

Report No. 26541

Poverty Reduction and The World Bank: Progress in 2002

May 16, 2003

Poverty Reduction Group/Poverty Reduction Board
Poverty Reduction and Economic Management Network



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ABBREVIATIONS AND ACRONYMS

ADEA	Association for Development of Education in Africa
AREC	Annual Report on Evaluation Capacity Development
ARPP	Annual Report on Portfolio Performance
BP	Business Procedure
CAE	Country Assistance Evaluation
CAS	Country Assistance Strategy
CASCR	Country Assistance Strategy Completion Report
CDF	Comprehensive Development Framework
CFAA	Country Financial Accountability Assessment
CGA	Country Gender Assessment
CGIAR	Consultative Group on International Agricultural Research
CODE	Committee on Development Effectiveness
CPAR	Country Procurement Assessment Review
CPIA	Country Policy and Institutional Assessment
CPRGS	Comprehensive Poverty Reduction and Growth Strategy (Vietnam)
CSO	Civil Society Organization
DAC	Development Assistance Committee
DfID	Department for International Development (UK)
ECD	Evaluation Capacity Development
EDUCO	Community Managed Schools Program (El Salvador)
EU	European Union
GDDS	General Data Dissemination System
GDP	Gross Domestic Product
GEF	Global Environmental Facility
GLDN	Global Development Learning Network
GNI	Gross National Income
GPG	Global Public Good
GtZ	Deutsche Gesellschaft für Technische Zusammenarbeit
HIPC	Heavily Indebted Poor Country
ICLEI	International Council for Environmental Initiatives
ICT	Information and Communication Technologies
IDA	International Development Association
IEA	International Education Assessment
IFMIS	Integrated Financial Management Information Systems
IMF	International Monetary Fund
IT	Information Technology
KfW	Kreditanstalt für Wiederaufbau
LDC	Least-Developed Country
LIC	Low-Income Countries
LICUS	Low-Income Countries Under Stress
MAP	Multi-country AIDS Program

MDB	Multilateral Development Bank
MDG	Millennium Development Goal
MIC	Middle-Income Country
NEPAD	New Partnership for Africa's Development
NPV	Net Present Value
ODA	Official Development Assistance
OECD	Organization for Economic Co-operation and Development
OED	Operations Evaluation Department
PARIS21	Partnerships In Statistics for Development in the 21 st Century
PBA	Performance-Based Allocation
PCF	Prototype Carbon Fund
PEM	Public Expenditure Management
PER	Public Expenditure Review
PETS	Public Expenditure Tracking Surveys
PPG	Pro-Poor Growth
PRS	Poverty Reduction Strategy
PRSP	Poverty Reduction Strategy Paper
PSIA	Poverty and Social Impact Analysis
PTI	Program of Targeted Interventions
QAG	Quality Assurance Group
QSDS	Quantitative Service Delivery Surveys
RBM	Roll Back Malaria
RVA	Risk and Vulnerability Assessment
SSP	Sector Strategy Paper
SAM	Social Accounting Matrix
SSRL	Social Sector Rehabilitation Loan
SWAP	Sector Wide Approach
TFSCB	Trust Fund for Statistical Capacity Building
UN	United Nations
UNCTAD	United Nations Commission on Trade and Development
UNDG	United Nations Development Group
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund
WDR	World Development Report
WHO	World Health Organization
WTO	World Trade Organization

EXECUTIVE SUMMARY

1. It has been ten years since the first poverty progress report was issued. That report summarized trends in poverty and country policies for poverty reduction, and reviewed actions taken by the Bank to support countries in implementing the findings of the World Development Report (WDR) 1990.¹ Since then, there have been six more poverty progress reports that have sought to look at trends in income poverty and analyze the poverty focus of the Bank's activities, and to the extent possible, their impact on poverty. These reports synthesize materials from a broad range of Bank documents that address the poverty focus and content of the Bank's work and have been useful for sharing with the international community the Bank's overall strategy and contribution to poverty reduction.
2. Over the last decade, there has been a change in how the international community defines and measures poverty reduction. The Bank's World Development Report (WDR) 2000/2001² articulated an intellectual framework for poverty reduction that had evolved through the 1990s. It introduced a broader definition of poverty reduction built around the three dimensions of opportunity, empowerment and security. This broader concept became the basis for the Bank's Strategic Framework.³ The Millennium Development Goals (MDGs), adopted at the 2000 United Nations Millennium Summit, provide quantifiable goals for the global community to measure progress towards an important set of income and non-income aspects of poverty, reflecting the emphasis on achieving concrete measurable results.
3. This year's report incorporates this broader definition of poverty and reflects the growing emphasis on achieving measurable development results. It pays more attention to income and non-income poverty outcomes and the Bank's results orientation than previous reports. In particular, it examines how in 2002 the Bank helped developing countries to achieve results on the ground and how it strengthened the results orientation of its own products and activities.
4. To set the stage for the discussion, Chapter 1 places Bank support for poverty reduction within the broader context of the overall international development agenda, as defined by the income and non-income MDGs and the international partnership that has emerged to support progress towards these goals. Chapter 2 discusses key aspects of the Bank's framework for better managing for and measuring results. In particular, the chapter addresses what the Bank is doing to support results based management for poverty reduction in developing countries and within the institution itself. The final chapter summarizes key challenges for the institution as it moves towards increasing its results orientation and impact on poverty outcomes.

Key messages of this year's report

5. There are five key messages in the report:

(1) ***There has been important progress towards achieving the MDGs, although it has been uneven across the different goals and regions. But, given current trends extraordinary efforts at the country and global levels will be needed to meet all of the targets.*** We are on track to achieve the income poverty goal at a global level, although there are many countries, or groups within countries, that are not likely to meet this target at current trends without a concerted effort by the countries themselves and the international community. The situation is most dramatic in Sub-Saharan Africa, which is beset by high population growth rates, declining per capita incomes, and limited progress to date in reducing poverty compared to other large regions. There has also been important progress on the non-income MDGs, but advances have been more uneven, calling into question the achievement of most of them at current trends (with the exception of access to safe water) without intensified actions at the country and global levels. Broadly speaking, many of the countries of Eastern Europe, Latin America and the Caribbean, and East Asia are on track to meet many of the MDG targets, while few Sub-Saharan African countries are likely to meet them in light of current trajectories. Wide disparities are also evident within regions that have shown progress; in South Asia, for example, several countries are still far from achieving many of the MDGs.

(2) ***The Bank, the developing countries, and their development partners recognize the magnitude of the challenge and have put into place a development architecture for accelerated progress towards the MDGs.*** Actions at the global level are critical, and need to focus especially on promoting market access for developing country exports, increasing aid flows, and accelerating the pace of debt relief. In the final analysis, however, the policies and institutions of the developing countries, including their ability to accelerate broadly shared growth, remain the most important determinants of progress. Stimulating private sector growth through improvements in the investment climate will be key in promoting growth.

(3) ***The MDGs provide an international basis for setting goals, but it is at the country level, through the development of nationally-owned poverty reduction strategies – Poverty Reduction Strategies Papers (PRSPs) in IDA countries and other national strategies in middle-income countries (MICs) -- that the results will be achieved.*** The Monterrey Consensus underlined the centrality of nationally-owned poverty reduction strategies while recognizing the need to allow countries to adapt the MDGs to individual circumstances, and to identify, prioritize and implement the country-specific policies and institutional arrangements necessary for achieving their national goals. The PRSP approach has been central to poverty reduction efforts in low-income countries since late 1999. Based on the Comprehensive Development Framework (CDF) principles, PRSPs are country-owned, holistic poverty reduction strategies, developed on the basis of broadly participatory processes, with a focus on results and accountability, and an emphasis on partnerships. To date, countries have completed 28 Full PRSPs, 46 Interim PRSPs, and 8 PRSP Progress Reports on the implementation of their strategies. Unlike low-income countries, MICs do not have a single common strategic framework,

such as the PRSP, for setting out or gauging their objectives and results focus. Nonetheless, many countries publish their own national strategies and some are beginning to use results-based approaches to development policy and to the management of public expenditures.

(4) ***The Bank, together with its development partners, is actively involved in supporting countries to design and implement good national poverty reduction strategies both through support for knowledge generation and through increasing the results focus of its own activities.*** With respect to knowledge generation, the Bank is seeking to: understand more deeply the linkages between public actions, growth and poverty outcomes; improve country statistical capabilities; and develop more effective tools to assess the non-income dimensions of poverty. The Bank is also strengthening its ability to link its country support to the implementation of national poverty reduction strategies and to increase the results orientation and poverty focus of its Country Assistance Strategies (CASs), projects, analytical and advisory services, and sector strategies. While progress has been made in developing methodologies to assess the poverty focus of these instruments, there are still methodological issues that limit the comparability of the results across countries and sectors and over time.

(5) ***As the Bank moves forward it faces two key challenges.*** The first is how best to support the global effort to accelerate progress towards the MDGs, particularly with respect to pro-poor growth, deepening country capacity for data collection and analysis, and helping low-income countries design and implement country-owned poverty reduction strategies. The second challenge relates to how the Bank will move forward in strengthening its own results orientation with respect to sustained growth and poverty reduction. Meeting this challenge will take time and effort, but good progress has already been made and will accelerate as we move into the new millennium.

CHAPTER 1: PROGRESS IN POVERTY REDUCTION

1. This report is about results in achieving poverty reduction. It focuses in particular how the Bank is helping developing countries to achieve tangible results for their peoples, and how it is strengthening the results orientation of its own products and activities. To set the stage for this discussion, this chapter places the Bank's support for poverty reduction within the broader context of the overall agenda defined by the MDGs, and the international partnership that has emerged to support progress towards these goals. Three key messages arise from the analysis. First, while we are on track to achieve the income poverty goal, many countries or groups within countries will need extraordinary efforts both at the country and global levels to meet this target based on current trends. Second, there has also been important progress on the non-income MDGs, but advances have been more uneven, calling into question the achievement of most of them (with the exception of access to safe water) at the global level without an intensified effort. Third, the Bank and the international community, including the developing countries, recognize the magnitude of the challenge and have put into place a development architecture for accelerated progress towards the MDGs, involving actions by both the developing and developed countries.

The Millennium Development Goals

2. In September 2000, Heads of State gathered at the United Nations Millennium Summit in New York and agreed to commit to a set of clearly defined development objectives and to track progress towards them. The Millennium Development Goals (MDGs) that emerged comprise a set of income and non-income targets and indicators. They serve as a call to action for the international community, help to promote greater mutual accountability for development results, and provide a framework to help governments formulate strategies and prioritize public actions.

3. The MDGs establish quantified and time-bound targets for operationalizing the development objectives of the United Nations Millennium Declaration, based on the goals and targets agreed at global conferences and summits held in the last decade. The MDGs comprise a set of eight goals, 18 numerical targets and nearly 50 quantifiable indicators to assess progress (see Box 1 for the goals and targets and Annex A for a complete list of indicators). The first seven goals are directed at reducing poverty in many of its income and non-income dimensions. The eighth goal proposes key elements of a global partnership for development, designed to help to support the first seven goals. While each goal is important in its own right, their strength also lies in the coherent overall framework they offer for addressing poverty in many of its dimensions.

Box 1: Millennium Development Goals and Targets

<i>Goals</i>	<i>Targets</i>
1. Eradicate extreme poverty and hunger	<ul style="list-style-type: none"> ✓ Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day. ✓ Halve, between 1990 and 2015, the proportion of people who suffer from hunger.
2. Achieve universal primary education	<ul style="list-style-type: none"> ✓ Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling.
3. Promote gender equality and empower women	<ul style="list-style-type: none"> ✓ Eliminate gender disparity in primary and secondary education, preferably by 2005 and in all levels of education no later than 2015.
4. Reduce child mortality	<ul style="list-style-type: none"> ✓ Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate.
5. Improve maternal health	<ul style="list-style-type: none"> ✓ Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio.
6. Combat HIV/AIDS, malaria and other diseases	<ul style="list-style-type: none"> ✓ Have halted by 2015, and begun to reverse, the spread of HIV/AIDS. ✓ Have halted by 2015, and begun to reverse, the incidence of malaria and other major diseases.
7. Ensure environmental sustainability	<ul style="list-style-type: none"> ✓ Integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources. ✓ Halve, by 2015, the proportion of people without sustainable access to safe drinking water. ✓ Have achieved, by 2020, a significant improvement in the lives of at least 100 million slum dwellers.
8. Develop a global partnership for development	<ul style="list-style-type: none"> ✓ Develop further an open, rule-based, predictable, nondiscriminatory trading and financial system. ✓ Address the special needs of the least developed countries. ✓ Address the special needs of landlocked countries and small island developing states. ✓ Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term. ✓ In cooperation with developing countries, develop and implement strategies for decent and productive work for youth; ✓ In cooperation with pharmaceutical companies, provide access to affordable, essential drugs in developing countries; ✓ In cooperation with the private sector, make available the benefits of new technologies, especially information and communications.

4. The MDGs represent an important step forward in recognizing non-income as well as income dimensions of poverty and in mobilizing both developing and developed countries in support of a well-defined set of quantified development goals. However, the MDG initiative also presents some risks. Perhaps most importantly, the emphasis on non-income targets could distract attention from the absolutely critical role that economic growth plays in reducing income and non-income poverty, particularly in many low-income countries where sustained growth has been difficult to achieve. It will be important for developing countries and their international supporters to strengthen further their understanding of the key drivers of broadly shared growth – particularly in the poorest countries – to ensure progress towards both the income and non-income dimensions of the MDGs. Another risk is that the MDGs could lead to a fragmented approach to development, as they are not in themselves a strategy for achieving broadly-shared growth and poverty reduction, but rather a set of benchmarks towards these goals. It is the country strategy process—as defined by the Comprehensive Development Framework (CDF)⁴ and expressed in PRSPs or other national development strategies—that identifies the crucial national public actions and appropriate outcome indicators that will ultimately contribute to achieving nationally relevant targets. It will be important to support the integration of the MDGs into the national strategies. Finally, by not including targets and indicators for empowerment and security, the MDGs risk underplaying the importance of these key dimensions of poverty. Work is currently underway to define global and national indicators that can best capture progress on these cross cutting aspects of poverty.

Are we reaching the goals?

5. There has been important progress towards achieving the MDGs, although it has been uneven across the different goals and regions.⁵ The goals for eradicating extreme income poverty and improving access to safe water are likely to be met, at least at the global level. In contrast, for many of the other goals—notably including universal primary education, promoting gender equality, and reducing child mortality—current rates of progress have not been sufficient to suggest that the 2015 targets would be met. Regional trends so far have also been mixed. Broadly speaking, many of the countries of Eastern Europe, Latin America and the Caribbean, and East Asia are on track to achieve many of the MDG targets, while few Sub-Saharan African countries are likely to meet them on current trends. Wide disparities are also evident within regions that have shown progress, as in South Asia where several countries are still far from achieving many of the MDGs, unless there is an intensified effort undertaken by the countries and the international community.

6. While significant efforts have been made to compile the data presented below, tracking progress toward the attainment of the MDGs remains a difficult task, particularly in light of the uneven quality and availability of the relevant information. Moreover, the data presented here are derived from available country averages, which mask important within-country variations. Careful country level analysis will be required in order to assess how the poor within each country, including middle-income countries, are faring in achieving progress toward the MDGs.

Goal 1. Eradicate extreme poverty and hunger

- Halve, between 1990 and 2015, the proportion of people whose income is less than \$1 a day.

7. On the basis of current trends, this goal will likely be achieved at the global level, with the estimated incidence falling from 29.6 percent in 1990 to 13.3 percent in 2015 (Table 1 and Figure 1). This corresponds to a decrease in the number of poor by 483 million (from 1,292 million to 809 million). At the regional level, estimates indicate that East Asia and South Asia are on track for achieving this goal, with an estimated incidence of one dollar a day poverty falling to 3.9 percent and 15.7 percent in 2015 respectively (compared to 30.5 percent and 45.0 percent in 1990, respectively). However, progress in South Asia is much less evident when a \$2 a day poverty line is considered, as the poverty rate drops only from 89.8 percent in 1990 to 68.0 percent in 2015. The Latin America and Caribbean region is also expected to make good progress, although not enough to meet the MDG goal, as the incidence of one dollar a day poverty is projected to fall by only one third, from 11.0 percent in 1990 to 7.5 percent in 2015.

8. On the other hand, estimates show that very little progress is expected in Europe and Central Asia, the Middle East and North Africa, and Sub-Saharan Africa on the basis of current trends. In Europe and Central Asia, the incidence of one dollar a day poverty is projected to remain constant between 1990 and 2015 (although it has declined since its peak in 1999). Using the higher poverty line of \$2 a day, poverty rates are actually expected to increase between 1990 and 2015, from 6.8 percent to 9.3 percent (translating into an additional 13.6 million poor). But, the situation is the most severe in Sub-Saharan Africa, where the already very high incidence of one dollar a day poverty is likely to remain virtually unchanged, on the basis of current trends (47.4 percent in 1990 and 46.0 percent in 2015). This translates into a large increase in the number of poor, given the expected increase in the region's population, from 241 million in 1990 to 404 million in 2015. Because of the lack of progress in Sub-Saharan Africa, and the relative success of other large regions in reducing poverty, Africa will account for 50 percent of the world's poor in 2015, compared to 19 percent in 1990.

Table 1: People living on less than \$1 and \$2 per day by region⁶

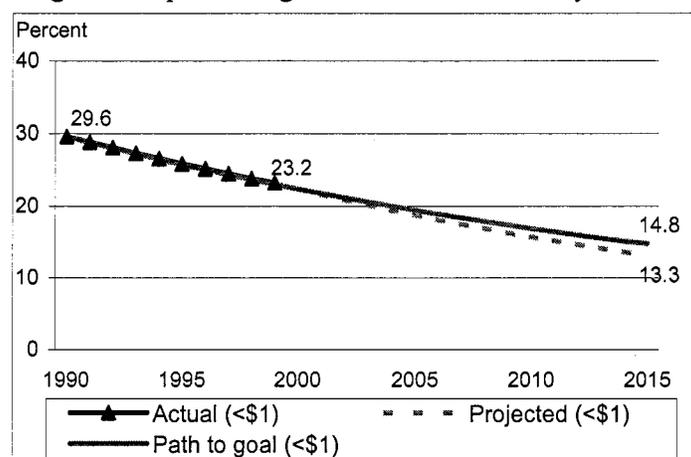
POVERTY & HUNGER	Percent of people living below \$1			Percent of people living below \$2		
	per day			per day		
	1990	1999	2015	1990	1999	2015
East Asia and the Pacific	30.5	15.6	3.9	69.7	50.1	16.6
(excluding China)	24.2	10.6	1.1	64.9	50.2	18.4
Europe and Central Asia	1.4	5.1	1.4	6.8	20.3	9.3
Latin America and the Caribbean	11.0	11.1	7.5	27.6	26.0	18.9
Middle East and North Africa	2.1	2.2	2.1	21.0	23.3	16.0
South Asia	45.0	36.6	15.7	89.8	84.8	68.0
Sub-Saharan Africa	47.4	49.0	46.0	76.0	74.7	70.4
Total	29.6	23.2	13.3	62.1	55.6	38.1
(excluding China)	28.5	25.0	15.7	58.7	57.5	44.7

POVERTY & HUNGER	Number of people living below \$1 per day			Number of people living below \$2 per day		
	1990	1999	2015	1990	1999	2015
	East Asia and the Pacific (excluding China)	486	279	80	1,114	897	339
Europe and Central Asia	110	57	7	295	269	120
Latin America and the Caribbean	6	24	7	31	97	45
Middle East and North Africa	48	57	47	121	132	117
South Asia	5	6	8	50	68	62
Sub-Saharan Africa	506	488	264	1010	1,128	1,139
Total	241	315	404	386	480	618
Total (excluding China)	1,292	1,169	809	2,712	2,802	2,320
	917	945	735	1,892	2,173	2,101

Source: World Bank (2003), *Global Economic Prospects and the Developing Countries: Investing to Unlock Global Opportunities*. Washington, D.C.

9. Cross-country analysis shows that when average incomes rise, the average incomes of the poorest fifth of society rise proportionately. Thus, accelerated growth in developing countries will be the most important determinant of whether the income poverty target is met. The need is particularly critical in Sub-Saharan Africa, where per capita GDP growth is not expected to exceed 1.6 percent annually up to 2015. There are, however, variations across countries and across time in the share of income accruing to the poorest fifth.⁷ Reforms designed to enhance growth need to take into account the regional context and the institutional and structural conditions of each country so as to ensure that the gains from growth are more equitably distributed. In many countries this will require a more efficient use of public resources as well as improved policies, institutions and service delivery. In addition, progress towards the other MDG targets will not only help to reduce income poverty, but also help to ensure that growth favors the poor. Likewise, progress towards the income poverty MDG will also help to accelerate progress towards the non-income MDGs.

Figure 1: Percentage of People Living on Less Than \$1 a Day in Developing Countries



Source: World Bank (2003), *Global Economic Prospects and the Developing Countries: Investing to Unlock Global Opportunities*. Washington, D.C.

- Halve, between 1990 and 2015, the proportion of people who suffer from hunger.

10. Hunger is typically measured in terms of the shortfall in average daily calorie consumption, i.e., undernourishment. The number of undernourished people in the developing world has fallen from 840 million in 1990 to about 777 million at the end of the 1990s. If this trend continues, it can be expected to decrease to 577 million by 2015, which remains above the target of 420 million. The prevalence of child malnutrition in the developing world, another important indicator of malnourishment, fell from 46.5 percent in 1970 to 27 percent in 2000.⁸ Even so, 150 million children under five are still malnourished. At current rates of improvement, halving child malnutrition by 2015 is unlikely. In 2020, 140 million children under five in developing countries will still be underweight, or about 50 million short of the goal. One of the reasons for slow progress in tackling malnutrition has been the lack of government capacity which leads to inappropriate policies and programs such as untargeted and unaffordable food subsidies.⁹

Goal 2. Achieve universal primary education

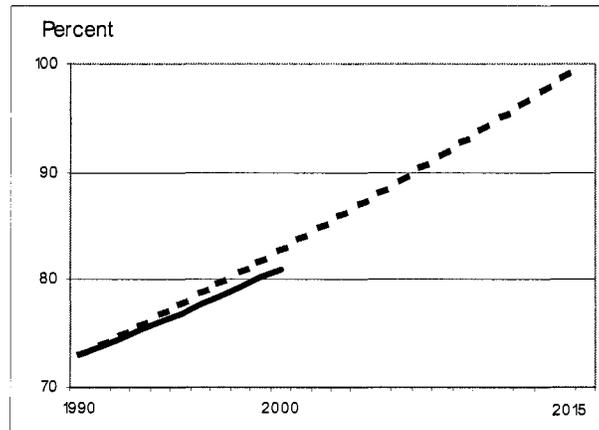
- Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling.

11. Recent World Bank estimates indicate that 36 countries have already achieved universal primary completion rates and 30 more may reach the goal by 2015. The regions of East Asia and the Pacific, Latin America and the Caribbean, and Europe and Central Asia have the highest share of countries that are likely to meet the target of universal primary school education, while the Sub-Saharan Africa region has the lowest share.

12. Given the limited availability of data on primary school completion rates since 1990, youth literacy rates are often used as a proxy to monitor progress towards this goal. Overall, literacy rates in developing countries improved only slightly in the 1990s, rising from 82 percent in 1990 to 85 percent in 2000. As a result, progress in raising the youth literacy rate is well below the trend necessary to achieve 100 percent literacy by 2015 (Figure 2).

13. For many countries, difficulties in meeting this goal arise not only from limited school infrastructure, but also from the inability of the system to retain children through the whole primary cycle. Some 79 developing countries have already built enough schools to educate 100 percent of their primary school-age children, but only 27 of those countries retain 100 percent of children in school through primary graduation. This highlights the complementarity of public actions focusing on improving school infrastructure, on raising the quality of education (including teaching materials, teacher quality and incentives, and pupil-teacher ratios), and on providing incentives for households to send their children to school for the entire cycle.

Figure 2: Percent literacy of 15-24 year-olds



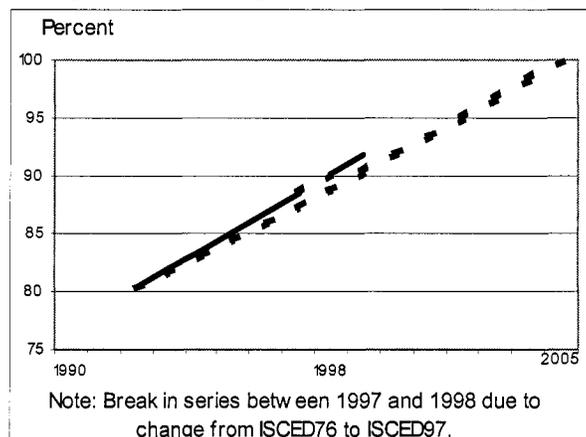
Source: World Bank (2003), World Development Indicators, Washington, D.C.

