

Chapter 3

Evaluation Highlights

- Agricultural analytical work has fallen short of its potential to inform policy dialogue and lending.
- Policy advice associated with Bank-financed adjustments has had far-reaching implications for agricultural development in Africa.
- The Bank's limited lending has been fragmented and did not properly recognize the multifaceted and interconnected nature of agricultural activities.



Woman watering a field in Ghana. Photo by Curt Carnemark, courtesy of World Bank Photo Library.

Bank Support for Agriculture and Portfolio Performance

The Bank's activities in support of agricultural development in Sub-Saharan Africa fall into three broad categories: analytical work, policy advice, and lending. Of the three, the analytical work is perhaps the most critical for the diagnosis of issues and the suggestion of possible solutions. It is meant to inform both policy advice and lending.

Analytical Work

Over the review period, the Bank has produced an array of analytical products relevant to agriculture in Africa. Some of this work has focused broadly on the Region, some on particular country issues. Some has addressed the whole agriculture sector, some has concentrated on subsectors, such as extension. Still others have looked at specific commodities, such as cotton, coffee, tobacco, and cashews. Much of the analytical work has been produced by the Bank's Africa Region and Agricultural and Rural Development Department (ARD), but the Bank's Research Department has also done several studies. Since the Trade Department was created in 2002, there has been a considerable increase in the number of trade-related analytical studies relevant for agriculture.

Quality and quantity of analytic work

Despite the apparent variety of analysis done on agriculture in Africa, it is not of sufficient quantity or quality. Reviews by ARD and the Bank's Quality

Assurance Group (QAG) indicate that analytical work for agriculture in general has been of insufficient quantity. However, in keeping with the emphasis on increased analytical work in the Bank's 2003 Rural Strategy (World Bank 2003d) and recent increased interest in agricultural development in the Region, the quantity of analytical work has increased in recent years, though it has been spread unevenly across countries.¹ That said, regional and global partnerships could augment resources for analytical work, particularly in small countries.

The quality of the available analysis is variable, though it has been improving, as noted in QAG annual reviews since the late 1990s, when Bank management recognized this issue as a concern. The agriculture portion of multisector analytical work, such as Public Expenditure Reviews (PERs), has also been weak.² One of the strongest areas of analysis at present appears to be in trade. Much of the

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The quality of agriculture-related analytical work has been variable but is improving. work in this area has been produced to back the Bank's efforts in lobbying for a genuinely pro-development Doha Round and for eliminating OECD agricultural subsidies.

Analytical work and policy dialogue and lending

Regardless of the quantity or quality of analytic work in agriculture, however, that work is of limited use if it does not adequately influence Bank lending or policy dialogue. While the available analytical work emphasizes the importance of agriculture to development in Africa, it does not appear to have adequately informed the lending and policy dialogue relevant to agricultural development in the Region. Global reviews (which include Africa) of analytical work done by QAG have also found this shortcoming.³ A recent Quality Assurance Review of agriculture-related analytical

Agriculture-related analytical work appears to have had limited influence on lending and policy dialogue.

work noted the rather low level of importance assigned to ARD analytical work in country programs.⁴ The portfolio review for this study also found that only about one-third of the Project Appraisal Documents noted

that the design had been informed by a piece of analytical work. This finding was also supported by the staff survey done for this study. More than 55 percent of the survey respondents agree that sufficient and rigorous analytical work generally does not inform the design and implementation of agriculture projects in Africa.

Even the Bank's most recent trade-related analytical work has not had much influence on lending or country dialogue. A recent IEG study (IEG 2006a) found that outside observers associated with World Trade Organization negotiations thought that while the Bank was an important player in generating research relating to the negotiations, the Bank's research did not find practical application at the country level.

Analytical work has not helped to prioritize lending based on changing country-specific needs.

