

Public Disclosure Authorized

1280

*Union*

# The World Bank and the



Public Disclosure Authorized



**The World Bank  
and the Poorest Countries  
Support for Development in the 1990s**

**The World Bank  
Washington, D.C.**

©1994 The International Bank for Reconstruction  
and Development / THE WORLD BANK  
1818 H Street, N.W., Washington, D.C. 20433, U.S.A.

All rights reserved  
Manufactured in the United States of America  
First printing February 1994

The findings, interpretations, and conclusions expressed in this study are entirely those of the authors and should not be attributed in any manner to the World Bank, to its affiliated organizations, or to members of its Board of Executive Directors or the countries they represent.

The material in this publication is copyrighted. Requests for permission to reproduce portions of it should be sent to the Office of the Publisher at the address shown in the copyright notice above. The World Bank encourages dissemination of its work and will normally give permission promptly and, when the reproduction is for noncommercial purposes, without asking a fee. Permission to copy portions for classroom use is granted through the Copyright Clearance Center, Suite 910, 222 Rosewood Dr., Danvers, Massachusetts 01923, U.S.A.

The complete backlist of publications from the World Bank is shown in the annual *Index of Publications*, which contains an alphabetical title list and indexes of subjects, authors, and countries and regions. The latest edition is available free of charge from the Distribution Unit, Office of the Publisher, at the address in the copyright notice or from Publications, World Bank, 66, avenue d'Iéna, 75116 Paris, France.

Cover design by Walton Rosenquist

*Library of Congress Cataloging-in-Publication Data*

International Bank for Reconstruction and Development.

The World Bank and the poorest countries : support for development  
in the 1990s.

p. cm.

ISBN 0-8213-2770-4

1. Structural adjustment (Economic policy)—Developing countries.  
2. Debts, External—Developing countries. 3. Economic assistance—  
Developing Countries. 4. World Bank—Developing countries.

I. Title.

HC59.7.I552 1994

332.1'532'091724—dc20

94-849

CIP

## *Foreword*

---

Reducing poverty is the greatest challenge facing the world today. Progress has been made over the last generation in improving living standards in the poorest countries, but over a billion people still struggle in absolute poverty. Helping those people to climb out of poverty lies at the very core of development—and is critical to the well-being of us all.

Over the past three decades, the International Development Association (IDA)—the World Bank's concessional financing arm—has become the centerpiece of the international effort to reduce poverty. IDA's assistance is made possible by the contributions of donor nations. Under the Ninth Replenishment of those funds—which were committed

between July 1990 and June 1993—IDA gave special emphasis to helping the poorest countries invest in their people, improve their economic management, and protect their environment. In short, IDA was instrumental in helping to reduce poverty and promote sustainable development. This report summarizes those efforts.

As IDA builds upon experience and responds to evolving needs in our rapidly changing world, the Association's principal objective endures: to help the poorest people in the poorest countries achieve a better future for themselves and their children. Under the Tenth Replenishment of IDA, this work will continue—and be intensified.

*Lewis T. Preston*  
*President*  
*The World Bank*

January 24, 1994

# Contents

---

List of Acronyms viii

Glossary ix

<b>1. Introduction and Summary</b>	<b>1</b>
Toward Sustainable Poverty Reduction	1
Overall Context and Aggregate Results for IDA9	2
Organization of the Report and Main Findings	3
<b>2. Promoting Economic Reform</b>	<b>6</b>
Supporting Adjustment Programs	6
New Reform Programs	7
Continuing Economic Adjustment Programs	8
Rationalizing the Public Sector	9
Strengthening Public Expenditure	9
Public Expenditure Reviews	9
Supporting Budgetary Reforms	10
Civil Service Reform and Other Public Administration Reforms	12
Restructuring of Public Enterprises	15
Supporting Private Sector Development	17
Conclusion	18
<b>3. Reaching the Poor</b>	<b>20</b>
Poverty Assessments	20
Common Themes in Poverty Assessments	20
Linkages of Poverty Assessments to IDA9 Lending	21
Future Poverty Assessments	22
Lending Instruments for Poverty Reduction	23
Poverty-Focused Actions in Adjustment Operations	23
Program of Targeted Interventions	25
Helping Women	25
Educating Girls	26
Support for Farmers and Entrepreneurs	27
Other WID Initiatives	27
IDA's Role in Population Programs	28
Conclusion	30
<b>4. Environmentally Sustainable Development</b>	<b>31</b>
Integrating Environmental Issues into Country Development Strategies	31
Building on the Complementarities	31
Strategic Focus	31

National Environmental Action Plans (NEAPs)	32
Completion of NEAPs	32
National Ownership and Participation	33
Implementation of NEAPs	34
Summary of Experience with NEAPs	35
The Environment and Lending	35
Adjustment Lending	35
Investment Lending	35
Improvements in Project Design and Environmental Assessments	38
Participation	38
IDA and the GEF	38
Conclusion	39
<b>5. Aggregate Uses and Resources</b>	<b>40</b>
Patterns of Lending	40
Regional Distribution	40
The Gulf Assistance Program	41
New IDA Recipients	
Distribution by Sector and Instrument	41
IDA Allocations and Country Performance	43
Sources of IDA9 Resources	43
Donor Contributions	44
Reflows	44
IBRD Transfers to IDA	44
<b>6. Looking Ahead</b>	<b>45</b>
<b>Annexes</b>	
I: Donors to IDA9	46
II: IDA Commitments by Country, Total and Adjustment, FY91-93	47
III: Status of National Environmental Action Plan (NEAPs) for Selected IDA Countries	49
IV: Improving Portfolio Performance	52
<b>Boxes</b>	
1.1: Implementing IDA9's Priority Objectives	2
2.1: Initiatives to Address Debt Problems in IDA-Only Countries	8
2.2: Uganda: Restructuring Expenditure to Meet Development Objectives	11
2.3: Public Investment Reform in Bangladesh	12
2.4: Five Civil Service Reform Programs Supported by IDA9	14
2.5: Civil Service Reform Operation: Guyana	15
2.6: Examples of Major Public Enterprise Reform Efforts: Laos, Burkina Faso, Albania, Zambia	16
3.1: Poverty Reduction: The Centerpiece of Country Strategies	21
3.2: IDA's Support for Population Policies and Programs in Africa	29
4.1: Bhutan: Development and the Environment	32
4.2: Broad Participation in Uganda's NEAP	34
<b>Figure</b>	
1.1: Total Commitments during IDA8 and IDA9	3

