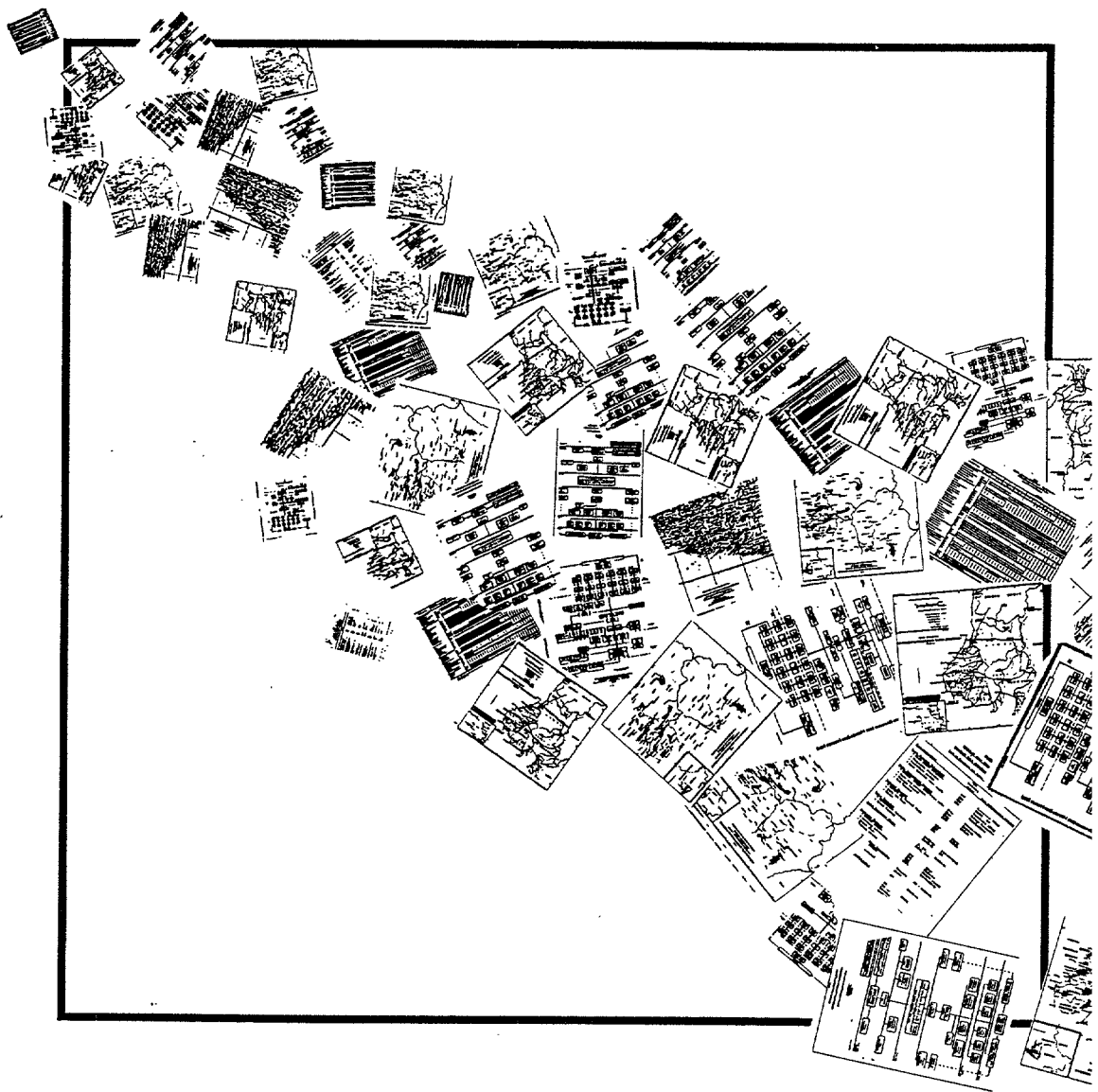


A WORLD BANK
OPERATIONS
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STUDY

