeological ruins near Roman (currently isolated by a very bad road) and near Udon might merit for attention of local tourists. It would be very important, however, to check links with the Arts Department before relating such a possibility: it could well lead to more massive plans without extensive control of the sites.

Finally about such points of interest in the general vicinity of the sites, especially if they coincided with some of the previous links discussed, might lead to some very good candidates for link roads.

Enclosed:

cc: Messrs. Sabov, Vozna, Starn, Marx, Grah-Hart, Ingersoll, Miss Nygren

AUG 11 11 54 AM 1972

OECD Telly No 14.
✓ cc Rural Development

June 20, 1972

Mr. M. Yudelman
Vice President
Development Center
OECD
Paris

Dear Monty,


As I mentioned to you in Paris last month, we feel that the Agriculture Projects Department should be much more aware of what rural electrification means for rural development and of what other parts of the Bank (Public Utilities Projects Department), other agencies and our borrowers are doing in this field.

We have now taken some steps in the desired direction. Firstly, we propose to hold a seminar on the subject from September 5-8. The attached memorandum to Jim Evans spells out where we are at the moment. As you will see, we would expect you to take a leading role in the conduct of the seminar, leading off with some opening remarks on the "Role of Rural Electrification in Rural Development". Secondly, we are considering making an input into a rural electrification reconnaissance mission which the Public Utilities Projects Department intends to send to India in October/November, specifically to look at the programs of the Rural Electrification Corporation. This might well involve the Rural Development Unit.

I am going on home leave tomorrow. I look forward to seeing you in Washington on my return.

With best regards,

Sincerely yours,


W.A. Wapenhans
Deputy Director
Agriculture Projects Department

Enc:

cc: Messrs. Evans, Behdry,
Mr. M. Weiner

SEccles:lkt

Housing & Urban Dev -
Rural Dev -

May 29, 1972

Professor R. P. Misra
Institute of Development Studies
University of Mysore
Manasa-Gangotri
Mysore 6, India

Dear Professor Misra:

Thank you very much for your letter of May 18. I agree with your comment on agricultural and rural development problems. The low emphasis in our outline is mainly for reasons of Bank organization. In the Economics Department we also have an Agriculture and Rural Development Division, so they take the main role in this field. In fact we are talking with them to try and integrate together some of our work in roughly the areas which you mention, and also the relationships between agricultural structure and the structure and pattern of urban developments. We certainly want to avoid leaving a gap between the Bank's urban/regional and agricultural/rural work.

On the more general urban work we would be most interested to hear more about your research efforts in the areas which you mentioned. Any research outlines or description which you have available would be most welcome.

I have instructed our library to order items number 4, 8 and 9 from the list which you sent. We have to operate that way for bureaucratic reasons!

We look forward to hearing from you again.

Sincerely yours,

J.C.E.

John C. English
Urban and Regional Economics Division
Economics Department

Mr. S. J. G. Burt

May 17, 1972

Mauri Krohn *uk*

Nonformal Education for Rural Development, Case Study, No. 7,
Programs for Small Industry Entrepreneurs and Journeymen in
Northern Nigeria by Clifford Gilpin and Sven Grabe

1. This study describes three different programs: a workers upgrading scheme, a loan scheme and a small industry improvement (consulting and training) scheme. All of them are servicing towns depending on a rural economy. Therefore, they have been assumed to be of value to rural development.

2. The three schemes have the same objectives: to improve the quality of middle-level manpower engaged in small industrial operations and to improve the small industry itself. It is not clear, what kind of concrete results were expected and whether they are achieved, but it seems that the three schemes have so far made a small impact on the development of small scale industry. The general criticism expressed in the paper on all three schemes is the overall lack of planning. In order to assess them in detail, each scheme is reviewed separately in the following:

3. Vocational Improvement Centers (VIC). Twelve VICs have been established in the six northern states with the help of a grant from the Ford Foundation. The objective was to provide upgrading in automobile service and repair, building and carpentry and furniture making. The trainees were mainly of workers employed by government or large firms. Except in the case of the pilot center in Kaduna, no special effort was made to recruit trainees from small-scale industry. The program lasts ten months, 10 hours a week of instruction, of which only 4 are devoted to trade training and the rest to English, arithmetic and bookkeeping. There are more applications to most courses than can be accommodated. The total enrollment is not given in the report except for one center, at Maiduguni, where 433 trainees were admitted during four years of operation 1968-72, or slightly over 100 per annum. Consequently, it can be assumed that so far about 5,000 people have attended training courses in the 12 centers.

4. The teaching staff at the VICs are Nigerians, almost all employed part-time. There is no administrative staff, which naturally has an adverse effect on the efficiency of the training, especially on planning of courses and follow-up of trainees. The learning technology

is not described in the report, but as the teachers come from the existing schools and training centers, it may be assumed that they use similar traditional methods as in their main job. The drop-out ratio has been extremely high, between 30% and 50%; moreover, another 30% failed the final examination. The only explanation to the poor attendance is that classes at some centers begin before the end of the work day.

5. All VICs use facilities of the existing schools and workshops although equipment usually has been supplemented. As no rent is paid, the recurrent costs are low. At Maiduguni VIC, the cost per student enrolled is \$104 and the cost per student successful in the examination is \$167, compared with \$930 a year in a trade school. Some trainees had received a wage increase after passing the examination, but there is no evidence that a training course has encouraged an artisan to set up his own business.

6. The Small Industries Credit Scheme (SIC) was supposed to include training for both lending staff and loan applicants, but the SIC staff were not qualified to give technical advice and this task was passed on to the IDC. Insufficient thought seems to have been given to the training requirements for the successful operation of the scheme.

7. The Industrial Development Center (IDC) was originally established with the help of a grant from the U.S. AID to provide short training courses in commercial and industrial techniques at the center and on-site consultations to private businessmen. Later, the emphasis of the IDC was changed from training and advice to include undertaking feasibility studies for the SIC scheme. The target group consists of small entrepreneurs, who have received or will receive a loan from the SIC. They are trained in both the technical and managerial aspects of the business; in addition, the IDC trains their employees and apprentices. A course lasts from five days to two weeks, and most of the work is practical. During 5 years 1966-70, about 3,000 people attended IDC courses.

8. The IDC has a staff of 50, including 12 instructors. It is estimated that they spend around 80% of their time of feasibility studies and advisory services. According to the report, local trade school graduates who have received additional management and economic training on the job from the expatriate experts and senior Nigerian staff have proved suitable for this kind of work. The IDC has 20 modern buildings including offices, a dormitory and four large workshops for woodwork, metalwork, auto repair, and leathercraft. A large quantity of sophisticated and expensive modern equipment has been purchased, most of which is poorly utilized. The total capital cost is estimated at \$425,600 with a projected expenditure of \$47,600 for additional equipment. Recurrent costs cannot be accurately calculated. Although the IDC recommended an employment increase to the

May 17, 1972

majority of entrepreneurs receiving a loan, the total increase cannot be ascertained.

9. As a conclusion it can be said that the report gives a fairly detailed description of the three schemes but, because of the shortage of the available data, it fails to evaluate the results in defined operational terms. It does not state, whether these schemes have been successful nor whether similar projects should be considered in other developing countries.

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- 3 -

Mr. S. J. G. Paul

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As a conclusion it can be said that the report gives a fairly detailed description of the time scheme but, because of the shortage of the available data, it fails to evaluate the results in detailed operational terms. It does not state, whether these schemes have been successful nor whether similar projects should be considered in other developing countries.

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Mr. Alexander Stevenson

May 23, 1972

Robert Shaw

Back-to-Office Report: Visit to Paris/London

1. Following my terms of reference, I flew to Paris for a conference on Rural Development at the OECD Development Center, on May 15-16. While put together hurriedly, this conference was nevertheless valuable in exposing the main trends of thought about rural development and in laying on the table some of the main questions facing aid donors lending in this field.

2. The major issues discussed on Monday morning were:

(a) Should rural development be aimed at the poorest 20% of the rural population through a set of employment and income distribution policies targeted on this group (Yudelman)? Or should it have as a goal the energization of the whole population of the rural areas (Weitz)? Hunter suggested that the strategy of agricultural development must be aimed at the lower income rural groups, and then broader rural development will to some extent take care of itself.

(b) To what extent is rural development distinct from agricultural growth? Should agricultural production be the central focus (Hunter)? Should this be concentrated principally on the poorest segments of the community (Yudelman)? Or is rural development a more integrated concept that involves industrialization, a hierarchy of towns and rural centers, and a host of non-agricultural jobs (Weitz)?

(c) Are there universal, generally applicable rules and principles of organization for rural development, as maintained by Weitz? Or are the differences between peoples and regions more significant than the similarities (Belloncle and several others)?

(d) There was wide agreement that coordinated but decentralized authority was essential to rural development, bearing in mind the *immensity* of the numbers involved. But, following on the previous question, what types of institutions can achieve this form of local control? Weitz asserted that, for example, land reform was a prerequisite for rural development and that multi-purpose cooperatives were the only tool for creating broad-based rural development. This thesis did not gain general acceptance. Most participants stressed a wider range of institutional possibilities for success, and maintained the need to find particular rules for particular situations.

(e) Finally, the approach to be used in rural development was subjected to scrutiny. Hunter made a plea for a simplification of effort, together with a stress on small projects and the benefits of the multiplier effect. Weitz called for an integrated planning and implementation effort. Belloncle stressed the need to build on existing structures, both institutional and cultural. Porter emphasized the need to make markets work more efficiently because this leads to vast savings in administration and training.

3. On Monday afternoon, some country experiences were discussed. Mule gave a surprisingly glowing account of the S.R.D.P.s in Kenya, stating that the government had decided to expand this program to 20 districts in July 1973. The main purpose of the program is to achieve rural development goals through the coordination and gradual improvement of the regular administrative machinery, with special emphasis on replicability. Belloncle subjected French technical assistance efforts in Francophone Africa to rigorous criticism, saying they had been generally rather unsuccessful because they ignored the real motivations of and constraints on farmers. He, too, stressed the importance of multi-purpose coops as a means of involving the local population in planning and implementing their futures. He cited his own experiences in Senegal and with the U.N.C.C. in Niger. Then Weitz reemphasized his strong views with reference to Israel.

4. The final session was devoted to aid policies in rural development. Wapenhans had set the tone earlier in the meeting by asking what are the minimum set of facilities and incentives needed for rural development. Evans presented a paper on Bank policies in rural development. He said that lending for agriculture had in the past been rather piecemeal and not sufficiently coordinated. And he emphasized the advances that have been occurring in Bank agricultural policies in recent years - the various kinds of diversification into farm and non-farm activities, the range of efforts to reach small farmers, and the initiation of investment in human resources. While skeptical of generalized rules or patterns, Evans said we need to know more about the variety of forms of organization that have been successful in particular situations. He said the Bank was also interested in propositions that could lower investment costs per farm family provided they give more than transitory results. The Bank should look for ways to bring the cost per family down to perhaps \$100, as against the current figure of \$1,000, though there are valid doubts as to whether this can be done. Because of this need, however, the Bank was interested in the experiences with spontaneous settlement schemes, and particularly in identifying the essential inputs at the start of such schemes. Finally, Evans noted that aid agencies are likely to have to become more involved in technical assistance and institution-building in order to fulfill their goals in rural development.

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5. Andrew Mercer, the project manager of Lilongwe, followed this with an interesting description of the aims and methods used on that project. 31,000 out of 100,000 farm families in the project area are involved so far, and the results appear to have been outstanding. Strong efforts are being made to build institutions and to reduce reliance on the small expatriate group of managers. In subsequent conversation, Mercer welcomed the idea of a project review under the African Rural Development Study. He suggested that the best time of year might be October-November, so as to include this year's crop, and also because he will not be back at the project until August. He further suggested that it would be valuable if the reviewer could be introduced to the project by R. A. Reader, who had done so much of the early data collection and analysis. There is a vast amount of unanalyzed data available, but the question of costs may be difficult to sort out with precision.

6. Other visits in Paris - I.R.A.M.

I had a long meeting with Guy Belloncle and Roland Colins of I.R.A.M., a small French technical assistance corporation with 15 years experience, especially in Africa. I.R.A.M. is strongly critical of the approaches used by the larger French corporations (e.g. SATEC, BDPA and CFTD), because of their concentration on single, largely export, crops, their ignorance of the relationship between peasants and the administration as well as the distribution of the additional income from their projects, the elements of pressure used on peasants in order to try to achieve goals, and the very large numbers of expensive cadres used (in one case, one cadre/20 farm families). I.R.A.M. has tried a different approach: the organization believes in the ability of peasants to reason effectively about their problems, when questions are clearly posed. Thus I.R.A.M. seeks to identify peasant desires and the constraints on meeting these desires. The overall aim of their projects is to increase agricultural production and disposable income, but this must always be viewed within the context of the relationship between the administration and peasants. Thus, I.R.A.M. has concentrated on developing viable local organizations that can express the desires of peasants to the administration while also providing peasants with access to and incentives for inputs supplied by the administration. Much of their work has been in developing new cooperative approaches suitable to the African environment. A project in Senegal has stalled for political reasons. They also have a successful cooperative project in Niger, on which I have some detailed description.

7. Belloncle told me that he had discussed with Mr. Evans the possibility of his doing a review of rural development experiences in Francophone Africa. He also asked about the possibility of cooperating with the ARDS since he was anxious to compare his own experiences with those elsewhere in Africa, particularly in the light of Mercer's description of Lilongwe. I told him I would explore this possibility on my return to Washington. One difficulty could be that of timing,

in that Belloncle is committed until November, and would not be able to start working with the Bank until then.

8. F.A.C.

Following up on Mr. Reutlinger's visit to Paris, I also talked to M. Eriedan, who proved very helpful. The two FAC-sponsored evaluations of Cameroun projects should be completed in June or July. M. Eriedan saw no difficulty in our obtaining copies of the reports and background material, subject to the consent of the Cameroun government. But he would welcome a letter formalizing this request, addressed to M. Audibert, Chef du Service de Financement at F.A.C. and copied to M. Eriedan. This letter could also ask F.A.C. to obtain clearance from the Cameroun government if such has not already been done. The two studies are the SCET Yabassi-Bafang project, with the evaluation being done by a consultant, M. Crepin; and the CINAM ZAPI project, being evaluated by a SEDES team coordinated by M. Sadoul of F.A.C. M. Sadoul is now in Upper Volta setting up the terms of reference for a study of the ORD program. While no results are expected from this study before summer 1973, I think the Bank should keep in touch with its progress, particularly in the light of the Upper Volta Rural Development Fund project.

9. We had a lengthy discussion of the problems of performing decent evaluations of rural development projects. In the case of most French projects, no evaluation unit is built into them. Thus there exists the problem of inaccurate or non-existent *baseline* data. This is particularly true in the ZAPI project, where substantial structural change has occurred, but there is no evidence that agricultural production has improved substantially. Secondly, there is the problem of criteria for evaluation. In the absence of good baseline data, M. Eriedan suggested that the question of criteria was especially difficult. Often in trying to evaluate institutional change, a priori notions of criteria proved to be not very useful. He summarized these comments by saying "on ne cherche pas; on trouve", and encouraging the study team to spend as much time as possible actually looking at projects on the ground, in order to get a feel for what was working and what was not.