**Tables**

1.1: International Economic Environment for Developing Countries	2
2.1: IDA Adjustment Commitments by Region during FY88-93	7
2.2: Countries with IDA9 Adjustment Lending	7
2.3: Public Expenditure Reviews in IDA9	9
2.4: Public Expenditure Policy and Management Reform, FY91-93	10
2.5: Major Civil Service Reforms in Selected IDA9 Operations	13
3.1: Formal Poverty Assessments	21
3.2: Poverty Assessments and Related Lending	23
3.3: FY92-93 Poverty-Focused IDA Adjustment Operations	24
3.4: Program of Targeted Interventions	25
3.5: Common Themes in the FY93 PTI Projects	26
3.6: IDA Projects with Specific WID Actions	26
3.7: Population Lending by IDA	28
4.1: Status of Environmental Action Plans and Equivalent for IDA Countries	33
4.2: Environment-Related Conditions in Adjustment Operations	35
4.3: Environment Lending in the IDA9 Period, FY91-93	36
5.1: Distribution of IDA Commitments by Region	41
5.2: Distribution of IDA Commitments by Sector	42
5.3: Distribution of IDA Commitments by Lending Instrument	42
5.4: Regional Pattern of Adjustment Lending	42
5.5: IDA Commitments and Performance	43
5.6: Sources of Funding for IDA8 and IDA9 Commitments	43

## *List of Acronyms*

---

<b>CAS</b>	Country Assistance Strategy	<b>ODA</b>	Official Development Assistance
<b>CEM</b>	Country Economic Memorandum	<b>OECD</b>	Organization for Economic Cooperation and Development
<b>CESP</b>	Country Environmental Strategy Paper	<b>OED</b>	Operations Evaluation Department
<b>EA</b>	Environmental Assessment	<b>PE</b>	Public Enterprise
<b>ECA</b>	Europe and Central Asia	<b>PER</b>	Public Expenditure Review
<b>ERC</b>	Economic Recovery Credit	<b>PEP</b>	Policy Framework Paper
<b>FIAS</b>	Foreign Investment Advisory Service	<b>PHN</b>	Population, Health, and Nutrition
<b>FY</b>	Fiscal Year, which runs from July to June	<b>PIRC</b>	Privatization and Industrial Reform Adjustment Credit
<b>GDP</b>	Gross Domestic Product	<b>PSA</b>	Private Sector Assessment
<b>GEF</b>	Global Environment Facility	<b>PSD</b>	Private Sector Development
<b>GNP</b>	Gross National Product	<b>PTI</b>	Program of Targeted Interventions
<b>IBRD</b>	International Bank for Reconstruction and Development	<b>SAC, SAL</b>	Structural Adjustment Credit
<b>IDA</b>	International Development Association	<b>SDR</b>	Special Drawing Right (SDR 1 = US\$ 1.38 during IDA9)
<b>IFC</b>	International Finance Corporation	<b>SECAL</b>	Sectoral Adjustment Credit
<b>IMF</b>	International Monetary Fund	<b>SOE</b>	State Owned Enterprise
<b>LAC</b>	Latin America and the Caribbean	<b>SPA</b>	Special Program of Assistance for Africa
<b>LPG</b>	Liquefied Petroleum Gas	<b>UNCED</b>	United Nations Conference on Environment and Development
<b>MCH</b>	Maternal and Child Health	<b>UNDP</b>	United Nations Development Programme
<b>MIGA</b>	Multilateral Investment Guarantee Agency	<b>UNSO</b>	United Nations Sudano-Sahelian Office
<b>MNA</b>	Middle East and North Africa	<b>WID</b>	Women in Development
<b>MW</b>	Megawatt		
<b>NEAP</b>	National Environmental Action Plan		
<b>NGO</b>	Non-governmental Organization		
<b>O&amp;M</b>	Operations and Maintenance		



## *Glossary*

---

**IDA8**

The Eighth Replenishment period of IDA, from July 1, 1987, through June 30, 1990.

**IDA9**

The Ninth Replenishment period of IDA, from July 1, 1990, through June 30, 1993.

**IDA10**

The Tenth Replenishment period of IDA, from July 1, 1993, through June 30, 1996.

**IBRD Countries**

Countries which borrow at market terms from IBRD.

**IDA-Only Countries**

Countries receiving only concessional IDA financing.

**Blend Countries**

Countries which borrow from both IBRD and IDA.

**IDA Commitment Authority**

Resources made available for commitment, including subscriptions and contributions from donors,

transfers of funds from IBRD net income, repayments, and IDA's investment income.

**IDA Non-Donor Resources**

A pool of funds consisting of IBRD transfers, income from investments, and IDA reflows, to be used for Advance Commitments and Annual Allocations.

**IDA Reflows**

The repayments stream of IDA credits by IDA borrowers, plus investment income.

**Advance Commitments**

IDA commitments to be disbursed from available non-donor resources.

**Annual Allocations**

IDA reflows allocated to countries to supplement adjustment credits to IDA-only countries with outstanding IBRD debt.