Analytical work has also not been able to help prioritize or sequence lending according to changing country-specific

needs, as acknowledged in assessments undertaken by QAG.⁵ Such findings also emerge from IEG work. For example, reporting on the weak quality of the agriculture strategy note, the Rwanda Country Assistance Evaluation (IEG 2004a, p. 19) notes:

The Rwanda program was not unique in this respect. An internal assessment in the late 1990s of Bank-wide economic and sector work provides a partial explanation of why analytical work may have received relatively fewer resources than lending activities. It noted that economic and sector work was weakest in Africa and in the Latin America and Caribbean Regions and it offers a conclusion which applied to the entire Bank. "Finally it is often unclear what the priority of [economic and sector work] is within the Bank. Too often task teams feel that their ESW responsibilities are secondary to those of preparing lending operations. As a result, ESW timetables often are the first to be dropped or postponed during crunch periods. With staff typically over programmed, ESW tends to get lower priority and quality can suffer because of this."

This also partly explains why few African countries have consistently had analytical work produced over time.

There are four reasons that analytical work does not appear to have adequately informed Bank lending and policy advice.

First, analytical work has been of limited quantity and not easily available, even within the institution, principally because of inadequacies in the Bank's databases. QAG reviews of analytical work confirm this finding.⁶ The Bank's database does not even have a systematic record of all agricultural and rural analytical work produced in Africa. In undertaking the Mali country review for this study, for example, it was very difficult to locate agriculture-specific analytical work, and staff in the Region confirmed that several pieces had not been entered in the Bank's database. Further, there are no records in the Bank's databases for informal analytical work produced as an input to

the preparation of a project. In a knowledge-based institution such as the World Bank, it is surprising that the record of analytical work is so poor.⁷

Second, interviews with Bank staff reveal that the incorporation of findings from analytical work in lending and policy dialogue is not functioning well. While Decision Meetings are supposed to be the forum to ensure that analytical findings are incorporated in project design, requiring at least some peer reviewers to explicitly comment on the extent to which a project proposal responds to available internal and external analytical findings might help to strengthen the linkage. Another option may be to institute a more formal record, similar to the IEG/Bank management tabulation of the Management Action Record or some other formalization. The incorporation of findings from analytical work currently depends too much on individual staff or peer reviewer interests and shifting country or thematic institutional memory.

Third, the sectoral organization of the Bank has impeded interaction among staff across sectors. As a result, good quality analytical work produced in other relevant sectors, such as trade and transport, is also not adequately considered in informing agricultural lending. QAG reports on analytical work confirm this finding.⁸ Further, internal reviews note that the Bank rarely builds on analytical work produced outside the institution.

Fourth, the technical quality of analytical work in agriculture appears to have suffered from a decline in technical skills within the institution (discussed further in chapter 4). Bank staff have tried to compensate for this skill shortage by hiring outside experts and using cooperative arrangements with organizations such as the Food and Agriculture Organization, but coordination and timely, quality input have been issues.

Policy Advice

Over the past half-century, developing countries have looked to the World Bank not only for financial support but also for policy advice to promote economic and social development.

Assessing the policy advice each country has received over the period 1991–2006 is difficult because it is not written down in any document and often is part of the Bank-client dialogue that accompanies the project preparation process. That process itself is often poorly documented. As will be seen in chapter 5, however, some of the Bank's advice, such as that associated with structural adjustment reform, has had far-reaching implications for agricultural development in African countries. But results have fallen short of expectations.

More recently, as a part of NEPAD, the Bank has provided advisory services for trade and policy harmonization and to help to strengthen the capacity of African Regional and subregional economic communities (Kritzinger-van Niekerk and Houdart 2005).

Lending

Overall amounts and trends

During fiscal 1991–2006, the Bank supported 262 projects with agriculture components in Africa. Several of them have been relatively small parts of wider Bank-supported rural activities. Hence, though the total amount invested in projects with agricultural components over the period has been \$14.31 billion (about 28 percent of total lending of \$50.49 billion to the Region), the lending for agriculture itself has only been about \$4.5 billion, 32 percent of \$14.31 (table D.1, appendix D).