10. SCET

I met with four senior officials of SCET (MM. Argoulon, Giraud, Lagarce and Mahieu). SCET's main interest in rural development lies in the planning and management of regional development. They tend to take a large, discrete geographical area with high potential, and to provide a comprehensive regional plan based on extensive studies for that area. In a number of cases, they have also been contracted as the technical assistance and management agency for implementing the plan. They are not interested in gradual change but in very substantial jumps in production to provide sufficient incentives and a suitable financing arrangement. In size and style of operation, SCET tends to resemble a large agri-business operation.

11. In Africa, the Lac Alaotra project in Madagascar adheres closest to SCET's philosophy. They are also the technical assistance supplier for the Yabassi-Bafang in Cameroun, though this is a smaller and less comprehensive project than SCET normally undertakes. Both projects are claimed to be successes. In Lac Alaotra, for example, I was told that per family incomes rose from \$160 in 1961 to nearly \$1,000 by 1969. While there are considerable amounts of data on both projects, no financial or economic evaluations of them have yet been done. SCET would be very happy to cooperate with an ARDS reviewer on either project. June - November is the busiest time in Lac Alaotra, which has both advantages and disadvantages for a reviewer visiting during those months.

12. SEDES

I talked with MM. Ancian, Levante, Eymond-Daru and Mme. Legotiem of SEDES. Eymond-Daru is a member of the SEDES team evaluating the ZAPIS. He said that their evaluation is not an economic or financial analysis, but rather an attempt to suggest modifications for future work on the ZAPIS. Like M. Erledan, he emphasized the problems of evaluating the ZAPIS in a rigorous, quantified manner.

13. SEDES give a very positive reaction to the possibility of some mode of cooperation with ARDS. They have done a wide range of studies, on rural development in Africa, and their expertise could be very useful. In particular, they are now doing work on the SATEC project in Madagascar. I think we should consider the possibility of using SEDES as consultants on the Madagascar rice project, since they appear to have the necessary expertise, and are interested in doing this.

14. Conversations in London

I talked first with Michael Collinson of the Commonwealth Development Corporation. He spent 10 years in Tanzania up to 1970, working principally in and on Sukumaland. He has a large amount of data on the various cotton sub-projects in Sukumaland. Given his range of experience and familiarity with the project, I enquired about his availability to undertake a review for ARDS. He said that he was extremely interested and has a relatively light work load until September. After that, however, it would be impossible for him. I recommend serious consideration of hiring Collinson as a consultant during the summer, but this must be done rapidly if we are not to lose the opportunity.

15. I talked with Archibald Callaway of Queen Elizabeth House, Oxford, as he has a good knowledge of small-scale industrial development in Africa. He mentioned the Industrial Development Centres at Zaria and Owerri in Nigeria as being of particular interest. The one in Zaria has

May 24, 1972

had a history of failure, whereas that in Owerri had some spectacular successes before the war and has apparently re-started in a similar vein. The I.D.C.'s purpose is to encourage small firms employing less than ten people: the Owerri Centre, comprising training and extension, represents a new departure for A.I.D.; and there is a Ford-sponsored credit section in Enugu. I recommend that these two centres should be compared in ARDS. Callaway is willing to help us locate a suitable reviewer, and is going to Nigeria for a month in July.

16. I talked to Michael Lipton of the University of Sussex. He is still very interested in the study, but anxious to have some follow-up on Mr. Reutlinger's offer of a contract as a consultant: I explained that no authorization had yet been obtained for the study. He emphasized that speed was of the essence, as there are a number of well-qualified reviewers in the offing, but they are all making plans for the coming academic year. This was particularly true of the best graduate students, whom Lipton thought to be better value for money than more expensive short-term consultants whose quality is sometimes not of the highest.

17. I also talked with Guy Hunter of O.D.I. He, too, indicated his interest and willingness to assist in the study. However, he explained that his enthusiasm was somewhat tempered by the Bank's reaction to his own research proposal. When the latter was turned down after several months of work, it was indicated that one reason for the rejection was Bank reluctance to finance on-going projects. Hunter felt that, if this was the case, it should have been made clear to him at the outset. Despite this, he remains a useful contact for advice on the ARDS.

RShaw/sks

cc: Messrs. Henderson
Haq
Adler
Hendry
Hansen
Denning
Reutlinger
Donaldson
Mrs. Lole

Rural Development

May 12, 1972

Professor A. M. Khusro
Institute of Economic Growth
University of Delhi
Delhi
INDIA

Dear Professor Khusro:

It was very nice to have had a chance to meet you again and to discuss a variety of research questions with you.

Enclosed please find a statement on an integrated approach to rural development that I had promised you when we met. I will soon send you a revised version of our model. I am now writing this up. Please do keep me informed of your research activities.

With very best regards,

Sincerely,

Uma J. Lele (Mrs.) *UJ*
Agriculture & Rural Development Division
Economics Department

UJLele:hrv

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MAY 15 1972

Rural Development

Ref. No. EPD/SC 237/012

Ministry of Finance and Planning,
The Treasury,
P.O. Box 30007,
Nairobi.

10th May, 1972.

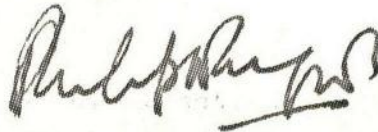
Mr. Michael L. Lejeune,
Director,
Eastern Africa Department,
IBRD,
1818 H. Street, N.W.,
Washington, D.C. 20433,
U.S.A.

Dear Mr. Lejeune,

With reference to your letter of April, 1972 addressed to my Ministry on launching of a policy-oriented research programme on rural development by the Bank, I am writing to confirm that this programme is welcome by the Kenya Government. I am also writing to confirm that there is no objection to the World Bank researchers collaborating with the Institute of Development Studies, University of Nairobi, in carrying out the research programme.

It is our understanding that the total cost of carrying out the research will be met by the Bank, and that specific projects to be evaluated for research purposes will be agreed between the researchers and the Government of Kenya.

Yours sincerely,



P. Ndegwa
PERMANENT SECRETARY

Original to: MR. Lejeune A/013
Date: 5-15-72
Communications
Section

Mr. J.P. Hayes

May 4, 1972

L.J.C. Evans

Policies to Help the Rural Poor

1. Thank you for your memorandum of May 1 and for giving us an opportunity to comment on a page of Arun Shourie's paper -- not at all an easy paper to write we would imagine.

2. As you suggest we would like you to consider, if you can, saying not only what the Bank ought to do but what it has been and is doing that is relevant to the problem. As it is, the presentation in paragraphs 39 and 40 is very simplistic, perhaps intentionally so in order to dramatize the problems, but it is, at the same time, in some cases almost naive. Our main proposal is that any redrafting should correct the impression that everybody in the Bank is completely ignorant about the problems and how to deal with them. Though we are far from knowing what we would like to know and very far from having solutions to all the problems, I think there is no harm in a rather more positive approach which would refer to some of the knowledge that we have gained and to some of the relevant programs and projects which we have supported.

3. Our comments on the particular paragraphs on page 28 are as follows:

Para. 38:

Could we not redraft the second sentence as follows: "But it can make and has been making its operations more relevant to the poor in a number of ways."?

Para. 39:

We suggest altering the first sentence to read: "First it can aim to be continuously better informed about the problems"; and we would suggest adding at the end of this paragraph: "These are some of the questions we have been asking in our economic, sector, and project work. While the answers vary considerably depending on the resource endowments and the stage of development, most of the poor are in the rural areas or new migrants to urban areas. The Bank has, therefore, given increasing emphasis to agricultural development and has been trying to find ways of reaching a much larger proportion of the rural poor."

Para. 40:

Redraft the introductory sentence to read: "Second in its lending operations, the Bank has been giving much more attention to projects that may benefit the poor.", and go on to say "The Bank should be prepared to assist Governments in planning and carrying out such projects."

Para. 40(a):

Reference to the Bank "discarding its inhibitions" about local cost financing may be good polemics but it suggests a lack of understanding of what the constraint is and indeed of what kind of institution the Bank is. The facts are that when we began to lend for agriculture and education in the mid-60's we all recognized that projects of the kinds that we wanted to do would have lower foreign exchange costs than the traditional types of infrastructure project, and so there would be more cases where there would be justification for local cost financing. Within the past eight years I think there have been few cases where constraints on local cost financing have prevented us from doing projects which we have wanted to do. Approval has been given where justification can be made on country or project grounds. Yet nobody made at the outset, or has made since, any statement that the Bank had decided to discard its inhibitions about local cost financing. I myself regard this rather as a straw man which is often raised as a theoretical constraint when in fact it has not proved so.

Para. 40(b):

Unless the author is convinced that the evidence does suggest what is implied I doubt whether the question should be put. I suspect also that the implication that "the rich wrest a disproportionate share of the benefits" is a little wide ~~at~~ the mark. The problem for credit institutions is often simply how to reach enormous numbers of small farmers and perhaps landless laborers, because of the immense administrative problems; there may also naturally be serious financing problems. The Bank has been continuously trying to devise or support new ways of reaching more small farmers and we believe we have had some success, e.g. in helping to work out a production credit scheme for small farmers in Malaysia, in devising credit systems for rural development projects in Malawi and Ethiopia, in supporting the Philippines rural banks, and so on. It is, of course, possible to put a ceiling on the size of loan that a credit institution can make or on the income level of sub-borrowers, but the financial viability in credit institutions limited to small loans which would have to be extended to tens of hundreds of thousands of people is our most difficult problem. Below a certain level of income it is perhaps misleading to talk about credit. You may have to talk about grants or subsidies or works programs to provide employment.

Para. 40(c):

It has been a major objective of most Bank/IDA lending for rural credit that official credit arrangements should move away from credit based on security towards development-oriented credit based on the expected return from the investment. So this sub-paragraph might be redrafted to say that it is the Bank's practise to support schemes which do this.

Para. 40(d):

This sub-paragraph is so simplistic that it sounds naive. The question of crop insurance is extremely complex. There is no system in any development country which is self-supporting. The Mexican and Japanese crop insurance systems which are often referred to are heavily subsidized (about 50% of costs), although these are countries in which one might expect that crop insurance would be more feasible than in most developing countries. The U.S. system is also still subsidized at least to the extent of the administrative expenses. Some of our people think that a more realistic approach might be to tailor credit terms to the expected cash flow on a multi-year basis rather than thinking in terms of a series of short-term loans which make no allowance for crop failures.

Para. 40(e):

This sub-paragraph makes an excellent point and the thought might be developed to include the fact that the Bank has taken the lead in forming the Consultative Group on International Agricultural Research to mobilize funds which, amongst other things, are needed to fill some of the gaps in technology. The Consultative Group has already undertaken to support a new international research institute which would aim to improve crop technology in semi-arid areas (the institute is to be located in India and its title is "International Center for Research in Semi-arid Tropics"). The Consultative Group is also considering support for the new Asian Vegetable Research Center which will be researching into the growing, storing and marketing of vegetables.

Para. 40(f):

It would probably not be a very good thing for the Bank to insist that tractors and tubewells financed out of its loans are communally owned and operated because experience shows that communally owned and operated wells have not often worked well in practice. Of course, small farmers can get water from wells without owning them where there are public tubewells as in several states in India, or where individual owners contract to sell water. Tractor and machinery pools have often proved very disappointing whereas plowing and other services provided to farmers by contractors can often be organized effectively. Some support from Bank loans or IDA credits has in fact gone to contractors who buy a tractor or other machinery and supply services to small farmers who themselves cannot afford to own a machine.

Mr. J.P. Hayes

- 4 -

May 4, 1972

4. Please let us know whether we can do anything more on this. On re-reading our comments we fear you may find them hypercritical. They are certainly not intended to be. The matter is of such concern to us all that we appreciate very much your consulting us about it.

cc: Mr. Takahashi

LJCEvans:fh

P.S. We have so much material on the subject that few people could find time to read it all, but you might find a recent memo (attached) by Mr. Spall of interest.

MAY 2 2 58 PM '72

May 4, 1972

- 4 -

Mr. J.P. Hayes

A. Please let us know whether we can do anything more on this. On re-reading our comments we fear you may find them hypercritical. They are certainly not intended to be. The matter is of such concern to us all that we appreciate very much your consulting us about it.

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LLOVams:fn

P.S. We have so much material on the subject that few people could find time to read it all, but you might find a recent memo (attached) by Mr. Spall of interest.

Mar 5 9 28 AM 1972

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ASSOCIATION

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE
CORPORATION

*OECD
cc Rural Develop*

OUTGOING WIRE

TO: MARTIN
DEVELOPECONOMIE
PARIS

DATE: MAY 3, 1972

CLASS OF TELEX 62.160 OCDE PARIS
SERVICE:

WVI

COUNTRY: FRANCE

TEXT:
Cable No.:

REURLET APRIL 24 JIM EVANS WILL BE AT OECD MAY 15 AND 16 FOR RURAL DEVELOPMENT SEMINAR. HE WOULD BE HAPPY TO MEET WITH YOU PREFERABLY AFTERNOON 16TH FOR FULL DISCUSSION OF YOUR QUESTIONS AND CONCERNS IN RELATION TO BANK EXPERIENCE WITH LAND REFORM PROJECTS. WOULD THIS BE CONVENIENT?

HOFFMAN

INTBAFRAD

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME MICHAEL L. HOFFMAN/pnn *[Signature]*

DEPT. DEVELOPMENT SERVICES

SIGNATURE _____
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

REFERENCE:

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(IMPORTANT: See Secretaries Guide for preparing form)

CLEARANCES AND COPY DISTRIBUTION:

cc: Mr. Evans (with copy of incoming)

For Use By Communications Section

Checked for Dispatch: *[Signature]*

le 1er mai 1972

Monsieur l'Abbé Paul Chadenet
95 Rue Royale
78 Versailles
France

Mon cher Paul:

Merci pour votre lettre du 24 avril et je me réjouis de vous voir à Paris le mardi 16 mai à partir de 20H45. Une rencontre plus tôt n'est pas possible car je serai pris par l'objet principal de mon voyage, à savoir un séminaire sur le Développement Rural.

J'ai bien noté de prendre contact avec P. Toulat. Pouvez-vous, ou lui, répondre aux questions suivantes:

1. Comment dois-je opérer? Commencer par un amphi de 40 minutes sur la BIRD, ses objectifs et ses méthodes et les tendances actuelles de ses politiques, de façon à provoquer des questions.