**IBRD Transfer**

The part of IBRD net income transferred to IDA.

# 1

## *Introduction and Summary*

---

The World Bank assists roughly 150 developing countries throughout the world. Of these, about 70 countries are considered to be the poorest by most economic and social measures. These countries must rely on concessional funding, as they cannot afford and are generally not creditworthy for the regular IBRD lending resources of the World Bank, which are provided at market terms. The concessional funding window of the World Bank, the International Development Association (IDA), was established to address this need.

The regular lending window of the Bank, the IBRD (International Bank for Reconstruction and Development, founded in 1944), is based on the capital provided by member governments.<sup>1</sup> Because of its strong capital base, IBRD can raise funds for its loans on the international capital markets at the lowest possible market interest rates. In contrast, IDA is funded through budgetary contributions from donor member countries. Since its inception in 1960, IDA resources have been replenished ten times. The funding replenishment process for IDA is essentially a series of multilateral negotiations which brings together representatives of the IDA donor countries, who set guidelines for use of the funding in terms of regional allocations and program emphases. The Ninth Replenishment of IDA resulted in a donors' agreement to provide funding for the FY91-93 period.<sup>2</sup>

This report summarizes how World Bank policies and programs in the poorest countries have become focussed on the overarching objective of poverty reduction during FY91-93, as recommended in the IDA9 Agreement. It also reflects how IDA's cumulative experience in implementation has been incorporated into program and project design. However, it does not deal with the implementation of the IDA9 programs by borrowers or their ultimate impact on beneficiaries. It is too soon to evaluate the im-

plementation and beneficiary results of the IDA9 programs. As these evaluations become available, they will be reported in the regular World Bank reports on key priority areas, which include the annual progress reports on poverty reduction and the environment, and the periodic reports on adjustment programs. Therefore, these reports, together with this annual review of IDA's progress, form a broad set of documents for informing the Board and donors about IDA's policies, operations, and impact.

### **Toward Sustainable Poverty Reduction**

Specifically, the report describes the progress made and constraints encountered in the three areas set out as priorities by the IDA9 donors: poverty reduction, sound economic management, and environmental protection and improvement. The specific recommendations of the donors for strengthening IDA's approach in these three areas are summarized in Box 1.1. The discussion of IDA9 represents, of necessity, a snapshot of programs that are continuing to evolve. As the World Bank's approach and programs have strengthened in each of these areas, the mutually reinforcing linkages among them have become increasingly clear. In effect, the three priorities have come to be seen as three legs of a single strategic framework geared to support sustainable poverty reduction.

Several themes run through the World Bank's programs during FY91-93. One is the increasing importance accorded to the policy framework for development programs. While this has been a long-standing focus of economic reform efforts, new instruments have been developed to support the policy dialogue on poverty reduction and environmental protection and improvement. A second is the importance of improving the effectiveness and strengthen-

---

1. A small portion (6.4 percent) of IBRD members' capital is paid-in, with the remainder callable.

2. The Bank's fiscal year runs from July to June. The Ninth IDA Replenishment spanned the period of July 1990 to June 1993. See Annex I for a list of the IDA9 donors.

**Box 1.1: Implementing IDA9's Priority Objectives**

The IDA9 donors' specific recommendations on how to strengthen IDA's approach to the three program priorities are summarized below.

To help borrowers reduce poverty, IDA was asked to:

- ensure that poverty reduction is central to the policy dialogue.
- encourage borrowers to adopt measures to protect the poor during adjustment.
- develop a broad poverty reduction strategy, which includes improving access of the poor to productive resources (land, credit, employment, and social services), and using interventions targeted to human resource development.
- emphasize population policy and the role of women in development.
- increase the weight given to an effective commitment to poverty reduction by governments in allocating the IDA9 resources.

To support economic reforms in recipient countries, IDA is to:

- help stimulate the supply response to adjustment measures, through infrastructure and other support for productive sectors.
- encourage borrowers to utilize the capabilities of the private sector.
- support an enabling policy environment for private activity, including development of the financial sector.

To help protect the environment, IDA's activities are to include:

- helping borrowers carry out environmental assessments.
- preparing guidelines for sensitive ecosystems.
- completing Environmental Action Plans for active borrowers by June 1993.
- expanding energy efficiency and renewable energy efforts.

ing the capacity of key institutions. Institutional reforms have become a major focus, because they are such a critical constraint to progress in economic reform and development. A third is the need for increased participation in development programs. This ranges from achieving a broader consensus within borrower governments and their constituencies if major reforms are to be sustained, to greater involvement of beneficiaries in the design and implementation of programs on the ground.

With support from the IDA donors, several instruments were developed or refined during FY91-93 to strengthen World Bank programs. Country assistance strategies, a longstanding instrument, have now assumed a central role in integrating the Bank's programs at the country level and are discussed regularly with the World Bank's Board. Aid coordination mechanisms, such as the Special Program of Assistance for Africa (SPA), country aid groups, and local aid coordination through resident field staff, have become a central vehicle to reach shared objectives among donors in an efficient manner. Public expenditure reviews, poverty assessments, and national environmental action plans have all been used more systematically during IDA9 to support a more focused policy dialogue in the priority areas. In addition, the program of targeted interventions against poverty was introduced to strengthen the implementation of the World Bank's poverty reduction strategy.

