Taking Action
to Reduce Poverty
in Sub-Saharan Africa

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Contents

FOREWORD IX
PREFACE XI
ABBREVIATIONS XIV
ACKNOWLEDGMENTS XV
SUMMARY 1

1 A Profile of Poverty in Sub-Saharan Africa 25
   Income Levels and Growth: The Lowest and the Slowest 25
   Population Growth and the Erosion of Living Standards 26
   How to Reduce Poverty: Evidence and Lessons Learned 34
   Notes 52

2 The Role of African Governments and Civil Society 53
   The Evolving Role of Government 53
   Government Commitment to Poverty Reduction 54
   Letters of Development Policy 58
   Reducing Poverty through Improved Institutions 59
   The Role of Civil Society 60
   Notes 63

3 The World Bank’s Response to the Challenge of Poverty 64
   The Strategy for Poverty Reduction 64
   Poverty Assessments 66
   Country Assistance Strategies 74
   The Portfolio and the Lending Program 78
   Sectoral Issues in the Portfolio and the Lending Program 90
   Summary and Implications 98
   Notes 101

4 The World Bank and Its Partners 102
   Lessons for the Bank 103
   Partnerships for Action 104
   Next Steps for the Bank 110
   Notes 111
APPENDIXES
A Selected World Bank Reports on Poverty, 1982–96  112
B Lending for Human Resources, Fiscal 1995–97  118
C Policies and Assistance Programs of Bilateral Donors  120
D The Blantyre Statement on Poverty Alleviation in Sub-Saharan Africa  128
E Assessing the Impact of the Pattern of Growth on the Poor  138
F The Poor Population in Developing and Transition Economies, 1987–93  142

BIBLIOGRAPHY  143

TABLES
1 Selected Social Indicators by Region  6
1.1 Gini Coefficients for Per Capita Expenditures, Selected Countries  28
1.2 Share of the Population below the Poverty Line, Selected Sub-Saharan African Countries  29
1.3 Access to Cropland by Expenditure Group, South Africa, 1993  30
1.4 Numbers of Persons under UNHCR Mandate by Region  35
1.5 Growth Rate of National Income Required to Halt the Rise in Number of Poor, for Different Combinations of Population Growth Rate and Growth Elasticity  38
2.1 Incidence of Public Sector Social Spending, Ghana and Selected Countries  57
3.1 Adjustment and Investment Projects by Subregion, Fiscal 1992–94  80
3.2 Projects for Enabling Growth, Fiscal 1992–97  80
3.3 Projects Providing Broadly Based Services, Fiscal 1992–97  85
3.5 Distribution of Agriculture Projects by Lending Category, Fiscal 1992–97  97

BOXES
1 Principal Findings  2
2 Land Reform and Political Stability  8
3 The Research Challenge  22
1.1 Women and Work  32
1.2 Time Spent in Agricultural Labor by Men and Women in Cameroon  32
1.3 Poverty, Environment, and Policy in African Cities  34
1.4 Toward Successful Rural Development  40
1.5 Women in Agriculture  40
1.6 Influences on School Enrollment in Nigeria  46
1.7 Infant and Child Mortality in Niger  49
1.8 The Cycle of Poverty and Malnutrition  51
CONTENTS

2.1 Malawi’s Poverty Reduction Strategy 55
2.2 Mobilizing Support for Poverty Reduction: The Case of Zimbabwe 55
2.3 African Perspectives on Poverty Reduction 61
3.1 Role of Poverty Assessments 67
3.2 Poverty Assessments and Public Expenditure Reviews 71
3.3 Country Assistance Strategies 75
3.4 Senegal’s Country Assistance Strategy 76
3.5 Criteria for Classifying Bank Projects 79
3.6 Economic and Social Adjustment in Zambia 81
3.7 Social Funds 88
3.8 An Example of an AGETIP 89
3.9 New Approaches to Water Delivery in Rural Communities and Small Towns: Ghana 93
3.10 A Rural Water Supply and Sanitation Project: Benin 93
4.1 Improving Poverty Monitoring: Angola 106
4.2 Simulation of Poverty Trends in Nigeria 108

FIGURES

1 Regional Trends in Purchasing Power, 1970–92 6
2 Distribution of World Bank Lending to Sub-Saharan Africa, by Objective, Fiscal 1992–97 12
1.1 Growth Rates of GDP Per Capita, Sub-Saharan Africa, 1988–94 26
1.2 Population Growth Rates by Region, 1955–85 and Projected to 2030 27
1.3 Average Consumption Expenditure Per Capita in Nigeria’s Three Agroclimatic Regions 39
1.4 Ratio of Total Debt Service Due to GDP, Sub-Saharan Africa 42
1.5 Enrollment Rates by Expenditure Decile, Selected Countries, 1993 44
1.6 Urban and Rural Gross Primary Enrollment Rates by Sex and Expenditure Decile, Niger, 1993 45
1.7 Selected Welfare Indicators, Kenya, 1992 47
1.8 Anthropometric Indicators by Household Income Group, Zambia, 1991 50
3.1 Building a Poverty-Focused Lending Program: The Process in the World Bank 65
3.2 Principal Themes of Action Plans in Poverty Assessments 68
3.3 Time Required to Double Per Capita Income at Various Growth Rates 78
3.4 Services Provided by Broadly Based and Narrowly Targeted World Bank Projects, Fiscal 1992–94 86
3.5 Rural Roads Components in World Bank Lending, Fiscal 1992–97 90
3.7 Education Sector Investment Projects, Fiscal 1992–97: Basic Package Approach 95
3.8 Health Sector Projects, Fiscal 1995–97: Basic Package Approach 96
Foreword

The Task Force on Poverty in Sub-Saharan Africa was established in 1993 by the vice president of the Africa Region to examine the Bank’s current and future operational response to projections of increased poverty in Sub-Saharan Africa. It was charged with determining how the Bank could strengthen its operational response to poverty and improve food security; suggesting improved and innovative approaches to poverty reduction; and recommending ways to strengthen and make further use of regional initiatives in Sub-Saharan Africa.

The preparation of the task force report, on which this book is based, has been a dynamic and participative process. From the start, extensive consultations took place with staff, donors, and the African Poverty Reduction Network (formerly known as the Oslo Group), which includes distinguished African government officials, academics, and representatives of nongovernmental organizations. The draft report was circulated widely, inside and outside the Bank, in August 1995. The task force has incorporated many of the suggestions and comments that were received.

This book is meant to stimulate a process of discussion and change. Indeed, significant signs of progress are already apparent—for example, in the design of the Bank’s country assistance strategies, which now contain clearer links to poverty assessments and lending programs in which poverty reduction is a central theme.

This assessment of current work on poverty reduction in Sub-Saharan Africa is designed to be a basis for the World Bank’s continuing efforts to serve all its clients. With the commitment of our partner governments, and the participation of the people of the region, we look forward to real progress in reducing poverty in Sub-Saharan Africa.

Callisto Madavo
Vice Presidents, Africa Region
Jean-Louis Sarbib
The World Bank
Preface

The World Bank's overarching objective is to reduce poverty in the developing world. On the occasion of the World Bank's fiftieth anniversary, the Bank's president, Lewis Preston, in his foreword to *Learning from the Past. Embracing the Future* (World Bank 1994f), stated, "the Bank Group's fundamental objective today [is] helping borrowers reduce poverty and improve living standards through sustainable growth and investment in people." The current president, James D. Wolfensohn, has also stressed the centrality of poverty reduction in the Bank's work.

Poverty reduction has been a consistent objective of the World Bank for many years. For example, in the early 1970s President Robert McNamara called attention to the plight of the hundreds of millions living in absolute poverty in developing countries (McNamara 1981) and outlined a rural development strategy and a supporting action program for the Bank. By the late 1970s the Bank's approach to poverty reduction had shifted increasingly to meeting basic human needs. In the 1980s, as many developing countries implemented structural adjustment programs to stimulate growth, the Bank's strategy for addressing the needs of the poor shifted toward encouraging labor-intensive growth and improving allocation of public expenditures. The Bank's focus on reducing poverty regained momentum following publication of *World Development Report 1990*, which focused on poverty. That report emphasized the achievement of a pattern of growth that would benefit the poor and improve social services for them. Subsequent editions of the *World Development Report* have addressed issues of economic growth, human resource development, and employment.

Despite efforts by the Bank, the donor community, and governments, progress in reducing poverty has been negligible in Sub-Saharan Africa as a whole, although some success has been achieved in a few countries. The slow progress in Sub-Saharan Africa contrasts markedly with much better performance in other regions of the world. For example, East Asian countries achieved average annual rates of growth in the past two and one-half decades of around 5 percent per capita through rapid agricultural and export growth. Growth in average real income and well-being were attributable to sound macroeconomic policy and a
reliable legal framework, which led to high levels of private investment supported by an improved banking system and high rates of saving. These countries also heavily emphasized primary and secondary schooling and health care, resulting in rapid growth of human capital. Governments that had developed efficient public administrations intervened to stimulate economic and social development.

The success of these policies in East Asia led to a significant reduction in the number of people living in poverty. For example, the proportion of people living below the poverty line in Indonesia dropped from 58 percent in 1960 to 17 percent in 1990. In Malaysia the proportion fell from 37 percent to less than 5 percent in the same period (World Bank 1993a).

Meanwhile, since the early 1960s per capita growth in Sub-Saharan Africa has been barely more than zero, increasing the numbers of poor and their share of the population. Countries that had formerly been important participants in world trade lost market share. By the early 1990s about one-half of the people in Sub-Saharan Africa (200 million to 250 million) were living below the poverty line; of these, about 100 million did not consume enough food to lead healthy and active lives. Today, social indicators in Sub-Saharan Africa remain at extremely low levels compared with other regions of the world. The most alarming concern is the high probability that the projected rate of economic growth in the next decade will not be sufficient to reduce significantly the incidence and depth of poverty in Sub-Saharan Africa.

The poor performance of African economies and the general lack of success of African governments in addressing poverty have become important issues. A recent Bank report, *Adjustment in Africa: Reforms, Results, and the Road Ahead* (World Bank 1994a), and other research studies show that appropriate macroeconomic policies, when implemented and sustained, can achieve economic growth (see also World Bank 1994g, 1995c). Nevertheless, even in countries experiencing growth, a substantial proportion of people remain below the poverty line. The continuing severe poverty in Sub-Saharan Africa calls for more intensive efforts. Accordingly, in 1993 the World Bank's Africa Region established a task force to examine the issues and, in particular, to consider the operational implications for the Bank.

The task force report—the basis for this book—is by no means the first by the World Bank on poverty in Africa. As appendix A in this book shows, the Bank has produced many reports on the subject. A substantial body of research on poverty issues, begun many years ago by the Bank and many other institutions, is available (see Lipton and Ravallion 1993). Apart from these reports and studies, the Bank has regularly addressed poverty issues in policy dialogue with member countries, in lending, and in economic and sector work. Attention to poverty issues is increasing but, as this book will show, much greater effort is required.

The task force report complements a report prepared by the Africa Region, "A Continent in Transition: Sub-Saharan Africa in the Mid-1990s" (World
Bank (1995c). That study reviews political and economic developments in Sub-Saharan Africa and offers some reasons for optimism about the future of the continent. Despite signs of success, much remains to be done.

A consensus exists within the Bank and among most donors on a broad strategy for reducing poverty through economic growth, improved social services, and, when necessary, targeted assistance. The Bank, other donors, and nongovernmental organizations, although providing increasing support for long-term growth, are still concerned with short-term progress in poverty reduction. The common challenge is to achieve the best allocation of government and donor resources for sustained growth and poverty reduction. This book explores the challenge in operational terms, with the main focus on what the World Bank has been doing and should do in the future.
## Abbreviations

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>AIDS</td>
<td>Acquired immune deficiency syndrome</td>
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<td>CAS</td>
<td>Country assistance strategy</td>
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<td>GDP</td>
<td>Gross domestic product</td>
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<tr>
<td>GNP</td>
<td>Gross national product</td>
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<td>HIV</td>
<td>Human immunodeficiency virus</td>
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<td>IDA</td>
<td>International Development Association</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>LDP</td>
<td>Letters of development policy</td>
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<td>NGO</td>
<td>Nongovernmental organization</td>
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<td>OED</td>
<td>Operations Evaluation Department (of the World Bank)</td>
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<td>PER</td>
<td>Public expenditure review</td>
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<td>PPA</td>
<td>Participatory poverty assessment</td>
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<td>PTI</td>
<td>Program of targeted interventions</td>
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<td>SAC</td>
<td>Structural adjustment credit</td>
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<td>SDA</td>
<td>Social Dimensions of Adjustment</td>
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<td>SECAL</td>
<td>Sector adjustment loan</td>
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<td>UNHCR</td>
<td>United Nations High Commissioner for Refugees</td>
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<td>UNICEF</td>
<td>United Nations Children’s Fund</td>
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<tr>
<td>USAID</td>
<td>U.S. Agency for International Development</td>
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Acknowledgments

The Task Force on Poverty in Sub-Saharan Africa received strong support from Kim Jaycox, then vice president of the Africa Region, and Stephen Denning, then director of the Africa Region. The steering committee for the task force consisted of Tesfaye Dinka (chairman), Ishrat Husain, Ishrat Z. Husain, and Joanne Salop. Other original members of the task force were Ladipo Adamolekun, Ajay Chhibber, Cynthia Cook, Salah Darghouth, Dieneba Diarra, Roger Grawe, Jeff Hammer, Alberto Harth, Emmanuel Jimenez, Valerie Kozel, Peter Miovic, Caroline Moser, Jean-Louis Sarbib, Lynne Sherburne-Benz, and Aubrey Williams. As the work of the task force proceeded, some members transferred to other parts of the Bank and became less involved. Toward the end of its work, Ravi Kanbur joined the vice president’s staff and became a member of the task force.

Jack van Holst Pellekaan was responsible for preparing the report, with substantial assistance from Rama Barry, David Bigman, Robert Christiansen, Sally Kauffman, Timothy Marchant, Abeba Taddese, and Harry Walters. Additional assistance was provided at various times by Bahjat Achikbache, Jayshree Balachander, Mark Blackden, Susan Chase, Teresa Hartnett, Essimi Menye, John Ngwafon, Andrew Norton, Pierre Romand-Heuyer, Antoine Simonpietri, and Roger Sullivan. The World Bank’s Transportation, Water, and Urban Development Department is the source for box 1.3. The analysis presented in box 1.6 was done by David Bigman. Jayshree Balachandar provided box 1.8. Michael Gain and Wendy Wakeman contributed box 3.9. Box 4.1 was provided by Ghislaine Delaine, Françoise Genouille, Donna McGreevy, Richard Potter, and Elena Vitanov assisted with word processing, and Pamela S. Cubberly with editing and layout of the report. Sheila Harty edited the final manuscript, Donna McGreevy desktoped the publication, and Kathy Sandler was the proofreader. Beni Chibber-Rao designed the cover panel. Kevin Cleaver, director of the Africa Technical Department, and Ishrat Z. Husain, chief of the department’s Human Resources and Poverty Division, were responsible for the overall management of the work.
Departmental lead economists, project advisers, and task managers provided assistance with reviewing poverty reduction objectives in Bank operations. The Regional Management Team and the Group Teams for Human Resource Development and for Agriculture (which existed before the most recent reorganization of the Bank’s Africa Region) contributed useful advice. Assistance and advice were also received from Martin Ravallion and departmental poverty coordinators Roger Key, Quaiser Khan, Helena Ribe, Gurushri Swamy, and Mark Woodward.

Discussions with officials of bilateral assistance organizations and non-governmental organizations provided valuable insights and information. The draft report was also discussed with private individuals and academic groups. Valuable comments were received from Simon Appleton and his colleagues at the Centre for the Study of African Economies, Oxford University; Roger Hay and his colleagues of the Food Studies Group, also at Oxford University; and John Toye, Simon Maxwell, Robert Chambers, and their colleagues at the Institute of Development Studies, University of Sussex.

An important source of advice was the “Oslo Group” of Africans, who, at the invitation of the Norwegian government and the World Bank, met in Oslo in January 1995 to discuss poverty reduction policies and strategies in Sub-Saharan Africa. This group consisted of Ali Abdel Gadir Ali, James Akinwumi, Kweku Appiah, Pauline Biyong, Enos Bukuku, Ibrahim Elbadawi, Albert Flinde, Iolanda Fortes, Sam Kakhobwe, Charles Lufumpa, Boniface Matingou, Gabriel Monteiro, Mary Muduuli, Mwalimu Musheshe, Bernard Ouedraogo, Brian Raftopoulos, Marly Diallo Sidibe, Abdou Simone, Magatte Wade, Shimeles Worku, and Moïse Zami. Mamadou Ben Adji, Jacob Kaliyati, John Milimo, and Getahun Tafesse subsequently joined the group.

Finally, the analysis presented in this book would not have been possible without many years of substantial support for collection and analysis of household data by a large number of African governments and donors under the Social Dimensions of Adjustment Program. Particular support for activities in connection with the report was received through trust funds financed by the Norwegian, Canadian, Japanese, and Netherlands governments. Belgian and Netherlands trust funds provided support for the production of this book and of the separate English-French overview published in October 1996.
Summary

In 1993 the World Bank's Africa Region established a Poverty Task Force to:

- Determine how the Bank could review current activities and best practices to strengthen its operations and assist governments in reducing poverty and improving food security in Sub-Saharan Africa
- Recommend improvements and innovative practices to achieve progress on poverty reduction and food security
- Recommend actions to enhance the poverty focus of regional initiatives such as the Special Program of Assistance for Sub-Saharan Africa and the Global Coalition for Africa.

At the heart of the task force's work was an examination of the Bank's operations—primarily, the connections among poverty assessments, country assistance strategies (CASs), and the content of the lending program. The Bank's lending to Sub-Saharan Africa for the six years reviewed (broken down into two periods, fiscal 1992-94 and fiscal 1995-97) falls into three categories according to main objective: establishing an enabling environment for growth; providing broadly based services or benefits to the community, including the poor; and providing narrowly targeted services or benefits to the poor. Categorization of the lending program by main objective allowed the task force to review the effectiveness of poverty assessments, other economic analyses, country assistance strategies, and business plans as the basis for designing the Bank's lending programs; assess whether the emphasis of the Bank's lending program for poverty reduction needs to be modified; and identify the actions most likely to reduce poverty.

This book, based on the final report of the task force, reflects numerous discussions with the Bank's development partners—Africans, the donor community, and nongovernmental organizations (NGOs). The main messages of the book are outlined in box 1.

Concern about poverty in Africa is not new, and it is regularly reaffirmed. The World Summit on Social Development, held in March 1995 in Copenhagen, had the explicit objective of eradicating poverty in the world through decisive national action and international cooperation. In September 1995 the Fourth World Conference on Women, held in Beijing, provided another forum for concern about poverty
POVERTY IS PERVERSIVE.
On average, 45 to 50 percent of Sub-Saharan Africans live below the poverty line—a much higher proportion than in any other region of the world except South Asia.

GOVERNMENT COMMITMENT TO POVERTY REDUCTION NEEDS TO BE STRENGTHENED.
Poverty is not likely to be reduced in Sub-Saharan Africa without considerable improvement in government commitment to and ownership of programs to support this goal. Only about a quarter of all African governments have made a strong and explicit political commitment to reduce poverty.

ECONOMIC GROWTH RATES ARE GENERALLY FAR TOOlow TO REDUCE POVERTY SIGNIFICANTLY.
Growth rates of at least 6.5 percent per year are necessary if typical Sub-Saharan African countries are to reduce poverty at an acceptable rate. But growth alone is insufficient without a pattern of growth that allows for increased production, expanded employment opportunities for the poor, and better access to social services for the poorest groups.

THE WORLD BANK’S LENDING HAS EMPHASIZED GROWTH.
Of the Bank’s assistance to African countries, about 58 percent has been focused on creating the enabling conditions for growth through policy change and large-scale investments.

THE WORLD BANK MUST INTENSIFY ITS EMPHASIS ON POVERTY REDUCTION IN PROGRAMMING AND LENDING.
Achieving poverty reduction should be the Bank’s central theme. The Bank should establish stronger linkages among poverty assessments, country assistance strategies, and lending programs for all countries.

STRONGER PARTNERSHIPS FOR POVERTY REDUCTION ARE NEEDED.
Increased participation and strengthened collaboration among all development partners are essential to the effectiveness of poverty reduction efforts.

and, in particular, about the situation of poor women. The United Nations Special Initiative for Africa, launched in March 1996, also represents a concerted international effort to reduce poverty.

OTHER REPORTS ON POVERTY ISSUES

Many reports by the World Bank and other international organizations on poverty in Africa have already been issued (see appendix A). This task force report differs from them primarily in its focus on the Bank’s operational work. It also contributed to the work of a Bank initiative in the second half of 1995 designed to introduce a number of innovations in the business practices of the Bank’s Africa Region. Under this Change Agenda several fundamental operational issues were examined, with the objective of making operations more client and result oriented. The agenda included improvements in country assistance strategies specifically intended to reduce poverty; increase country focus, client consultation, and
cost-effectiveness; and improve the Region's management and communications. The task force's recommendations on many of these issues were adopted in the Change Agenda.

Results of the Africa Region's survey in 1995 of knowledgeable counterparts in the public and private sectors in nine borrowing countries and of Bank staff working on programs in these countries provided a context for the Change Agenda. Respondents regarded as grossly inadequate the Bank's attention to poverty reduction for the countries surveyed. More than half believed the Bank gave "too little" or "much too little" attention to social equity and poverty alleviation, and 42 percent of staff working on Bank programs in these countries agreed. The response of the nationals may in some cases reflect the resentments of midlevel civil servants who feel they have borne most of the burden of implementing income redistribution following economic policy reform. Nonetheless, it is essential to the success of Bank programs that this perception by knowledgeable outsiders and staff change—and change rapidly. Not only should information on the positive impact of past actions be better disseminated, but future Bank activities should be designed and implemented to achieve greater reduction of poverty.

An important contribution to the discussions surrounding the Change Agenda was the Bank report "A Continent in Transition: Sub-Saharan Africa in the Mid-1990s" (World Bank 1995c), which examined the relevance and the progress of the development agenda for Sub-Saharan Africa. The report noted improvements in the political environment, the trend toward democratic institutions and free elections, and progress in some important macroeconomic policies in many African countries, such as reliance on market-determined exchange rates. There were, however, disappointments, including weak fiscal management and provision of social services, both of which have generally advanced at a much slower pace in Sub-Saharan Africa than in other regions of the world. The report stressed that despite these generalizations, economic and social conditions vary considerably among African countries. Two aspects of "Continent in Transition" were especially relevant for this report:

- Its reaffirmation of the Bank's basic framework for economic development and poverty reduction—sound macroeconomic policy and growth, improved social services, and appropriately targeted programs

- Its emphasis on the challenge that Africa faces as it builds on the past to ensure that more countries benefit from experience with successful political transitions—through peaceful democratic processes—and from economic growth, while distributing more benefits to the poor.

Other reviews have supported the conclusions of the task force. "The Social Impact of Adjustment Operations" (World Bank 1995p), prepared by the Bank's Operations Evaluation Department, found a close link between growth and poverty reduction. Nonetheless, poverty reduction in Sub-Saharan Africa was limited during the 1980s, and high levels of income inequality persist. This deep-
seated inequality may slow the reduction of poverty in Sub-Saharan Africa despite economic growth. The report concluded that to obtain a robust supply response to adjustment programs, these programs must be complemented by investments to benefit producers—a group dominated by the poor and women. To a large extent, this book addresses how to achieve this goal.

**Causes and Consequences of Poverty in Sub-Saharan Africa**

The causes of poverty are complex; and the consequences of poverty often reinforce its interrelated causes, exacerbating the problem. The World Bank’s Africa Region Poverty Task Force concluded that the basic causes of poverty are lack of access to services and opportunities and inadequate endowments, specifically:

- **Inadequate access to employment opportunities** as a result of the geographic isolation of the poor, low saving rates, low domestic investment, and a pattern of growth that does not generate large enough increases in employment opportunities for the poor.

- **Inadequate physical assets**, such as land and capital, and minimal access by the poor to credit even on a small scale. Land reform would give land users the opportunity to establish legal or traditional tenure rights and give the landless, particularly the poor, access to land through redistribution programs.

- **Inadequate access to the means for supporting rural development in poor regions**, caused by donors' preference for high-potential areas and an urban bias in the design of development programs.

- **Inadequate access to markets for goods and services that the poor can sell**, caused by the often remote geographic location of the poor, inadequate or nonexistent rural roads, ineffective communication, and the seasonality and small volume of the labor services and production of the poor.

- **Low endowment of human capital** as a result of inadequate access to education, health, sanitation, and domestic water services, which stems from inequitable social service delivery and hinders the poor from living healthy and active lives and taking full advantage of employment opportunities.

- **Destruction of natural resource endowments**, which has reduced the productivity of agriculture, rangelands, forests, and fisheries and is often exacerbated by the desperate survival strategies of the poor and by inadequate and ineffective public policy on natural resource management.

- **Inadequate access to assistance for those living at the margin and those victimized by transitory poverty** because of drought, floods, pests, and war; caused by a lack of well-conceived public strategies and inadequate resources.

- **Inadequate participation of the poor** in the design of development programs and failure to take account of the needs of the poor in donor-government discussions.
The persistence of widespread poverty has serious economic and social consequences:

- **People in Sub-Saharan Africa (along with those in South Asia) are among the poorest in the world, both in real income and in access to social services.** About 45 percent of the approximately 590 million people in Sub-Saharan Africa live below the national poverty line. In 1993 an estimated 40 percent lived on less than $1 per day. At least 50 percent of the poor live in five East African countries and Nigeria. The depth of poverty—that is, how far incomes fall below the poverty line—is greater in Sub-Saharan Africa than anywhere else in the world.

- **The large number of people in poverty implies an inefficient use of resources and increases the risks of social upheaval.** The poor have much potential energy to contribute to economic development. Yet their potential too often goes undeveloped and underutilized, and they are often effectively disenfranchised and politically frustrated.

- **The risk of social upheaval is further increased by the high and growing inequality in many African countries.** As communications systems expand and improve, the large and growing gap between rich and poor is becoming increasingly obvious to the poor, and they will inevitably become restless.

**Low Growth of Income**

The growth of income in Sub-Saharan Africa during recent decades has been dismal. Between 1970 and 1992 average per capita gross domestic product (GDP) grew by only $73 in relation to purchasing power parity. In contrast, during the same period South Asia’s per capita GDP increased by $420 (2.3 percent a year) and East Asia’s by $900 (3.1 percent a year), although in 1970 the figures for these two regions were similar to Africa’s. The subsequent improvement in East Asia in the 1980s is especially striking in comparison with the stagnation and decline in the purchasing power of incomes in Sub-Saharan Africa (figure 1). In 1992 the purchasing power of average GDP per capita in Sub-Saharan Africa was the lowest for any region.

At the root of this low economic growth were ill-conceived policies, which had a serious negative impact on employment opportunities and social development, as well as low production in agriculture. Fortunately, policies in many countries have improved, leading to increased growth and a decline in poverty.

**Inadequate Social Services**

Currently, the availability of social services in most Sub-Saharan African countries is the lowest in the world. The differences in welfare between Sub-Saharan Africa and other developing regions is illustrated by two simple but important
development indicators—school enrollment and infant mortality (table 1). In many Sub-Saharan African countries, discrimination that favors boys’ education over girls’ is substantial. This inequity is clearly reflected in primary school enrollment rates in urban and rural areas for boys and girls (Odaga and Heneveld 1995).

Malaria and acquired immune deficiency syndrome (AIDS) are increasing in many countries in Sub-Saharan Africa. Life expectancy has remained stable for many years at approximately 51 years in Sub-Saharan Africa and will probably be brought even lower by AIDS. For comparison, life expectancy is 59 years in South Asia and 68 years in Latin America.

In surveys, the rural poor in Sub-Saharan Africa have emphasized that access to rural roads and domestic water supplies is extraordinarily bad. About

<table>
<thead>
<tr>
<th>Indicator</th>
<th>South Asia</th>
<th>East Asia</th>
<th>Latin America and the Caribbean</th>
<th>Sub-Saharan Africa</th>
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<tbody>
<tr>
<td>Gross primary school enrollment rate (percent), 1992a</td>
<td>94</td>
<td>117</td>
<td>106</td>
<td>67</td>
</tr>
<tr>
<td>Infant mortality (per 1,000 births), 1993</td>
<td>84</td>
<td>36</td>
<td>43</td>
<td>93</td>
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a. The average rate may surpass 100 percent when enrollment includes students older or younger than the listed age group.

74 percent of all people in rural Sub-Saharan Africa are dependent on unsafe water supplies fetched from rivers and other contaminated sources (World Bank 1995q, 1996a).

The solution to most of these deprivations is clear. Household surveys and national data presented in this report show that higher incomes in Sub-Saharan Africa have a positive impact on the use of health and education facilities and also lead to improved food security. Achieving higher incomes, however, is not easy.

High Population Growth

Population growth, in relation to the limited and often fragile resource base, is both a cause and a consequence of poverty. The population of Sub-Saharan Africa is projected to grow at about 3 percent a year; the rate is forecast to decline only slightly, to 2.9 percent a year, by 2000. At this rate, the population will be about 654 million by the end of the century. By 2025, less than thirty years from now, Africa's population could more than double, to 1.2 billion.

The high rate of population growth will offset any reduction in the number of poor in most countries, all the more so because the rate is higher among the poor than among the nonpoor. Survey data from twelve countries representing about 60 percent of the region's population reveal that for the lowest income quintiles average household size is about 7.0 persons, with little difference between rural and urban areas, whereas for the top quintile average household size is 3.5 in rural areas and 2.8 in urban areas. The projected population increases will place a huge strain on the region's natural resource base and on governments' ability to provide even minimal social services. The increase in the labor force and the high proportion of young people will put considerable pressure on the labor market unless employment opportunities increase substantially.

The Environment

National environmental action plans, now completed for twenty-five countries, have clearly documented the extensive environmental damage in Africa caused by poverty. For example, the increase in population densities in the coastal areas of West Africa as people migrate there in search of employment has brought about great stress on the natural resource base (World Bank 1996h). In many Sub-Saharan African countries the combination of distorted economic policies, population pressures, and low incomes is leading people to cultivate fragile lands in their struggle for survival. As a result, environmental damage is increasing, and agricultural productivity is declining.

Continued high levels of rural poverty and high rates of population growth will severely affect Sub-Saharan Africa's fragile and increasingly depleted natural resource base. This nexus of poverty, population, and environment is already one of the most important social and economic issues for Africa's future (Cleaver and Schreiber 1994). Growing populations and the large numbers of
BOX 2  LAND REFORM AND POLITICAL STABILITY

South Africa, although unique in many ways, provides an example of the need to take measures to promote political stability. There is considerable pressure to improve economic conditions. Clearly, demands for action by the rural landless urgently need to be addressed if the issue of land reform is not to become a source of increasing friction.

In Zimbabwe the delay in implementing effective land reform has contributed to increasing politicization of the issue, reinforcing the continuing uncertainty about property rights and so undermining investor confidence. In Somalia governmental inability to ensure equitable allocation of public expenditures contributed to extreme bitterness in the population and a call for political change at any cost. This outcry ultimately overwhelmed the government and led to civil war. In Nigeria inequitable distribution of the fruits of rapid economic growth stemming from oil production created unrest and pressure for political change which, due to the fragility of state institutions, destabilized the government.

rural poor make efforts to protect or restore the environment increasingly important and urgent—but also costly.

_Economic Inefficiency_

Up to half of Sub-Saharan Africa’s endowment of human capital is underused because the poor lack the necessary resources, such as land and credit, to contribute to production and economic development. As part of the general effort to reduce poverty, inequities that vary among countries and among different cultures and ethnic groups within countries need to be addressed. Special attention may have to be paid to the situation of women, who often have less access to resources than men do.

_Social and Political Instability_

Poverty not only constitutes an inefficient use of society’s resources but also causes social and political instability. Poverty and its associated inequities can compound ethnic tensions. The inability of public institutions to address this issue may lead to political instability, especially within budding democracies, and to economic uncertainty, destroying otherwise favorable environments for domestic and external private investment (box 2).

_Patterns of Growth and the Poor_

Achieving high rates of sustained growth is undoubtedly the most important strategy for reducing poverty in Africa. Yet high aggregate growth, in itself, will not reduce poverty. The pattern of growth must also benefit the poor, either directly through increased employment and incomes or indirectly through improved social services.
Growth rates for most African economies are simply not high enough to reduce poverty significantly. For example, the most recent Bank forecast is that growth of GDP in Sub-Saharan Africa will average 3.8 percent a year in the next decade, implying a per capita growth rate, at best, of approximately 1.3 percent per capita a year. At that rate, per capita income will take half a century to double—a growth performance not even remotely adequate for meaningful poverty reduction.

Growth needs to benefit the poor more directly. How growth is distributed among sectors and regions is critical in determining which groups benefit from expanded employment and income-earning opportunities. Emphasizing growth in agriculture, remote poor regions, or urban slums could improve the extent to which various groups, including the poor, benefit.

The selection of a particular growth pattern or strategy involves choosing among different public policies and expenditures. For example, road construction and other projects in rural areas should be given preference over urban investments, and investments in primary education and health services should be emphasized rather than universities and hospitals.

The effect of growth on poverty measures (growth elasticity) varies among countries according to the structure of the economy, which includes such factors as employment of the poor, patterns of growth, and extent of inequality. In Sub-Saharan Africa the effect of growth on poverty measures is generally lower than in other regions. The task force report estimates that, given current economic structures, population growth rates (about 3 percent a year), and patterns of growth (which imply an income elasticity of about -1.5), the number of poor in Sub-Saharan Africa will decrease only if the average growth rate of national income is more than 5 percent a year.

Primary social services need to become much more available in Sub-Saharan Africa—especially for the poor—and such services should be a priority for public investment. If social services remain at their current low levels, development of human capital will be negligible.

Distributing the Benefits of Growth

In many East Asian countries, growth has been accompanied by improved income distribution. In contrast, relatively high levels of inequality persist in many Sub-Saharan African countries, even those that have enjoyed solid growth and reductions in the average incidence of poverty. The importance of instituting a pattern of growth that benefits the poor in Sub-Saharan Africa is evident from the current high levels of inequality, the low levels of human capital development, and the meager assets available to the poor.
Changing the Pattern of Growth

Although the evidence shows that economic growth is a powerful means of reducing poverty, not all patterns of growth have the same impact. Recent World Development Reports (World Bank 1990, 1995s) have emphasized that because the poor depend heavily on income from their labor, changes in the demand for their labor are what will determine the extent to which they will benefit from growth. For example, production incentives that encourage growth in rural areas are likely to benefit farmers directly but would also indirectly benefit the landless through increased demand for agricultural labor and for workers in agricultural marketing. Labor-intensive agricultural growth is particularly important for poverty reduction in Africa because agriculture provides employment for up to 70 percent of the labor force and between 50 and 70 percent of the poor live in rural areas. Women and men, however, will not necessarily benefit equally. Women—typically already overburdened with household and other tasks—generally have limited time for additional work. A different set of strategies is needed to reduce their poverty, including better access to productive assets and technologies that increase the productivity of activities they typically perform.