Goal 3. Promote gender equality and empower women

- Eliminate gender disparity in primary and secondary education preferably by 2005 and in all levels of education no later than 2015.

14. Since 1990, the ratio of girls to boys in primary and secondary school has been rising gradually in low- and middle-income countries, from 79.2 percent in 1990 to 84.2 percent in 1998. But, as indicated in Figure 3, on the basis of current trajectories, progress has been too slow to reach this goal and eliminate gender disparities in primary and secondary education by 2005. Latin America and the Caribbean, as well as Europe and Central Asia are the regions most likely to achieve the goal of eliminating the primary and secondary enrollment gap between boys and girls by 2015. Progress has also been good in the Middle East and North Africa. In Sub-Saharan Africa, where barriers to girls' schooling have traditionally been lower than in some other regions, progress has been disappointing.

Figure 3: Ratio of girls to boys in primary and secondary schools, in percent



Source: World Bank (2003), World Development Indicators, Washington, D.C.

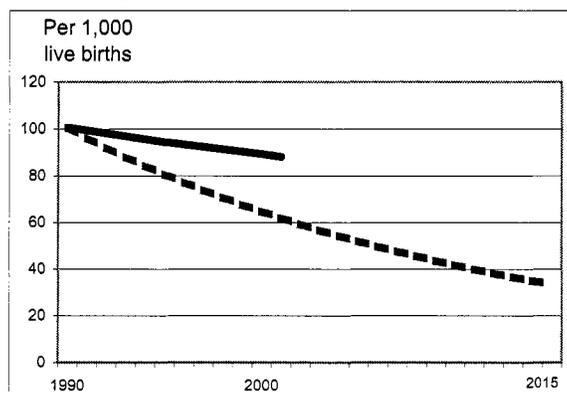
15. The relatively slow progress in eliminating gender disparities in primary and secondary education reflects not only the fact that girls are less likely to enroll in school than boys in many developing countries, but also that they are more likely to drop out, because parents think boys' schooling is more important or because girls' work at home seems more valuable than schooling. Concerns about the safety of girls, or traditional biases against educating them, can also mean that they never start school or do not continue beyond the primary stage.

Goal 4. Reduce child mortality

- Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate.

16. The under-five mortality rate declined significantly in the 1980s, a period when the total number of births was still rising, which gave hope that mortality rates of children under-five could be cut by two-thirds in the following 25 years. But progress slowed almost everywhere in the 1990s, and the under-five mortality rate dropped only slightly, declining from 91 per thousand live births in 1990 to 85 per thousand live births in 2000. At the end of the 1990s, only 31 developing countries were making sufficient progress to reduce under-five child mortality to a third of its 1990 level by 2015. As a result, based on current trends, this goal will not be met by 2015 (Figure 4). Middle-income countries account for most of those on track to achieve it, although a few poor countries (i.e., Bangladesh and some of the poorest countries of the former Soviet Union) are also in this group. At the regional level, Sub-Saharan Africa is least likely to achieve this goal by 2015; as for many countries in this region, infant and child mortality rates actually rose in the 1990s due to civil disturbances and the HIV/AIDS epidemic. In contrast, countries in Latin America, South Asia and the Middle East and North Africa have the greatest likelihood of meeting this goal.

Figure 4: Under 5 mortality rate



Source: World Bank (2003), World Development Indicators, Washington, D.C.

17. The slow progress in reducing the under-five mortality rates reflects a decrease in vaccination coverage as well as the continued presence of malnutrition and disease. For 70 percent of the children who die before their fifth birthday, the cause is disease or a combination of malnutrition and diseases that could be readily preventable in a high-income country, such as

acute respiratory infections, diarrhea, measles, and malaria. Unhealthy conditions at the time of birth also play an important role in infant mortality rates.

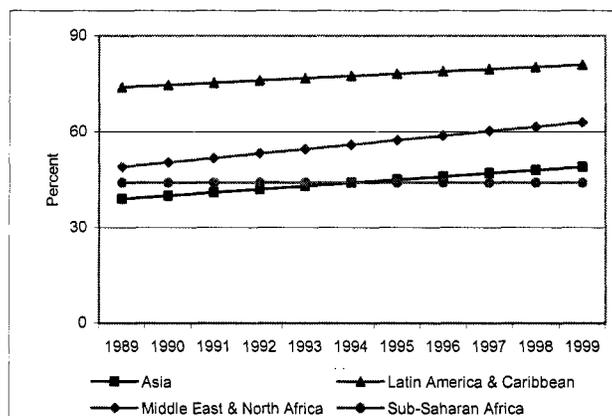
Goal 5. Improve maternal health

- Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio.

18. Lack of current data on maternal health limits the monitoring of trends over time. Using current estimates of maternal mortality, several countries in Europe and Central Asia, Latin America and the Caribbean, and the Middle East and North Africa have low maternal mortality ratios and thus may be well placed to achieve this goal by 2015, while countries in South Asia and especially Sub-Saharan Africa have very high levels of maternal mortality and would need significant improvements to meet this target by 2015.

19. Complications of pregnancy and childbirth are the leading cause of death among women of reproductive age in developing countries. Hence, access rates to skilled birth attendants provide important insights on overall progress towards meeting the maternal mortality goal. Skilled birth attendants can help recognize and prevent medical crises and provide mothers with basic information. Currently, just over half of all deliveries globally are attended by a skilled birth assistant. Regionally, Latin America and the Caribbean has the highest share of births attended by skilled health staff, while the greatest progress over the past decade has been achieved in East and South Asia and the Middle East and North Africa. In Sub-Sahara Africa, the share of births attended by skilled health staff has remained constant since 1989 (Figure 5).

Figure 5: Percent of births attended by skilled health staff



Source: World Health Organization (WHO) (2001), *Maternal Mortality in 1995: Estimates developed by WHO, United Nations Children's Fund (UNICEF) and United Nations Population Fund (UNFPA)*, Geneva.

Goal 6. Combat HIV/AIDS, malaria, and other diseases

- Have halted by 2015, and begun to reverse, the spread of HIV/AIDS.

20. Lack of data again affects the ability to monitor progress towards halting the spread of AIDS, although estimates from UNAIDS indicate continued growth in the number of newly infected adults and children. In 2001, an estimated 5 million people contracted the disease, about 3.4 million of which were in Sub-Saharan Africa. Based on available prevalence rates, Europe and Central Asia has the lowest registered AIDS rates, and Sub-Saharan Africa has the highest. HIV/AIDS is the leading cause of death in Sub-Saharan Africa and the fourth largest killer worldwide.

21. With an estimated 42 million people living with HIV/AIDS in 2002 and 21 million deaths since the disease was first identified, AIDS poses an unprecedented public health, economic, and social challenge. By disproportionately infecting young people—half of all new HIV infections are among 15- to 24-year-olds—and by killing so many adults in their prime, the epidemic undermines development. Among those lost are teachers, health care workers, and farmers, forcing the closure of schools and clinics and threatening food security. Deaths of parents have left more than 14 million HIV/AIDS orphans in the world, mostly in Sub-Saharan Africa. This figure expected is expected to worsen for the next 10 years, straining country-level capacity to achieve the primary education and child mortality MDGs.

- Have halted by 2015, and begun to reverse, the incidence of malaria and other major diseases.

22. Very little information is available on the incidence of malaria, which makes it difficult to track progress. Malaria is endemic in more than 100 countries and territories, affects an estimated 300-500 million people each year and accounts for more than one million deaths annually. Most of the deaths due to malaria occur in Africa, mainly among children under the age of five. But malaria is also on the rise in many countries where it had been previously sharply reduced or even eradicated, and more than a third of the world's population now lives in areas where malaria is endemic. Although there has been some success in eradicating the mosquitoes that spread the disease in countries where malaria was not widespread, this has not been possible in tropical climates.

23. On present trends, there will be 10.2 million new cases of tuberculosis in 2005, and Africa will have more cases than any other region. Tuberculosis is the main cause of death from a single infectious agent among adults in developing countries with an incidence of 164 cases for every 100,000 people, compared to only 19 per 100,000 in high-income countries. Over the past decade, the incidence of tuberculosis has grown rapidly in Eastern Europe and Central Asia, Sub-Saharan Africa, and Asia. The directly observed treatment short-course (DOTS) strategy has been shown to be effective in treating tuberculosis and coverage has been increasing, but in 1999 less than half of the population in the 23 countries with the largest number of cases had access to DOTS.

Goal 7. Ensure environmental sustainability

- Integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources.

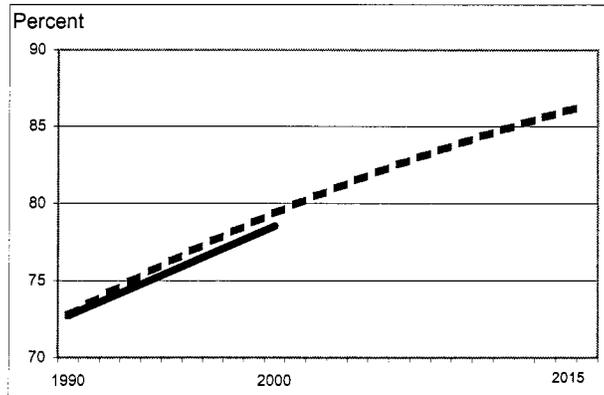
24. Progress towards sustainable development objectives has been less than expected. During the 1990s, tropical forest coverage fell by 9.4 million hectares per year and while the proportion of protected areas increased from 7.5 percent in 1990 to 9.5 percent in 2000, the rate of increase remains slower than in the 1980s. While energy efficiency has increased globally, particularly in some middle-income countries, the gap between high- and low-income economies has widened further. Carbon dioxide emissions, the main cause of the greenhouse effect, have increased by 22 percent between 1990 and 1998 in developed countries and by a staggering 63 percent in the developing world.¹⁰ In addition, growing populations are putting greater pressure on land and natural resources, with rural areas experiencing most of the deterioration, although some urban areas are also facing worsening environmental conditions, notably in East and South Asia.

25. The environment provides goods and services that sustain human development, and development must sustain the environment. Better natural resource management increases the income and nutrition of poor people. It also reduces the risk of disaster from floods. Improved water and sanitation reduce child mortality, and better drainage reduces malaria. Managing and protecting the environment contributes to reaching the other Millennium Development Goals. Fortunately, good policies and economic growth, which work to improve peoples' lives, can also work to improve the environment.

- Halve by 2015 the proportion of people without sustainable access to safe drinking water.

26. At the current rate of increase, it is likely that this goal will be achieved and the number of people without sustainable access to safe drinking water will be cut in half by 2015, with 86 percent of the developing world's safe water needs met. In 1990, about 72.5 percent of the population in developing countries had access to safe water and by 2000 this share reached almost 79 percent, as over the last decade nearly one billion people gained access to an improved water source (Figure 6). However, to achieve the 2015 target, an additional 1.5 billion people will need to be served. Of these, it is estimated that more than 40 percent live in East Asia and the Pacific, 25 percent in Sub-Saharan Africa, and 19 percent in South Asia. Countries in South Asia are most likely to meet this goal by 2015, although again there are important problems with missing data that limit the reliability of the projections.

Figure 6: Percentage of population with improved access to safe water



Source: World Bank (2003), World Development Indicators, Washington, D.C.

- By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers.

27. A key indicator of well-being in slum areas is access to sanitation. Despite large investments in the 1980s and 1990s, the number of people without access to sanitation services in urban and peri-urban areas continues to increase, partly because of the rapid growth in urban settlements. Although access is generally lower in rural areas, sanitation is a particularly critical problem in crowded and rapidly growing urban settlements, where the disease risks associated with poor sanitation are greater. Approximately 2.4 billion people still lack sanitary means of disposing of human waste; the situation is most acute in South and East Asia, where more than half of the population lacks access. At the 2002 Conference on Sustainable Development in Johannesburg, countries agreed to commit to a target for reducing the numbers of people who lack access to proper sanitation by 2015.¹¹

Goal 8. Develop a global partnership for development

28. Meeting the MDGs will require a concerted effort on the part of developing and developed countries alike. Much will depend on the actions taken by developing countries and on the policy frameworks they have in place. However, greater international cooperation and assistance from developed countries are also essential, particularly in order to assist those low-income countries with severe resource and capacity constraints. The March 2002 Monterrey International Conference on Financing for Development brought together heads of State, foreign, development and finance ministers, civil society, and international institutions, who reached a broad consensus (the “Monterrey Consensus”) about what needs to be done by developing and developed countries to promote a global partnership for development and accelerate progress towards the MDGs. Progress in implementing the main elements of this consensus is briefly presented in the next section.

What will it take to achieve the MDGs?

29. Overall, increasing economic growth remains the central driver for faster progress towards all of the MDGs. Economic growth will not only support progress towards the income poverty target, but will also help to generate the resources necessary to accelerate progress towards the non-income MDG targets. In turn, improvements in education, health or gender equality will enhance progress toward halving income poverty by 2015. Because poverty is multidimensional in nature, many of the MDGs are mutually reinforcing. These different dimensions therefore need to be tackled simultaneously.

30. Achieving faster economic growth and accelerated progress towards the MDGs will require a broad set of actions by both developed and developing countries. The consensus that emerged at Monterrey outlined many of the actions to be taken by both groups to this end. The heads of state and governments from developing countries committed themselves to mobilizing domestic financial resources for development, acknowledging that they must take responsibility for good governance and sound policies. They also committed themselves to implementing sound macroeconomic and trade policies, promoting good governance, fiscal sustainability, strengthening the financial sector, and deepening social security and safety net programs.

31. In turn, the international donor community, including the developed countries, committed itself to scale-up and intensify its efforts to help developing countries meet the MDGs. Priorities include mobilizing international resources for development, expanding foreign direct investment and other private flows, promoting international trade, increasing international financial and technical cooperation for development, supporting sustainable debt financing and debt relief, and enhancing the coherence and consistency of the international monetary, financial and trading systems. Three of these priorities are discussed below.

Increasing aid flows

32. The Monterrey Conference highlighted a consensus on the need for a substantial increase in the quantity and effectiveness of official development assistance (ODA) if developing countries are to achieve the MDGs. A World Bank study prepared for the Conference estimated that, given the adoption of adequate policies by developing countries, about \$54 billion a year in additional development assistance would be needed to achieve the MDGs.¹² This is in line with estimates from other international development agencies, and would represent roughly a doubling of official aid flows over 2000 levels.

33. Responding to the challenge raised at Monterrey, many countries have significantly increased their aid flows. Several member countries of the Organization for Economic Cooperation and Development (OECD) have announced their intention to raise their aid budgets and the Development Assistance Committee (DAC) estimates that fulfilling these commitments and plans would raise the ratio of ODA to gross national income from 0.22 percent in 2001 to 0.26 percent in 2006.¹³ However, this still falls short of the United Nations goal of 0.7 percent to which countries committed in the 1995 Copenhagen Declaration on Social Development.¹⁴ Moreover, even without an increase in ODA, the effectiveness of existing aid flows needs to be improved through enhanced support for national poverty reduction strategies, improved aid

harmonization and donor alignment, increased untying of aid, together with the development of good policies and institutions on the part of low- and middle-income countries.

Reducing barriers to trade

34. The Monterrey consensus recognizes that the opportunities offered by trade are critical for accelerating growth and poverty reduction, but that these opportunities have been limited by market barriers in developed countries. It also recognizes that benefits from trade could be expanded if developing countries were to improve their trade policies and infrastructure.

35. World Trade Organization (WTO) members have committed themselves, in the context of the Doha Development Agenda, to negotiations aimed at substantially improving market access for agricultural and industrial products, particularly for developing countries. This will require faster and deeper progress in opening markets and phasing out trade-distorting subsidies in industrial countries, particularly for agriculture, textiles and labor-intensive manufactures. The next WTO Ministerial meeting, to be hosted by Mexico in September 2003, will set the framework for the negotiations.

36. Within this framework, the Bank and the Fund have stepped up their efforts on the trade and development agenda, working closely with the WTO in the areas of their respective comparative advantages. The two staffs have recently produced a joint paper on market access,¹⁵ which examines patterns of protection in merchandise trade and suggests ways to make the multilateral trading system more supportive of development. The Bank and the Fund are also encouraging developing countries to reduce their own barriers to trade and to mainstream trade issues in their poverty reduction and growth strategies. The Bank has established a new Trade Department to scale up and consolidate its research, policy and operational support on trade.

37. The Doha Development Agenda places new emphasis on capacity building and technical assistance. The Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries, chaired by the WTO, and in which both the Bank and the Fund participate, has been revamped. As part of this collective effort, the Bank is leading work on country diagnostics of trade policy and infrastructure, and is coordinating the efforts to integrate trade into development strategies for low-income countries. The Bank has also provided the initial seed money to help launch an inter-agency global facility for information-sharing and capacity-building related to sanitary and phyto-sanitary measures. The facility will help developing countries to improve national food safety and animal and plant health systems, in part to facilitate increased trade.

Easing the burden of debt

38. The Monterrey consensus underlined the importance of getting an early and enduring resolution to the long-standing debt problem of the poorest countries. The Bank and Fund have been central to the Heavily Indebted Poor Country (HIPC) Initiative designed to address this problem. A recently prepared report and statistical update on HIPC provided to the Development and IMF Committees show progress in a number of respects.¹⁶

- Of the 42 countries identified as potentially eligible for relief under the enhanced HIPC Initiative, 26 have already reached their decision points and are therefore benefiting from HIPC debt relief, of which eight have reached their completion points and therefore have received irrevocable debt relief. Four countries are projected to be sustainable cases.
- Together with debt relief under traditional mechanisms and additional voluntary debt forgiveness, the total reduction in the outstanding debt stock is about US\$40 billion in net present value (NPV) terms for the 26 countries which have reached their decision points,¹⁷ or a two-thirds reduction in the overall debt stock of these countries. This relief is projected to have reduced annual debt-service payments for most of these countries to less than 10 percent of exports in 2002.
- Debt relief provided to date has helped these countries to raise their annual social expenditures from around six percent of GDP on average in 1999 to a projected nine percent in 2002— almost four times the amount spent on debt service.
- Most HIPCs are making progress in implementing action plans to strengthen public expenditure management (PEM) systems. This will help monitor the use of resources freed up by debt relief, although improvements in expenditure management and monitoring are still needed in many countries.¹⁸

39. The HIPC progress report also identifies the key challenges ahead, including working with countries to help them reach their completion points; ensuring a sustainable exit from the Initiative; and preserving long-term sustainability beyond the HIPC Initiative. These challenges require sustained efforts on the part of HIPC countries, full participation of all creditors, and continued support from the donor community. For HIPCs severely affected by exogenous shocks, such as falls in export commodity prices, the Initiative has the flexibility, under exceptional circumstances, to provide additional relief at the completion point (as occurred in Burkina Faso). The decision by IDA donors to provide up to 40 percent in grant financing to debt vulnerable countries will contribute to maintaining their debt at sustainable levels.

40. In summary, important progress has been made towards meeting the MDGs, but current trends show that much more needs to be done by developing and developed countries if many of the targets are to be met. The Bank, as part of a global consortium, is responding to this call for action— by working more closely, alongside other donors, to support poverty reduction in developing countries and by increasing the results orientation and poverty focus of its own activities. The next chapter discusses how the Bank is moving forward in both of these areas to support progress towards the MDGs. The focus is on the overall development architecture that has been established to accelerate progress towards the MDGs, rather than on specific Bank interventions to support individual goals.

CHAPTER 2: BETTER MANAGEMENT AND MEASUREMENT FOR POVERTY REDUCTION RESULTS

41. Chapter 1 discussed global progress towards poverty reduction based on the MDGs and outlined key elements of the Monterrey consensus. It also described key elements of a partnership between developing and developed countries to accelerate progress towards meeting the MDG targets. But this new partnership is not just about actions; it also is about results. Indeed, when Ministers discussed a framework paper on development effectiveness and partnership at the Spring 2002 Development Committee meeting,¹⁹ they highlighted the objective of measurable improvements in sustainable growth and poverty reduction. They also underlined the importance of an enhanced focus on results that could be used by countries in designing and implementing their strategies, and by donors and development agencies in scaling up and allocating their support.²⁰

42. While the Bank has always sought to focus on achieving poverty reduction and sustained growth, it has recently deepened its efforts to actively measure progress towards these objectives and, where feasible, its own contribution in these areas. A paper prepared for the Development Committee in September 2002 laid out the Bank's efforts to give specific operational content to the broad commitment to focus on results. The paper set out the approach that the Bank is taking: to support countries in adopting results-based strategies; to increase its own results orientation; and to encourage the harmonization of approaches to managing for results across development agencies.²¹

43. This chapter reports on the application of this approach for achieving better development results with respect to poverty reduction. The first section examines experience to date with national poverty reduction strategies and how the Bank, in partnership with other donors, is helping clients to prepare, implement and monitor them; the second section examines the steps the Bank is taking to improve its own development effectiveness in attacking poverty.

Helping developing countries to achieve results

44. The MDGs provide an international basis for setting goals, but it is at the country level that results must be achieved. The Monterrey consensus underlined the centrality of nationally-owned poverty reduction strategies as vehicles for adapting the MDGs to individual country contexts, and for identifying and implementing the policies and institutional arrangements for achieving them. Designing and implementing good national poverty reduction strategies raises a number of knowledge and institutional challenges, including the need to better understand the linkages between public actions and outcomes; to improve monitoring and evaluation systems for poverty analysis; and to develop new tools to better assess the non-income dimensions of poverty. Implementing national poverty reduction strategies also requires strengthening international partnerships, particularly in the areas of harmonizing aid procedures and enhancing support for global public goods that requires action beyond national boundaries. This section first examines progress to date with respect to the development of country-owned poverty reduction strategies for low- and middle-income countries, highlighting the special needs of low-income countries under stress (LICUS) and African countries. It then briefly reviews how the Bank is helping developing countries to meet the knowledge and institutional challenges related

to the preparation and implementation of their national poverty reduction strategies, before concluding with an analysis of international partnerships for improved development results.

Poverty reduction strategies

Support to low-income countries

45. This section examines progress to date with the Poverty Reduction Strategy Paper (PRSP) approach and summarizes key elements of Bank support for it. It also reviews the special approach the Bank has developed to assist low-income countries under stress more effectively and then briefly summarizes the Bank's strategy for Sub-Saharan Africa.

46. The PRSP approach has been central to poverty reduction efforts in low-income countries since late 1999. Based on the Comprehensive Development Framework (CDF) principles,²² PRSPs are country-owned, holistic poverty reduction strategies, developed on the basis of broadly participatory processes, with a focus on results and accountability, and an emphasis on partnerships. To date, countries have completed 28 Full PRSPs, 46 Interim PRSPs, and 8 PRSP Progress Reports on the implementation of their strategies. The majority of these have been prepared by African countries, which account for more than half of the full and interim PRSPs and all the PRSP progress reports (See Figure 7 and Annex G for a list).

47. A review of the first two years of experience with PRSPs published in March 2002 suggested that the approach had already increased the prominence of poverty reduction in policy discussions and operationalized some of the key principles of the CDF approach.²³ In particular, the review concluded that PRSPs had led to: (i) a strong sense of ownership among most governments of their poverty reduction strategies; (ii) a more open dialogue within governments, and between governments and key stakeholders in civil society; (iii) improved partnerships within the donor community, with commitments to consolidate its assistance behind the PRSP; (iv) greater incentives for better quantitative and qualitative data and diagnosis, while highlighting the gaps in data availability and local analytical capacity; and (v) a better recognition of the importance of monitoring capacities and the need to measure final poverty outcomes. These findings were reaffirmed in the PRSP progress report prepared for the Development and IMF Committees in September 2002.²⁴

48. The review also noted some challenges facing the PRSP approach that would need to be addressed in order to enhance its contribution to development effectiveness. In particular, it noted the need to: (i) move towards more institutionalized forms of participation and dialogue with stakeholders, as opposed to short-term consultative activities; (ii) deepen the analysis of the linkages between public actions and poverty outcomes, including improved poverty and social impact analysis of policies; (iii) enhance the realism of macroeconomic scenarios and long-term targets for poverty reduction; (iv) systematically develop intermediate indicators to help track implementation of public programs and strengthen institutional structures for monitoring and evaluation; (v) increasingly integrate the PRSP process into national budget and planning cycles and into other national decision-making bodies such as parliaments; and (vi) better prioritize and cost public actions, which would involve, *inter alia*, a better understanding of the sources of growth and the linkages between growth and poverty reduction.