Ou démarrer à froid sur des questions. C'est le "dialogue" que je cherche, comptant bien sur ce contact avec un milieu que je connais mal pour apprendre autant que je tâcherai d'apporter.
2. Quel genre de questions me posera-t-en?
3. Pierre Toulat (ou un adjoint) serait-il libre pour dîner avec moi avant la réunion, pour permettre un dialogue préparatoire?
4. Heure de la fin de la réunion? (on pourrait souper rapidement ensemble après?).
5. Pourriez-vous déposer au bureau de Paris pour qu'on me l'expédie d'urgence un centimètre d'épaisseur de documentation religieuse, récente et relevant du sujet, afin que je me prépare à la discussion.
6. Pourrait-on inviter le R. P. de Farcy;

Centre de Recherche et d'Action Sociales
15, rue Raymond-Marcheron
92 Vanves

Tél: 644-0220

Monsieur l'Abbé Paul Chadenet

le 1er mai 1972

Il connaît bien les questions de développement et
pourrait apporter une contradiction tonique.

Malgré que le moi soit haïssable, voici un topo sur votre serviteur,
qui peut-être utile aux hôtes du 16 mai.

Bien amicalement et à bientôt,

B. Chadenet

B. Chadenet

P.S. Je suggère, comme lectures préparatoires, les documents ci-joints

- 1) Le discours UNCTAD de M. McNamara
- 2) Planification démographique
- 3) Questions et Réponses

L'Avenue d'Iéna peut en donner selon vos besoins.

BChadenet:jfh

c.c. Messrs. Graves
W. Clark
Karasz

Rural Dev

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Mr. Gutierrez

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MR. [unclear]
MR. [unclear]

MR. [unclear]

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Oecd
✓ c.c. Rural Develop.

April 26, 1972

Mr. Montague Yudelman
OCDE
Organisation de Coopération et de
Développement Economiques
94, rue Chardon-Lagache
Paris XVIe
France

Dear Mr. Yudelman:

Thank you for your letter of April 18 concerning
the arrangements for the rural development seminar.

I am looking forward to attending this meeting and
have noted the timetable and the list of attendance.

Thank you in advance for your kind invitation for
the evening of May 15; I may ask my Parisian daughter,
Marie-Christine, to come with me in lieu of my wife.

Sincerely yours,

B. Chadenet

B. Chadenet

BChadenet:jfh

c.c. Mr. Karasz
Mr. Evans

OFFICE MEMORANDUM

TO: Mr. M. Shoaib

DATE: April 25, 1972

FROM: Gregory B. Votaw

SUBJECT: Rural Development Unit

1. I call your attention to the attached correspondence, namely Urquhart's minutes of March 24, my note of April 7 and Jim Evans' written response.
2. The South Asia Department believes that rural development projects can be identified and will require appraisal in the near future. We had thought that the Unit in Agriculture Projects Department would handle this work and, in fact, we at one point delayed further processing of a request from India in the hope that the Unit would be established promptly to handle it. Certainly Mr. McNara has left the impression in South Asian countries that we intend to develop lending operations in this field. If Agriculture Projects is to be staffed, beginning in July, only to "focus attention on the matter, etc." how are we to proceed? The President has already focused attention on the matter, and following his instructions we are in the process of identifying projects not only in India but also potentially in Afghanistan, Iran, Bangladesh and Ceylon. If the President would like us to delay this work for some period of months until a Unit has developed policies and approaches, we will do so, but I would much prefer to see those approaches emerge from practical experience with specific cases, as has been the Bank's tradition for other types of projects, than to wait for abstract policies to emerge from desk studies.
3. Maybe all we need is a timetable indicating roughly when the Bank will be staffed to begin to focus on a few specific project proposals. If there is a specific target date, I am sure it would be helpful to us and probably to other Area Departments to know what that date is.

✓ cc: Mr. Cope (w/attachments)

GBVotaw:jw

✓ Rural Dev.
cc Religious groups
cc Paris Office - ge

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APRIL 20 1972

639 FOR CHADENET

INVIEW LETTER TO YOU BY YUDELMAN OF APRIL 18 (COPY SENT US)
SAYING HE AND P.M. HENRY WILL HOST DINNER MAY 15 FOR MEMBERS
RURAL DEVELOPMENT MEETING, WHICH YOU PRESUMABLY WILL WISH
ATTEND, HAVE TENTATIVELY AGREED WITH FATHER CHADENET MEETING
WITH RELIGIOUS GROUP BE HELD 8.30 PM TUESDAY 16. IF INCONVENIENT
TO YOU THEN 3 PM 16TH (AS YOUR DEVELOPMENT CENTRE MEETING
PROBABLY OVER) BUT AFTERNOON SESSION LESS GOOD IN HIS VIEW
WITH REGARD TO ATTENDANCE.

GRATEFUL YOUR URGENT AGREEMENT WHETHER FIRST SUGGESTION
ACCEPTABLE

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END#

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GENAGGE

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CRATEFUG YOUR PRESENT AGREEMENT WHETHER FIRST SUGGESTION WITH REGARD TO ATTENDANCE*

PROBABLY OVER) BUT AFTERNOON SESSION LESS GOOD IN HIS VIEW TO YOU THEN 3 PM TOTH (AS YOUR DEVELOPMENT CENTRE MEETING WITH RELIGIOUS GROUPS BE HELD 8.30 PM TUESDAY IS. IF INCONVENIENT ATTEND, HAVE TENTATIVELY AGREED WITH FATHER CHADENET MEETING YOUR DEVELOPMENT MEETING, WHICH YOU PRESUMABLY WILL WISH SAYING HE AND P.M. HENRY WILL HOST DINNER MAY 12 FOR MEMBERS INVITE LETTER TO YOU BY UNDERMAN OF APRIL 18 (COPY SENT US) E33 FOR CHADENET

APRIL 20 1972

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Apr 21 1972
L. M. ...
S. ...

OCDE

ORGANISATION DE COOPÉRATION
ET DE DÉVELOPPEMENT ÉCONOMIQUES

94, rue Chardon-Lagache
PARIS-XVI

Le Vice-Président
The Vice-President

CENTRE DE DÉVELOPPEMENT
DEVELOPMENT CENTRE

Téléphone : 527 55-19

OECD
✓ cc Rural Develop.
OECD

ORGANISATION FOR ECONOMIC
CO-OPERATION AND DEVELOPMENT

18th April, 1972

Dear Mr. Chadenet,

I would like to inform you about the progress being made with the arrangements for the seminar on rural development.

First, the seminar will take place here at the OECD Development Centre on 15-16 May. It will begin at 10 a.m. in the morning of the 15th and will probably end at lunch time on the 16th as several of the participants, including myself, are going on to Bellagio to attend a meeting there beginning the next day. However, it may well be that participants will continue discussions in the afternoon. I will undertake to see that a record is kept of the discussion.

The discussion itself will consist of three sessions: conceptualisation of rural development, national experiences and problems of giving aid for rural development and, finally, some discussion of how the Bank might approach the problem.

There will be two short papers, one prepared by OECD on the conceptualisation of rural development and the other by the IBRD on the Bank's programme for rural development. In addition, Mr. Hunter would like to present a very brief paper expressing his ideas on rural development.

We are expecting some 5 to 7 persons (including yourself) from the IBRD. We have also invited two representatives from the FAC (yet to be nominated), one person from FED, one person from UNDP, one from FAO, Mr. Porter from the British Government, Mr. Hunter from Reading University, Mr. Hopper from IDRC in Canada and Dr. Hedley from the International Institute of Tropical Agriculture in Nigeria. There will be two people from the Rockefeller Foundation and one from the Ford Foundation. There will also be several people from OECD joining us.

Mr. B. Chadenet,
I.B.R.D.,
1818 H Street, N.W.,
Washington, D.C. 20433.
Etats-Unis

...2...

On the recipient side, I have limited the number of participants to 5 or 6. Thus far, we are fortunate that Raanan Weitz from Israel (whom you undoubtedly know) and Professor Dantwala from India have accepted. I have also received a tentative acceptance from Kenya and am awaiting replies from invitees from Mexico, Venezuela, Brazil and Tunisia. Ceylon will be represented by a senior economist who is currently spending a brief period at the Centre.

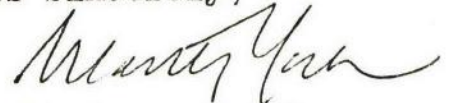
From the above you will see that we expect 20 or so people and we anticipate the main value of the meeting will lie in the discussion and the reaching of some tentative conclusions for possible approaches to rural development.

I had hoped that Ambassador Martin, the Chairman of DAC, would be able to chair the meeting but he will be in Santiago. I am still thinking about a chairman; possibly Mr. Paul-Marc Henry or myself would chair the meeting, or perhaps you would care to make a suggestion as to who might do it.

One final, social note. The OECD will provide a lunch at the Development Centre on the 15th, and Mr. Paul-Marc Henry and I and our wives will host a cocktail-buffet at my house on the evening of the 15th.

I hope you will be able to join us for what should be a useful and constructive session.

Yours sincerely,



Montague Yudelman

cc: Mr. Evans, Washington
Mr. Karasz, Paris.

OCDE

ORGANISATION DE COOPÉRATION
ET DE DÉVELOPPEMENT ÉCONOMIQUES

94, rue Chardon-Lagache
PARIS-XVI^e

Le Vice-Président
The Vice-President

OCDE
✓ *the Rural Dev.*

OECD

ORGANISATION FOR ECONOMIC
CO-OPERATION AND DEVELOPMENT

CENTRE DE DÉVELOPPEMENT
DEVELOPMENT CENTRE

Téléphone: 527 65-19

18th April, 1972

Dear Mr. Chadenet,

I would like to inform you about the progress being made with the arrangements for the seminar on rural development.

First, the seminar will take place here at the OECD Development Centre on 15-16 May. It will begin at 10 a.m. in the morning of the 15th and will probably end at lunch time on the 16th as several of the participants, including myself, are going on to Bellagio to attend a meeting there beginning the next day. However, it may well be that participants will continue discussions in the afternoon. I will undertake to see that a record is kept of the discussion.

The discussion itself will consist of three sessions: conceptualisation of rural development, national experiences and problems of giving aid for rural development and, finally, some discussion of how the Bank might approach the problem.

There will be two short papers, one prepared by OECD on the conceptualisation of rural development and the other by the IBRD on the Bank's programme for rural development. In addition, Mr. Hunter would like to present a very brief paper expressing his ideas on rural development.

We are expecting some 5 to 7 persons (including yourself) from the IBRD. We have also invited two representatives from the FAC (yet to be nominated), one person from FED, one person from UNDP, one from FAO, Mr. Porter from the British Government, Mr. Hunter from Reading University, Mr. Hopper from IDRC in Canada and Dr. Hedley from the International Institute of Tropical Agriculture in Nigeria. There will be two people from the Rockefeller Foundation and one from the Ford Foundation. There will also be several people from OECD joining us.

Mr. B. Chadenet,
I.B.R.D.,
1818 H Street, N.W.,
Washington, D.C. 20433.
Etats-Unis

...2...

Original for Mr. Chadenet
Date: 4-21-72
Communications
Section

On the recipient side, I have limited the number of participants to 5 or 6. Thus far, we are fortunate that Raanan Weitz from Israel (whom you undoubtedly know) and Professor Dantwala from India have accepted. I have also received a tentative acceptance from Kenya and am awaiting replies from invitees from Mexico, Venezuela, Brazil and Tunisia. Ceylon will be represented by a senior economist who is currently spending a brief period at the Centre.

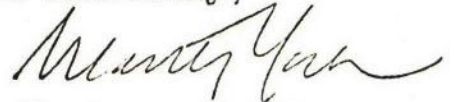
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One final, social note. The OECD will provide a lunch at the Development Centre on the 15th, and Mr. Paul-Marc Henry and I and our wives will host a cocktail-buffet at my house on the evening of the 15th.

I hope you will be able to join us for what should be a useful and constructive session.

Yours sincerely,


Montague Yudelman

cc: Mr. Evans, Washington
Mr. Karasz, Paris.

Rural Develop-
ment Agriculture

Mr. W. A. Wapenhans

April 17, 1972

Uma Lele

The Bank and the Agricultural Research in India

1. I understood from Mr. Peter Naylor in New Delhi that you propose to arrive in India on May 1, and will discuss the research question with the GOI officials. I am on my way to East Africa and would reach Washington on May 1. Hence this memo which summarizes my discussions regarding agricultural research on the areas specified in the earlier Duane-Lele memo.

2. This summary is based on my discussions with the following persons:

Prof. M. L. Dantwala and C. H. Shah at the University of Bombay; V. S. Parwardhan, Maharashtra State Finance Corporation; D. K. Desai, G. M. Desai, Gaikwad and others at the Indian Institute of Management; Ahmedabad Khan, Managing Director, Agro-Industries Corporation, Government of Gujarat; M. N. Namjoshi at the Vaikunthlal Mehta Cooperative Training Institute, Poona; Ram Saran, Economic Adviser to the Ministry of Food and Agriculture, Government of India; Dharam Narain and V. S. Vyas, Chairman and Member of the Agricultural Prices Commission, New Delhi; Prof. A. M. Khusso and Hanumantha Rao, The Institute of Economic Growth, New Delhi; S. M. Shah, the Ministry of Food and Agriculture; J. S. Sarma, Member, Secretary, the Commission on Agriculture; Asok Mitra, Secretary, Planning Commission and G. V. Ramkrishna, Joint Secretary, Ministry of Finance; Leonard Joy, UNDP - Indian Council of Agricultural Research, New Delhi; S. C. Chandhri, the National Sample Survey, New Delhi; Abe Weisblatt, the Agricultural Development Council, New Delhi; Wolfe Ladejinsky, the IBRD; Sugata DasGupta, the Gandhian Research Institute, Benares; Prof. Kahlon and Johl, the Punjab Agricultural University; C. Muthiah, Agro-economic Research Centre, Madras. I also attended the Annual Meeting of the Indian Society of Agricultural Economics in Benares, where problems of credit, dryland farming and price policy were discussed.

3. In addition to these discussions regarding survey of research, I visited the Rice Processing Centre at the Indian Institute of Technology in Kharagpur to set up a study on Economics and Management of the modern rice mills and held discussions regarding modernization of the rice milling industry with Prof. A. C. Pandya, IIT, Kharagpur; Mr. V. S. Aggarwal, President, the East India Rice Millers' Association; and Mr. Chahal, Joint Secretary, Department of Food, Ministry of Food and Agriculture. A separate report on my discussions and views on the GOI's very preliminary proposal on modernization of the rice milling industry is also attached.

4. The existing and ongoing research

The research areas in which I conducted a survey may be broadly divided into two areas:

- a. Research on agro-industries and marketing including input and output marketing.
- b. An integrated approach to rural development (please refer to my earlier statement for details).

Fragmentary studies on specific agro-industries are being conducted in some institutions. Of these, the IIM's work on post harvest rice processing is of significance. However, even this work consists of descriptive case studies. It fails to examine the economic feasibility of modernization and the choice of technology in rice processing, the two most important questions in the field of modernization. There also are the IIM studies of pesticide and fertilizer marketing. The NCAER may do some feasibility studies of fruit canning, etc., in connection with the Bank's Bihar market project. Even such studies are few in numbers.