Of the total agricultural lending of \$4.5 billion to Africa, only \$2.8 billion (8 percent of the total Bank investment lending to Africa; see table D.1, appendix D) has been investment lending and \$1.72 billion has been structural adjustment or development policy lending (DPL).⁹ Of the investment lending, \$247.2 million has been for emergency recovery. As a result, the amount of Bank funds truly “invested” for development of the African agriculture sector amounts to

Limited availability has hampered the influence of analytical work, and the procedure to ensure that it informs lending and policy dialogue is not functioning well.

The Bank's organization has inhibited interaction across sectors.

Over 1991–2006 the Bank supported 262 projects with agricultural components in Africa.

On average, Bank investment lending in agriculture has only been \$67.6 million per country over the last 15 years.

an average of \$67.6 million per country of the countries that have had any agriculture investment from the Bank over the 15-year period. This is only a little more than the size of an average loan for an agricultural intervention in Africa over the period 1991–2006 (\$55.5 million). Furthermore, that limited lending has been scattered over numerous activities—and thus has been scarcely enough to have sustained impact.

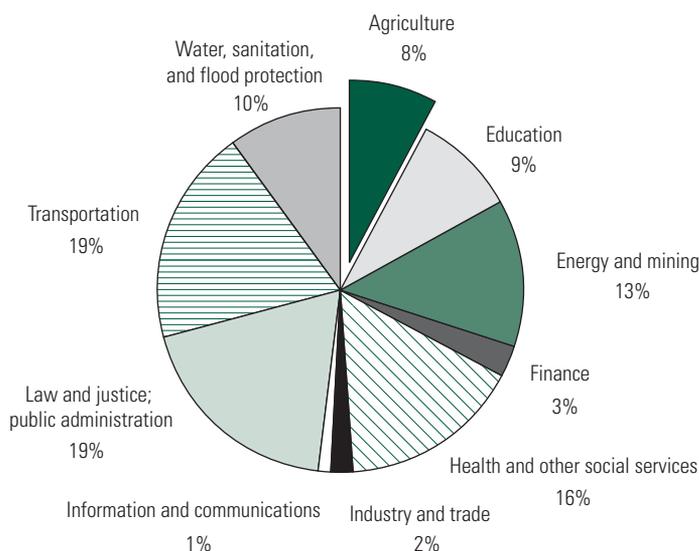
Analysts argue that Bank support for agricultural development needs to be seen in perspective. First, Bank support is often a small part of a larger multidonor effort to develop the agriculture sector. While this may be true, it is important to see this in the context of the overall decline in lending to agriculture over most of the study period from the entire donor community and the weaknesses in donor coordination, as demonstrated in chapter 2. Second, the Bank has contributed to global and regional programs in Africa that supplement resources for agricultural development. But there are no assessments of how these programs supplement country-level interventions. This dimension will be addressed

in the Bank-wide IEG study of agriculture scheduled for completion in fiscal 2009.

The Bank’s agriculture lending (investment and DPLs) to Africa declined from \$419 million in fiscal 1991 to a low of \$123 million in 2000 (see table D.3, appendix D for details of the trend in lending). This decline was part of a pervasive trend among donors. In absolute terms, as noted in chapter 2, assistance provided to African agriculture from both bilateral and multilateral donors declined steadily over the 1990s (table E.1, appendix E). Several reasons are given in the literature for this decline, including the high failure rate of many agriculture projects, urban bias, neglect of agriculture by governments, political instability, and a shift in donor priorities toward rural development more widely, among others (IFPRI 1993; OECD 2001; World Bank 2002a; DFID 2004).

Regardless of the reason for the shift, it has meant not only that resources flowing to the sector were inadequate, but also that this downward trend became self-reinforcing. As the decline in lending continued, so too did the decline in recognition within countries that agriculture was central to development in Africa.