49. Since the joint review, an additional ten countries have completed their first full PRSP and others have made substantial advances in the design and implementation of their poverty reduction strategies. Recent experience confirms that the PRSP approach continues to show promise. The quality and commitment that characterize several of the recent PRSPs, together with the momentum described in recent annual PRSP country progress reports, show the dynamism and relevance of the PRSP approach at the country level. But recent experience also shows that substantial challenges remain which countries and their development partners will need to address over time. Opening the policy dialogue, improving public expenditure management, and assessing the poverty and social impacts of key policy reforms are all areas which require long-term efforts and where there is scope for improvement. And, as countries move from the design of PRSPs to implementation, they will also need to build institutional capacity, sharpen policy choices, and more systematically monitor poverty outcomes. These changes will require sustained effort, and both countries and their development partners will need patience, realism, and persistence in confronting them.

50. Recognizing that PRSPs need to address the above issues, Bank and Fund staff have been working to help countries more effectively design and implement their PRSPs. In particular, the Bank is helping its clients in three areas – improving the transparency and openness of the PRSP process and policy making; strengthening institutional capacity to identify priority public actions and monitor poverty outcomes; and improving donor alignment with countries' PRSPs and harmonization of procedures among donors.

51. To strengthen the transparency and openness of policy design and implementation and enhance the capacity of civil society to effectively engage in policy dialogue, the Bank is helping countries to deepen their participatory processes, by providing advice and support for an enabling legal framework for participation, disseminating and implementing the PRSP at the local level, increasing participation of sector ministries in the PRSP process, and strengthening the awareness and involvement of parliaments in the PRSP process.

52. The Bank is also helping low-income countries to strengthen their institutional capacity to identify priority public policies linked to poverty reduction and to more systematically monitor poverty outcomes through support in various areas, as described below.

- To help countries identify an appropriate balance between higher aid flows and sustainable fiscal and other policies that support macroeconomic stability, the Bank and the IMF are developing operational guidance to their respective staffs for examining the likely macroeconomic and poverty reduction impact of higher aid flows.
- The Bank is helping countries to undertake poverty and social impact analysis (PSIA) on a more systematic basis, as well as strengthening countries' public expenditure management systems (see paragraphs 67 to 75).
- Bank and Fund staff are placing greater emphasis on helping countries to identify the policy measures needed to raise growth rates to desired levels through analytical work at the country and sectoral level as well as through operationally focused research programs on pro-poor growth (see paragraph 76).
- The Bank is supporting various initiatives to scale-up capacity building in statistical data collection and analysis, as well as in monitoring and evaluation at the country level (see paragraphs 77 to 82). Also, together with the IMF, the Bank has recently launched the General Data Dissemination System (GDDS) to improve statistical capacity, and is piloting an instrument for improving the design and use of M&E systems with multi-donor support, particularly in PRSP countries.
- The World Bank's Institute's Attacking Poverty Program helps countries to develop, implement, monitor, and evaluate poverty reduction strategies through a range of capacity building activities targeted to a variety of government and non-government actors involved in the process (see Box 2).

Box 2: The Attacking Poverty Program

The Attacking Poverty Program (APP) aims to enhance the capacity of poor countries to design, implement, monitor and evaluate effective poverty reduction strategies. Customized medium-term "country learning programs" target stakeholders involved in the design and implementation of poverty reduction strategies, including government officials at various levels from statistical agencies and ministries, civil society organizations, the private sector, media, parliament, research and policy institutes, as well as staff from the Bank and other donor agencies. APP activities are demand-driven and country-focused. To ensure tailoring to country circumstances, APP always works with local PRSP teams and partner training centers as well as with numerous regional and global institutions.

The APP, which is now being strengthened, includes the Poverty Analysis Initiative (PAI), the PRSP Design and Implementation Initiative (PRSDI), and the Macroeconomic Policy Skills courses, all of which are mutually supportive. In addition, the APP now covers newer areas, such as Poverty and Social Impact Analysis (PSIA), innovative pilots on capacity enhancement of local institutions, as well as the mainstreaming of trade, governance and gender.

The **Poverty Analysis Initiative** includes a number of activities designed to build capacity in statistical offices and research institutes in client countries, in order to generate high-quality poverty analysis to

support the PRSP process in countries. The PAI also focuses on enhancing local capacity in poverty monitoring and impact evaluation of PRSPs. To this end, the Initiative develops and implements country-specific capacity building strategies on all aspects of poverty data collection, analysis, monitoring, and evaluation. Capacity enhancement tailored to specific groups fosters increased use of information and analysis in decision-making processes through:

- strategic seminars for senior policy makers (short seminars with senior policymakers to promote evidence-based policy formulation in poverty reduction strategies),
- workshops for managers of information systems (workshops reviewing the steps required to establish an efficient poverty monitoring and evaluation system for PRSPs) and,
- a variety of technical courses for data producers and users (basic and advanced courses on poverty measurement and analysis, poverty monitoring and poverty impact evaluation).

The **PRSP Design and Implementation Initiative and the Macroeconomic Policy Skills** courses aim to enhance local capacity, particularly among national PRSP teams and Central Bank staff, to design, implement and monitor poverty reduction strategies. In addition to coordinating other PRSP-related capacity enhancement activities, they offer:

- Development Debates (debates for a broad range of participants aiming at stimulating dialogue about poverty reduction strategies),
- the Attacking Poverty Course (covering key issues and tools necessary to effectively participate in the design and implementation of poverty reduction strategies, tailored to specific audiences, country circumstances and stage of the PRSP process),
- Macroeconomic Management courses (using both internet and distance learning) as well as technically-oriented Economic Model Building courses,
- Clinics (half-day seminars on PRSP-related topics organized at short notice at the request of national PRSP teams),
- Poverty Fora (gathering of representatives of PRSP teams, civil society and donors to share experiences, needs and best practices emerging from PRSP processes) and,
- Communities of Practice (electronic networks connecting experts in areas central to the development of poverty reduction strategies).

During FY02, APP delivered over 60 activities and reached more than 3,000 participants in over 40 countries, of which more than half came from Sub-Saharan Africa. During FY03, about 52 activities reaching over 4,000 participants are likely to be delivered, with Sub-Saharan Africa as the main target, and with a growing focus on the ECA region.

For more information, see <http://www.worldbank.org/wbi/attackingpoverty>

53. It is broadly recognized that a country's poverty reduction strategy is the starting point for ensuring that all donor programs are nested in a comprehensive and coherent development strategy that is focused on poverty reduction. To help promote donor alignment and collaboration under the PRSP framework, the Bank has been aligning both the content and timing of its Country Assistance Strategies (CASs) to full PRSPs and has introduced Poverty Reduction Support Credits to help borrowers to implement selected parts of their PRSPs.²⁵

54. In addition to aligning its assistance program with countries' PRSPs, the Bank has been collaborating with the donor community to harmonize aid procedures and improve the internal consistency of policies among donors (see paragraphs 92 and 93). To this end, the Bank and the

Fund are working with the European Union and bilateral donors on ways of coordinating reporting requirements and performance assessment frameworks to reduce the administrative burden associated with the delivery of programmatic assistance to countries that are implementing PRSPs.

55. A key initiative in this area is the framework being developed by the Bank, the Fund, and the EU for aligning budget support with PRSP implementation. This framework draws on work done by the Strategic Partnership with Africa (SPA) to improve coordination of budget support in selected countries. It has four key elements which reflect the view that for donor alignment and coordination to be effective, the country's Poverty Reduction Strategy (PRS) and its budget and planning processes should be seen as driving donor programs rather than the other way around. These elements are: (i) alignment by countries of PRSP implementation with their budget cycles; (ii) alignment of individual donor programs for budget support with PRSP priorities and country processes, particularly in terms of the annual PRS review process; (iii) coordination of donor programs so as to streamline conditionality and harmonize procedures and documentation requirements; and (iv) synchronization of negotiation of individual donor programs with recipient governments. Implementation of the new framework will initially be carried out in countries where donors have already indicated their willingness to play an active role.

56. Low-Income Countries Under Stress (LICUS) face special challenges in preparing results oriented national development strategies for sustained growth, development and poverty reduction. LICUS are characterized by very weak policies, institutions, and governance. Aid does not work well in these environments because governments typically lack the capacity to use finance effectively for poverty reduction. Yet neglect of such countries perpetuates poverty and may contribute to state collapse, with adverse regional or even global consequences. The challenge in LICUS is thus to use other instruments, supplemented by financial transfers where necessary, to promote change.

57. The Task Force on the Work of the World Bank in LICUS has been created to respond to concerns about how the development community, and in particular the World Bank Group, can best help chronically weak countries. The Task Force has proposed an approach, within the principles of the Comprehensive Development Framework, to facilitate policy and institutional change while improving basic social outcomes. The strategy calls for focusing on a few reforms that are socio-politically feasible, around which capacity building and outcome monitoring can be coordinated. It further recommends that assistance to these countries be knowledge-intensive rather than finance-intensive, focusing on high quality analytical work (including stronger sociopolitical analysis), capacity-building, and small demonstration projects to identify and support highly selective and incremental governance reform opportunities. Post-conflict LICUS countries, where higher IDA allocations make possible substantial financial contributions to reconstruction and economic recovery, form an exception to this recommendation. The Task Force also recommended the use of innovative mechanisms to supplement government service provision and strengthen demand for effective service delivery.²⁶

58. Implementation of the Task Force recommendations for the Bank will involve closer working relationships with partners who have a comparative advantage in these precarious environments. A new cooperation with UNDP will be tested in four pilot countries (Angola, Central African Republic, Somalia, and Sudan), and country level discussions are being held with other donors. LICUS principles will also progressively be implemented in CASs. For the current fiscal year, at least seven countries will produce new strategies based on the principles described above.²⁷

59. As described in Chapter 1, many countries in Sub-Saharan Africa face significant challenges in achieving the MDGs that call for increased efforts by both country governments and the donor community. PRSPs are the main frame of reference in the region and an increasing share of Bank and other donor resources will be channeled through programmatic lending in support of these strategies. In addition to providing direct support for the development of poverty reduction strategies, the Bank's engagement in the Africa region reaffirms and bolsters the strategy set out in *Can Africa Claim the 21st Century?*²⁸ and focuses on four major areas: (i) improving governance and supporting conflict resolution; (ii) investing in human resource development; (iii) strengthening competitiveness and supporting economic diversification; and (iv) reducing aid dependence and strengthening partnerships with other donors. Furthermore, key regional priorities remain central to Bank activities in the region, including the provision of post-conflict support, capacity building, assistance in confronting communicable diseases, debt relief, expanding market access for African products, and regional integration.

60. The strategic objectives of the Bank's approach in the Africa region are consistent with those outlined by African heads of state in the New Partnership for Africa's Development (NEPAD). This new partnership marks an important step forward in ensuring that Africans take the lead responsibility for their development strategies. Adopted by African heads of state in July 2001, it builds on many of the principles of the PRSP approach put in place at the national level, emphasizing the importance of governance, participation, wider markets and private initiative in ensuring development.

Support to middle-income countries

61. Middle-income countries (MICs) are confronted with different issues than low-income countries in addressing poverty reduction. While their development indicators tend to be significantly better than those for low-income countries, and while they are more likely to meet the MDG targets, their national poverty profiles mask significant pockets of poverty and inequality, especially concentrated among particular social groups and in lagging regions. For example, asset and income inequality has remained high in many Latin American countries; in Eastern Europe and many countries of the former Soviet Union, inequality in both income and non-income dimensions of poverty has increased over the past decade creating new vulnerable groups.²⁹

62. Another challenge that the MICs face, especially those already well integrated with international capital markets, is protecting poor and vulnerable groups from macroeconomic shocks and instability. The MICs have a greater financial and institutional capacity than low-income countries to help mitigate the impact of shocks on the poor. Also, the fact that the poor constitute a smaller proportion of the total population in many MICs suggests that targeted safety net programs are more affordable than in low-income countries. Finally, while many MICs have been able to generate relatively high growth rates, they still face challenges related to the design and implementation of key social, structural and sectoral policies that will accelerate growth and improve its poverty reducing impact.

63. Unlike low-income countries, MICs do not have a single common strategic framework, such as the PRSP, for setting out or gauging their objectives and results focus.³⁰ Nonetheless, many countries publish their own national strategies and some are beginning to use results-based approaches to development policy and to the management of public expenditures. Moreover, some of the key CDF/PRSP principles, such as country ownership and partnerships, have already been incorporated into MICs' development strategies and their relationship with the Bank.

64. Although the Bank's involvement in MICs may not be always framed within a national poverty reduction strategy, it provides critical support to help MICs address the poverty reduction challenges they face and ensure that the benefits of growth are broadly shared. In particular, the Bank provides support for poverty focused public expenditures (including financial and technical support for safety nets, social services, and rural development investments); for knowledge services and technical assistance to develop a transparent investment climate that offers opportunities for the poor; and for strengthening the capacity for poverty analysis and monitoring (Box 3).

Box 3: Examples of Bank involvement in middle-income countries

The Fundescola School Improvement Program in *Brazil* is part of the Bank's effort to help the Ministry of Education improve the country's education performance by helping the states and municipalities in the poorest regions of the country (the northeast, north, and center-west) to reduce the educational inequalities in their systems. This program focuses on improving the quality of education by raising schools to minimum operational standards, establishing a school development process that promotes school-based institutional strategic planning, and increasing management capacity of municipal and state secretariats of education while also fostering community participation. The program provides support to the poorest municipalities within the targeted regions and to the schools with the weakest performance, which tend to serve the poorest children. This supply-side program is complemented by other Government activities aimed at stimulating demand for education. Among these, the Bolsa Escola program focuses on providing targeted transfers to poor families with school-age children, which are conditional on school attendance. The program thus acts both as a safety net and as a direct intervention to promote school enrollment and attendance. Although the Bank is not directly supporting the Bolsa Escola program, it has worked with Government to protect this program, through adjustment lending as well as other social expenditures, during periods of increased fiscal austerity.

In *Thailand*, the Government and the Bank launched, in May 2002, the Country Development Partnership on Poverty to help the Government achieve its goal of reducing the number of poor by 1.5 million by

2006. This program illustrates the analytical support and technical assistance that the Bank can provide in MICs. Under the partnership, the Bank provides policy advice, technical expertise and knowledge services to combat poverty through four components: (1) upgrading the poverty data base, (2) expanding knowledge of techniques to measure and analyze poverty, (3) refining the poverty reduction strategy to design effective pro-poor policies, and (4) setting up monitoring and evaluation systems for the poverty reduction strategy. The partnership also led to the “localization” of the MDGs in the Thai context, including the development of a MDG-Plus agenda, which calls for more ambitious progress in social development indicators than those called for by the MDGs, and goes beyond the national aggregate blueprint to focus on specific population sub-groups (e.g. particular regions or social groups).

Knowledge and capacity building

65. The emphasis placed on results based country-owned national poverty reduction strategies has highlighted the need for better country-based understandings of the linkages between public actions and poverty outcomes, improved country statistical capabilities and data access, and new tools to better assess non-income dimensions of poverty. This section discusses how the Bank is supporting various initiatives in these areas.

Understanding the linkages between public actions and poverty outcomes

66. A key requirement for designing and implementing effective poverty reduction strategies is to understand the transmission mechanisms by which public actions produce development results. This process can be helped by: (a) an enhanced understanding of the distributional impact of policies, (b) improved management of public expenditures, and (c) a greater knowledge of the determinants of pro-poor growth. This section examines these three areas in more detail.

67. The first area, poverty and social impact analysis (PSIA) of policy reforms can help countries make more informed choices about the reforms most likely to improve the livelihoods of poor and vulnerable groups, as defined in terms of income, gender, ethnicity, age, geographic location, livelihoods, etc. By analyzing impacts before the reform is designed, during its implementation, and after its completion, PSIA can also nurture a more open policy debate by highlighting the trade-offs implicit in alternative reform designs. The Bank has supported countries in undertaking such analysis in the past, such as in: Armenia (utility reform), Indonesia (the financial crisis), and Vietnam (state owned enterprise reform). Despite these efforts, PSIA has not been routinely applied across countries or across major issues with distributional or social implications. The PRSP approach – and its focus on development outcomes – has highlighted the need for PSIA to be conducted in a more systematic manner.

68. Systematically integrating PSIA into country strategies poses several challenges, notably including limited country capacity (and sometimes limited government demand for analysis). Another major challenge is related to the numerous methodological difficulties inherent in this type of analysis: in particular, it is very difficult – and often impossible – to define a counterfactual for nation-wide policy reforms; it can be very difficult to estimate ex-ante the impact of reforms; and the information base available for the analysis is often limited. During

the past year, supporting country PSIA has been an important concern for many development partners, including the Bank. The Bank has expanded the number of countries in which major reforms are underpinned by PSIA, and provided technical assistance on how to undertake it. In particular, the Bank is supporting this effort in three main ways:

- First, the Bank has developed an approach for PSIA for use by Bank staff and countries alike. The methodology, which was published for comment in the draft PSIA User's Guide (April 2002),³¹ draws on both economic and social tools and is adaptable to different reform issues and degrees of country capacity. Several stakeholders have commented on the approach, and the Guide has now been revised to reflect their suggestions.
- Second, the Bank is codifying and disseminating examples of good practice. Training courses have been developed on the broad approach to PSIA, and in the coming year the focus will be on designing more in-depth modules on specific tools and reform issues. A recent technical workshop, jointly organized by the United Kingdom's Department for International Development (DfID), the Bank and the IMF provided an opportunity to draw together the lessons of country experience with PSIA, including linking analysis to national policy processes and the choice of methodological approaches. The discussions found that PSIA was generally feasible in low-income countries, though individual tools varied. At the same time, it was noted that the analysis could be both time and resource intensive. Finally, a PSIA website has been developed, which makes available various resources including the Users' Guide, tools, training material and progress reports on country work.³²
- Third, the Bank has prepared detailed guidance on tools available to carry out the analysis of the poverty and social impacts of policy changes, posted on the external website. These include tools for the social analysis of stakeholders, institutions, risks and impacts; and economic tools for direct impact analysis, the modeling of behavior, the modeling of partial and general equilibrium effects, and microeconomic simulations. The Bank is also working to develop new tools to estimate the distributional impacts of alternative macroeconomic scenarios, where current techniques are weaker.

69. Partly as a result of these efforts, the Bank and its partners are supporting PSIA in a larger set of low-income countries. Analysis covering a broad range of issues is underway in numerous countries, with the assistance of the Bank or other donors (See Annex I for a list of ongoing and planned PSIA activities). In addition to ongoing work, plans for future PSIA, to be supported by the Bank and other partners, are reasonably advanced in a number of low-income countries, including Albania, Benin, Bolivia, Burkina Faso, Cambodia, Ghana, Honduras, Indonesia, Mali, Mauritania, Nicaragua and Tanzania. Some of the areas of focus for this new work include: utility reform (Ghana), cotton reform (Benin, Mali), public expenditure (Mauritania), land reform (Cambodia), tax reform (Nicaragua) and trade (as a regional question in Nicaragua and Honduras). Box 4 provides an example of the PSIA approach applied in Chad to address the poverty and social impact of the ongoing cotton sector reforms.

Box 4: Poverty and social impact analysis of the cotton sector reform in Chad

Cotton is a major crop in Chad, in terms of its impact both on government revenues and on poverty. Almost half of the population depends directly or indirectly on cotton production. In the past, cotton accounted for around 30 percent of total government revenues, but the sector is currently a drain on government resources. To address this issue and improve farmers' incomes, the government of Chad is considering privatizing the parastatal that manages national cotton production. Several factors have encouraged the Government to proceed carefully in designing and implementing the reform: they include the possibility that yields will fall further if the reform prompts farmers to return to subsistence agriculture; the limited availability of information on rural poverty; farmers' concerns about the risks of the reform; the number of potentially affected individuals; and the absence of preconditions for a market economy, particularly in rural areas.

Progress on the PSIA. The methodological approach combines ex-ante and ex-post qualitative and quantitative analysis. The first phase of the PSIA was an ex-ante qualitative analysis which explored the social, economic, and institutional context of cotton production, identified areas of vulnerability, and is informing an ex-ante quantitative analysis. The second phase, beginning in late 2002, involves a social risk analysis of different privatization scenarios (being developed by the Government) and a quantitative survey of cotton producers. The survey yields further insight on the likely impact of the different privatization scenarios. Once a decision is taken on the reform, household panel surveys, qualitative assessments, and institutional analyses are planned for a two to three year period. This will facilitate monitoring and evaluation of the implementation of the reform and identify any necessary adjustments (including mitigating measures).

Rationale for the choice of method. The high risk of the reform, the lack of data, the complexity of the sector, and the multiple transmission channels for the reform called for the use of multiple qualitative and quantitative tools. These tools are being applied in a sequenced fashion, so that policy makers have new information at each step of the analysis.

Building local ownership. The PSIA methodology has been developed with relevant government institutions and some civil society groups. The analysis is being conducted mainly by local researchers (from academia and government agencies). Identifying local researchers was a difficult process, given limited national capacity. Analytical results will be discussed at a forum where the Government, delegates from the farmers' organizations and representatives from the private sector will explore the various privatization scenarios.

70. The long-term objective is to ensure that low- and middle-income countries have the capacity to apply PSIA routinely in developing their national poverty reduction strategies. The Bank has a major role to play at the country level, both in strengthening national capacity (so that PSIA can more routinely be carried out in-country) and in providing direct analytical support (particularly in the short term while domestic capacity remains weak). Bank Country Assistance Strategies will draw on the country's reform agenda to identify priority areas for PSIA analysis to be undertaken by staff or other partners. The Bank will also work to ensure that PSIA underpins reforms supported by its lending operations. Ideally, this analysis will be undertaken as part of the upstream support to countries. However, analytical gaps may occur, in which case the Bank may have to carry out PSIA as a stand-alone analysis. Given the resources and time

required to undertake PSIA, integrating analysis within national poverty reduction strategies will necessarily be a gradual process.

71. The second area, strengthening countries' public expenditure management systems, aims to help countries prioritize public actions to reduce poverty and to increase the overall efficiency and poverty impact of public spending. While the Bank has traditionally supported analytical work that assesses the content and overall efficiency of public expenditures, its work in this area has been evolving to support a broader view of poverty reduction and focus more closely on the linkages between expenditures and poverty outcomes, involving a greater integration of poverty monitoring with budgeting systems. In particular, the Bank's work in this area includes capacity building and financial support, as well as policy advice through economic and sector work, such as Public Expenditure Reviews (PERs), Country Financial Accountability Assessments (CFAAs), Country Procurement Assessment Reviews (CPARs) and assistance for poverty expenditure tracking initiatives.

72. In FY02, the Bank completed 26 PERs, compared to annual average of 13 PERs for the previous three-year period; and CFAAs and CPARs were completed in 20 and 14 countries respectively. Management has committed itself to having current (defined as not more than 5 years old) reviews in place for all active borrowers by the end of FY04. Work is also underway to improve the coordination of these products and to integrate their findings in Bank operations and government policy. To this end, capacity building activities are being delivered in the area of public finance for poverty reduction, focusing on how both revenues and expenditures can contribute to it. Also, to enable more effective stakeholder participation at the country level, the Bank is sharing knowledge about participatory budgeting and is providing training and technical assistance on social accountability and civic engagement to both civil society groups and government officials.

73. With respect to tracking the poverty focus of expenditures, the HIPC expenditure tracking initiative has led the Bank and other donors to encourage beneficiary countries to assess the capacity of national budget institutions and focus on capacity-building and institutional development. Joint Bank-Fund assessments of the capacity of 24 HIPCs to track and report on poverty-reducing spending (20 in Africa, and four in Latin America and the Caribbean) were discussed by the Bank and Fund Boards in March 2002.³³ HIPC governments were involved in finalizing these assessments and developing action plans to strengthen PEM systems. Short-term actions to strengthen poverty-reducing expenditure tracking include broadening the coverage of government expenditures, upgrading classification systems, introducing functionally based in-year reporting, and piloting of integrated financial management information systems (IFMISs). A March 2003 Board update³⁴ provided information on country progress in implementing the action plans. The update is based on information for 21 countries prepared by Bank-Fund staff in consultation with country authorities. More than three-fourths of the measures in the action plan have either been fully implemented or are under implementation. These improvements need to be accompanied by increased efficiency and better targeting to improve social outcomes. Measures from the action plans are being incorporated in Poverty Reduction Strategy Papers (PRSPs) as well as in Fund-supported programs and Bank adjustment operations.