New Lessons from Old Projects: The Workings of Rural Development in Northeast Brazil

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Executive Summary

In 1974, as part of a wider program targeted at poverty reduction in general, the Bank announced a bold new approach to reducing rural poverty and stimulating agricultural growth. Born out of dissatisfaction with the inability of past development efforts to reduce rural poverty and inequality, the "new style" rural development (RD) projects differed from, and supplemented, previous interventions in two ways. They targeted the poor directly with agricultural production services and subsidies. And they provided certain regions with a complete array of development investments, ranging from roads to agricultural credit to health—regions chosen for their agricultural potential and high concentration of small farmers. By 1986, twelve years later and after US\$19.1 billion (current) of Bank commitments to RD worldwide, of which US\$6.3 billion has been for "new style" area development projects, the new approach had fallen into disfavor. Myriad problems had plagued the implementation of the projects, and serious questions had been raised about their effectiveness at reducing poverty and increasing agricultural productivity. These concerns, outlined below, were laid out in a major review of the RD experience carried out by OED in 1987.

Though targeted rural development deserved much of the criticism it received, some of these projects—or parts of them—performed well. Though the exceptions in themselves do not justify bringing back this form of RD, they raise the question as to how some projects could have worked well with a design and in an environment now considered not conducive to good performance. More constructively, if certain projects or activities could stand the test of such adverse circumstances, they certainly must have some lessons to offer about improving the design of programs today. Though the Bank has largely abandoned the "new style" RD approach, it continues to devote major policy attention and resources to the same sectors, individually or in pairs, that were all linked together in the RD projects—agricultural research, agricultural extension, ru-

ral finance, irrigation, farm-to-market roads, drinking water, health, education.

Because past evaluations of the RD experience have been more illuminating about the causes of failure than about the causes of success—as the above-noted OED review itself pointed out—they have thrown more light on what *not* to do than on what *to* do. This study seeks to do the opposite. It identifies patterns that ran across a variety of instances of better performance in a set of 23 RD projects in Northeast Brazil—one of the Bank's most comprehensive RD programs. The study asks what lessons these patterns of good performance reveal about project design and, more generally, about the role of the public sector in rural development.¹ As the reader will see, the answers to this question do not add up to a case in favor of or against "integrated rural development," but are of relevance to a wide variety of projects and sectors in which the Bank operates today. As discussed in note 1, the Government of Brazil has been concerned that readers should not take this study as being in any way a substitute for an evaluation of the RD portfolio as a whole.

Various problems have afflicted certain types of the Bank's rural development projects worldwide, including those of the Northeast: (1) too many components and excessive complexity, (2) the lack of productivity-increasing technical packages for small farmers, (3) the absence of beneficiary participation in project design and implementation, and (4) a policy environment that penalized agriculture. The Northeast projects suffered, in addition, from (1) chronic delays in the transfer of Brazilian counterpart funds to the project units and executing agencies, and (2) the high and increasing rates of inflation (up to triple digits), and hence fiscal crisis, experienced by Brazil in the 1980s. This study asks why certain projects or agencies were sometimes free of these problems, or how they were able to perform well despite the presence of such adversity.

The Northeast Projects

Between 1975 and 1987, the Brazilian government committed US\$3.3 billion to 22 integrated rural development projects in the ten states of Northeast Brazil² and a region-wide land-tenure project—of which the Bank financed 42 percent or US\$1.4 billion. A “first generation” of these projects included roughly a dozen components—ranging from agricultural credit and extension through feeder roads and electrification to health and education, though any one project would not include all of them. The staples of each project were credit (23 percent), feeder roads (20 percent), land-related activities (16 percent), and agricultural extension (14 percent)—accounting for 72 percent of appraised costs. In an attempt to reduce the complexity of the projects and focus more exclusively on agricultural production, a second generation of projects eliminated health, education, and roads—as well as some smaller components. Credit (30 percent), extension (24 percent), and a new community-participation component (16 percent) accounted for 70 percent of expenditures projected at appraisal; associated land-related activities were unified in a separate regionwide land-tenure project (an additional 16 percent).³