Priority actions for generating more rapid growth in the rural economy are well known and include an efficient set of economic incentives: increasing the access of the poor to land and other assets; enhancing the access of small-scale farmers and traders (particularly women) to credit; improving rural infrastructure; and generating and applying better production technologies. Above all, African farmers—and, indirectly, people employed in agriculture and other rural activities—need greater access to markets for their products and services. Improved physical and social infrastructure, and decontrolled markets for inputs and outputs, are important requirements in this context.

Improving Social Services to Increase Growth Elasticity

If rural people are to lead productive and enjoyable lives and participate vigorously in markets for their products and services, they will need better access to education, health, and water supply services. The effect of growth on poverty is measured by the extent to which national growth in income helps to reduce the national measure of poverty. This measure, growth elasticity, depends on the ability of the poor to take advantage of the expanded economic opportunities afforded by growth, which in turn is governed by their access to land, credit, education, health care, markets, and so on. Africa’s growth elasticity is among the lowest in the world and is reflected in the especially inequitable distribution of income from growth. In contrast, East Asia has higher growth elasticities, and growth there has had a relatively quick and positive impact on poverty and income distribution; the poor have greater access to education and health services and other resources required for growth in incomes.
Identifying "Win-Win" Patterns of Growth

Patterns of growth that favor the poor without sacrificing overall growth performance—so-called "win-win" approaches—include:

- Macroeconomic policies that achieve stabilization and provide incentives for employment-creating production, for both domestic and export markets
- Sectoral policies that encourage employment of the poor and improve social services
- Rural development, including strategic rural infrastructure, agricultural research and extension, pro-poor public expenditure patterns, and investment policies that do not discriminate against labor.

Clearly, development policies and strategies in Sub-Saharan African countries should focus on growth, but the distribution of this growth must be thoroughly analyzed to identify the policies and strategies that will do most to increase the growth elasticity and reduce poverty.

Focusing on Higher Growth Rates and Distribution

Growth is obviously essential for reducing poverty, yet even aggregate growth of 5 percent a year—an optimistic projection—will not discernibly affect Africa's poverty indicators or its number of poor. The combination of modest prospects for GDP growth (probably below 5 percent a year) and the comparatively small impact of growth on poverty means that significant poverty reduction for the poorest in Sub-Saharan Africa within the next fifty years cannot rely solely on raising aggregate income. Better distribution of income is essential.

Governments and donors must find a way to generate considerably higher economic growth and at the same time ensure that growth has a greater positive impact on the poor. High growth rates have been achieved in Sub-Saharan Africa; Uganda, for example, has grown in recent years at an average 8 percent a year. This report recommends a target growth rate of 6.5 to 7.0 percent a year for a typical Sub-Saharan African country. Assuming, perhaps optimistically, a population growth rate of 2.5 percent a year, an annual growth rate of GDP per capita of 4 percent would allow a doubling of average per capita income in about eighteen years. If more of this growth were to be directed toward the poor, their average incomes would double in even less time. This would, at last, represent substantial progress in reducing poverty.

World Bank Lending: An Emphasis on Growth

The Bank’s lending assistance can be classified into three groups (see figure 2):

- Establishing an enabling environment for long-run growth (58 percent of lending, on average)
The distribution of lending assistance outlined above evolved because policy reform to stimulate aggregate growth became an end in itself. Increased growth—assuming that it generates employment opportunities for the poor—is indeed essential for reducing poverty in Sub-Saharan Africa. But preoccupation with growth, particularly if it is not distributed widely, can mean insufficient attention to development of human capital—one of the factors that sustain growth in the long term.
At issue is not the proportion of lending in the three broad categories but to what extent projects in these categories are pro-poor. Given the importance of pro-poor growth, the Bank should be emphasizing those projects that support it. Yet only about 30 percent of the investment projects and adjustment operations for fiscal 1992–94 intended to promote long-term growth were judged to contain components that would help the poor, through stimulation of labor-intensive growth or through other benefits, such as better prices for agricultural products.

The link between fostering a more favorable growth environment, on the one hand, and creating employment opportunities and alleviating poverty, on the other, is sometimes tenuous, at least in the short to medium term. For example, in fiscal 1992–94 about 22 percent of the loans in the enabling growth category financed large infrastructure projects, which included power and telecommunications. These types of projects are not likely to generate significant additional employment in the short term. In contrast, certain types of infrastructure—for example, rural roads, rural domestic water supplies, and urban sanitation systems—are clearly public goods that are essential to reducing poverty. It is therefore of considerable concern that significant urban bias exists in the Bank’s lending program for roads and water supply.

Given appropriate change in the country’s policy environment, the private sector could finance a significant share of the infrastructure projects now funded by the Bank. The potential contribution of the private sector, although recognized by the Bank, is often difficult to realize; pressures to respond to government requests and the need to implement difficult policy and institutional changes in public sector institutions within countries often make it more expedient for the Bank to make the loan itself. This report urges greater refinement in lending for infrastructure to focus benefits more clearly on the poor and recommends that such lending be designed to supplement rather than displace private sector involvement in developing infrastructure.

The effectiveness of donor assistance will ultimately be judged by its ability to reduce poverty within the lifetime of the current generation of poor people. Governments, the Bank, and other donors must place more emphasis on strengthening the links between growth and actual poverty reduction in assistance programs. Among other things, they must ensure adequate complementary investments in services and infrastructure that benefit the poor. Good initial goals are to allocate government public expenditures so as to reduce poverty, strengthen the elements in the Bank’s own country assistance strategies that promote poverty reduction, and ensure that the lending program contributes to poverty reduction.

**Broadly Based and Narrowly Targeted Services for the Poor**

Broadly based and narrowly targeted projects provide services to the poor and cover education, health, agriculture, infrastructure, and social funds. In fiscal 1992–94 lending for education and health accounted for 19 percent of commit-
ments for the broadly based projects and 28 percent of commitments for narrowly targeted projects. For the same years agriculture accounted for 15 and 36 percent of the two categories, infrastructure for 52 and 32 percent, and social funds and social action projects for 0 and 4 percent. During the fiscal 1995–97 period a much greater proportion of lending was or will be devoted to health and education and to social funds and social action projects. Health and education projects (including sector investment programs) are likely to account for about 27 percent of commitments to broadly based projects and for 40 percent of commitments to narrowly targeted projects. Social funds and social action projects will probably account for 22 percent of narrowly targeted projects.

The Rural Economy

Bank lending should focus on the rural sector, where most of Sub-Saharan Africa’s poor people live and work. Obviously, this does not suggest neglect of urban poverty, which is likely to increase rapidly because of the high rate of urbanization. Lending for the agricultural sector—which does not completely capture the rural-urban allocation of resources—accounts for only 13 percent of the value of the Bank’s total lending in Sub-Saharan Africa for fiscal 1992–97. Of this share, approximately 19 percent was intended to support long-term growth; 46 percent was earmarked for broadly based services and 35 percent for narrowly targeted services for the poor. Thus, the relatively small proportion of lending for agriculture goes mainly toward increasing the quantity and quality of services.

Bank-financed investment in the rural sector should take the identity of the potential beneficiaries into account. A clear need exists to:

- Increase agricultural productivity through applied research, better ways of providing credit, and dissemination of production technologies and of information about product and input markets. It is essential to ensure that the improved technologies are adapted for and made available to the poor.

- Explore prospects for fostering small-scale industries in rural areas; research shows that such enterprises can expand markets and employment for rural dwellers.

- Emphasize improvements in infrastructure, such as roads, in rural areas to reduce transaction costs.

- Design the Bank’s strategies in the health, education, and infrastructure sectors to support rural development, which is typically multisectoral.

- Develop a better understanding of household-level decisionmaking, especially among poor rural households, and integrate these insights into the design and implementation of projects for the rural economy.

- Generally, ensure a pro-poor investment strategy, which entails an adequate balance between rural and urban areas.
The Role of the Private Sector

Although not estimated in this report, the levels of investment that are necessary to generate sustained growth will no doubt exceed what the public sector, including the donor community, can provide. Ultimately, capital from the private and informal sectors must provide the financing for sustainable growth. Donors, in partnership with governments, must identify those public sector investments and policy reforms which will create an attractive investment environment for the private sector and will foster a pattern of private sector growth that reduces poverty and increases employment among the poor, to the extent consistent with equitable and efficient factor markets.

The Need to Focus on Poverty Reduction in World Bank Operations

The core framework for the Bank’s operational strategy for any borrowing country is a strong and logical connection among poverty assessments, country assistance strategies (CASS), and the lending program. The task force reviewed the influence of CASS and poverty assessments on lending programs for each country in Sub-Saharan Africa. It reached the following conclusions:

- Poverty reduction is rarely a central or motivating theme in the business plan or country assistance strategy, although attention to poverty has improved in recent months.
- Even though the operational cycle begins correctly with a poverty assessment, the poverty focus is often lost by the time a lending program is implemented.
- CASS are generally not specific enough to ensure that the lending program actually addresses the causes and consequences of poverty.
- The lending program often changes, and for about three-quarters of the projects, even a tentative outline is not available as little as one year prior to appraisal.

Poverty Assessments

The poverty assessment is meant to provide the basic analytical foundation for poverty-reducing efforts by the Bank and others and to offer a vehicle for dialogue with governments and donors on poverty issues. It is therefore the critical document in defining the Bank’s strategy for reducing poverty. Poverty assessments draw, to varying degrees, on data and analytical work, including economic and sector work, formal and informal data collections, and beneficiary assessments. As of March 1996 the World Bank’s Africa Region had completed twenty-three poverty assessments. Various reviews of the process and content of the poverty assessments found much good practice but also considerable variation—especially among the early poverty assessments—in the way the reports are prepared, in what they emphasize, and in their recommendations.
The following principles for the design of projects emerged from the review:

- **Talk to stakeholders.** Participation surveys and client consultations add a dimension to the poverty assessment that is typically not available from the usual quantitative analysis.

- **Provide better primary health and education services for the poor** by increasing budget allocations for primary social services and improving their quality.

- **Evaluate the environmental benefits of poverty reduction.** Factoring in these well-established benefits justifies greater antipoverty efforts.

- **Treat gender issues as an important dimension of Bank lending** by, for example, placing greater emphasis on female education and recognizing the problems of seasonal labor shortages in female-headed agricultural households.

### Country Assistance Strategies

The CAS is intended to reflect the Bank’s assessment of a country’s economy and to identify the constraints on economic and social development in the broadest sense. It should provide a country-specific strategy for reducing poverty and achieving sectoral objectives such as human resource development, promotion of the role of women in the economy, environmentally sustainable development, and private sector development. The CAS should be the outcome of a participatory process undertaken in partnership with governments.

Generally, **CASS** have not viewed poverty reduction as the core objective of economic development programs. Most **CASS** target macroeconomic stability or lending, with poverty reduction only as an aside. Recently, there has been considerable improvement, as in the latest **CASS** for Malawi and Mozambique. Still, most strategies scarcely consider the nature of poverty in the country and the distribution of incremental growth. Nor do they evaluate the need for broadly or narrowly targeted programs of assistance for the poor, apart from standardized and generic statements about the need for development in the social sectors.

The task force has stimulated a climate of change, and now many **CASS** systematically include a strong recognition of the central importance of poverty reduction. Many, however, still do not adequately explain how and to what extent the poor will benefit from increased growth.

### The Need for Stronger Government Commitment to Poverty Reduction

Government leadership and ownership of poverty reduction programs are essential if progress is to be made in reducing poverty. Yet only a few Sub-Saharan African governments (a quarter of the total number) have explicitly identified poverty reduction as an important policy objective in their programs with the Bank. True, some governments are clearly committed to preparing and implementing poverty
reduction strategies, and perhaps others will follow their example. In general, however, a strong focus by governments on poverty reduction is not evident. For instance, the letters of development policy that are submitted by governments as part of the adjustment loan package to be approved by the Bank's board of executive directors rarely acknowledge poverty reduction as an important objective of national economic development. Poverty reduction as a national objective should be strengthened.

Will governments change their policies and perspectives on poverty reduction? Do they have the ability to implement such changes? The example of some countries is apparently influencing others to pay more attention to reducing poverty. The increasing emergence of democratically elected governments in many Sub-Saharan African countries may also increase pressure on governments to respond to the wider electorate rather than to an urban elite or some other pressure group.

The most immediate and important requirement for achieving sustained poverty reduction—genuine political commitment by governments—is still lacking. For example, governments are reluctant to allocate more public expenditures for social services to the poor. In discussions with leading Sub-Saharan African officials and NGOs, three conclusions emerged on this issue:

- Africans must take the lead in reducing poverty, and donors must accept and facilitate that leadership.

- The failure of many African leaders to define poverty reduction as their central objective is a major shortcoming; donors, including the Bank, must accept some responsibility for this failure because of their willingness to lend despite the weak commitment of governments to poverty reduction.

- Understanding the problems of the poor and their needs requires the involvement of all stakeholders. Establishment of a consultative mechanism could ensure participation by all in designing and implementing poverty reduction efforts.

**An Action Agenda**

Among the key messages to emerge from this task force report are that progress toward reducing poverty in Sub-Saharan Africa has been unacceptably slow and that past efforts have been few, weak, and inept. Yet the pervasive poverty in Africa calls for an urgent search for effective action. Sustained reductions in poverty in Sub-Saharan Africa require the collaborative efforts of governments, NGOs, civil society, and donors. These partners all need to work together flexibly and to subordinate their own objectives to the primary goal of poverty reduction.

**Core Principles**

Six basic principles form the framework for more effective action to reduce poverty in Sub-Saharan Africa. These principles should underlie any dialogue or agreement on assistance between governments and the international donor community.
Poverty reduction is good economics and good politics. It must therefore be at the heart of any economic and social development strategy.

Government commitment is essential for reducing poverty.

Economic growth is necessary, but not sufficient, for reducing poverty in the long run. Improvement of human capital should be part of any program.

Design and implementation of efforts to reduce poverty must be guided by the needs of the poor as identified by the poor.

Poverty is a gender issue because women are particularly vulnerable to the social and economic effects of poverty.

Poverty is an environmental issue because it can lead to resource degradation.

**Actions by Governments**

Governments should demonstrate their commitment to poverty reduction through public statements and actions and through ownership of the policies and strategies for reducing poverty. This commitment could take many forms, depending on country circumstances, but the following actions are among the most important:

- Foster efficient macroeconomic and sectoral policies for sustained growth and poverty reduction.
- Establish a forum for poverty reduction at which stakeholders discuss, evaluate, and coordinate efforts to reduce poverty. In particular, establish opportunities for listening to the poor. Such a forum should lead the dialogue with government departments and donors in designing and implementing a strategy for reducing poverty.
- Carry out regular reviews of public expenditures as the basis for a pro-poor public investment program that can be supported by donors.
- Shift actual expenditures on social services from urban to rural areas.
- Decentralize government decision making, especially on public expenditures; promote community participation in the design, implementation, and monitoring of programs that are essential for successfully reducing poverty.
- Monitor poverty (through, for example, the collection of household data) to assess the difficulties faced by both men and women and to evaluate the progress being made.

**Actions by Other Donors**

The Special Program of Assistance for Sub-Saharan Africa and the Global Coalition for Africa should lead in developing an international consensus on
the strategies, actions, and financing necessary for a more active and intensive poverty reduction program. The following actions are essential:

- Governments and donors should build a consensus on a strong vision for and commitment to poverty reduction.
- Assistance, except for clearly humanitarian aid, should be related to the government's commitment to poverty reduction.
- Consultative groups should make poverty reduction the central theme for assistance programs.
- Donors must demonstrate greater flexibility and openness with each other in coordinating assistance programs better for a concerted attack on poverty.
- Donors should reduce the bias in assistance programs toward urban and high-potential agricultural areas and seek a balance of programs that is more pro-poor.

**Actions by the World Bank**

The task force report focuses on measures that the Bank, in partnership with governments and donors, can take to strengthen its effectiveness in poverty reduction. An important conclusion is that the internal causes for slow progress on poverty reduction derive from two parts of the Bank's operational cycle: country assistance strategies and lending.

Past country assistance strategies have lacked a strategic vision on how to reduce poverty and a clear means of monitoring progress. Many cases imply that macroeconomic adjustment or reform is an end in itself, and most fail to solidly link the reform agenda with poverty reduction, even though policy change has enormous potential for helping the poor. This operational shortcoming is often rooted in lack of information on poverty, inadequate analysis, and lack of interest in poverty reduction. Another factor may be a willingness by the Bank's management to compromise on poverty reduction for the sake of good country relations and to be satisfied with lending operations that address aggregate growth but pay little attention to distribution.

Many cases have a clear strategic vision on how to reduce poverty but have not effectively implemented a lending program that puts this vision into practice. On some occasions, it has been the Bank's structure and staffing, not the priority of poverty reduction, that has driven the lending program. As a result, operational decisions have been based more on sectoral interests than on poverty reduction. Successfully addressing poverty reduction is a multisectoral issue that requires an integrated strategy. The recent reorganization of the structure of the World Bank's Africa Region addresses this type of problem.

The CAS should answer the question, does the macroeconomic program reduce poverty, and how? The country business plan should answer the question, what does the proposed lending program do for poverty reduction? The Bank should not lend to countries unless the answers to these questions are
acceptable. Throughout the lending cycle, poverty should be monitored to permit follow-up of the impact of projects on poverty reduction.

**Changes in Bank Strategy.** The Bank needs to implement four changes to increase its operational emphasis on poverty reduction:

- **Focus clearly and unequivocally on growth and poverty reduction.** Bank staff, including managers, need to orient themselves more toward the poor as the ultimate clients and to become more familiar with their needs. This will require a significant change in the mind-set of some staff about what constitutes the Bank's output or product. The Bank's role as a source of advice on development strategies is as important as its projects.

- **Make poverty, gender, and environmental issues the heart of macroeconomic and sectoral strategies—not “add-ons.”**

- **Arrange to monitor poverty systematically in all countries that receive Bank lending.**

- **Hold management and staff accountable for ensuring participation of all stakeholders in the formulation of assistance strategies and for achieving the Bank’s stated objective of poverty reduction.**

**Country Business Plans.** Country business plans will explain how the Bank’s work program for a country will implement the poverty reduction strategy contained within the CAS. Specific actions that are to be part of each business plan include:

- **Preparation of a prospectus showing how sectoral investment programs will be implemented in the four key poverty reduction sectors—education, health, agriculture, and rural infrastructure—and explaining how they are designed to reduce poverty.**

- **Establishment of clear targets for poverty reduction and social development that the Bank and governments have agreed on and that can be monitored.**

- **Examination of the criteria for lending to avoid financing investments that the private sector could undertake. Promotion of a larger role for the private sector, while maintaining the Bank’s catalytic role, would allow the Bank to reallocate some funds currently going toward projects involving mining, power, telecommunications, and other infrastructure, or hospitals and similar institutional structures, and use them to support expanded primary services for the poor.**

**Linkages Among Phases of Bank Programs.** The Bank should establish a strong relationship between the poverty assessment, the CAS, and the lending program. The various analytical building blocks (see figure 3.1), together with a substantive dialogue between the Bank, clients, and other partners, will provide...
the framework within which the CAS is prepared. The lending program will reflect the action plan contained in the poverty assessment.

The CAS will pursue poverty reduction in each of its four sections:
- “Recent economic and social performance” will review and discuss the poverty status of the country and the effects of past policies on poverty reduction.
- “The external environment” will clarify how the poor are directly or indirectly involved in the production and consumption of tradable goods and how they are affected by the external environment.
- “Country’s development objectives and policies” will describe and analyze the government’s commitment to poverty reduction, its budget allocations, and the implications for the poor.
- “The Bank Group’s assistance strategy” will analyze the balance between policies and investments and the short-term and long-term effects of policies on the poor.

The Bank will take decisive action to meet its responsibility to shareholders to reduce poverty in Sub-Saharan Africa. The following actions are essential:
- Emphasize, through constructive dialogue with borrowers, the need for a strategy to reduce poverty as a minimum requirement for receiving Bank assistance.
- Assist borrowers in developing the internal capacity to analyze poverty issues.
- Link assistance to governments to the strength of their commitment to reduce poverty, as reflected in their public policies, strategies, and actions.

NEXT STEPS FOR THE BANK. The following actions will be taken within the Bank’s Africa Region:
- Establish poverty reduction as the common objective and organizing principle through the leadership of managers and the actions of staff. This objective will be reflected in the Bank’s dialogue with borrowers and other partners, such as bilateral donors and NGOs, on macroeconomic and sectoral policy, public expenditures, and lending.
- Indicate in the business plan for each country program how and to what extent each proposed project in the lending program will help reduce poverty.
- Arrange training programs on the internal processes and on analysis of poverty issues in order to emphasize poverty reduction and highlight actions that can better integrate poverty reduction into the World Bank’s macroeco-
nomic and sectoral strategies, investments, and cooperation with NGOs and communities.

- Focus the Bank’s operations more on rural development in the poorest regions, on rural domestic water supplies and roads, and on primary services for education and health. Find imaginative ways of working with communities through sectoral operations and investments, such as social funds. It is recognized that Bank investments in larger infrastructure projects and adjustment lending will often be necessary to promote aggregate growth, but these projects must clearly contribute to reducing poverty.

- Disseminate information on best practices and on operations that have led to poverty reduction.

- Orient incentives for staff to ensure that success in reducing poverty becomes a criterion for rewards and advancement.

- Foster effective national systems for monitoring poverty.

- Continue to support collaborative research with Africans on all aspects of poverty and on the analytical challenges posed in Sub-Saharan Africa (box 3).

**Partnerships, Forums, and Networks**

The Bank will strengthen partnerships with governments through regular dialogue to achieve a shared commitment to poverty reduction and to agree on a strategic vision of the best way to reduce poverty. It will also establish discussion groups of supporters on the broad strategy laid out in the task force report, drawing in Africans from all walks of life, as well as NGOs. As a partner, the Bank will work with governments and with other donors to foster actions that have poverty reduction as their principal objective—sound strategies and investments and macroeconomic and sectoral policies. In addition, the Bank will

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**BOX 3  THE RESEARCH CHALLENGE**

Given the central importance of growth for reducing poverty, restoring or accelerating growth remains the primary mechanism for poverty reduction. As the task force report notes, the record on poverty reduction has been dismal. Economic growth, increasing income equality, and high growth elasticity are needed but are not being achieved quickly enough. Various aspects of the persistent relatively high incidence of poverty in Sub-Saharan Africa—the concentration of large numbers of poor people, rising inequality, low growth elasticities, low and declining access to public transfers and, in general, slow responsiveness to reform—must be better understood and addressed (World Bank 1995p).
continue to focus on poverty reduction within the donor community, in such forums as consultative groups, the Special Program of Assistance for Sub-Saharan Africa, and the Global Coalition for Africa.

Steps have already been completed to establish the African Poverty Reduction Network, which includes African government officials, academics, and representatives from the private sector and from NGOs. The network will advocate ways of reducing poverty more rapidly in Sub-Saharan Africa, advise on options that should be explored, and prepare action plans as appropriate. Its first business will be to evaluate the operational implications of the Bank’s task force report. Members of the network will also provide in-country support to donors and will consult with governments on implementing policies and strategies for reducing poverty.

Notes

1. All dollar amounts are current U.S. dollars. A billion is a thousand million.
2. Growth elasticity is the proportional change in a measure of poverty (such as the headcount index) as a ratio of the proportional change in national income.
3. A project for enabling growth is one oriented toward providing the enabling policy and physical environment necessary for improved growth of the economy and one that will eventually lead to increased employment opportunities for all sections of the community, including the poor. A project for broadly based services to the poor provides services or similar benefits to the general community, which includes the poor. A project for narrowly targeted services to the poor focuses benefits on particular segments of the poor or vulnerable.
4. Assessments have been completed for Benin, Cameroon, Cape Verde, Comoros, Ethiopia, the Gambia, Ghana, Guinea-Bissau, Kenya, Lesotho, Malawi, Mali, Mauritania, Mauritius, Mozambique, Namibia, Rwanda, Senegal, Seychelles, Sierra Leone, Uganda, Zambia, and Zimbabwe. At the time the book went to print, a further six poverty assessments, had been completed and submitted to the Bank’s Board for Eritrea, Niger, Nigeria, Togo, Madagascar, and Tanzania. Updates have been done for Ghana and Malawi.
A Profile of Poverty in Sub-Saharan Africa

Poverty remains a serious problem in Sub-Saharan Africa, even though where economic policies are sound, progress on reducing poverty is being made. Probably 250 million people (about 45 percent of the population) are surviving on less than the equivalent of $1 a day. Africa's poor, along with those in Asia, remain among the most impoverished in the world. Between 1970 and 1992 GDP per capita increased, in terms of purchasing power, by only $73; it grew 1.7 percent a year between 1970 and 1982 but then declined 1.7 percent a year between 1982 and 1992. In South Asia, by contrast, real per capita GDP levels, which in 1970 were much lower than those in Sub-Saharan Africa, increased $420, or 2.3 percent a year, between 1970 and 1992, raising the purchasing power of incomes in South Asia above those in Sub-Saharan Africa. A more remarkable trend is the divergence of the fortunes of East Asia and Sub-Saharan Africa during this period. Before 1978 the real purchasing power of average income in the two regions was similar, but the purchasing power of income rose rapidly in East Asia after 1979, whereas after 1982 it slumped for Sub-Saharan Africa.

Income Levels and Growth: The Lowest and the Slowest

Real GDP at market prices grew, on average, 0.6 percent a year during 1991–93, or about –2.4 percent a year per capita. During 1994 aggregate GDP is estimated to have increased by 2.2 percent, but for 1995–2004 it is projected to be 3.8 percent a year (World Bank 1995g). The averages, however, conceal considerable variation. Of the forty-three African countries whose per capita GDP growth rates for 1988–94 are shown in figure 1.1, only eighteen had positive per capita growth rates, and only nine had annual per capita growth...
rates of 2 percent or more. Nigeria, which achieved positive growth rates during 1988–93, has experienced a slump in growth recently, whereas Uganda, already a good performer, probably doubled its growth rate during 1995 compared with previous years.

**Population Growth and the Erosion of Living Standards**

Population growth rates in Sub-Saharan Africa exceed those in any other developing region and have been increasing—from 2.8 percent a year in the 1970s to about 3.0 percent in the 1980s (figure 1.2). Projections of population growth rates for 1994–2025 range from 3.0 percent to about 2.0 percent a year, which would bring the growth rate back to the levels of the mid-1950s. These rates, however, are still well above the projected growth rates for other regions. Despite the decline in growth rates, Africa’s population will more than
double by 2025. The main reasons are a more rapid decline in mortality rates than in fertility rates and the youthfulness of the age structure, which is already much younger than in any other region. Currently, almost 50 percent of the population is between the ages of 1 and 15. Regrettably, Africa can do little in the near term—roughly, the next ten to fifteen years—that will have an immediate impact on population growth. Past family planning programs are already reflected in the current projections of population growth rates shown in figure 1.2.

In the long run, improvements in some of these basic characteristics are possible. For example, fertility and education are strongly linked. As the experiences of Namibia, Niger, Tanzania, and Zambia illustrate, fertility is sensitive to women’s access to formal education—the higher the grade of school completed, the lower is fertility. In Tanzania women without any formal education have a total fertility rate of 6.5; for women with secondary or higher education, the rate declines to 4.2. Fertility also responds to urbanization; for example, Tanzania’s fertility rate is 7.5 in rural areas but 6.7 in urban areas. The unavoidable conclusion, as this report will show, is that high population growth will dominate the development and poverty reduction agendas in Africa for at least the next two decades.

\[\text{FIGURE 1.2 POPULATION GROWTH RATES BY REGION, 1955-65 AND PROJECTED TO 2030}\]

Percent per year

Actual

Projected

World

LAC

Africa

South Asia

Europe

Note: LAC, Latin America and the Caribbean. Africa includes North Africa.

Source: Bos and others 1994.
Clearly, the more rapid is population growth in a labor-surplus economy, the more difficult will it be to improve living standards. In addition to low income, a principal indicator of poverty is inadequate access to social services, which is worse in Sub-Saharan Africa than in any other region of the world (see table 1).

**Income Inequality**

The available data indicate that countries in Sub-Saharan Africa have a much more unequal income (and expenditure) distribution than most other developing countries. Table 1.1 shows Gini coefficients—measures of inequality—for per capita expenditures for selected countries in Sub-Saharan Africa and in other developing regions. The Gini coefficients for most African countries are

<table>
<thead>
<tr>
<th>Country and year</th>
<th>Percent</th>
<th>Country and year</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sub-Saharan Africa</td>
<td></td>
<td>East Asia</td>
<td></td>
</tr>
<tr>
<td>Botswana, 1985–86</td>
<td>55</td>
<td>Indonesia, 1990</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Rural</td>
<td>26</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Urban</td>
<td>35</td>
</tr>
<tr>
<td>Côte d’Ivoire</td>
<td></td>
<td>Philippines, 1988</td>
<td>41</td>
</tr>
<tr>
<td>1985</td>
<td>45</td>
<td>Malaysia, 1989</td>
<td>49</td>
</tr>
<tr>
<td>1988</td>
<td>35</td>
<td>Thailand, 1990</td>
<td>47</td>
</tr>
<tr>
<td>Ethiopia</td>
<td></td>
<td>South Asia</td>
<td></td>
</tr>
<tr>
<td>1989</td>
<td>41</td>
<td>India, 1989–90</td>
<td>28</td>
</tr>
<tr>
<td>1994</td>
<td>45</td>
<td>Pakistan, 1991</td>
<td>31</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sri Lanka, 1990–91</td>
<td>30</td>
</tr>
<tr>
<td>Ghana</td>
<td></td>
<td>Latin America</td>
<td></td>
</tr>
<tr>
<td>1987–88</td>
<td>41</td>
<td>Argentina, 1989</td>
<td>49</td>
</tr>
<tr>
<td>1991–92</td>
<td>41</td>
<td>Chile, 1989</td>
<td>58</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Uruguay, 1990</td>
<td>40</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Venezuela, 1989</td>
<td>44</td>
</tr>
<tr>
<td>Kenya</td>
<td></td>
<td>Middle East and North Africa</td>
<td></td>
</tr>
<tr>
<td>1981–82</td>
<td>51</td>
<td>Jordan</td>
<td></td>
</tr>
<tr>
<td>1992</td>
<td>56</td>
<td>1986–87</td>
<td>36</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1992</td>
<td>43</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Morocco</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>1984–85</td>
<td>39</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1991</td>
<td>40</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Tunisia</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>1985</td>
<td>44</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1990</td>
<td>40</td>
</tr>
</tbody>
</table>

Note: The Gini coefficient is a measure of inequality; coefficients of 0 and 1 indicate perfect equality and inequality, respectively. The poverty line is based on purchasing power of up to $1 per person per day.

higher than those for Indonesia, Pakistan, and India and about the same as those in Latin America.

The causes of high levels of inequality in Sub-Saharan Africa are not apparent, but one possible explanation is that the persistence of high levels of inequality in Africa may cause a high systematic demand for transfers. Such transfers may in turn reduce the rate of capital accumulation and thus negatively influence economic growth and poverty reduction (see World Bank 1995p, p. 60, para. 3.2).

**Rural Poverty**

The most crucial questions for developing any country’s poverty policy are, who are the poor and where are they located? Although urban poverty is growing rapidly, the poor in Africa are still overwhelmingly found in rural areas. Table 1.2 shows the proportion of people below the poverty line in both rural and urban areas for a number of countries. Because the poverty lines used are different for different countries, poverty levels for countries should not be compared, but urban-rural comparisons within a given country are valid.

In Uganda, about 89 percent of whose population is rural, 92 percent of the poor live in rural areas. About 57 percent of the rural population is poor, compared with about 38 percent in urban areas. The discrepancy between rural and urban levels of poverty is even greater when the lower, or “core,” poverty line (usually determined as the cost of minimum food requirements, or the “food poverty line”) is used; 96 percent of the severely poor who fall below the lower line live in rural areas (World Bank 1993g). In the Gambia

<table>
<thead>
<tr>
<th>Country</th>
<th>Year</th>
<th>Rural</th>
<th>Urban</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cameroon</td>
<td>1983–84</td>
<td>71</td>
<td>25</td>
<td>48</td>
</tr>
<tr>
<td>Gambia, The</td>
<td>1992</td>
<td>66</td>
<td>33</td>
<td>64</td>
</tr>
<tr>
<td>Guinea-Bissau</td>
<td>1991</td>
<td>58</td>
<td>24</td>
<td>49</td>
</tr>
<tr>
<td>Kenya</td>
<td>1992</td>
<td>47</td>
<td>30</td>
<td>41</td>
</tr>
<tr>
<td>Lesotho</td>
<td>1993</td>
<td>54</td>
<td>28</td>
<td>49</td>
</tr>
<tr>
<td>Nigeria</td>
<td>1992</td>
<td>39</td>
<td>23</td>
<td>33</td>
</tr>
<tr>
<td>Sierra Leone</td>
<td>1989–90</td>
<td>76</td>
<td>53</td>
<td>68</td>
</tr>
<tr>
<td>Uganda</td>
<td>1989–90</td>
<td>57</td>
<td>8</td>
<td>55</td>
</tr>
<tr>
<td>Zambia</td>
<td>1991</td>
<td>88</td>
<td>46</td>
<td>68</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>1990–91</td>
<td>31</td>
<td>10</td>
<td>25</td>
</tr>
</tbody>
</table>

Note: The numbers in this table are headcount indexes. Because different poverty lines have been used for these estimates, the percentages are not comparable among countries.

Source: Derived from national household survey data and poverty assessments.
there is little rural-urban difference in the incidence of overall poverty, but food poverty is more prevalent in rural than in urban areas—44 and 33 percent, respectively (World Bank 1993c).

The average size and dependency ratios of households are higher in rural than in urban areas and thus can often be linked to poverty. Comparisons across countries have to be made with caution because the definition of household varies from country to country. For instance, the definitions of polygamous households and households with absent male members differ in country surveys. These differences affect which persons are considered household members and, consequently, the estimate of household size. Thus, comparisons of household size across countries are inappropriate, but comparisons of differences in household size within countries (across expenditure quintiles) are legitimate. In a recent review of household data for twelve countries in Sub-Saharan Africa (which accounted for about 60 percent of the total population), average household size for the lowest quintiles was 7.1 for rural areas and 7.0 for urban areas. In the top quintile average household size drops to 3.5 for rural areas and 2.8 for urban areas. Thus not only do household sizes fall, but the gap between the sizes of urban and rural households grows as households move out of poverty.