74. **A second comprehensive review of the capacity of HIPCs for tracking poverty-reducing spending** will be undertaken in 2004 jointly by the Bank and the Fund. The review will assess country PEM performance against 15 benchmarks and progress in implementing action plans. In addition to updating progress in the initial 24 countries, the review will cover 14 new countries in Africa, as well as applying it in selected East Asian and Latin American countries. A similar but desk-based assessment is also being developed in the Bank's ECA region.

75. **While the PEM assessments take a system-wide approach to expenditure tracking, the Bank is also helping clients to better track public expenditures using a bottom-up approach.** Public Expenditure Tracking Surveys (PETS) and Quantitative Service Delivery Surveys (QSDS) allow countries to track the extent to which budget allocations for specific public services (e.g., schools, health clinics) reach their intended destination, and whether resources are being efficiently and effectively transformed into public services. Aside from Uganda (Box 5), public expenditure tracking and service delivery surveys have been completed in nine other countries and are underway in five others. (Countries with completed PETS and QSDS surveys include: Honduras, Peru, Ghana, Tanzania, Zambia, Rwanda, Senegal, Mozambique, and Papua New Guinea. Countries with PETS and QSDS surveys underway include: Nigeria, Kenya, Chad, Ethiopia, and Laos.) In addition, surveys of absenteeism in public sector schools and health facilities have been implemented in a number of countries. These respective surveys vary in scope and focus, but are all concerned with understanding the determinants of efficiency and integrity in the public expenditure and service delivery process. Results to date with PETS in Uganda show that information and transparency can be a cost-efficient way of overcoming systemic problems in service delivery (Box 5).

Box 5: Increasing the effectiveness of expenditures in Uganda with PETS

In Uganda, where the PETS approach was pioneered in 1996, a PETS survey established that only 20 percent of non-wage primary education spending actually reached schools in 1995, with the remainder either being reallocated to other uses or captured for private gain. As a result of the survey, the central government launched an information campaign both nationally and at the district and school level. This both increased transparency and raised public awareness. A repeat survey in 1999/2000 showed that schools now received over 90 percent of non-wage education spending (although with delays). This remarkable improvement can be partly attributed to the government efforts to disseminate information, both through the media and by systematically posting public spending information at schools and districts.

See: <http://www-wbweb.worldbank.org/prem/prmps/expenditure/PREMnote23.pdf>

76. **In the third area, pro-poor growth, analytical activities at the country and sectoral level, together with operationally-focused work and research programs on pro-poor growth, are aimed at helping countries identify the policy and institutional reforms needed to raise growth rates and increase the participation of the poor in the growth process.**

- The Bank is implementing a research program to better understand what makes growth “pro-poor,” requiring, *inter alia*, a deeper understanding of the role played by initial conditions and the drivers of distributional changes (Box 6).³⁵ Bank staff are also pursuing an operationally-oriented work program that aims to provide practical advice to staff and policy

makers in low- and middle-income countries about how to design PRSPs and other poverty strategies that involve the poor in the growth process.³⁶

- An important element of work on pro-poor growth is the use of investment climate assessments, which provide insight on the key constraints to job creation and promotion of income-generating opportunities for the poor at the country and sub regional levels (Box 6).
- The Bank is also working to help developing countries to upgrade the trade policies and related institutions needed in order to support export-led growth strategies that involve the poor. This work has been undertaken in an interagency and multi-donor initiative, the Integrated Framework for Trade Related Technical Assistance, whose objective is to strengthen trade policies and mobilize donor support for their implementation (Box 6).

Box 6: Improving understanding of the links between public actions and poverty outcomes

Pro-Poor Growth: The Bank Group has begun a research program to better understand what makes growth processes pro-poor. The program has four objectives, which include: (i) understanding the specific ways in which initial conditions (including initial inequalities) affect the rate of poverty reduction for a given growth rate; (ii) understanding the sub-national determinants of pro-poor growth; (iii) examining how exposure to uninsured risk can impede overall rates of growth and poverty reduction; and (iv) understanding the relationship between social exclusion and poverty. These questions are being examined in the context of case study work in a number of countries, including India, China, Brazil, and Indonesia. A recent study conducted in India illustrates some of the policy ramifications of this research. The study, which tests for inter-state differences in the impact of growth on poverty, shows how state-level factors such as the composition of growth, literacy, urban-rural differences, and the level of rural infrastructure affect the rate of poverty reduction.

Sources: World Bank, "Looking Beyond Averages: A Research Program on Poverty and Inequality" and Gaurav Datt and Martin Ravallion, "Is India's Economic Growth Leaving the Poor Behind?" 2002, and econ.worldbank.org/programs/poverty/topic/2543/.

Investment Climate Assessments: Improving the investment climate is a key pillar of the World Bank Group's work to promote growth and reduce poverty. Identifying the key obstacles to firm performance and entry, particularly in areas where poor people live and work, is critical for devising policies that can enhance job and income opportunities for the poor. Over the past two years, the Bank Group has undertaken systematic efforts to develop a standardized approach to measuring and comparing investment climate conditions in countries. These standardized survey tools - called Investment Climate Assessments - review the regulatory, legal, policy, and governance conditions in a country and their impact on firm performance. The assessments will enable policy makers to: (i) better identify the features of the investment climate that matter most for productivity and hence income growth; (ii) track changes in the investment climate within a country over time; and (iii) compare conditions within and across countries. The Bank Group has thus far completed four assessments (for India, Morocco, Nigeria, and Bhutan), and plans to complete another 24 by the end of fiscal year 2003. These will include seven in East Asia (including China), six in Sub-Saharan Africa, five in Latin America, two in the CIS, two in MENA, and one each in South Asia and CEE. Recent work completed in India examines the country's investment climate conditions compared to international standards; it also reviews the differences in conditions among Indian states. Amongst its other findings, the study highlights the particularly adverse effects of

regulatory burdens, poor power supply, and heavy state regulations in labor markets on the performance of small- and medium-sized enterprises.

Source: <http://rru.worldbank.org/CountryAssessments/index.asp>

Promoting trade's contribution to growth: Case of Senegal: Under the Integrated Framework for Trade Related Technical Assistance Initiative, sponsored by several agencies (WTO, UNCTAD, IMF, the World Bank, and ITC), the Bank prepared a Diagnostic Trade Integration Study for Senegal that examined issues related to national trade policy, market access, competitiveness and supply of exportables by selected key economic sectors (fisheries, agriculture, tourism and textile). The government has indicated its intention to incorporate key elements of the trade report into its PRSP progress report and to further explore the impact of its renewed emphasis on export promotion on poverty, drawing on recent household data.

Source: World Bank. "Senegal: Diagnostic Trade Integration Study." March 12, 2003.

Strengthening monitoring and evaluation systems for poverty analysis

77. Poverty reduction strategies and the MDGs have increased the demand for evidence-based policy making and poverty monitoring. An important constraint identified by the 2002 PRSP review was the lack of timely, high-quality data on key aspects of poverty and public actions, which also undermines the international community's ability to monitor progress towards the MDGs. Many developing countries face difficulties in producing reliable, timely statistics at the national, regional or sectoral level in a sustainable and transparent way. The Bank is engaged in several initiatives to strengthen national statistical capacity, monitoring and evaluation systems, and poverty analysis methods.

78. The Bank supports the development of national statistical capabilities by helping countries – especially PRSP countries – to improve their statistical systems. This work focuses on helping countries to upgrade the collection, processing, and storage of data by national statistical offices and sector ministries. In particular, the Bank (i) supports 200 projects with a focus on statistical capacity, including data collection, compilation and processing, and dissemination; (ii) provides direct advice to countries, notably in choosing indicators to monitor national PRSPs; and (iii) disseminates best practice, tools and methods to practitioners.

79. The Bank is also an active member of the PARIS21 Consortium (Partnerships In Statistics for Development in the 21st Century), which promotes a culture of evidence-based policy making and monitoring of the development objectives of PRSPs and the MDGs through advocacy and tools development, and plays an important role in the coordination of development partners' involvement in building capacity to monitor poverty.³⁷ The Bank also manages the Trust Fund for Statistical Capacity Building (TFSCB), a global facility administered on behalf of donors, to support efforts at the national, regional and global levels to improve the collection, processing, analysis, storage, dissemination and use of statistics to support poverty reduction. The TFSCB provides a practical mechanism to achieve the PARIS21 vision, and has so far supported the implementation of 45 projects, mostly at the country level but also including some global and regional projects. The activities supported range from the design of national action

plans for establishing poverty monitoring systems to improving living standards surveys, and strengthening national statistical systems.³⁸

80. To support the development of systems for monitoring and evaluation, the Bank established a program for Evaluation Capacity Development (ECD) in 1994 to help countries improve their monitoring and evaluation systems as an integral part of sound governance. In 2000, the Board endorsed the Monitoring and Evaluation Improvement Program, whose work includes evaluating countries' strategies for strengthening their results-based monitoring systems. Under this program, a diagnostic guide is being used in several countries to assess their readiness to introduce results-oriented monitoring and evaluation. The first Annual Report on ECD was completed in June 2002, and the Bank is following-up to implement its recommendations.³⁹

81. The Bank also provides technical assistance to help countries establish systems to monitor and evaluate national poverty reduction strategies. In addition to providing advice, training, and learning materials on tools for monitoring poverty, the Bank is developing material on institutional issues that arise when setting-up poverty monitoring systems.⁴⁰ Training and learning activities are often aimed jointly at data producers, data analysts, and policy makers, so as to reinforce the linkages between institutions and foster a greater use of data in the formulation of policies (see Box 2).

82. The Bank also plays a central role in improving methods for poverty and inequality analysis. New techniques for poverty analysis are being developed, for instance by linking existing data sources to generate detailed poverty maps. A standardized database is being constructed to improve the comparability and accessibility of disaggregated poverty data over time and across countries. Approaches to defining indicators and measuring empowerment aim at expanding the analysis of poverty and its determinants beyond monetary and human development concepts. These new approaches are being applied in many countries where the Bank is supporting analytical work on poverty. Finally, much work is being done to strengthen the ex-ante assessment of the poverty impact of programs or projects (see paragraphs 67 to 70).

Operationalizing new tools to assess multiple dimensions of poverty

83. The Bank has introduced several new tools to help countries develop a better understanding of the multi-faceted and cross-cutting nature of poverty as laid out in the WDR 2000/01. These tools are intended to help developing countries to better identify and prioritize public actions.

84. In particular, greater appreciation of issues related to security and vulnerability in individual country contexts will significantly enhance progress towards the MDGs and other national development goals. Measuring vulnerability is difficult: it is a multi-faceted and dynamic concept, and the necessary data are often not available or inadequate. Attempts to define, formalize and quantify vulnerability in an operationally relevant fashion abound in the poverty-related literature. However, these efforts each look at very specific indicators of

vulnerability tailored to country circumstances, and there is a growing consensus that it is neither feasible nor desirable to capture vulnerability with a single indicator.

85. In order to better analyze this dimension of poverty, the Bank has developed guidelines that lay out a conceptual framework to analyze the sources of vulnerability, and provide steps for an assessment of risks and the risk management system available to cope with them. They complement static poverty analysis by adopting a forward looking perspective on household welfare, and by explicitly analyzing the sources of household vulnerability as the combined effect of: (i) exposure to shocks, and (ii) a household's ability to withstand these shocks, that can together lead to, perpetuate or deepen its poverty.⁴¹

86. By the end of FY02, the Bank had completed over 30 Risk and Vulnerability Assessments (RVAs) with 20 more under preparation in FY03. Some of the Bank's Poverty Assessments, such as the Pakistan assessment, adopted an integrated approach, which combines the analysis of vulnerability and poverty. Insights from these assessments have begun to influence Bank lending (e.g., Turkey Risk Mitigation Loan, Guyana Poverty Reduction Support Credit) and provide important recommendations for social protection and safety net policies. For example, a vulnerability analysis carried out in Colombia in the context of a broader assessment of safety nets yielded recommendations on reforming the national childcare system, revising the proxy means test mechanisms used for poverty targeting, establishing a counter-cyclical social safety net stabilization fund, and paying greater attention to the problems faced by the internally displaced population.⁴²

87. Gender equality and the empowerment of women represent a cross-cutting theme for poverty reduction, as reflected in the Millennium Development Goals. As with vulnerability, the Bank's strategy for mainstreaming gender notes that gender equality contributes to poverty reduction, economic growth, human well-being, and development effectiveness (see Box 10 for a summary of the Bank gender strategy). Achieving better results in mainstreaming gender in the Bank's work will depend critically on developing a better understanding of gender inequalities, the conditions that give rise to them, and constraints to addressing them in particular country contexts. The Bank has developed guidelines for country gender assessments (CGAs), which lay out a framework for the Bank and borrowing countries to collaborate on analyzing the gender dimensions of development within and across sectors in a given country and to identify gender responsive policies and actions.⁴³

88. Empowerment was also highlighted by the WDR 2000/2001 as a key dimension of poverty. This is a relatively new concept, which presents difficulties with respect to identifying concrete indicators to monitor progress. To date, instruments for measuring and tracking empowerment are nascent and only partially embedded in poverty monitoring systems in developing countries. A combination of participatory methods, opinion polls and surveys on quantitative variables such as the extent of civil and political liberties has been used in initial attempts to measure empowerment.

89. In order to help borrowing countries and Bank staff to incorporate empowerment issues and actions into their country strategies, the Bank has produced a sourcebook on empowerment and poverty reduction. The sourcebook presents a framework for the key elements of an empowerment strategy, and identifies critical areas for further Bank action. It presents the various aspects of empowerment: increasing access to information, increasing inclusion and participation, enhancing accountability and enforcement, and strengthening local organizational capacity. It also outlines key areas for support, presents tools and good practices, and proposes practical illustrations of the application of the framework in five areas: provision of basic services, improved local governance, improved national governance, pro-poor market development and access by poor people to justice.⁴⁴

90. Over the next year, Bank staff will focus on applying these empowerment approaches in various operational contexts so as to develop and test indicators and methods for better analyzing and tracking empowerment. The Bank will also focus on developing a set of policy options for integration into country strategies, policy dialogues, and specific operations that aim to strengthen accountability and transparency in state-society relations, and to improve poor people's access to markets and influence on government policies.

International partnerships to improve development outcomes

91. The Bank is increasingly working with its development partners to improve the effectiveness of development assistance. This section highlights three areas where international partnerships have become increasingly important for the Bank: harmonization of donor policies procedures and practices; support for Global Public Goods (GPGs), covering such areas as communicable diseases, environment, trade and technology; and better international efforts for measuring, monitoring and managing for results.

92. In recent years concerns have been raised about the wide variety of donor requirements and processes for preparing, delivering and monitoring development assistance. These various requirements generate unproductive transaction costs, do not always fit well with national priorities, and can undermine national management systems. The need for accelerated harmonization and alignment among donors was stressed at Monterrey as a major step towards improving aid effectiveness. The Bank is supporting harmonization both through improved coordination with donors (see Box 7) and through internal reforms.

Box 7: High-Level Forum on Harmonization

A milestone in this effort was the High-Level Forum on Harmonization, hosted by the Government of Italy in Rome in February 2003, co-sponsored by the Multilateral Development Banks (MDBs), including the World Bank, and DAC/OECD. The High-Level Forum: (a) endorsed good practice principles and standards for harmonization for a broad range of activities, including country strategies, analytic work, technical assistance, financial management/reporting, procurement, and evaluation; (b) supported the harmonization of donor practices across a variety of instruments (technical assistance, projects, budget support operations, regional and global programs); (c) stressed the importance of implementation at the country level, with donors aligning support to recipient government priorities, highlighting an indicative

set of initial countries; and (d) committed to using modern information and communications technology, including the Development Gateway, to facilitate harmonization.⁴⁵

93. The Bank has also undertaken during FY 2002 and 2003 several internal changes aimed at increasing its capacity to harmonize with others. In particular, it has: (a) set-out an approach for participating with borrowers and donors in pooled financial arrangements for sector wide approaches (SWAPS);⁴⁶ (b) aligned CASs with PRSPs since July 2002, using the assistance strategy to show how the Bank will support country-led strategies (see paragraph 54); (c) proposed a framework for testing increased innovation and flexibility in applying environmental and social safeguards in line with Bank policy, while improving development effectiveness and reducing unnecessary burdens on the country; and (d) approved new policies on auditing that will allow easier harmonization with other donors and provide flexibility for greater use of borrowers' own systems. Ongoing Bank reforms include revising guidelines on the eligibility of expenditures, investment lending simplification, and disbursement and procurement reform. In addition, the Bank is continuing to support systematic work on harmonization in Vietnam, Ethiopia and Jamaica and is expanding its country focus work to other countries specially mentioned in the Rome Declaration.⁴⁷

94. The Bank is also increasingly working with partners to support global public goods (GPGs) that play a critical role in helping countries to reduce poverty and accelerate progress towards the MDGs. GPGs complement country level action with collective global action in priority areas, such as fighting communicable diseases, promoting education, improving the global environment, and creating and disseminating information and knowledge (see Box 8). Other global issues that are central to the Bank's work, include trade and integration, where the Bank has made important contributions in the areas of research and ideas, and plays a central role in trade advocacy on behalf of developing countries; and the strengthening of the international financial architecture, where the Bank is focusing on developing international standards, financial stability, and international accounting and legal frameworks.

Box 8: Global public goods

Communicable diseases. The World Bank, jointly with UNAIDS and the International Partnership against AIDS launched the Multi-country AIDS Program for the Africa Region (MAP) in September 2000 to support national HIV/AIDS programs in Sub-Saharan Africa. In addition to providing an initial US\$500 million, the Bank in February 2002 pledged another US\$500 million for the program's second stage, which will also support sub-regional and cross-border HIV/AIDS initiatives. The Bank's support for reducing malaria-associated mortality through the Roll Back Malaria (RBM) initiative involves providing consistent technical advice and guidance to malaria endemic countries on updating their anti-malarial drug policies. The Bank is also committed to capacity building in countries where malaria is endemic through provision of technical guidelines for establishing monitoring and evaluation systems for the implementation of RBM. Plans are also currently underway to expand Africa Malaria Day to World Malaria Day, to include all endemic countries.

Education. The Development Committee endorsed the Education for All "Fast Track" initiative in April 2002 in an effort to accelerate progress towards meeting the Millennium Development Goal of providing every girl and boy with quality primary school education by 2015. One of the objectives of this initiative

is to mobilize adequate financing at the global level to ensure that no country with a credible program fails to implement it for lack of external resources. As part of this initiative, the Bank is helping 23 countries in the first phase to strengthen the quality and delivery of their education systems, and to remove key bottlenecks in school completion. Another objective of the Education for All "Fast Track" initiative is to provide instructive lessons for scaling up efforts to achieve education for all in all developing countries. In partnership with other agencies such as UNESCO, UNICEF and bilateral agencies, the Bank also provides long term support to institutional strengthening and capacity building in areas such as data collection and management (with the UNESCO Institute of Statistics); policy analysis and formulation (with the Association for Development of Education in Africa, ADEA); and assessment (with the International Education Assessment, IEA).

Global environment. In addition to supporting environmental programs in individual countries, the Bank is actively involved in initiatives such as the Global Environmental Facility (GEF) and the Prototype Carbon Fund (PCF). Since its launch in 1991, the GEF has grown to become the largest investor in projects and programs that protect the global environment. It has provided \$4 billion in grants, while leveraging \$12.4 billion in additional financing. In August 2002, donor nations pledged nearly \$3 billion for new GEF activities through 2006, the highest replenishment ever. The Bank, in partnership with governments and private companies, created the US\$180 million PCF to develop real-world experience on how carbon markets and trading could operate in developing countries and transition economies. Another joint initiative, in partnership with the United Nations Development Programme (UNDP) and the International Council for Environmental Initiatives (ICLEI) and others, is the Global Water Partnership, an international network to promote and facilitate integrated water resource management.

Information and knowledge. The Bank is supporting the Development Gateway, a multi-donor initiative to make development knowledge more widely accessible and to promote the use of information technology in the fight against poverty. By providing a space where communities can share their experience on development efforts, the Development Gateway will encourage the exchange of ideas and knowledge, provide a database on development activities throughout the world, offer a global online market place fostering business opportunities, and support the development of national ICT activities.⁴⁸ An important complementary benefit of the Development Gateway will be to facilitate coordination and increased alignment among donors, as well as the exchange of information on development projects. World Bank lending is also helping to build countries' information systems (75 percent of Bank projects have such components). The Bank is also increasing its support for the development of legal and regulatory frameworks to help bridge the digital divide. It is also committed through the Global Development Learning Network (GDLN) to offer courses, seminars, and web-based programs to build local capacity, share knowledge, and develop a global community dedicated to fighting poverty. Finally, the Bank recognizes the importance of science and technology as an essential underpinning of development. In this context, the Bank's partnership with the Consultative Group on International Agricultural Research (CGIAR) remains a key component of the effort to support enhanced agricultural productivity, in particular in countries where agriculture is the main driver of the economy.

95. The Bank participates in the international effort to monitor progress towards the MDGs at the global, regional and country levels, under the overall leadership of the United Nations. The UN is responsible for producing global reports on implementing the MDGs, drawing on inputs from development partners, including the Bank.⁴⁹ The Bank, the IMF, and the OECD-DAC are working with the UN agencies to strengthen MDG reporting in many developing countries. The Bank in particular is supporting countries to reinforce their national statistical monitoring capabilities and improve their ability to generate reliable, up-to-date information on development

results. Under the Global Monitoring initiative the Bank and the Fund are developing a framework to monitor policies and actions for achieving the MDGs and related outcomes.

96. The Bank is also engaged with other MDBs in collaboration on results-based management, including the development of outcome indicators in country operations. A jointly hosted roundtable, “Measuring, Monitoring and Managing for Results,” in June 2002 brought together representatives from borrower countries, as well as from bilateral and multilateral institutions to discuss the challenges of results-based management and agree upon joint next steps.⁵⁰

97. More generally, the Bank collaborates with other partners to promote the overall improvement of statistical and analytical capacities in developing countries, including through its work with the PARIS21 Consortium and its management of the Trust Fund for Statistical Capacity Building (see paragraph 79).

Increasing the results orientation of World Bank support for poverty reduction

98. The second part of this chapter lays-out some of the actions being taken by the Bank to increase its own results orientation and effectiveness in attacking poverty, particularly with respect to CASs, sector strategies, lending operations, and analytical work. While progress has been made in developing methodologies to assess the poverty focus of these instruments, there are still methodological issues that limit the comparability of the results across countries, sectors, and time. Meanwhile, it is working to identify and operationalize approaches that will allow it to better evaluate the poverty impact and overall development effectiveness of its activities. This section examines the status of the Bank’s current efforts to monitor the poverty focus and impact of its CASs, sector strategy papers (SSPs), projects, and analytical work, while Chapter 3 discusses in more depth some of the challenges involved in increasing the Bank’s poverty focus and results orientation.

Building poverty-focused country assistance strategies

99. Country assistance strategies (CASs) lay-out the Bank’s program to assist countries through policy advice, analytical work, lending and other instruments. To increase the effectiveness and results orientation of CASs, the Bank is: (i) revising operational guidelines to ensure that CASs are more closely aligned with national poverty reduction strategies (particularly in PRSP countries), and to ensure that core poverty analysis is in place for all borrowing countries; (ii) assessing the ex-ante poverty focus and ex-post effect of CASs on development outcomes; and (iii) strengthening arrangements to allocate IDA resources to favor countries with good performance records. Each of these initiatives is reviewed in more detail below.

100. Increasingly, the CAS takes as its starting point the country’s own vision of its development goals and its strategy for achieving them, as set out in a PRSP for IDA-eligible

countries, or in a CDF or other country-led process for middle income countries. (The experience in Vietnam is described in Box 9). Beginning in July 2002, preparation of CASs for IDA countries will normally follow completion or updating of the PRSP. The CAS will draw from the country's PRSP and will set forth the business plan by which IDA will support selected components of the country's strategy.⁵¹ The Bank is also revising its operational policy on CASs (Business Procedure 2.11) to reflect the need for increasing the alignment between the CAS and national poverty reduction strategies, and for grounding CASs and national strategies in good poverty analysis.