5. The most significant lacuna in the existing work has been an overall perspective and a policy context in which problems of small industry must be viewed so as to provide a strategy for fostering their growth. This point was stressed by several individuals including J.S. Sarma, V. S. Patwardhan, A. M. Khusso, Hanumantha Rao, M. L. Dantwala, A. C. Pandya, Asok Mitra and Leonard Joy. For example, no work has been done on consumption patterns by various income groups in the Rural sector. This should provide a prime indication of the desirability and potential for growth of various types of small industry. Nor does one know much about choice of technology and economic feasibility, including location and size to determine which of these industries could be set up in the small sector, or what direct and indirect potential do these industries hold for employment generation. Small industry provides an extremely effective way of channeling the resources of the rural rich. In view of the recent discussion on land ceiling, considerable interest is being shown by the large landowners in Gujarat in exploring investment possibilities in agro-industry. This is an opportune time to do studies on forms of economic organization, marketing and technological questions. J. S. Sarma cited an extremely relevant example of the dairy industry, which is often talked about as having a great potential for growth. Little useful economic analysis has been available on this very important industry with the exception of studies by DePonaves and Nightingale both in early sixties, under John Mellor. One could go on ad infinitum with problems that need to be researched for formulation of a workable policy for fostering growth of agro-industry.

6. This lack of a problem solving policy oriented approach is also evident in research on integrated rural development. The work on growth centres just started through the Ministry of Agriculture is the only exception. In this case an effort is being made to identify possibilities for developing interdependent communities through growth of market towns. However, the emphasis has so far been sociological and geographic rather than economic, and on consumption rather than on production. The work on growth centres may, however, provide a useful basis for examining the economics of infrastructure in the context of accelerated economic activity in the rural sector. Similar deficiencies of problem solving nature are evident in research on employment oriented schemes such as crash public works programs and various other programs for small and marginal farmers. Little research has been done to examine if these schemes would be productive and to examine how best to make these schemes productive given the institutional constraints within which they must operate. The existing impressionistic evidence only shows that in some states more of the allocated resources have been spent than in others and that in some states organization of the schemes is better than in others.

7. Research Personnel: The factors discussed above result from an imbalance in the availability of research personnel in India. There are large numbers of economics graduates who can be used for collection of useful data. There are few extremely competent economists, most of whom are much in demand for policy work. There are, therefore, very few who possess the broad perspective and an analytical ability but who are also available for doing useful research. Several persons indicated that this is where the Bank research may make a useful contribution in training personnel and in providing existing personnel with an opportunity to do problem-oriented research.

8. Outlook towards the Bank's role in the Research: The leading research workers and research administrators that I talked to seemed to feel that there is a great need for additional research and that the needs of the Indian policy makers are highly complementary to those of the Bank. They indicated the problems in administering short-term Bank research for which temporary staff may have to be hired in research institutions. They, however, indicated that projects that the Bank may undertake on a somewhat long-term basis (i.e. one to two years) may indeed make a useful contribution in developing research staff in India.

9. It is thus evident that if the Bank were to get into employment-oriented projects in the agricultural sector, which yield an acceptable return, there is a great need for further research. This research would provide very useful input into formulation of better projects in the future. The problems in doing research in India are twofold: bureaucratic and organizational.

April 17, 1972

10. The Indian bureaucracy by and large seemed reticent about the Bank conducting agricultural research in India, that is not very directly related to preparation of projects or to evaluation of the Bank financed projects. It needs to be pointed out to the persons concerned that any research that the Bank does in India would help it to formulate better projects in rural development, not only in India but elsewhere in the world. For this, it is essential that the research undertaken by the Bank in India not be confined only to the Bank experiences. These are limited, whereas there is a very rich non-bank experience in rural development in India.

11. The organizational problem involves use of the existing massive manpower with proper supervision so as to guide the research into a right direction. Various persons and institutions in India would provide a useful role in this task. The Bank staff must, however, provide an input to assure that the research, in fact, fits the needs of the Bank.

12. If both these problems are to be surmounted, it may be highly desirable to obtain clearance from the GOI for broad fields of research rather than having to obtain clearance for each research project undertaken irrespective of its size. This will greatly reduce the delays resulting from the bureaucratic red tape in starting research in India. It may also permit a much broader choice of persons and institutions.

ULele/sks

(typed and distributed in Mrs. Lele's absence)

cc: Messrs. Henderson, Stevenson, Reutlinger, Hendry, Duane, Mellor
Votow, Kraske, Reynolds, Cunningham, Baneth, Naylor,
Ladejinsky.

APR 18 1972

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Ulefa/sks
(typed and distributed in Mrs. Ulefa's absence)

cc: Messrs. Henderson, Stevenson, Rowlingson, Hendry, Dune, Mellor, Votow, Kraska, Reynolds, Gunntham, Baneth, Naylor, Ladajinsky.

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Rural Dev-

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SECRET/DAC
✓ cc Rural Development

April 13, 1972

Mr. A. Karasz
International Bank for Reconstruction and
Development
66 Avenue d'Iéna
Paris 16e
France

Dear Arthur:

I am planning to go to Paris on Monday, May 15, and Tuesday, May 16, to attend a seminar organized by DAC (I think) on rural development. I will be with Mr. Evans. I heard about the seminar from Mr. Yudelmann, whom you know will be joining the Bank to work on rural development next summer.

The purpose of this letter is

- 1) to inform you about my visit to Paris as I may, if you think it is necessary, pay a visit to FAC; and
- 2) to ask you to check with Mr. Yudelmann whether this seminar is on, and to send me in advance a detailed schedule so that I can combine other activities.

One of these other activities would be to spend an evening with a religious group to fulfill a promise made a long time ago to my cousin, Father Paul Chadenet, to whom I am sending a copy of this letter. I will suggest that he contacts you to choose the most convenient time.

I am also planning to pay a short visit to FAO immediately after or immediately before the DAC seminar.

With best regards,

Yours sincerely,

B. Chadenet

B. Chadenet

Rural Development

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ATTENDING PARIS AND BELLAGIO RURAL DEVELOPMENT SEMINARS AND
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LTURE MALAWI WHETHER HE CAN RELEASE MERCER FOR THAT
PURPOSE DURING WEEK CONCERNED STOP WILL KEEP YOU
INFORMED OF FURTHER DEVELOPMENTS REGARDS

BRAKEL

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Rural Development

OUTGOING WIRE

TO: **UMA LELE**

DATE: **APRIL 7, 1972**

GRAND HOTEL

CLASS OF
SERVICE: **FR**

rcw

CALCUTTA

COUNTRY: **INDIA**

TEXT:
Cable No.: **No. 2**

PROCEED TO AFRICA AS SCHEDULED STOP WILL MEET YOU DAR ES SALAAM ON
ARRIVAL THURSDAY MORNING APRIL 20 STOP WILL STAY IN NAIROBI THROUGH
APRIL 27 ~~STOP~~

SHLOMO REUTLINGER

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME **Shlomo Reutlinger**

DEPT. **Economics - Agr. & Rural Dev. Division**

SIGNATURE *Shlomo Reutlinger*
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

REFERENCE: **Mission to East Africa**

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Checked for Dispatch: *J*

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APR 11 1972

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SIGNATURE (SIGNATURE OF INDIVIDUAL AUTHORIZED TO VERIFY)

APR 7 1 11 PM 1972

DATE ECONOMICS - U.S. & BURUNDI DEPT.

COMMUNICATIONS

CC: IBSD - DEPT OFFICE

NAME SUTOMO KENJIRUKEI

CLASSIFICATION AND COPY DISTRIBUTION

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SUTOMO KENJIRUKEI

APR 7 1972

ARRIVAL MONDAY MORNING APRIL 30 2:00 PM AT KAMPALA THROUGH

PROCEED TO VISIT AS SCHEDULED 2:00 PM WILL MEET FOR DVS BE HELD ON

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FOR DVS DEPT

DATE APRIL 13 1972

OUTGOING MIBS

ASSOCIATION INTERNATIONAL DEVELOPMENT	RECONSTRUCTION AND DEVELOPMENT INTERNATIONAL BANK FOR	CORPORATION INTERNATIONAL FINANCE
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OFFICE MEMORANDUM

TO: Mr. Andrew Urquhart

DATE: April 7, 1972

FROM: Gregory B. Votaw *GV*SUBJECT: March 22 Meeting of Directors - (Your memo of March 24)

I have a question about the paragraph on the Rural Development Unit. Your last sentence in that paragraph describes the functions of the "Unit". These functions sound to me more like ones which are appropriate to the "Committee of Representatives" than the Unit itself. Is this a mis-print? I would hope that the Unit would be able to do more than review, coordinate and develop approaches - e.g., help prepare and ultimately appraise projects.

cc: Messrs. Cope, Chadenet

GBVotaw:jw

Mr Votaw

I've just seen
your note on my return.

Perhaps it would have been clearer
if we'd said "The initial
functions...".

2. The unit, ~~if it~~ unless it
grows beyond what is at present
proposed, will not itself be appro-
priate to appraise projects. It may
make an input into appraisal
of rural development projects of
which a good many have been and
will continue to be appraised by the
various divisions of A.G.P. Division

Mr. John R. Burrows

Roger A. Hornstein

Mission to Paris and Nairobi - Terms of Reference

On or about April 18, 1972 you will arrive in Paris to attend the Consultative Group for East Africa's meeting on Kenya. After the meeting you will proceed to Nairobi to join the ILO/UNDP Employment Mission for about two weeks. While in Kenya you will join Mr. Reutlinger and Mrs. Lale for part of their discussions on rural development, liaison, as appropriate, with the proposed family planning reconnaissance mission and the DFC mission, and meet with Mr. Bottelier for discussions with the East African Statistical Office in Nairobi.

You should also acquaint yourself with progress made in preparing projects scheduled for FY74 and FY75 and discuss with relevant Government officials and the PMA some of the areas of lending proposed for the later years of the lending program, including agricultural processing, irrigation, fisheries and small-scale business.

You should return to office on May 15, 1972 and prepare such reports on your findings and discussions as are appropriate.

JRBurrows:pb

cc: Mr. Collier

East Africa Consultative Group
cc: East Africa - Nairobi/Phy Dev
cc: Kenya - Family Planning
cc: Kenya - Dev. Bank
cc: East Africa - Terms of Ref.
April 7, 1972
cc: Kenya - Terms of Ref.
cc: Employment/Unemployment
cc: Rural Dev.

RAT

Rural Development.

Letter No. 167

April 7, 1972

Mr. W. Brakel
Chief
Permanent Mission in Eastern Africa
P.O. Box 30577
Nairobi, Kenya

Dear Bill,

I am writing to ask whether you think it would be possible for Andrew Mercer to visit Paris and Rome in mid-May to participate in two rather important seminars on rural development. The first is being organized by the OECD Development Center, and will take place over the whole of Monday May 15 and the morning of Tuesday May 16. The organizer is Monty Yudelman who is Vice President of the Development Center, and the seminar will in several ways be particularly relevant to concerns of the Bank. You may soon see an announcement that Yudelman, after he leaves OECD in August this year, will be joining the Bank to head up a Rural Development Unit in Agriculture Projects Department. He is inviting a number of people from India, Venezuela, Israel, Kenya and Mexico. He also hopes to have representatives from Ford and Rockefeller Foundations, Inter-American Development Bank, FAO and IBRD, plus representatives from the United States, France, the United Kingdom and a few other countries. Bernard Chadenet, Bill Wapenhans and I will be attending, and perhaps one or two more. The intention is to have not more than about 30 people attending. We have not yet got a detailed Agenda, but rural development will be the theme.

Then, starting on Wednesday May 17 and continuing through Friday May 19, there will be a meeting at the Rockefeller Conference Center, which is at the Villa Serbelloni, Bellagio, near Milan, which John Pino of the Rockefeller Foundation is organizing. The Bellagio meeting will be discussing rural development at one of its sessions, for probably half a day, and I think it likely that this may be on Wednesday May 17. Some of the people who will have attended the Paris seminar will be going on to Bellagio, and the number at Bellagio will also not exceed 25 to 30.

Mr. W. Brakel

- 2 -

April 7, 1972

The sponsors of both of these meetings are particularly keen to have representation from men who have good practical experience of rural development and working with small farmers. Rockefeller are arranging to have an experienced man from Mexico, who has been running rural development projects there, to attend the Bellagio meeting.

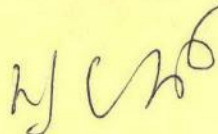
We would be particularly pleased if Andrew Mercer could be available to attend both meetings. It would mean his having to arrive in Paris not later than Sunday May 14, then going on to Bellagio and leaving not later than May 18 or 19. We remember the excellent contribution which Andrew made at the Reading Conference a few years ago. I believe that the same kind of presentation which he made for Reading, suitably updated to reflect his latest experience, might be appropriate. I would write to him further about this if you are able to indicate that he could attend.

In the event that Andrew is unable to undertake this assignment, we should be most grateful if you could explore whether Victor Burke could do so. We believe that either could make a very significant contribution to these meetings.

In case you wish to write to Mercer or Burke, I enclose an additional copy of this letter.

Kindest regards,

Yours sincerely,



L.J.C. Evans
Director
Agriculture Projects Department

LJCEvans:lkt

OECD -
Vice Rural Dev -

April 7, 1972

Mr. M. Yudelman
Vice President
Development Center
OECD
Paris, France

Dear Monty,

Many thanks for your letter dated March 29. I am very pleased to know that you have moved ahead with the organizing of the proposed seminar on rural development. We shall look forward to hearing further from you. Meanwhile I have written to the Head of the Permanent Mission in Eastern Africa asking him to arrange for the attendance at the seminar of Andrew Mercer, who is Project Manager of the Lilongwe Project in Malawi. Mercer is very experienced in rural development and in working with small farmers, and he made a worthwhile contribution to the Reading Conference a few years ago. If he should be unavailable, I have asked for arrangements to be made for Victor Burke, who is Manager of another interesting project in Ethiopia, to attend.

I think from here Bernard Chadenet, Bill Wapenhans and I will attend, and we might like to have one more slot if space permits. On present plans Steve Eccles may be able to join us as soon as he is back from a mission to India.

I am leaving tomorrow for Rome and shall be there until April 15, when I go to London. I leave London on April 18 and after giving a seminar at Cornell shall return here on April 20. If we have any further ideas about likely participants for the seminar we will let you know during the next couple of weeks.


Under separate cover we are sending you a copy of the current draft of our Sector Program Paper. It is being slightly revised following discussion with Mr. McNamara this week, and will be reviewed by our Executive Directors at the end of May.

It was a pleasure to see you here recently, and I look forward to seeing you again soon.