Figure 3.1: Sectoral Distribution of Investment Lending in Africa, Fiscal 1991–2006



Source: World Bank data.

The success of the Green Revolution [in Asia] also required political support and a favorable macroeconomic policy environment. Foreign aid was helpful in this regard. In the sixties, the governments of most developing countries were largely urban oriented. Agriculture was seen as a holding ground, while the “real investment” in development was thought to take place in the urban, large-scale industrial sector. Foreign aid drew attention to the critical importance of production agriculture in improving the welfare of society. Foreign aid also strengthened the hands of national leaders, who recognized the critical importance of agriculture and of solving the food bottleneck in Asia. (Mellor 1998, p. 58.)

Bank lending for agriculture (investment and DPL) in Africa picked up beginning in fiscal 2001

and increased sharply in fiscal 2006 to \$685 million, up from \$295 million in 2005. Presumably this was partly because of the reinvigoration of the Bank's rural programs, as outlined in a new agriculture and rural development strategy in 2003 (World Bank 2003d). It was probably also partly the result of the realization in the international community that Africa was lagging behind and that the agriculture sector is critical to promoting growth and poverty alleviation in the Region.

Major subsectors and country direction

Bank databases do not provide a comprehensive picture of the various activities in the agriculture sector that have received its support. Subsector coding that is expected to provide information on these activities is presented in box 3.1. The Bank's database has eight agriculture subsectors, but these are insufficient to determine the level of support for some critical activities that

constrain agricultural development—credit, seeds, tenure, research, and extension, among others. An examination of the existing categorization shows that a “general” category covers about 29 percent of overall dedicated lending to agriculture in Africa during fiscal 1991–2006 (figure D.4, appendix D).

Based on the categorization in the Bank's database, the second-largest amount of lending over the review period has been for agricultural research and extension (together accounting for 23 percent), followed by marketing and trade (14 percent). Irrigation and drainage together received only 7 percent of total agriculture lending in Africa, although it has been the largest subsector within the agriculture sector Bank-wide (World Bank 2005e). A recent IEG study of

Lending declines through the 1990s led to a decline in recognition of agriculture's importance to Africa.

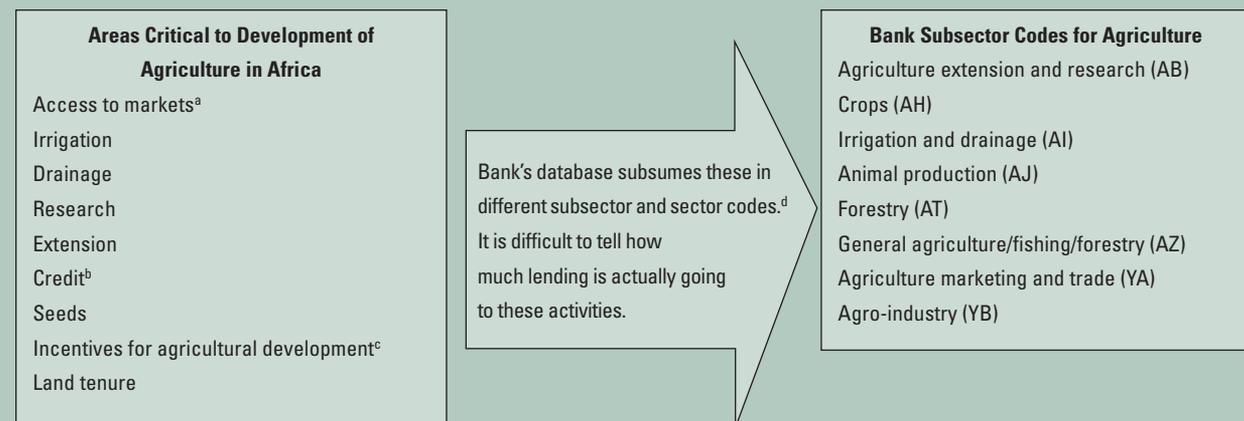
Bank databases do not give an accurate picture of the activities supported by the Bank—the “general” category accounts for the largest share.