Box 9: Aligning the CAS to the PRSP - the case of Vietnam

The Vietnam Comprehensive Poverty Reduction and Growth Strategy (CPRGS, as the government's PRSP is called) was welcomed for its highly participatory process and for its strong recognition of the importance of growth and of policy and institutional reform for poverty reduction. The Bank delayed its CAS by twelve months so that the CPRGS could be completed and the CAS aligned with it. Some of the ways in which the Bank built its country strategy around the Government's national poverty reduction strategy are outlined below:

- **Content of the CAS.** Consultations with the poor have helped to change the Government's priorities and to bring the key needs of the poor to the forefront. The CPRGS—and therefore the CAS—give greater recognition to the special needs of vulnerable groups (such as ethnic minorities, women, and unregistered urban migrants), place greater emphasis on making basic social services affordable for the poor, and reflect a greater awareness of vulnerability to health shocks and natural disasters.
- **The nature of the policy dialogue.** The Government has developed a detailed medium-term program of policy and institutional reforms that is laid out in the CPRGS matrix. The Bank will use its instruments to support the implementation of the Government's reform program.
- **The way aid is delivered.** In order to deliver aid more effectively, the CAS proposes to deliver 25-40 percent of high case lending every year through Poverty Reduction Support Credits and sub-sector "SWAPs" (Sector Wide Approaches). Major efforts are also underway to harmonize procurement, financial management, safeguards and other measures with the Government and other development partners.
- **Outcome Indicators.** The CPRGS contains localized Millennium Development Goals to which the Government has committed itself and against which it will measure success. The Bank Group and other donors are also committing to aligning their assistance in ways that will deliver the same outcomes.

Source: IMF and IDA, Poverty Reduction Strategy Papers—Progress in Implementation, August 2002

101. Since 1998, the Bank has assessed the ex-ante poverty focus of country assistance strategies. The current criteria, first introduced in 1999, are organized around five themes: (i) use of poverty diagnosis; (ii) description and analysis of the country's poverty reduction strategy; (iii) linkages of Bank assistance to the poverty diagnosis and the country's poverty reduction strategy; (iv) monitoring and evaluation arrangements for the CAS; and (v) participation in CAS preparation.⁵²

102. Despite important progress in recent years, analysis suggests that efforts to sustain and strengthen the poverty focus of Bank country assistance strategies are still needed, particularly in middle-income countries. An analysis by the Bank's Poverty Reduction Group of CASs from FY00 and the first half of FY01 indicated a heightened emphasis on poverty—particularly in the areas of poverty diagnosis, alignment with national poverty reduction strategies and participation—compared to CASs from the previous period. However, the analysis of CASs from the second half of FY01 and FY02 showed a reduced focus on poverty reduction, in some of the areas mentioned above.⁵³ This is explained in part by the higher share of CASs from middle-income countries in the latter sample (second half of FY01 and FY02), reflecting the postponement of CASs for several low-income countries until their PRSPs were finalized. Middle-income country CASs have in some cases weaker linkages to poverty, reflecting their broader development strategies. Nonetheless, the results need to be viewed with caution for several reasons. The sample of CASs under review was small; the evaluation methodology is still under development; and some technical issues, including the weighting and scoring system used to aggregate information from different indicators into a single overall indicator of poverty focus, are still being addressed.

103. The Bank also assesses the ex-post effect of selected CASs on poverty and other country outcomes. The Bank's Operations Evaluation Department (OED) carries out selective ex-post evaluations of a subset of completed CASs, known as Country Assistance Evaluations (CAEs). These evaluations face the challenge of attribution: it is notoriously difficult, if not impossible, to disentangle the impact of the package of interventions supported by one partner from that of the development efforts of the country itself and its other partners. The problem is not specific to the evaluation of overall packages of interventions, but is particularly relevant in such circumstances. Moreover, in the past, CASs have typically not had specific outcome indicators or links to Government outcome targets, which would facilitate the evaluation of their development impact.⁵⁴ Nonetheless, CAS evaluations provide insight into the Bank's effectiveness and its comparative strengths. By taking a country-based approach, the evaluations also shed light on priority areas for interventions and the usefulness of specific interventions, including analytical work (Box 10).

Box 10: Lessons learned from Country Assistance Evaluations in El Salvador, Vietnam and Haiti

In El Salvador, national data show a decline in household income poverty from 60 percent in 1990 to 41 percent in 1999. Over the same time the infant mortality rate fell by 33 percent. The CAE finds that Bank analytical studies “helped to identify and break down the obstacles to poverty reduction.” The first of these studies, “The Challenge of Poverty Alleviation” (1994), identified a multifaceted approach to poverty reduction, including work on public sector management reform, agriculture (especially land titling and registration), labor markets, health and education. In the area of programmatic lending, the CAE singles out a Social Sector Rehabilitation Loan (SSRL). In education, this loan supported the government's Community Managed Schools Program (EDUCO), which expanded community-based pre-school and primary education in rural areas. The CAE notes that this program is “perhaps the most extensive devolution of power to rural communities in the world.” When compared with the regular school system, evaluation results showed that EDUCO delivered as good or better education at similar costs and had lower drop-out and repetition rates.

Vietnam is another country that has seen a large decline in poverty. National data show that income poverty fell from an estimated 58 percent in 1993 to 37 percent in 1998. How much have the Bank's lending and non-lending services contributed to this remarkable decrease in poverty? The CAE finds that "On balance, the (Bank) lending program has displayed explicit poverty orientation.....The poverty focus and the cross-fertilization with analytic work are strong points of Bank assistance to Vietnam." The CAE also notes that Bank analytical work on poverty has "served to orient the thrust of the lending program." Two Living Standards Surveys were done in the 1990s, each followed up by a Poverty Assessment. The first Poverty Assessment led to the development of Vietnam's Gender Strategy, among other things, and the second is contributing to the government's poverty reduction strategy.

While the previous cases illustrate what can be achieved when there is good Bank-country cooperation, Haiti presents a very different picture. In Haiti the CAE finds that "Roughly two-thirds [of the population] live below the poverty line. Half of adults are illiterate, and less than one-quarter of rural children attend primary school. Infant and maternal mortality rates are among the highest in the world." According to the CAE, poor governance is at the root of Haiti's problems. The Bank's 1998 Poverty Report noted that "Haiti has never had a tradition of governance aimed at providing services to the population or creating an environment conducive to sustainable growth." Given these circumstances, Bank assistance to Haiti has had little impact on poverty. After four education projects, illiteracy remains high and enrollment rates low. A health project had positive results with respect to tuberculosis, but components related to HIV/AIDS and other issues were not satisfactory. In the absence of a functioning parliament, no new Bank lending has been undertaken since 1997, although economic and sector work has continued. The evident lesson from the Haiti experience is that Bank assistance for poverty reduction can only be effective if minimal standards of good governance are in place.

104. In addition, as part of the Bank-wide results agenda, country teams are piloting results-based CASs, which focus on greater clarity about intended outcomes and more transparent monitoring systems. CAS teams working with country counterparts define desired country outcomes ex-ante, and work backward from these to a set of intermediate outcomes that the Bank can more directly influence through its products and services. Focusing on results in the design of CASs makes it easier to monitor progress during implementation and evaluate outcomes at completion. Along with the introduction of results-based CASs, the Bank has initiated systematic self-assessments at the completion of the CAS (CAS Completion Report - CASCR), which is designed to provide learning and feedback for the preparation of the next CAS and will be developed by the Bank country team in consultation with borrower counterparts. Five pilots have been launched in FY03 to develop and test the design of the results-based CAS and CASCR, with refinement and rollout planned for FY04. The pilots will help to improve understanding of the strengths and weaknesses involved in defining and measuring appropriate outcomes and in using this information to improve the relevance and strategic selectivity of the CAS.⁵⁵

105. Finally, to increase the impact of the Bank's assistance on poverty, the allocation of IDA resources is increasingly targeted to countries with good policies and institutions that support growth and poverty reduction. IDA's funds have been increasingly well targeted through the Performance-Based Allocation (PBA) system, which allocates funds based on an assessment of the quality of client countries' policies and institutions. The system has become a standard setter

for many multilateral and bilateral development agencies, even as it continues to incorporate refinements with respect to methodology and application. A country's performance rating is based largely on the Country Policy and Institutional Assessment (CPIA) (Annex H). The CPIA reflects a combination of indicators based on the country's policies, institutions and governance. The performance of the Bank's portfolio in the country is also a factor in the rating as is the "governance factor" which places particular emphasis on the country's performance on the governance-related criteria of the CPIA.⁵⁶

Developing sector strategies with greater focus on poverty

106. To help sector interventions better address poverty reduction in low-income countries, the Bank has also worked to strengthen the poverty focus of its sector strategies. Sector strategy papers (SSPs) articulate Bank-wide sector strategies. The most recent sector strategies embody a distinctly stronger focus on poverty than in the past, in terms of: (i) clearer and stronger linkages between sector diagnosis and poverty reduction; (ii) linkages between diagnosis and strategy; and (iii) monitoring and evaluation. Box 11 summarizes six Bank sector strategies developed in FY02 and FY03, indicating how they articulate a framework for better linking sectoral activities to poverty reduction.

Box 11: Sector strategies in FY02 and poverty reduction

Drawing on empirical studies, the basic principle of the **gender strategy**¹ is that gender inequalities tend to slow economic growth and poverty reduction. The strategy calls for a better diagnosis of gender-related barriers in client countries and strengthened collaboration with governments, civil society and other donors to identify and support appropriate actions to reduce these barriers and capitalize on potential opportunities for growth and poverty reduction. Among other actions, the strategy calls for: the preparation of multisectoral country gender assessments that identify the gender dimensions of poverty reduction, economic growth, human well-being and development effectiveness; a stronger integration of gender dimensions into relevant analytical work, policy dialogue and lending instruments; and improved monitoring and evaluation of results on the grounds.

The **private sector development strategy**² aims to promote growth, reduce poverty and help improve the quality of life through private sector development. The strategy embodies a two-pronged approach: (i) extending the reach of markets through the creation of more productive jobs and increasing entrepreneurial opportunities for poor people; and (ii) empowering poor men and women by improving access to infrastructure and social services. Among the actions proposed are to: conduct systematic investment climate surveys and assessments that allow for a better understanding of the linkages between the investment climate and productivity and income growth, especially for poor men and women; continued direct support to entrepreneurs, including increased access to rural credit, micro finance, and basic services including infrastructure; and, improved monitoring of the impact of private sector initiatives on poverty reduction.

The **environment strategy**³ is based on the understanding that environmental degradation due to unsustainable development patterns undermines poverty reduction and long-term economic growth by adversely affecting human health and livelihoods, and by increasing vulnerability. The strategy aims to: (i) improve people's quality of life (enhancing livelihoods; preventing and reducing environmental health risks; and reducing people's vulnerability to environmental hazards); (ii) improve the quality of growth

(supporting policy, regulatory, and institutional frameworks for sustainable environmental management and promoting private sector development); and (iii) protect the quality of regional and global commons. In particular, the strategy stresses improvements in the three key tools that the World Bank uses to help clients to pursue environmentally sound development: (i) strengthening analytical and advisory assistance including a more systematic application of strategic analyses; (ii) addressing environmental priorities through projects and programs; and (iii) improving the safeguard system.

The **information and communications technologies (ICT) strategy**⁴ is based on the assumption that ICT is fundamental for: (i) development and global integration, (ii) increasing the economic and social well-being of poor people and empowering individual and communities, and (iii) enhancing the effectiveness and transparency of the public sector. The strategy proposes to improve access to ICT and promote its use in stimulating economic growth, increasing equality, and reducing poverty. The strategy comprises action to increase both access to ICT services and their effectiveness, in order to promote poverty reduction and private sector led growth. The strategy also proposes research and dissemination of knowledge about ICT and the mobilization of local and international information technology (IT) industries to focus directly on IT-based poverty alleviation.

The **urban transport strategy**⁵ concentrates on the problems of people who are very poor, not only in terms of income but also in terms of the broader dimensions of social exclusion associated with inaccessibility: inaccessibility to jobs, schools, health facilities, and social activities. The strategy is based on the assumption that urban transport can contribute to poverty reduction both indirectly, through its impact on the city economy and hence on economic growth, and directly through its impact on the daily needs of poor people. The strategy proposes an eclectic approach that involves the following: (i) structural change, (ii) improved operational efficiency of transport modes, (iii) better focusing of intervention to assist the poor (by directly serving the locations where poor people live and work, targeting disadvantaged groups and focusing on issues such as the polluted urban environment, safety and security) and (iv) policy and institutional reform.

The **rural development strategy**⁶ recognizes the multi-dimensional nature of rural poverty reduction and that renewed efforts should be made to pursue a holistic and multi-sectoral approach to rural development. Specifically, the strategy addresses (i) fostering an enabling environment for broad-based and sustainable rural growth; (ii) enhancing agricultural productivity and competitiveness; (iii) encouraging non-farm economic growth; (iv) improving the welfare of rural people, including their ability to manage risk and vulnerability; and (v) enhancing the sustainable use of natural resources. In addition, the strategy will address key global public goods that potentially hamper progress in rural poverty reduction including issues of global trade, access to science and technology, and the effective management of risks associated with global climate change.

¹ See *Engendering Development – Through Gender Equality in Rights, Resources and Voice* (2001); *Integrating Gender into the World Bank's Work – A Strategy for Action* (2001)

² See *Private Sector Development Strategy – Directions for the World Bank Group* (2002)

³ See *Making Sustainable Commitments – An Environment Strategy for the World Bank* (2001)

⁴ See *Information and Communications Technology Sector Strategy Paper* (2001)

⁵ See *Cities on the Move – A World Bank Urban Transport Strategy Review* (2002)

⁶ See *Reaching the Rural Poor: A Renewed Strategy for Rural Development* (2002)

107. The Bank has improved the poverty focus of its sector strategies, but challenges remain in their implementation and with respect to selection of indicators and benchmarks. In general,

sector strategies need to be more transparent about the Bank's intended objectives and how they are to be achieved, including developing benchmarks and indicators for monitoring performance. In view of the many complexities and degrees of separation between sector strategies and actual country results, sector strategy benchmarks need to include indicators of the Bank's inputs (such as staffing and budget), country demand (such as lending), as well as trends in country outcomes and global programs.⁵⁷

Better measurement and monitoring of results of lending operations

108. This section describes three types of monitoring activities designed to improve knowledge about the impact of the Bank's work on poverty outcomes. First, as part of the results agenda, the Bank is putting into place a monitoring and evaluation architecture to better link Bank activities to CAS and country outcomes. Second, since the late 1990s, QAG has been monitoring the ex-ante poverty focus of projects. Third, the Bank and OED regularly carry out specific evaluations on selected types of Bank interventions, e.g., social funds or education projects. Each of these monitoring efforts is briefly reviewed below.

109. Analyzing the poverty focus of the Bank's portfolio complements efforts made at the CAS level to better understand the impact of Bank activities on poverty outcomes. This analysis will depend on a revised, results-focused monitoring and evaluation architecture that extends from lending operations (and non-lending services) up to the CAS level. This "joined-up" M&E architecture promotes a clearer definition of outcome objectives at the CAS and project levels. The development objectives of investment operations will become more explicit and outcome-focused, but will be geared more carefully to the level of specific activities within a given project, so as to make them more useful as a monitoring indicator and management tool. Another important aspect of this effort is the more systematic linkage of project results measurement to country statistical systems and sector wide data. Similarly, policy based lending will better articulate the link between outcome-oriented objectives and the measures taken to achieve them.⁵⁸

110. Complementing this work, QAG is piloting a project-level methodology that tracks the ways in which interventions can affect poverty.⁵⁹ This approach analyzes projects based on the quality of the underlying poverty diagnosis and poverty strategy, as well as the operational design used to implement and monitor the strategy. The methodology acknowledges the potential for both direct and indirect transmission mechanisms by which project activities can affect poverty. This approach was first used to review the poverty focus of projects under implementation in rural areas over the FY99-01 period. It revealed that projects were weakest in linking their interventions to the poverty diagnosis.⁶⁰ An earlier pilot review conducted by QAG on a sample of projects prepared in FY01 indicated that most had been designed with a satisfactory overall poverty focus, that they were particularly strong on strategic orientation, but that they were weak on monitoring and evaluation for effective implementation. While this methodology is promising, additional work is still needed (and will be undertaken with support from the Poverty Reduction Board) to refine the approach so that it is applicable to interventions across a variety of sectors.

111. In addition to ex-ante monitoring of the poverty focus of the portfolio, the Bank carries out selective ex-post analyses of the poverty impact of specific types of interventions and policies. As already noted in the discussion of evaluation of the impact of CASs, attributing changes in development outcomes to a specific intervention is often impossible, and at best very difficult, since it is not always possible to establish the counterfactual (what would have happened without the intervention) or to follow the complex chain of causality from action to results (see paragraph 103). However, judgment must be applied in determining whether there is a plausible association between actions and outcomes. Careful ex-post analyses can yield useful insights on how to increase the poverty impact of operations by providing information that can promote better design and implementation of future interventions. For example, a careful analysis of the impact of a large-scale rural road rehabilitation in Vietnam was carried out with a view to improving the methods used to allocate budgets on rural roads projects. The analysis provides guidance on how to strengthen the poverty and efficiency impacts of road rehabilitation projects that can be easily replicated to other countries or interventions.⁶¹

112. Another illustration of the type and range of lessons that can be drawn from impact evaluation comes from two recent evaluations of the impact on poverty of a selected sample of social funds. The poverty impact analyses suggest the following recommendations for social funds to better achieve their long-term development objectives: (i) more assertive targeting of poor regions and households; (ii) some changes in priorities (for example, with respect to the balance between expanding access and rehabilitating existing infrastructure, or between completion and maintenance of projects); (iii) strengthening mechanisms to promote the sustainability of investments (cost control and sharing, capacity issues); (iv) improving selection mechanisms for effective investments; and (v) better coordination with non-infrastructure inputs and integration with the country's poverty reduction strategy and the Bank's CAS (Box 12).

Box 12: Evaluation of the impact of social funds on poverty

The Bank's Human Development Network recently carried out a study of social funds in Armenia, Bolivia, Honduras, Nicaragua, Peru, and Zambia, and OED undertook an assessment of social funds' effectiveness in general, with an in-depth analysis of funds in Jamaica, Nicaragua, Malawi and Zambia.¹ Social funds are an innovative alternative to traditional economic development programs, and represent one of the first attempts to implement a development model that relies on communities taking the lead in defining their investment priorities. They typically provide fast and flexible mechanisms for getting resources to communities. Between their creation in the late 1980s and the early 2000s, social funds have attracted over \$8 billion in investments across the world.

The conclusion of both analyses is that social funds have met the broad objectives they were designed to address and have made important contributions to improving welfare. Overall, social fund resources have reached the poor and have led to an increase in the quality of services provided to the poor. Social funds have been effective in delivering small-scale infrastructure. Increased facility access and utilization has translated into tangible improvements in welfare in each of the countries studied. Geographic distribution of services has been progressive in all cases, with the poorest districts receiving more than their population share. At the household level, the distribution of resources favored the poor and generally remained progressive, even for the poorest households. The progressive distribution is notable when compared to the performance of available alternatives in each country.

However, social funds also have some important limitations. In particular, there are often significant leakages to the non-poor, arising mainly because of the nature of the investments; resources are not always targeted to the biggest community problems; and social funds activities have often not been coordinated with those of central ministries, which can limit the efficiency of resource allocation.

More specifically, the degree and type of impacts on outcomes varied across countries and types of activities:

- *Changes in education outcomes:* While no significant increases were observed in primary school enrollment rates in rural areas of Bolivia, enrollments increased significantly in Nicaragua and urban Zambia. In Peru, gains were largest in districts that received the most social fund expenditures. In almost all countries, there was a positive impact on education attainment, pointing to a positive link with future poverty outcomes.
- *Changes in health outcomes:* A dramatic reduction in infant mortality was observed in Bolivia, the only country where this could be assessed. Mortality rates dropped from 60 deaths per 1,000 live births to 30 in social fund communities, versus an increase to 67 in the comparison group. In other countries, the observed increase in utilization was not accompanied by a clear, significant impact on other health outcomes, although it is notably difficult to disentangle the effects of social funds from other factors.
- *Changes in water and sanitation outcomes:* Significant health gains were observed from expanding access to water supply, particularly in rural areas. Social fund water investment halved child mortality rates in Peru and Bolivia relative to comparison groups. Nonetheless, in Honduras, where investments were focused on rehabilitating pre-existing urban water systems, positive net health impacts were not observed.

¹ For the Bank's analysis, see World Bank, *Letting Communities Take the Lead: A Cross-Country Evaluation of Social Funds Performance*, Draft, September, 2001. Available from the Bank Social Protection Website, under publications: <http://www1.worldbank.org/sp/>. For the OED analysis, see World Bank *Social Funds: Assessing Effectiveness*, 2002. Available at <http://www.worldbank.org/oed/>, type Social Fund in the search option.

113. The challenges of poverty impact evaluation are amplified when applied to programs or policies, because the establishment of a counterfactual is an even greater challenge. However, analysis can still be carried out – and lessons learned – on specific aspects of the reforms or programs. For instance, the Bank evaluated the impact of a series of education sector reforms that focused on the decentralization of decision-making from central to local governments (in Colombia, El Salvador, Nicaragua, Pakistan and Tanzania). The studies found that reforms that transfer greater power to schools are transforming management of public schools and having a positive impact on the quality of schools and the performance of students. The evaluation results led, in the case of Nicaragua in particular, to changes in the reform, reinforcing components which were found to be instrumental, and to greater government attention to monitoring and evaluation of its interventions.

Strengthening the poverty focus of analytical work

114. To increase the poverty focus its analytical products, the Bank has begun to evaluate their overall quality and results orientation. It is updating guidelines for Economic and Sector Work products to strengthen links between these products and CAS outcomes. The approach to

assessing analytical work is summarized below, followed by a brief discussion of the proposed new operational policy for poverty reduction and the related guidance note on poverty assessments.

115. A good analysis of development challenges and options is important for outcome-oriented national poverty reduction strategies and CASs, as well as for interventions that address key constraints. Starting in 2000, the Bank began to rate a sample of its analytical work (including, among other products, poverty assessments, public expenditure reviews, financial accountability assessments, development policy reviews and country economic memoranda).⁶² The rating is based on four broad criteria: scope and strategic relevance; internal quality; dialogue and dissemination; and likely impact. Within this framework, it also provides an assessment of the poverty focus of analytical work.

116. In FY00, the evaluation revealed important deficiencies in the extent to which analytical work paid sufficient attention to poverty reduction. For example, analytical work too often did not: link policy options with poverty outcomes; analyze regional spending patterns in light of observed regional differences in poverty; evaluate the impact of private sector participation and other policy shifts on the poor; or sufficiently assess the impact of reforms on the poor and on groups most vulnerable to income shocks. In FY01, the ratings improved significantly and most of the analytical work was rated satisfactory or better in terms of its poverty analysis. In addition, greater emphasis on participatory analysis, carried out in collaboration with countries and other development partners, led to higher quality analytical work, especially in terms of relevance and impact.

117. As part of the overall effort to provide better guidance to staff in the preparation of analytical work, the Bank is revising its operational policy on poverty analysis and has prepared a draft guidance note on poverty assessments, both of which are currently undergoing external consultations.^{63 64} The proposed update of old OD 4.15 is intended to reflect the current framework of the Bank's poverty reduction mandate, the revised context for poverty assessments, and the overall effort to streamline operational guidance to staff. The new draft OP 1.00 builds on the World Development Report 2000/2001 and proposes two pillars (drawing on the Strategic Framework) to support the Bank's poverty reduction mandate: helping to build a climate favorable to investment, jobs, and sustainable growth; and investing in poor people to increase their participation in development.⁶⁵ The draft OP 1.00 also builds on the principles of the CDF by confirming that the Bank supports borrowing countries in articulating their vision and strategy for reducing poverty, and acknowledging that poverty analysis may be conducted by a government, the Bank, or other donors and development partners.⁶⁶

118. The proposed OP 1.00 contains minimum requirements for poverty assessments: (a) an analytical synthesis of the existing body of knowledge on three topics: (i) assessment of the poverty situation; (ii) analysis of the impact of growth and public actions on poverty, and (iii) appraisal of poverty monitoring and evaluation systems; (b) an identification of key knowledge gaps with respect to these three topics; and (c) new analysis intended to address identified gaps or complement existing work. To assist in the preparation of good quality poverty assessments that meet these requirements, the Bank has prepared a draft guidance note which discusses the core elements of poverty assessments and highlights good practice.⁶⁷

CHAPTER 3: CHALLENGES AHEAD

119. This year's poverty progress report has focused on results in achieving poverty reduction, broadly defined, and the Bank's efforts to improve its effectiveness in supporting poverty reduction outcomes. Chapter 1 reviewed global progress towards reducing income and non-income dimensions of poverty as defined by the MDGs and described the international partnership between developing and developed countries that has emerged to accelerate progress towards these goals. Chapter 2 examined ways in which the Bank is seeking to better manage for poverty reduction outcomes, by supporting country owned poverty reduction strategies and strengthening the poverty orientation and results focus of its own work. This final chapter briefly outlines two broad challenges for the institution related to (i) the Bank's support for achieving the MDGs, and (ii) its efforts to operationalize its increased results orientation.