**Among the Poor, Few Assets and Weak Market Linkages**

The poor have less land, less capital, less education, lower health status, and generally lower entitlements than people in higher-income groups. (For a comprehensive listing of the assets that are relevant to the ability of the poor to withstand famine, see Swift 1989.) Table 1.3 shows that although a portion of South African households in all expenditure quintiles had access to land, the average land area used by poor households was considerably less than the average area used by rich households.

<table>
<thead>
<tr>
<th>Item</th>
<th>All rural</th>
<th>1 (poorest)</th>
<th>2 (poor)</th>
<th>3 (median)</th>
<th>4 (rich)</th>
<th>5 (richest)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Households with access to land</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(percent)</td>
<td>26.2</td>
<td>27.5</td>
<td>28.1</td>
<td>25.8</td>
<td>18.4</td>
<td>28.1</td>
</tr>
<tr>
<td>Average area of land per capita</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>used in 1992 (hectares)</td>
<td>4.6</td>
<td>0.3</td>
<td>0.4</td>
<td>0.8</td>
<td>4.5</td>
<td>63.7</td>
</tr>
</tbody>
</table>

*Note:* Households were ranked by consumption expenditure quintile.  
*Source:* World Bank 1995i.
Although most rural poor have some assets, the value and uses of these assets vary considerably, and this has substantial implications for poverty reduction. For example, most farmers operate on a small scale, often producing commodities that, because of their type and small quantities, are not part of the market economy. In Côte d’Ivoire, Ghana, and Malawi the rural poor grow 60 percent of their food; in Tanzania the poor produce 50 percent of what they consume. Subsistence farmers, of course, sell in the market virtually nothing of what they produce. As a result, the poor are all too often only marginal producers for the market, whereas they are important buyers of consumer goods. Only to the extent that poor farmers produce tradable products will they be affected by broad macroeconomic developments, but all poor farmers may be severely affected by price changes for tradable consumer goods.

The degree to which the rural population in general and the poor in particular interact with the market depends not only on the demand for their agricultural products and for their labor in the urban centers but also on their access to the urban market. Access is determined by distance and by the quality of the road infrastructure that connects rural communities to urban markets. The share in the total income from traded agricultural produce in general and export crops in particular therefore varies widely among rural communities, depending on location and the presence of connecting roads. For example, the share of nontraded food in the total agricultural income of the poor is, on average, 70 percent in Ghana and 60 percent in Tanzania, but it is markedly lower in less remote regions of these countries (Dorosh and Sahn 1993). These limitations on market interactions by remote rural communities—in particular, poor households—also restrict their ability to use modern technologies and inputs and prevent their benefiting from subsidies for inputs such as fertilizers. This situation augments income inequalities.

The participation of the poor in the labor market depends not only on skills and location but also on gender. The notion that a large supply of “surplus” labor exists among the rural poor applies more to males than to females. In general, females have little, if any, surplus labor to supply because they are usually fully employed. Box 1.1 explains how the misconception about surplus labor in the female work force arises. Box 1.2 provides evidence on the allocation of time by men and women in the agricultural sector in Cameroon.

Urban Poverty: Increasing Numbers, Lagging Employment Opportunities

The rapid rise in Sub-Saharan Africa’s urban population in the past few decades is a serious concern. The population of a number of cities, including Nairobi, Dar es Salaam, Nouakchott, Lusaka, and Kinshasa, increased seven times between 1950 and 1980. Generally, the urban population in Africa is growing at 6 percent a year, twice as fast as in Latin America or East Asia (Netherlands 1994). An estimated 40 to 50 percent of the region’s population
BOX 1.1 WOMEN AND WORK

Under the conventional definition of the labor force that excludes those who are predominantly occupied with "household activities," male participation in the labor force in Uganda would be higher than female participation: 42 percent of the males and 35 percent of the females are members of the labor force. Yet women no doubt contribute much more to household activities than do men. There is little justification for adhering to the standard definition. People who are predominantly engaged in household activities should be included in the labor force because "household activities" by and large represent worthwhile labor that, although not captured by conventional national accounting, produces welfare, and because women "predominantly" engaged in household activities also engage in more conventional kinds of productive work.

For a woman, being "predominantly engaged in household activities" almost always means having two occupations: domestic work and work in the normal economic enterprise of the household. The fact that the former is the dominant activity does not mean a lower overall intensity of work but the exact opposite. If those "predominantly" engaged in household activity are included in the labor force, female participation substantially exceeds male participation: 49 percent of the women and 43 percent of the men are engaged in productive labor. (World Bank 1993g).

BOX 1.2 TIME SPENT IN AGRICULTURAL LABOR BY MEN AND WOMEN IN CAMEROON

A study of agricultural labor in Cameroon (Henn 1988) revealed striking contrasts in the hours worked by men and by women. Men's total weekly labor averages 32 hours, whereas women work more than 64 hours, on average. As the figure shows, much of this enormous disparity results from differences in domestic labor hours (31 for women and 4 for men). Even full-time male farmers work only 14 hours a week in agriculture, 10 of which are devoted to cocoa production and 4 to food.

WEEKLY HOURS OF LABOR BY ACTIVITY AND GENDER, CAMEROON

![Graph showing weekly hours of labor by activity and gender in Cameroon.](image-url)
will be living in urban areas by 2000, but currently most poor people in Africa still live in rural areas. Whether the quality of life of the poor differs between rural and urban areas is debated. The urban poor are confronted with a different set of constraints than their rural counterparts, including the need to rent accommodations, pay higher costs for transport, seek work where employment opportunities are scarce, and deal with abysmal sanitation facilities. In addition, the urban poor pay higher prices for urban land, when it is available at all—even land that receives no services. Many urban poor people have no access to formal land markets in periurban areas. The Cameroon Poverty Assessment (World Bank 1995b) highlighted the problem in Yaounde, where mean per capita consumption in 1993 was 45 percent less than in 1983 and 10 percent less than in 1964.

The lack of employment opportunities has led to increased poverty in urban areas. There self-employment—predominantly in the informal sector—is the main income-generating activity. Self-employment, however, is characterized by unstable working conditions and vulnerability; the informal labor market is usually associated with low wages, low-productivity jobs, temporary activities, sometimes clandestine employment, unsafe labor conditions, and no protection under labor legislation. According to the Senegal Priority Household Survey, participation in the public and private formal sector is weak for both sexes, and self-employment is the only steady occupational opportunity. Family enterprises are on the rise: men are leaving the formal and public labor market to work in the informal sector, and women are leaving the informal wage-labor market to avoid exploitation. These changes result from the interplay among economic crises, a depressed formal job market for males, and increased pressure on women to generate additional income.

Migration to urban areas is often a survival strategy for the rural poor. In Mali people migrate from village to city, from village to village, or sometimes across international borders, to Côte d’Ivoire or France, seeking better opportunities than depressed villages offer. In Senegal migration usually occurs from the interior to the coast, from the north to the south, and from Senegal to the Gambia and France. The movements to coastal areas are becoming an increasingly crucial environmental issue. The coastal countries of West Africa have absorbed an estimated 8 million people in the past three decades, and this figure is likely to increase to about 20 million in 2020 (see World Bank 1996h). In Niger migration occurs from rural areas to other rural areas with better commercial agriculture opportunities, to coastal areas, to oil fields in Algeria and Libya, to gold fields in Burkina Faso, and to other small and large towns in Niger. Box 1.3 discusses the interactions among poverty, environment, and urban policies in African cities.

Although most of the population, and the poor in particular, remains rural, urbanization has become one of the most conspicuous consequences of agricultural decline in Sub-Saharan Africa. Urbanization fosters a secular, individualistic, and commercially oriented culture with a rapidly rising proportion
BOX 1.3 POVERTY, ENVIRONMENT, AND POLICY IN AFRICAN CITIES

Government policies inherited from colonial rule have been important determinants of environmental quality in Sub-Saharan African cities. Urban policies followed European models; building and land use standards, as well as subsidies for infrastructure services (often with social concerns as the rationale), were set at levels well beyond the means of governments and the vast majority of the urban population. The effect, intentional or not, was rationing of key services, which were generally available only to the highest-income groups. Those left out of this system established settlements with little assistance or guidance from the government. Such settlements typically absorbed most urban expansion. Residents and businesses in these "illegal" settlements were vulnerable and often had to provide their own urban services outside the formal system and at higher cost. For example, Nigerian data show that 25 percent of capital costs for small urban enterprises is devoted to financing substitutes for deficient public infrastructure. Water vendors, who typically serve the poorest neighborhoods, sell water at unit prices many times the price paid by users with in-house connections.

of poor. Coping strategies and traditional cultures are breaking down; family and neighborhood patterns of solidarity no longer prevail. Without an increase in the demand for labor, many unmarried women who have no opportunity to contribute to family enterprises such as farming and services will be forced to make a living for themselves and their children in an increasingly hostile social environment of crime, violence, prostitution, and risk of AIDS.

How to Reduce Poverty: Evidence and Lessons Learned

This section reviews the preconditions for poverty reduction in Sub-Saharan Africa and outlines the elements of an action plan to reduce poverty. The topics discussed are political stability; good governance and sound institutions; sound macroeconomic policy; the pattern and volume of investment, saving, and debt; sustainable environmental management; and social services for the poor.

Political Stability

Since independence, Africa has been a continent of unstable political regimes. Military coups and violence have transferred power more frequently than have elections or constitutionally sanctioned changes (Johnson and Wasty 1993). Military coups brought about a change of power in approximately 55 percent of the countries of Sub-Saharan Africa between 1960 and 1982. Those years saw 56 attempted coups and 102 reported coup plots—a total of 210, affecting 84 percent of the region’s 45 indigenously governed countries. During this period economic growth deteriorated and poverty increased. In the
next ten years, the political situation underwent considerable change. The majority of African countries nurtured political oppositions; more than thirty elections have been held in the past five years; and in a number of countries some progress in economic development has occurred (World Bank 1995c). An important lesson was learned: political instability is incompatible with economic development and poverty reduction. Many legacies from these years of turmoil remain. One of the most tragic is the large number of refugees and displaced persons, many of whom still live in abysmal poverty.

The widespread instability in Africa has resulted today in more than 6.75 million refugees, about 3 million returnees, 6,700 persons in the “others of concern” category, and close to 2 million internally displaced persons—a total of 11.8 million people whose lives have been disrupted. (“Others of concern” includes people who are in refugee-like situations but have not been formally recognized as refugees.) About 2.5 percent of Africa’s inhabitants are either refugees or displaced persons. How many of these are children is impossible to determine, but given the age structure of the region’s population, the proportion must be large. Many of these children are orphans. According to the United Nations Children’s Fund (UNICEF), throughout the world in the past decade an estimated 1.5 million children have been killed in armed conflicts and another 4 million have been disabled, maimed, blinded, or brain-damaged. At least 5 million have become refugees, including “street children,” and 12 million more have been uprooted from their communities (UNICEF 1996). The health, nutrition, and education of much larger numbers have suffered as conflicts destroyed crops, infrastructure, clinics, and schools.

According to estimates by the United Nations High Commissioner for Refugees (UNHCR), Africa leads in numbers of refugees and of internally displaced persons. Of the approximately 27.4 million “persons of concern”—refugees, returnees, “others of concern,” and the internally displaced—who fall under the United Nations mandate worldwide, Africa accounts for 43 percent, followed by Asia, with 29 percent, and Europe, with 24 percent (table 1.4).

### Table 1.4 Numbers of Persons under UNHCR Mandate by Region

<table>
<thead>
<tr>
<th>Region</th>
<th>Refugees</th>
<th>Returnees</th>
<th>Others of concern</th>
<th>Internally displaced</th>
<th>Total as of January 1, 1995</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa</td>
<td>6,752,200</td>
<td>3,084,000</td>
<td>6,700</td>
<td>1,973,100</td>
<td>11,816,000</td>
<td>43.0</td>
<td></td>
</tr>
<tr>
<td>Asia</td>
<td>5,018,300</td>
<td>831,800</td>
<td>309,800</td>
<td>1,761,500</td>
<td>7,921,500</td>
<td>29.0</td>
<td></td>
</tr>
<tr>
<td>Europe</td>
<td>1,876,400</td>
<td>0</td>
<td>2,963,300</td>
<td>1,680,400</td>
<td>6,520,100</td>
<td>24.0</td>
<td></td>
</tr>
<tr>
<td>Latin America</td>
<td>109,000</td>
<td>67,400</td>
<td>100</td>
<td>8,000</td>
<td>184,600</td>
<td>0.7</td>
<td></td>
</tr>
<tr>
<td>North America</td>
<td>681,400</td>
<td>0</td>
<td>244,100</td>
<td>0</td>
<td>925,500</td>
<td>3.0</td>
<td></td>
</tr>
<tr>
<td>Oceania</td>
<td>51,200</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>51,200</td>
<td>0.2</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>14,488,700</td>
<td>3,983,200</td>
<td>3,524,100</td>
<td>5,423,000</td>
<td>27,418,900</td>
<td>99.9</td>
<td></td>
</tr>
</tbody>
</table>

*Note:* Numbers may not sum to total because of rounding.

*Source: UNHCR 1995.*
In the 1980s and 1990s, civil conflicts in Angola, Chad, Ethiopia, Eritrea, Liberia, Mauritania, Somalia, Sudan, Togo, and, recently, Rwanda and Burundi have resulted in millions of refugees and internally displaced persons.

**Good Governance and Sound Institutions**

Even where political instability is not a factor in the persistence of poverty, inadequate governance often is. The Bank's president noted in *Governance and Development* (World Bank 1992c) that "the World Bank's increasing attention to issues of governance is an important part of our efforts to promote equitable and sustainable development." Unfortunately, Sub-Saharan African governments have generally weak capabilities, and they have engaged in activities that are not the proper role of the state. The expenditures made in connection with such activities have been a considerable drain on budgetary resources that could otherwise have been allocated to public services. Among many other weaknesses, the legal and regulatory framework has been a significant bottleneck to the development of the private sector. A lesson is that governments need to establish their role as providers of public goods and then determine how these goods should be delivered by the various institutions available. Some of these options are discussed in chapter 4.

Another lesson is that institutional development is critical to poverty reduction at three levels. First, strengthened governmental institutions at the central and local levels are needed to improve the government's capacity for analysis and program implementation, especially for poverty reduction. Second, strengthened nongovernmental institutions—such as NGOs, the media, and academic or independent policy research and advocacy organizations—are needed to expand the ability of civil society to engage in development and pro-poor activities and to strengthen the accountability of policymakers regarding the welfare of their populations. Third, strengthened community-based institutions are needed to increase the ability of rural and urban populations to carry out such development activities as service provision, income generation, and participatory natural resource management and to engage in dialogue with local planning agencies.

The Bank's lending program is providing a wide range of institution-building support. For example, innovative work in institution building is being done on the demobilization of soldiers in Uganda and other countries (Colletta, Kostner, and Wiederhofer 1996). Actions are also being taken to strengthen judicial administration, notably in Benin, Central African Republic, and Guinea, whose governments have requested Bank assistance in this area. In addition, the Bank is examining a number of issues associated with improving public sector management in Africa (Dia 1996). The main message of the program of work for public sector management is that institutional development should be rooted in traditional systems but open to outside influences for change.
Sound Macroeconomic Policy and Income Growth

The recent development performance of Sub-Saharan Africa was extensively reviewed in *Adjustment in Africa: Reforms, Results, and the Road Ahead* (World Bank 1994a). That analysis and subsequent work (Bouton, Jones, and Kiguel 1994) show that improved macroeconomic policies are associated with better economic performance. In 1991-92, however, African countries generally fell short of having adequate macroeconomic policy. The mean per capita growth of the most successful reformers, including Burkina Faso, the Gambia, Ghana, Nigeria, Tanzania, and Zimbabwe, rose by 1.1 percent during 1987-91; mean agricultural production, however, rose by only 2.0 percent, resulting in a continued decline in per capita agricultural growth. Countries with small improvements in policy experienced a -0.1 percent decline in income growth, and countries whose economic policies deteriorated suffered serious decline (−2.6 percent).

Research by the Bank and the Cornell Food and Nutrition Policy Program shows that in countries which implemented sound macroeconomic policies, incomes of the urban and rural poor improved (Dorosh and Sahn 1993 and other studies in the series), although the benefits were generally small. No empirical evidence was found that the urban and rural poor suffered a decline in welfare as a result of adjustment programs. The research also shows that adjustment has overwhelmingly benefited rural areas as improved macroeconomic policies led to better terms of trade for agriculture. Other studies are providing evidence that sound macroeconomic policy and growth will reduce poverty. (See, for example, Easterly and Levine 1995; Bruno, Ravallion, and Squire 1996; Demery and Squire 1996.) The research is finding no systematic evidence that the poor are losing, either directly or indirectly, from policies to promote aggregate growth.

The Effect of Growth Patterns on the Poor. The relatively high levels of inequality discussed earlier in this chapter remain troubling, especially since inequality appears to be increasing in a number of countries, even as the average indicators of poverty improve. Lipton and Ravallion (1993) reviewed poverty and policy issues and observed that “even though past growth has often helped reduce poverty, some growth processes may do so more effectively than others. One potential role of government is then to foster a pattern of growth conducive to poverty alleviation.” According to the authors, the rural farming sector is crucial for stimulating pro-poor growth, but they note that “targeting the pattern and location of growth to favor the poor will probably entail some loss of growth potential” (p. 51). Others (for example, Kanbur 1987; Ravallion 1994) have shown that the growth of national income above which the number of poor will decline can be calculated, assuming a neutral distribution of income growth and given the population growth rate and the growth elasticity. (Growth elasticity is the proportional change
### Table 1.5 Growth Rate of National Income Required to Halt the Rise in Number of Poor, for Different Combinations of Population Growth Rate and Growth Elasticity

<table>
<thead>
<tr>
<th>Population growth (percent)</th>
<th>Growth elasticity ( -1.25 )</th>
<th>Growth elasticity ( -1.50 )</th>
<th>Growth elasticity ( -1.75 )</th>
<th>Growth elasticity ( -2.00 )</th>
<th>Growth elasticity ( -2.25 )</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.0</td>
<td>3.6</td>
<td>3.3</td>
<td>3.1</td>
<td>3.0</td>
<td>2.9</td>
</tr>
<tr>
<td>2.5</td>
<td>4.5</td>
<td>4.2</td>
<td>3.9</td>
<td>3.8</td>
<td>3.6</td>
</tr>
<tr>
<td>3.0</td>
<td>5.4</td>
<td>5.0</td>
<td>4.7</td>
<td>4.5</td>
<td>4.3</td>
</tr>
<tr>
<td>3.5</td>
<td>6.3</td>
<td>5.9</td>
<td>5.5</td>
<td>5.3</td>
<td>5.0</td>
</tr>
<tr>
<td>4.0</td>
<td>7.2</td>
<td>6.7</td>
<td>6.3</td>
<td>6.0</td>
<td>5.8</td>
</tr>
</tbody>
</table>

**Note:** The growth rates are calculated using the following formula: growth of national income = population growth rate \( (1 - 1/\text{growth elasticity}) \).

a. The proportional change in the headcount index as a ratio of the proportional change in national income growth.


In a measure of poverty—such as the headcount index—as a ratio of the proportional change in national income; it reflects the extent to which the pattern of growth is "pro-poor." This relationship, illustrated in table 1.5, is also discussed and used in World Bank (1995p).

Location and access to commodity and labor markets also affect the benefits that the poor can obtain from growth. Nigeria’s Consumer Expenditure Surveys indicate that during the period between the 1985–86 and 1992–93 surveys, which was one of substantial growth, average consumption expenditure per capita increased by 33.7 percent and the headcount measure of poverty declined from 43 to 34 percent of the population. This decline was uneven, however, among income groups and agroclimatic regions. Average per capita consumption rose by about 40 percent in the middle and southern belts but by only 17 percent in the northern belt (see figure 1.3).

An analysis of community-level data within regions (Bigman 1995a) shows that inequality in consumption expenditure in Nigeria is mostly attributable to income differences among communities. Most of the increased inequality since 1985–86 stemmed from differences in the growth rates of communities with different resource endowments. This situation, at least in Nigeria, provides a strong basis for reducing poverty; a pattern of growth could be chosen that would include targeting improved social services in specific communities or regions. The implications of such choices will be taken up in chapter 5.
Recent World Bank work confirms that Sub-Saharan African countries which made “large improvements” in policies achieved a weighted-average agricultural growth rate of 3.5 percent a year between 1986 and 1993. Countries with a “small improvement” in policies achieved a growth rate of 2.5 percent a year, and countries whose economic policies deteriorated had a growth rate of only 0.3 percent a year (Donovan 1996). Since most of the poor live in rural areas, strong rural growth is clearly vital for poverty reduction. Hence, a resurgence of growth in agriculture must be the top priority for Africa’s poverty reduction strategy. The Bank is refocusing on rural development, as noted in Cleaver (1994). Box 1.4 summarizes six requirements for successful rural development.

**Gender and Growth.** Imbalances in the gender division of labor and in access to and control of economically productive resources stem from the unequal rights and obligations of men and women (see Blackden and Morris-Hughes 1993). This inequality is at the root of the low substitutability between male and female labor. The central position of women in economic production in Sub-Saharan Africa contrasts with the systematic discrimination they face in accessing basic technologies and resources (including education) that are required to function in an economically productive and efficient manner. Gender imbalance in access to and control of economically productive resources hampers women’s response to economic incentives. There is considerable evidence (especially in agriculture) of this underused economic potential (box
BOX 1.4 TOWARD SUCCESSFUL RURAL DEVELOPMENT

The following principles for successful rural development in Sub-Saharan Africa were summarized by Alain de Janvry of the University of California, Berkeley, at a workshop on approaches to rural poverty alleviation held in Cape Town, South Africa, in February 1996:

- A sound macroeconomic context, achieved by implementing successful stabilization and adjustment programs, is necessary but not sufficient for successful rural development. The institutional gaps created by government contraction are currently the most serious hurdle hindering smallholder response to incentives for investing.
- Rural poverty is fundamentally a result of insufficient control by the poor over income-generating assets.
- Because the rural poor are highly heterogeneous, solutions to rural poverty must be correspondingly differentiated.
- Because of heterogeneity and the multiplicity of possible solutions, rural development programs must be demand-driven; only the poor themselves, with appropriate organizational and technical assistance, can identify solutions that will fit and belong to them.
- This approach to rural development implies a strong and redefined role for the state in supporting and complementing the role of civil society in rural development programs.
- Successful rural development requires a thriving agriculture, but the problems of rural poverty and retention of rural populations cannot be solved by agriculture alone, however successful agricultural development may be.

BOX 1.5 WOMEN IN AGRICULTURE

Women farmers, in general, are disadvantaged in their access to resources and factors of production compared with men. Evidence from Kenya suggests that men’s gross value of output per hectare is 8 percent higher than women’s. However, if women had the same human capital endowments and used the same amounts of factors and inputs as men, the value of their output would increase by some 22 percent. Thus, women are possibly better—more efficient—farm managers than men.

Women produce an estimated 75 percent of Sub-Saharan Africa’s food crops, but their productivity is well below its potential. Capturing this potential productivity gain by improving the circumstances of women farmers would substantially increase food production in Sub-Saharan Africa, significantly reducing one cause of food insecurity in the region. If the results from Kenya were to hold in Sub-Saharan Africa as a whole, simply raising the productivity of women to the same level as men’s could increase total production by 10 to 15 percent (Saito 1994).
Investment, Saving, and Debt

Investment and saving are fundamental to growth. In many countries, however, substantial debts are draining the resources available for physical and social investment.

The investment-to-GDP ratio for Sub-Saharan Africa as a whole was approximately 16 percent in 1988–93, about the same as in the previous five years. Of even more concern for sustainable development has been the low level of private investment, which should be the main source of future growth and employment for the region. The saving rate is also low; for most African countries the gross domestic saving rate was less than 10 percent in 1988–93, and many countries had negative saving rates. Unless saving rates can be increased, investment cannot increase, and growth and associated employment opportunities will lag.

Investment in social and physical infrastructure is at the root of a sound development strategy (see Jimenez 1994). The poor quality of social and physical infrastructure in Sub-Saharan Africa can be tied to weaknesses in governments’ ability to allocate resources efficiently. In general, human resource development in Sub-Saharan Africa is lagging. For example, between 1985 and 1990 in the region as a whole primary school enrollment fell from 75 to 70 percent. The enrollment rate for girls is consistently lower than that for boys by about 15 percent.

As for physical infrastructure, road networks, particularly rural roads, are inadequate (see Riverson, Gaviria, and Thriscutt 1991). Chapter 4 discusses the Bank’s support for infrastructure projects and the question of private sector participation.

As figure 1.4 illustrates, in all countries in Sub-Saharan Africa there is a large gap between the amount of debt service due and the amount actually paid. Obviously, unpaid debts accumulate and are added to future obligations. For some highly indebted African countries debt service due in relation to GDP is many times higher than the average.

Resources used for debt servicing are unavailable for other purposes. On average, debt service payments as a share of GDP are about 5 percent (see figure 1.4). By contrast, public expenditure on health as a share of GDP in Sub-Saharan Africa generally averages 2.5 percent. This comparison underlines the heavy burden of debt repayments on the budget available for social services.

Sustainable Environmental Management

Sustainable management of natural resources is an essential condition for long-term growth and poverty reduction in Africa. Conversely, poverty is a principal
cause of the degradation of natural resources. Significant linkages exist among traditional crop production and livestock husbandry methods, land tenure systems and land use practices, the responsibilities of women in rural production and household maintenance, and intensive methods of utilizing woodland and forest resources (see, for example, Mink 1992; Cleaver and Schreiber 1994). Such practices, which were well suited to Africa’s fragile resource endowment when population densities were low and growing slowly, have been increasingly damaging because of accelerated population growth since the 1950s. (See World Bank 1996h for a discussion of broad environmental issues in Africa and their relation to economic growth and food security.)

Traditional land use and forest exploitation practices have reduced the productivity and resilience of natural resource systems. Despite considerable investment in yield-increasing technology, crop yields (especially for food crops) have stagnated or declined in many countries. The resulting drag on economic growth impedes the onset of the demographic transition to low birth rates. Growing poor rural populations increasingly degrade and mine the natural resources of the rural environment to ensure their own survival. Rapid population growth consumes resources that could otherwise be used for less
resource intensive and more sustainable development. Essentially, the poor have a short planning horizon (or a high discount rate), because they live at the edge of severe deprivation and have no time or resources to invest in long-term strategies.

Past efforts, pursued too narrowly along traditional disciplines and ignoring crucial cross-sectoral linkages and synergies, have failed to reverse this process. The emphasis in most sectoral development efforts has been on the supply side—on efforts to develop and deliver technology and services. More emphasis is needed on the demand side—on promoting effective demand for environmentally benign farming technologies, family planning services, and resource conservation.

**Social Services for the Poor**

Poverty reduction must also involve developing the skills of the poor and providing the poor with affordable social services. Compared with other regions, countries in Sub-Saharan Africa have performed poorly on social indicators, particularly in education and health. Providing services continues to be a challenge for most African governments. The available data show that the rural poor fare consistently worse than the nonpoor in school enrollment ratios, access to safe water, health status, and nutritional levels.

**School Enrollment.** The expansion of primary education enrollment during the 1960s and 1970s gave way to stagnation and decline during the 1980s. The regional gross primary enrollment ratio, which had increased from 36 percent of the school-age population in 1960 to 78 percent in 1980, declined to 68 percent in 1990. Declining household income, deteriorating quality, and increasing opportunity costs of schooling have reduced enrollment rates, even as governments struggle to maintain the share of education in national budgets. Statistical analysis shows that gross primary school enrollment rates tend to rise as GDP per capita increases. Other evidence from household surveys supports the conclusion that increased primary school enrollment rates in Sub-Saharan Africa are associated with increased household incomes.

An important point to keep in mind is that although access has become an important measure of progress in education, it should not be confused with quality. More emphasis is needed on what happens inside schools and on “sectoral policies that empower schools and communities to control better the education of their children” (Heneveld and Craig 1996).

Africa has the lowest gross primary enrollment ratio of any developing region—68 percent in 1990, as against 88 percent in South Asia, 127 percent in East Asia, and 107 percent in Latin America. Twelve African countries had achieved universal primary education by 1990, but three had enrollment rates...
 below 30 percent. The Sahelian countries lag seriously behind, with average enrollment rates of only 32 percent for girls and 53 percent for boys, compared with regional averages of 61 percent for girls and 75 percent for boys.

Although access has become an important measure of progress in education, it should not be confused with quality. More emphasis is needed on what happens inside schools and on "sectoral policies that empower schools and communities to control better the education of their children" (Heneveld and Craig 1996).

Literacy rates in Africa are among the lowest in the world, second only to those in South Asia. An average 50 percent of adults in Sub-Saharan Africa are literate, compared with 46 percent in South Asia, and 84 percent in Latin America. Among women, adult literacy is 38 percent in Africa, 31 percent in South Asia, and 83 percent in Latin America. The Sahel has the lowest average literacy rate, at just 29 percent (19 percent among the female population). In Burkina Faso 9 percent of women are literate, compared with 28 percent of adult men.

**Gender issues in education.** Poverty is the most frequent reason given by parents for not educating children or for removing children, particularly girls, from school (Odaga and Heneveld 1995; Hartnett and Heneveld 1993). As figure 1.5 shows, in the sample countries, as households have more to spend,
enrollment levels increase. Figure 1.6 shows the considerable difference between rural and urban school enrollment rates in Niger. The difference between male and female enrollment rates is relatively unaffected by increases in household expenditure. This relationship implies that more than just an increase in household income levels will be needed to improve female enrollments in relation to male enrollments.

The estimated high returns to female education (see Herz and others 1991)—not to mention the effect of female education on fertility—point up the need to find the causes of low female enrollment. One obvious cause is simply discrimination against girls, which exists for groups of households with the same average expenditure, as shown in figure 1.6. Other factors are parents' education and the day-to-day household activities of girls, which occupy time that could otherwise be spent in school (see box 1.6).

There is evidence of bias against educating females at all income levels. In Zambia, to take one example, it is at its most extreme among lower-income groups. This situation holds for most countries in Sub-Saharan Africa. In the Gambia the illiteracy rate for women employed in both large and small export farming enterprises is 79 percent, whereas for men the rates are 46 percent in large export farming and 42 percent in small export farming. Literacy rates for public sector workers in the capital, Banjul, are higher, but there is still a great
In rural areas, where enrollment rates are low (62 percent for boys and 50 percent for girls), the model correctly predicted the choice of 75 percent of the rural girls and 70 percent of the rural boys to attend school. Considerable differences existed between boys and girls, however, as can be seen in the table.

The variable that most powerfully explains school attendance of rural children—both boys and girls—is their parents' educational levels. For the other explanatory variables, considerable differences exist between boys and girls. School attendance of boys is mostly influenced by the size of the household, particularly by the presence of girls, who could presumably take care of household chores if the boys go to school. School attendance of girls is mostly influenced by the parameters that represent the magnitude of household chores, including, significantly, the distance to safe drinking water and the type of toilet facility in the household.

### SCHOOL ATTENDANCE OF RURAL BOYS AND GIRLS AGES 10–13 (WALD STATISTICS)

<table>
<thead>
<tr>
<th>Sex</th>
<th>Father's education</th>
<th>Mother's education</th>
<th>Household size</th>
<th>Safe water</th>
<th>Travel time to water</th>
<th>Presence of toilet facility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Girls</td>
<td>99.4*</td>
<td>52.3*</td>
<td>1.05</td>
<td>0.36</td>
<td>9.6*</td>
<td>17.9*</td>
</tr>
<tr>
<td>Boys</td>
<td>76.1*</td>
<td>15.2*</td>
<td>8.44*</td>
<td>2.38</td>
<td>0.1</td>
<td>1.9</td>
</tr>
</tbody>
</table>

* Significant at 1 percent level.

**Note:** The size of the Wald statistic indicates the explanatory power of the variable considered.

As noted, in Niger both gender inequality and rural-urban inequality persist in primary schooling (see figure 1.6).

At the household level, socioeconomic groupings, cultural factors, and social expectations are all important in determining expenditure on education. In Guinea cash crop and subsistence farmers enroll significantly fewer chil-
Children in school; girls, in particular, have only a one in ten chance, on average, of attending primary school. By contrast, two of three girls from households associated with the formal sector attend school. In Senegal female-headed households are more inclined than male-headed households, particularly polygamous households, to invest in their members' human capital. In general, the gender gap is larger in polygamous than in monogamous households. For example, in polygamous households in Mauritania literacy among men is four times that among women.

Low female enrollment in schools compared with male enrollment is not limited to a few countries; it is an issue for Sub-Saharan Africa as a whole. For example, female and male primary school enrollment rates reach 100 percent for countries with average per capita incomes of $460 or more, but in countries with average per capita incomes of $288–$459, they are 63 percent for females and 86 percent for males, and for countries with average incomes less than $287, the rates are 51 percent for females and 65 percent for males. (The calculations are based on World Bank 1995q.) Figure 1.7 shows the stark gender differences in enrollment ratios between rural and urban areas in Kenya.

Possibly the greatest untapped force for poverty reduction in Sub-Saharan Africa is its women. Investment in women's education and promotion of their access to productive resources such as land and credit will foster economic growth, redress imbalances generated by uncontrolled population growth, achieve higher standards of living for the continent as a whole, and so reduce poverty.

**FIGURE 1.7** SELECTED WELFARE INDICATORS, KENYA, 1992

(percentage)

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HEALTH SERVICES. The effects of educational services in alleviating poverty are important but indirect; people must also have opportunities to use their improved skills. In contrast, health services provide a direct benefit. Past progress has been steady, but the gains made in vital health indicators now appear to be at risk. Life expectancy, which increased by more than ten years between 1960 and the late 1980s, has been nearly stable since then, at 51 years. (Life expectancies average 59 years in South Asia, 68 years in Latin America, and 64 years for all low- and middle-income economies.) The differences are far less striking within Sub-Saharan Africa: the Sahel has the lowest life expectancy, at 48 years; East Africa, the highest, at 53 years. A recent Bank review (World Bank 1994c) drew attention to the many opportunities for improving the health status of Africans, arguing that despite tight fiscal constraints, significant improvements are within reach in many countries if certain policies are implemented. The recommended policies include cost-effective packages to deal with the most common health problems, decentralization of health care delivery, improved management of essential inputs to health care, changes in the type of health personnel employed, and improvements in health sector infrastructure and equipment.