Kind regards,

Yours sincerely,

cc: Mr. S. Eccles


L.J.C. Evans
Director

LJCEvans:lkt

Agriculture Projects Department

Headquarters:
Washington, D.C., U.S.A.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

RESIDENT REPRESENTATIVE IN INDIA

53 Lodi Estate, New Delhi 3

Telephone 617241

Cable Address - INTBAFRAD NEW DELHI · Postal Address - P.O. Box 416

Rural Development
cc Migration
cc Agriculture
cc India-Res.Rep

Letter No.127

April 3, 1972

Mr. Jochen Kraske
South Asia Department
International Bank for Reconstruction
and Development
1818 H Street, N.W.
Washington, D.C. 20433

Dear Jochen:

Do you think you could find some way of improving the flow of information between the Indian Division and this office as regards the arrival of missions. It quite often happens that the first we hear of the arrival of a mission is when we are phoned up by Economic Affairs or one of the Ministries asking for further particulars about when someone is arriving and we are made to look very stupid when we have to say that we know nothing about it. A typical example of this was the arrival of the Madhya Pradesh mission. The first I heard of this was when Rajagopalan rang up and I had to ask him if he could pass on to me particulars of the mission. In fact their plans had been communicated to Shroff in a memo but nobody had thought of sending it to us and it was not until after the mission had arrived, more than two weeks after the memo itself had been written, that we received the memo.

The situation is considerably worse in respect of FAO/IBRD C.P. missions. A recent two man mission to the Pamba project in Kerala was in fact on its way out of India before I happened to discover that they were here at all and a previous visitor to Jayakwadi I only heard about coincidentally because a friend in the FAO group in Rome wrote and asked if we could help him with some secretarial assistance. I talked to J.P. Bhattacharjee when he came through here recently and he said he would see what he could do to improve things at his end and handed over to me a copy of their mission timetable. This is already sent to Agriculture Projects in Washington on a regular basis and it would seem fairly simple for them to try and keep us informed of pending FAO/IBRD missions to India through you as a matter of routine.

When I was talking with J.P. Bhattacharjee about various project ideas in which they were interested, he suggested that there were a number of possibilities in the State of Jammu & Kashmir which were worth looking at. I said that as far as I knew, we were not in a position to undertake any lending operations to Jammu & Kashmir because of its present indeterminate international status. Would you please confirm that this is correct since if we cannot lend there, I will steer their energies in alternative directions, and we need waste no further time in thinking about projects in that particular State.

Now to turn to an entirely different subject. I have just received your letter no.115 attaching for my information and comments a paper on economic research in the agricultural sector. Paul Duane had in fact sent me this paper



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

RESIDENT REPRESENTATIVE IN INDIA

33 Lodi Estate, New Delhi 3

Telephone 617241 Cable Address - INTBARD NEW DELHI . Postal Address - P.O. Box 416

Letter No. 127

April 3, 1972

Mr. Jochen Kraska
South Asia Department
International Bank for Reconstruction
and Development
1818 H Street, N.W.
Washington, D.C. 20433

Dear Jochen:

Do you think you could find some way of improving the flow of information between the Indian Division and this office as regards the arrival of missions. It quite often happens that the first we hear of the arrival of a mission is when we are phoned up by Economic Affairs or one of the Ministries asking for further particulars about when someone is arriving and we are made to look very stupid when we have to say that we know nothing about it. A typical example of this was the arrival of the Madhya Pradesh mission. The first I heard of this was when Rajagopalan rang up and I had to ask him if he could pass on to me particulars of the mission. In fact their plans had been communicated to Shroff in a memo but nobody had thought of sending it to us and it was not until after the mission had arrived, more than two weeks after the memo itself had been written, that we received the memo.

The situation is considerably worse in respect of FAO/IBRD C.P. missions. A recent two man mission to the Pamba project in Kerala was in fact on its way out of India before I happened to discover that they were here at all and a previous visitor to Jayakwad I only heard about coincidentally because a friend in the FAO group in Rome wrote and asked if we could help him with some secretarial assistance. I talked to J.P. Bhattacharjee when he came through here recently and he said he would see what he could do to improve things at his end and handed over to me a copy of their mission timetable. This is already sent to Agriculture Projects in Washington on a regular basis and it would seem fairly simple for them to try and keep us informed of pending FAO/IBRD missions to India through you as a matter of routine.

When I was talking with J.P. Bhattacharjee about various project ideas in which they were interested, he suggested that there were a number of possibilities in the State of Jammu & Kashmir which were worth looking at. I said that as far as I knew, we were not in a position to undertake any lending operations to Jammu & Kashmir because of its present indeterminate international status. Would you please confirm that this is correct since if we cannot lend there, I will steer their energies in alternative directions, and we need waste no further time in thinking about projects in that particular State.

Now to turn to an entirely different subject. I have just received your letter no. 115 attaching for my information and comments a paper on economic research in the agricultural sector. Paul Duane had in fact sent me this paper

General Management
Imports
Agriculture
Dr. Rao - Rao

but I had refrained from commenting since he was due to arrive here shortly. Since you ask for comments I would like to give you one or two points that occur to me.

The first point is one which I have made before on a number of occasions, which is that before we go any further (and I would have liked to have done this long before we had gone as far as to send Duane and Mrs. Lele out here) we should discuss our proposals with the Indian government. I realise that Duane's visit here is partly for this purpose but the proposals which he is intending to examine seem to have gone a fairly long way already without consultation. I am sure there are a number of areas where what the Bank thinks ought to be studied and what the Indian government would like to have studied coincides. What is included in this memo may or may not represent this area of agreement. It would be very fortunate if it did. There may well be however a number of areas where the government would be glad of help and which are not covered in this memo or vice versa. I realise that we are still at an early stage in setting up this program but I would like to see a dialogue started immediately before we get too far down into Duane's proposed irrigation studies or Mrs. Lele's studies on integrated rural development.

The thing which intrigues me most in the whole document is how curiously blurred are the edges between the economic studies which are proposed and the studies which are basically project oriented. For instance item 2 on irrigation, while it may be partly economic, has a very large technical element which also would require to be researched in detail in order to make the whole study operationally successful. Similarly for item 4 on the potential for projects involving livestock etc this strikes me as almost entirely project oriented and having very little economic orientation per se. Therefore when commenting on the document it is difficult to know whether to raise again the various subjects which I have suggested at least twice in the last six months should have been included in this list, e.g. dry land farming or obstacles to cash crop development, such as cotton marketing. It strikes me that we might be much better engaged in trying to assist in research into dry land farming than into research into some of the more esoteric aspects of irrigation development such as are outlined in item 2.

As regards the mechanisation study and its extensions which are outlined in the document, I feel that events have overtaken us. I would be extremely surprised if the Bank ever has another mechanisation project in India and therefore I feel that studies of the impact of mechanisation in India have now ceased to have much relevance to our future operations here. (I could be wrong to the extent that we may finance locally produced tractors.) I realise that we are hoping to gain information which may be usable in other countries, but I do not think we should delude ourselves that it has any relevance to our Indian operations any more.

One final point, on Mrs. Lele's studies of rice marketing. I have now seen a first draft of the government's rice milling project and while I think a considerable amount of work, particularly economic work, needs to be done to bring this to a stage when we can appraise it, I do not think this will take

Mr. Jochen Kraske

- 3 -

April 3, 1972

a very long time. Therefore anything which Mrs. Lele attempts to do needs to be done quickly. Indeed I think her studies will be an essential preliminary to appraisal and can form part of the additional studies that are needed.

That covers all the points I wanted to make to you at present. I hope we shall be hearing from you very shortly about the proposed summit meeting to discuss the agricultural sector paper with the government.

Yours sincerely,



P. E. Naylor

Copies to: Messrs Wapenhans

Duane

Mrs. Lele

APR 17 5 18 PM 1972

MAY 13 2 48 PM 1972

Mrs. Leje

Business

Copies to: Messrs. Marenburg

B. E. Malyok



Yours sincerely,

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Africa Rural Development Study File

March 30, 1972

Robert Shaw

Meeting with Francis Bour - SATEC

1. On Wednesday, March 29, Reutlinger, Donaldson, Shaw, Longhurst and Roe met with Francis Bour, Director of SATEC; Arthur Fern, SATEC's U.S. representative; and Mary Laird, interpreter. The purpose of the meeting was to discuss SATEC's techniques and organization of rural development.
2. Earlier, in a meeting with Mr. Henderson, Bour had described the overall operation of SATEC. It had started in 1956, funded by FAC, and working principally in the French West Indies on small-scale rural development projects, including agriculture, artisans and fishermen. In 1960, SATEC had been asked to broaden its activities to include larger projects in Francophone Africa. There are now numerous projects in Africa, two of the most successful being the Zou project for cotton in Dahomey and a rice project in Malagasy.
3. SATEC's mode of operation involves essentially technical assistance, the strengthening of institutions for supplies and marketing, the identification and supply of appropriate agricultural technology, the creation of a cadre of managers initially through the use of expatriates, and the training of a large number of low-level technicians to work directly with farmers (the technique of "vulgarisation").
4. Bour stated that the principal challenge for rural development was to create a sense of enterprise among managers and farmers. The colonial experience had concentrated on building an administrative system, but this was not sufficient to cause progress in rural areas, rather it was dedicated to preserving law and order and supplying services. But progress in rural areas required entrepreneurship.
5. In the meeting with ARD, Bour expressed his interest in the Africa Rural Development Study and his approval of the draft terms of reference. He said that he would like to discuss the Zou project in Dahomey to illustrate the terms of reference.
6. The Zou Province of Dahomey has a population of 300,000. The SATEC project was begun in 1964/65 and is now extended to 25,000 farms comprising roughly half the population. These farmers are organized into 450 village groupings. Rainfall in the area is fairly regular and adequate, amounting to at least 800 mm p.a. Soils are reasonably good and land is not in short supply.

7. The principal crops in the project area are cotton, peanuts, maize and some rice. SATEC has focussed most of its efforts on smallholder cotton production, each family owning from 1 to 5½ acre blocks of cotton. In 1965, less than 100 ha. of cotton was grown in the province. In 1970, this had expanded to 14,000 ha. and in 1971 to 20,000 ha. Yields are still relatively low, averaging about 1 ton/ha. In 1971 they were lower because of problems with pesticide supply. Spraying is performed in some cases by the village grouping (which Bour regarded as preferable), in other cases by the low-level technicians employed by SATEC.

8. Incremental per capita income over the six years of the project is estimated at \$100. In 1970, the gross value of sales of agricultural produce was \$2 million, with the cost of inputs being about \$400,000. The aim by 1980 is to raise sales from the project to \$4 million.

9. SATEC has had no opportunity to observe systematically the secondary and tertiary effects of the project. However, farmers were buying radios and bicycles, improving their housing and paying \$15 for simple farm implements (which unfortunately were still imported).

10. Initially, SATEC was in charge of the entire project. It later worked in conjunction with a local governmental organization. In the last two years, a Dahomean government organization SENACO has been established to take overall responsibility for the project and to extend it to other areas of the country. SATEC remains responsible for management. There are 10 expatriates working for SATEC, and these have trained 150 local extension agents, generally local youths who have completed primary school. These extension agents are responsible for direct technical assistance to the village groupings and to farmers, and also for monitoring the project. Each farmer answers a detailed questionnaire on each phase of his activities. SATEC is in the process of building simulation models and doing factor analysis based on this mass of data.

11. Marketing is done through a French monopoly, C.F.D.T., which buys, processes and sells the raw cotton. The Government wanted SENACO to take over the purchase of the cotton from the farmers. A price for the cotton is negotiated between C.F.D.T. and SATEC and SENACO who represent the farmers. The price last year was CFA 37/kg or roughly \$150/ton.

12. Functional literacy is recognized by SATEC as one of the keys to success in their projects. Literacy campaigns have been mounted and for the last year they have been experimenting with the use of simple and cheap audio-visual aids to teach farmers techniques and about the operation of a cooperative.

13. One of the reasons stated by Bour for the relative success of the Zou project as compared to Senegal is that the Dahomeans are more receptive to innovation than the Senegalese (less subject to Islamic influence). However, Bour did not imply that cultural differences are all-important: he maintained that some progress could be made with any community where natural conditions permitted.

14. Bour was concerned about the difficulties created over the role of expatriates in technical assistance. In large capital projects, the salaries and roles of expatriates are hidden in the contract. In SATEC-type projects, they are made explicit, and this creates a problem of presentation. There is also the question of the difference in salaries between local staff and expatriates - this is inevitable but can be minimized if clear plans for local training and takeover are implemented.

RShaw/sks

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RShaw/sks

1971

Rural Dev

March 28, 1972

Mr. Felix J. Brucher
c/o United Nations Development Programme
P.O. Box 1555
Teheran, Iran.

Dear Felix:

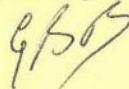
It was good to hear from you and to learn of your future availability for assignments with the Bank as a Consultant in the field of rural development and agricultural education. I have notified not only Mr. Ballantine but also Mr. Evans, Director of our Agriculture Projects Department, of your availability. The latter may be particularly appropriate, since the Bank is in the process of establishing a new Rural Development Unit (RDU) within Mr. Evans' department.

It is much more likely that you will hear from someone in one of these two departments, or directly from the Bank's Personnel Department, than from me, so far as any possible assignments are concerned, but you can be sure that I will do what I can to see that your name gets the attention it deserves.

Although I am not 100 percent clear from your letter, I gather that you will be leaving your UNDP post in Iran permanently this summer and that you will be in Switzerland thereafter. This would mean that you are interested in possible consultant's assignments not only during the coming summer but afterwards as well. If my reading of your letter is wrong, please put me right.

With warmest regards to you and your family,

Sincerely yours,



George B. Baldwin
Deputy Director
Population Projects Department

GBB/is

MVB 29 15 42 6W1855
Jr

March 28, 1972

Mr. Feix J. Brucher
c/o United Nations Development Programme
P.O. Box 1555
Tehran, Iran.

Dear Feix:

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With warmest regards to you and your family,

Sincerely yours,



George B. Baldwin
Deputy Director
Population Projects Department

GBB/1a

MAR 30 12 45 PM 1972

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GENERAL FILES



Rural Development

Mr. Lionel J.C. Evans

. March 23, 1972

Hans Fuchs

Rural Development

Following the proposal you made during the March 22, 1972, meeting on Rural Development, I would like to confirm that the Industrial Projects Department would be interested in being represented on the proposed Advisory Committee. The Department will be represented by Mr. Sani El Darwish, Division Chief.

Mr. El Darwish

CC: Messrs. Kalmanoff, Moore, Finzi, Carmignani

UFinzi:mv

STAMPED DATE 1972

SECRET FILES
MAR 23 4 41 PM 1972

DELETED

CC: Messala, Kujawski, Moore, Blythe, Seligson
Mr. El Deater

Mr. Seligson El Deater, Director Office,
Proposed Advisory Committee. The Department will be represented by
Professor Seligson who will be represented in return represented on the
meeting on Blythe Deater's. I would like to confirm that the individual
concerning the proposed law made during the March 23, 1972.