**Overall Context and Aggregate Results for IDA9**

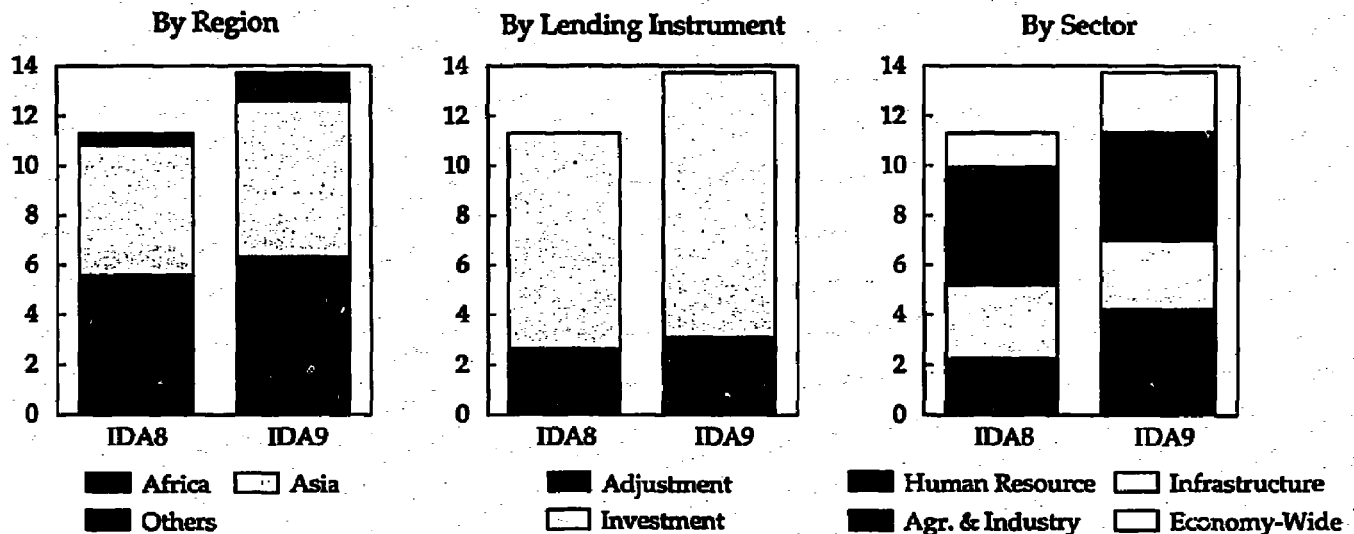
These changes in the World Bank's approach to the poorest countries occurred in an international economic environment for IDA borrowers that was worse than expected, making economic reforms more difficult but also more urgent. World trade growth slowed as recession in OECD countries brought their average annual GDP growth down to only 1.5 percent; real prices of non-oil commodities that account for 75 percent of the exports of IDA-only countries fell by a total of more than 25 percent, reaching post-World War II lows; and ODA stagnated in real terms (see Table 1.1).

Dramatic political changes also intervened. The end of the Cold War brought new borrowers such as Albania, Kyrgyzstan, and Mongolia to IDA, with large

**Table 1.1: International Economic Environment for Developing Countries**  
(average annual percentage change)

	1987-89	1990-92
OECD Growth	3.6	1.5
Non-Oil Commodity Prices		
Current \$	6.6	-5.0
Constant \$	0.6	-8.6
ODA Flows		
Constant \$	-0.9	-0.6
World Trade (export volume)	5.1	3.5

**Figure 1.1: Total Commitments during IDA8 and IDA9**  
(SDR billion)



agendas for transformation into market economies. Movement toward political democracy gave impetus to reform in some countries, but distracted attention from reform programs in others. The economic impact of the Gulf War in 1991 was, fortunately, shorter and less severe than initially feared, but nonetheless called for a response by IDA that was not anticipated at the outset of the Ninth Replenishment.

IDA provided funding to 60 countries during the IDA9 period, to support their development efforts and help them adjust to this difficult economic and political environment.<sup>3</sup> Overall, lending commitments totalled SDR 13.7 billion (\$18.9 billion), a 20 percent increase over the IDA8 period in nominal terms, or 14 percent in real terms.<sup>4</sup>

The overall pattern of this lending was in line with the expectations of the IDA9 donors. Although ten new countries—mostly outside of Africa—became eligible for IDA during the period, Africa received 46 percent of total IDA9 commitments, within the expected 45–50 percent range in the IDA9 Agreement. South and East Asia together also received almost 46 percent of total commitments. The share of adjustment lending in support of economic reform accounted for about 22 percent of total lending, well below the 25–30 percent ceiling recommended by the IDA donors. Within the total, human resource related lending—for education, population, health, nutrition, water supply, and sanitation—expanded sharply. Their combined share of total lending in-

creased from 20 percent in IDA8 to 31 percent in IDA9. The IDA9 amounts are compared with the IDA8 amounts in Figure 1.1.

#### Organization of the Report and Main Findings

Chapters 2–4 of the report describe the World Bank's efforts in FY91–93 to reduce poverty permanently in IDA countries—through support for economic reform, through supplementary efforts to directly reach the poor, and through working toward environmental sustainability.

Substantial progress was made in all three areas. Poverty reduction assumed a central role in country assistance strategies, as the overall approach to poverty reduction was both broadened and strengthened following the 1990 *World Development Report*. Economic reform programs supported by the World Bank were extended to a number of new countries, including some which had delayed reforms for many years and others which were beginning the transition to market-based economic systems. There also was significant movement on environmental issues, as most of IDA's major borrowers developed national environmental action plans, the World Bank's environmental policies were strengthened, and the pipeline of environmental lending was built up.

Important qualitative changes cut across all of the World Bank's operations. Policy and institutional reform became an increasingly important element of

3. For a list of countries that received IDA credits during IDA9, and the amounts committed to them, see Annex II.

4. All dollar amounts are U.S. dollars. A billion is 1,000 million.

investment lending as well as its adjustment lending. The design as well as the choice of projects was increasingly influenced by information on and analyses of its relevance to poverty reduction, and by the participation of beneficiaries in project design and implementation. Not only were environmental assessments firmly established as part of project preparation; opportunities for environmental improvement also were sought, when economic reforms in such environmentally sensitive areas as agriculture were being considered.