Since 1960 infant and child mortality in Sub-Saharan Africa as a whole has declined by nearly one-third. In Guinea-Bissau, Liberia, Mozambique, and Sierra Leone infant mortality in 1990 was more than 140 per 1,000, compared with a regional average of 102 per 1,000 and less than 20 per 1,000 in Mauritius and the Seychelles. The Sahel and southern Africa have the highest infant mortality rates (118 and 117 per 1,000, respectively), but in some countries, such as Niger, infant mortality is even higher (see box 1.7). Furthermore, a greater proportion of children die before age 1 in Sub-Saharan Africa than in any other developing region. Yet immunization of children against life-threatening illnesses such as diphtheria and measles has declined since 1980. In addition, AIDS has spread rapidly throughout most areas of Sub-Saharan Africa. During the past decade more than 10 million adults and 1 million children (about two-thirds of the worldwide total) have been infected with the human immunodeficiency virus (HIV). In many African countries AIDS will reduce the rate of economic growth because many of the most active age groups in the population at every income level are incapacitated. The hard-won progress in reducing infant mortality and life expectancy is also likely to be reversed (see World Bank 1996b).

Urban-rural differences in access to health services of all kinds are similar to those in education. Rural households in Sub-Saharan Africa are markedly disadvantaged in access to health services. The percentage of the urban population that has ready access to primary health care ranges from 44 to 99 percent. In most Sahelian countries fewer than 30 percent of rural people have ready access to health services; in some the figure is as low as 17 percent, compared with 78 percent in urban areas. Only about 50 percent of the total
Infant and child mortality are considered the best indicators of a population's level of social development. Levels in Niger are extremely high—infant mortality is 123 per 1,000 live births, and child mortality is 223 per 1,000 live births; 60,000 children die every year before their first birthday. As the figure shows, both infant and child mortality increased around 1985. Although neonatal mortality has decreased, the overall levels of under-5 (infant and child) mortality remained about the same in 1990 as in 1980; the number of children who die before their fifth birthday is increasing at the same rate as the population. The programs implemented during the past few decades do not seem to have had a visible effect on under-5 mortality.

Typically, infant mortality makes up the largest share of under-5 mortality, but in Niger (as in some other African countries) the population group most at risk is the group of children ages 1–5 (World Bank 1996a).

**UNDER-5 MORTALITY, NIGER, SELECTED YEARS**

Deaths per 1,000 live births

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population has access to safe water; in rural areas 42 percent of the population has access to safe water, compared with 70 percent in urban areas. The urban-rural difference in Zambia is an extreme example—investment in infrastructure has given 88 percent of the urban population, but less than 20 percent of the rural population, access to safe water.

**FOOD SECURITY.** Most of the people in Africa who chronically face food insecurity are impoverished. They lack access to food because they lack income,
assets, or entitlements with which to produce, buy, or exchange sufficient food. (See Sen 1981, which discusses the importance of entitlements in the context of starvation and famines.) Because this lack of income and assets also defines poverty, chronic food insecurity and severe poverty are virtually the same, and so is the analytical framework for analyzing both.

Food insecurity, however, also arises for other reasons (see World Bank 1986, 1988b; Binswanger and Landell-Mills 1995). Transitory food insecurity is caused by such factors as seasonal changes in the availability and price of food at the household, regional, or national level. Civil conflict, droughts, and famine create a special type of transitory food insecurity that affects the poor and vulnerable most severely. Transitory food insecurity may lead to chronic poverty and destitution to the extent that temporary factors destroy assets such as land, food storage, or livestock. This situation has been seen in a number of African countries, notably Burundi, Liberia, Rwanda, Somalia, and Sudan.

NUTRITION. Although malnutrition is declining in every other part of the world, nutritional status has remained stagnant or has deteriorated in much of Sub-Saharan Africa in the past decade. The effects on children can be serious. In Burundi, Ethiopia, Madagascar, Malawi, and Rwanda nearly one-half of all children are stunted in height for their age; in Ghana, Mali, Niger, and Nigeria one child in ten is wasted (low weight for height). With a few exceptions, such as Botswana, Cameroon, and Zimbabwe, at least one-fifth of African children are underweight. Micronutrient malnutrition, which is “devastating for preschool children and pregnant women” (World Bank 1994e), is widespread.

Economic decline and poverty are the root causes of malnutrition. Figure 1.8 illustrates the effect of income levels on anthropometric measurements.

**FIGURE 1.8 ANTHROPOMETRIC INDICATORS BY HOUSEHOLD INCOME GROUP, ZAMBIA, 1991**

![Graph showing anthropometric indicators by household income group.]

BOX 1.8 THE CYCLE OF POVERTY AND MALNUTRITION

The nexus among poverty, hunger, and malnutrition is obvious: people are usually hungry and malnourished because they are poor. Thus, nutritional status is a singularly sensitive indicator of both current and past deprivation. At the global level, regression analysis indicates a strong relationship between the prevalence of underweight children and gross national product (GNP) per capita (ACC/SCN 1993). Increasing GNP per capita from about $300 to $600 is associated with a decrease in the prevalence of malnutrition from about 34 to 17 percent. Some countries, however, such as Egypt and Zimbabwe, have low levels of malnutrition for their income level, probably because of significant social sector programs.

Poverty and malnutrition are linked in a vicious cycle: not only does poverty cause malnutrition, but malnutrition, particularly in young children, contributes to low future productivity, seriously constraining the development of both individuals and societies. Malnutrition can increase the risk of premature death. Depending on the underlying levels of mortality in the population, the odds of dying increase exponentially (at a compound rate of about 7 percent) for each percent of deterioration in the weight-for-age figure. This recent finding (Pelletier 1991) is particularly significant for Africa, where moderate malnutrition is the primary nutrition problem. Malnutrition increases the incidence and severity of sickness by 50 percent and reduces learning ability by 10 percent and adult productivity by up to 20 percent. The prospective costs of micronutrient deficiencies, which can cause disease, disability, and death, are in some respects even higher.

The poor are disproportionately affected by malnutrition. Their nutritional status is more likely to have intergenerational consequences, and it may limit their ability to benefit from other social services, such as education. Breaking the poverty-malnutrition nexus is a prerequisite for improving the human capital of the poor.

Although the lowest-income groups spend a greater share of their income on food than do higher-income groups, they are substantially less well nourished. The relationships in the figure are at the heart of the problem of poverty and human capital development in Sub-Saharan Africa.

Other factors contributing to malnutrition include poor understanding and awareness of nutrition, at both household and national levels; absence of a distinct institutional base for nutritional interventions; poor coordination among ministries responsible for nutrition-related actions; and limited political will. But action can and must be taken (see Reutlinger and Selowski 1976; Berg 1981). Box 1.8 presents a review of the problem.

Poor households need help with access to food and health services to improve their nutritional status. In addition to agricultural and health policies that promote the welfare of the poor, community-based nutrition projects,
or significant nutrition components in social sector projects, can make a difference. Many countries in Latin America (for example, Chile) and Asia (for example, India—in Tamil Nadu State—and Thailand) have invested substantially in explicit programs for nutrition and early childhood development. The Africa Region's nutrition portfolio is new and still quite small, although growing. IDA-supported nutrition projects in Madagascar and Senegal are good examples of community-based nutrition interventions implemented with NGO support. In addition to replicating such successful efforts, action must be taken to improve household access to food and health care in early childhood development programs, social funds, human resource development projects, community health, primary education, and agricultural extension. Recognizing the need and identifying how to make a difference are the first steps in breaking the poverty-malnutrition connection.

Notes

1. See appendix F for recent estimates. The estimate is based on purchasing power parity-adjusted dollars in 1985 prices. The 1990 average GNP per capita at 1992 prices for Africa, using official exchange rates, was calculated as $530 (World Development Indicators, World Bank 1994m).

2. See also Easterly and Levine (1995), who, on the basis of econometric analysis, suggest that Africa's poor growth in the past can be explained by low schooling, political instability, little financial depth, high black-market premiums for foreign exchange, high government deficits, inadequate infrastructure, and ethnic conflict.
CHAPTER TWO

The Role of African Governments and Civil Society

African governments must be at the center of efforts to reduce poverty in their countries, yet their policies and strategies do not at present demonstrate sufficient political commitment to taking the necessary actions. This chapter explores the evolving role of African governments in the fight against poverty and examines statements by African government leaders and parliaments, letters of development policy prepared for the World Bank, and poverty assessments and other background papers. It reviews the roles of other development partners within the country—NGOs, community-based institutions, and the private sector. It incorporates the views of a number of Africans who were consulted during the preparation of this report and makes use of available public documents and of discussions held within the Bank. Nevertheless, this chapter is by no means a comprehensive statement on the role of governments and civil society in poverty reduction.

The Evolving Role of Government

The role of government is in a state of flux in Sub-Saharan Africa. More and more governments are being elected in a democratic fashion, thus gaining credibility within and outside their borders. This process of democratization demands that the role of government change. As governments move out of public enterprises and other productive areas into a more policy-oriented area, their role is being redefined. They are beginning to concentrate on providing public goods and services, intervening in the economy only when market failure occurs.

A principal role of governments is to set the development agenda. As real democratization evolves, that agenda must increasingly be based on the demands of the electorate, rather than those of the donor community, with its
particular perspective on broad economic development. This shift will bring new challenges for governments and donors and justifies a broadly based, participatory process of policy formulation. Each government is responsible for ensuring that the agenda fits its country’s poverty reduction objectives and can be effectively implemented.

Government Commitment to Poverty Reduction

Leaders in Ghana, Kenya, Malawi, and South Africa, among other countries, have declared their commitment to poverty reduction. For example, the president of Kenya has advocated a program for dealing with the effects of structural adjustment on the poor. Although the program addresses many issues contributing to poverty, the strategy outlined does not yet have the financial backing for implementation. Nevertheless, the current government in Kenya has officially recognized poverty as a serious issue, which many previous governments have not.

Although leaders of African nations often express general aspirations for poverty reduction, few governments have developed comprehensive and specific poverty reduction policies. Those government policies that do assist in reducing poverty are invariably referred to in the poverty assessments prepared by the Bank. The following is a summary of poverty-reducing policies already in place in various countries at the time their poverty assessments were completed.

Malawi’s new government made a strong commitment to reduce poverty and is in the process of designing its strategy. A collaborative workshop was held, with participants from government, the private sector, academia, donors, and NGOs, to formulate an action plan for poverty reduction and define priorities. A positive feature of the plan is that actions were assigned to various participants for implementation and accepted by them. In November 1995 the government of Malawi and the World Bank prepared a report on human resources and poverty in which many aspects of the strategy outlined in box 2.1 were confirmed.

The government of Senegal has decided to design an action program for the “fight against poverty.” A ministerial consultative committee will meet as needed to discuss the needed actions. Having a committee of high-level people in charge of the issue gives poverty high visibility and increases the government’s accountability for poverty reduction.

The government of Zimbabwe presented a comprehensive policy paper on its Poverty Alleviation Action Plan at the consultative group meeting held December 1993 in Paris. This policy document clarified the government’s new focus, building on its experiences in implementing the Social Dimensions of Adjustment program. The intention is to broaden and enhance the overall scope, coverage, and impact of targeted social programs, with special emphasis on programs to create employment and foster self-reliance (box 2.2). Recently a poverty forum was established in Zimbabwe to strengthen the work on reducing poverty, with particular emphasis on increasing the effectiveness of initiatives for poverty monitoring and reduction and on providing an opportunity for cross-sectoral debate.
BOX 2.1 MALAWI'S POVERTY REDUCTION STRATEGY

The government of Malawi is developing human capital and broadening income and employment opportunities to improve the living conditions of its poor majority. It is promoting privatization of commercial parastatals (large government enterprises with a commercial function) and removing restrictions on production and marketing of goods and services.

The government will allocate 15 percent of the total investment budget for health to increase access by the poor to basic health care. Education, particularly primary education and literacy programs, is another priority sector for improvement. A large share of these educational improvements will be funded through the Malawi Social Action Fund.

The District Focus for Rural Development, a major decentralization and administrative strategy being considered for implementation, would require all central ministries and departments to transfer to the local level their powers for identifying, planning, and implementing district-specific projects. Projects and programs at the national level or affecting more than one district would be handled by the central ministry or department (Kakhobwe 1995).

BOX 2.2 MOBILIZING SUPPORT FOR POVERTY REDUCTION: THE CASE OF ZIMBABWE

Zimbabwe's Poverty Alleviation Action Plan (Zimbabwe 1994a) summarizes the country's strategy for reducing poverty through targeted social reforms and reorganization. It presents the operational strategies that integrate a more streamlined process of social assistance and will encourage more participation by beneficiaries. A companion framework document (Zimbabwe 1994b) outlines the details of the action plan. The three-year time frame for program initiatives is the minimum required to establish and institutionalize the program.

The central component of the implementation strategy is a social and political mobilization process for introducing the Poverty Alleviation Action Plan to civil society. Other components of the plan include community-based programs for poverty alleviation—for example, institutional development of targeted social programs; informal sector development; institutional and human capacity building; targeted social safety net programs; and improved social policy development and monitoring. The employment-related activities will include labor-based public works programs, entrepreneurial development programs, support for youth and women's self-help projects, and promotion of greater participation in productive activities.

The program development task force, which had designed the 1993 Poverty Alleviation Action Plan policy document, drew up the 1995 plan under the leadership of the Ministry of Public Service, Labour, and Social Welfare, with substantive technical support and inputs from other Zimbabwean ministries and U.N. agencies. The concept and formulation of the implementation strategies also benefited from contributions by other development partners, including the public sector, the private sector, NGOs, and the donor community.
Governments now need to define their priorities for poverty reduction more precisely, with or without the help of donors. The Blantyre Statement on Poverty Alleviation in Sub-Saharan Africa (appendix D) states this clearly:

In too many cases, host countries are not in the driver’s seat. Once the institutional framework and national policy priorities are agreed on by government and donors, all parties should abide by the “rules of the game” and the chosen policy priorities. For governments, the litmus test lies in their beginning to say . . . no to the lure of “free” project inputs or more technical assistance. . . . For donors, the litmus test is to learn to sit in the back seat and adjust their programs and projects to the agreed-on policy framework.

During preparation of this report a request was sent to all country officers in the World Bank asking for their comments on whether the country for which they were responsible had made any significant policy statements on poverty reduction. An exact reading is difficult, but of the responses received, Comoros, Ghana, Kenya, Lesotho, Malawi, Mozambique, Niger, Nigeria, South Africa, Uganda, Zambia, and Zimbabwe were reported to have made public policy statements about the importance of poverty reduction, although action may not necessarily have followed. Benin, Burkina Faso, Central African Republic, Congo, Côte d’Ivoire, Equatorial Guinea, Madagascar, Mali, Tanzania, and Togo were reported not to have made official statements, but in most, progress is clearly being made on the basis of recent administrative actions to establish poverty reduction programs. The previous government of the Gambia had made a statement, but whether the current government will follow up is not known. Senegal is exploring specific moves in collaboration with the Bank.3

Social Sectors

The Bank’s poverty assessments usually find that governments have an unsatisfactory record of public expenditures on the social sectors, such as primary health care and education. Some governments that are allocating significant amounts of their budgets toward these sectors are not necessarily distributing the expenditure in a desirable fashion. For example, the poverty assessment for Benin indicates that nearly one-third of its recurrent budget was allocated to the health and education sectors, but the money goes primarily toward salaries and higher education (World Bank 1994b). Similar problems were noted in Ghana (World Bank 1992b) where the urban bias was particularly severe, but substantial changes are taking place. Distribution of public expenditures was also a problem in Cape Verde, reflected in a bias toward basing more teachers in urban areas (World Bank 1994h).

The Ghana Extended Poverty Assessment found that investment in capital projects for education was falling far below initial targets and was especially biased against poorer regions. The incidence of public sector social spending in Ghana, compared with some other countries, shows that Ghana compares
TABLE 2.1 INCIDENCE OF PUBLIC SECTOR SOCIAL SPENDING, GHANA AND SELECTED COUNTRIES

(percentage share of expenditure, for poorest and richest quintiles)

<table>
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<tr>
<th>Country and year</th>
<th>Health</th>
<th>Education</th>
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<tr>
<td></td>
<td>Poorest quintile</td>
<td>Richest quintile</td>
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<tr>
<td>Ghana, 1992</td>
<td>16.2</td>
<td>21.2</td>
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<tr>
<td>Brazil, 1985</td>
<td>14.3</td>
<td>19.1</td>
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<tr>
<td>Colombia, 1992</td>
<td>19.8</td>
<td>21.3</td>
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<td>Indonesia, 1989</td>
<td>15.4</td>
<td>29.3</td>
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<td>Kenya, 1993</td>
<td>16.7</td>
<td>20.7</td>
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<td>Malaysia, 1989</td>
<td>26.0</td>
<td>13.0</td>
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<td>Uruguay, 1989</td>
<td>32.9</td>
<td>14.6</td>
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<tr>
<td>Vietnam, 1992</td>
<td>11.1</td>
<td>44.6</td>
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</tbody>
</table>


well in education (see table 2.1) but not in health. Other issues raised in the poverty assessments were lack of supplies and equipment in health centers, as was the case in Rwanda even before the recent conflict.

In contrast, many governments have increased their budgetary allocations to primary health care, education, and water supply or have focused on improving their service delivery. Cape Verde, Ghana, Guinea-Bissau, Mauritania, and Uganda are examples of countries that have either increased the share of social sector spending for primary services or have improved service delivery and coverage as part of their policies and strategies.

Some governments have prepared policy papers on poverty reduction, which shows an effort to address these issues. Ethiopia, for example, designed both rural and urban strategies for poverty reduction as part of its 1993–94 safety net program. In rural areas the government provided interest-free loans for farm inputs such as oxen, hand tools, and seeds for the poorest farm households. For the urban poor, the government financed labor-intensive public works and certain programs of targeted subsidies.

### Labor Markets

Restrictions on labor markets can hurt the poor. Governments often inadvertently perpetuate these distortions, as illustrated in many poverty assessments. A microenterprise tax in Benin is based on average income and is therefore biased against small enterprises and their employees. Cape Verde restricts imports by the informal sector, in which many of the poor are traditional employees.

Rwanda, before its recent civil conflict, restricted the movement of people from rural to urban areas, causing the rural population to increase its demands on the already degraded land. Mauritania’s investment code favors
large capital-intensive enterprises, reducing opportunities for labor-intensive microenterprise development.

**Rural Development**

Considerable changes designed to reduce the role of governments in agricultural development have already taken place and are going on. State involvement in some countries, however, continues to constrain growth of the rural sector. In addition, policy is often specifically biased against smallholders who are, more often than not, the poor. In Rwanda state intervention in the formal coffee sector biased government support toward this cash crop and therefore tended to ignore diversified smallholders in providing services. For many years the same was true in Malawi, where the government, in an effort to maintain high world prices, licensed burley tobacco farming by large estate holders only. Recently, that policy was changed, with a direct positive effect on smallholders' incomes. Licensing of smallholders to grow burley tobacco is being expanded.

In contrast, land tenure policies in Malawi limit farmers' use of land as collateral for long-term investment and so constrain agricultural development. The fundamental issue here is promotion of an efficient market for land either through traditional community systems or through more formal land-titling arrangements, when traditional systems have broken down.

In South Africa the landless—like the poor and economically disenfranchised among smallholders in an increasing number of African countries—are demanding action on land redistribution. These demands will need to be addressed in a comparatively short time or, as the experience of numerous other countries demonstrates, land reform will become an increasingly politicized issue, with the potential to destabilize the economy and hinder growth.

Indeed, in Zimbabwe the government's failure to implement effective land reform has increasingly politicized the issue. This failure not only removed many attractive solutions to the land distribution problem from the political agenda but also contributed to continuing uncertainty about issues that are fundamental to investor confidence, such as property rights.

These are but some of the government policies that have had a detrimental effect on rural development. Another negative impact occurs when provision of infrastructure is skewed toward urban areas, leaving rural areas inadequately served. This issue will be taken up in the next chapter in connection with the urban-rural balance of Bank lending programs.

**Letters of Development Policy**

Another avenue for identifying policies related to poverty reduction is through letters of development policy (LDPS), which are submitted to the Bank in support of government requests for financing structural adjustment credits. LDPS are generally focused on long-term growth policies, with little or no
emphasis on measures that increase the participation of the poor in growth. Few of the policies in the LDPS are outside the narrow requirements of the structural adjustment program supported by the credit. The assumption implicit in the LDPS is that the growth resulting from improved macroeconomic policy supported by the credits will lead to increased employment of the poor and hence contribute to poverty reduction. Labor-intensive growth, however, is rarely an explicit objective of the LDP. Indeed, it is not at all clear that macroeconomic or even sectoral policies have been designed to achieve labor-intensive growth. Although such policies as exchange rate adjustment make imported capital goods more expensive, the governments of many countries still provide incentives to use capital rather than labor (see, for example, World Bank 1994g).

Most LDPS emphasize the importance of liberalizing trade, increasing tax revenue, reforming the civil service, creating an enabling environment for private sector development, liberalizing the agricultural sector, reforming public enterprises, and deregulating prices. Most address poverty reduction in the context of the need to develop human resources, primarily by increasing or protecting the share of public expenditures that goes for education and health care, with an emphasis on the primary sectors. Allocations are rarely specified for the primary services; rather, the requirement usually addresses broad sectoral allocations.

Many LDPS outline measures to mitigate the effect of structural adjustment on the poor through labor-intensive civil works (see box 3.8). These measures include temporary subsidies on prices of essential consumer goods and sometimes direct transfers of income to the poor. A good example of an LDP with a strong focus on poverty reduction is that prepared for the Zambia Economic and Social Adjustment Credit. Apart from emphasizing the importance of long-run growth and social sector development to poverty reduction, the Zambia LDP also acknowledges that economic adjustment measures may cause short-term economic hardship for the vulnerable and poor. Although cost-effective targeted programs should be supported, a much stronger strategy would make poverty reduction a pervasive theme of the LDP. The Bank should require this emphasis in all future LDPS.

Reducing Poverty through Improved Institutions

Strengthening African government institutions for planning and implementation is a central requirement of long-term development and a number of donor programs. The African Capacity Building Foundation is addressing this issue. An increased focus on strengthening governmental capacity also requires long-term change in the way development agencies do business and coordinate and plan activities with each other and with African governments.

The strengthening of governmental capacity to plan and implement poverty reduction actions requires particular attention to capacity in a number of specific areas:
The ability of service delivery institutions to reach poorer regions and communities and specific social groups within those communities (differentiated by gender, income, age, ethnicity, or other factors) and to do so in a manner that responds to the needs and priorities of the poor. Effective management of services such as health care, education, water and sanitation, and agricultural extension has to be decentralized to allow for decisionmaking that reflects local priorities.

The ability of African countries to implement effective systems for monitoring poverty and to use household-level data disaggregated according to region, gender, household structure, and other characteristics in policy analysis. In most African countries this capability is still limited despite recent initiatives, such as the Social Dimensions of Adjustment program and the Statistical Capacity-Building Initiative in Sub-Saharan Africa. Participatory analysis, which incorporates the perspectives of the poor themselves, can provide significant feedback on how the poor view changes in their livelihoods and on the services and programs intended to assist them.

The ability to plan and implement targeted programs that address particular constraints faced by specific groups among the poor. In Africa care of the poor has generally been carried out by kinship or community institutions. Yet most governments face the need to mitigate the effects of various kinds of "shocks." The ability to implement emergency programs needs to be maintained and developed, even in times of relative security.

The civil service is hampered by lack of sound leadership. Although institutions need to be strengthened, much of the civil service in Africa is made up of talented and educated people whose potential has yet to be tapped. Existing personnel are currently underused. Incentives do not exist that would encourage civil servants to perform in the best interests of the general public and, in particular, of the poor. Good public policies for poverty reduction will never be implemented until those who must carry out these policies have the motivation and incentive to do so. The perception that the civil service is constrained by lack of government commitment came out clearly in the workshop on poverty reduction held with twenty African government officials, academics, and representatives of NGOs in Norway in early 1995 (box 2.3).

The Role of Civil Society

Civil society, in general, has an important role to play in establishing and reviewing priorities and actions for poverty reduction programs.

Nongovernmental Organizations

NGOS are acting more and more as intermediaries between governments and the poor as the role of the state changes. Governments are increasingly aware of the
BOX 2.3 AFRICAN PERSPECTIVES ON POVERTY REDUCTION

The Oslo meeting on poverty as seen from an African perspective was held in early 1995. Twenty distinguished Africans were among the participants in this conference, which was cosponsored by the Norwegian Royal Ministry of Foreign Affairs, the Norwegian Institute for Applied Social Science, and the World Bank. The discussions stressed the need to create a macroeconomic policy framework for poverty reduction efforts, improve social services for human resource development, foster coordination among development partners, expand the role of communities and the poor in designing and implementing poverty-reducing programs, and monitor and analyze poverty. These recommended actions, although not new, are nevertheless critical. Their implementation is crucial to poverty reduction in Sub-Saharan Africa (World Bank forthcoming).

The Oslo group reached a strong consensus on the following issues:

- Poverty reduction cannot be achieved until African leaders make an unequivocal political commitment to that objective; this is not only good economics but also good politics.
- Africa's crisis of confidence about taking action is both unnecessary and self-defeating. The capability to reduce poverty largely exists in most countries, provided the government establishes a clear mandate to do so through a broadly based, sociopolitical coalition.
- International assistance should be made available primarily to governments that make convincing long-term political and strategic commitments to poverty reduction. Assistance to countries that establish credible poverty reduction strategies should be increased.

important role of NGOs in poverty reduction and are beginning to trust NGOs to undertake collaborative activities. NGOs are also working with the Bank and other donors to promote the well-being of the poor. Indeed, a recent position paper prepared by Oxfam International, which supported the eleventh replenishment of IDA, reinforced many themes in this report, such as the focus of lending on poverty reduction and the critical role of CASS (Oxfam 1995).

NGOs are a significant potential force for promoting poverty reduction in Africa. They have, for example, pioneered participatory methods in project design and implementation and are strong advocates of strategies that view the poor as economic and social actors rather than passive recipients of welfare. NGOs have also been involved in most relief programs dealing with the effects of sudden shocks, such as drought and civil conflicts.

The importance of broader institutional development within civil society is also clear. Mature and effective nongovernmental institutions—in such fields as national and local news media, religious organizations, trade unions, policy research, and advocacy groups—can strengthen mechanisms of accountability for public policy and ensure that diverse groups in society have a voice in formulating poverty reduction measures.4
Community Structures and Organizations

Strong institutions for and of the poor allow poor rural and urban communities to help themselves and to implement actions that address the issues and constraints they see as priorities. Improved organization for the poor can contribute to:

- Increasing production through organizing labor and material resources more effectively
- Improving the sustainability of natural resource management through participatory planning
- Supporting social infrastructure at the community level through mobilization of resources and labor
- Assisting local institutions to make them more responsive to the needs of the poor
- Providing a framework of cooperative action to assist vulnerable households and individuals.

Support for strong community organizations has proved effective. Traditional leadership structures and community support groups have often filled the gaps left by ineffective or nonexistent government services. Because community groups have served this purpose effectively in the past, their efforts should be the basis for future programs. Official action to assist the poor has often ignored or circumvented these groups, with disappointing results. A growing number of such groups have been key partners in projects and programs that directly benefit the poor.

Involving the Private Sector

National economic policy and strategy is based on the premise that the private sector includes the majority of the poor, such as small farmers. Many of these small farmers need credit for their productive activities. The need for small-scale credit is particularly crucial for women, who typically operate and manage many farming activities and other small enterprises. The delivery of small-scale credit is generally accepted as vitally important in stimulating the private sector and contributing to growth and poverty reduction.

During the past twenty years, practitioners in business finance, banking, and poverty alleviation have pioneered ways to engage the poor in the private sector in the effort to reduce poverty. Indonesia has created a highly profitable bank, Bank Rakyat Indonesia, with 10 million rural savers and 2 million rural business borrowers. In Bangladesh borrowing groups are used to cut transaction costs among 1 million poor, self-employed female members of the Grameen Bank. These experiences illustrate a number of principles that are relevant for poverty reduction:
Private banks gravitate to large transactions with affluent borrowers. They probably should not be expected to deliver small-scale financial services to low-income clients.

Banking institutions with a long-term vision of the common good can be capitalized on to assist the poor in initiating small-scale programs for entry-level economic development. By lowering information costs through specialization and assisting the poor in initiating economic development and innovation in delivery systems, banks can operate profitably in markets with small transaction sizes and less affluent clients.

Poor entrepreneurs possess the same survival skills as affluent ones. They save money, carefully apply their entrepreneurial energy, and repay debts to maintain access to future loans.

Large-scale solutions are required to expand poor people's participation in their country's economy. Investment in self-sustaining institutions that finance the poor is a comparatively cost-effective use of scarce subsidies.

An investment orientation is preferable to charity. Independently responsible borrowers and institutional managers perform better when risk is involved.

Talent and energy are valuable resources. Individuals possessing them can be attracted to both entrepreneurship and to public-purpose banking, but only if given enough time and support to succeed.

Notes

1. Much of this chapter is based on the senior policy workshop on poverty reduction in Sub-Saharan Africa, which met in January 1995. The workshop was arranged jointly by the Norwegian Royal Ministry of Foreign Affairs, the Norwegian Institute for Applied Social Science, and the World Bank. It was held to explore and understand the African perspective on poverty reduction. World Bank (forthcoming) contains a summary of the meeting.

2. More than thirty elections have taken place in Africa in the past five years (World Bank 1995c).

3. Since August 31, 1995, the number of countries that have made public statements about the importance of poverty reduction has doubled.

4. See Drèze and Sen (1989) for a discussion of the importance of newspapers and the dissemination of information in providing early warning systems and stimulating public debate on hunger and poverty, which can have a major effect on their reduction.
CHAPTER THREE

The World Bank's Response to the Challenge of Poverty

This chapter assesses the Bank's operational work and its likely effect on poverty reduction. Three principal programmatic elements serve as the basis for examining the Bank's strategy for poverty reduction in Sub-Saharan Africa: poverty assessments, country assistance strategies (CASS), and recent and proposed lending programs.

The Strategy for Poverty Reduction


- Poverty reduction cannot be achieved and sustained without growth and increased employment opportunities for the poor.
- Growth, although necessary, is not sufficient unless critical social services such as basic health care and primary education, water supplies, and sanitation are made available to the poor.
- Narrowly targeted interventions may be necessary to provide additional assistance to very poor and vulnerable groups when growth or broad social service programs are insufficient.

The Bank's strategy for poverty reduction can be divided into three operational phases (see figure 3.1). The research and assessment phase is centered on the poverty assessment and brings together household surveys, poverty profiles, participatory poverty assessments (PPA), beneficiary assessments, public expenditure reviews, country economic memoranda, and sector reviews. The discussion and strategy formulation phase focuses on the country
dialogue and on the development of the CAS, the main document outlining the Bank’s operational strategy in a country. The implementation phase includes lending and nonlending outputs and evaluations of performance.

The starting point for the poverty assessment is a country assessment of poverty, using a poverty profile that provides a statistical overview of the extent of poverty. To understand the needs of the poor, PPAs and beneficiary assessments are conducted. Systematic client consultation is carried out in all phases, with all types of clients.

Social sector reviews, public expenditure reviews, and country economic memoranda also contribute information and supplement the poverty assessment. These reviews, along with the poverty profile, attempt to answer the questions: Who are the poor? Why are they poor? How poor are they? Where are they located? The poverty assessment identifies policies and strategies for reducing poverty and proposes an action plan.

The CAS is prepared on the basis of the earlier broad statement of the business plan for each country. (At times, however, a recently prepared CAS may drive the business plan.) The CAS summarizes the Bank’s analysis of the country’s economy and its most important policy issues, defines the Bank’s assistance strategy, and focuses on a strategy for reducing poverty, which is derived from
the poverty assessment and other related economic and sector work. The CAS also contains a proposed lending program for the country. The projects outlined in the lending program should reflect the priorities of the CAS and the country's commitment to and prospects for economic and social development.

The final phase in the program of action is implementation of the Bank's lending program, in the form of lending operations, and preparation of the Bank's numerous nonlending outputs, such as economic and sector work. Assessments by the Bank's Operations Evaluation Department (OED) provide feedback in the form of conclusions on best practices.

Throughout the three phases the Bank-country dialogue takes place bilaterally and within the context of consultative groups and other forums. Many sector reviews uncover policies that inhibit the productivity of the poor, constrain the generation of income-earning opportunities for the poor, or hamper the access of the poor to social services. The poverty assessment and economic and sector work help identify the needs of the poor, and their recommendations can serve as the basis for an assistance strategy and an investment program. Ideally, policies that inhibit growth or do not benefit the poor are adjusted through conditionalities in structural adjustment credits (SACS), sector adjustment loans (SECALS), and projects.

The next section reviews the themes found throughout the three phases of the Bank's programmatic approach. It focuses on the poverty assessments completed so far in Sub-Saharan Africa, the main thrust of poverty reduction strategies in the CAS, and the poverty reduction features of the lending portfolios for fiscal 1992–94 (projects approved during those three years) and fiscal 1995–97 (projects approved or proposed for funding in those years).

**Poverty Assessments**

Country poverty assessments should contain the basic analytical foundation for efforts by governments and the Bank to reduce poverty (see box 3.1; see also Operational Directive 4.15 and World Bank 1992d). They provide a vehicle for dialogue with governments and donors on poverty issues. They draw, to varying degrees, on a wide range of data and other analytical work, including available economic and sector work, formal and informal household data collection, and beneficiary assessments. Poverty assessments are intended to serve as the primary input on poverty reduction for the CAS and the lending program.

As of March 1996 the Bank's Africa Region had completed twenty-three poverty assessments (see note 4 in the Summary). The Bank's annual reports on poverty reduction, which review the content of poverty assessments, reveal considerable variation, especially among early poverty assessments, in the way the reports are prepared, their areas of emphasis, and their action plans. Figure 3.2 summarizes the main themes examined in completed poverty assessments and in the action plans in assessments completed as of March 1996.
BOX 3.1 ROLE OF POVERTY ASSESSMENTS

Assessments. The objectives of the poverty assessment are to identify the economywide policy, public expenditure, and institutional issues that constrain effective poverty reduction and to recommend an agenda for reform. The assessment analyzes the success of government's short- and long-term economic management in generating the kind of growth that will create demand for labor, in developing human capital, and in improving safety nets. The poverty assessment provides the basis for collaboration between the government and the World Bank on the best way to reduce poverty.

Principal Themes in Poverty Assessments

The wide range of subjects examined in poverty assessments in part reflects their comparative newness as operational tools and the experimentation that has taken place in their brief history. It also reflects the circumstances of individual countries. Despite the variations, some obvious themes stand out:

- **Importance of talking with stakeholders.** Participation surveys and client consultations add a dimension to the poverty assessment that is typically not available from the usual quantitative analysis. The poverty assessment for Benin found that the primary school enrollment rate for females was half that of males. Only through field interviews with families was it possible to discover that families often viewed investment in education for females as a net loss to the household; they believed the benefits of a girl's education would accrue to her husband's household. This aspect of assessments is so important that it has become a separate methodology, the PPA (see below).