Typical project organization involved the Bank and several levels of the Brazilian government—the federal government ministries, the Northeast regional development authority, semi-official banks, and the state-level project units and executing agencies. The project-coordinating units, set up in state departments of planning or agriculture, were in charge of designing the annual programs and supervising their implementation, but had neither executing responsibilities nor the formal power to grant funds or withhold them from the executing agencies—a subject treated in Chapter 2; an exception was the community-participation component (APCR)⁴ in the second-generation projects, described momentarily, in which the project units shared formal implementation responsibilities with rural labor unions, extension services, and/or some farmer cooperatives. Municipal governments, though often represented on ad hoc councils that vetted the APCR sub-projects, had no formal place in the projects as such, but sometimes ended up making important contributions that were not anticipated (Chapters 2 and 3).

The community-participation component, at US\$222 million, represented one of the most significant attempts of the Bank to make the implementation of its RD projects more participatory. The APCR fund, with the assistance of an average of 36 community agents and supervisory staff per state, makes grants of up to US\$10,000 to associations formed in communities of less than 5,000 inhabitants: (1) 65 percent for community-owned ventures like grain-milling facilities, seed banks, input-supply stores, and storage facilities, (2) 25 percent for small works projects (road repair,

community laundries, public toilets), and (3) 15 percent for institution-building in community organizations, used mainly by the rural labor federations for training.

Good Performance (Chapter 2)

Defining “success” or, more accurately, “better performance,” turned out to be more difficult than originally expected. Early in the review, the cases of better performance seemed to be falling into three categories: (1) whole projects (Tabuleiros Sul in Sergipe, Ibiapaba in Ceará), (2) components (roads, electrification, drinking water, health, and education versus agricultural credit, research, and extension), and (3) agencies (the project unit in Sergipe). Because of the widespread dissatisfaction expressed by many with agricultural credit, research, and extension, moreover, several cases of successful disseminations of improved varieties to small farmers were also identified—in order to explore why performance had been so different in these cases (Chapter 5).

The three categories of projects, components, and agencies did not hold up for long. (1) The better-performing agencies did not always stay that way (and mediocre agencies sometimes performed surprisingly well); (2) good performance was often bracketed in time by the term of office of a particularly supportive and demanding governor (for example, 1982–86 in Sergipe, and 1987–89 in Bahia, Maranhão, and Pernambuco)—a subject treated in Chapter 2; (3) the high ratings given by many to infrastructure, health, and education sometimes said more about things *other than* impact or agency performance—for example, the relative conspicuousness of the results (new roads versus productivity-increasing seed varieties), or the relative easiness of the task (installing rural water systems versus agricultural extension); or the fact that the project unit or other agencies had taken the tasks away from the infrastructure agencies because they had been performing *inadequately*—the subject of Chapter 2; and (4) though many observers rated health and education high on impact, these components got consistently low grades for agency performance in supervision reports.

To sum up, there were no projects, components, or agencies that could be said to have performed consistently well throughout the whole period under review, or consistently better than the others. People talked about *episodes* of good performance that had come and gone, as distinct from consistently “good” agencies, components, or projects. Trying to make sense of these puzzling ebbs and flows of performance led to the discovery that good performance often had less to do with the *inherent capabilities* of an agency itself than with a set of other factors—namely, (1) the ease and difficulty of tasks, (2) the presence of outside pressures, (3) built-in incentives to perform, and (4) the involvement

of keenly interested actors and organizations at the local level. When one of these variables changed significantly, performance went from good to bad, or vice versa. Since project design and supervision tend to concentrate on improving the inherent capacity of agencies, this finding might seem to make the task of institution building even more difficult. But it is often no more difficult to influence these variables than it is to improve, from the inside, the quality of what agencies do—sometimes it is even easier.