Blythe Deater

John El Deater

Mr. El Deater, J.C. El Deater

• March 23, 1972

[Handwritten signature]

Rural Development

Messrs. Cheek, de Vries, de la Renaudière,
Steckhan, Denning, Nissenbaum, Povey

March 6, 1972

André Maillard

INTEGRATED RURAL DEVELOPMENT

1. The attached paper was provided to me by a staff member of the Agriculture Projects Department. It is one of the best I have seen about the subject and I think it deserves your attention.

2. For Mr. de la Renaudière, I would add that the paper appears particularly relevant with respect to a project such as the Maradi project in Niger, about which I will have more to write shortly.

Attachment

AM
AMaillard:hlm

Ref.: Rural Development

MONTHLY BULLETIN OF AGRICULTURAL ECONOMICS AND STATISTICS

Vol. 20, No. 9

September 1971

AGRICULTURAL INSTITUTIONS FOR INTEGRATED RURAL DEVELOPMENT

Interest in the integrated institutions approach to agricultural and rural development has mounted steadily over the past two decades. This approach maintains that before traditional, subsistence agriculture can be modernized, a number of external supporting elements, services, facilities, conditions and incentives must be present and accessible. Only then will small farmers find it both possible and attractive to adopt modern technology, or to change their traditional customs and attitudes. For this reason, expenditure on any one service, such as extension, or provision of credit, is likely to bring less than expected returns unless, for example, marketing systems are also improved at the same time and fertilizers and other essential supplies for more efficient production are brought within easy reach of the farmer. Conceptually, there exists for any given agricultural area a minimum complementary institutional framework which governments must help to provide in cooperation with local people, cooperatives and private business. These facilities and services might include, among others:

- (a) an agency or agencies to help farmers and their families to become aware of and be trained in modern agriculture and modern rural living, i.e., agricultural extension and programmes for rural women and youth;
- (b) an agency or agencies to provide rural lending, savings and other banking services, farm supply services, and primary storage, marketing and processing services;
- (c) an agency or agencies to provide for organization of farmer self-help groups to give "voice" to farmers and assist in the mobilization of farm people for participation in agricultural development;
- (d) other specific government agencies required, such as animal health, water regulation and use, soil and water conservation, plant protection, etc.;
- (e) where land reform is essential, land reform services such as cadastral surveys, land registration, tenure reform enforcement and support, etc.

These services, and others according to circumstances, coordinated and suiting the needs of the individual community, must be considered as a minimum for the promotion of rapid agricultural progress. Moreover, it is essential that they function effectively at the local level — which calls for much decentralization of decision making and, in most countries, also some strengthening of central support.

To attempt this simultaneously on a nationwide basis generally involves an increase in money, trained staff and administrative effort beyond the reach of most developing countries. Projects to achieve such a coordinated and simultaneous improvement in services have therefore been confined to limited areas. These are expected to provide a basis of experience and training that would constitute a sound foundation for effective application gradually over wider areas. They also provide an opportunity for developing new financing institutions that will generate from the rural economy itself most of the money needed to support extension of the integrated system on a nationwide basis.

The IAO Conference at its 1969 session endorsed strongly the emphasis now placed on the integrated approach in the establishment of rural institutions. It criticized the continued dependence of many governments on systems which are slow and wasteful in accelerating development, and stressed the necessity for institutions specifically adapted to the requirements of developing countries. The need for much more attention to this area has been emphasized at regional conferences also, and many delegates have asked for a detailed discussion of the principles underlying it, the methods that are being used, and the results obtained.

In accordance with these requests, and with the financial support of the Swedish International Development Authority (SIDA), a symposium on the subject was held in Rome from 21 to 27 June. Twenty-one developing countries that have expressed interest in the integrated institutions approach to development were invited to send two representatives each. Various international and bilateral agencies providing

technical assistance to the developing countries also participated. Team leaders and national spokesmen from projects where the principle of integrated institutional development is being tested were also present, including the FAO/SIDA projects in Afghanistan and Kenya, the SIDA (CADU) project in Ethiopia, the Intensive Agricultural District programme, India, Comilla in Pakistan, the Lachish region, Israel, the Fucino and Maremma development zones in Italy, and the IBRD Lilongwe project in Malawi. Authors of significant publications on this subject, and consultants with special experience, were also present.¹

The purpose of the symposium was to provide a forum for an exchange of views and experience on the essential elements in a strategy for implementing zonal integrated development projects, on the problems that have been encountered, and on the means of solving them.

The symposium also set out to attempt an appraisal of requirements in terms of resources, skills and organizational inputs for successful implementation. This was intended to give guidance to governments and aid-giving agencies on the policies and programmes required for the achievement of the objectives of the integrated approach.

In addition to economic development based on agriculture, the symposium also considered the human and social aspects of rural living. This is in line with the goal of mobilizing human resources for development and with improving the human environment. Attention to means of ensuring greater participation of farmers, their wives and youth in all phases of development, and in the decision making related to it, was a major recommendation of the Second World Food Congress held at The Hague in 1970.

The procedure followed was for FAO to present papers introducing each agenda item. These were followed by statements from a few leading participants and then by general discussion. Working groups were appointed to carry these discussions further and formulate conclusions. It may be of interest to review these conclusions in the light of the presentations to which they may be seen as a response.

¹Including A.H. Ballendux, Head, Department of Agrarian Law of Non-Western Countries, Agricultural University, Wageningen, the Netherlands; Chwen Chang, UPCA/ANCA Social Laboratory, Los Baños, Philippines, author of *Rural Asia marches forward*; Anand Prasad, Director, Academy for Rural Development, Comilla, East Pakistan; G. Hamber, Director, Joint Research Programme on Agricultural Development, Overseas, Overseas Development Institute, London, author of *Modernizing rural villages and the Administration of agricultural development*, London, 1969 and 1970; J.C. Mittal, Secretary, Agricultural Development and Cooperation, Government of India; B. Milosavljevic, Agricultural Planning Advisor, Ethiopia; A.T. Mosher, President, Agricultural Development Council, New York, author of *Creating a progressive rural structure*; Lillian S. Schmidt, Assistant Director, Caisse centrale de coopération économique, Paris; and Yu-kun Yang, Chief, Farmers' Service Division, Joint Commission on Rural Reconstruction, Taipei, Taiwan.

Conceptual framework

The opening FAO paper, "The conceptual framework," was intended to establish clearly the basic framework of the approach. It stressed that there have been many programmes to increase the output of special crops such as coffee or bananas, or to help a special class of producers, but in many countries the general agricultural producer, and especially the small farmer, has received very little assistance.

The emphasis in policy formulation and planning is now shifting in favour of support to the general body of farmers who have traditionally produced mainly for domestic consumption. However, few countries have the resources to do this all at once all over the country. To obtain guidance as to the most effective combination of effort, many are putting together and testing a model integrated agricultural support system in a selected small project area. Here it is hoped that it can be developed into an economic and effective system and then used for training staff, and as a springboard for establishing similar project areas across the country. In this way techniques and trained staff can be built up to provide integrated services throughout a country within a foreseeable period of time.

Integrated agricultural development includes those elements of integrated rural development which are associated with farm production, productivity and income, as well as other elements which directly support these, or otherwise enhance the welfare of farm people. In most developing countries, agricultural development is the predominant element of rural development, in that it usually provides the main economic and population bases. This is why agricultural and related economic institutions are so important in the whole rural development process.

The FAO introduction stressed the importance of timely and coordinated provision of agricultural services. For a progressive agriculture, the off-the-farm elements which support those on the farm, such as availability of credit, production supplies, technical information and services, and marketing and processing facilities and services are equally vital. A major task is to ensure that these elements of production are all present in the right quantities and qualities to match the demands of the weather-season timetable. In practice, this sequence can rarely be maintained in a developing country without a very great amount of effort by the government at every step, whether it is the government itself or private business, or a cooperative which actually provides the service. It is usually necessary to tie the provision of production credit to that of farm supplies such as fertilizers, to ensure that a farmer will have the money to buy the fertilizers, and that when he has the money

in hand, he will, in fact, buy fertilizer. Likewise, it is usually necessary to associate credit, marketing and storage together, in order to ensure repayment of production credit and to enable farmers to wait for seasonally higher prices.

The paper then elaborated on the minimum complementary institutional framework, set out in the opening paragraph of this paper. It stressed that there must be an organizational and administrative structure which unites all the elements in such a way as to make certain timely and coordinated availability at the farm level. To the extent that all of these institutions are administered under one ministry or authority, the task is greatly facilitated. Even if administrative responsibility for the various essential institutions is dispersed, an effective mechanism for their coordination must be devised. At the rural community administrative level, the minimum complementary institutional framework can best be accommodated at an agricultural development centre where all the governmental, quasi-governmental, or farmer self-help organizations or agencies working directly with farm people have their headquarters. Such a centre would normally be situated in a rural market town within easy reach of the farm people to be served.

This approach of establishing all elements of the total system in one small area and replicating this in other areas until the whole country is covered is in clear contrast to that of systematically building toward the complete system by establishing one part at a time on a countrywide basis. Its proponents contend that it could save a great deal of money. By the time the system is perfected and is ready to be replicated in other areas, personnel can be trained in the pilot area to administer the expanded programme. This was the method used in the Comilla project in East Pakistan. Comilla is the only example to date of the detailed planned working of this sequence. After ten years of trial and development its approach has been endorsed for extension to cover the whole of East Pakistan. The Taiwan system is another much quoted example for other countries to follow.

This presentation of the concept was endorsed by the symposium, subject to the observation that the problems and state of preparedness for integrated agricultural and rural development differ from country to country. No standard solution was, therefore, possible. The various measures to be taken and the mechanism employed in implementing them would differ from situation to situation.

It was recognized that most developing countries did not have the required material, and the institutional and trained personnel to start countrywide programmes on their own all at once. Similarly, international organizations and donor countries could not be persuaded to support countrywide schemes

without proof of their viability in the field. The need was therefore evident for carefully planned pilot projects. There was general consensus that such pilot projects should have clearly defined objectives, a manageable area of operation, and should aim at serving all the people in the project area.

The symposium stressed the importance of political commitment at the highest level to programmes of agrarian reconstruction, so as to enable all rural people to share the sacrifices and benefits of development. Integrated area projects provide an opportunity to try out new agricultural techniques for increased production and a better life, particularly for smaller farmers and labourers, and in backward and neglected areas. While the initial drive of any integrated rural development programme will in most cases be directed toward agricultural productivity, it must also embrace the social, economic and human aspects of life.

Coverage of institutions and services

The introduction to agenda item 2, "Coverage of institutions and services needed to achieve an impact," was a more controversial paper based upon a manuscript by S. Barraclough. The view was expressed that integrated development approaches based on limited project areas may achieve their objectives fully but still fail to promote a country-wide improvement in the conditions of most of the rural population. His thesis was that area projects have no possibility of accomplishing this unless the dominant policies of the country are favourable. In the face of long-established interests, this may only come about through a radical change in government, and the effect in the countryside would only be significant if associated with considerable structural change. Direct management of advisory services, credit and marketing institutions, etc., by organizations of the small peasantry would be necessary to ensure that these services were being operated in their interest.

The working group concluded that there are no standard answers to the problems of rural development strategy. Specific answers must be found to meet the requirements and situations in each country. Integrated rural development can be achieved in some countries by a gradual evolutionary process based on existing institutions and, in other countries, more radical and revolutionary changes may be required before integrated rural development can be effectively implemented. It then went on to stress the critical importance of training in management skills for the effectiveness of any programme, whatever its policy goals.

Selection of a project area

The introductory paper for item 3, "Considerations in the selection of an area in which to initiate a demonstration project," in the light of economic and social needs, chances of success and the provision of guidance on the scope for replication elsewhere, attempted a blend of economic, rural administration and sociological expertise. It achieved the goal of attracting contributions on the basis of project experience toward the refinement of project area selection considerations. Clearly the area to be selected should be representative or typical of the region where new agricultural technology is to be introduced in a coordinated manner or where a set of problems is to be tackled.

The following criteria, it would appear, provided a convenient measure for initially judging if the area is representative and if it provides the potential for effective integrated operations:

- (a) natural and geographical conditions;
- (b) common infrastructure, services and facilities that might stimulate agricultural development;
- (c) administrative unit and institutions that would make management easier;
- (d) the people, their condition and interest and attitude toward a cohesive and intensive development programme;
- (e) convenient location for demonstration purposes within the region represented.

It also became clear that, while some of the project leaders present were satisfied with the area selected in their case, some were not — which added point to these conclusions.

The consensus of opinion on the size of the area was that it should be manageable; this would depend on such factors as (a) the number of participants or beneficiaries who can be effectively covered by an extension officer; (b) the distance of the village or settlement groups from the operational base of the project; (c) distance from the market centre by foot or by cart; (d) size of the area covered by such infrastructures as commands of irrigation projects and land reclamation and soil conservation, afforestation, etc; (e) density of population and number of holdings.

The view was expressed that a project involving a rural integration component may be able to handle from 50 000 to 100 000 people, or 10 000 to 20 000 households, or an area of about 650 to 1 300 square kilometres, depending on local factors. The size could well be smaller, but then the ratio between investment and returns and overhead costs of personnel and services would require careful consideration. The size of the area would also depend on the resources

that the government, the credit agencies and technical assistance, if any, are in a position to provide.

The size of a problem-oriented project may be determined by the problem itself, whether it is technical, economic or social.

Administrative systems for integrated agricultural development

The purpose of the introductory paper was to discuss the type of organizational structure and managerial arrangements which would be required to achieve integrated agricultural development at the farm level, i.e., at a level which is close enough to the farmer to warrant him effective service. It suggested, *a priori*, that any organizational structure provided must be linked with the civil administrative system at all levels, so as to ensure that agricultural development would be closely linked to the overall effort for rural development, taking into account other important sectors such as health, education, communications, etc. The importance of providing support at the national level through good coordinating links at the top, and well-defined and well-established vertical links between the national and project levels, was also emphasized. The symposium's discussion reflected a consensus in favour of flexibility, but this could be interpreted as reluctance to grapple with the specific problem of achieving an effective management system in practice. Inadequate reflection of public administration interests at the symposium may have been responsible for this.

FAO took the position that there was a certain minimum set of complementary services which must be available on a coordinated basis — confirmed by the symposium as advisory and technical services — for which adaptive research is a vital component, commercial services (supply, credit, marketing); essential physical infrastructure; and, at the appropriate time, assistance to farmer organization and training. There may be instances where certain social needs are critical for the success of a project and must be included in the minimum package. They might be provided by government, semigovernment, cooperative or private organizations, or contributions by all four. Especially highlighted was the need, in circumstances of intensive agricultural development programmes, to create an organizational structure sufficiently close to the farming community, so that it could reach, and be reached by, all the people living in the project area. This was conceptualized by "the local agricultural development centre" — on the grounds that in many cases intensive, integrated programmes could not be mounted and controlled from existing administrative centres. The paper placed particular emphasis on the

need for strong coordination of government services, and on the leadership required, to ensure that all other development agencies, semigovernment, people's associations and the private sector, can be drawn together to contribute to its success.