These IDA9 outcomes reflect a high degree of country differentiation based on individual country needs and capacities. They also reflect a substantial amount of program adaptation. Many opportunities to support countries and sectors materialized during the IDA9 period which were not foreseen at its onset while some issues that were prominent at the time of the IDA9 negotiations receded in importance over the period. In addition, the IDA9 results reflect the importance that the World Bank places on collaboration and coordination with donors and other multilateral institutions, in order to increase our collective impact on economic development in borrowing countries.

While the measures taken to translate the priority objectives of IDA9 into practice have been substantial, these efforts are still evolving. Work with governments on reorienting public expenditures to better support development objectives, on reforming public enterprises, and on facilitating the development of the private sector with appropriate government oversight is still at an early stage. Although poverty reduction has long been a major objective of the World Bank, several of the new and refined instruments for directly reaching the poor are in an early phase of implementation, and their impact on intended beneficiaries cannot yet be evaluated on a systematic basis. In addition, the World Bank's activities to better support the environmental dimension of development are relatively new. There is still much to be done in this area to develop appropriate and effective instruments and to help governments make a serious commitment to sustainable development. Finally, the process of reform and change takes time and is neither steady nor irreversible. Helping governments develop policy, program, and institutional agendas that are compatible with their objectives, constraints, and needs remains a major challenge.

Chapter 2 reviews the World Bank's support for economic reform in the IDA countries. A large number of countries launched new reform programs, while some countries suffered slippage or interrup-

tions in their programs. In ongoing programs, reforms increasingly aimed at rationalizing the public sector in such difficult but essential areas as public expenditure management, the civil service, and the public enterprise sector. Efforts to encourage a supply response to improved incentives were sharpened through the development of a more comprehensive approach to private sector development. Debt problems were being addressed through initiatives such as the Debt Reduction Facility and supplementary funding for IDA-only countries with outstanding IBRD debt.

Chapter 3 discusses the World Bank's experience in ensuring that the development programs in the IDA countries are directly reaching the poor, a central focus of assistance strategies during IDA9. The broader approach adopted during IDA9 emphasized the need for both efficient growth to generate income opportunities for the poor and the provision of basic social services explicitly targeted to the poor. The reform programs described in Chapter 2 are intended to promote income growth and employment opportunities. Chapter 3 describes the instruments which have been developed or used more systematically to directly meet the specific needs of the poor. These include poverty assessments to analyze country poverty issues and focus the policy dialogue on poverty reduction strategies; poverty-focused actions in adjustment lending; and poverty-targeted investment credits. Formal poverty assessments have already been completed for 16 IDA countries; a growing number of adjustment operations contain measures to mitigate poverty; and 40 percent of IDA's investment lending is targeted to the poor.

More emphasis was placed on several key groups and services. The strategic role of women in poverty reduction was given significantly greater recognition and incorporated more frequently into project design. Some 50 percent of the projects approved during IDA9 included components that addressed the special needs of women. Greater efforts were also made to encourage the participation of beneficiaries in project design and implementation. And support for the provision of basic social services, including basic education, health, and family planning, increased substantially.

Chapter 4 reviews the strategy and programs to support environmentally sustainable development. The World Bank's systematic involvement in programs to protect and improve the environment is relatively new, but during the IDA9 period the foundation was laid for comprehensive support for environmentally sustainable development in all countries. National environmental action plans

were completed by 22 IDA recipient governments and were well underway for almost all of the other active IDA borrowers. The World Bank's policies in environmentally sensitive sectors, such as forestry and agriculture, were revamped to ensure that they promote environmental objectives. In addition, new environmental assessment procedures were introduced to ensure that there was adequate public involvement in assessing the impact of projects on the environment and affected people.

Environmental lending also increased. During FY91-93, IDA lent SDR 2.1 billion (\$2.9 billion) for 59 investment projects with primarily environmental objectives. The projects encompassed general environmental management; rural land and water management; forestry; water, sewerage, and sanitation; and energy conservation and fuel substitution. IDA's environmental portfolio was also complemented by projects funded by the Global Environment Facility. Equally as important, IDA's lending in *all* sectors became more environment-friendly and began to

include more local participation in project design and implementation.

The overall pattern of the sources and uses of resources under IDA9 are detailed in Chapter 5. IDA's ability to accommodate the increased needs of borrower countries was facilitated by a significant increase in the resources available to it from reflows from past credits and transfers from the IBRD, as well as by donor contributions which were maintained in real terms. As summarized in the previous section, the resources were used in a manner consistent with the expectations and guidelines of the IDA9 donors. In line with their recommendations, country allocations were also more sharply differentiated according to country performance, including performance in poverty alleviation. On a per capita basis, the top 25 percent of country performers received six times more than those in the bottom 25 percent in IDA9, compared to a four-fold difference in IDA8.

The report ends with a brief look ahead into the IDA10 period, which began on July 1, 1993.

# 2

## Promoting Economic Reform

---

Promoting economic reform continued to be a key element of the World Bank's support for development in the poorest countries during IDA9. Reform programs have sought to secure a sound macroeconomic environment, a more efficient and effective public sector, and incentives, and an institutional framework supportive of private sector development and employment. These programs have increasingly been seen as an integral part of strategies for poverty reduction and environmentally sustainable development, and as a key to the effectiveness of development assistance.