A few caveats on what this study does *not* do. As explained in note 1, the study does not discuss macro policy issues like overvaluation of exchange rates and other policies affecting agricultural exports, or subsidization of agricultural credit and other inputs. Second, it does not attempt to judge the strategy of the Brazilian government or the Bank for alleviating poverty in the Northeast. Third, it is not an evaluation of the Northeast projects, nor of integrated rural development in general.

Reinventing the Projects (Chapter 2)

The better-performing activities departed consistently from their original design in five ways. (1) They were often implemented in *less time* than that allowed for at appraisal—the installation of wells and standpipes in rural communities, campaigns to widely distribute improved varieties of seed and rootstock and, in some cases, the acquisition of land for redistribution. This happened against a general background of *delays* in execution; which had actually caused the Bank to lengthen the execution period from five years in the first-generation projects to more than eight years in the second generation. The longer execution periods, though seemingly more appropriate for such difficult tasks of institution building, actually *deprived* the projects of certain pressures and incentives that were very much present in the environment of the good performers.

(2) The better-performing projects ended up being a much *narrower* version of what was envisioned at appraisal, with one or two components elevated to center stage. Particular favorites were rural water, community participation, and land-distribution activities. This “reinvention” could take place because (a) a supportive governor would choose one of the project’s components as his “signature” activity; (b) project managers gravitated toward their *own* favorite components; (c) shortfalls and delays in the transfer of counterpart funds—though a major problem throughout implementation—scrambled budgets enough to give project managers liberty to remold the projects to their liking and reduce them to more manageable proportions.

(3) The relative *ease* (or difficulty) of the tasks that the projects assigned to agencies influenced their ability to perform well. Water agencies found rural water supply to be easier than irrigation, for example, because water was less

“analysis-intensive” and less dependent on outsiders beyond one’s control—namely, other agencies and users. This explains why the design and installation of rural-water systems typically went better than irrigation, as well as why Sergipe’s new rural water agency performed well in rural water and poorly, subsequently, in irrigation. Also, the goals and standards of the projects themselves made tasks more difficult or unsatisfying to some agencies—namely, the redirecting of public-sector services toward the poor, the desire to rely on less capital-using technologies for infrastructure and, partly a reflection of the latter, the concern about reducing unit costs and reaching larger numbers of people.

(4) When performance was good, project management had been subject to clearly identifiable outside “demand” pressures to get things done, reach significant numbers of people, reduce costs, or be accountable in other ways. These pressures came not only from beneficiaries, but from governors, other state agencies, development banks, municipal governments, nongovernment organizations, the World Bank. The arrival of such pressures on the scene helps explain why mediocre agencies sometimes produced surprising bursts of good performance; the lack or withdrawal of such pressures also helps explain why agencies already deemed strong suddenly performed poorly.

(5) Better-performing agencies routinely “took over” tasks from the agencies meant to carry them out. First, the excellent public managers who were attracted to the project-coordinating units did not want to “merely” coordinate the work of other agencies, but wanted to “carry things out” themselves. Second, managers took over tasks out of frustration with footdragging or shoddy work by the designated executing agency; “takeover” gave them the control they desired over the pace, quality, and cost of project execution, and made their work less vulnerable to uncertainty and ill will. Third, powerful and supportive governors, impatient with “the lack of results” from the established agencies, sometimes helped give project managers the excuse and the wherewithal to take over from the other agencies.

How could agencies in an institutionally “underdeveloped” environment and with no experience at a task have simply taken over from the established agencies and done a reasonable job? First, they sometimes broke project rules and contracted out the work to public agencies other than the designated ones, or to private firms or nongovernment organizations; they succeeded best at getting other agencies to perform, in other words, *not* when they were “coordinating” these agencies but when they had the power to contract or force the agencies to do what was required. Second, when a project unit or other agency lavished its attention and scarce funding on the components it could manage better, this reduced the complexity and difficulty of the projects for them. Third, the takeover agencies *liked* the

tasks that the established agencies disliked; this gave them and their staff the advantage of high motivation, which often turned out to be more important to good performance than long experience with an activity. Fourth, because public-sector professionals flowed back and forth between agencies, the takeover agencies could draw on the expertise of *all* professionals in the public sector—getting a specialist seconded to them, often from the taken-over agency itself. Indeed, creating a pool of such expertise in the public sector of the Northeast may be one of the most important contributions of the Northeast projects—not fully appreciated precisely because it is an externality and therefore not captured in the evaluation of any particular “unstable” agency.