- **Importance of macroeconomic policy.** Most poverty assessments stressed the benefits of macroeconomic and sectoral policies for the poor; only about half provided specific recommendations on how to make these policies pro-poor. Recommendations tend to concentrate on the need to give small producers—typically, but not exclusively, farmers—access to commercial services such as credit and marketing.

- **Emphasis on growth.** The poverty assessments emphasize two important areas—agriculture and other income-generating activities. Many poverty assessments view agriculture as the most promising area for increasing income and promoting growth. Because it uses considerable amounts of labor, agri-
FIGURE 3.2  PRINCIPAL THEMES OF ACTION PLANS IN POVERTY ASSESSMENTS

<table>
<thead>
<tr>
<th>Country</th>
<th>Agriculture</th>
<th>Gender Issues</th>
<th>Income Generation</th>
<th>Industrial Capacity</th>
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Note: Includes all poverty assessments prepared for final publication by March 1996 (indicated by blue squares), except for Mauritius and Zimbabwe. Poverty assessments for those two countries were prepared as part of a country economic memorandum; they do not contain detailed action plans on poverty reduction.

a. The poverty assessment for Ethiopia specifically excluded education because of budget constraints on the Bank mission.

Source: World Bank data.
culture also has a high potential for increasing employment opportunities and so reducing poverty.

The poverty assessment for Malawi addresses specific constraints on raising the production abilities of the poor. These constraints arose from a prohibition (subsequently lifted) on cultivation by smallholders of burley tobacco, a high-yielding crop with high returns to land and labor.

The poverty assessment for Sierra Leone recommends special budgetary and donor-financed programs for rehabilitation and maintenance of rural infrastructure, including roads and water supply and sewerage systems. Enhancing rural infrastructure would create an enabling environment for increasing, both directly and indirectly, income-generating opportunities for the poor.

- **Pro-poor allocation of public expenditures.** Most poverty assessments contained analyses of public sector expenditures. In general, these analyses concentrated on the need to examine the effects of expenditure and tax policy on the poor. Among the findings were that many subsidies intended for the poor go instead to the middle and upper classes, that spending on primary education yields the greatest positive redistribution to the poor, and that spending on hospitals is less effective for benefiting the poor than is spending on clinics and primary health centers. A regularly occurring theme is the need to increase budget allocations for primary social services and to ensure effective targeting of these services.

- **Emphasis on the quality of primary education.** Most poverty assessments stressed the need for improved quality in education in general and in primary education for girls in particular. Several explicitly recommended transferring public resources from tertiary education to vocational or technical education.

- **Emphasis on the quality of primary health care.** Suggested actions in health care often focus on the quality of care, costs and availability of basic medicines, and cost recovery. The poverty assessment for Sierra Leone addresses all these issues as critical points of a health strategy within the poverty reduction framework. Cost recovery is a recurrent theme in many sector plans as a way to finance primary health care, including services designed to assist the poor (see Shaw and Griffin 1995).

- **Need for information on poverty.** The quality of the poverty analysis in the poverty assessment, and hence in the CAS, is directly related to the quality and coverage of country-specific data. Poverty assessments often lament the lack of reliable data on which to base analysis and recommendations. More effort is needed to identify gaps in poverty monitoring and develop proposals for strengthening data collection and analysis.

- **Gender issues.** About half of the poverty assessments examine gender issues in some detail. Recommendations have included greater recognition of the problems of seasonal labor shortage experienced by most agricultural
households, but especially those headed by females, and greater emphasis on female education, especially at the primary school level.

- Building consensus on a poverty reduction strategy. A growing number of poverty assessments recognize the importance of country poverty assessments as a tool for stimulating ownership by governments of the objective of poverty reduction and for developing consensus between countries and donors on the nature and importance of a poverty reduction strategy. Many recently completed poverty assessments were the outcome of considerable consultation and partnership between governments and the Bank. This process has increased ownership by governments of policies and strategies for poverty reduction.

Evaluating Poverty Assessments

One shortcoming of the poverty assessments is the lack of reliable data on poverty because of the paucity of information on household expenditure and consumption. Even when household survey data do exist, not much analysis has been carried out. A study by the Institute of Development Studies (1994) for the Working Group on Poverty and Social Policy of the Special Program of Assistance for Sub-Saharan Africa found a considerable range in the quality of poverty assessment, from "missed opportunities (such as Ghana 2000) to substantial achievements (the Zambia poverty assessment)." The study recommended four ways to improve the quality of poverty assessments: (a) explore qualitatively the constraints on agricultural production, (b) make PPAS an integral part of poverty assessments, (c) compare poverty situations over time against well-established benchmarks, and (d) use a phased consultative process to build a consensus around the poverty assessment. The working group’s conclusions are summarized in box 3.2.

Strengthening the Role of Poverty Assessments

The country poverty assessment is the foundation for the Bank’s understanding of the nature and extent of poverty in a country. The poverty assessment can play a crucial role in shaping the Bank’s country strategy—as contained in the CAS—and lending program. In addition, it is one of the few vehicles available to the Bank for facilitating a dialogue and creating a consensus among donors and government on a poverty strategy. To date, however, the quality and coverage of poverty assessments, and hence their ability to provide guidance for a poverty reduction strategy, have been uneven. A few suggestions for strengthening poverty assessments follow:

- Because the nature of poverty can differ significantly across countries, with important implications for interventions intended to reduce poverty, at the heart of each poverty assessment should be an analysis of the types of poor households and the causes of poverty.
BOX 3.2 POVERTY ASSESSMENTS AND PUBLIC EXPENDITURE REVIEWS

In September 1994 the Working Group on Poverty and Social Policy of the Special Program of Assistance for Sub-Saharan Africa issued the following recommendations on ways to improve the poverty reduction focus of poverty assessments and public expenditure reviews (see Institute of Development Studies 1994):

- Future poverty assessments (and follow-up to them) should enable governments to develop a poverty reduction strategy endorsed by donors and based on sound analysis of key policy issues. The objective should be management of poverty assessments by governments.

- The consumption- or income-based approach to measuring poverty needs to be broadened to take more account of security of livelihoods. In addition to raising average incomes, poverty assessments should focus on reducing vulnerability and improving livelihood security. Gender analysis should be integrated into the overall analysis, including the discussion of the macroeconomic environment.

- In assessing policies and the likelihood of their successful implementation, poverty assessments should carefully consider the stakeholders and the power and incentives they have either to support or to frustrate the proposed measures. Involving stakeholders helps ensure that proposals respond to the needs of those intended to benefit and improves ownership and commitment.

- Public expenditure reviews should attend more to poverty issues, including the net incidence of taxation and expenditure decisions, making use of social accounting matrices where they exist.

The Africa Region has reviewed the implications of these recommendations for the donor community, covering not only the conduct of new poverty assessments and public expenditure reviews but also the follow-up to those already completed or in preparation.

- The poverty assessment’s analysis of the causes of poverty should carefully examine distortions that influence the factor and product mix in the economy, with particular emphasis on labor intensity. Because policy distortions usually discriminate against labor, the poverty assessment should explain how these distortions work and how the reform process will remedy the situation and lead to increased employment.

- The process of preparing a poverty assessment must be open. Ideally, the government and outside experts with a knowledge of the country should be closely involved in the process of identifying the main issues and the types of analysis required for the poverty assessment.

- Task managers need to be well acquainted with the process for and results of other poverty assessments prepared by the Bank’s Africa Region. The system of identifying “best practices” (or good practices) is useful and, if
expanded, could provide task managers with greater support for preparing these reports.

The need for reliable and comprehensive data is greater than ever. When formulating a program of economic and sector work, each country team should ensure that data on poverty are being collected on a regular basis, along with other economic and social information. This requirement was part of the Bank’s focus on improved macroeconomic policy and needs to be part of the renewed emphasis on poverty.

The Future of Poverty Assessments

The financial resources used to prepare poverty assessments have varied considerably and are difficult to estimate. Poverty assessments have regularly cost between $300,000 and $400,000, but some have been considerably more expensive. In many cases, donors have provided valuable assistance in financing assessments through trust funds. Although poverty needs to be monitored on a regular basis, the cost of previous poverty assessments is not sustainable. In the future, a standard poverty profile, poverty indicators, and a summary of actions for reducing poverty should be prepared regularly for each country in collaboration with governments, donors, NGOs, and other interested parties, with strong government ownership. Each CAS should be required to include the most recent profile of poverty and priority poverty indicators.

Participatory Poverty Assessments

Structuring the consultative process—whether for preparing a poverty assessment, a CAS, economic and sector work, or a project—so as to involve the stakeholder or beneficiary is essential to the design of a sustainable poverty reduction program. This participatory methodology, usually PPAs, has been successfully applied to poverty assessments (see, for example, Norton and Stephens 1995). There are a number of reasons for involving and consulting with a range of stakeholders, including the poor: to understand better the social, economic, and political dynamics that perpetuate poverty in a given country; to ensure that strategies identified for poverty reduction reflect the real concerns voiced by the poor; to promote ownership of the proposed solutions by a variety of stakeholders; and to build in-country institutional capacity for ongoing analysis of poverty and formulation of policies to reduce it. Participation in poverty assessments has been pursued through two main channels: increased involvement of institutional and governmental stakeholders to ensure a coalition of support in government and civil society for strategies adopted, and participatory research exercises carried out with poor people in rural and urban areas to elicit their experience and understanding of poverty and the processes that produce and sustain it.
At the time this report was completed, eighteen PPAs had been carried out or were in progress in Sub-Saharan Africa. They have varied considerably in methodology and scope but have produced results in a number of important areas. They have enriched the poverty profile by illustrating local understanding of poverty and vulnerability; improved the understanding of the impact of public expenditures by eliciting perceptions of the poor on accessibility and relevance of services and infrastructure; improved the analysis of hindrances experienced by the poor in realizing market-based opportunities; and supported policy analysis of emergency and “safety net” provisions by examining local experience with formal and informal safety net systems and operations and the coping strategies used by the poor.

An important area in which PPAs have contributed to poverty assessments and especially to the formulation of action plans has been in outlining what the poor see as priorities in the provision of public services for poverty reduction. Typically, these perspectives include elements specific to particular environmental and social localities or pertaining to certain priorities that run through all the material gathered. Where consistent messages have emerged, they have proved extremely valuable for task managers seeking to develop practical programs of action that reflect the priorities expressed in poor communities. In Zambia discussions with the government on the sectoral emphasis of the lending program were influenced by ranking exercises conducted as part of the PPA. The topics emphasized by poor people in these surveys included agriculture and health, rural infrastructure, environmental issues, and the need for improved delivery of educational services.

A survey of the findings of eleven PPAs carried out in the Bank’s Africa Region suggested some general conclusions on the priorities of the African poor for public action on poverty reduction:

- A sense of profound isolation—from services, markets, local governmental institutions, and information—characterizes rural poverty in many parts of Sub-Saharan Africa. In a practical sense, this isolation implies the need for rural roads and bridges, especially in areas where heavy and prolonged rainy seasons mean effective loss of contact with markets and even basic services for large parts of the year. This finding is strong in PPAs carried out in Benin, Cameroon, Ghana, Nigeria, and Zambia. In many countries the poor also feel isolated from the institutions of the state, which are seen as unresponsive and distant; this alienation is particularly evident in the PPAs carried out for Cameroon, Madagascar, and Nigeria.

- In arid and semiarid rural areas, water supply for both domestic and productive use is the most pressing priority. Characteristically, the perception of water as a priority need typically comes up in focus group exercises with women, who, along with children, bear the main burden, in labor and time, of fetching domestic water. When men regard water as a high priority, it is usually because of the need for a reliable source of water for agricultural production in the dry season.
In northern Ghana, for example, provision of a dam allows cattle to be kept near the community—increasing agricultural production through an improved supply of manure—and makes possible dry-season vegetable gardening, which has become a critical supplement to local incomes.

Not surprisingly, in areas that have recently experienced massive welfare crises because of drought and civil conflict, physical and economic security are the main concerns. In northern Uganda physical safety in farming was the overriding concern. In much of Zambia local communities viewed as vital the maintenance of institutional arrangements for the drought response system, which had functioned well during the 1992 crisis.

Effective functioning of and access to curative health care is the most consistent priority in rural and urban areas and for almost all of the PPAS (nine out of eleven in our sample). Of particular concern to the poor are drug supplies, cost of treatment, and courtesy and openness on the part of health facility staff.

In urban areas, access to employment, opportunities to learn marketable skills, and credits for small enterprises emerge as consistent themes. The urban poor in, for example, Ghana, Madagascar, and Zambia generally emphasize education as a priority need more than the rural poor do, but surveys from many rural areas also cite the quality and cost of education as a significant concern. This is especially so in Niger.

**Country Assistance Strategies**

**CASS** summarize the Bank’s assessment of economic and policy issues and set out the Bank’s proposals for assistance to a country. The most recent **CAS** for each country in the Bank’s Africa Region was reviewed for this report, with an eye to the emphasis given to poverty reduction and specific proposals for reducing poverty. Conducting such reviews is difficult because the findings from the review tend to be qualitative rather than quantitative. The inevitable element of judgment has been compensated for by basing judgments about **CASS** on the weight given to poverty reduction and specific actions outlined in the **CAS**, not on the nature of the actions. It should be noted that the **CAS** is evolving as an operational instrument and is showing substantial improvements in quality and in attention to poverty reduction.

Most **CASS**, following Bank guidelines (see box 3.3), cover five basic subject areas in describing planned actions for promoting growth and reducing poverty: labor-intensive growth, private sector development, improved public sector management, human resource development, and conservation of the environment. Although poverty reduction was nominally the dominant theme in these five areas, in the past most **CASS** did not emphasize poverty reduction itself or specific actions that would benefit the poor. The typical **CAS** for one country was similar in structure to strategies for other countries, with little in the way of
BOX 3.3 COUNTRY ASSISTANCE STRATEGIES

According to a study prepared for the consultations on the eleventh replenishment of the fund for the International Development Association (IDA-11), "The preparation and review of CAS documents provide a regular opportunity to take stock of and rethink the country assistance strategy [and] consult with country counterparts, international agencies, regional development banks, the IMF [International Monetary Fund], and U.N. agencies. The CAS process allows management review and needed corrections to be incorporated in the strategy and operations" (OXFAM 1995). The same document also refers to a consultative process involving a variety of stakeholders used in preparing CAS and ensuring participation and country responsiveness.

The World Bank's guidelines state that the country assistance strategy (CAS) should "describe the Bank Group's strategy based on an assessment of priorities in the country and indicate the level and composition of assistance to be provided based on the strategy and the country's portfolio performance." Although certain general themes, such as macroeconomic stability, need to be addressed in all strategy statements, the CAS should provide a country-specific strategy for achieving both the general objective of poverty reduction and sectoral objectives, such as human resource development (with attention to gender issues), environmentally sustainable development, and private sector development.

A unique country perspective on poverty. CAS lacked clear objectives and a strategic vision for reducing poverty. Links among the strategies for different sectors, the lending program, and poverty reduction have been vague. Moreover, there has been no substantive discussion of the distribution of growth to the poor. Instead, CAS used poverty reduction objectives to justify a wide range of activities, especially those promoting long-term growth. They failed to set priorities on the basis of poverty reduction, even though this is the overarching objective of the Bank. As a result, the typical CAS included few concrete poverty reduction measures, even though the formal requirements are met.

To cite these shortcomings is not to deny the importance of growth as the primary means of reducing poverty. In the latest CAS for Senegal, approved in fiscal 1995—an excellent example of an improved model—the strategy is based on growth, with attention to human resource development and targeting. The Senegal CAS provides a comprehensive statement of a poverty reduction strategy and a specific program of action, classified into investment and analysis for each of the three strategic objectives mentioned in box 3.4. A significant weakness of the Senegal CAS, however, is that it does not refer to the government's declarations on poverty reduction (see chapter 2).

A review of fiscal 1996 CAS reveals substantial improvements in the extent to which poverty reduction is incorporated into the overall assistance strategy. Preparation of recent CAS is also much more participatory because of the close
BOX 3.4 SENEGAL'S COUNTRY ASSISTANCE STRATEGY

Senegal's CAS emphasizes the connections among growth, human resource development, and poverty reduction as a consistent theme (World Bank 1995k). However, the CAS identifies poverty reduction as only one of many critical issues or areas of special focus for action instead of making poverty reduction a pervading theme. The main features of the CAS are:

- **Poverty profile.** One box, plus description of the perilous food security situation.

- **Impact of past policies.** Analysis of the effects of the CFA (Compagnie Financière Africaine) devaluation; boxes on the effects of the devaluation on production incentives and the supply response. Also discussed are the painful lessons learned from Senegal's easy access to external aid despite inadequate implementation of improved policy.

- **Pro-poor development programs and social services.** The material on the Bank's lending program is not discussed in the context of the country's investment program as a whole. The core program does focus on some critical aspects of poverty reduction, such as health, natural resource management, and education and nutrition programs for women. The base-case and high-case scenarios focus on growth-promoting policies and investments, but the impact on poverty reduction is not clear.

- **Targeting.** The country will have trouble financing targeted programs unless much more rapid growth is achieved. The CAS identifies two areas requiring special attention: translating population policy into action through health care programs, public information campaigns, and improved adult literacy, and reaching the destitute in urban and rural areas.

- **Government commitment.** The Bank has held many consultations with the government on economic policy, particularly because of the devaluation of the CFA franc. By disseminating information within Senegal on its proposed economic policy, the government has built strong internal support for the macroeconomic reform program.

involvement of governments and of representatives from civil society. All recent CASs draw on the findings of a completed poverty assessment or refer to one that is forthcoming. The CAS for Mozambique, for example, outlines a strategy that will focus on increasing the rate of growth, fostering a poverty-reducing pattern of growth, developing human resources, improving safety nets, and strengthening partnerships. It highlights the effect on poverty of each of these elements. The fiscal 1996 CAS for Kenya draws heavily on the findings and recommendations of the Kenya Poverty Assessment in fiscal 1995, which was undertaken by IDA in close consultation with the government and with the support of several donors. The Bank's assistance strategy in Kenya will include measures to promote an efficient private sector while continuing to ensure provision of adequate and sustainable infrastructure and supporting services, especially in rural areas; to improve public sector efficiency according to the
recommendation of the poverty assessment through a proposed structural adjustment credit; and to promote human capital development, focusing on reorienting social expenditures and restructuring sectoral institutions to this end. The strategy will include measures to improve environmental management through such projects as Arid Lands Resource Management. In addition to strengthening and supporting local community-driven initiatives to manage fragile environments better in the arid lands, this project seeks to reduce chronic poverty and food insecurity in these regions.

**Focusing Country Assistance Strategies on Poverty**

The review of CASS produced by the Bank’s Africa Region shows that the core strategy for poverty reduction consists of growth and investment in primary education and primary health services. Without denying the importance of these factors, the question remains: is this approach sufficient? The task force concluded that inadequate attention is being given to poverty in the CASS and suggested that a significant change in mind-set was required to ensure that poverty reduction becomes the dominant theme. Chapter 4 discusses some proposals for doing this; the theme of the proposals is that a much greater sense of urgency is needed regarding poverty reduction.

Clearly, the growth potential foreseen under even highly optimistic scenarios for most Sub-Saharan African countries is not enough to reduce poverty significantly in the next twenty years. Given historical rates of growth, few countries will double their per capita incomes within that time. Income levels of one-third and two-thirds of estimated mean income are often used as lower and upper poverty lines. Moving an average individual from the lower poverty line to the upper poverty line on the basis of a country’s average growth rate will clearly take considerable time. If, for example, per capita growth is 2 percent a year, doubling per capita income would take thirty-five years (see figure 3.3), but average life expectancy is about fifty years. Most CASS do not give the faintest hint about how long it might take to achieve poverty reduction, given a particular country’s circumstances. The latest Ghana economic memorandum does include such a calculation; it shows that even with the good results achieved by Ghana, it would take twenty years to move the average poor person out of poverty and fifty-three years for an extremely poor person (World Bank 1995e).

There is a logical relationship between the population growth rate, the pattern of growth as expressed by growth elasticity, and the growth of national income required to keep the number of poor constant. This relationship was explained in chapter 1, which suggested that for a population growth rate of 3.0 percent a year and a growth elasticity of -1.5 (typical for many African countries), a national income growth rate of 5 percent a year is required to ensure that the number of poor does not increase. None of the CASS reviewed discuss the growth rates that are required to have an effect on poverty reduction. Rather, most CASS claim, without any evidence, that a strategy of growth and improved social services will lead to poverty reduction.
Given that current patterns of economic and population growth will reduce poverty only slowly, an assistance strategy needs to include actions to increase income growth among the poor much more rapidly or reduce the population growth rate and improve the pattern of growth. The main strategy for achieving these goals is to provide the poor with greater access to the assets and services necessary for income generation: better health, education, and infrastructure for the poor in remote areas; land rights; and improved credit facilities for small traders and farmers. All these factors would support improved prospects for employment and income generation and, ultimately, higher aggregate growth. Strategies to improve the pattern of growth (that is, to increase growth elasticity) include rural development as a very important element in most African countries.

The Portfolio and the Lending Program

The task force reviewed approved and proposed Bank projects or operations for fiscal 1992–97 to determine whether the lending program reflected statements that poverty reduction is the Bank’s overarching objective. The review also analyzed the lending program for links between the action plans in the poverty assessments and the CASS. Projects were classified according to objective: enabling growth, providing broadly based services, and providing narrowly targeted services for the poor (see box 3.5 for definitions). This classification of the lending program is consistent with the framework for addressing poverty reduction outlined in World Development Report 1990 (World Bank 1990), which should have influenced projects approved since fiscal
BOX 3.5 CRITERIA FOR CLASSIFYING BANK PROJECTS

- **Enabling growth.** Includes projects oriented toward providing a policy and physical environment that will promote improved growth of the economy and that will eventually lead to increased employment opportunities for all sections of the community, including the poor.

- **Broadly based services.** Projects that provide services or similar benefits to the general community, including the poor, but do not focus on a specific poverty group.

- **Narrowly targeted services for the poor.** Projects designed to provide social services or other benefits for a target group of the poor or vulnerable. The proportion of the poor among the beneficiaries of the project is significantly larger than the proportion of the poor in the total population. The project's objectives and cost structure must reflect the emphasis on reaching a target group. Unless at least 25 percent of the loan or credit amount is directed toward the target group, the project is not classified in this group. In addition, the existence of a narrowly targeted pilot scheme does not warrant classification of the project as narrowly targeted.

1992. The definitions combine project objectives with characteristics of the projects. Projects providing support for broadly based and narrowly targeted services do contribute to growth, but they are classified separately because of their different emphases and design characteristics.\(^5\)

The classification is based on project design and objectives; it is not an evaluation of the impact.\(^6\) One concern is that for a significant number of the projects planned for fiscal 1997, an initial executive project summary (IEPS) had still not been prepared when the initial review was conducted in June 1995. Discussions with potential task managers do not increase confidence that in the absence of a formal IEPS, a clear vision exists of the objectives of the proposed project. Since ensuring a poverty reduction focus in projects is well known to take more time and effort than preparing a standard project providing broad benefits, this lack of preparedness is not comforting. Moreover, the Wapenhans report (World Bank 1992a) emphasized the importance of project quality “at entry.”

The main finding of this review of 406 projects is that, measured in credit and loan amounts, the Bank’s Africa Region operations are focused to a large extent on establishing an enabling environment for long-term growth (see figure 2 in the Summary and table 3.1).

**Enabling Growth**

Table 3.2 summarizes past and future lending in the group of projects designed to provide an enabling environment for long-term growth. These projects promote growth in a variety of ways, most significantly by establishing the conditions for private sector development.
TABLE 3.1 ADJUSTMENT AND INVESTMENT PROJECTS BY SUBREGION, FISCAL 1992–94
(millions of dollars; number of projects in parentheses)

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<th>Providing narrowly targeted services</th>
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<td>Western Africa</td>
<td>306.9 (16)</td>
<td>168.5 (5)</td>
<td>266.2 (15)</td>
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<td>Total</td>
<td>4,906.0 (96)</td>
<td>2,329.3 (59)</td>
<td>1,549.6 (56)</td>
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</table>

| Fiscal 1995–97     |                 |                                  |                                     |
| Central and Indian Ocean | 846.2 (25) | 244.2 (12) | 188.2 (9) |
| Central Western Africa | 1,661.1 (28) | 310.0 (9) | 379.9 (12) |
| Eastern Africa     | 457.8 (14)     | 514.5 (10) | 239.5 (5) |
| Southern Africa    | 1,118.2 (15)   | 517.9 (9) | 239.5 (7) |
| Western Africa     | 466.2 (21)     | 145.5 (8) | 403.2 (11) |
| Total              | 4,549.5 (103)  | 1,732.1 (48) | 1,450.3 (44) |

Source: World Bank data.

TABLE 3.2 PROJECTS FOR ENABLING GROWTH, FISCAL 1992–97

<table>
<thead>
<tr>
<th>Group</th>
<th>Amount</th>
<th>Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Millions of dollars</td>
<td>As share of total (percent)</td>
</tr>
<tr>
<td>Fiscal 1992–94</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Structural adjustment</td>
<td>2,848.1</td>
<td>58</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>1,094.7</td>
<td>22</td>
</tr>
<tr>
<td>Capacity building</td>
<td>736.8</td>
<td>15</td>
</tr>
<tr>
<td>Other</td>
<td>226.4</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td>4,906.0</td>
<td>100</td>
</tr>
<tr>
<td>Fiscal 1995–97</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Structural adjustment</td>
<td>2,222.0</td>
<td>49</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>1,362.3</td>
<td>30</td>
</tr>
<tr>
<td>Capacity building</td>
<td>878.2</td>
<td>19</td>
</tr>
<tr>
<td>Other</td>
<td>87.0</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>4,549.5</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: World Bank data.
EMPLOYMENT AND GROWTH. A principal goal for poverty reduction is to promote labor-intensive growth and make use of the poor's biggest asset, their labor. The strategies available for achieving labor-intensive growth include devaluation, which makes it more attractive to hire local labor than to import machinery for the same work, and structural adjustment credits, which are designed to stabilize the economy and promote an improved policy framework. Projects that support labor-intensive growth directly by employing labor-based technologies, such as feeder roads projects, do contribute indirectly to long-term growth, but because their primary aim is to target a certain population, they are classified as narrowly targeted rather than as enabling growth.

The question for projects that provide an enabling environment for long-term growth is whether they facilitate a pattern of growth that is labor-intensive or pro-poor. A review covering activities during the fiscal 1992–94 period suggests that, at best, 30 percent of the Bank-assisted investment and adjustment projects committed to enabling long-term growth had pro-poor components. These components were generally directed at activities in productive sectors in which the poor are heavily represented, such as agriculture, or at the reallocation of public expenditures to poorer groups. Generally, growth supported by these projects will benefit the poor in the long term, although in some instances, as in the reallocation of public expenditures, the poor could benefit relatively quickly.

STRUCTURAL ADJUSTMENT. During fiscal 1992–94 structural adjustment operations constituted 58 percent of lending for enabling growth and 32 percent of all lending. During fiscal 1995–97 they will probably account for about 49 percent of lending for enabling growth and 29 percent of all lending. The number of structural adjustment credits and sectoral adjustment loans that address poverty-related issues is increasing. Typically, these operations seek to correct policies that inhibit the productivity of the poor and to focus on improvements in allocating public expenditure, particularly for health and education. The fiscal 1994 Zambia Economic and Social Adjustment Credit is a good example (box 3.6).

BOX 3.6 ECONOMIC AND SOCIAL ADJUSTMENT IN ZAMBIA

The Economic and Social Adjustment Credit for Zambia, approved in fiscal 1994, concentrates not only on the economic reforms needed to continue adjustment in the country but also on restructuring the social services sector. The main issue in this sector is devolution of decisionmaking authority to people who are in a better position to assess clients' needs. Decentralization of responsibility for service delivery will take place in health, education, and water and sanitation. The Program to Prevent Malnutrition, developed in response to the drought of 1992–93, will continue under the management of NGOs to improve service delivery. An appropriate share of the budget for social sectors will be maintained as a national priority, and allocations will support services mainly at the primary level.
The policy objectives for structural adjustment credits tend to be evenly split among three policy objectives: devaluation, tax reform, and removal of tariffs on imports. Pro-poor programs among them are generally those designed to change the terms of trade for agriculture. Financial sector operations seldom have any pro-poor characteristics. Of the four financial sector adjustment credits for 1992–94, only one, Ghana (fiscal 1992), finances so much as a review of informal markets that may be beneficial to the poor in the long term. This project will also establish a framework for nonbank financial institutions, but the implications for the poor are not clear.

Since the devaluation of the CFA franc in early 1994, a number of economic recovery credits have been approved for West African countries. In the credit for Senegal (fiscal 1994) producer support prices were raised as a condition of negotiations, to mitigate the effects of devaluation on farmers. This credit also supports temporary price subsidies for consumers of rice, wheat, and essential drugs and supplements for educational expenditures to increase school enrollments and accelerate classroom construction. Many other countries in the CFA zone, including Cameroon, Congo, and Gabon, have introduced special measures to protect the poor from the impact of the devaluation on the prices of essential consumer goods, but some, such as the Central African Republic, made no such provisions for protecting the poor.

A more detailed analysis of the adjustment operations supporting long-term growth was undertaken to assess the extent to which these projects are expected to reduce poverty. Components in adjustment operations were classified as pro-poor, neutral, and not pro-poor. The results were mixed, but components with positive or neutral effects on the poor were prominent. During fiscal 1992–94, approximately twenty-one of twenty-nine structural adjustment programs (72 percent) in the enabling growth category had components that were pro-poor. Examples included components to improve the composition and quality of public expenditures, revise labor codes, foster development of the informal financial sector, establish social funds, reform agricultural price policy, and establish targeted programs. About twenty-five of the structural adjustment programs (86 percent) for fiscal 1992–94 had components with a neutral effect on the distribution of incremental growth; these supported a reduced role of the state in the economy, reform of the tax system, privatization of state enterprises, civil service reform, improvement of the trade regime, and increased revenue collection. Sixteen operations (55 percent) had components that were neither pro-poor nor neutral. Examples are components meant to improve cost recovery in health and education without taking account of ability to pay, to improve the efficiency of the financial sector, and to bring bank interest rates into line with market rates.

Investment in infrastructure. During fiscal 1992–94 about 22 percent of projects in the enabling growth category were for infrastructure rehabilitation, maintenance, and construction; they accounted for 12 percent of all lending.
During fiscal 1995–97 about 30 percent of projects in that category will be for infrastructure, accounting for about 18 percent of all lending. The total amount invested in infrastructure is actually higher than these numbers indicate because infrastructure is also included under broadly based and narrowly targeted services. Infrastructure projects judged as supporting long-term growth include power, telecommunications, and highway and port rehabilitation.

Infrastructure projects classified as enabling growth are generally of types that have little direct effect on the poor in the short term; an example is support for renovation and construction of power plants. Such projects provide some employment in urban areas during their construction phases, but they do not necessarily make a sustainable contribution to the growth of employment in rural areas. To pursue the example of the power plants, much of the additional power generated will go into the national grid; whether rural electrification benefits is seldom clear. Only Ghana (fiscal 1993) has a specific rural electrification project.

Most infrastructure projects include technical assistance components or an institutional development component that improves the government’s ability to implement future infrastructure projects. Angola’s Infrastructure Rehabilitation Engineering project (fiscal 1992) includes some funds for designing and preparing tender documents for priority public investments. In the long term such projects may have a direct impact on the welfare of the poor through improved service delivery, but the benefits will probably not be felt by the current generation of unskilled laborers and poor people. The employment linkages for the poor are not clear.

It is not surprising that governments have a dominant role in infrastructure development in Sub-Saharan Africa; most governments believe they can deal with the technical issues—although that belief is not always borne out by the facts. Another cause for concern is that government involvement has created a substantial urban bias in infrastructure development, with few benefits reaching the rural poor.

The task force reviewed Bank-assisted infrastructure projects designed to support growth to assess their likely effect on the poor. Only three of the nineteen infrastructure projects in the enabling growth group—projects for rural electrification, road rehabilitation, and a community development fund—were judged as having components that would directly benefit the poor. Projects in such areas as power, telecommunications, petroleum, and gas exploration may have a positive indirect effect on the poor, but they are not likely to deliver many direct benefits. Moreover, setting aside whether the poor will benefit in the long run, it may be questioned whether IDA should finance such projects, which have a high private rate of return and should therefore be attractive to private sector financing.°

CAPACITY BUILDING. During fiscal 1992–94, capacity-building projects accounted for 15 percent of the enabling growth group and 8 percent of lending for all
projects. For fiscal 1995–97 capacity-building projects in these years will account for 19 percent of the enabling growth group and 11 percent of the lending for all projects. Objectives of capacity-building projects range from restructuring financial systems and agricultural markets to private sector development.

Most Bank projects have a capacity-building component. Projects that build capacity in the health and education ministries are in the broadly based services category. Most capacity-building projects in the enabling growth category focus on private sector development; examples include Burundi Private Sector Development (fiscal 1992), Kenya Parastatal Reform (fiscal 1993), and Rwanda Private Sector Development (fiscal 1994). To have a direct impact on the poor, the projects need to focus on microenterprise or small enterprise development, yet only one of the forty-one projects reviewed has a microenterprise component. This observation does not mean that the Bank is not working in these areas, only that the capacity-building projects approved during fiscal 1992–94 do not appear to be designed to achieve any direct benefit for the poor. Other capacity-building projects include economic management assistance to strengthen ministries of finance and planning. Again, this institution strengthening will eventually benefit the poor through better management of national resources, but the benefits are long term and indirect.

Of the forty-one capacity-building projects approved during fiscal 1992–94 only four were judged as having pro-poor components, such as technical assistance for formulating and carrying out a social action plan, support for small enterprises, and support for improved basic infrastructure.

Much needs to be done to develop or strengthen African institutions so that they can plan and guide policy changes and implement targeted projects effectively. Since 1991 the Bank has supported the African Capacity Building Initiative, which has as its purpose to build “a critical mass of professional African policy analysts and economic managers who will be able to better manage the development process and to ensure the more effective utilization of already trained African analysts and managers” (World Bank 1991a). This initiative and other capacity-building efforts supported by the Bank (see Dia 1996, describing an initiative to develop operationally relevant models of institutional development) are expected to yield results only in the long term.

**Distribution of Growth.** To reduce poverty, the Bank needs to ensure that the distribution of incremental growth is directed more toward the poor, by targeting projects to a geographic region, social group, or gender. Achievement of a pro-poor distribution of growth will depend heavily on the overall pattern of growth and on the allocation of social expenditures.