Few speakers went into the organizational questions raised by the FAO paper. In particular, no view was expressed as to whether a local agricultural development centre which was not an extension downward of regular government services and yet had direct lines of communication to the national level was a valid concept. The working group noted, however, the tendency for ministries and organizations concerned with various aspects of agricultural development to proliferate. This increased the difficulties of coordination. The group considered that services to farmers forming part of a package should be coordinated at an appropriate local level by a senior officer of the predominant agricultural agency, who should be given the necessary rank, status, authority and staff. This coordinator should be able to carry out his activities independent of the local civil administration and should have direct access to higher authorities. However, close links should be maintained with the local civil administration. The group also recommended that civil administrators should receive better training in social and economic development.

While the group did not feel that any single organizational structure could be recommended for widespread adoption, it recognized fully the need for a unified approach to the farmer, whether achieved by a coordination of government services, a public corporation, a major cooperative, or by the integration of private commercial services with public or semipublic authorities. The organograms illustrating desirable linkages between an agricultural development centre and central and local governments were criticized as being too complicated. However, those maintained on a workaday basis for the farmers' associations in China (Taiwan) would appear to be much the same.² The group endorsed the need for local centres, within reasonable access, giving a comprehensive service of help and advice to farmers, possibly combined with a training and information programme. Special emphasis was placed on the need to adapt modern techniques of management to the needs of such systems, as opposed to the traditional administrative procedures of the ministries concerned.

A number of speakers came down strongly against "excessive coordination," and stressed the need for leadership qualities in the coordinator. These favoured the view that the coordinator should be an administrator rather than a technician. There was, however, general support for putting a technically

qualified and experienced officer in charge of agricultural development programmes.

The final section of the paper concentrated on the need for vertical links between the local agricultural development centre and the national level, and the need for strong horizontal coordinating links at the national level to bring together all the agencies concerned with agricultural development. The vertical linkage was stressed to ensure that the project would receive political, economic and administrative support. The case for horizontal coordination was made to obtain a concerted effort, avoidance of duplication of services, etc. The organizational arrangements by which these vertical and horizontal linkages were to be achieved attracted little discussion and no answers were given to the two relevant questions at the end of the paper: What kind of organizational structure is needed to ensure vertical integration between the national level and the local level, and between the local level and people's organizations? How can coordination of government departments and agencies at the national level best be achieved?

The final concern of the working group was the danger of perpetuating excessive bureaucratic control. The group emphasized the primacy of farmers' initiative and decisions as the long-run dynamic of development and the foundation for a self-reliant and vigorous farm community. They endorsed the importance of spontaneous, if assisted, farmers' organizations. Clearly, in the earliest stages of development, when the farmer is socially isolated from the economic environment and has little knowledge, resources or power, government assistance must be at a maximum. But this situation should change progressively, as farmers, individually or in organized groups, are better able to handle the commercial and technical elements of their task and, simultaneously, become attractive customers to banks, suppliers of requisites and purchasers of their produce, whether private or public. In the long run, integrated administration itself becomes less necessary, since the farmer himself chooses to integrate his affairs between services and opportunities which the outside economy offers to him and which he at last has the power and knowledge to grasp.

Popular participation for integrated rural development

This principle was endorsed by another working group examining independently the generation of popular participation in programmes to establish agricultural institutions for integrated rural development. While governments in developing countries must actively initiate and promote integrated agricultural development in the early stages, they should gradually withdraw from the scene as the rural

² See T.H. Shen, *Agricultural development in Taiwan province*, Taipei, 1969, p. 8.

institutions gain strength, and leadership is built up. A progressive lessening of bureaucracy should be a built-in feature of any such plan.

Increased agricultural production was not an end in itself; the principle of social justice involving a majority of the rural population was equally important. The uneven sharing of gains from improved technology and the consequent widening of the gulf between the bigger landholders and the mass of peasantry should be reduced by deliberately planned efforts. The overall economic and social policy of every government should, therefore, create conditions where big and small farmers alike can participate in, and benefit from, agricultural development. To provide both possibilities and incentives for active involvement in the development process, all possible steps should be taken to build up dynamic rural institutions, including federations of farmers' groups, maintaining as far as possible important traditional values of the rural society. Cooperatives and other farmers' organizations are not only expected to perform economic functions but should also become a source of people's representatives in government and quasi-government bodies such as marketing boards and planning authorities, where they can act as a countervailing force to privileged interests. Association of various institutional agencies at decision-making levels would enhance people's sense of involvement, and promote participation.

At the same time, the symposium was prepared to be realistic about the practical effectiveness in the developing countries of cooperative and government services with their problems of influence and corruption. Carefully selected economic incentives could have a profound influence upon people's responses to any programme of agricultural development. Favourable pricing, taxation policies and rewards to staff (both governmental and nongovernmental) in recognition of efficient work, were essential. Social incentives in the guise of public recognition were also effective.

Mobilization of public opinion behind rural development programmes was of paramount importance. Among various means that could be employed, depending upon the dynamics of the situation in each country, would be:

- (a) small groups of people involved in and benefiting from specific production-oriented activity/programme such as tubewells;
- (b) voluntary peoples' organizations acting as animators or catalytic agents;
- (c) field demonstration of new technology supported by farm broadcasts with provision for feedback and a two-way channel of communication;
- (d) adult education programmes, with special emphasis on functional literacy.

Financial considerations in the establishment of a coordinated institutional system

Over the longer term, a coordinated system should cost less to operate than a set of independently managed single-line activities covering the same ground. There should be substantial savings through reduction of credit risks, and on time spent by different officers in servicing individual farmers. However, in practice, many of the existing line activities — extension, credit, marketing, input supply — will need both additional capital investment and current expenditure on operations if they are to become effective elements in a system that will accelerate production significantly in a fairly short period of time. New expenditure on coordination machinery, technical leadership and training will also be incurred without the compensation of immediately visible savings on single-line services. The result of all this should be higher incomes from agriculture in the area served. A large part of this income must then be mobilized through taxation and forced and voluntary savings. This is necessary to meet increased outgoing costs and to provide resources for extension of the system over a wider area.

In a trial and demonstration project, all these outlays will have to be financed by the government in the first instance. This stage will cost more than similar subsequent project areas because of the large initial expenditures on training of staff and research. The relevant measure of success in the first project area will not be how little it costs, but whether or not it can achieve the goal of mobilizing new capital that must be reached before a nationwide system can be built on it. This depends on how well the mechanisms for attracting savings and investments in the project area are developed, for it is only through such savings that a country dependent mainly on agriculture will be in a position to expand such a system.

The working group accepted this basic financial framework. It assumed that, in initiating integrated projects, a beginning would be made with activities resulting in an increase in production and in farmers' incomes. Development of a social infrastructure would come later, with the farmers required to contribute toward its cost.

In the initial stages of development, and where it is to their own advantage because of specific conditions, farmers would receive credit in kind as commodities and services. In addition to production requirements, there would also be some demand for consumption credit. Agriculture is fraught with such uncertainty that without such assistance farmers may not take kindly to innovation. Short-term credit, and instalments on medium and long-term loans would be repaid immediately after sale of their produce. In emergency situations, as in drought years, the government might alleviate the repayment burden on

the farmers. However, arrangements were needed to ensure that increases in income would not be spent on private consumption only; part would be channelled into investment. Savings can be realized through marketing, supply and credit channels by additions or reductions in prices, or by a special development levy, and through rates charged for the use of irrigation water, etc. The Comilla project added a 6 percent service charge to all institutional credit, bringing up the effective rate from 9 to 15 percent. Farmers should be requested to participate to an increasing degree in self-financing of inputs as and when incomes improve. As regards long-term investments in fixed assets, farmers would contribute either in advance or in the form of agreed reductions in their sales revenues. In addition to compulsory forms of saving, ways of inducing small farmers to make voluntary savings through savings banks and similar financial institutions should be explored.

A valuable new point made was that, at the national level, there should be a commitment to convert the usual sectoral and budget-oriented method of economic planning into an area-oriented approach. This would make national planning far more responsive to the demands of coordination and other implementation problems. At the stage of nationwide replication of a successful model project, it would be technically difficult to allocate resources properly if the units for fixing priorities continued to be the compartmentalized schemes submitted to the planning authority by various government departments. This recommendation would be reinforced if the intention was to combine integrated rural development with regional planning and application of growth pole strategy.

EXTERNAL ASSISTANCE

Because of the many demands upon the resources of developing countries, and particularly where foreign exchange is very limited, external assistance can often play a strategic role. Technical leadership and advice, fellowships to provide training in other countries, provision of equipment and production supplies that would involve an outlay in foreign exchange can be of special value both in giving a project initial impetus and in maintaining continuity over periods of uncertainty as to the availability of supporting funds from domestic sources. Grants of an initial stock of fertilizer for sale to farmers in a project area through a new credit system can provide its nucleus working capital. Food aid provided through the World Food Programme and similar sources can generate capitalization of underemployed labour resources that may replace direct expenditure on road building, for example. Nevertheless, it was

recognized that external assistance will generally be small relative to the domestic input, and the main focus must be on developing a system that will become self-supporting.

The symposium stressed the need for capital assistance for the creation of loan funds for medium and long-term credit, and in special cases for covering the foreign exchange component of short-term credit. Such capital assistance should be given on soft terms and should be channelled to specialized lending institutions for agriculture.

It was also pointed out that experience had shown that lack of coordination between donor countries and United Nations agencies on the one hand, and these agencies and the recipient country on the other, could create serious coordination problems for the recipients, since various donor countries and organizations attached different conditions to assistance. Since the goal of such assistance is to support programmes for better coordination on the recipient's behalf, donors should feel encouraged to make efforts for better coordination among themselves.

Project organization and management

How does organizing and managing such projects differ from others that calls for special attention? The difference lies in the degree of organizational complexity rather than in substantial issues. Integration implies bringing together for joint action a number of government, semi-government, private and peoples' organizations which normally work more or less independently. The issue, in practice, is how this integration can be achieved so as to leave each of the participating agencies satisfied that its own particular interests have not been eroded, and preferably have been advanced, while at the same time making progress toward the achievement of common and broader goals.

The FAO introductory paper then discussed the sequence of steps to be taken in getting a project under way. They were restated by the relevant working group as follows:

1. Developing a set of ideas and inviting the participation of potentially interested organizations for the development of a programme.
2. Selecting the project area or areas.
3. Planning: studies to collect data; establishment of specific and realistic objectives; definition of activities within the context of regional plans; deciding on implementation procedures in a phased but flexible sequence; assessment of economic feasibility.
4. Implementation: gaining commitment to the programme at the highest policy-making levels in

order to ensure continuing support from all agencies involved in the implementation of the integrated programme; establishing the most appropriate and workable organizational mechanism; vesting leadership in one agency or individual, with some assurance of competence and dedication; creation of a financial structure which will ensure adequate budgetary freedom of movement; establishment of administrative procedures which will permit operational flexibility; building in a mechanism for the regular review of progress and evaluation of the programme.

Although the symposium agreed that integrated projects were sound in principle, it did not face up directly to the problem that they may be a less attractive investment to investors than many other development projects. This is because they are difficult to manage, as they depend on the collaboration of a number of different government agencies. In its dictum: "such projects can only be realized by foregoing other activities or programmes that might otherwise be carried out by the government. In order to be able to judge between alternative possibilities, it is desirable if gains and losses could

be quantified. Benefit/cost analyses may be a useful instrument for making such comparisons, although there will still be unquantifiable gains and losses which cannot be included in the analysis. In principle, the critical factor in evaluating the worth of integrated projects is whether benefit/cost ratios will be higher in such projects than if the resources are less concentrated geographically. In some countries and in some situations this may be the case, in others it may not." The working group on financial considerations skirted the management issue. Interpretation of statements relating to specific projects would suggest that the complexity of issues involved was hampering one in getting off the ground. Also, difficulties in securing the coordination planned might be responsible for uneven progress between different action components. There was still confidence, however, that these projects were focused on the key problems of a large number of developing countries and would repay extra initial effort. It was the development economist most critical of the present inadequacy of cost/benefit applications to this approach who said, "just as irrigation and settlement projects were predominant in the sixties, the integrated rural development project will be the project of the seventies."

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Mr. John King

February 17, 1972

Dennis J. Parsons

Rural Development

1. I am returning your draft on the Lilongwe I and II projects with some very minor factual alterations on pages 1 and 2.
2. You may also be interested in some details of other rural development projects in Malawi, particularly Karonga and Shire II.
3. Karonga. I think you are familiar with this project which in addition to the development envisaged in Lilongwe includes investments in medical services, minor irrigation schemes, cattle dipping and stock routes, and improvement to the Port Services on Lake Malawi.
4. Shire II. We have recently received a report on the Shire II project which is presently being prepared by PMEA and the Government of Malawi. From this report it appears that Government will request IDA financing for -
 - Crop Production. 350,000 acres of arable land farmed by some 55,000 families, to increase cotton production by 20,000 tons in addition to improving yields of maize, sorghum, rice and groundnuts;
 - Livestock Production. Improving 100,000 acres of hill grazing and ~~improvement~~ of cattle dips and improved bulls. In addition the construction of slaughter-houses at village levels.
 - Fisheries. Developing the fishing industry centered on the project area in line with a survey carried out by the Malawi Government with help from the U.K. This development aims at improving fishing techniques (estimated number of people involved in fishing is about 12,000), and improving marketing by developing access roads and improving smoking kilns. Allied to this development the project proposes to develop small rural canoe building industries;
 - Game and Tourism. There are three game reserves in the project area and the project proposes some small investment to provide better tourist facilities and better reserve protection.
 - Supporting Services. These include improvement and extension of the roads system in the project area and improvement of agricultural extension and allied services including credit; marketing services; health services; rural water supplies; and investment in agriculture research;

- Agro-Industries. The project proposes the construction of an oil extracting plant capable of processing up to 20,000 tons of cotton seed per annum.

5. It is, of course, possible that the project concept may differ from this following appraisal.

DjParsons/ew

cc; Mr. McIvor

Rural Develop

Mr. D. S. Ballantine

February 16, 1972

Frank Dunnill

Economics Department Studies on Rural
Development in East Africa and Elsewhere

1. I have been comparing notes with Mrs. Lele, who, as you may recall, was in Ethiopia with members of the Agriculture Projects Department at the time of the symposium. She tells me that she is (with other members of the Agriculture and Rural Development Division of the Economics Department) proposing to spend a considerable amount of time on studies of rural development in Kenya and Tanzania. The Division has had discussions with Mr. Hendry and others in Agriculture Projects Department about the terms of reference, etc. for these studies, but none, Mrs. Lele believes, so far, with us.
2. One of the issues is, I gather, whether the studies should look only at Bank projects or examine rural development more broadly in carefully chosen districts. The latter approach (which is favored by Economics Department) would open up obvious possibilities of cooperation with us.
3. At all events, it seems well worth exchanging views with those concerned about our progress (or lack of it) so far in finding a way into the educational aspects of rural development in Kenya and Tanzania.
4. Could we discuss?

cc: Messrs. Calika, Burt, Stewart

FDunnill/mc

Mr. S. Reutlinger

February 15, 1972

A. Egbert

Comments on, "The IBRD and Rural Development; Some Observations",
by Falcon and Gotsch

I agree with other reviewers that this paper, the center section in particular, provides more of a researcher's framework than an operational one. It is not clear though (1) how it might be used as a research framework and (2) how the results would be used in the operations of the Bank and other development institutions.