The takeover phenomenon, and its association with better performance, throws some light on the issue of working with established agencies versus creating new ones. Learning from past experience, the Bank and the Brazilians decided to work through *established* agencies in the Northeast projects—creating from scratch only a “modest” project-coordinating unit, which had no executive functions. But the takeover stories often showed good performance coming also from agencies *not* established or specialized in a particular activity, and *not* originally meant to carry out the component—as well as from dynamic managers *not* wanting to play “modest” coordinating roles. The importance of takeover also helps explain why there was so much dissatisfaction with agricultural extension, research, and credit: these components were simply more difficult to take over than the others. Finally, takeover was not always associated with good performance, and established agencies designated at appraisal did not always perform poorly. Rather, takeover and good performance were associated with each other in enough cases to draw one’s attention and to require an explanation.

Mobilizing Additional Finance (Chapter 3)

Better-performing projects, or pieces of them, frequently elicited the mobilization of additional resources above and beyond what was expected at appraisal—by governors, agency managers, state secretaries, mayors, banks, or beneficiaries themselves. These resource-mobilizing initiatives merit close attention because they occurred at a time of extreme fiscal austerity in Brazil, when it was difficult enough to get the Brazilian government to come up with counterpart funding for the projects, let alone with unanticipated *additional* funding. Three examples of this resource mobilization follow.

(1) A state loan fund for works projects in municipalities resulted in a kind of informal municipal betterment levy in the form of land, materials, and fencing. (2) A Bank imposed ceiling on per-hectare costs for tubewell and riverine irrigation led to the unanticipated donation of land for small-scale irrigation by municipalities and by private

farmers in an innovative cost-sharing arrangement. (3) A healthy spread between the return paid by rural banks on deposits and what they earned on lending led to aggressive mobilization of deposits by rural banks *and* increased lending to small farmers. Interestingly, none of the incentives of these cases to mobilize additional resources were intentional, but there is no reason why they could not be.

A considerable part of these additional resources came through municipal governments. Yet they had no formal role in the Northeast projects because they are typically seen as bankrupt, clientelistic, and the technically inadequate, which is often true. In each category of examples, some cases involved the Northeast projects, some involved other projects intermingled with the Northeast projects, and a few did not involve these projects at all, though the design features and place of implementation were quite similar. The way in which the municipalities were drawn into resource mobilization, moreover, transformed them into a source of healthy outside pressure on *state* agencies to behave accountably, get things carried out on time, keep costs down, and use less sophisticated and capital-intensive standards. Bank staff had tried, often to no avail, to accomplish the same thing.

Bank concern about resource mobilization has concentrated almost exclusively on securing the commitment of counterpart funding *before* projects begin, and in cajoling federal and state governments to come up with the promised funding during implementation. The additional resources mobilized in these cases were *not* committed beforehand: they resulted from a structure of incentives that made it worthwhile for institutions and individuals to contribute *after* things got going—and in a way that did not add to inflation or the fiscal deficit. Bank-sponsored and other research, moreover, has demonstrated that the mobilization of rural savings is critical for the development of strong *rural financial institutions* which, in turn, are critical for agricultural development itself. But the Bank’s agricultural and rural development projects have not linked the provision of credit to the mobilization of deposits, a linking that could also help to solve the problem of excessively subsidized interest rates.

The Question of Land (Chapter 4)

Some important lessons about land emerge from putting together (1) the above-noted cases of additional resource mobilization in land, (2) some aspects of agrarian reform and settlement in Bahia, Ceará, and Maranhão, and (3) a successful experience with cooperative land purchase and settlement in Sergipe. There was some variation across these cases in the characteristics of land tenure and the availability of land for expropriation or purchase. Nevertheless, some common themes ran across these

disparate cases which pointed to an approach to land settlement that was cheaper, quicker, more decentralized, more reliant on settler participation, less adversarial than expropriation, and more economically viable.