Support for economic reform broadened and deepened during the IDA9 period as governments increasingly accepted the value of reform and followed a policy agenda long advocated by the World Bank. This chapter reviews this experience, focusing primarily on the areas of public sector reform—public expenditure, the civil service, and public enterprises—where progress has been difficult to achieve, but where the approach has evolved substantially. It shows that:

- IDA provided adjustment lending support for reforms in 27 countries, including 10 countries in which new programs were launched. Although some countries which had begun their reform programs earlier experienced slippage in macroeconomic performance, often due to political transitions, longer-term reforms aimed at strengthening markets and rationalizing incentives were largely maintained.
- The scope of public expenditure reform extended increasingly to recurrent expenditure issues, such as increasing public expenditures for operations and maintenance, and to strengthening public expenditure management.
- Civil service reform was a feature of most reform programs, and focused more extensively beyond

issues of staffing levels and pay into questions of organizational functions and effectiveness.

- Public enterprise reform expanded significantly, while the focus continued to broaden beyond containing budgetary costs to a reorientation of public responsibilities.
- Private sector development efforts became more strategically focused, with the initiation of private sector assessments.

### Supporting Adjustment Programs

Programs to secure sound macroeconomic and sectoral policies have been at the core of economic reforms supported by IDA. The development crisis of the early 1980s demonstrated that poor macroeconomic and sectoral management can be an insurmountable barrier to development. Overvalued exchange rates, large and prolonged budget deficits, and distorted and unresponsive prices for key goods and services were common. In a difficult international economic environment, these policies led to declines in incomes, in the availability of foreign exchange, and in the effectiveness of government programs. Government resources were insufficient to provide essential services, while people were not provided with adequate incentives for productive activity.

Reviews of the experience over the past decade with reform programs geared to address these problems have confirmed that when consistently pursued, these programs have contributed significantly to improved economic performance and growth.<sup>5</sup> At the same time, these reviews have indicated that the reform agenda is still large, even in countries that have been pursuing reforms over a number of years. Sustaining reform programs is difficult and requires a strong government commitment to succeed. Moreover, particularly in low income countries, if the benefits of reform are to be fully realized and sus-

---

5. See *Adjustment Lending and Mobilization of Private and Public Resources for Growth* (World Bank, 1992) and World Bank, *Adjustment in Africa: Reforms, Results, and the Road Ahead* (New York: Oxford University Press, 1994).

**Table 2.1: IDA Adjustment Commitments by Region during FY88-93**  
(excluding reflows)

	Amount of Adjustment Lending (Billions of SDRs)		Share by Region (Percent)		Shares of Total Lending (Percent)	
	IDA8	IDA9	IDA8	IDA9	IDA8	IDA9
Africa	2.02	2.35	77	77	36	37
Asia <sup>a</sup>	0.49	0.43	19	14	10	7
Other Countries	0.13	0.29	5	9	26	25
Total	2.64	3.07	100	100	23	22

a. Excludes recommitments of cancelled amounts of pre-IDA9 credits to India, amounting to SDR 184 million and SDR 293 million in FY92 and FY93, respectively.

tained, reform programs need to be seen as an integral part of an effort to address long-term development constraints in human resources and physical and social infrastructure.

During the IDA9 period, IDA supported reform programs with quick-disbursing adjustment credits amounting to SDR 3.0 billion (\$4.1 billion) in 27 countries. The bulk of adjustment lending continued to be in Africa (Table 2.1). Adjustment credits represented 22 percent of total IDA lending, 30 percent of IDA lending to adjusting countries, and 37 percent of IDA lending in IDA-only countries. Reform programs were also supported through increased investment lending. Adjusting IDA-only countries received an average of SDR 5.9 (\$8.14) per capita per annum during IDA9, of which SDR 3.7 per capita (\$5.11)—or 65 percent—was in *investment* lending. By contrast, IDA-only countries *without* adjustment lending received an average of SDR 2.6 (\$3.58) per capita per annum.

#### New Reform Programs

New reform programs supported by IDA were launched in 10 countries during IDA9 (see Table 2.2). However, the context for these efforts varied widely.

- In four of the newly-reforming countries, Burkina Faso, India, Rwanda, and Zimbabwe, the need to address deteriorating macroeconomic situations gave impetus to structural reforms. Particular strides have been made in India, where the program has not only succeeded in reversing the macroeconomic situation, but also has made substantial progress in delicensing and trade liberalization. IDA has supported the overall reform program, and is also supporting short-term compensatory measures to assist public sector workers affected by the reforms as well as a broader reform of the social services aimed at improving the targeting of expenditures to improve the access of the poor to basic services.

- In another three countries, Nicaragua, Sierra Leone, and Zambia, adjustment lending was associated with the need for debt workouts, as these countries had been in arrears to the international financial institutions and other creditors. All have received special support from IDA to address their debt situations (see Box 2.1). All have made very substantial progress in reversing the severe macroeconomic distortions which had led to the interruption of their support from IBRD and IDA.
- Ethiopia, the most populous IDA-only country in Africa, had seen support from IDA reduced to a core program at the beginning of IDA9, but with the end of the civil war, IDA stepped up

**Table 2.2: Countries with IDA9 Adjustment Lending**

New Programs <sup>a</sup>	Continuing Programs <sup>b</sup>
Albania	Bangladesh
Burkina Faso	Benin
Comoros	Bolivia
Ethiopia	Burundi
India	Côte d'Ivoire
Nicaragua	Ghana
Rwanda	Honduras
Sierra Leone	Kenya
Zambia	Lao, PDR
Zimbabwe	Malawi
	Mali
	Mozambique
	Philippines
	Sri Lanka
	Tanzania
	Togo
	Uganda

a. Countries with no IBRD/IDA adjustment credits committed in IDA8, but with IDA9 IDA adjustment credits.

b. Countries with IBRD/IDA adjustment lending committed in IDA8, also receiving IDA9 adjustment lending.