More infrastructure projects need to be carried out in areas that lack education and health facilities and domestic water supply, power, and communications infrastructure so that the poor can improve their human capital and facilitate their participation in development.

Rural areas would contribute more to a country’s growth if rural infrastructure were improved so that farmers could participate more efficiently in
TABLE 3.3 PROJECTS PROVIDING BROADLY BASED SERVICES, FISCAL 1992–97

<table>
<thead>
<tr>
<th>Sector</th>
<th>Amount Millions of dollars</th>
<th>As share of total (percent)</th>
<th>Projects Number</th>
<th>As share of total (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fiscal 1992–94</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Infrastructure</td>
<td>1,204.9</td>
<td>52</td>
<td>21</td>
<td>36</td>
</tr>
<tr>
<td>Agriculture</td>
<td>346.9</td>
<td>15</td>
<td>18</td>
<td>31</td>
</tr>
<tr>
<td>Education</td>
<td>243.9</td>
<td>10</td>
<td>9</td>
<td>15</td>
</tr>
<tr>
<td>Health</td>
<td>197.2</td>
<td>9</td>
<td>6</td>
<td>12</td>
</tr>
<tr>
<td>Other</td>
<td>336.4</td>
<td>14</td>
<td>5</td>
<td>7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,329.3</td>
<td>100</td>
<td>59</td>
<td>100</td>
</tr>
<tr>
<td><strong>Fiscal 1995–97</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Infrastructure</td>
<td>686.5</td>
<td>40</td>
<td>15</td>
<td>31</td>
</tr>
<tr>
<td>Agriculture</td>
<td>573.1</td>
<td>33</td>
<td>19</td>
<td>40</td>
</tr>
<tr>
<td>Education</td>
<td>61.5</td>
<td>4</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Health</td>
<td>393.5</td>
<td>23</td>
<td>10</td>
<td>21</td>
</tr>
<tr>
<td>Other</td>
<td>17.5</td>
<td>1</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,732.1</td>
<td>101</td>
<td>48</td>
<td>100</td>
</tr>
</tbody>
</table>

Note: Numbers may not sum to totals because of rounding.
Source: World Bank data.

markets for services and commodities. Improved rural infrastructure would bring substantial dividends by increasing the earning ability of the poor and so contributing to poverty reduction.

**Broadly Based Services**

Broadly based services projects in most cases not only serve the general population but also contribute to growth. For example, national education and health projects contribute to human capital development, which should raise productivity and foster growth. These projects are not targeted specifically at the poor, but the poor are not excluded from the benefits. Table 3.3 summarizes the types of projects in the broadly based services group.

The broadly based services category also includes projects designed to ease access to markets, improve urban water supply, and support capacity building for health ministries to increase their ability to provide services to everyone. An example of this type of project is Nigeria Multi-State Roads II (fiscal 1993).

The objectives of broadly based services projects for fiscal 1992–94 were increased income and employment opportunities for the poor, improved delivery of social services to the poor, and increased availability of productive assets to the poor (figure 3.4). Mechanisms for monitoring and evaluating the project’s impact on the poor were included in 14 percent of the projects; these often include indicators designed specifically for the project and its potential effect.
FIGURE 3.4 SERVICES PROVIDED BY BROADLY BASED AND NARROWLY TARGETED WORLD BANK PROJECTS, FISCAL 1992-94

Income and employment
Social services
Productive assets
Monitoring and evaluation

Source: World Bank data.

TABLE 3.4 INVESTMENT PROJECTS PROVIDING NARROWLY TARGETED SERVICES, FISCAL 1992-97

<table>
<thead>
<tr>
<th>Sector</th>
<th>Amount Millions of dollars</th>
<th>As share of total (percent)</th>
<th>Projects Number</th>
<th>As share of total (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fiscal 1992–94</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Infrastructure</td>
<td>499.4</td>
<td>32</td>
<td>16</td>
<td>29</td>
</tr>
<tr>
<td>Agriculture</td>
<td>552.1</td>
<td>36</td>
<td>19</td>
<td>34</td>
</tr>
<tr>
<td>Education</td>
<td>308.5</td>
<td>20</td>
<td>10</td>
<td>18</td>
</tr>
<tr>
<td>Health</td>
<td>130.0</td>
<td>8</td>
<td>7</td>
<td>13</td>
</tr>
<tr>
<td>Social funds and social action projects⁴</td>
<td>59.6</td>
<td>4</td>
<td>4</td>
<td>7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,549.6</td>
<td>100</td>
<td>56</td>
<td>101</td>
</tr>
<tr>
<td><strong>Fiscal 1995–97</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Infrastructure</td>
<td>320.0</td>
<td>22</td>
<td>7</td>
<td>16</td>
</tr>
<tr>
<td>Agriculture</td>
<td>233.2</td>
<td>16</td>
<td>9</td>
<td>20</td>
</tr>
<tr>
<td>Education</td>
<td>243.0</td>
<td>17</td>
<td>10</td>
<td>23</td>
</tr>
<tr>
<td>Health</td>
<td>337.6</td>
<td>23</td>
<td>11</td>
<td>25</td>
</tr>
<tr>
<td>Social funds and social action projects⁴</td>
<td>316.5</td>
<td>22</td>
<td>7</td>
<td>16</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,450.3</td>
<td>100</td>
<td>44</td>
<td>100</td>
</tr>
</tbody>
</table>

Note: Numbers may not sum to totals because of rounding.

a. Social funds are primarily in agriculture, education, and health.

Source: World Bank data.
Many projects have a monitoring mechanism not specifically designed to assess the projects' impact on the poor; some projects, however, finance broader, nationwide poverty monitoring. Many of the latter were started under the Social Dimensions of Adjustment (SDA) program. Of a total of fifty-nine projects providing broadly based services during the fiscal 1992–94 period, fifty-six contained components for at least one of the purposes listed above.

**Narrowly Targeted Services**

Projects providing narrowly targeted services include specific measures aimed at a specific group in areas such as primary education and basic health services, food security, and social funds (see table 3.4). This classification includes projects outside the realm normally associated with the narrowly targeted category. For example, many countries have urban rehabilitation projects that target particularly poor areas of a city to improve sanitary conditions and water supply. Narrowly targeted projects tend to be small in terms of cost: 63 percent of the projects in this category in fiscal 1992–94 were for amounts of $25 million or less.

**Types of Targeting**

Targeting is achieved through a variety of methods: by location, by vocation, and by required participation. Of these, location is the most common. Projects are typically implemented in areas in which a high percentage of the population is under the poverty line. A primary education or health project is classified as narrowly targeted if it focuses on certain areas where the poor live rather than blanketing the country with services that benefit both the poor and the nonpoor. An example of targeting by vocation is Nigeria Agricultural Technology Support (fiscal 1992), which targets smallholders through an agriculture extension project.

Many narrowly targeted projects use participatory methods to identify and target beneficiaries—such as women in an income-generating project. More than a third of these projects employ NGOs to implement some or all of the components. Burkina Faso Food Security and Nutrition (fiscal 1993) involves beneficiaries in the design of projects, with the help of NGOs, and targets lactating mothers and mothers with toddlers through its education and information campaigns.

The main objectives of narrowly targeted projects in fiscal 1992–94 were income and employment, social services, productive assets, and monitoring and evaluation of project impact (see figure 3.4). The criteria for these projects are the same as for broadly based projects. Of fifty-six projects in the narrowly targeted category for fiscal 1992–94, 73 percent were judged to provide social services for the poor.

A question that often arises is whether social services can be sustainable if they are not broadly based. Sustainability of narrowly based services is achieved
through a variety of measures similar to those for broadly based services. For example, education projects in both categories depend on government expenditures for their recurrent costs. Community participation helps achieve local ownership of a project and so ensure continuation of the activities after project funds are exhausted. Another way of achieving sustainability is through capacity building at all levels. Mauritania Population and Human Resources (fiscal 1992) will train communities “to increase the efficiency of their already active involvement in the social sectors.” Madagascar Food Security and Nutrition (fiscal 1993) will help develop the ability of NGOs and the private sector to deliver social services and will strengthen the institutional ability of local communities and grassroots groups to carry out development projects.

Projects designed to provide broadly based services, as well as many narrowly targeted projects, can contribute substantially to long-term growth.

**BOX 3.7 SOCIAL FUNDS**

Social funds are quasi-financial intermediaries that finance projects in multiple sectors and government agencies. They are a valuable institutional resource for providing funding more flexibly and transparently than regular government and line ministries usually do. Social funds are demand-driven institutional arrangements that fund (on the basis of a set of guidelines) requests from community organizations for implementing small-scale projects. The activities they support include creating employment, providing basic services, strengthening institutions, and targeting and monitoring. In contrast to social funds, social action programs, which are also meant to reduce poverty and reintegrate poor and vulnerable groups into the economy, are designed similarly to regular investment projects.

Social funds are low-cost, flexible mechanisms for addressing critical economic and social needs, distributing resources to underserved communities, enhancing community participation, improving donor coordination, and filling the institutional gaps that exist in the public sectors of many developing countries. They do, however, have limitations. Their ability to reach the poorest communities is one reason for concern because the use of these funds depends on initiatives that may not involve the poor. There are also tradeoffs between rapid implementation of social fund projects and the need to build institutional and technical ability. Where local ability is limited, additional resources for capacity building and institution strengthening may be needed. In Guinea and São Tomé shortcomings in local capability required the social funds to pay for technical assistance to local organizations, public agencies, and community groups to ensure that they were able to undertake projects. Finally, because social funds have limited resources, they must be part of a larger, coordinated effort to meet social and economic needs, and they should not replace critical policy and public sector reform programs (Marc, Graham, and Schacter 1993; World Bank 1995a).
BOX 3.8 AN EXAMPLE OF AN AGETIP

One of the first of many social fund programs in the Bank's portfolio was Senegal's Public Works and Employment project. The objectives of the project were to create new employment in urban areas, improve the skill levels of employees in the construction and urban services industries, demonstrate the feasibility of labor-intensive techniques, and implement economically viable and socially beneficial projects. The project was managed by Agence d'Exécution des Travaux d'Intérêt Public contre le Sous-Emploi (AGETIP), a nongovernmental, nonprofit, contract management agency with delegated responsibilities for providing infrastructure services on behalf of the government and for managing the procurement process and supervision of works on behalf of the World Bank. The Public Works and Employment Project began in March 1990, initially in primary cities. After the first year implementation gradually expanded to secondary cities.

The project's results have been highly satisfactory: 416 subprojects were completed, and a total of 8,713 person-years of employment was created in urban areas. The project contributed to the renovation of 221,820 square meters and the construction of 101,300 square meters of simple buildings, including schools and dispensaries, the rehabilitation of 133 kilometers of urban roads and paving of 523,500 square meters of roads, the rehabilitation of 65,000 square meters of sidewalks, the demolition of 15,000 square meters of derelict buildings, the cleaning of 37,200 linear meters of drainage canals and the clearing of 122,000 square meters of bush, the transport of 7,700 cubic meters of sand, and the construction of 18,000 cubic meters of embankments.

The project had a strong impact on the growth of the building and construction industry and on human resource development. AGETIP's success led the government to introduce an executing agency into some of its other activities. The project is being replicated in a growing number of countries, including Burkina Faso, Chad, the Gambia, Mali, Mauritania, and Niger, and has spread to southern and eastern Africa and even beyond Africa (World Bank 1995j, 1995m).

by improving the access of the poor to services that help increase their productivity. For example, a national education project develops human capital; a social fund rehabilitates infrastructure, builds social services, and provides a base for income-generating activities. (See box 3.7 on social funds and box 3.8 on a model for a social fund.) Because such projects contribute directly to short- and long-term economic growth, support for them must continue and be strengthened.

Comparison between Narrowly Targeted Projects and the Bank's Program of Targeted Interventions

Questions have been raised about the relationship between the project classifications used in this report and the Program of (Poverty) Targeted Interventions...
(PTI) cited in the Bank’s annual reports on poverty. The task force classified 35 percent of fiscal 1994 operations as providing direct (narrowly targeted) services to the poor. For the same year 43 percent of projects were classified by the Bank as part of the PTI. Projects are eligible for PTI status if they include a specific mechanism for targeting the poor, if the proportion of project beneficiaries who are poor is significantly larger than the share of poor people in the total population, or both. Project components meeting either criterion must account for at least 25 percent of the loan amount. Whereas the task force clearly distinguished between narrowly targeted and broadly based services, projects in the PTI may include projects that provide broadly based services as long as the poor are perceived to benefit disproportionately from project activities. Nevertheless, the PTI projects closely match the narrowly targeted projects.

**Sectoral Issues in the Portfolio and the Lending Program**

The discussion of participatory poverty assessments, above, noted that the poor see rural roads, water supplies, and basic health services as important public services that meet their most important needs. This section reviews the Bank’s involvement in the provision of these services, which are all crucial for rural development.

**Rural Roads**

Figure 3.5 shows a substantial decline in proposed lending for rural roads during fiscal 1995–97 compared with fiscal 1992–94, particularly when interurban roads are taken into account. Rural road projects, or projects with rural

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**FIGURE 3.5 RURAL ROADS COMPONENTS IN WORLD BANK LENDING, FISCAL 1992–97**

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Millions of dollars</td>
<td>Millions of dollars</td>
</tr>
<tr>
<td>Interurban roads</td>
<td>619.4</td>
</tr>
<tr>
<td>Urban roads</td>
<td>372.2</td>
</tr>
<tr>
<td>Rural roads</td>
<td>142.2</td>
</tr>
</tbody>
</table>

*Source: World Bank data.*
road components, account for about 18 percent of total transport lending during fiscal 1992–94. If interurban roads are included in the definition of “rural,” then rural roads account for about 82 percent of the total lending for roads. This situation is much better than during the fiscal 1964–89 period, when only 15 percent of Bank-financed projects (or 33 percent of IDA loans) was devoted to rural roads (see Riverson, Gaviria, and Thriscutt 1991). Surprisingly, lending for rural roads was cut in half between fiscal 1992–94 and fiscal 1995–97, and lending for interurban roads was reduced by 81 percent. As a result, even if interurban roads are defined as rural, the relative share of lending for rural roads will decline to about 41 percent of lending for all roads during fiscal 1995–97. This may not be a lasting trend, but it is troubling; if the concerns of the poor are to be met, a relatively large share of the Bank’s resources should be allocated to rural roads.

The Bank is devoting considerable effort to assisting governments in decentralizing responsibility for rural roads, and increased lending for rural roads is also under consideration in many countries. The objective should be to find more ways to lend to local governments that have a keen interest in improving rural roads; this strategy would ensure ownership at the level where it really belongs. Central governments appear to be more concerned with improving main roads, including some higher classes of feeder roads that are in bad condition because of the scarce resources available. In Ethiopia regional governments are interested in receiving support for rural road improvement, but the central government would rather use multilateral credit and loan funds for major roads and local resources and grants for regional (rural) road improvements. The sector lending approach is a way of including rural roads in overall road network improvement programs. In Eritrea a feeder roads component in the Community Development Fund project builds on existing community and local government participation in rural infrastructure improvements. This approach is important because lack of responsibility for paying for and ensuring the follow-up maintenance of improved roads has been a significant stumbling block for rural roads projects in the past. The Roads Maintenance Initiative, part of the Sub-Saharan Africa Transport Policy Program launched in 1987 by the U.N. Economic Commission for Africa and the World Bank, was a response to these problems.

**Water Supply**

The Bank’s lending program in the water sector is biased toward urban systems, even taking into account the fact that per capita water supply costs are lower in rural areas and hence the coverage for a given investment is greater in rural areas. During fiscal 1992–94 only about 20 percent of Bank credits and loans for provision of domestic water supplies was for rural areas (figure 3.6). For the fiscal 1995–97 period Bank support for rural domestic water supplies
will probably increase by 164 percent because of the substantial increase in rural water supply components in projects. Although improvements in the lending program are taking place, there is still a substantial urban bias in lending for domestic water supply improvement.

As noted earlier in this chapter, the urban bias in lending for roads and domestic water supplies sharply contrasts with the needs expressed by the poor in participatory surveys. The survey results highlighted the desire of poor people for better roads to reduce their isolation and improve water supplies. In Nigeria, for example, girls' enrollment in school was strongly associated with the proximity of water supplies.

Why does the Bank's lending program not respond to such obvious priorities? In general, the reasons include the support already being given by bilateral donors and UNICEF for these rural activities through NGOs and community organizations; the complexity of working at the rural, regional, and community levels; and the difficulty of sustaining maintenance of rural roads and community water supplies, which is associated with problems in designing and implementing cost recovery mechanisms.

Unfortunately, bilateral donors are not very active in providing rural domestic water supplies. As for the issue of complexity, that should be a challenge, not a deterrent. Implementation problems are genuine concerns; many rural domestic water supply programs financed by various donors have indeed failed. But there are strong reasons for the Bank to try to find ways around these constraints.

A World Bank policy paper on water resource management (World Bank 1993h) outlines a new approach to water management that is consistent with the Dublin Statement of the International Conference on Water and the Envi-
BOX 3.9 NEW APPROACHES TO WATER DELIVERY IN RURAL COMMUNITIES AND SMALL TOWNS: GHANA

The Ghana Community Water Supply and Sanitation project, which became effective in December 1994 with a $22 million credit from IDA, is implementing a new approach to water management in rural communities and small towns in four regions of the country. Districts and communities are chosen for participation in the project on the basis of demand, current water supply status, poverty level, and other criteria. Villages choose service levels according to what they are willing to pay. Under the rules concerning cost recovery, users pay part of the capital costs (50 percent for household latrines and 5 to 10 percent for water supply) and all the operational and maintenance costs. Local partner organizations (NGOs or consulting firms) work with communities to facilitate collective decision-making and shorten the "institutional distance" between users and other project stakeholders. Various subgroups in the community are included in the project process as appropriate. An adaptive project strategy uses annual and quarterly review meetings to discuss implementation and make adjustments as needed. In this way, lessons from earlier project phases can be fed back quickly into subsequent stages of the project.

BOX 3.10 A RURAL WATER SUPPLY AND SANITATION PROJECT: BENIN

The Rural Water Supply and Sanitation project, approved in fiscal 1994, will be the first free-standing water supply project supported by IDA in Benin. Project costs total $15 million, of which IDA will contribute $9.8 million. An important rationale for the project was that the Bank had so far mainly focused its efforts in the water supply sector in urban areas. By targeting rural communities, particularly small communities, the project is expected to benefit the poorest strata of the population through better-quality water, less waterborne disease, and savings in the time spent by women and children in fetching water.

The project has four components: water supply for rural communities in two regions (59 percent of project costs); provision of village pumps (11 percent); sanitation and hygiene education for village communities (14 percent); and capacity building (16 percent). To a large extent, rural communities would undertake their own projects, with the help of NGOs.

The design of the community-based approach in this project builds on experience gained in preparing and carrying out rural water supply projects in West Africa, particularly Côte d'Ivoire and Ghana. The experience of other donors with water supply projects provided valuable lessons. One was that participation of communities in maintenance improves supplies but does not necessarily improve the use of water facilities. Another is that the health benefits from improved water supplies may not be easily perceived by villagers and so the expectation that recognition of these gains will reinforce the sustainability of water supply services is not always borne out (World Bank 1994k).
Key elements of the policy paper include "adoption of a comprehensive policy framework and the treatment of water as an economic good, combined with decentralized management and delivery structures, greater reliance on pricing, and fuller participation by stakeholders." This approach emphasizes a demand-based strategy in which users make choices concerning types and levels of service based on what they want and are willing to pay. It stresses the importance of getting the institutional arrangements right by exploring how community water associations, NGOs, and government departments can work together more successfully. Project rules and procedures should provide the correct incentives to sector stakeholders so that projects meet the needs of intended beneficiaries. Capacity building may be needed at various institutional levels, and strong commitment of government at all levels to the new approach is crucial.

Despite good intentions, the Bank has made little progress in promoting improved rural domestic water supply, nor is it clear that governments and donors have done any better. The Bank is starting to focus more on rural issues (box 3.9); the Benin Rural Water Supply and Sanitation project is the best example (box 3.10). In the future the Bank will need to concentrate more on sustainable institutional arrangements for rural water supply delivery and on efficient and equitable cost recovery (Briscoe and Garn 1995).

As Priorities and Strategies for Education (World Bank 1995) emphasized, "education is a major instrument for promoting economic growth and reducing poverty." The Bank has significantly increased and will continue to increase social sector lending to Sub-Saharan Africa. Under the fiscal 1996–98 business plan for the Africa Region, the Bank’s lending for education in Sub-Saharan Africa is expected to increase from $0.9 billion during fiscal 1993–95 to $1.3 billion during fiscal 1996–98. For health the increase is from $0.6 billion during fiscal 1993–95 to $1.3 billion during fiscal 1996–98. This increase would bring direct lending for human resource development and poverty reduction in Sub-Saharan Africa to approximately 38 percent of all lending projected for fiscal 1996–98.

A review of Bank-financed investment projects in education reveals strong attention to primary education. Figure 3.7 shows that lending for primary education projects during fiscal 1992–94 and fiscal 1995–97 exceeds or will exceed lending for other types of education projects, including higher education and technical and vocational education. The differences in lending for different types of education projects are magnified in fiscal 1995–97, when lending for primary education is projected to be more than two and one-half times greater than lending for other types of education projects.

In addition to its intensified emphasis on education, the Bank’s Africa Region is moving toward an increased allocation of resources to sectoral lending for social services and a reduction in the proportion of resources
allocated to traditional project lending. Programs of sectoral activities, as in
education, benefit from a sectoral lending approach. The basis for sectoral
lending is a sectoral development program that has been discussed and agreed
on by the government and all potential donors. All partners in the sectoral
development program will coordinate their support on the basis of commit-
ments and performance. Sectoral lending is growing rapidly in importance and
has the great advantage of focusing attention on sector policy issues, increasing
coordination among donors, channeling resources to the most important needs,
and focusing on the development of institutions to implement the program.

The achievement of better health in Africa will require a wide range of
interrelated actions (see World Bank 1994c) with short-, medium-, and long-
term horizons. Well-chosen actions will be needed to address such areas as
policy formulation and data collection, health care delivery, national drug
policies, health infrastructure and equipment, institutional reform and man-
agement, health care financing, and donor collaboration.

A review of fiscal 1992–95 projects in the sector reveals that many Bank
health projects support varying combinations of actions to address these types
of concerns. Typically, the projects include components that support a basic
package of health services designed to improve malaria control, family plan-
ning, nutrition, or AIDS control (see figure 3.8) and institutional development
components that promote the proposed basic package of services. A few
projects do not provide support for a basic package of services. For example,
Kenya Health Rehabilitation project (fiscal 1992) is financing development of
Kenya National Hospital and Nairobi Health Services, strengthening of
health planning and analysis, and development of a national household
welfare-monitoring system.

FIGURE 3.7 EDUCATION SECTOR INVESTMENT PROJECTS, FISCAL 1992–97

[Bar chart showing education sector investment projects for fiscal 1992–97]

Source: World Bank data.
A preliminary review of the projected fiscal 1996–97 health sector program confirms the focus on delivery of basic services. The proposed Ethiopia Health II project (fiscal 1997) seeks to extend the coverage of a basic package of health care services designed to deal with the principal sources of disease in Ethiopia; its institutional components are meant to promote this approach. The Côte d'Ivoire Health, Nutrition, and Population Program Support Credit (fiscal 1996) supports service delivery components that include a minimum package of health services and an accelerated program of reproductive health services. The institution-strengthening components, which focus on health finance and management and information systems, will contribute to improved service delivery.

Agriculture

If labor-intensive growth is to be achieved in Sub-Saharan Africa, much of it will need to occur in agriculture or in complementary activities. Hence, in the foreseeable future agriculture and rural development should remain among the top priorities for any country’s investment program and for the Bank’s strategy and lending portfolio.

Currently agriculture accounts for a small proportion of the Bank’s total portfolio. During the fiscal 1992–97 period 19 percent of total projects (13 percent of the value of lending) in the Bank’s Africa Region was in agriculture. Table 3.5 shows that the largest share of agriculture projects in the region (46 percent) went for broadly based services, but only about one-fourth of all projects for the African Region were in this category. About

FIGURE 3.8 HEALTH SECTOR PROJECTS, FISCAL 1995-97: BASIC PACKAGE APPROACH

<table>
<thead>
<tr>
<th>Number of projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>20</td>
</tr>
<tr>
<td>15</td>
</tr>
<tr>
<td>10</td>
</tr>
<tr>
<td>5</td>
</tr>
<tr>
<td>0</td>
</tr>
</tbody>
</table>

Basic services package | No basic package

Source: World Bank data.
one-third of agriculture lending is classified as narrowly targeted to the poor, in contrast to one-fifth of the Africa Region's lending for all projects. Finally, only about 19 percent of agriculture lending in the region focuses on enabling growth—significantly less than the average for all projects in the Africa Region. This composition of the Africa Region's lending program is largely a result of the effort to improve technology and extension in the agriculture sector. The projects are included in those providing broadly based services.

The heavy emphasis on research and extension in the lending program is well placed. The need to improve productivity in agriculture is unquestioned, in light of the stagnant yields in Sub-Saharan Africa compared with other regions. Significant concerns about soil fertility also need to be addressed. Sanchez and Izac (1995) note that:

Soil fertility depletion in small holder farms of Sub-Saharan Africa is probably the fundamental biophysical limiting factor responsible for the declining per capita food production of the continent. The magnitude of nutrient mining is huge: an estimated average net loss of about 700 kilograms of N, 100 kilograms P, and 450 kilograms of K per hectare during the past 30 years in about 100 million hectares of cultivated land. These figures reflect the balance of nutrient inputs, including fertilizers, minus nutrient outputs, primarily crop harvest removals. In contrast, commercial farms in North America and Europe have averaged net positive nutrient balances on the order of 2,000 kilograms of N, 700 kilograms of P, and 1,000 kilograms of K per hectare during the past 30 years in more than four times the cultivated land, often resulting in groundwater and stream pollution. Nutrient mining in Africa, therefore, contrasts sharply with nutrient capital buildups in temperate regions.

Questions about the adequacy of research and extension should be resolved at the country level. As far as the impact of agricultural projects on

<table>
<thead>
<tr>
<th>Subregion</th>
<th>Enabling growth (percent)</th>
<th>Broadly based (percent)</th>
<th>Narrowly targeted (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central and Indian Ocean</td>
<td>0</td>
<td>79</td>
<td>21</td>
</tr>
<tr>
<td>Central-Western Africa</td>
<td>23</td>
<td>35</td>
<td>42</td>
</tr>
<tr>
<td>Eastern Africa</td>
<td>31</td>
<td>62</td>
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<td>Southern Africa</td>
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<td>33</td>
<td>56</td>
</tr>
<tr>
<td>Western Africa</td>
<td>44</td>
<td>31</td>
<td>25</td>
</tr>
<tr>
<td>Average</td>
<td>19</td>
<td>46</td>
<td>35</td>
</tr>
</tbody>
</table>

Source: World Bank data.
growth is concerned, analysis of the components of agricultural projects shows that while almost 50 percent of projects are characterized as providing broadly based services, about 50 percent of the components of the projects are designed to enable or generate growth.

Summary and Implications

This chapter has examined three critical elements of the Bank's operational cycle in an effort to assess how these activities are related and how they affect the Bank's poverty reduction efforts. On balance, the Bank's lending is not always consistent with the needs for poverty reduction as set out in the available poverty assessments. In some countries the poverty assessment has led to significant changes in the country strategy and the nature of the lending program, but in others neither the strategy nor the lending program offers guidance on means for reducing poverty. This result suggests the need to improve the method of preparing the CAS and the lending program so that poverty reduction becomes more central.

Linkages between Poverty Assessments, the CAS, and the Lending Program

The recommendations in the poverty assessments have been important in the dialogue between the Bank and governments and have influenced the lending program to some extent. The poverty assessment for Malawi, one of the first in the Bank's Africa Region (March 1990), had a significant impact on Bank dialogue and policy conditionality in subsequent structural adjustment operations, and the Agriculture Sector Adjustment Program has been beneficial for smallholders. The poverty assessment for Ethiopia led to considerable discussion on targeted programs; as a result, the government asked for Bank assistance to support a social fund for the entire country and designed its own targeted program. The Zambia poverty assessment provided a framework for the Bank's assistance strategy and lending program for many years to come. In Kenya the poverty assessment stimulated the Early Childhood Development project, and consideration is being given to a social fund project; discussions regarding sectoral credits in education and health are likely to focus on primary services and allocation of public expenditure. As noted earlier, water supply projects are still predominantly urban, and Bank investment in roads occurs predominantly in main highways with some funding for rural roads, if other donors cannot be persuaded to finance them.

Even where the Bank has completed a poverty assessment, the strategy typically does not reflect the findings of the assessment. Whereas the typical poverty assessment describes the need for increased social services and income-generating activities, often emphasizing rural areas, the typical CAS emphasizes the importance of macroeconomic stability and factors contributing to long-term growth without any explicit assessment of the effect on
poverty reduction. Notably, the CASs do not exclude consideration of social services in general but do tend to minimize consideration of the impact these services have on the poor. This tendency is reflected in the number of urban programs supported by the Bank. In Sierra Leone plans for an urban works program include water supply and sanitation for Freetown but no plans for a rural water supply and sanitation project or for other rural social services projects identified as important in the CAS.

The bottom line is that although poverty assessments have done a reasonably good job of identifying the policy and strategy options that will assist the poor to become more active participants in the growth process, these options typically are not being reflected in the Bank’s assistance strategies or operations.

The Bank’s Effectiveness in Pursuing Poverty Reduction

To implement its strategy for assisting Sub-Saharan African countries to reduce poverty, the Bank has been working from a well-established and well-known strategy of stimulating broadly based, labor-intensive growth, improving social services for the poor, and, when necessary, targeting assistance to the poor. Assistance programs for each country usually include all three components. How effective have these programs and the Bank’s lending been in reducing poverty?

Several questions need to be answered for each country strategy:

- What is the effect of growth on poverty? How much time will it take to increase incomes significantly? What is the distribution of growth, and to what extent will the poor benefit?
- Is the balance between public and private investment appropriate?
- Are stakeholders sufficiently involved in formulating strategies for development?
- Are changes in welfare being monitored?

The effect of growth on the poor. Unless economic growth is at least 5 percent a year, the number of poor in a typical Sub-Saharan Africa country will not decrease. Indeed, a growth rate of at least 7 percent a year is required to reduce substantially the number of poor. But even at that rate, average per capita income will take at least thirty-five years to double. Moreover, little is known about the distribution of growth. Recent research (Sahn, Dorosh, and Younger 1994) suggests that although the poor do not suffer as a result of structural adjustment programs, there is little strong evidence about direct benefits for the poor. Usually the benefits are ascribed to improved rural incomes, but social indicators are still low, and in some countries they are declining. As the results of household surveys at two different points in time become available, it should be possible to investigate the effects of policy changes and other changes on the poor. Chapter 1 provided some evidence from Nigeria indicating that minimal benefits accrued to the poor in the poorest regions.
during a period of rapid aggregate growth. In contrast, in Ghana (outside Accra) poverty has declined, despite the imperfect adjustment performance and lagging private investment. Even though the results have been uneven, there is no choice but to promote growth and, in particular, a pattern of growth that will most benefit the poor.

**Public and private investment.** IDA finances structural adjustment credits and sectoral adjustment loans. But IDA also finances power, telecommunications, and highway projects. Although these public infrastructure projects generate benefits that accrue to the private sector, the benefits are seldom adequately recouped through user charges or taxes. If the benefits could be adequately taxed, returns would be high, and the monies could be applied to maintenance and reinvestment in new infrastructure. In fact, however, public institutions in Sub-Saharan Africa are seldom efficient, and large private sector beneficiaries usually pay little tax. Therefore, maintenance and reinvestment for project sustainability become considerable burdens for the state.

Thus, benefits from some IDA infrastructure investments are often largely captured by private sector enterprises and rarely extend to the poor. Should IDA finance such investments, or should funds from the private sector be mobilized for investments that provide mainly private benefits? The latter course would ensure efficient implementation and adequate cost recovery, and IDA funds could be directed more toward improving social services and supporting targeted poverty-reducing projects.

**Participation of stakeholders.** Throughout the Bank's work, systematic consultation of clients is being recognized as an important element for ensuring improved project effectiveness and sustainability. Evidence shows that the quality of project design, implementation, operation, and maintenance is markedly improved when beneficiaries are consulted from the start. In addition, participation and broad ownership of a program increase the likelihood of strong support for investments. The rapid increase in systematic participation with stakeholders is heartening.

**Poverty monitoring.** World Bank projects are, of course, supervised, but few contain provisions for monitoring or evaluating the projects' effects on the poor. For fiscal 1988–93 one-third of the staff appraisal reports for Bank-assisted projects that were judged as targeted toward poverty or contained components focused on poverty reduction failed to mention any use of indicators other than for routine project management (Carvalho and White 1994). Developing indicators is an important step toward enabling the Bank to judge what types of projects are effective. The Bank's Board of Directors has regularly emphasized the importance of measuring the effect of projects on the poor.

Monitoring goes beyond the project level to national statistical agencies. Reliable data are critical if realities on the ground are to be understood. The Bank put much effort into the Social Dimensions of Adjustment (SDA) program, which worked with governments to establish poverty-monitoring sys-
tems. Although the SDA program itself has ended, this effort continues through projects and technical assistance directed toward strengthening statistical agencies in Sub-Saharan Africa.

QUESTIONS FOR AN ACTION PLAN. What are the Bank’s options for improving its ability to formulate and implement an effective poverty reduction program in the field? How can the Bank better and more systematically incorporate the recommendations of the poverty assessments, and other analytical work on poverty, into the CAS? How can CASs be prepared so that poverty reduction emerges more clearly and strongly as a central theme, making the lending program more focused on poverty reduction? How can the Bank’s operations become more effective in reducing poverty? Finally, how can the Bank increase the participation of clients in its work? The next chapter offers some answers to these questions.

Notes

1. Ghana 2000 was an assessment by the World Bank of the impact of the macroeconomic changes of the early 1980s on poverty reduction. It was, in effect, the first poverty assessment for Ghana. At the time this book went to press, a review of poverty assessments by the Institute of Social Studies Advisory Services in The Hague was being completed. In August 1996 the World Bank’s Operations Evaluation Department completed a review of poverty assessments throughout the Bank. (World Bank 1996e).

2. These include the many general trust funds financed by bilateral donors, as well as specific trust funds for poverty monitoring and analysis (Norway and Belgium) and the Netherlands trust fund for poverty assessments.

3. See, for example, Isaham, Narayan, and Pritchett (1995), which provides statistically significant support for the proposition that increasing beneficiary participation directly caused better project outcomes in 121 rural water projects in forty-nine countries in Africa, Asia, and Latin America.