First, land markets worked better for small farmers when local organizations (coops, labor unions, local government) and beneficiaries participated in the search for land, the decision to acquire it, and the settling of its price. Second, this more decentralized approach introduced some checks against collusion between large landowners and the state. Third, many cases of successful land transfer (and of successful agricultural development) took place at the edge of "internal frontiers" in *already settled* regions, where the market promised clear returns from the intensification of agriculture in small farmer crops—tomatoes in Ibiapaba, oranges in Sergipe, irrigated vegetables in the Irecê region of Bahia. This particular feature stands in contrast to the customary view that the increase in land values accompanying development and the intensification of land use makes land-transfer actions *less* possible. Fourth, opportunities for transfer in the more settled regions occurred in "patches" rather than the large blocks customarily envisioned by planners for settlement projects. Fifth, dedicated project managers were highly motivated to make land markets and other mechanisms work in a way that would "produce" land parcels at low cost or none at all, because (1) expropriation of parcels under 500 hectares was not allowed by the law, leaving purchase or acquisition by donation as the only option available for acquiring smaller parcels, and (2) more project funding was available for infrastructure investments and agricultural services than for land acquisition (by expropriation or purchase). Sixth, small-scale private irrigation associated with high-value agricultural production was a notable feature of several of the cases reviewed.

The lessons of these cases suggest greater possibilities for land transfer to landless farmers than those conveyed in the *World Development Report, 1990* on poverty. They also have particular relevance for that report's new focus on "rural infrastructure" as a means to bring about equity-oriented rural development. In the most successful cases described above, that is, project agencies strictly linked the provision of roads and irrigation to the process of acquiring land and transferring it to small farmers. The Ibiapaba project was an exception: the project provided roads and electrification without securing the distribution of land, contributing to the inequality of landholdings becoming worse than it was before the project.

Research, Extension, and Agricultural Development (Chapter 5)

During the episodes of successful dissemination of improved varieties, the *nature of the task and the environment*

faced by the executing agencies was strikingly different from what they were doing during other times. The chronic inability of research and extension to collaborate disappeared; or coordination between extension and research turned out *not* to be necessary for adaptation and dissemination to occur. Many of these episodes originated in "campaigns" against crop disease and pests—the boll weevil in the cotton-producing states, orange disease in Sergipe, and banana-root fungus in Paraíba—and transformed the work environment of research and extension in the following ways:

(1) Attention was riveted on a *single crop*, or a *single problem* with that crop. (2) Results were clearly *measurable*, penalties for poor performance were high, and performance was judged in terms of *outputs* (for example, reduced levels of pest incidence, number of diseased plants eradicated). (3) Powerful "demanders" were frequently on the scene, loudly clamoring for results—governors, directors of other agencies, mayors, farmer associations, and high-level officials who worried about the serious impact of possible crop loss on state tax revenues and on the region's agricultural economy. (4) The task had a *clear beginning and end*, usually within the four-year period of a governor's mandate and sometimes even within a one-year crop cycle—well within the five-to-eight year life, in other words, of the RD projects. (5) The intense public-sector effort mobilized around the crop in a particular region, and for a limited period of time, guaranteed the smooth *supply of the improved inputs* that was so problematic in more routine times; reducing input-supply uncertainties, in turn, made adoption more attractive to small farmers. (6) The *agency* itself felt energized, and instilled with a sense of mission, by having such a concrete and dramatic problem to work on, with potentially large and foreseeable results. (7) *Local boosterism* played an important role in driving many of these stories of agricultural dissemination and, more broadly, of microregional development. Though this list of traits might seem unique to disease and pest campaigns, various other episodes of good performance by extension and research turned out to have at least some of these same characteristics.