Supporting progress towards the MDGs

120. While significant steps have been taken towards reaching the MDGs, the rate of progress needs to be increased if the goals are to be met. The first challenge facing the Bank is to support the international partnership that emerged at the Monterrey Conference to accelerate progress towards the MDGs. While the Bank provides active support to developing countries in all the sectors covered by the MDGs, there are three cross-cutting areas in particular where it needs to intensify its contribution.

121. First, the Bank must continue to help spearhead the effort to improve the development community's knowledge base on how to help promote pro-poor growth, in low-income and middle-income countries alike, through research and operationally focused analytical work. While much progress has been made in the last decade in identifying the key policies and reforms related to growth, questions emerge for policy makers in: (i) adapting these policy packages to specific country conditions, (ii) supporting the necessary institutional capacity to promote their implementation, and (iii) prioritizing and sequencing policies to achieve broadly shared and sustained growth. The PRSP experience underscores the importance of strengthening the ability of national policy makers to develop country specific growth strategies with clear linkages to poverty reduction. Similarly in middle-income countries, which contain 30 percent of the world's poor living on under a dollar a day, strategies to integrate impoverished regions, excluded groups and the chronic and extreme poor effectively into the growth process remain poorly understood. In particular, more knowledge is needed to understand better how to achieve labor-intensive growth, foster asset and income redistribution, and implement social safety nets.

122. Second, the Bank has a major role to play in deepening country capacity for data collection and analysis. These are critical inputs for the evidence based policy-making and poverty monitoring needed to support progress towards the MDGs. Many developing countries face difficulties in developing reliable, comprehensive, timely, and transparent statistics, at the national, sectoral and regional levels. This is particularly true for IDA countries. The 2002 PRSP Review noted that many PRSP countries lacked sufficient data and institutional capabilities to track outputs or outcomes effectively. The Bank and other donors are working to expand their involvement in this area, and increased levels of technical and financial assistance are being made available to developing countries, through country assistance programs,

analytical work, and learning events. In addition, as noted in Chapter 2, the Bank is engaged in global initiatives to improve national statistical capabilities, along with monitoring and evaluation improvements through the PARIS 21 Consortium, TFSCB, and ECD country-based assistance for monitoring and evaluation. Nevertheless, important institutional and financial challenges remain in strengthening national capacity to collect, analyze and use evidenced-based policy-making.

123. Third, the Bank is supporting progress towards the MDGs by helping low-income countries in the design and implementation of country-owned poverty reduction strategies. While countries will need to reflect on the MDGs in the process of preparing their national strategies for poverty reduction, the specific goals they set, and the indicators they use at the country level to assess progress on those goals, will reflect their individual starting points and priorities. By adapting and integrating the MDGs into their national strategies, rather than addressing them in a piecemeal fashion, it will be easier for countries to put in place the broad inter-linking set of interventions required to reduce poverty. The challenge for the Bank will be to help strengthen national strategies along these lines while respecting the principle of country ownership and individual country priorities and capabilities.

Operationalizing the Bank's results orientation for poverty reduction

124. The second overarching challenge relates to how the Bank will move forward in strengthening its own results orientation with respect to sustained growth and poverty reduction. Notwithstanding the attribution problems discussed in Chapter 2, the Bank needs to identify to the extent possible the outcomes it expects to influence, along with the transmission mechanisms that can be expected to lead from inputs to country outputs and outcomes, as identified in the country strategy process.

125. The overall framework for better measuring, monitoring and managing for development results was endorsed by the Development Committee in September 2002 and the implementation action plan was endorsed by CODE in December. The overall results framework has three pillars: (i) building country capacity and demand for results-based approaches to development, (ii) harmonizing results-based reporting among development agencies and providing coordinated support to clients for statistical systems and monitoring and evaluation capacity; and (iii) establishing a results-focused corporate culture results-based strategies and instruments.

126. The results agenda has already yielded some concrete progress in the three areas described above, as highlighted in this report (including results-based CASs, the growing integration of the results focus into investment lending, and results focused SSPs). However, fully meeting the challenge of strengthening the Bank's results orientation will take time and effort. It will also need to overcome important capacity and knowledge constraints as well as methodological problems. In particular, four key challenges will need to be addressed:

- **Creating country demand and capacity** to monitor results and increase government accountability. This will involve supporting countries to develop comprehensive monitoring and evaluation systems with well-defined and timely connections to policy making.

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- **Mainstreaming results-based management within country programs.** Results-based CASs will need to be mainstreamed. This will involve aligning CASs to national goals and ensuring the linkages between CAS inputs, outputs and these goals. CASs will also need to provide the necessary statistical, monitoring and evaluation support to effectively manage for results.
 - **Strengthening public sector management.** This will require increased and better-coordinated support for results-oriented public sector management (through, e.g., PEMs, PETs, financial management strategies, expenditure frameworks) to underpin programmatic and sector-wide approaches.
 - **Extending results-based approaches to sectoral strategies.** Issues include defining key sector goals, together with establishing measurable indicators to monitor progress and facilitate improved portfolio analysis and alignment at the sectoral level. At the same time, our understanding of cross-sectoral linkages will need to be deepened and integrated into the indicators.

127. Chapter 1 of this report laid out some of the critical challenges faced by the Bank and the global community in attacking poverty – and specifically in working towards achieving the Millennium Development Goals. It noted that many of the goals might not be met, without an intensified effort on the part of developing countries and their external partners, including the Bank. Chapter 2 focused on how the Bank, in partnership with other donors, is working with developing countries to achieve better and faster results with respect to non-income as well as income dimensions of poverty, and on the steps the Bank is taking to improve its own development effectiveness.

128. As the Bank moves forward it faces two key challenges. The first is how best to support the global effort to accelerate progress towards the MDGs, particularly with respect to generating pro-poor growth, deepening country capacity for data collection and analysis, and helping low-income countries design and implement country-owned poverty reduction strategies. The second challenge relates to how the Bank will move forward in strengthening its own results orientation with respect to sustained growth and poverty reduction. Meeting this challenge will take time and effort, but good progress has already been made and is on track to continue and accelerate as we move further into the new millennium.

END NOTES

¹ World Bank, *World Development Report*, 1990, Washington, DC, 1990.

² World Bank, *World Development Report 2000/01*. Washington DC, 2000.

³ World Bank, *Strategic Framework*. Washington DC, 2001. Available at <http://www.worldbank.org/html/extdr/strategypapers/strategic.pdf>.

⁴ The Comprehensive Development Framework was introduced by the World Bank in 1999 and offers a set of core principles for the development of country strategies: country ownership, a long-term vision and strategy, a focus on accountability for development results, and a strategic partnership among stakeholders. For more information, see: <http://www.worldbank.org/cdf>.

⁵ The assessment of progress towards the MDGs draws upon: *Achieving the Millennium Development Goals in Africa: Progress, Prospects, and Policy Implications - Global Poverty Report 2002*, July 2002, prepared by the African Development Bank and the World Bank in collaboration with the IMF and other regional development banks; *Achieving the MDGs and Related Outcomes: A Framework for Monitoring Policies and Actions* (DC2003-003), prepared for the Development Committee Meetings, 2003; *Global Economic Prospects and the Developing Countries 2003*, World Bank, 2003; and, *World Development Indicators 2003*, World Bank, 2003.

⁶ The \$1 a day is in 1993 consumption purchasing power parity terms. The numbers are estimated from those countries in each region for which at least one survey was available during the period 1985-2001. Survey dates often do not coincide with the dates in the table. To line up with the dates, the survey estimates were adjusted using the closest available survey for each country and applying the consumption growth rate from national accounts. Using the assumption that the sample of countries covered by surveys is representative of the region as a whole, the numbers of poor are then estimated by region. This assumption is obviously less robust in the regions with the lowest survey coverage. The headcount index is the percentage of the population below the poverty line. Further details on data and methodology can be found in at <http://www.worldbank.org/research/povmonitor/>. The historical series to 1999 was updated in October 2002 for the 2003 edition of *Global Economic Prospects*.

⁷ See Dollar, David and Aart Kraay. "Growth is good for the poor." *Journal of Economic Growth* (U.S.); 7, No. 3:195-225, September 2002.

⁸ The prevalence of child malnutrition is measured by the percentage of children whose weight is more than two standard deviations below the median reference standard for their age as established by the U.S. National Center for Health Statistics, the U.S. Centers for Disease Control and Prevention, and the World Health Organization. The data are based on a sample of children who survived to age three, four or five years, depending on the country. Source: *World Development Indicators 2003*.

⁹ Meashanm, Anthony R. 2001. *Assessing Malnutrition in the Africa Region: Why Bother?* Africa Region Health, Nutrition and Population, World Bank, Washington, D.C

¹⁰ However, as of 1998, developed countries, while accounting for only 15 percent of the world population, are still responsible for half of world carbon dioxide emissions.

¹¹ See *The Johannesburg Declaration on Sustainable Development*, September 2002. Available at http://www.johannesburgsummit.org/html/documents/summit_docs/1009wssd_pol_declaration.doc

¹² Devarajan, S., M. Miller and E. Swanson (2002) *Goals for Development: History, Prospects and Costs*, World Bank, World Bank Policy Research Working Paper 2819. Responding to the request of the Development Committee at the 2003 Spring Meetings, work is on-going to ground these global estimates better in country case studies.

¹³ DCD/DAC (2003)8. *ODA Prospects After Monterrey: Update*. Note by the Secretariat.

¹⁴ See www.un.org/esa/socdev/wssd/agreements/decpartc.htm.

¹⁵ *Market Access for Developing Country Export—Selected Issues* (SecM2002-0456, September 5, 2002; and S/02/280, August 28, 2002).

¹⁶ "Heavily Indebted Poor Countries Initiative – Progress in Implementation", September 23, 2002, SM/02/264 Revision 1, <http://www.imf.org/external/hp/hipc>, and <http://www.worldbank.org/hipc>; and "Heavily Indebted Poor Countries (HIPC) Initiative – Statistical Update" (IDA/R2003-0042, March 10, 2003)

¹⁷ This figure is based on the net present value of the assistance at the time of the decision point for each country.

¹⁸ "Update on Implementation of Action Plans to Strengthen Capacity of HIPCs to Track Poverty-Reducing Public Spending", World Bank, March 7, 2003.

¹⁹ See *Development Effectiveness, Partnership, and Challenges for the Future* (DC2002-0006), prepared for the April 2002 Development Committee meeting.

²⁰ World Bank, *Development Committee Communique*, April 2002. More recently, at the Spring 2003 Development Committee meetings, Ministers reaffirmed the need for rapid implementation of the results agenda as a key element in improving the overall quality of aid. See World Bank, *Development Committee Communique*, April 2003.

²¹ World Bank, *Better Measuring, Monitoring and Managing for Development Results*, September 18, 2002, DC2002-0019. This approach was further deepened by the Implementation Action Plan for the results initiative discussed with CODE in December 2002 and by the High-Level Forum in February 2003 and the related follow-up activities on harmonizing operational policies, procedures and practices. See World Bank, *Better Measuring, Monitoring and Managing for Development Results: Implementation Action Plan*, December, 2002 and World Bank, *Harmonization: Recent and Future World Bank Activities*. February, 2003; and the *Rome Declaration on Harmonization*, February 2003. See also the website for the forum at: <http://www1.worldbank.org/harmonization/romehlf/>

²² The four CDF principles include a long-term vision and strategy, enhanced country ownership of development goals and actions, more strategic partnership among stakeholders and accountability for development results. For more information, see www.worldbank.org/cdf.

²³ A joint assessment of the first two years of implementation experience was conducted in 2001/02, drawing on the views of member countries, their multilateral and bilateral official partners, and civil society organizations (CSOs). The Review drew on: (i) participatory contributions from PRSP countries themselves; (ii) views of countries' multilateral, bilateral and CSO partners; (iii) thematic reviews of experience undertaken by Bank and IMF staff; and, based on these inputs, (iv) an international conference held in January 2002. It covered the first ten PRSPs, which included: Albania, Bolivia, Burkina Faso, Honduras, Mauritania, Mozambique, Nicaragua, Niger, Tanzania, and Uganda. See *Review of the Poverty Reduction Strategy Paper (PRSP) Approach: Main Findings* (DC 2002-03), March 27, 2002.

²⁴ See IMF and World Bank, *Poverty Reduction Strategy Papers—Progress in Implementation*. Washington, D.C., September 13, 2002.

²⁵ As of May 2003, there have been 15 CASs in support of PRSPs discussed by the Board and 7 PRSCs, two for Uganda, two for Burkina Faso, and one each for Albania, Guyana, and Vietnam.

²⁶ The full report issued by the Task Force in September 2002 is available at:

<http://www1.worldbank.org/operations/licus/documents/licus.pdf>

²⁷ The countries are: Angola, Central African Republic, Haiti, Papua New Guinea, Somalia, Sudan and Tajikistan.

²⁸ See

<http://lnweb18.worldbank.org/AFR/afr.nsf/General/9D48D6DCE826CCD0852568F1006DBF2E?OpenDocument>

²⁹ See World Bank (2002), *Transition: The First Ten Years, Analysis and Lessons from Eastern Europe and the former Soviet Union*. Washington D.C. Available for download from the “publications” section of <http://lnweb18.worldbank.org/eca/eca.nsf>. See also Milanovic, B. (1998), *Income, Inequality and Poverty during the Transition from Planned to Market Economies*, World Bank, Washington D.C. Available at <http://www.worldbank.org/research/inequality/inequalityandtransition.htm>.

³⁰ See *Supporting Country Development: Strengthening the World Bank Group's Support for Middle-Income Countries* (DC2001-0005), April 10, 2001, prepared for the April 2001 Development Committee meeting.

³¹ See <http://www.worldbank.org/psia>.

³² Ibid.

³³ *Actions to Strengthen the Tracking of Poverty-Reducing Public Spending in Heavily Indebted Poor Countries (HIPC)s*. World Bank and IMF. March 22, 2002. See <http://www1.worldbank.org/publicsector/pe/newhipc.pdf> and <http://www.imf.org/external/np/hipc/2002/track/032202.htm>.

³⁴ *Update on Implementation of Action Plans to Strengthen Capacity of HIPC)s to Track Poverty-Reducing Public Spending*, World Bank, IDA/R2003-0043, March 25, 2003.

³⁵ Research over the next two years will focus on investigating pro-poor growth and inequality at the country level; sub-national determinants of pro-poor growth; income dynamics, risk and vulnerability; and social exclusion. See Martin Ravallion, 2001, *Growth, Inequality and Poverty: Looking Beyond Averages*, World Development. See also: <http://econ.worldbank.org/programs/poverty>.

³⁶ A workshop was held to take stock of existing analytical and operational knowledge on key questions related to pro-poor growth in February 2003. Future activities include a series of country case studies which will focus on developing a core approach to evaluating growth and poverty linkages at the macro and sectoral levels, as well as showcasing methodological tools to assess pro-poor growth. To complement this work, a separate study is examining critical bottlenecks faced by both middle-income and low-income countries in promoting growth. There

is also an on-going study examining the growth and distribution lessons learned from the adjustment and macro reforms of the 1990s.

³⁷ See <http://www.paris21.org>

³⁸ TFSCB Internal Management Committee and Administrative Unit (2002), *Trust Fund for Statistical Capacity Building, Progress Report*, October 2001 – April 2002. Available at <http://web.worldbank.org/WBSITE/EXTERNAL/DATASTATISTICS/SCBEXTERNAL/0,,pagePK:229515~theSitePK:239427,00.html> and www.paris21.org.

³⁹ OED, *Annual Report on Evaluation Capacity Development 2002*, World Bank, June 2002.

⁴⁰ This work is being done jointly by DEC, PREM, and WBI.

⁴¹ K. Heitzmann, R. Sudharshan Canagarajah and P. B. Siegel, *Guidelines for Assessing the sources of Risk and Vulnerability*. Social Protection Discussion Paper. World Bank, Washington D.C., 2002.

⁴² Laura B. Rawlings, “Columbia Social Safety Net Assessment”, World Bank, Office of the Vice President, Latin American and Caribbean Group, Washington D.C., 2002.

⁴³ The World Bank, *Gender Mainstreaming Strategy Paper*

(<http://www.worldbank.org/gender/overview/ssp/home.htm>) and *Country Gender Assessment (CGA) Guidelines*

(<http://gender/gadboard/workinprogress/cgs/home.htm>). Washington D.C. 2002

⁴⁴ World Bank, *Empowerment and Poverty Reduction: a Sourcebook*, Washington D.C., 2002. Available at <http://www.worldbank.org/poverty/empowerment/index.htm>.

⁴⁵ For more information on the High Level Harmonization Forum and the OECD-DAC good practice papers see: <http://www1.worldbank.org/harmonization/romehlf/> and <http://www.oecd.org/pdf/M00039000/M00039775.pdf>.

⁴⁶ Sector Wide Approaches (SWAPs) represent a shared approach by development partners to support country-led programs whose scale is greater than that of traditional projects. They typically encompasses an entire sector or large portions of one.

⁴⁷ These countries are Bangladesh, Bolivia, Cambodia, Honduras, Kenya, Kyrgyz Republic, Morocco, Niger, Nicaragua, Pacific Islands, Philippines, Senegal and Zambia.

⁴⁸ See [Developmentgateway.org](http://www.developmentgateway.org)

⁴⁹ More information can be found at <http://www.un.org/millenniumgoals>.

⁵⁰ See the joint Statement of Heads of Multilateral Development Banks made in Monterrey on March 19, 2002.

⁵¹ As of the first quarter of FY03, a total of 15 IDA CASs supporting the implementation of a PRSP were presented to the Board. They include: Albania, Burkina Faso, Ethiopia, the Gambia, Guyana, Mauritania, Nicaragua, Niger, Rwanda, Senegal, Sri Lanka, Tajikistan, Uganda, Vietnam, and Yemen.

⁵² Assessment is currently based on 16 questions covering the 5 topics. For each question, the quality of the CAS is rated “unsatisfactory”, “marginal”, “satisfactory”, or “highly satisfactory”. For each topic, a score is calculated as the percentage of “satisfactory” and “highly satisfactory” in the questions under that topic. The overall score is calculated as an un-weighted average of the scores for the five topics. An improved methodology for aggregating the results into a single composite index is being developed.

⁵³ Analysis is carried out annually by the Poverty Reduction Group under the guidance of the Poverty Reduction Board. The results are reported every eighteen months to the Board in the CAS Retrospective.

⁵⁴ OED Methodology for Country Assistance Evaluation: Background Paper for Committee on Development Effectiveness (CODE) Subcommittee Meeting, March 14, 2002.

⁵⁵ The five pilot CASs are Brazil, Cambodia, Cameroon, Sri Lanka and Ukraine. For more information see: World Bank. *Better Measuring, Monitoring, and Managing for Development Results: Implementation Action Plan*, SecM2003-0038.

⁵⁶ For more information on the PBA methodology, see <http://siteresources.worldbank.org/IDA/Resources/PBA2002.pdf>

⁵⁷ World Bank, *Better Measuring, Monitoring and Managing for Development Results*, September 18, 2002, DC2002-0019. See also World Bank, *Better Measuring, Monitoring and Managing for Development Results-Implementation Plan*, SecM2003-0038. As a follow-up, an initiative was launched in January 2003 in seven selected to better define expected outcomes and measurable indicators and align future work programs to achieve these outcomes. The areas include: Education for All, HIV/AIDS, maternal and child health, water supply and sanitation, investment climate and finance, trade, environmental sustainability.

⁵⁸ Ibid.

⁵⁹ Previously, the Bank measured the poverty focus of projects by assessing if investment operations were part of the Program of Targeted Interventions (PTI) and had a specific mechanism for targeting the poor, and/or if the proportion of the poor among project beneficiaries was significantly larger than their proportion in the overall

population. Similar criteria existed for adjustment operations. Last year, the Bank stopped using the PTI to measure the poverty focus of investment operations as the Board agreed that the measure was too restrictive and did not take into account the full potential poverty impact and linkages of Bank operations. The PTI also did not take into account what other partners were doing. See <http://www.worldbank.org/poverty/> (sub-page on Bank activities, PTI).

⁶⁰ See *Reaching the Rural Poor: A Renewed Strategy for Rural Development* (2002).

⁶¹ See Van de Walle (2000), *Choosing Rural Road Investments to Help Reduce Poverty*, Policy Research Working Paper 2458, World Bank, Washington D.C.; and description of the on-going research project at http://econ.worldbank.org/programs/public_services/.

⁶² World Bank, *Quality of ESW in FY01: a QAG Assessment*, March 2002. and World Bank, *Quality of ESW in FY00: a QAG Assessment*, March 2001. QAG is revising its quality of ESW assessments to include more criteria for assessing the results focus. Beginning in FY04 QAG is also moving from a product-by-product assessment to a country-based assessment of ESW, focusing on the overall ESW program in relationship to the CAS. See World Bank, *Better Measuring, Monitoring and Managing for Development Results- Implementation Plan*, SecM2003-0038.

⁶³ Operational Policy 4.15 was discussed with CODE on July 31, 2002 and was posted on the external web for consultations (along with the guidance note for poverty work) between April 15 and June 30, 2003. See: http://www.worldbank.org/poverty/wbactivities/op_3.htm

⁶⁴ Since the late 1980s, the World Bank has prepared 156 Poverty Assessments and 4 poverty notes, 12 of which were completed in FY 2002 (Annex C).

⁶⁵ See: <http://www.worldbank.org/poverty/wdrpoverty/report/index.htm> and World Bank, *Strategic Framework*, Washington, D.C. 2001. Available at: <http://www.worldbank.org/html/extdr/strategypapers/strategic.pdf>.

⁶⁶ See:

<http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTS/STRATEGIES/CDF/0,,pagePK:60447~theSitePK:140576,00.html>

⁶⁷ See http://www.worldbank.org/poverty/wbactivities/op_3.htm.