Box 3.1: Bank's Coding System and Inadequate Reflection of Important Agricultural Activities

The Bank's categorization system allows task teams to designate up to five subsector codes per project. If project activities cover more than five subsectors, they are expected to use the *general* category. Hence, though the *general* category is a convenient way to manage the data, information on the details of a large share of the lending for agriculture as well as for other sectors

is lost. ARD has repeatedly pointed out these problems in the coding system.

The coding system restricts the information available about how much support the Bank is providing to activities that seek to relieve the critical constraints on agriculture in Africa.



a. Roads, which provide access to markets, are coded outside agriculture.

b. Agriculture credit is coded under AZ (above) or under micro- and small and medium-size enterprise finance (FE).

c. Restructuring of Ministry of Agriculture is coded under central government administration (BC).

d. For example, irrigation and draining are clustered, as are research and extension. Actual amounts for individual activities cannot be distinguished.

water management in agriculture (IEG 2006g) showed that only 3 percent of total Bank commitments to irrigation and drainage between 1994 and 2004 went to Africa.

The largest share of agricultural lending to Africa during fiscal 1991–2006 went to Tanzania (about 10 percent), followed by Côte-d'Ivoire and Uganda. Some African countries (Botswana, Cape Verde, Comoros) have had no agricultural lending over the period. For several others (such as Angola, Democratic Republic of Congo, Guinea Bissau, Lesotho, Mozambique, Republic of Congo, and Sierra Leone), the actual amount of agricultural lending has been very small.

Not 1 country among the top 10 has received consistent and simultaneous support for all critical subsectors.

Not 1 country among the top 10 has received *consistent* and *simultaneous* support across all critical subsectors identified earlier in this report (table D.4, appendix D). The Country Assistance Strategy (CAS) review done for this study also found that discussion of agricultural issues was rarely accompanied by a holistic assessment of the agriculture sector or an explicit indication of how agricultural priorities would be linked to budgets. Only 1 of the 31 CASs reviewed (Ethiopia 1995) comes close to recognizing the integrated nature of relevant agricultural activities to promote agricultural development.

Nearly 83 percent of the respondents to the IEG staff survey agreed that Africa country directors do not sufficiently consider the complex and multisectoral nature of agriculture activities in allocating IDA funds among sectors. That such a multifaceted and cohesive approach toward agriculture is lacking is one factor. Another is that the Bank's data systems do not provide an accurate picture of how much has gone into various critical activities. This limits the extent to which these activities can be meaningfully coordinated.

been a relatively small part of wider rural activities. To assess the performance of agriculture investments, IEG looked only at closed projects in the Africa portfolio in which the agriculture investment was 50 percent or more of the lending amount. IEG data were used to examine how those projects did in comparison with (a) Africa projects without agriculture components approved in the same period and (b) projects in which the agriculture investment was 50 percent or more from other Regions and that were approved in the same period (figure 3.2).

The review found that over fiscal 1991–2006, about 60 percent of the closed agriculture investment projects in Africa were rated satisfactory on outcome. This rating was below the satisfactory outcome rating of 65 percent for the non-agriculture component projects in the Region. It was also below the 73 percent satisfactory rating for agriculture investments in other Regions (tables D.5, D.6, and D.7, appendix D).

The data show some improvement in outcome ratings since 2000, though the number of closed agriculture investment operations (with an agricultural component greater than 50 percent) is too small to draw a strong conclusion (table D.8, appendix D).