The traits named above contrast sharply with those under which extension and research customarily work. Typically, (1) performance is measured in terms of *inputs*—number of farmers visited, number of courses given, number of demonstration plots—as opposed to outputs like adoption rates of improved varieties or yield increases; (2) agencies work on a *broad* agenda of crops and activities, and for *open-ended* periods of time, with no urgency behind the introduction of any particular improved variety or practice; (3) frequently, neither the private nor the public sector is able to provide the improved inputs smoothly, in a timely way, and at reasonable cost—thus reducing the returns to be had from their adoption. The disease campaigns and

other episodes of better performance redefined the task of extension and research, in sum, in a way that made it possible to get good performance out of the same agencies that did not do well with a much broader agenda.

Conclusions and Recommendations

Projects performed better when (1) agencies had more control over the quality and pace of project execution, which they acquired partly by carrying out tasks that other agencies were supposed to—or by contracting these out and supervising them; (2) project tasks were particularly “easy,” or new agencies and units could “cut their teeth” on easy first tasks, or the project was changed in a way that made difficult tasks easier; (3) incentives were such that additional financing from government or beneficiaries was elicited during the course of implementation, and in a way that made for better-quality projects; (4) agencies were subject to pressures from the outside to be accountable, particularly pressures from “demanders”; and (5) there was an unusually complementary combination of action by state and local government—the local involvement helping to reduce costs and delay, make state agencies more accountable, and elicit the greater use of local materials and labor.

Though the importance of *demand pressures* in inducing good performance is not a new finding, the Bank and other donors customarily take a “supply-side” approach to project design—dedicating themselves mainly to building up the capacity of particular agencies. Though the realm of demand might seem beyond the reach of project officers, the experience reviewed provides numerous examples of how agencies could be subjected to these kinds of demand pressures. Two particular suggestions are:

- “Good” governors and other elected leaders could be attracted to support projects more by breaking up planning-and-execution periods into four-year cycles that coincide with the election cycle. These leaders could be allowed to pick and choose from a “menu” of possible activities that the Bank would support—which is what many governors did anyway, in backing only the components they liked best and sometimes raising additional funding for them. There should be enough flexibility for one state to choose rural water and another small-farmer credit—just as the Sergipe governor and the Pernambuco governor, respectively, did. This contrasts with current project design, in which the many components and the long execution periods cause elected leaders to lose interest, or use project resources simply to meet short-term budget needs or pay off political debts.

- Executing agencies should be subjected to demand “shocks” by channeling a part of their funding through the “users” of their services—not just beneficiary groups, but other public agencies, development banks, municipal governments. Just as the takeover managers contracted out

what they could not do themselves or get the executing agencies to do, the demanders would “contract” the supplier agencies for their services. Funding supplier agencies through users would also bring to the project environment the traits of the successful cases: narrowly specified tasks, measurable and conspicuous standards for performance, and clear penalties for not performing.

Activities should be chosen for funding and assigned to particular agencies partly in accordance with their relative *ease and difficulty*. Some examples of possible “easier” tasks—at least to start out—are campaigns to combat epidemics of crop disease and pests, installation of simple rural water systems, and some forms of land acquisition. Given the new interest in rural infrastructure, moreover, it must be recognized that established infrastructure agencies often do quite poorly at tasks assigned to them by Bank projects of this nature; other agencies, with less experience or specialized expertise, often do better. This suggests that such activities should sometimes be placed outside their traditional bureaucratic homes, perhaps only temporarily, in “inappropriate” agencies or even new units—if these units are more motivated by sympathy and outside pressures to do well.

With respect to the lessons to be drawn from the *takeover* experience in general, (1) a *single* agency should be given sole power over a project, whether the tasks are few or many, whether that agency is an established one or new, or whether it is an executing agency or a coordinating unit; and (2) that single agency should be given the political and financial wherewithal to carry out the project’s tasks itself or contract them out—to other public agencies, private firms, or nongovernment organizations. The lesson of the takeover experience, in other words, is *not* that (1) the Bank should go back to creating new and powerful parastatals; *nor* (2) that project units (as opposed to other agencies) should necessarily be given the power to carry things out themselves; *nor* (3) that the number of tasks should simply be reduced—though that wouldn’t be a bad start.