4. At the time this report was being prepared, CASs for fiscal 1996 were available only for Eritrea, Cameroon, Chad, Kenya, and Mozambique.

5. Documents used for the classification of projects included memoranda of the president, for projects already approved, or, for proposed projects, the most recent initial executive project summary (IEPS) or final executive project summary (FEPS). For fiscal 1996–97 the judgments on classification were based on the available description of the projects in the IEPS and, whenever possible, on discussions with individual task managers.

6. Examining the impact of projects is the role of the OED, which recently completed an analysis of the social impact of adjustment operations. See World Bank (1995p); Carvalho and White (1996).

7. The Bank has recently decided to increase private participation in telecommunication projects; see Operational Policy 4.50, May 1995. The application of this policy should be considered for other infrastructure projects.

8. The Ethiopia Poverty Assessment (World Bank 1993b) mentions a failed rural domestic water supply program financed by the Canadian International Development Agency (CIDA).
As has been seen, Africa’s poor have little capital or land. They suffer from bad health and inadequate education, and they often live in unfavorable locations. As a consequence, they are usually unable to take full advantage of growth in the economy. The poor have few assets on which to build their future. Even at a sustained GDP growth rate of 6.5 percent a year (the rate required, for most countries, to achieve a reduction in poverty), it will take generations before poverty indicators significantly improve or the number of poor is substantially decreased. If pro-poor growth programs are to succeed, they must include actions that increase the assets of the poor by extending credit and developing social and physical infrastructure.

The experience in East Asia, different as it is from that of Sub-Saharan Africa, nevertheless offers some useful lessons. It took many years—nearly thirty in some cases—to create a healthy, trained work force and other preconditions for high levels of long-term sustainable growth. It is unrealistic to expect that either the preconditions for growth or the effect of growth on poverty reduction will come about quickly.

Indonesia, Malaysia, Singapore, and Thailand had achieved universal primary education enrollment by 1965 and thus had a base of educated people on which to build their growth. Indonesia already had a gross primary school enrollment rate of 67 percent in 1960—the same as the average rate in Sub-Saharan Africa today. Without investments in education and other services that develop human capital, economic growth and poverty reduction will not be achieved or sustained. Difficult, but essential, public expenditure choices must be made now.

The objective for any Bank assistance program should be pro-poor growth. Tradeoffs will have to be made to put poverty reduction first. Increases in public expenditures for primary education and primary health programs may
reduce the resources available for improving hospitals and tertiary education. Rural roads may take precedence over trunk roads or mining. Such allocative decisions may be needed to shift the distribution of services toward the poor. Helping farmers in a backward agricultural region through rural road development, provision of domestic rural water supplies, or small-scale rural credit programs may not contribute as much to aggregate growth as investment in a region with higher potential, but such actions may be the only ones available for reducing poverty efficiently and sustainably.\footnote{1}

**Lessons for the Bank**

The essential lesson for the Bank is that a larger proportion of incremental growth must reach the poor. More programs that stimulate rural development are urgently needed because of the large proportion of the poor in the rural economy. Such programs should explore new ways of fostering large gains in agricultural and pastoral productivity through better means of providing credit, improved technologies, extension of production technologies, better rural infrastructure, and more information about product and input markets, including broadly based employment opportunities. All these factors are important, but perhaps the most important is technological progress in agriculture, which must receive continued support to achieve sustainable development.

Donor assistance by itself will never be able to generate long-term sustainable growth in any country. Ultimately, private capital must provide the main financing for sustainable growth. Consequently, a principal function of donors, in partnership with governments, is to identify the investments and policy reforms that will create an attractive investment environment for the private sector and foster a pattern of growth that will achieve the greatest reduction of poverty—that is, will ensure the maximum increase in employment and income generation among the poor, consistent with equitable and efficient factor markets.

In addition to these general lessons, the Bank has learned some specific lessons that will help improve its contribution to reducing poverty in Sub-Saharan Africa:

- **The Bank has a tendency to understate how long achieving substantial poverty reduction in Africa will take.** Expectations must be far more realistic; if poverty reduction is the Bank’s overarching objective, its success should not be judged in the short term.

- **Poverty reduction must be the principal and explicit theme of country assistance strategies.** The CAS must provide a clear statement of the details of the poverty reduction strategy, priority actions that should be taken, and the likely impact of the strategy on poverty reduction. The CAS also needs to consider the distribution of incremental growth and describe specifically the likely contribution of broadly or narrowly targeted programs to poverty reduc-
tion rather than including them in a standard way as part of social sector development. Just because a project has “education” or “health” in its title, it should not get an automatic “free ride” into the lending program on the assumption that it satisfies poverty reduction objectives.

- The composition of lending programs should be geared to the differences among Sub-Saharan African countries and the changes in their external and internal environments. Both broadly and narrowly targeted projects that seek to increase immunization, primary education enrollment rates, or the adult literacy rate in a backward region have been relatively small compared with funds supporting macroeconomic policy reform. The actual volume of lending required to support policy change should be reviewed to see whether some resources allocated to those projects should be transferred to social and physical infrastructure development.2 The allocation of IDA investments should be carefully reviewed to determine which projects could be financed more efficiently and more appropriately by the private sector and which are uniquely public investments that warrant Bank and IDA assistance.

- In many sectors that are central to reducing poverty, such as agriculture, the Bank’s portfolio performance is weak. An OED review found that in five of eight agriculture projects approved for Sub-Saharan Africa in fiscal 1993 the analysis of poverty in staff appraisal reports was bad or marginal. Weak project performance in rural areas is clearly a setback for the rural poor. Project analysis of poverty issues must obviously be improved because poverty problems must be linked to appropriate actions.

- Poor understanding of the causes of poverty and how they might be remedied remains a fundamental stumbling block to the adequate design and monitoring of a poverty reduction strategy for Sub-Saharan Africa. The remedies lie in increased research into the causes of poverty by African research institutions, the formulation of policies and actions for poverty reduction, and the timely monitoring of poverty through household surveys.

**Partnerships for Action**

Progress on poverty reduction will only be made by harnessing the vision, resources, and energy of all partners—governments, donors, and the Bank.

**Actions by Governments**

Governments should demonstrate their commitment to poverty reduction through public statements and actions and through ownership of the policies and strategies for reducing poverty. This commitment could take many forms, depending on country circumstances, but the following actions are among the most important:

- Foster efficient macroeconomic and sectoral policies for sustained growth and poverty reduction.
Establish a forum for poverty reduction at which stakeholders discuss, evaluate, and coordinate efforts to reduce poverty. In particular, establish opportunities for listening to the poor. Such a forum should lead the dialogue with government departments and donors in designing and implementing a strategy for reducing poverty.

Carry out regular reviews of public expenditures as the basis for a pro-poor public investment program that can be supported by donors.

Shift actual expenditures on social services from urban to rural areas.

Decentralize government decisionmaking, especially on public expenditures; promote community participation in the design, implementation, and monitoring of programs that are essential for successfully reducing poverty.

Monitor poverty (through, for example, the collection of household data) to assess the difficulties faced by both men and women and to evaluate the progress being made (see box 4.1).

Actions by Other Donors

The Special Program of Assistance for Sub-Saharan Africa and the Global Coalition for Africa should lead in developing an international consensus on the strategies, actions, and financing necessary for a more active and intensive poverty reduction program. The following actions are essential:

Governments and donors should build a consensus on a strong vision for and commitment to poverty reduction.

Levels of assistance, except for clearly humanitarian aid, should be related to the government’s commitment to poverty reduction.

Consultative groups should make poverty reduction the central theme for assistance programs.

Donors must demonstrate greater flexibility and openness with each other in coordinating assistance programs better for a concerted attack on poverty. Such country-level coordination is best done by major donors, who should meet on a regular basis to review sectoral programs. The framework for in-country, sector-investment lending already provides the model for such interaction among donors.

Donors should reduce the bias in assistance programs toward urban and high-potential agricultural areas and seek a balance of programs that is more pro-poor.

Actions by the World Bank

The task force report focuses on measures that the Bank, in partnership with governments and donors, can take to strengthen its effectiveness in poverty
BOX 4.1 IMPROVING POVERTY MONITORING: ANGOLA

Statistical offices are the usual agencies for monitoring poverty in Bank projects, even though their success has been limited by funding uncertainties and by the offices' large size, weak analytical ability, and lack of autonomy. Analytical units, because they are smaller and more autonomous structures within or parallel to government, can serve as an alternative to statistical offices for monitoring poverty. These analytical units can also link the activities of the government and other actors or partners involved in achieving poverty reduction and improving living standards in a country.

The Gabinete de Monitorização das Condições de Vida da População (GMCVP) in Angola is one example. Under the leadership of the director of the Institute of Statistics in the Ministry of Planning, the GMCVP serves as an observatory for monitoring poverty but operates on its own funds provided, in part, by Bank projects and other donors. It is composed of a small group of consultants who are responsible for managing the funds and channeling them to government institutions and other local agencies. After reviewing the financing requests for technical and methodological soundness, the GMCVP releases funds for work in four main areas: quantitative and qualitative surveys, beneficiary and participatory impact studies, data processing, and data dissemination. The GMCVP's principal activities are to gather information on the welfare of the population, support local institutions in carrying out household and community surveys, as well as specific poverty-related studies, and administer funds for a study program. Forthcoming activities will include a series of national and provincial seminars, which will provide forums for presenting the results of the poverty profile and discussing poverty alleviation programs with local authorities and partners in the social sectors; the integration of recommendations from these seminars into the Bank poverty assessment, using participatory processes; and a full-year household consumption and budget survey to be carried out by mid-1996.

reduction. The Bank needs to implement four changes to increase its operational emphasis on poverty reduction:

- **Focus clearly and unequivocally on growth and poverty reduction.** Bank staff, including managers, need to orient themselves more toward the poor as the ultimate clients and to become more familiar with their needs. This will require a significant change in the mind-set of some staff about what constitutes the Bank's output or product. The Bank's role as a source of advice on development strategies is as important as its projects.

- **Make poverty, gender, and environmental issues the heart of macroeconomic and sectoral strategies—not “add-ons.”**

- **Arrange to monitor poverty systematically in all countries that receive Bank lending.**
Hold management and staff accountable for ensuring participation of all stakeholders in the formulation of assistance strategies and for achieving the Bank's stated objective of poverty reduction.

An important conclusion of the task force is that the internal causes of slow progress on poverty reduction derive from two parts of the Bank's operational cycle: country assistance strategies and lending.

Past country assistance strategies (CASs) have generally lacked a strategic vision on how to reduce poverty and a clear means of monitoring progress. Many CASs imply that macroeconomic adjustment or reform is an end in itself, and most fail to solidly link the reform agenda with poverty reduction, even though policy change has enormous potential for helping the poor. This operational shortcoming is often rooted in lack of information on poverty, inadequate analysis, and lack of interest in poverty reduction. Another factor may be a willingness by the Bank's management to compromise on poverty reduction for the sake of good country relations and to be satisfied with lending operations that address aggregate growth but pay little attention to distribution.

Some CASs have a clear strategic vision on how to reduce poverty but have not effectively implemented a lending program that significantly furthers this vision. In practice, Bank structure and staffing, not the priority of poverty reduction, often drive the lending program. As a result, operational decisions are based more on sectoral interests than on poverty reduction, which is a multisectoral issue that requires an integrated strategy.

Country business plans must explain how the Bank's work program for a country will implement the poverty reduction strategy contained within the CAS. Specific actions that are to be part of each business plan include:

- Preparation of a prospectus showing how sectoral investment programs will be implemented in the four key poverty reduction sectors—education, health, agriculture, and rural infrastructure—and explaining how they are designed to reduce poverty.

- Establishment of clear targets for poverty reduction and social development that the Bank and governments have agreed on and that can be monitored. Specific targets are being established in consultation with governments for all countries in Sub-Saharan Africa.

- Examination of the criteria for lending to avoid financing investments that the private sector could undertake. Promotion of a larger role for the private sector, while maintaining the Bank's catalytic role, would allow the Bank to reallocate some funds currently going toward projects involving mining, power, telecommunications, and other infrastructure, or hospitals and similar institutional structures, and use them to support expanded primary services for the poor.

The Bank should establish strong linkages between the poverty assessment, the country assistance strategy, and the lending program. The
BOX 4.2 SIMULATION OF POVERTY TRENDS IN NIGERIA

To analyze the effects of different growth scenarios on the number of poor in Nigeria in the next decade, a simulation model was used to project the changes in poverty on the basis of growth rates of population and consumption. The model reflects the highly unequal distribution of benefits across economic sectors and geographic regions from the strong economic growth in Nigeria during the 1985–92 period discussed in chapter 1. For details on the model and simulation method see Bigman (1995a). A more complete summary can be found in appendix E.

The model takes account of differences in growth rates between agroclimatic regions, urban and rural populations, agricultural and nonagricultural sectors, and poor and nonpoor.

MEASURES OF POVERTY AND INCOME INEQUALITY

<table>
<thead>
<tr>
<th>Item</th>
<th>1996</th>
<th>2000</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total population (millions)</td>
<td>111.0</td>
<td>128.4</td>
<td>148.6</td>
</tr>
<tr>
<td>Scenario I (2 percent growth a year)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rural share of the poor (percent)</td>
<td>62.8</td>
<td>58.0</td>
<td>46.8</td>
</tr>
<tr>
<td>Gini index (percent)</td>
<td>58.0</td>
<td>47.4</td>
<td>57.0</td>
</tr>
<tr>
<td>Size of poor population (millions)</td>
<td>46.8</td>
<td>49.3</td>
<td>72.9</td>
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<tr>
<td>Scenario II (5 percent growth a year)</td>
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<td></td>
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<tr>
<td>Rural share of the poor (percent)</td>
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<td>57.9</td>
<td>53.2</td>
</tr>
<tr>
<td>Gini index (percent)</td>
<td>45.8</td>
<td>47.4</td>
<td>49.6</td>
</tr>
<tr>
<td>Size of poor population (millions)</td>
<td>43.8</td>
<td>49.4</td>
<td>56.6</td>
</tr>
</tbody>
</table>

poverty assessment, and other analytical work, should feed into the CAS, which should drive the lending program. The relationship between the poverty assessment, the CAS, and the lending program for a country must be charted in the CAS. The analytical building blocks shown in figure 3.1, together with a substantive dialogue between the Bank, clients, and other partners, will provide the framework within which the CAS is prepared. The lending program will reflect the action plan contained in the poverty assessment.

The CAS will pursue the theme of poverty reduction in all of its four sections, not as a separate reference in one or two paragraphs:

- “Recent economic and social performance” will review and discuss the poverty status of the country and the effects of past policies on poverty reduction.
- “The external environment” will clarify how the poor are directly or indirectly involved in the production and consumption of tradable goods and how they are affected by the external environment.
The table summarizes results for two growth scenarios.

The main reason for the relatively small decline in poverty, despite the rise in average consumption per capita, is worsening of income inequality; under the existing patterns of growth, the benefits from growth will accrue to the nonpoor more than to the poor. The figure shows the changes in the headcount measure of poverty in urban and rural populations and in the general population. In this scenario, although total income for the rural and urban sectors grows 5 percent a year, poverty in the rural areas is likely to decline from 38 percent in 1995 to 27 percent in 2005, while poverty in the urban areas is likely to rise. The main reason for these sharp differences is the continued wave of rural-urban migration. As a result, the net increase in the rural population is 1.45 percent, whereas the net increase in the urban population is over 4.5 percent (Bigman 1995a).

HEADCOUNT INDEX OF POVERTY

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>Urban</th>
<th>Rural</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>50</td>
<td>40</td>
<td>40</td>
</tr>
<tr>
<td>2000</td>
<td>40</td>
<td>30</td>
<td>30</td>
</tr>
<tr>
<td>2005</td>
<td>30</td>
<td>20</td>
<td>20</td>
</tr>
</tbody>
</table>

Note: A growth rate of GDP of 5 percent a year is assumed.

- "Country's development objectives and policies" will describe and analyze the government's commitment to poverty reduction, its budget allocations, and the implications for the poor.

- "The Bank Group's assistance strategy" will analyze the balance between policies and investments and the short-term and long-term effects of policies on the poor. For example, "links between poverty and the environment" will address the mutually reinforcing relationship of poverty and environmental degradation.

CAS and Bank operational work contain almost no quantitative assessment of the effects of policies and projects on poverty reduction, in spite of voluminous statements about the expectation of poverty reduction from this or that policy. Methods can be developed for assessing the effect of various development options on the number of poor. One possible model is described briefly in appendix E. Box 4.2 summarizes the methods and some results for Nigeria.

The following actions are essential to fulfill the Bank's responsibilities to its shareholders:
Emphasize, through constructive dialogue with borrowers, the need for a strategy to reduce poverty as a minimum requirement for receiving Bank assistance.

Assist borrowers in developing the internal capacity to analyze poverty issues.

Link assistance to governments to the strength of their commitment to reduce poverty, as reflected in their public policies, strategies, and actions.

**Next Steps for the Bank**

The following actions will be taken within the Bank’s Africa Region:

- Establish poverty reduction as the common objective and organizing principle through the leadership of managers and the actions of staff. This objective will be reflected in the Bank’s dialogue with borrowers and other partners, such as bilateral donors and NGOs, on macroeconomic and sectoral policy, public expenditures, and lending.

- Indicate in the business plan for each country program how and to what extent each proposed project in the lending program will help reduce poverty.

- Arrange training programs on the internal processes and on analysis of poverty issues in order to emphasize poverty reduction and highlight actions that can better integrate poverty reduction into the World Bank’s macroeconomic and sector strategies, investments, and cooperation with NGOs and communities.

- Focus the Bank’s operations more on rural development in the poorest regions, on rural domestic water supplies and rural roads, and on primary services for education and health.

- Find imaginative ways of working with communities through sectoral operations and investments, such as social funds. It is recognized that Bank investments in larger infrastructure projects and adjustment lending will often be necessary to promote aggregate growth, but these projects must clearly contribute to reducing poverty.

- Work through the country teams to establish with governments and other stakeholders in all Sub-Saharan African countries a strengthened process for formulating the CAS so as to treat poverty reduction systematically. Possible candidates for initial review of progress based on the severity of poverty and the background work already completed or ongoing are Cameroon, Ethiopia, Ghana, Malawi, Mali, Nigeria, Tanzania, and Uganda. Some of these countries are also the focus of a collaborative UNICEF–World Bank program of action on basic health and education.

- Disseminate information on best practices in operations that have led to poverty reduction.
Orient incentives for staff to ensure that success in reducing poverty becomes a criterion for rewards and advancements.

- Foster effective national systems for monitoring poverty.
- Continue to support collaborative research with Africans on all aspects of poverty and on the analytical challenges posed in Sub-Saharan Africa.

**Partnerships, Forums, and Networks**

The Bank will strengthen partnerships with governments through regular dialogue to achieve a shared commitment to poverty reduction and to agree on a strategic vision for the best way to reduce poverty. It will also establish discussion groups of supporters on the broad strategy laid out in the task force report, drawing in Africans from all walks of life, as well as NGOs. As a partner, the Bank will work with governments and with other donors to foster actions that have poverty reduction as their principal objective—sound strategies and investments, and macroeconomic and sectoral policies. In addition, the Bank will continue to focus on poverty reduction within the donor community, in such forums as consultative groups, the Special Program of Assistance for Sub-Saharan Africa, and the Global Coalition for Africa.

Steps have already been completed to establish the African Poverty Reduction Network, which includes African government officials, academics, and representatives from the private sector and from NGOs. The network will advocate ways of reducing poverty more rapidly in Sub-Saharan Africa, advise on options that should be explored, and prepare action plans as appropriate. Its first business will be to evaluate the operational implications of the Bank’s task force report. Members of the network will also provide in-country support to donors and will consult with governments on implementing policies and strategies for reducing poverty.

**Notes**

1. There is empirical evidence that geographic targeting can reduce overall poverty levels. See, for example, Ravallion (1993); Baker and Grosh (1994).
2. The issue of getting a better return from adjustment lending is part of the region’s Change Agenda and is being examined separately.
3. A recent restructuring of the World Bank’s Africa Region is designed to address this problem, as well as other issues.
APPENDIX A

Selected World Bank Reports on Poverty, 1982–96

This appendix briefly summarizes selected World Bank reports on poverty and food security and on other broad subjects such as education, health, infrastructure, and the environment that have a bearing on poverty. The lists, which bear witness to the continuing concern about poverty in the Bank, are by no means exhaustive; many other Bank initiatives have addressed broader development issues—drought, population, and natural disasters, for example—that have important implications for poverty and its reduction. A brief sample of these broader reports, not annotated here, includes *Accelerated Development in Sub-Saharan Africa: An Agenda for Action* (1981); *Sub-Saharan Africa: Progress Report on Development Prospects and Programs* (1983); “The 1983 Drought in Sub-Saharan Africa: Short-Term Impact, Desertification, and Other Long-Term Issues,” (a report to the Bank’s executive directors, May 29, 1984); “Financing with Growth: Issues Paper on Poverty in Sub-Saharan Africa” (1988); and “African Population Program: Status Report” (1993). Titles in italics have been formally published by the World Bank.

Poverty and Food Security

A 1982 report of the poverty task force that reviewed the Bank’s work on poverty reduction during the 1970s concluded that economic growth and poverty alleviation were complementary. The report introduced the concept of a poverty income threshold to measure the proportion of beneficiaries in a poverty group and the proportion of project costs benefiting the poor.

“Focus on Poverty: A Report by a Task Force of the World Bank” (1983) recommended strengthening the Bank’s approach to poverty needs and making poverty issues an important part of the Bank’s policy dialogue with borrowers.

*Poverty and Hunger: Issues and Options for Food Security in Developing Countries* (World Bank 1986) discussed the importance of poverty alleviation as
a means of addressing food security problems. It concluded that food insecurity among millions of poor people was caused primarily by a lack of purchasing power and recommended measures for enhancing both chronic and transitory food security.

*Protecting the Poor during Periods of Adjustment* (World Bank 1987) discussed the social costs of adjustment and proposed measures for protecting the poor by redirecting social expenditures and through direct compensation.

“*Report of the Task Force on Food Security in Africa*” (World Bank 1988b) recommended a vigorous approach to growth and adjustment to lay the foundation for long-term food security in Africa, country-specific actions to address hunger, and an action program sponsored by a partnership of donors.

“*Report of the Task Force on Poverty Alleviation*” (World Bank 1988c) recommended adoption of a core poverty program that would focus on strategies and operations with the primary objective of alleviating poverty, especially extreme poverty. The task force advocated preparation of poverty profiles for borrowers and strengthening of sectoral approaches to reach the poor.

*Status Report on the Bank’s Support for Poverty Alleviation* (World Bank 1988d) stressed that adjustment lending should address poverty issues and that poverty reduction objectives should be reflected in assistance strategies and included in economic and sector work and lending operations. The task force recommended that cost-effective service delivery to the poor also be supported.

*The Challenge of Hunger in Africa: A Call to Action* (World Bank 1989a) outlined a strategy and an action plan prepared by the Task Force on Food Security in Africa with the aim of achieving food security. Ending hunger, the task force concluded, will require both economic growth and a number of complementary actions: designing policies and action programs to promote food security; promoting projects and policies that target persons facing food insecurity; identifying persons at high risk of food insecurity; and strengthening the institutional capacity of African governments to manage programs while increasing the effectiveness of food aid through better coordination among donors, NGOs, and African governments.

*World Development Report 1990: Poverty* (World Bank 1990) laid out a two-pronged strategy for sustainable poverty reduction: promote broadly based economic growth that will generate income-earning opportunities for the poor, and improve access of the poor to education, health care, and other social services so that the poor can take advantage of increased economic opportunities. In addition, the strategy called for targeted transfers and safety nets for those who are not able to benefit from increased opportunities—the aged, the ill, and the disabled—and those buffeted by economic shocks and setbacks.

*Assistance Strategies to Reduce Poverty* (World Bank 1991b) showed how the analytical framework of *World Development Report 1990* could be inte-
grated into Bank operations by assessing each country’s policies, public expenditures, and institutions. The report also described how Bank country assistance strategies can be designed to support country efforts to reduce poverty.

Food Aid in Africa: An Agenda for the 1990s (World Bank 1991c) analyzed flows, channels, and uses of food aid in emergency and other situations and discussed programming issues. It noted that food aid is a development resource that should be used to combat poverty and hunger, and it identified actions to be taken by recipient countries, donor countries and agencies, NGOs, the World Bank, and the World Food Programme.

“Food Security and Disasters in Africa: A Framework for Action” (World Bank 1991d) discussed the effects of drought and disasters on food security and on Sub-Saharan Africa’s development prospects. It identified a long-term strategy for the Bank aimed at minimizing the negative development impact of natural and man-made disasters.


Implementing the World Bank’s Strategy to Reduce Poverty: Progress and Challenges (World Bank 1993d) summarized poverty trends and countries’ efforts to reduce poverty. It also assessed the Bank’s efforts in sectoral lending for such purposes as investment in rural infrastructure, human resource development, and programs of targeted interventions.

“Review of the World Bank’s Effort to Assist African Governments in Reducing Poverty” (World Bank 1993c) highlighted new trends in poverty reduction efforts and identified ways of strengthening Bank assistance to governments for reducing poverty. It found that increasing the poverty focus of structural adjustment and sectoral lending was the most effective means of reducing poverty.

“The Social Dimensions of Adjustment Program: A General Assessment” (World Bank 1993f) examined the Social Dimensions of Adjustment (SDA) program, a strategic response to concern about the effects of adjustment on the poor. The program developed a framework within which to design operational interventions on poverty as part of structural adjustment lending. It recommended four actions: improving macroeconomic and sectoral policies by carrying out studies of the socioeconomic implications of adjustment, establishing social action programs in conjunction with adjustment programs, developing analytical and methodological tools for data collection and analysis, and strengthening national institutional capacity for poverty monitoring and analysis.
Poverty Reduction and the World Bank: Progress in Fiscal 1993 (World Bank 1994i) was the first of the annual reviews of progress made in the Bank's efforts to reduce poverty.

Selected Reports Related to Poverty Reduction

Education in Sub-Saharan Africa: Policies for Adjustment, Revitalization, and Expansion (World Bank 1988a) argued that although progress in education after independence succeeded in improving countries' human capital, those gains were being threatened by stagnant enrollments and erosion of quality as a result of population growth and cutbacks in public spending. At the primary level, scope for adjustment, through lower unit costs or increased cost sharing, was found to be limited. At the secondary level, better use of resources and adoption of more cost-effective ways of providing services offered hope for containing unit costs. At the higher level, rapid expansion and poor planning had led to low quality and dubious relevance. The book recommended as policy objectives improvement in quality, increased efficiency, and cost recovery.


World Development Report 1992: Development and the Environment (World Bank 1992e) explored the two-way relationship between development and the environment, identified policies that could build on the positive links and break the negative links, and advocated policies and institutions designed to rectify environmental problems. The report emphasizes that poverty reduction—a moral imperative—and environmental conservation are mutually reinforcing objectives.

World Development Report 1993: Investing in Health (World Bank 1993i) proposed a three-pronged approach for government efforts to improve health: foster an environment that enables households to improve health; increase efficiency in government spending on health; and promote diversity and competition in the provision of health services and insurance. A clear message from the report was that providing cost-effective health services to the poor is an effective approach to reducing poverty.

Better Health in Africa: Experience and Lessons Learned (World Bank 1994c) argued that health in Africa can be improved, despite the financial constraints, through efficient allocation of resources, higher priority for primary health, better management, mobilization of private resources, and restructuring
of health care delivery systems. It urged that African governments take the following actions: (a) adopt public health policies, support public services, such as safe drinking water and sanitation, and strengthen the enabling environment for households; (b) implement cost-effective approaches to basic health services, particularly for vulnerable groups; (c) accelerate institutional reforms and build management capacity to improve the performance of health care systems, strengthen research support, and build effective partnerships with private and volunteer providers; (d) increase government commitment to health expenditures and reallocate public expenditures to increase efficiency and stimulate private sector financing; and (e) develop national strategies for managing external assistance rather than simply comply with donor conditionalities.

"Paradigm Postponed: Gender and Economic Adjustment in Sub-Saharan Africa" (Blackden and Morris-Hughes 1993) addressed the gender dimensions of structural adjustment. It argued that since economic agents face gender-specific constraints, policies that are gender neutral are likely to worsen the situation of women and men and so contribute to greater economic inefficiencies. The main recommendation of the study was that gender analysis be integrated into the design of policies and programs intended to promote economic growth.

World Development Report 1994: Infrastructure for Development (World Bank 1994m) examined new ways of meeting public needs for services from infrastructure that would be more efficient, more user-responsive, more environmentally friendly, and more resourceful in using both the public and private sectors. The report explained how infrastructure can deliver major benefits in economic growth, poverty alleviation, and environmental sustainability and explored the causes of past poor performance and the potential for improved future performance.

"A Continent in Transition: Sub-Saharan Africa in the Mid-1990s" (World Bank 1995c) used the outline given in the World Bank’s 1989 report Sub-Saharan Africa: From Crisis to Sustainable Growth to assess what has happened to Sub-Saharan Africa in the past five years and identify steps for the future. The report noted the progress made in a large number of countries in macroeconomic policy, such as the decontrol of exchange rates and of producer prices and political liberalization, but also cited the need for greater progress in fiscal management and human capital development. Given that sustainable poverty reduction is the Bank’s overarching objective, the report concluded that equitable and environmentally sustainable growth, accompanied by investment in human development and infrastructure, should form the broad elements of a development agenda.

World Development Report 1995: Workers in an Integrating World (World Bank 1995s) observed that the present revolutionary changes in the global
economy bring with them both risk and challenge. The report stated that the problems of low incomes, poor working conditions, and insecurity affecting many of the world’s workers can be effectively tackled in ways that reduce poverty and regional inequality. To do so will require that governments pursue sound domestic policies, such as market-based growth paths that generate rapid growth in demand for labor, take advantage of new international opportunities by opening up trade and attracting capital, and construct a framework for labor policy that complements informal and rural labor markets and avoids biases that favor relatively well-off workers.
# Appendix B

## Lending for Human Resources, Fiscal 1995–97

<table>
<thead>
<tr>
<th>Country</th>
<th>Project name and fiscal year</th>
<th>Amount of credit or loan (millions of dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Education</strong></td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>Cape Verde</td>
<td>Social Sector Development (1997)</td>
<td>13.2</td>
</tr>
</tbody>
</table>

*Source: World Bank data.*
This appendix surveys donor policies and assistance programs in Sub-Saharan Africa. Although information on lending by donors is not generally available in the same detail as for the World Bank, the statements and documents obtained from donors, together with aggregate data from the Organisation for Economic Co-operation and Development (OECD), provide a reasonably complete picture of assistance programs. The discussion is based on information about assistance provided by the African Development Bank (AfDB); the Danish International Development Agency (DANIDA); the European Union (EU); the Canadian International Development Agency (CIDA); the German Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung (BMZ), Kreditanstalt für Wiederaufbau (KfW), and Gesellschaft für technische Zusammenarbeit (GTZ); the Italian Ministry of Foreign Affairs; the Netherlands Ministry of Foreign Affairs; the Swedish International Development Authority (SIDA); the U.K. Overseas Development Administration (ODA); and the U.S. Agency for International Development (USAID). Together, these donors account for 47 percent of disbursements of development assistance to Africa.

The EU’s contribution to official development assistance reached $4.8 billion in 1994—an increase of 14 percent in real terms from the previous year. Appendix figure C.1 shows net official development assistance by individual members of the OECD’s Development Assistance Committee (DAC) in millions of dollars and as a share of gross national product (GNP). Germany was the fourth-largest donor, after the United States, Japan, and France. Its assistance program emphasizes rural development, environmental protection (increasingly, in forestry), and poverty alleviation through participation of the poor. The priority objectives of U.K. assistance are economic reform, enhancement of productive capacity, direct poverty reduction, human resource development, good government, women in development, and environmental...
protection; its programs are evaluated against those objectives. Denmark now spends 1.0 percent of its GDP on development assistance. By 2002, under current plans, Denmark will be spending 1.75 percent of its GDP on external assistance: 1 percent for developing countries, 0.5 percent for environment and emergency purposes (in accordance with a parliamentary decision), and 0.25 percent for Central and Eastern Europe. A large proportion of Swedish bilateral aid goes for emergency assistance. The Netherlands’ aid budget goes partly for expenditures on asylum seekers and U.N. peacekeeping operations.

APPENDIX FIGURE C.1 NET OFFICIAL DEVELOPMENT ASSISTANCE BY DAC COUNTRIES, 1994

Assistance to Sub-Saharan Africa

In all, five multilateral and twenty-three bilateral donors, as well as numerous NGOs, provide program and project assistance to Sub-Saharan Africa. (The World Bank Group and the United Nations agencies are each counted as one donor.) The total amount of annual donor commitments for assistance to Sub-Saharan Africa is not available, but data on disbursements from DAC’s annual report for 1995 indicate that slightly more than $18 billion was disbursed in 1994 by DAC countries, multilateral organizations, and Arab countries (OECD 1995). Net disbursements to Sub-Saharan Africa by DAC countries were nearly $10.5 billion, or 58 percent of the total disbursements of official development assistance from those three types of source.

Donor Policies on Poverty Reduction

The extent to which assistance is focused on the poor is not well known. Many donors take the view that assistance for economic growth in Africa will benefit the poor through the spillover effect of broadly based growth. Other donors and NGOs acknowledge the importance of growth but are skeptical about the extent to which aggregate growth benefits the poor and therefore prefer to provide more targeted assistance.

Most donors agree that poverty reduction is achievable only through economic growth and human resource development, with the support of a favorable external environment. Donor policies generally emphasize the need for:

- Sustainable economic growth geared toward increasing demand for the poor’s labor and increasing the access of the poor to productive resources
- Provision of basic social services such as primary education and health care for the poor, to improve the quality of their lives and increase their productivity
- Access to basic infrastructure
- Participation of the poor in the development process
- Provision of safety nets for the old, sick, and handicapped who are unable to take advantage of income-earning opportunities.

Most donors stress that developing countries have the primary responsibility for fighting poverty. Although bilateral donors accept that their assistance is crucial, they emphasize that their contribution will have a greater impact if it is integrated into the recipients’ policies. A shift in the balance of responsibility between the public and private sectors (the latter including NGOs) and the increased importance of market reforms also play prominent roles in donor policies.
Although donors’ poverty reduction strategies overlap with those of the World Bank in many respects, there are subtle differences in implementation and areas of emphasis. Most donors are bolder than the World Bank in raising issues of democracy, law, human rights, and governance.