Let me illustrate what I am getting at with the following:

One could conceive of the basic research framework as being a large list of variables - extensions of the 5 classes of variables or characteristics given in their Figure 1. This list might be divided into 2 sets -

- a) factors which preclude the objectives of rural development from being achieved; for example, distribution of assets and, therefore, distribution of income.
- b) factors which affect (positively or negatively) the viability of a project or development scheme; for example, tax policies.

The next step would be the research project - attaching parameters to each factor. Those in the first set can be given $-\infty$ parameters on a priori ground. Those in the second may have $-\infty$ parameters too, but would require empirical evidence. Others in this group could have a range of parameters including interactions, also to be derived from empirical evidence.

All factors with $-\infty$ parameters would need to be eliminated from a project, simply because they prevent the project from achieving the objectives or cause the project to fail by themselves. This may be the minimum package program, but not necessarily so. Success of the project may require turning these about, plus a certain total score of all the rest.

Researching such a system would not be easy. A start seems desirable, and maybe the Bank might want to promote such research.

Suppose, then, that such a system is researched and proven, how would the Bank use it in its operation? Simply, I think, by using it in all its program and project design. If a program or project could not provide the objectives of development and the minimum conditions for viability, it would not be financed.

Something along the lines of the foregoing, I think, is missing from the paper.

AE-S -

Rural Development

Mrs. Uma Lele

February 14, 1972

Alexander Stevenson

University of Rhode Island - International Development Seminar

On February 16, 1972 you will go to Kingston, Rhode Island to speak at the University of Rhode Island International Development Seminar on "Rural Development - Issues and Strategies". On return, you will write a back-to-office report.

Attachment

~~Cleared with and cc: Mr. Lars Lind~~
Cleared with and cc: Mr. Reutlinger
cc: Mrs. Armstrong
Mr. D. Jeffries, for information

Ulele:di *al*

Int'l Council for Educational Dev.
✓ Rural Development

Jul 11, 1972

Mr. Philip Coombs
Vice Chairman
International Council for Educational
Development
P.O. Box 217
Essex, Conn. 06426

Dear Phil:

ICED Research Project on Non-Formal
Education for Rural Development

1. It was agreed during the recent review meeting (January 10) that I should give you our comments about your activities so far. I should also (and in particular) mention those aspects of the forthcoming report which we consider of importance to the Bank. The following comments are taken from observations of the various persons present at our meeting with you on January 10.

2. Your report ICED/103 of December 31 contains several interesting observations. Four items stand out more clearly than others:

- First: The deficiencies in the agricultural education planning, administration, and delivery system in many LDC's.
- Second: The lack of cooperation between the various authorities in rural education.
- Third: In the current education and training system important agricultural learning clienteles are largely neglected; e.g. women and teenagers.
- Fourth: Supportive trades (rural artisans, rural managers) are generally forgotten in the training schemes.

February 11, 1972

No rural development schemes will work effectively without a good management system. Your review of the management is therefore relevant and we expect your report to contain some practical proposals to remedy the deficiencies. We have no specific comments at this stage on your observations of learning clienteles or supportive trades. The current Bank policy in education would allow support to projects including those clienteles and trades and they should therefore be explored in all possible depth in your final report. Given the usually severe resource limitations your report should indicate to what extent a greater emphasis on education for women and teenagers would go at the expense of other clienteles and what effect this could have on the productivity of the systems.

3. In your final report the degree to which you have succeeded to achieve your study objectives as outlined in the terms of reference must be clearly stated. From the Bank's point of view the inability to identify viable Bank projects in some particular areas of non-formal training may be as important as the identification of projects in some other areas. If lack of data is the reason why some training areas have to be left out, you may indicate needs for further study.

4. Your final report should describe the methods of appraisal you have been using during your study. Which criteria have been used to judge a project or a project component as a success or a failure? How has the educational attainment of the participants been measured? How has the practical application of what the participants learned during the training been reviewed? How has the possible change in standard and mode of living of the participants been measured? To what extent have you been able to quantify your evaluation?

5. Your nine primary and eleven secondary cases of non-formal training comprise a wide spectrum of rural development programs. It would, of course, be impossible to cover them in one simple formula. They should, however, be presented in such a way that key features could be separately evaluated and in appropriate cases compared with similar features in other non-formal projects or formal training systems.

6. Rates of return, unit costs and student dropout rates are examples of important indicators of efficiency in education. We realize that insufficient data might prevent satisfactory assessments of them in all projects. But, nevertheless, non-formal

education projects constitute often alternatives to formal education activities and it would be natural to compare productivity and efficiency. We feel therefore that such measures should be explored whenever possible. In cases where such exploration was impossible or unsuitable the reasons should be mentioned and reviewed. It goes without saying that the value of the study will be reduced considerably without comparative assessments.

7. It might be feasible to structure both the case studies and your "project proposals" in a similar way in the final report. Both case studies and "project proposals" should furnish information on:

- a) the intended objective of described or proposed non-formal training programs and expected results in operationally defined terms;
- b) its target group (which in most cases would be identical with the learning clientele);
- c) the program structure and size;^{1/}
- d) the program content;
- e) the program management and staffing;
- f) the learning technology;
- g) the internal efficiency;
- h) the physical facilities needed;
- i) the program planning and execution - critical paths, technical assistance needed;
- j) the costs, including unit costs, cost per graduate, etc.
- k) rate of return;
- l) financing
- m) project evaluation criteria and machinery.

^{1/} Number of participants, local projects, nationwide projects, the possible need for preceding experimental or pilot activities, mass campaigns, etc. would be included under this heading.

Mr. Philip Coombs

-4-

February 11, 1972

Many of above points have not been sufficiently analyzed in the case studies as they are described in ICED 103 but we expect the final report to be more complete in that respect.

8. As you know, the purpose of the study is to furnish the Bank and other agencies with operationally viable proposals. Your report should, however, contain more than an analysis of non-formal education programs and an identification of projects. Ideally, it should also include guidelines on how to identify and analyze those projects. A follow-up question might be the need to strengthen the Bank staff with new expertise to cope efficiently with non-formal projects. The link between training, extension and research in the rural development programs might be of importance for the inter-departmental cooperation in the Bank and must therefore be fully explored.

9. I hope above comments will provide you with some useful guidance during the remaining phases of your work. If necessary please feel free to call on me or Mr. Hultin for further comments.

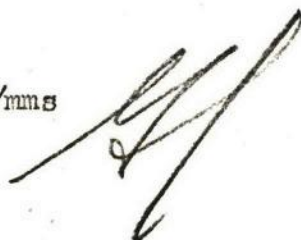
Sincerely yours,



Duncan S. Ballantine
Director

Education Projects Department
cc: Messrs. van der Tak, Hawkins, Dorris Brown, van Dijk

M. Hultin/nms



Rural Development

ITT TELEX: FROM IHRD ABIDJAN
TO IHRD WASHINGTON
February 10, 1972

Distribution

Mr. Dixon
Mr. Diamond

79 FOR DIXON

REYOURCAB 91 . AS BIDI IS ALWAYS ASKING US WHAT WE PLAN TO DO
WE NEED EXPLICIT INFORMATION ABOUT KHOSROPUR'S PLANS . SUGGEST
4 THAT YOU ASK KHOSROPUR TO INFORM US AS SOON AS POSSIBLE IN ALL
CASES REGARDS

DELARENAUDIERE

Mr. Shlomo Reutlinger

February 4, 1972

G. F. Donaldson

"The IBRD and Rural Development: Some Observations" by Falcon and Gotsch

1. This is an admirable review which concisely summarizes many of the issues confronting us in pursuing rural development. The conceptual formulation, based largely on Gotsch's earlier paper, is virtually the only one available. Overall, their paper is revealing, constructive and satisfying. When contrasted with my own rather flimsy ideas on the subject, their statement is substantial to the extent that critical comment seems an act of impudence - yet, somehow, it doesn't help me much at all.
2. The introductory paragraphs focus the issues in a practical context, and the summary statement that "... the need to find appropriate intermediaries and to extent the capacity of the host countries to utilize funds is the essence of the problem," seems to be very appropriate in an operational context. But, we will only be able to specify the intermediary and develop the capacity that is appropriate once we know what we want to do, or what has to be done.
3. The statement of general principles is reasonably non-contentious, as they indicate, but one might describe, say, a form of ground transport in the same manner without discovering whether it is a bus or a train. Surely, what is most important is that by "rural development" we imply specifically that we are seeking to activate a rural area, in a socio-economic sense, and so improve the welfare of the whole population in that area. The emphasis is on the process. This would seem to me a clear alternative to the present Bank policy (which pertains in practice if not in precept) of "promoting commercial agriculture" - a policy which seeks the development of certain resources without necessarily involving the indigenous population. All of the principles mentioned still hold, but it might well be added that a new modus operandi for Bank operations is indicated.
4. The criticism of the existing model - that it overlooks the process, or induced responses - is perhaps their most significant point. The alternative conceptual framework presented is clearly an improvement in that it does recognize the total system and some of its dynamic elements. It plainly reveals the interdependencies between various facets of community life. However, once its initial impact is lost it leaves me stranded. What it seems to say most eloquently is "you can't get there from here"! Thus its greatest weakness is that it doesn't bring into focus those elements, which lend themselves to being activated - yet this is the aspect they identify (appropriately, in my view) as missing in the conventional model.
5. Thinking on this subject seems restricted by an implicit acceptance of a inequitable and impoverished static equilibrium. Accordingly, the only scope for change is seen in revolution. If this is so then I do not see what

role the Bank, in its present guise, can play. But, how static is the situation in rural societies? Careful examination will surely reveal that all such situations are evolving - perhaps slowly, and maybe in a non-preferred direction. It must be possible for a systems formulation of the problem to reveal the dynamic elements and the actions that will influence them, but contrary to their suggestion I do not think the generalized model that is presented does so - nor does it suggest that it is possible to do so. In general, the model as elaborated describes the situation, and explains why it is so, in a very satisfying way - but it provides me with no clear guidelines as to where to go from here in studying the problem in an East African context - assuming that was its purport.

6. The generalized situations outlined in the last section are also constructive - though I feel that: (i) the level of sophistication in technical and managerial skills, and (ii) the quality of physical infrastructure, are characteristics of primary significance in typifying situations. Certainly, they are significant in an operational context. A more detailed categorization within an East African context might be a useful intermediate stage in our work program - as they suggest (p. 22).

7. The concluding comments on the Bank's role seems "a good outsiders view".

GFDonaldson:mw

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7. The concluding comments on the Bank's role seem "a good outsiders' view".

Shlomo Ben-Ner

Feb 9 3 11 PM 1972
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February 4, 1972

Dear Uma:

I am writing to invite you to speak at the University of Rhode Island International Development Seminar - "Issues in International Development" - on February 16, 1972. We would like you to give a presentation based on your work in integrated rural development and marketing.

If your time allows, we would also like to have you here at the University through February 17th for talks with individuals working in the international development area, and if possible, to give a second seminar on a development topic for the Department of Resource Economics. There is considerable interest in that department on issues in international development.

The International Center for Marine Resource Development will reimburse you for all expenses incurred in your travel to the University.

Best regards,

Thomas F. Weaver /dad

Thomas F. Weaver
Co-Chairman, International
Development Seminar

Dr. Uma Lele
Economics Division
International Bank for Reconstruction
and Development
1818 H. Street, N.W.
Washington, D.C. 20433

TFW/dad



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File Title Rural Development - Operations Policy File		Barcode No. 1056051		
Document Date January 20, 1972	Document Type Letter			
Correspondents / Participants To: R.H. Demuth, Director, Development Services Department From: J.G. Crawford [Vice Chancellor, Australian National University]				
Subject / Title Draft Rural Development note				
Exception(s) Information Provided by Member Countries or Third Parties in Confidence				
Additional Comments		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.</p> <table border="1"><tr><td>Withdrawn by Kim Brenner-Delp</td><td>Date December 08, 2022</td></tr></table>	Withdrawn by Kim Brenner-Delp	Date December 08, 2022
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Mr. H. B. Chenery (through Mr. Henderson)

January 4, 1972

Shlomo Reutlinger

Comments on Demuth's Memo, "The Bank and Rural Development"

- Dec-23 ✓
1. You asked for my comments on Demuth's memo re "The Bank and Rural Development". I am also attaching David Gordon's comments which you may not have seen.
 2. I am in agreement with Demuth's central recommendation for a new unit within the Bank concerned with rural development activities. This does not and should not preclude concern for rural development by other units in Area, Projects and Economics through internal and external policy advice, activity orientation and research. The primary function of the unit ought to be the accelerated development of projects and policies which purposely have desirable income distribution and social welfare effects in specified countries.
 3. The unique features of rural development not sufficiently incorporated in our present "integrated projects" are very well described in Gordon's memo. He suggests that we should engage in more pilot or "start up" projects and evaluate the costs of these in terms of their benefits, not in the pilot phase, but their subsequent full-scale operation. More pilot projects and proper evaluation of their costs rather than making lower rates of return acceptable ought to be our strategy. A related feature also suggested by Gordon is greater emphasis on supporting projects which utilize and encourage grassroot entrepreneurship. It is a related feature because it means getting involved in many, initially not well coordinated and centrally designable and manageable projects. It certainly means greater expertise in the social and political conditions in each country or region (or zone) and their effect on projects than we do now possess.
 4. As for the location of the new unit, there are pros and cons to Demuth's proposal. Certainly the unit's activities should have their most important impact on Agriculture Projects substituting and complementing to a degree the activities of that Department. On the other hand, one would like to emphasize the cross-functional nature of rural development. On pure substantive grounds, I would judge that the first consideration should carry more weight.
 5. The real organizational problem is to assure that the rural development activity will not be given any less attention than other activities. To have a parallel activity is progress. Better yet, however, the rural development activity ought to have a major influence on what we do particularly in agriculture generally. Accordingly, placing the unit in, say, Special Projects, would assure at least a minimal controlled level of activity, however, the impact on what we do generally is likely

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to be smaller (I think history bears this out). If the unit is placed in Agriculture Projects, the risks are greater but if all goes well a more general impact is likely to be felt. I am thinking in particular about the possibility of mutual reinforcement of the work carried on presently in the Economics Division in Agriculture Projects which is responsible for sector surveys and the new rural development unit. The major risk is of course that any unit which produces projects at a lesser rate than other units gets also less support within the confines of a projects department.

6. In many cases, I think it is worthwhile to advertise and recognize the intensified attention to the area of activity, by having this reflected in the designated title of a department.

Attachment

S, D
SReutlinger:zmc

cc: Mr. Haq