**Box 2.1: Initiatives to Address Debt Problems in IDA-Only Countries**

Among IDA borrowers, only a few have sufficient creditworthiness to be able to borrow from the IBRD (IBRD/IDA "blend" countries).<sup>1</sup> Most of the others ("IDA-only" countries) suffer from an overhang of debt which is an important financial obstacle to development. The bulk of this debt is owed to official creditors and has been subject to Paris Club restructuring, in the context of adjustment programs supported by IDA and the IMF. IDA complemented these efforts with several initiatives during IDA9:

**Workout funding.** Special funds totalling SDR 75 million (\$103.5 million) were set aside in IDA9 out of IDA reflows to help fund debt workout programs without distorting normal IDA allocations. They helped fund workouts for Zambia, Nicaragua, and Sierra Leone, all three of which moved from non-accrual status to become active IDA borrowers.

The Debt Reduction Facility for IDA-Only Countries, established with a grant of \$100 million from IBRD out of its FY89 net income, provides grants to IDA-only countries for operations to buy back their outstanding commercial bank debt at a steep discount. Since March 1991, the Facility has completed five operations which have eliminated 89 percent of the eligible commercial debt of the countries concerned (Bolivia, Guyana, Mozambique, Niger, and Uganda). These operations uti-

lized \$44 million of the initial grant, along with other donor financing, to extinguish a total of \$623 million in debt. The average price was 14 cents per dollar of original face value. While most of the operations have been straight buybacks, in the case of Bolivia, creditors were also offered the option of debt-for-development bond exchanges, which were eligible to fund NGO health, education, environmental, or cultural projects. The Facility has made grants to help prepare operations in another five countries (Albania, Nicaragua, São Tomé and Príncipe, Sierra Leone, and Zambia). In September 1993, the Bank's Board of Governors approved a replenishment of \$100 million from FY93 IBRD net income.

**Supplementary credits for countries with outstanding IBRD debt.** IDA has been making supplementary quick-disbursing credits to adjusting IDA-only countries with outstanding IBRD debt to help ease their financing burden. The credits are funded out of annual allocations of IDA reflows, and are allocated in proportion to the IBRD interest owed. During IDA9, a total of SDR 321 million (\$443 million) in such credits was made to 18 countries, equivalent to 91 percent of their IBRD interest obligations. These funds were supplemented by financing from bilateral donors.

1. These are identified in Annex II.

support for the new government. Its reform program focused on rehabilitation and the re-orientation of policy towards the opening of a market economy. Similarly, the first IDA adjustment operation for Comoros followed a hiatus in lending attributable to political instability; reforms focused on capacity-building and civil service and public enterprise reform.

- Albania, a new member of IDA, has already made substantial progress in agricultural reform, distributing farm land to farmers, and establishing trading relationships after years of isolation from the international economy. IDA also supported the process of rehabilitation and transition to a market economy in two other new IDA members, Kyrgyzstan and Mongolia, through institution building and rehabilitation credits rather than fast-disbursing adjustment credits.

*Continuing Economic Adjustment Programs*

IDA provided adjustment credit support during IDA9 to 17 countries which had begun their reform programs during the IDA8 period and earlier. While

progress was made in almost all of these countries, the experience confirmed that the reform process is a difficult one, often with interruptions or setbacks. This was the case even in Ghana and Bolivia, which through persistent pursuit of reforms since the mid-1980s have reversed severe economic instability and restored growth. Both of these countries experienced temporary slippage in macroeconomic policy performance. Nonetheless, the process of structural reform continued, and, reflecting the progress made, their country strategies called for a gradual reduction in the share of adjustment lending, as reforms became more deeply focused on institution building capacity issues.

Difficulties in implementing reform programs often result in delays in the release of tranches from adjustment credits, as these are tied to the implementation of agreed reforms. Reform was pursued without significant tranche release delays in 9 of the 17 countries with continuing programs, while in another four countries (Bangladesh, Bolivia, Malawi, and Tanzania) tranche release delays were less than one year. However, there were significant delays in the pace of reforms in Côte d'Ivoire, Kenya, and Mozambique resulting in tranche release delays

of more than one year. In these countries the macroeconomic programs went off-track, exacerbated in the case of Mozambique by the effect of severe drought and the costs of a transition to peace. In Togo, a stall in the reform process due to ongoing political instability was reflected in an absence of follow up to earlier credits rather than tranche delays. In addition, some 10 countries that had received IDA adjustment support in IDA8 did not in IDA9. In many cases their reform efforts flagged in the face of fiscal difficulties related to deteriorating external factors and/or political conflicts or transitions.

Among countries with continuing reform programs, the effort has deepened. Initial reforms have concentrated on correcting large macroeconomic imbalances, trade and fiscal policies, and reducing major price and marketing arrangements, particularly in agriculture. Over time, the reforms have focused increasingly on rationalizing the public sector and enabling the private sector to respond to improved incentives. These efforts are discussed below.

### Rationalizing the Public Sector

A major focus of economic reform efforts in the poorest countries supported by the World Bank during IDA9 was to bring government expenditures and responsibilities into line with available resources and capacities. But equally important were increased efforts to improve the effectiveness of needed government services, through improved allocation of resources and institutional reform. This section focuses on the experience in three major areas of that effort where progress has proven to be difficult to achieve, but where there have also been important adaptations in the World Bank's approach in IDA9: public expenditure reform, civil service reform, and public enterprise reform.

### Strengthening Public Expenditure

Public expenditure gained increasing attention in reform efforts supported by IDA during the IDA9 period. Public Expenditure Reviews (PERs) helped move the country policy dialogue on expenditure beyond its traditional focus on public investment programs to encompass recurrent budgets and a broader agenda of reform. IDA's adjustment lending in turn supported a growing number of government reforms in expenditure policy and management.