ANNEX A. LIST OF MILLENNIUM DEVELOPMENT GOALS, TARGETS AND INDICATORS

<i>Goals</i>	<i>Targets</i>	<i>Indicators</i>
1. Eradicate extreme poverty and hunger	✓ <i>Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day</i>	<ul style="list-style-type: none"> ▪ Proportion of population below \$1 a day ▪ Poverty gap ratio (incidence x depth of poverty) ▪ Share of poorest quintile in national consumption
	✓ <i>Halve, between 1990 and 2015, the proportion of people who suffer from hunger</i>	<ul style="list-style-type: none"> ▪ Prevalence of underweight in children (under five years of age) ▪ Proportion of population below minimum level of dietary energy consumption
2. Achieve universal primary education	✓ <i>Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling</i>	<ul style="list-style-type: none"> ▪ Net enrollment ratio in primary education ▪ Proportion of pupils starting grade 1 who reach grade 5 ▪ Literacy rate of 15 to 24-year-olds
3. Promote gender equality and empower women	✓ <i>Eliminate gender disparity in primary and secondary education preferably by 2005 and to all levels of education no later than 2015.</i>	<ul style="list-style-type: none"> ▪ Ratio of girls to boys in primary, secondary, and tertiary education ▪ Ratio of literate females to males among 15- to 24-year-olds ▪ Share of women in wage employment in the nonagricultural sector ▪ Proportion of seats held by women in national parliament
4. Reduce child mortality	✓ <i>Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate</i>	<ul style="list-style-type: none"> ▪ Under-five mortality rate ▪ Infant mortality rate ▪ Proportion of one-year-old children immunized against measles
5. Improve maternal health	✓ <i>Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio</i>	<ul style="list-style-type: none"> ▪ Maternal mortality ratio ▪ Proportion of births attended by skilled health personnel
6. Combat HIV/AIDS, malaria, and other diseases	✓ <i>Have halted by 2015, and begun to reverse, the spread of HIV/AIDS</i>	<ul style="list-style-type: none"> ▪ HIV prevalence among 15- to 24-year-old pregnant women ▪ Contraceptive prevalence rate b ▪ Number of children orphaned by HIV/AIDS
	✓ <i>Have halted by 2015, and begun to reverse, the incidence of malaria and other major diseases</i>	<ul style="list-style-type: none"> ▪ Prevalence and death rates associated with malaria ▪ Proportion of population in malaria-risk areas using effective malaria prevention and treatment measures ▪ Prevalence and death rates associated with tuberculosis ▪ Proportion of TB cases detected and cured under DOTS
7. Ensure environmental sustainability	✓ <i>Integrate the principles of sustainable development into country policies and program and reverse the loss of environmental resources</i>	<ul style="list-style-type: none"> ▪ Change in land area covered by forest ▪ Land area protected to maintain biological diversity ▪ GDP per unit of energy use ▪ Carbon dioxide emissions (per capita)
	✓ <i>Halve, by 2015, the proportion of people without sustainable access to safe drinking water</i>	<ul style="list-style-type: none"> ▪ Proportion of population with sustainable access to an improved water source
	✓ <i>Have achieved, by 2020, a significant improvement in the lives of at least 100 million slum dwellers</i>	<ul style="list-style-type: none"> ▪ Proportion of population with access to improved sanitation ▪ Proportion of population with access to secure tenure <p>[Urban/rural disaggregation of several of the above indicators may be relevant for monitoring improvement in the lives of slum dwellers]</p>

8. Develop a global partnership for development	<ul style="list-style-type: none"> ✓ <i>Develop further an open, rule-based, predictable, nondiscriminatory trading and financial system</i> ✓ <i>Official development assistance. Address the special needs of the least developed countries</i> ✓ <i>Market access. Address the special needs of landlocked countries and small island developing states</i> ✓ <i>Debt sustainability. Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term</i> ✓ <i>Other. (i) In cooperation with developing countries, develop and implement strategies for decent and productive work for youth; (ii) in cooperation with pharmaceutical companies, provide access to affordable, essential drugs in developing countries; (iii) in cooperation with the private sector, make available the benefits of new technologies, especially information and communications</i> 	<ul style="list-style-type: none"> ▪ Net ODA as a percentage of DAC donors' gross national income ▪ Proportion of ODA to basic social services (basic education, primary health care, nutrition, safe water, and sanitation) ▪ Proportion of ODA that is untied ▪ Proportion of ODA for environment in small island developing states ▪ Proportion of ODA for the transport sector in landlocked countries ▪ Proportion of exports (by value, excluding arms) admitted free of duties and quotas ▪ Average tariffs and quotas on agricultural products and textiles and clothing ▪ Domestic and export agricultural subsidies in OECD countries ▪ Proportion of ODA provided to help build trade capacity ▪ Proportion of official bilateral HIPC debt canceled ▪ Debt service as a percentage of exports of goods and services ▪ Proportion of ODA provided as debt relief ▪ Number of countries reaching HIPC decision and completion points ▪ Unemployment rate of 15- to 24-year-olds ▪ Proportion of population with access to affordable, essential drugs on a sustainable basis ▪ Telephone lines per 1,000 people ▪ Personal computers per 1,000 people
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ANNEX B. MILLENNIUM DEVELOPMENT GOALS: REGIONAL DATA

POVERTY & HUNGER	Percent of people living below \$1 per day			Percent of people living below \$2 per day		
	1990	1999	2015	1990	1999	2015
	East Asia and the Pacific	30.5	15.6	3.9	69.7	50.1	16.6
(excluding China)	24.2	10.6	1.1	64.9	50.2	18.4
Europe and Central Asia	1.4	5.1	1.4	6.8	20.3	9.3
Latin America and the Caribbean	11.0	11.1	7.5	27.6	26.0	18.9
Middle East and North Africa	2.1	2.2	2.1	21.0	23.3	16.0
South Asia	45.0	36.6	15.7	89.8	84.8	68.0
Sub-Saharan Africa	47.4	49.0	46.0	76.0	74.7	70.4
Total	29.6	23.2	13.3	62.1	55.6	38.1
(excluding China)	28.5	25.0	15.7	58.7	57.5	44.7

POVERTY & HUNGER	Number of people living below \$1 per day			Number of people living below \$2 per day		
	1990	1999	2015	1990	1999	2015
	East Asia and the Pacific	486	279	80	1,114	897	339
(excluding China)	110	57	7	295	269	120
Europe and Central Asia	6	24	7	31	97	45
Latin America and the Caribbean	48	57	47	121	132	117
Middle East and North Africa	5	6	8	50	68	62
South Asia	506	488	264	1010	1,128	1,139
Sub-Saharan Africa	241	315	404	386	480	618
Total	1,292	1,169	809	2,712	2,802	2,320
(excluding China)	917	945	735	1,892	2,173	2,101

Source: World Bank (2003), *Global Economic Prospects and the Developing Countries: Investing to Unlock Global Opportunities*. Washington, D.C.

Notes: The \$1 a day is in 1993 World Bank consumption purchasing power parity terms. The numbers are estimated from those countries in each region for which at least one survey was available during the period 1985-2001. Survey dates often do not coincide with the dates in the above table. To line up with the above dates, the survey estimates were adjusted using the closest available survey for each country and applying the consumption growth rate from national accounts. Using the assumption that the sample of countries covered by surveys is representative of the region as a whole, the numbers of poor are then estimated by region. This assumption is obviously less robust in the regions with the lowest survey coverage. The headcount index is the percentage of the population below the poverty line. Further details on data and methodology can be found in M. Ravallion and S. Chen (2000), "How Did the World's Poorest Fare in the 1990s?", *Review of Income and Wealth*, Vol. 47, 2001. The historical series to 1999 was updated in October 2002 for the 2003 edition of *Global Economic Prospects*.

UNIVERSAL PRIMARY EDUCATION	Net primary enrollment ratio		Percentage of cohort reaching grade 5		Youth literacy rate	
	% or relevant age group		% of grade one students who reach grade five		% ages 15-24	
	1990	1999	1990	1997	1990	2001
World	..	..	..	..	..	..
High Income	98	97	..	..	..	..
Low & Middle Income	..	..	..	..	82	85
East Asia & Pacific	97	93	86	93	95	97
Europe & Central Asia	..	..	..	..	98	99
Latin America & Caribbean	89	97	75	..	93	95
Middle East & North Africa	..	83	..	..	71	81
South Asia	..	..	..	..	61	69
Sub-Saharan Africa	..	..	..	..	67	78

Source: World Bank (2003), World Development Indicators, Washington, D.C.

GENDER EQUALITY	Ratio of girls to boys in primary & secondary schools		Ratio of young literate females to males		Share of women employed in the nonagricultural sector	
	%		% ages 15-24		% of total employment in sector	
	1990	1998	1990	2000	1990	2000
World	85	87	..	..	..	..
High Income	96	92	..	..	43	45
Low & Middle Income	82	86	89	92	..	..
East Asia & Pacific	84	89	95	98	..	..
Europe & Central Asia	90	88	98	99	..	43
Latin America & Caribbean	98	99	100	101	38	41
Middle East & North Africa	79	84	77	87	18	..
South Asia	68	78	70	77	..	..
Sub-Saharan Africa	79	80	80	89	..	..

Source: World Bank (2002), World Development Indicators, Washington, D.C.

INFANT & CHILD MORTALITY	Infant mortality rate		Under-5 mortality rate		Immunization rate, measles	
	Per 1,000 live births		Per 1,000 live births		% of children under 12 months	
	1990	2001	1990	2001	1990	2001
World	63	56	93	81	73	72
High Income	8	5	10	7	81	90
Low & Middle Income	68	61	101	88	72	71
East Asia & Pacific	43	34	59	44	89	76
Europe & Central Asia	36	31	44	38	..	95
Latin America & Caribbean	42	28	53	34	77	91
Middle East & North Africa	57	44	77	54	84	92
South Asia	86	71	129	99	56	58
Sub-Saharan Africa	110	105	178	171	57	58

Source: World Bank (2003), World Development Indicators, Washington, D.C.

MATERNAL HEALTH	Births attended by skilled health staff										
	% of total										
	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Asia	39	40	41	42	43	44	45	46	47	48	49
Latin America & Caribbean	74	74.7	75.4	76.1	76.8	77.5	78.2	78.9	79.6	80.3	81
Middle East & North Africa	49	50.4	51.8	53.2	54.6	56	57.4	58.8	60.2	61.6	63
Sub-Saharan Africa	44	44	44	44	44	44	44	44	44	44	44

Source: World Health Organization (2001), *Maternal Mortality in 1995: Estimates developed by WHO, UNICEF and UNFPA*, Geneva.

COMMUNICABLE DISEASES	Prevalence of HIV, female	Incidence of tuberculosis
	% ages 15-24	Per 100,000 people
	1999	1999
World	1.24	142
High Income	0.13	19
Low & Middle Income	1.46	164
East Asia & Pacific	0.18	144
Europe & Central Asia	0.23	85
Latin America & Caribbean	0.31	75
Middle East & North Africa	..	66
South Asia	0.48	191
Sub-Saharan Africa	8.98	339

Source: World Bank (2003), *World Development Indicators*, Washington, D.C.

ENVIRONMENT	Access to improved sanitation facilities		Access to improved water source		Forest Area	
	% of population		% of population		% of total land area	
	1990	2000	1990	2000	1990	2000
World	45.3	55.4	74.2	80.7	30.4	29.7
High Income	..	..	..	..	25.8	26.1
Low & Middle Income	39.2	51.3	71.3	78.9	31.8	30.9
East Asia & Pacific	35.0	45.7	71.2	75.9	27.6	27.2
Europe & Central Asia	..	..	..	91.0	39.4	39.7
Latin America & Caribbean	72.2	77.2	82.4	86.4	49.3	47.1
Middle East & North Africa	..	85.2	..	88.2	1.5	1.5
South Asia	21.5	34.0	72.0	84.4	16.5	16.3
Sub-Saharan Africa	54.0	53.4	53.2	58.1	30.7	27.3

Source: World Bank (2002), *World Development Indicators database*, Washington, D.C.

ANNEX C. SUMMARIES OF COMPLETED POVERTY ASSESSMENTS, FISCAL YEARS 2000 AND 2001

Note: Summaries of completed poverty assessments are available on the Poverty Net web site, at <http://wbln0018.worldbank.org/dg/povertys.nsf/Poverty+assessment?openview&count=1999>, so they are no longer included in this report. See Annex D for the number of poverty assessments completed by region and Annex E for full listing report titles and document numbers.

ANNEX D. NUMBER OF POVERTY ASSESSMENTS COMPLETED, FISCAL 1989-2002

	<i>Completed</i>		<i>Total</i>
	<i>FY89-01</i>	<i>FY02</i>	
East Asia and the Pacific	18	2	20
Europe and Central Asia	28	2	30
Latin America and the Caribbean	37	4	41
Middle East and North Africa	8	2	10
South Asia	13	2	15
Sub-Saharan Africa	41	0	41
Total	145^a	12^b	157^c

a. Includes 102 first-round poverty assessments and 43 updates.

b. Includes 1 first-round poverty assessment and 11 updates.

c. Includes 103 first-round poverty assessments and 54 updates.

Note: Some country teams prepared a poverty note instead of a full poverty assessment for reasons that include political constraints and data or resource limitations. While poverty notes do not contain the same level of comprehensive analysis as a full poverty assessment, they serve as a springboard for action and further analysis. Poverty notes, which are not included in the table above, have been completed for the following countries: Burkina Faso (fiscal 1997), Central African Republic (fiscal 1998), Papua New Guinea (fiscal 2000), and Turkmenistan (fiscal 2001).

ANNEX E. LIST OF COMPLETED POVERTY ASSESSMENTS, FISCAL 1989-2002

Country	Report Title	Report No.	Report Date
<i>EAST ASIA AND THE PACIFIC</i>			
Cambodia	Poverty Assessment	19858-KH	11-22-1999
China	Strategies for Reducing Poverty in the 1990s	10409-CHA	6-29-1992
China (update)	Overcoming Rural Poverty	21105-CHA	10-18-2000
Fiji	Restoring Growth in a Changing Global Environment	13862-FIJ	6-20-1995
Indonesia	Poverty Assessment and Strategy Report	8034-IND	5-11-1990
Indonesia (update)	Public Expenditures, Prices and the Poor	11293-IND	8-31-1993
Indonesia (update)	Poverty Reduction in Indonesia: Constructing a New Strategy	23028-IND	10-29-2001
Indonesia (update)	People, Poverty and Livelihoods: Links for Sustainable Poverty Reduction in Indonesia	--	1-31-2002
Lao PDR	Social Development Assessment and Strategy	13992-LA	8-15-1995
Malaysia	Growth, Poverty Alleviation and Improved Income Distribution in Malaysia	8667-MA	1-31-1991
Mongolia	Poverty in a Transition Economy	15723-MOG	6-27-1996
Mongolia	Participatory Living Standards Assessment	--	9-8-2000
Philippines	The Philippines: The Challenge of Poverty	7144-PH	10-17-1988
Philippines (update)	An Opening for Sustained Growth	11061-PH	4-1-1993
Philippines (update)	A Strategy to Fight Poverty	14933-PH	11-13-1995
Philippines (update)	Poverty Assessment	20498-PH	5-31-2001
Thailand	Growth, Poverty, and Income Distribution: An Economic Report	15689-TH	12-13-1996
Thailand (update)	Thailand Social Monitor: Poverty and Public Policy	23147-TH	11-30-2001
Vietnam	Poverty Assessment and Strategy	13442-VN	1-23-1995
Vietnam (update)	Development Report 2000: Attacking Poverty: Country Economic Memorandum	19914-VN	11-15-1999
<i>EUROPE AND CENTRAL ASIA</i>			
Albania	Growing Out of Poverty	15698-ALB	5-30-1997
Albania (update)	A Qualitative Assessment of Poverty in Ten Areas of Albania	23521-ALB	6-30-2001
Armenia	Confronting Poverty Issues	15693-AM	6-10-1996
Armenia (update)	Assistance in Armenia	19385-AM	6-8-1999
Azerbaijan	Poverty Assessment	15601-AZ	2-24-1997
Belarus	An Assessment of Poverty and Prospects for Improved Living Standards	15380-BY	6-28-1996
Bulgaria	Poverty during the Transition	18411-BUL	6-7-1999
Bulgaria (update)	Poverty Assessment	24516-BUL	
Croatia	Economic Vulnerability and Welfare Study	22079-HR	4-18-2001
Estonia	Living Standards During the Transition	15647-EE	6-17-1996
Georgia	Poverty and Income Distribution (2 volumes)	19348-GE	3-31-1999
Georgia (update)	Poverty Update	22350-GE	1-10-2002
Hungary	Poverty and Social Transfers	14658-HU	3-14-1996
Hungary (update)	Long-Term Poverty, Social Protection, and the Labor Market (2 volumes)	20645-HU	4-30-2001
Kazakhstan	Living Standards During the Transition	17520-KZ	3-22-1998
Kosovo	Poverty Assessment	23390-KOS	
Kyrgyz Republic	Poverty Assessment and Strategy	14380-KG	5-30-1995
Kyrgyz Republic (update)	Update on Poverty in the Kyrgyz Republic	19425-KG	6-30-1999
Kyrgyz Republic (update)	Poverty in the 1990s in the Kyrgyz Republic	21721-KG	6-30-2001
Latvia	Poverty Assessment (2 volumes)	20707-LV	6-14-2000

Country	Report Title	Report No.	Report Date
Macedonia, FYR	Focusing on the Poor (2 volumes)	19411-MK	6-11-1999
Moldova	Poverty Assessment	19926-MD	11-30-1999
Poland	Poverty in Poland	13051-POL	9-14-1994
Romania	Poverty and Social Policy	16462-RO	4-30-1997
Russia	Poverty in Russia: An Assessment	14110-RU	6-13-1995
Russia (update)	Targeting and the Longer-Term Poor (2 volumes)	19377-RU	5-31-1999
Slovak Republic	Living Standards, Employment and Labor Market Study	22351-SK	8-9-2001
Tajikistan	Poverty Assessment	20285-TJ	6-29-2000
Turkey	Economic Reforms, Living Standards and Social Welfare Study	20029-TR	1-27-2000
Ukraine	Poverty in Ukraine	15602-UA	6-27-1996
<i>LATIN AMERICA AND THE CARIBBEAN</i>			
Argentina	Argentina's Poor: A Profile	13318-AR	6-27-1995
Argentina (update)	Poor People in a Rich Country (2 volumes)	19992-AR	3-23-2000
Bolivia	Poverty Report	8643-BO	10-3-1990
Bolivia (update)	Poverty Equity & Income: Selected Policies for Expanding Earning Opportunities for the Poor (2 vol.)	15272-BO	2-22-1996
Bolivia (update)	Poverty Diagnostic 2000	20530-BO	6-30-2000
Brazil	Brazil: A Poverty Assessment (2 volumes)	14323-BR	6-27-1995
Brazil (update)	Ceará: Strategies for Poverty Reduction -- The Challenge of Inclusive Modernization	24500-BR	
Chile	Social Development Progress in Chile: Achievement and Challenges	8550-CH	--
Chile (update)	Poverty and Income Distribution in a High-Growth Economy: The Case of Chile 1987-95	16377-CH	11-25-1997
Chile (update)	Poverty and Income Distribution in a High-Growth Economy: The Case of Chile 1987-98	22037-CH	8-30-2001
Colombia	Poverty Assessment Report (2 volumes)	12673-CO	8-8-1994
Colombia (update)	Poverty Report	24524-CO	4-1-2002
Costa Rica	Public Sector Social Spending	8519-CR	10-23-1990
Costa Rica (update)	Identifying the Social Needs of the Poor: An Update	15449-CR	5-12-1997
Dominican Republic	Growth with Equity: An Agenda for Reform	13619-DO	5-15-1995
Dominican Republic (update)	Poverty Assessment: Poverty in a High-Growth Economy (1986-2000)	21306-DO	12-17-2001
Ecuador	A Social Sector Strategy for the Nineties	8935-EC	11-28-1990
Ecuador (update)	Poverty Report	14533-EC	11-27-1995
El Salvador	The Challenge of Poverty Alleviation	12315-ES	6-9-1994
Guatemala	An Assessment of Poverty	12313-GU	4-17-1995
Guatemala (update)	Poverty Assessment	24221-GU	
Guyana	Strategies for Reducing Poverty	12861-GUA	5-6-1994
Haiti	The Challenges of Poverty Reduction (2 volumes)	17242-HA	8-31-1998
Honduras	Country Economic Memorandum/Poverty Assessment	13317-HO	11-17-1994
Honduras (update)	Poverty Diagnostic 2000	20531-HO	6-29-2001
Jamaica	A Strategy for Growth and Poverty Reduction	12702-JM	4-12-1994
Mexico	Mexico in Transition: Towards a New Role for the Public Sector	8770-ME	5-22-1991
Mexico (update)	Government Programs and Poverty in Mexico	19214-MX	
Nicaragua	Poverty Assessment	14038-NI	6-1-1995
Nicaragua (update)	Poverty Assessment: Challenges and Opportunities for Poverty Reduction (2 volumes)	20488-NI	2-21-2001
Panama	Poverty Assessment: Priorities and Strategies for Poverty Reduction (2 volumes)	18801-PAN	6-28-1999
Paraguay	Public Expenditure Review -- the Social Sectors	10193-PA	6-16-1992

Country	Report Title	Report No.	Report Date
Paraguay (update)	Poverty and the Social Sectors in Paraguay: A Poverty Assessment	12293-PA	6-29-1994
Paraguay (update)	Attacking Poverty	22703-PA	--
Peru	Poverty Assessment & Social Sector Policies & Programs for the Poor	11191-PE	5-5-1993
Peru (update)	Poverty and Social Developments in Peru, 1994-1997	19651-PE	5-31-1999
Trinidad and Tobago	Poverty and Unemployment in an Oil Based Economy	14382-TR	10-27-1995
Uruguay	Poverty Assessment: Public Social Expenditures and Their Impact on the Income Distribution	9663-UR	5-4-1993
Uruguay (update)	Maintaining Social Equity in a Changing Economy	21262-UR	7-17-2001
Venezuela	From Generalized Subsidies to Targeted Programs	9114-VE	6-5-1991
Venezuela (update)	Investing in Human Capital for Growth, Prosperity, and Poverty Reduction	21833-VE	3-30-2001
<i>MIDDLE EAST AND NORTH AFRICA</i>			
Algeria	Growth, Employment and Poverty Reduction (2 volumes)	18564-AL	1-20-1999
Egypt, Arab Rep. of	Alleviating Poverty During Structural Adjustment	9838-EGT	7-31-1991
Egypt, Arab Rep. of (update)	Poverty Reduction in Egypt: Diagnosis and Strategy (2 volumes)	24234-EGT	6-29-2002
Jordan	Poverty Assessment	12675-JO	10-28-1994
Morocco	Poverty, Adjustment, and Growth (2 volumes)	11918-MOR	1-31-1994
Morocco (update)	Poverty Update (2 volumes)	21506-MOR	3-30-2001
Tunisia	Poverty Alleviation: Preserving Progress while Preparing for the Future (2 volumes)	13993-TUN	8-31-1995
West Bank and Gaza	Poverty in the West Bank and Gaza	22312-GZ	6-18-2001
Yemen, Republic of	Poverty Assessment	15158-YEM	6-26-1996
Yemen, Republic of	Poverty Update (2 volumes)	24422-RY	6-27-2002
<i>SOUTH ASIA</i>			
Bangladesh	Bangladesh Poverty and Public Expenditures: An Evaluation of the Impact of Selected Government Progs.	7946-BD	1-16-1990
Bangladesh (update)	From Counting the Poor to Making the Poor Count	17534-BD	4-29-1998
Bangladesh (update)	Poverty in Bangladesh: Building on Progress		
India	Poverty, Employment and Social Services	7617-IN	5-10-1989
India (update)	Achievements and Challenges in Reducing Poverty	16483-IN	5-27-1997
India (update)	Reducing Poverty in India	17881-IN	6-29-1998
India (update)	Policies to Reduce Poverty and Accelerate Sustainable Development	19471-IN	1-31-2000
India (update)	Uttar Pradesh Poverty Assessment	22323-IN	6-27-2001
Nepal	Relieving Poverty in a Resource-Scarce Economy	8635-NEP	8-15-1990
Nepal (update)	Poverty in Nepal at the Turn of the Twenty-First Century	18639-NEP	12-01-1998
Pakistan	A Profile of Poverty	8848-PAK	--
Pakistan (update)	Poverty Assessment	14397-PAK	9-25-1995
Pakistan (update)	Poverty in Pakistan: Vulnerabilities, Social Gaps, and Rural Dynamics	24296-PAK	5-31-2002
Sri Lanka	Poverty Assessment	13431-CE	1-11-1995
Sri Lanka (update)	Poverty Assessment	22535-CE	--
<i>SUB-SAHARAN AFRICA</i>			
Benin	Toward a Poverty Alleviation Strategy for Benin	12706-BEN	8-5-1994
Burundi	Poverty Note: Prospects for Social Protection in a Crisis Economy	17909-BU	2-23-1999

Country	Report Title	Report No.	Report Date
Cameroon	Diversity, Growth, and Poverty Reduction	13167-CM	4-4-1995
Cape Verde	Poverty in Cape Verde: A Summary Assessment and a Strategy for its Alleviation	13126-CV	6-30-1994
Chad	Poverty Assessment: Constraints to Rural Development	16567-CD	10-21-1997
Comoros	Poverty and Growth in a Traditional Small Island Economy	13401-COM	9-29-1994
Congo	Poverty Assessment	16043-COB	6-16-1997
Cote d'Ivoire	Poverty in Cote d'Ivoire: A Framework for Action	15640-IVC	6-14-1997
Djibouti	Crossroads of the Horn of Africa Poverty Assessment	16543-DJI	10-7-1997
Eritrea	Poverty Assessment	15595-ER	6-13-1996
Ethiopia	Toward Poverty Alleviation and a Social Action Program	11306-ET	6-28-1993
Gabon	Poverty in a Rent-Based Economy	16333-GA	6-27-1997
The Gambia	An Assessment of Poverty	11941-GM	6-30-1993
Ghana	2000 and Beyond: Setting the Stage for Accelerated Growth and Poverty Reduction	11486-GH	11-6-1992
Ghana (update)	Ghana: Poverty Past, Present and Future	14504-GH	6-29-1995
Guinea	A Socioeconomic Assessment of Well-Being and Poverty	16465-GUI	3-31-1997
Guinea-Bissau	Poverty Assessment and Social Sector Strategy Review	13155-GUB	6-3-1994
Kenya	Poverty Assessment	13152-KE	3-15-1995
Lesotho	Poverty Assessment	13171-LSO	8-18-1995
Madagascar	Poverty Assessment	14044-MAG	6-28-1996
Malawi	Growth Through Poverty Reduction	8140-MAI	3-22-1990
Malawi (update)	Human Resources and Poverty: Profile and Priorities for Action	15437-MAI	3-19-1996
Mali	Assessment of Living Conditions	11842-MLI	6-30-1993
Mauritania	Poverty Assessment	12182-MAU	9-23-1994
Mauritius	CEM: Sharpening the Competitive Edge	13215-MAS	4-12-1995
Mozambique	Poverty Reduction Framework Paper*	None	--
Namibia	Poverty Alleviation with Sustainable Growth	9510-NAM	10-29-1991
Niger	A Resilient People in a Harsh Environment: Niger Poverty Assessment	15344-NIR	6-28-1996
Nigeria	Poverty in the Midst of Plenty: The Challenge of Growth with Inclusion	14733-UNI	5-31-1996
Rwanda	Poverty Reduction and Sustainable Growth	12465-RW	5-16-1994
Rwanda (update)	Poverty Note: Rebuilding an Equitable Society — Poverty and Poverty Reduction After the Genocide	17792-RW	6-19-1998
Senegal	An Assessment of Living Conditions (2 volumes)	12517-SE	5-5-1995
Seychelles	Poverty in Paradise	12423-SEY	6-24-1994
Sierra Leone	Policies for Sustained Economic Growth and Poverty Alleviation	11371-SL	5-14-1993
Swaziland	Reducing Poverty Through Shared Growth	19658-SZ	1-12-2000
Tanzania	The Challenge of Reforms: Growth, Incomes and Welfare	14982-TA	5-31-1996
Togo	Overcoming the Crisis, Overcoming Poverty: A World Bank Poverty Assessment	15526-TO	6-25-1996
Uganda	Growing Out of Poverty	11380-UG	3-31-1993
Uganda (update)	Lessons from Uganda on Strategies to fight Poverty		9-30-2000
Zambia	Poverty Assessment	12985-ZA	11-10-1994
Zimbabwe	Achieving Shared Growth: Country Economic Memorandum (2 volumes)	13540-ZIM	4-21-1995

* Document was prepared for consultative group meeting.