Based on the findings stated above, the operational conclusions for *research and extension* are fairly clear. (1) Projects should favor single-crop or other highly-focused interventions, with a clear beginning and end, and that tend to have results measurable in terms of *output*. Though the broad-palette type of support currently provided is more consistent with the recent emphasis on farming-*systems* research, it is also organizationally burdensome; this kind of support is more appropriate in projects dedicated to building up a *single* agency over a long period of time—like the Bank’s successful support to Brazil’s agricultural-research parastatal, EMBRAPA, over many years. (2) Projects should fund research and extension at least partly through “demanders” because they place a higher value on applied work and dissemination than research agencies do. (3) Projects

should fund research centers to more widely disseminate one or two of their favorite successes.

More generally, the Bank should (1) take more of an "urban" approach to its rural projects—as in its "intermediate-cities" projects in Brazil and elsewhere—resorting to matching funds and other incentives as a way of (a) tapping into the resources and developmental entrepreneurship available at the local level, and (b) placing certain functions at a level where they work better; (2) pay more attention to linking small-farmer lending to the mobilization of rural savings, which may require projects focused exclusively on rural financial institutions and *not* therefore embedded in agricultural-development projects; and (3) act on the myriad possibilities for mediating the transfer of land to small farmers for productive agriculture in a more decentralized way, particularly in conjunction with the provision of roads and irrigation water.

Notes

1. In commenting on a draft of this report, the Secretariat for Regional Development of the Office of the President emphasized that this report does not follow the usual approach used by the World Bank in analyzing Bank-financed projects. As explained in the text this study is, intentionally, *not* an evaluation of the Northeast projects, but has viewed them with a particular question in mind and a concern for arriving at conclusions of general utility outside RD and outside the Bank. The Secretariat would have also liked to see a fuller treatment of various issues (the economic, political, social and cultural context of the region and the country; the relationship of the take-over discussion to issues of management and of the allocation of resources

among components; the relationship of good performance to different social groups like landowners, squatters, sharecroppers, tenant farmers; the relationship of the single-crop successes to issues of market distribution, information on which project did well in terms of spending a lower percentage of project tasks on administration). We could not be more in agreement that these subjects merit a much fuller treatment, but were not able to do so because of constraints on time, financial resources, and length of the final report. We agree that these are issues of importance, and would endorse the need for further evaluation work, as the Secretariat suggests, on the joint World Bank and Government of Brazil projects in the Northeast. The Secretariat would also have liked to see an investigation of the components where interagency coordinating did *not* work well. We have not, indeed, analyzed poorly performing components in detail in this report, partly because we have done so more generally in other evaluation studies, particularly OED's 1988 report on (worldwide) experience with RD. More to the Secretariat's point, this report does describe what worked well in the context of the most frequent types of failures—for example, to deliver credit on time for planting, of extension and research to collaborate, of projects or components to be carried out on time. A number of OED audits have discussed the problems of individual projects. This work is no substitute for an evaluation of the portfolio of projects, or a study of Northeast Brazil, rather it uses the unusually large sample of related projects to provide pointers to the Bank and development economists generally on effective project design for delivery of assistance to the rural poor.

2. Alagoas, Bahia, Ceará, Maranhão, Paraíba, Pernambuco, Piauí, Rio Grande do Norte, Sergipe, and Minas Gerais. See note 3 in Chapter 1 for an explanation of why the non-Northeast State of Minas Gerais was included in these "Northeast" projects.

3. The Bank's Regional Office notes that the "second generation" of projects has been reformulated. The lessons distilled in this report have been drawn from the first and second generation projects, as originally implemented. The Region has also commented that "the implementation of the 'second generation' is only, at best, at the midpoint and has been very distorted by financing problems, conclusions reached drawing on experience from that generation are largely unrelated to the project design."

4. Apoio para Pequenas Comunidades Rurais (Support to Small Rural Communities).