Economic Growth

Sustainable economic growth, with an emphasis on improving the living standards of the poor, is at the center of all donor policies intended to reduce poverty. (This characteristic of donor programs is not restricted to Sub-Saharan Africa.) The AfDB is committed to reducing poverty through economic growth based on sound macroeconomic policies. It is cofinancing Zimbabwe’s structural adjustment program, which has social issues fully integrated into the design.

In the EU’s view the fight against poverty should focus on sustainable growth by reducing inequalities, preserving social ties, and strengthening the productive capabilities of the poor through employment creation and improved access to productive assets.

CIDA’s policy on poverty reduction (June 1995) cites the need for a better understanding of the country-specific and local characteristics of poverty; a coordinated use of project, program, institutional-support, and policy interventions to achieve maximum impact; and a clear view of CIDA’s role and capabilities. CIDA starts from the concept that the income of the poor stems from the value of the services and assets owned by them or that they sell on the market. This approach is supported by asset-oriented strategies that focus on increasing the quantity of the poor’s assets, through education, health, credit, and land reform, and by productivity-oriented strategies designed to increase the poor’s earning capacity by raising their productivity through investment in human capital (for example, health, nutrition, education, and training programs) and through provision of complementary resources linked to labor productivity such as access to credit, water, infrastructure, technology, fertilizer, and so on. Policy interventions are designed to increase economic growth, reduce income disparities, provide social services and improve income-earning opportunities for the poor. CIDA’s approach places equal emphasis on economic growth and investment in human capital.

DANIDA’s poverty alleviation strategy emphasizes sustainable and socially balanced economic growth, social sector development, governance, and participation in the development process.

Germany’s approach to growth is focused on two themes: “growth through the poor,” which consists of directly mobilizing the productive potential of the poor and promoting their contribution through labor-intensive employment, and “growth for the poor,” whereby the benefits from increased economic
productivity are invested in targeted interventions intended to create employment and provide social services—that is, health and education—for the poor.

The Netherlands promotes growth through policies designed to improve distribution and raise the disposable income of the poor. In addition, it encourages local initiatives of groups that give priority to women, the vulnerable, and ethnic minorities.

Sweden strongly supports economic adjustment programs in developing countries and therefore promotes growth primarily through economic reforms and import support. The Swedish parliament has identified five goals for development assistance to improve the living standards of the poor: economic growth, economic and social equality, economic and political independence, democracy, and conservation of the environment.

More rapid and more widely shared economic growth underpins the United Kingdom’s approach to poverty reduction. ODA supports economic growth through macroeconomic policy reforms, human development, improvement of the economic environment for the private sector, institutional development, better infrastructure provision, and enhancement of the productive capacity of target beneficiaries—for example, through support for microenterprises.

Promoting economic growth and political democracy are the cornerstones of USAID’s poverty reduction strategy, which focuses on macroeconomic stability, agricultural growth, and basic education. USAID promotes programs to provide an enabling environment for growth of the private sector and support for reforms that make markets more open and competitive; the development of financial systems and markets to enhance employment generation and income-earning opportunities; and infrastructure development, particularly rural roads, with an emphasis on capacity for undertaking rehabilitation, financial sustainability, and private construction. USAID considers basic education part of its growth strategy and invests heavily in this sector.

Reducing Poverty through Investing in People and Providing Social Services

Most donors stress the importance of investing in human capital and providing for basic social services. Donors implement their policies through significant investments in the social sectors. Germany’s assistance for the development of human resources includes support for education, health care, food security, and family planning to avoid explosive population growth. In the past Italy allocated a large part of its development assistance to adjustment programs, but an increasing proportion is expected to go to broadly and narrowly targeted services. The AfDB considers social development funds one of the most
appropriate instruments for empowering poor and vulnerable groups through such measures as skill development, provision of credit, and encouragement of small enterprises.

The Netherlands' "development of the people, for the people, and by the people" approach emphasizes investing in people, particularly in the poorest groups, to increase their productive capacity; providing for basic social needs; and promoting participation of the poor in the decision-making process. More assistance will be given to basic health and education throughout the 1990s.

For SIDA improvement of the living standards of the poor is the primary objective of its development assistance, in harmony with the goal of "economic and social equality" adopted by the parliament. The health sector appears to be a particularly important area for Swedish aid.

The United Kingdom cites human development as a key objective. The category comprises policy reform, better management, and investment in health, education, and family planning, with a focus on the priority needs of the poor.

Investing in people is a pillar of USAID's development strategy. The main tenets of its human resources strategy are child survival through immunizations, control of diarrheal diseases, support for the acute respiratory infections program, strengthening of health delivery systems, and improvement of services; HIV/AIDS program support, with an emphasis on community-based education designed to change attitudes and behavior; and population programs that focus on (a) the use of computer modeling to demonstrate the effects of unrestricted population growth, (b) support for voluntary family planning programs and for education, information, and communication, and (c) the development of channels for distributing contraceptives.

Participation of the Poor in Development

The AfDB's operational procedures require that proposed projects be screened for their likely contribution to the reduction of absolute poverty. Staff must determine whether the proposed project or program adequately addresses the following issues: identification of would-be beneficiaries; targeting strategies; the extent to which the poor were involved in the conceptualization of the project; labor-intensive techniques, safety nets, use of poverty indicators to measure the likely impact of the proposed project; and other donor and NGO efforts.

In addition to economic growth, equal distribution of income, and targeted assistance, the EU considers the social and economic integration of the poor in the development process as key to reducing poverty. This, in the EU's view, calls for an integrated approach to the development process that includes using structural and sectoral adjustment programs to address the needs of the poor and adopting participatory approaches to project design and implementation.
For CIDA one of the best ways to lift people out of poverty is to empower them by supporting the optimum use of their own potential. CIDA promotes this agenda through support for small-scale producers in rural areas.

Denmark applies participatory approaches in project planning and implementation. Popular participation is essential to development effectiveness and sustainability of development efforts and to the achievement of sustainable poverty reduction through self-empowerment.

Participation and self-help are the two guiding principles of the German approach to poverty reduction. Participation means that the poor partake in and benefit from development; self-help entails promoting the productive capabilities of the poor and enabling them to better satisfy their needs through their own economic activity. The policies for promoting participation and self-help include building democracy (democratic governments, respect for the rule of law, and a market-friendly economic system) and promotion of the informal sector. The active participants in this strategy are the poor, grassroots organizations such as NGOs, governments, and the donor community.

Promoting the participation of the poor in the decisionmaking process is a central element of the Netherlands' poverty reduction strategy. To better reach the poor and bring them into the development process, the Netherlands is increasingly working in partnership with NGOs.

The United Kingdom's poverty reduction strategy is similar to the Bank's: it is based on economic growth that promotes the use of labor, the poor's most abundant asset; provision of social services; and targeted interventions for vulnerable groups. ODA also emphasizes:

■ The use of participatory approaches in identifying the poor and understanding their needs. Participation is promoted in project design and implementation and in studies, such as poverty assessments, social assessment, and stakeholder analysis.

■ The use of NGOs to design and implement poverty-focused projects. About 15 percent of ODA's bilateral aid expenditures in fiscal 1992-93 was channeled through NGOs.

Poverty projects supported by ODA include microenterprise development; natural resource strategies, with a strong emphasis on identifying the needs of resource-poor small farmers, herders, and fishers; education and health strategies that stress basic education, including adult literacy, nonformal education, and primary health care; and humanitarian aid management.

USAID's concern for participation is evident in its support of democratization. Through the democratization process, USAID supports reforms that it sees as making governments more effective, efficient, and equitable, which in turn encourages participation of all citizens in the political arena and in the economic growth of the country.
Other Concerns

Promoting the empowerment of women is seen as fundamental by all donors, who also agree that a major strategy for achieving women’s empowerment is through girls’ education. The Netherlands explicitly states that its development policy will aim to help women achieve autonomy as a precondition for change. In Africa the Netherlands will support women’s initiatives and provide aid to governments that extend their policy to the field of women and development.

In many cases governments must demonstrate their commitment to democracy, citizens’ economic and political independence, and human rights to receive bilateral aid. The issues of good governance and excessive military spending are addressed in policy dialogue by Germany, the Netherlands, the United Kingdom, and the United States.

The EU and Germany’s BMZ have identified trade regulations and other economic relations as major constraints faced by developing countries in their struggle to achieve economic growth and poverty reduction. DANIDA emphasizes gender, environment, promotion of human rights, and democratization in its political dialogue with developing countries. These issues are addressed in specific projects and are part of mainstream development activities.

All donors involve NGOs in project design and implementation and in the provision of safety nets because they see NGOs as essential to their effectiveness on the ground. USAID emphasizes working with NGOs to promote sustainable use of Africa’s resource base. Environmental issues are a priority for the United States and for Canada. The Netherlands and the EU are concerned that development relate to indigenous cultures. The Netherlands’ policy outlines the need to take culture into account when identifying, evaluating, and implementing projects.

Note

1. In some cases detailed information was received but could not be used because of the lack of comparable data from other donors.
APPENDIX D

The Blantyre Statement on Poverty Alleviation in Sub-Saharan Africa

During July 11–20, 1994, more than sixty African policymakers, planners, academics, and managers of social funds and NGOs from eleven African countries, along with representatives of several donor agencies, gathered at a regional seminar in Blantyre, Malawi, to discuss the continuing and worsening conditions of poverty in Sub-Saharan Africa. Participants examined how to improve the policy environment for poverty alleviation and overcome the implementation and institutional constraints surrounding efforts to alleviate poverty.

Participants agreed that the general causes of poverty in Africa are now well understood. Although individual country situations may vary, poverty is recognized to be a multidimensional condition affected by a wide range of factors. These include the poor's lack of access to productive income-earning opportunities and basic needs services (health, education, and clean water), their lack of influence and their low levels of participation in political processes, and the direct and indirect consequences of external financial and economic factors beyond the control of African governments. Poverty has been exacerbated in many instances by the failure of both government and market mechanisms to allocate resources efficiently or equitably so that the poor actually benefit. In some cases, certain forms of donor assistance have actually hindered rather than helped poverty alleviation. Since the early 1980s many of the poor have also been adversely affected by the burdens imposed by necessary economic reforms, not to mention the terrible toll exacted by continuing ethnic and civil strife and by drought and other natural disasters.

During the seminar discussions, four general observations reappeared time and again to shape the underlying premises for the seminar conclusions and recommendations given below.
In most of Sub-Saharan Africa, the poor do not participate in public policy decisions that affect their lives or in choosing the kinds of services directed toward them. Policymaking for poverty alleviation is still top-down. Most resources and decisionmaking are still heavily concentrated in central ministries, not at the local government or community level where the poor come in direct contact with available services.

Despite rhetoric to the contrary, many African governments have still not made poverty alleviation a central focus of public policy, as evidenced by the low levels of budgetary allocations and other resources directed at helping the poor. This situation has arisen in part because of the political difficulty of reallocating resources away from the better-off toward the poor. The oft-cited “political will” is still lacking.

Even where African governments have defined the broad policy directions for poverty alleviation in their respective countries, problems and lack of progress have persisted. This situation has arisen because of imprecise policy definition and inadequate or unrealistic attention to implementation and follow-up for policies already stated in national plans and sectional strategies. Conflicting or diffused donor support in the identified policy areas has compounded the problem.

Poverty alleviation cannot be successfully addressed by African governments alone. Experience has demonstrated that it must combine the complementary efforts of government, domestic private and nongovernmental actors, the international donor community, international private investment, and, most important, the poor themselves. Each has comparative advantages it can bring to the task. Governments will continue, however, to have the central role of establishing the policy framework and taking the lead in poverty reduction efforts.

With these overall observations in mind, the participants identified the following key areas that require more concerted attention by African governments and their development partners.

The poor are not passive actors in the development process.
The poor constitute over 50 percent of the population in many Sub-Saharan African countries and can be found among a wide range of socioeconomic groups in both urban and rural areas. Efforts by government and various development agencies to help the poor have often treated the poor as if they are passive agents in their own development. In fact, the poor employ a wide range of survival strategies (proactive efforts to obtain sufficient household income
and basic needs) and coping mechanisms (reactive responses to unexpected situations of household crisis) to maintain or, hopefully, improve their condition. In particular, the survival strategies and coping mechanisms of poor women—not to mention their economic potential—are even more critical to understand because the numbers and degree of poverty among women are correspondingly greater than among men.

The challenge for African governments is, thus, how to build on, not undermine, the existing economic activities in which the poor are engaged. In some instances, this may require governments to take a more activist stance, especially in cases of families forced to adopt various coping mechanisms in times of drought, sickness, or temporary loss of employment. In other instances, governments may sometimes actually be required to do less—as in cases where government rules and procedures impede the poor’s survival strategies, notably in the informal sector—so that the poor can more actively participate in the newly emerging economic opportunities brought about by the reform process. Given this perspective, the following is recommended:

- Governments should more actively explore how best to build on the positive survival strategies of the poor by encouraging beneficiary participation in planning and implementation.

- Governments should examine the elements of public regulations that have the most direct impact on the poor with a view to minimizing such rules and regulations that hamper the poor in their daily economic and income-earning activities.

- Governments and other service providers should explore with local communities what viable alternatives exist for identifying those poor facing unexpected crises and the corresponding best ways to support the coping mechanisms that poor households or local communities have already established.

The macroeconomic policy environment remains a critical element in poverty alleviation.

African governments have recognized the importance of carrying out economic reforms and correcting past structural impediments to achieve sound economic growth, which still represents a fundamental precondition for poverty alleviation. Yet such reforms are only a necessary, not a sufficient, condition for poverty alleviation. Too much attention has been directed by governments and donors toward the short-to-medium-term macroeconomic aggregate outcomes of structural policy shifts. Not enough attention has been given to the implementation difficulties in making policy changes or to the distributional and equity consequences of both pre- and postreform policies.
As a consequence, the expected winners and losers during economic reform have not always coincided with the resulting reality.

Structural adjustment continues to be seen by many African countries as an externally imposed requirement for maintaining access to official development assistance. Great scope still exists for governments and donors to work together to internalize the adjustment process so that it reflects more closely local and national perceptions and requirements, thereby placing the onus of implementation more squarely on the shoulders of the government and society as a whole. Where disagreements arise between donors and governments over the speed and pace of reform, it should be kept in mind that the short-run economic costs of decelerating some adjustment measures may be outweighed by the larger payoffs over the long term from deeper and more thorough change when adjustment is internally derived and owned.

To ensure more integration of poverty concerns into the macroeconomic policy environment, governments and donors must place much greater emphasis on monitoring the downstream outcomes of policy change. This applies to two kinds of policies. (1) Macroeconomic policies must be examined for any antipoor biases or spin-offs so that shifts can be made in the emphasis or sequencing of policy measures (without sacrificing growth-with-equity objectives) or so that other compensating policy measures or programs, such as social funds or various income transfers, can be put in place. (2) Macroeconomic or sectoral policies that are specifically intended to be pro-poor should be monitored to ensure that they, in fact, are efficient and effective in helping the poor. On close examination, many seemingly pro-poor policies have little impact on the poor and represent a drain on scarce resources. Alternatively, pro-poor policy objectives may be overly optimistic or unrealizable within the existing resource envelope and should therefore be brought into line with what is feasible with available resources.

To achieve this measure of policy internalization and integration, it is recommended that:

- Governments and the World Bank begin discussions on how best to internalize ownership of the adjustment process, preferably before, not during, negotiations for the next adjustment credit
- Governments and their development partners agree on practical poverty benchmarks and social objectives for macroeconomic policies so that intended outcomes can be tracked and necessary corrections made, when applicable; expand the scope of macroeconomic policy analysis to determine any antipoor consequences so that remedial actions can be taken; and calculate the expected costs (financial and manpower) of undertaking the kinds of policy monitoring here proposed, to formulate viable and sustainable operational capabilities.
The formulation of pro-poor policies must be matched by equal attention to corresponding resource and institutional commitments.

Too much attention has been focused by governments and donors on the broad policy framework for poverty alleviation. Although certainly critical, getting the policies “right” is only the first step. Without corresponding commitments in terms of increased resources and implementation capacity, many, if not most, elements of a poverty alleviation strategy will be stillborn. Governments need to mobilize new financial resources for poverty alleviation from domestic and international sources. These include the resource benefits accruing from an expanded domestic tax base and greater efficiency in tax collection, greater domestic savings, progress in debt relief or rescheduling, and more foreign private investment.

Equally important, wide scope exists for increasing the resource base through switching public expenditures both between and within sectors to the benefit of the poor. The record shows that the poor receive only a small proportion of available resources on a per capita basis, when measured in terms of access to basic social services, credit, extension services, or any other yardstick. Far too many African governments have, for example, still not made the tough political decisions to reallocate expenditures away from unprofitable state enterprises or defense spending toward more productive expenditures that benefit the poor through local structures. Similarly, they have not made significant shifts away from tertiary education and health services in favor of primary and functional education and basic health. Likewise, attention must be given to increasing the nonwage size of recurrent expenditures and to the amount actually spent outside the center at the district or local level.

Expenditure switching is important not only for strengthening social sector institutions but also for other areas at the “meso-level” of the economy, such as economic infrastructure and other institutions that benefit both poor and nonpoor. Improving the functioning and efficiency of market mechanisms, particularly factor and product markets, is also critical for increasing the income-earning potential of the poor.

In all these areas, it is important to understand that pro-poor expenditure switching is only part of the picture. Care must be taken to ensure that pro-poor expenditures in subsectors and meso-level services are judged against the same kinds of efficiency and effectiveness criteria for meeting social objectives as are used to measure other public or private sector activities.

Even if more resources are made available through resource mobilization and expenditure switching, they must be accompanied by more careful attention to capacity-building issues related to poverty reduction. Capacity building is more than just training and equipment. It encompasses a spectrum of activities related to human resource development and organizational effec-
tiveness—staff utilization, incentives and development, adequate remunera-
tion, and the material and administrative inputs to improve staff performance.

To facilitate greater attention to resource and institutional commitments, the following are recommended:

- Governments should give much greater attention to ways of mobilizing new domestic resources for poverty alleviation.

- The international community should actively reexamine ways of lowering the tremendous debt burdens facing Sub-Saharan African countries, based on commitments by African governments to ensure that any saving accrued be used for support for the productive sectors of the economy and for poverty alleviation.

- Government and donors should explore more innovative ways of actually building capacity for poverty alleviation.

- Governments should accord high priority to the potential for generating more resources for poverty alleviation through expenditure switching between and within sectors.

- Priority policy attention should be given to raising the standards of planning and public expenditure management so that they are more transparent and accountable and to ensure that (a) programs can be measured against performance indicators or goals, (b) the sanctity and discipline of the budget can be safeguarded, (c) greater rationalization between the capital and recurrent budgets takes place, and (d) more delegation of budgetary control can occur closer to the local level.

Host country and donor collaboration is still often inefficient and wasteful of scarce resources.

Africa is littered with the remains of hundreds of development projects that were neither consistent with individual countries' national development plans nor sustainable when measured against continuing commitment by the target population once the project stopped. The benefits to be derived from closer collaboration among all development actors are obvious—maximized use of resources, greater harmonization between national policies, on the one hand, and program and project objectives, on the other, and correspondingly more efficient and effective project implementation.

How can the present situation be improved? In the first instance, African governments are responsible for establishing the institutional framework for better host country–donor coordination. In too many cases, host countries are not in the driver's seat. Once the institutional framework and national policy priorities are agreed on by government and donors, all parties should abide by
the "rules of the game" and the chosen policy priorities. For governments, the litmus test lies in their beginning to say no to unwanted donor project proposals that fall outside the agreed parameters of donor support, saying no to the lure of "free" project inputs or more technical assistance, and recognizing that such projects actually have high domestic costs or may run counter to long-term national objectives. For donors, the litmus test is to learn to sit in the back seat and adjust their programs and projects to the agreed-on policy framework.

The proliferation of local and international NGOs in recent years has created new problems of coordination and collaboration for governments. Governments recognize this situation and would like both local and foreign NGOs to undertake their project activities within the scope of national priorities and be accountable for the effective use of project funds. Local NGOs believe that government officials do not fully understand how NGOs operate and do not recognize or appreciate their role in development. As a result, NGOs' contribution and potential for policy formulation and implementation are often underrated. Local NGOs also find themselves overwhelmingly dependent on foreign funding but with few viable alternatives.

To improve the framework for coordination and collaboration among the various stakeholders in national development, the following are recommended:

- Governments should establish or accelerate the means by which they can more actively take the reins in overseeing the coordination process among development partners.

- Collaboration should be seen as being most effective when it encompasses all phases of program and project activities—from identification through evaluation—and when it permeates national, regional, and local levels of stakeholder interaction.

- Donors should recognize their responsibility to adapt their assistance to the agreed-on national development framework and public investment program once it is established.

- Governments should provide guidelines on the mode of operation for both local and international NGOs, based on joint discussion, confidence building, and recognition of the role and comparative advantage of each side.

- NGOs should increase attention to ways of mobilizing local resources to reduce dependence on foreign funding.

Poverty monitoring is beset by conflicting demands on available resources and manpower and by confusion about appropriate techniques.

The reduction of poverty must begin with a clear understanding by policymakers and various stakeholders (including the public at large) of the extent and
characteristics of the poor and where they are located. For policy, program, and project purposes, this is the sine qua non of all action—to establish the benchmark against which progress can be measured. Furthermore, poverty monitoring must be an ongoing process—to capture how the poor and various socioeconomic groups are faring during times of rapid economic change, to find out which groups are moving out of poverty and which groups may be moving into poverty, and to determine the effectiveness of various policies and program responses.

Poverty monitoring, however, takes place in the context of a country’s overall information and statistical system, usually managed by national statistical offices and line ministries. The information used in poverty monitoring includes such common data sources as national accounts information, consumer price indexes, agricultural and other sectoral performance indicators, health, education, and nutrition data, and various kinds of household surveys. These requirements for various kinds of data give rise to conflicting demands and overloads on existing manpower and financial resources.

As a first step, poverty monitoring must, therefore, be seen as an integral part of a country’s overall information needs, and careful attention must be given to how much and what kinds of poverty-related data can be collected. An elaborate poverty-monitoring system, however potentially useful, is useless if the data are not collected, analyzed, and made available to policymakers and planners on a timely basis. It is obviously better to have a smaller, more efficient poverty-monitoring system that gives policymakers and other stakeholders information on which to act.

Recognition is also growing that the nature of poverty requires poverty monitoring to combine both quantitative and qualitative data. A number of emerging methodologies (sentinel site surveillance, beneficiary assessment, rapid rural appraisal, and so on) are now being used in African countries and have already shed new light on the problems and perceptions of the poor. Qualitative data is not a substitute for quantitative data; they complement each other and can compensate for each other’s methodological shortcomings. For improved poverty monitoring, the following are recommended:

- Governments that have not already done so should undertake a poverty audit or assessment that establishes the benchmark against which progress can be measured.

- Governments should explore ways to institutionalize a poverty-monitoring system that is consistent with the overall statistical requirements and capabilities of the country.

- Donors should recognize their responsibility to keep their support for statistical services in general and poverty monitoring in particular within the
framework of the host country's statistical capacity and avoid the ad hoc or arbitrary surveys often proposed by donors.

- Poverty programs and projects and basic service delivery systems should include baseline surveys and simple monitoring schemes that capture the impacts of these interventions on various groups of the poor.
- Impact assessments should be made a condition for continuation of funding for poverty-oriented projects.

The multidimensional nature of poverty means that it cannot be overcome by technical approaches alone.

Poverty alleviation efforts can never be successful if they are seen in purely technocratic terms. Poverty does not evolve in a social vacuum. Attention to cultural considerations, changing social relationships, and access to political expression and participation are all key ingredients in any successful poverty alleviation effort. Despite emerging patterns of democratization in many African countries, the majority of poor have little or no voice in the public policy decisions that affect their lives. Poor women tend to have even less of a voice.

The term empowerment is often used to describe a complex process that seeks to give a voice to the poor. Empowerment encompasses increasing the economic and political assets of the poor so that their views and concerns are taken seriously by the stakeholders with whom they interact, and, more important, so that the poor themselves can take the initiative in overcoming their own problems as they perceive them. African governments, particularly the democratic ones, will face increasing pressure to meet the needs of various constituency groups, including the poor, from limited available resources. This is the democratic dilemma facing any country, developing or developed. For equity considerations to be given their due place, governments must recognize the fundamental importance of active debate and dissent, a free press, access to information by all groups, and rights of groups to formal organization. These are key to encouraging the environment necessary for government transparency and accountability. The process can be further enhanced when government decisionmaking is brought closer to the people—through decentralization, gender-sensitive consultations, and other approaches that spread authority and resources away from the center.

As for the poor, they can best be served through active support which encourages local communities to articulate their concerns and to establish self-help organizations that link them more closely with local government, service providers (governmental and NGO), and available financial resources. Such an approach should not be seen as a threat to government; on the contrary, it can make government more responsive and thus more popular.
To encourage nontechnical considerations of poverty alleviation efforts, the following are recommended:

- Public education and debate on the causes of poverty should be encouraged, including those policies and practices that lead to women and ethnic or religious minorities being disproportionately represented among the poor.

- Much greater attention should be given to ways of shifting government decisionmaking to the local level where the poor can actively participate and be encouraged to form civic and self-help organizations.

- Governments should recognize the important positive role that open discussion and debate can have in achieving development objectives by expanding access of community groups to local decisionmakers and ensuring access to public information sources—for example, statistical reports, broad policy documents, and reports or minutes of government meetings.

The Blantyre seminar participants ended their discussion and debate by emphasizing that their observations and recommendations are not meant to be exhaustive on a topic as complex as poverty alleviation throughout the continent. Rather, they are meant to generate debate at the national level on the kinds of common problems that came to light through cross-country comparisons when discussed at the regional level. Regional discussion must be translated into national action.

Note

1. The participants were from Ethiopia, Ghana, Malawi, Mozambique, Namibia, Nigeria, Sierra Leone, Tanzania, Uganda, Zambia, Zimbabwe, Gesellschaft für technische Zusammenarbeit (GTZ, German Agency for Technical Cooperation), the United Nations Children’s Fund (UNICEF), the United Nations Development Programme (UNDP), and the World Bank. The statement has been slightly edited for publication.
Assessing the Impact of the Pattern of Growth on the Poor

This appendix examines changes in poverty and income inequality in Nigeria for 1996–2005 using a simulation model (discussed in more detail in Bigman 1995a). The model relies on primary data from the 1992 household survey to evaluate these changes on the basis of population and consumption growth rate projections. Its general principles are as follows:

- The country’s overall growth process is divided into two principal components: the growth of the population and the growth of the economy.
- The projections for population growth are made for different subgroups of the population in rural and urban areas, taking into account the differences in average household size between households in rural and urban areas and between poor and nonpoor households. The model also takes into account rural-urban migration.
- The projections for economic growth are made for the different sectors of the economy and for the three agroclimatic regions.
- The consumption of each household grows from year to year according to the sector to which the head of household is affiliated and the region of the household. The size of the household also expands according to the rate of growth of the population subgroup to which the household belongs.

The model has been used to analyze the impact of three growth scenarios, as summarized in appendix table E.1. The large differences between the growth rates of different sectors and regions proved to have a significant effect on changes in poverty. During 1985–92, when average per capita expenditures in Nigeria rose by 33 percent; the increases in the northern, middle, and southern regions were 17, 40, and 41 percent, respectively. In the simulation analysis it is assumed that in the absence of government measures to avert the bias, expenditures per capita in
APPENDIX TABLE E.1 GROWTH AND PATTERN OF GROWTH UNDER THE THREE SCENARIOS, NIGERIA

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Annual growth rate, 1996–2005 (percent)</th>
<th>Pattern of growth across sectors (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Urban</td>
</tr>
<tr>
<td>1</td>
<td>5.0</td>
<td>5.0</td>
</tr>
<tr>
<td>2</td>
<td>5.0</td>
<td>7.0a</td>
</tr>
<tr>
<td>3</td>
<td>5.0</td>
<td>3.5a</td>
</tr>
</tbody>
</table>

* The actual growth rate may deviate from this rate in some years because of the change in the relative share of the two sectors.

The north will continue to rise at half the rate of the other two regions. We consider, however, in scenario 1 the effects of a distributionally neutral growth in which this bias is averted and all regions grow at the same rate.

The projections of the annual growth rate of population used in the simulation analysis are 4.6 percent in urban areas, 1.4 percent in rural areas, and 2.9 percent for the entire country. The growth rates are slightly higher among low-income households, which tend to have more children per household.

The three scenarios show the effect of an annual growth rate of 5 percent on poverty under different patterns of growth (appendix figure E.1). In scenario 1 both urban and rural incomes—and the entire economy—grow at an annual rate of 5 percent. The headcount measure remains essentially unchanged at 40 percent (appendix table E.2). Although per capita consumption rises at an annual rate of 1.7 percent, poverty decreases only slightly because of the rise in income inequality. Thus, under the patterns of growth examined in scenario 1, more of the benefits from growth accrue to the nonpoor.

In scenario 2 urban incomes grow at twice the rate of growth as rural incomes. The headcount measure of poverty declines only slightly, from 40 percent in 1995 to 38 percent in 2005. This is because the urban bias of growth can compensate only partly for the rapid rise in urban population stemming from continued rural-urban migration. As a result, per capita consumption in the urban sector rises at an annual rate of 2 percent—the same as in rural areas. Scenario 2 shows that with continued rural-urban migration, poverty is increasingly an urban phenomenon. The higher growth rate in urban areas compensates only partly for the rise in urban population. The incidence of poverty in urban areas declines from 42 percent in 1995 to 36 percent in 2005 despite the rise in the share of urban poor in the total poor population, from 37 percent in 1995 to 47 percent in 2005.
APPENDIX FIGURE E.1 POVERTY UNDER THE THREE SCENARIOS, NIGERIA

Headcount index (percent)

32 36 40 44 48 50


--- Scenario 1 --- Scenario 2 --- Scenario 3

Size of poor population (millions)

35 40 45 50 55 60 65 70 75


--- Scenario 1 --- Scenario 2 --- Scenario 3
### APPENDIX TABLE E.2 POVERTY AND GROWTH, NIGERIA, 1985-2000

<table>
<thead>
<tr>
<th>Year or scenario</th>
<th>Aggregate rate of growth (percent per year)</th>
<th>Per capita expenditure (1985 naira)</th>
<th>Headcount index (percent)</th>
<th>Depth of poverty (percent)</th>
<th>Severity of poverty (percent)</th>
<th>Gini coefficient</th>
<th>Size of poor population (millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1985</td>
<td>10.7</td>
<td>593</td>
<td>43</td>
<td>16</td>
<td>8</td>
<td>0.39</td>
<td>36</td>
</tr>
<tr>
<td>1992</td>
<td>-0.4</td>
<td>792</td>
<td>34</td>
<td>14</td>
<td>8</td>
<td>0.45</td>
<td>35</td>
</tr>
<tr>
<td>1995</td>
<td>-3.6</td>
<td>720</td>
<td>40</td>
<td>17</td>
<td>10</td>
<td>0.46</td>
<td>44</td>
</tr>
<tr>
<td>Simulations, 1996–2005</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scenario 1</td>
<td>5.0</td>
<td>876</td>
<td>40</td>
<td>17</td>
<td>10</td>
<td>0.51</td>
<td>60</td>
</tr>
<tr>
<td>Scenario 2</td>
<td>5.0</td>
<td>879</td>
<td>38</td>
<td>17</td>
<td>10</td>
<td>0.50</td>
<td>57</td>
</tr>
<tr>
<td>Scenario 3</td>
<td>5.0</td>
<td>873</td>
<td>44</td>
<td>21</td>
<td>13</td>
<td>0.55</td>
<td>66</td>
</tr>
</tbody>
</table>

In scenario 3 rural incomes grow at twice the rate of the urban incomes. As a result of the large differences between the rates of population growth in the two sectors because of rural-urban migration, average per capita consumption in rural areas grows at 5 percent per year, while in urban areas average per capita consumption declines 0.24 percent a year. If migration is not reduced; the headcount measure of poverty will rise from 40 percent in 1995 to 44 percent in 2005 because the incidence of poverty in urban areas increases from 42 percent in 1995 to 64 percent in 2005. Meanwhile, the incidence of poverty in rural areas falls from 38 percent in 1995 to 21 percent in 2005, and the share of rural poor in the total poor population declines from 63 percent in 1995 to 53 percent in 2005. This scenario points up the need to take into account future trends—primarily rural-urban migration—in the design of the pattern of growth rather than rely on the accepted truths of the past. The focus of future growth policies must be increasingly on promoting more rapid growth in urban areas—where nearly half of the country’s poor will live by the year 2005—and taking more active measures to slow the pace of migration.

**Note**

1. The scenario exaggerates the negative effect of the biased growth by assuming that the trend of rural-urban migration will not respond to the rising gap in favor of the rural population.
### APPENDIX F

#### THE POOR POPULATION IN DEVELOPING AND TRANSITION ECONOMIES, 1987–93

<table>
<thead>
<tr>
<th>Region</th>
<th>Percentage of population covered by at least one survey</th>
<th>Number of poor (millions)</th>
<th>Headcount index (percent)</th>
<th>Poverty gap (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Asia and the Pacific</td>
<td>88.0</td>
<td>464.0</td>
<td>468.2</td>
<td>445.8</td>
</tr>
<tr>
<td>Excluding China</td>
<td>61.5</td>
<td>109.2</td>
<td>89.3</td>
<td>73.5</td>
</tr>
<tr>
<td>Eastern Europe and Central Asia (ECA)</td>
<td>85.9</td>
<td>2.2</td>
<td>n.a.</td>
<td>14.5</td>
</tr>
<tr>
<td>Latin America and the Caribbean</td>
<td>83.9</td>
<td>91.2</td>
<td>101.0</td>
<td>109.6</td>
</tr>
<tr>
<td>Middle East and North Africa</td>
<td>46.7</td>
<td>10.3</td>
<td>10.4</td>
<td>10.7</td>
</tr>
<tr>
<td>South Asia</td>
<td>98.4</td>
<td>479.9</td>
<td>480.4</td>
<td>514.7</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>65.9</td>
<td>179.6</td>
<td>201.2</td>
<td>218.6</td>
</tr>
<tr>
<td>Total</td>
<td>85.0</td>
<td>1,227.1</td>
<td>n.a.</td>
<td>1,313.9</td>
</tr>
<tr>
<td>Total (excluding ECA)</td>
<td>85.0</td>
<td>1,224.9</td>
<td>1,261.2</td>
<td>1,299.3</td>
</tr>
</tbody>
</table>

**Note:** Unlike past estimates, including those in World Bank 1990 and 1993d, these numbers are based solely on survey data rather than on extrapolations, and new purchasing power parity estimates are used. The headcount index is the percentage of the population below the poverty line (less than $1 a day). The poverty gap index is the mean distance below the poverty line (zero to nonpoor) expressed as a percentage of the poverty line.

**Source:** World Bank 1996f.
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