ANNEX F. ANNUAL LENDING TO SELECTED SECTORS, FISCAL 1985-2002

Table F-1. Average lending to selected sectors, fiscal 1985-2002

	FY85-87	FY88-90	FY91-93	FY94-96	FY97-99	FY00-02
World Bank (IBRD and IDA) lending (\$US millions)						
Human capital development	963.6	1,680.8	3,516.9	4,149.6	5,138.7	3,001.9
Education	738.7	1,064.4	1,866.5	2,004.8	1,819.3	910.6
Health, nutrition & population	221.5	569.9	1,198.8	1,453.9	1,339.4	960.2
Social Protection	10.0	46.5	451.6	690.9	1,980.0	1,131.1
Agriculture	3,759.4	3,761.2	3,090.2	2,608.9	2,965.4	1,596.6
Water supply & sanitation	795.7	730.2	1,091.9	1,148.2	643.7	751.0
Total Bank lending	16,152.4	20,429.7	22,695.7	21,570.0	25,564.1	17,348.7
As share of total Bank lending (percent)						
Human capital development	6	8	15	19	20	17
Agriculture	23	18	14	12	12	9
Water supply & sanitation	5	4	5	5	3	4
IDA lending (\$US millions)						
Human capital development	421.3	834.6	1,715.5	1,748.6	1,675.6	1,455.5
Education	316.7	538.2	752.8	712.7	663.8	489.4
Health, nutrition & population	101.3	267.1	598.6	683.0	782.2	547.6
Social Protection	10.0	29.3	364.1	352.9	229.6	418.6
Agriculture	1,141.0	1,514.5	1,317.0	1,329.0	977.1	850.1
Water supply & sanitation	166.3	171.4	407.4	181.0	235.8	306.0
Total IDA lending (US\$ millions)	3,218.0	4,971.4	6,531.5	6,375.1	6,314.2	6,396.3
As share of total IDA lending (percent)						
Human capital development	13	17	26	27	27	23
Agriculture	35	30	20	21	15	13
Water supply & sanitation	5	3	6	3	4	5

Note: The data are for average annual lending during the three-year period indicated. The World Bank's fiscal year runs from July 1 of the previous year to June 30 of the year indicated. Three-year moving averages have been reported since the first Progress Report on Poverty in fiscal 1992 to smooth out year-to-year fluctuations. Because of a recent sector reclassification of projects, some numbers may differ from those reported in earlier tables. Note that these sectors do not account for all poverty-focused lending; projects in such sectors as urban development and transport also have components designed to help reduce poverty.

a. Social protection lending includes employment, social assistance, social insurance, and social investment funds.

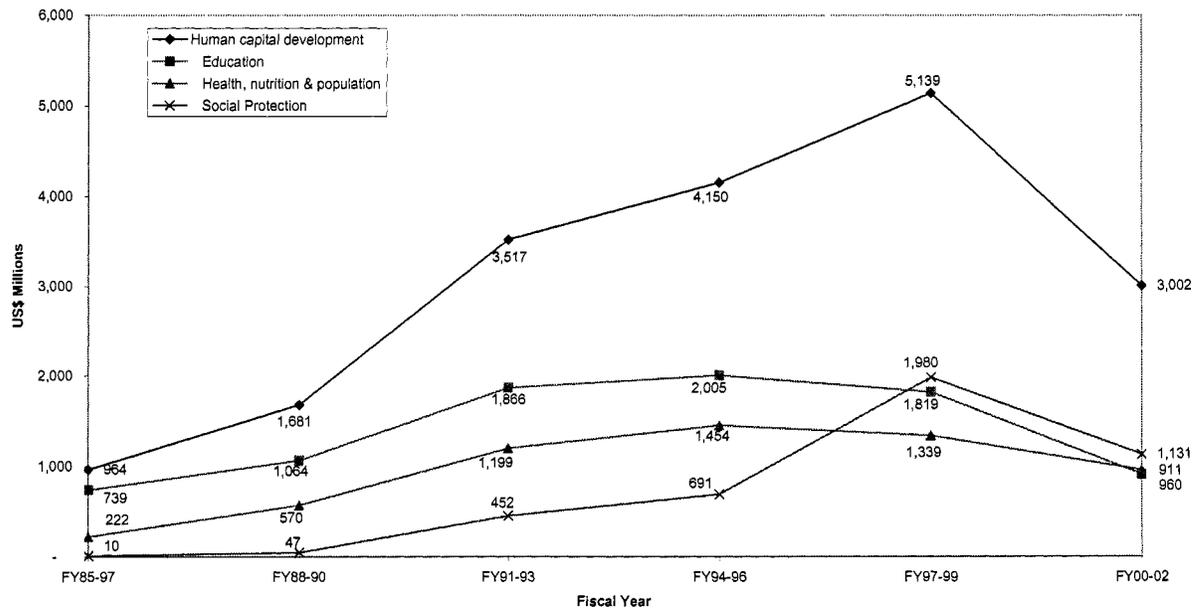
Table F-2. Annual lending to selected sectors, fiscal 1992-2002

	FY92	FY93	FY94	FY95	FY96	FY97	FY98	FY99	FY00	FY01	FY02
World Bank (IBRD and IDA) lending (\$US millions)											
Human capital development	2,715.4	4,034.3	3,241.0	4,179.1	5,028.6	3,473.5	6,817.0	5,125.6	2,561.0	3,514.5	2,930.2
Education	1,666.5	1,871.2	2,119.2	2,027.2	1,868.0	994.4	3,129.3	1,334.3	684.0	834.1	1,213.6
Health, nutrition & population	922.1	1,378.6	885.7	1,122.5	2,353.4	920.4	1,990.9	1,106.8	987.1	1,007.9	885.7
Social Protection	126.8	784.5	236.1	1,029.4	807.2	1,558.7	1,696.8	2,684.6	890.0	1,672.6	830.9
Agriculture	3,209.9	2,902.8	3,555.1	2,208.5	2,063.2	3,540.5	2,636.9	2,718.8	1,336.7	1,456.9	1,996.2
Water supply & sanitation	786.4	1,263.9	1,135.2	1,149.5	1,159.8	682.8	703.6	544.7	903.6	925.8	423.7
Total Bank lending	21,705.7	23,695.9	20,836.0	22,521.7	21,352.2	19,146.7	28,593.9	28,951.6	15,276.2	17,250.6	19,519.4
As share of total Bank lending (percent)											
Human capital development	13	17	16	19	24	18	24	18	17	20	15
Agriculture	15	12	17	10	10	18	9	9	9	8	10
Water supply & sanitation	4	5	5	5	5	4	2	2	6	5	2
IDA lending (US\$ millions)											
Human capital development	1,297.8	2,139.5	1,245.1	1,828.2	2,172.6	1,015.7	2,445.1	1,566.0	1,321.5	1,776.0	1,269.1
Education	561.3	970.2	619.3	771.6	747.2	255.1	1,201.5	534.8	468.7	452.5	546.8
Health, nutrition & population	615.1	541.8	519.7	671.2	858.2	674.6	1,079.4	592.5	579.4	524.2	539.1
Social Protection	121.4	627.5	106.1	385.4	567.2	86.0	164.2	438.7	273.4	799.3	183.1
Agriculture	1,219.2	1,084.0	1,523.3	1,355.2	1,108.5	719.4	1,236.9	975.1	568.1	783.0	1,199.1
Water supply & sanitation	297.4	505.4	103.2	309.2	130.7	302.4	151.0	253.9	109.7	519.3	288.9
Total IDA lending	6,549.7	6,751.4	6,592.1	5,669.2	6,864.1	4,621.8	7,507.7	6,813.3	4,357.6	6,763.6	8,067.6
As share of total IDA lending (percent)											
Human capital development	20	32	19	32	32	22	33	23	30	26	16
Agriculture	19	16	23	24	16	16	16	14	13	12	15
Water supply & sanitation	5	7	2	5	2	7	2	4	3	8	4

Note: The World Bank's fiscal year runs from July 1 of the previous year to June 30 of the year indicated. These sectors do not account for all poverty-focused lending; projects in such sectors as urban development and transport also have components designed to help reduce poverty. See World Bank Annual Report 1999 for further details on sector lending. Because of a recent sector reclassification of projects, some numbers may differ from those reported in earlier tables.

a. Social protection lending includes employment, social assistance, social insurance, and social investment funds.

Figure F-1. Trends in lending for human capital development, fiscal 1985-2002



ANNEX G. LIST OF COMPLETED PRSP/I-PRSP/JSA BOARD PRESENTATIONS BY REGION

PRSP/I-PRSP/JSA Board Presentations by Region

<i>PRSP</i>	<i>I-PRSP</i>	<i>PRSP Progress Report</i>	<i>Region and Country</i>	<i>Board Date</i>	<i>Comments</i>
Africa Region (AFR)					
	1		Tanzania	CY00 Q2	Presented April 4, 2000.
	2		Mozambique	CY00 Q2	Presented April 6, 2000.
	3		Sao Tome & Principe	CY00 Q2	Presented April 27, 2000.
1			Uganda	CY00 Q2	Presented May 2, 2000.
	4		Senegal	CY00 Q2	Presented June 20, 2000.
2			Burkina Faso	CY00 Q2	Presented June 30, 2000
	5		Benin	CY00Q3	Presented July 13, 2000
	6		Chad	CY00 Q3	Presented July 25, 2000
	7		Kenya	CY00 Q3	Presented August 1, 2000
	8		Zambia	CY00 Q3	Presented August 4, 2000
	9		Ghana	CY00 Q3	Presented August 24, 2000
	10		Mali	CY00 Q3	Presented September 7, 2000
	11		Cameroon	CY00 Q4	Presented October 10, 2000
3			Tanzania	CY00 Q4	Presented November 30, 2000
	12		Guinea Bissau	CY00 Q4	Presented December 14, 2000
	13		Gambia	CY00 Q4	Presented December 14, 2000
	14		Madagascar	CY00 Q4	Presented December 19, 2000
	15		Niger	CY00 Q4	Presented December 20, 2000
	16		Malawi	CY00 Q4	Presented December 21, 2000
	17		Rwanda	CY00 Q4	Presented December 21, 2000
	18		Guinea	CY00 Q4	Presented December 22, 2000
	19		Central African Republic	CY01 Q1	Presented January 18, 2001.
4			Mauritania	CY01 Q1	Presented February 6, 2001.
	20		Lesotho	CY01 Q1	Presented March 6, 2001
	21		Ethiopia	CY01 Q1	Presented March 20, 2001
		1	Uganda	CY01 Q2	Presented May 31, 2001
	22		Sierra Leone	CY01 Q3	Presented September 25, 2001
5			Mozambique	CY01 Q3	Presented September 25, 2001
		2	Tanzania	CY01 Q4	Presented November 27, 2001
		3	Burkina Faso	CY01 Q4	Presented December 6, 2001
6			Niger	CY02 Q1	Presented February 7, 2002
	23		Cote D'Ivoire	CY02 Q1	Presented March 28, 2002
	24		Cape Verde	CY02 Q1	Presented, April 8, 2002
7			Zambia	CY02 Q2	Presented May 22, 2002
	25		Congo, DR	CY02 Q2	Presented June 11, 2002
		4	Mauritania	CY02 Q2	Presented June 18, 2002
8			Gambia	CY02 Q3	Presented July 16, 2002

		5	Uganda	CY02 Q3	Presented, July 23, 2002
9			Guinea	CY02 Q3	Presented July 25, 2002
10			Rwanda	CY02 Q3	Presented Aug 6, 2002
11			Malawi	CY02 Q3	Presented August 29, 2002
12			Ethiopia	CY02 Q3	Presented September 17, 2002
		6	Burkina Faso	CY02 Q4	Presented November 5, 2002
13			Senegal	CY02 Q4	Presented December 23, 2002
14			Mali	CY03 Q1	Presented March 6, 2003
15			Benin	CY03 Q1	Presented March 20, 2003
16			Ghana	CY03 Q2	Presented May 8, 2003
		7	Tanzania	CY03 Q2	Presented May 27, 2003

East Asia & South Pacific Region (EAP)

	26		Cambodia	CY01 Q1	Presented January 18, 2001.
	27		Vietnam	CY01 Q2	Presented April 12, 2001.
	28		Lao	CY01 Q2	Presented April 24, 2001.
	29		Mongolia	CY01 Q3	Presented, September 27, 2001
17			Vietnam	CY02 Q3	Presented July 2, 2002
18			Cambodia	CY03 Q1	Presented February 20, 2003
	30		Indonesia	CY03 Q1	No board discussion took place

Europe & Central Asia Regional Office (ECA)

	31		Albania	CY00 Q2	Presented June 8, 2000.
	32		Tajikistan	CY00 Q4	Presented October 31, 2000.
	33		Macedonia FYR	CY00 Q4	Presented December 14, 2000
	34		Moldova	CY00 Q4	Presented December 19, 2000
	35		Georgia	CY01 Q1	Presented January 11, 2001
	36		Armenia	CY01 Q2	Presented May 22, 2001
	37		Azerbaijan	CY01 Q3	Presented July 5, 2001
	38		Kyrgyz Republic	CY01 Q4	Presented December 4, 2001
19			Albania	CY02 Q2	Presented June 20, 2002
	39		Fed. Rep. Of Yugoslavia	CY02 Q3	Presented August 8, 2002
20			Tajikistan	CY02 Q4	Presented December 5, 2002
21			Kyrgyz Republic	CY03 Q1	Presented February 27, 2003
22			Azerbaijan	CY03 Q2	Presented May 27, 2003

Middle East & North Africa (MENA)

	40		Yemen	CY01 Q1	Presented February 27, 2001
	41		Djibouti	CY01 Q4	Presented November 27, 2001
23			Yemen	CY02 Q3	Presented August 1, 2002

South Asia (SAR)

	42		Pakistan	CY01 Q4	Presented December 4, 2001
24			Sri Lanka	CY03 Q2	Presented April 1, 2003

Latin America & Caribbean (LAC)

	43		Bolivia	CY00 Q1	Presented Jan 27, 2000.
	44		Honduras	CY00 Q3	Presented July 6, 2000.
	45		Guyana	CY00 Q4	Presented November 14, 2000.

	46		Nicaragua	CY00 Q4	Presented December 21, 2000.
25			Bolivia	CY01 Q2	Presented, June 5, 2001
26			Nicaragua	CY01 Q3	Presented September 25, 2001
27			Honduras	CY01 Q4	Presented October 11, 2001
28			Guyana	CY02 Q3	Presented September 17, 2002
		8	Nicaragua	CY02 Q4	Presented December 11, 2002

ANNEX H: LINKING LENDING TO PERFORMANCE

The importance of good governance for economic growth and poverty reduction has now been generally established. Country policies and institutions are important factors which contribute to the effectiveness of aid.¹ A recent review also shows that the performance of Bank instruments is highly correlated with national institutional and policy contexts. Similarly, the impact of analytical work on Bank products and on country dialogue are systematically lower for countries where policies and institutions are weakest.²

Therefore, the Bank focuses its lending on countries according to three key criteria: income, poverty, and performance – focusing on countries with good policies and institutions.³ For IBRD countries, lending allocations are necessarily shaped by global financial system considerations, Bank exposure and credit worthiness. Nevertheless, the Bank has sought to increase the weight of performance in its allocation decisions in middle-income countries.⁴ The rest of this annex presents the example of allocation of IDA lending.

Principles for the allocation of IDA lending⁵

IDA has begun to link lending to performance by using a performance-based allocation system for the distribution of its funds - the Country Performance Rating (CPR). The CPR combines indicators of (1) countries' policies and institutions, (2) the performance of the Bank's portfolio in the country, and (3) governance.

The first indicator is derived from the Country Policy and Institutional Assessment (CPIA), which assesses a country's present policy and institutional framework. It includes twenty equally weighted criteria, grouped in four clusters: economic management; structural policies; policies for social inclusion and equity; and public sector management and institutions (See Annex Box 1). The second indicator is calculated from the Bank's Annual Report on Portfolio Performance (ARPP) which measures implementation performance on the basis of the quality of project and program management. Finally, the governance indicator is derived from the country's average rating for seven governance criteria.

¹ World Bank, *Assessing Aid*. Published for the World Bank by Oxford University Press, 1998. and D. Dollar, *Has Aid Efficiency Improved in the 1990s?*, March 15, 2000.

² OED, *2001 Annual Review of Development Effectiveness: Making Choices*. World Bank, 2002.

³ These principles are set forth in the World Bank Group Strategic Framework (January 2001).

⁴ OED, *2001 Annual Review of Development Effectiveness: Making Choices*. World Bank, 2002. p.30.

⁵ This annex is based on OED, *IDA's Partnership for Poverty Reduction. An Independent Evaluation of Fiscal Years 1994-2000*, World Bank, 2002.

Annex Box 1: CPIA Criteria

- A. Economic Management
 - 1. Management of Inflation and Macroeconomic Imbalances
 - 2. Fiscal Policy
 - 3. Management of External Debt
 - 4. Management and Sustainability of the Development Program
 - B. Structural Policies
 - 5. Trade Policy and Foreign Exchange Regime
 - 6. Financial Stability and Depth
 - 7. Banking Sector Efficiency and Resource Mobilization
 - 8. Competitive Environment for the Private Sector
 - 9. Factor and Product Markets
 - 10. Policies and Institutions for Environmental Sustainability
 - C. Policies for Social Inclusion/Equity
 - 11. Gender
 - 12. Equity of Public Resource Use
 - 13. Building Human Resources
 - 14. Social Protection and Labor
 - 15. Monitoring and Analysis of Poverty Outcomes and Impacts
 - D. Public Sector Management and Institutions
 - 16. Property Rights and Rule-based Governance
 - 17. Quality of Budgetary and Financial Management
 - 18. Efficiency of Revenue Mobilization
 - 19. Quality of Public Administration
 - 20. Transparency, Accountability and Corruption in the Public Sector
- For the full CPIA 2001 Questionnaire, see www.worldbank.org/ida/cpiaq2001.pdf

Link between performance rating and IDA lending

Resources are allocated on the basis of the IDA Country Performance Rating (CPR) and GNI per capita, although the CAS financing scenarios may be adjusted to reflect special country circumstances, which will be spelled out in the CAS.⁶ In particular, post-conflict countries can, when appropriate, be provided with additional resources in support of their recovery and in recognition of a period of exceptional need and additional allocations may be provided in the aftermath of major natural disasters.⁷

In practice, actual lending has been in line with the IDA Performance Rating. Annex Table 1 shows the *actual* per capita lending for FY99-01 per performance quintile for 60 active IDA borrowers. The typical lending to countries in the first quintile is over

⁶ All countries are also allotted a basic allocation of SDR 3 million (about \$4 million), in addition to their performance-based allocations.

⁷ Details of the calculations are available at <http://www.worldbank.org/ida/IDAPerfalJan02.pdf>

three times that to those in the fifth quintile.⁸ Looking ahead, the planned IDA allocation for FY03-05 is even more strongly linked to performance, with allocations for the best performers almost 5 times those for the weakest performers.

Annex Table 1: FY99-01 Actual IDA lending, and FY03-05 lending strategy, by IDA performance quintile

Performance Quintile	FY99-01 average allocation per capita per annum (US\$)	FY03-05 planned average allocation per capita per annum (US\$)
First (highest performance)	10.6	12.3
Second	6.2	9.2
Third	6.1	7.3
Fourth	4.4	4.7
Fifth (lowest performance)	3.4	2.6
Overall	6.0	6.9
First quintile/Fifth quintile	3.1	4.7

Note: The averages are population-weighted. The samples and the year of reference for performance differ for the two series. Calculations exclude: (i) inactive countries: Afghanistan (for FY99-01), Congo DR (for FY99-01), Liberia, Myanmar, Somalia, and Sudan; (ii) eligible post-conflict countries: Afghanistan (for FY03-05), Burundi (for FY03-05), Congo DR (for FY03-05), Congo Rep., Eritrea, Guinea-Bissau, Sierra Leone, and Bosnia-Herzegovina; (iii) blend countries with fixed allocations: China (for FY99-01), Nigeria, Indonesia, India, Pakistan, Uzbekistan (for FY03-05), Yugoslavia (for FY03-05), and Bolivia (for FY03-05); and (iv) countries with no actual lending: Haiti (for FY99-01), Kiribati (for FY99-01), Tonga (for FY99-01), and St Vincent (for FY99-01).

⁸ World Bank, *Linking IDA support to country performance: Third annual report on IDA's country assessment and allocation process*, April 2002. <http://www.worldbank.org/ida/PBA2002.pdf>.

ANNEX I: COUNTRIES WITH ON-GOING OR PLANNED BANK AND OTHER DONOR-SUPPORTED PSIA ACTIVITIES

Country	Reform Issue	Donor Lead
Albania	Energy tariffs Pension reform Water sector reform	Bank
Armenia	Utility (water pricing) reform	DfID
Benin	Cotton reform	Bank
Bolivia	Fuel prices	Bank
Burkina Faso	Cotton reform	Bank
Cambodia	Rice tariffs Land reform	Bank
Cameroon	Overall public expenditure program	Bank
Chad	Cotton reform	Bank (with Norwegian financing)
Dominica	Civil service reform	Bank
Georgia	Utility reform	Bank
Ghana	Utility reform Land reform	Bank
Guyana	Utility (water) reform Sugar sector reform Bauxite sector reform	Bank (with Norwegian financing)
Honduras	Electricity privatization Fiscal reform/civil service reform	DfID Bank
Indonesia	Rice reform Macro reforms	DfID Bank
Kyrgyz Republic	Electricity reform	Bank (with Norwegian financing)
Madagascar	Rice tariff Service delivery reform	Bank (with Norwegian financing) Bank
Malawi	Agriculture reform (market closures)	Bank (with Norwegian financing)
Mali	Cotton reform	
Mauritania	BIA of health and education	Bank
Mongolia	Reforms in cashmere sector	Bank (with Norwegian financing)
Mozambique	Petroleum taxes	DfID
Nepal	Kerosene price reform	Bank
Nicaragua	Tax reform Utility privatization NAFTA	Bank Bank Bank
Niger	Macro reform/social spending reform	Bank
Russia	Utility reform	Bank
Rwanda	Fiscal deficit target Tea privatization	DfID Bank
Senegal	Groundnut sector liberalization	Bank
Sri Lanka	Health sector reform	Bank
Tanzania	Agricultural crop board reform	Bank
Turkey	Labor market reform	Bank
Uganda	Export promotion initiative	DfID
Vietnam	Rice tariffs SOE reform	Bank Bank
Yemen	Energy sector program	Bank
Zambia	Land reform	Bank