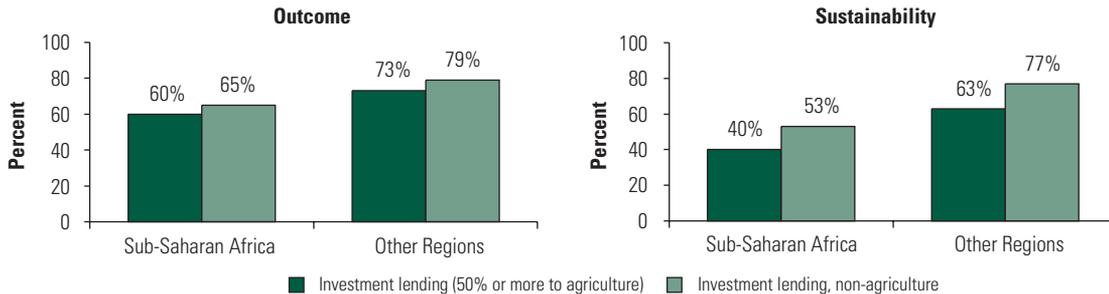
The performance of the Africa portfolio for both agriculture and non-agriculture is worse than in other Regions, although that is hardly surprising, since the quality of the Africa portfolio has lagged behind other Regions for years (World Bank 2004a). But it also suggests that there is more than just the nature of agriculture projects that makes it difficult to achieve satisfactory outcomes in the Region. The literature review, the findings of the country-level agriculture sector reviews, as well as past IEG reviews indicate that political economy, instability, and weak institutional capacity have negatively influenced the outcome of projects in the Region (see chapter 4).

Given the wide variation in agricultural conditions across countries, this review also compared the performance of Bank projects in

The outcome rating of agriculture investment projects has been below average, but has improved since 2000.

Overall Performance of Agriculture Projects

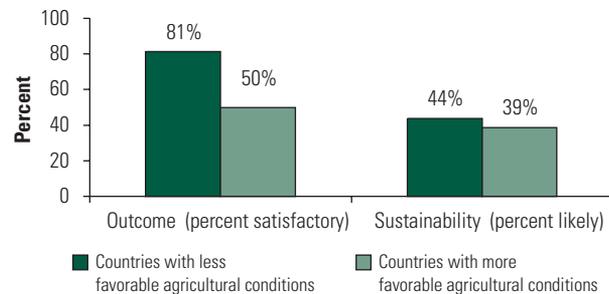
As previously noted, in many projects the amount invested in agriculture has

Figure 3.2: Outcome and Sustainability Ratings

Source: IEG data.

Note: These ratings are for the universe of agriculture and non-agriculture projects, and hence significance tests were not done. But some analysts note that even when presenting results for the universe, it may be informative to apply a statistical significance test to know whether Bank performance or external factors have meaningfully changed over time. The argument made is that satisfactory or unsatisfactory performance of a particular project is partly the product of random or unpredictable factors, and the statistical test would tell us whether the change between years is more than we would expect from random variation, if the underlying chance of each project's satisfactory performance was the same as the mean rate for the year.

countries with more favorable agricultural conditions against those where conditions are less favorable. Surprisingly, as figure 3.3 shows, Bank projects in countries with less favorable agricultural conditions have done better than those in countries with more favorable conditions, although further analysis, possibly with field work, should be done on this issue in the context of the larger IEG agriculture study, because the number of closed projects in countries with less favorable conditions is small. However, the difference in ratings suggests that it is more than factor endowments that are a challenge for agricultural development in Africa.

Figure 3.3: Performance of Bank Projects with Greater than 50 Percent Agricultural Component

Source: IEG data.

QAG's 2006 Annual Review of Portfolio Performance also found that the low satisfactory outcome ratings in the Africa Region reflect both country factors outside of the Bank's control and Bank factors, including a high percentage of fragile states with difficult conditions outside the Bank's control and lower quality-at-entry and

supervision ratings. An ARD discussion paper on agriculture and pro-poor growth notes that "while achieving agriculturally led growth faces several key constraints, many of these constraints (such as poor infrastructure and underdeveloped or dysfunctional markets) are also faced by the economy as a whole" (World Bank 2005k).