**PUBLIC EXPENDITURE REVIEWS.** The PER has emerged as the principal instrument of the World Bank's expanding country dialogue on public expenditures. The PER provides a consolidated analysis of

expenditure, both recurrent and capital. It also normally examines countries' budget systems and procedures. PERs for 22 countries were conducted in IDA9 (see Table 2.3). In some countries (Bangladesh, Burundi, Ghana, and Uganda), PERs were part of a wide ranging dialogue on expenditure policy and management which began prior to IDA9 and was comparatively well advanced. In most cases, however, PERs were "first time" exercises, designed to identify issues for subsequent follow up. In terms of content, these varied from analyses of longer term implications of government expenditure policy, as in Pakistan and Senegal, to initial stock taking in Nicaragua and Mozambique to determine immediate priorities following cessation of civil conflict in those countries.

The World Bank's dialogue with governments on PER findings and recommendations is frequently an extended process of consultation and follow up. Consensus building within governments as to appropriate lines of action often proves to be a difficult exercise of weighing the implications of alternative policy options and reconciling trade-offs. Donors too, are involved, and have found PERs to be useful in orienting their own assistance to be in line with country priorities. Sustained dialogue with governments has led to reform. In Bangladesh, Uganda, and Burundi, the policy dialogue laid the ground for reforms in both expenditure policy and management undertaken in the course of IDA9. In Ghana where an intensive dialogue had led to a series of successful policy actions in the latter 1980s, the Government is taking continuing measures to strengthen expenditure management and is taking the lead in preparing its next PER. Donors in the Special Program of Assistance for Africa (SPA) participated directly in PER exercises on a pilot basis in several countries during IDA9.

The expenditure dialogue has been moving toward increasingly complex issues, including

**Table 2.3: Public Expenditure Reviews in IDA9**

FY91	FY92	FY93
*Bangladesh	*Burundi	Angola
*Kenya	Central African Rep.	*Bolivia
Madagascar	*Comoros	*Burkina Faso
*Uganda	*Ghana	Mauritania
Zaire	*Honduras	*Mozambique
	Nigeria	*Nicaragua
	*Rwanda	Pakistan
	*Uganda	Senegal
		*Sierra Leone
		*Zambia

\*Countries with adjustment credits during IDA9.

**Table 2.4: Public Expenditure Policy and Management Reform, FY91-93**

	<i>Government Reforms</i>				<i>IDA Lending</i>	
	<i>Public Investment Policy</i>	<i>Recurrent Budget Allocations</i>	<i>Budget Programming/ Procedures</i>	<i>Other</i>	<i>Adjustment</i>	<i>Technical Assistance</i>
<i>Budget-Wide Reforms</i>						
Bangladesh	X	X	X		X	X
Burundi		X	X		X	X
Uganda		X	X		X	X
<i>Sector Reform</i>						
Kenya				X <sup>a</sup>	X	
<i>Selected Action</i>						
Benin		X	X		X	
Bolivia			X		X	
Burkina Faso		X			X	X
Côte d'Ivoire		X			X	X
Ghana			X			X
India		X			X	
Malawi		X			X	
Mali		X			X	
Mozambique		X	X		X	
Nicaragua				X <sup>b</sup>	X	
Sierra Leone		X			X	X
Togo		X			X	

a. Reform education budget and sector management.

b. Budget restructuring and management reform plan.

governments' use of expenditure policy as an instrument for alleviating poverty. Such issues demand difficult choices not only in the inter-sectoral allocation of resources, which have usually dominated the dialogue, but also in their intra-sectoral allocation—from tertiary to primary education and from curative to preventive health care, for example. The intra-sectoral dialogue is just beginning at the macro-level. However, these issues have been and are continuing to be pursued by IDA in the context of sectoral policy dialogues and through social sector lending.

**SUPPORTING BUDGETARY REFORMS.** The expanding dialogue on public expenditure issues has been accompanied by more extensive lending support for reform actions. Annual reviews by the World Bank of the level and composition of public investment continued to be a standard feature of adjustment programs in most countries. But additionally in IDA9:

- budget-wide reforms began to be supported for the first time (Bangladesh, Burundi, and Uganda) including IDA's first adjustment credit dedicated to public resource management;
- raising budgetary allocations for recurrent expenditures in key sectors, such as agriculture, transport, primary education, and basic health, became widespread, and was included in the reform programs of 12 countries (see Table 2.4);
- public expenditure planning frequently figured in reform efforts.

A major issue identified in PERs and other economic and sector work is the need to restore adequate non-wage operations and maintenance (O&M) expenditures.<sup>6</sup> These expenditures are often the first casualty in budget cutbacks. The damage of such actions is both immediate, as the quality of needed services is impaired (schools without text-

6. Establishing appropriate levels of funding for respective sectors can be a technically complex task, especially where O&M has long been neglected. This frequently entails setting expenditure norms, both wage and non-wage, which are consistent with desired standards of maintenance or service delivery. A recent public expenditure review in Uganda, for example, set out expenditure norms for the education and health sectors as a model for the Government's application in other key sectors. In Benin and Togo, the World Bank helped establish recurrent cost norms as part of the preparation of sector-wide operations in health.

### Box 2.2: Uganda: Restructuring Expenditure to Meet Development Objectives

The 1991 Public Expenditure Review for Uganda found the resources of the Government to be inadequate to rehabilitate and maintain infrastructure and services in the wake of that country's 15-year civil war. Government revenue was only 6 percent of GDP, and defense expenditure absorbed nearly 50 percent of recurrent spending, itself a mere 6 percent of GDP. The PER laid out a wide range of options for the design of new expenditure programs consistent with the Government's longer term peacetime development objectives.

As conflict in the north of the country subsided, the Government launched a four-year demobilization program, permitting a substantial shift of funds out of defense spending beginning in fiscal year 1992 and freeing up resources for development. With the support of IDA's FY92 SAC I, the Government undertook a comprehensive series of reforms to strengthen revenue mobilization and restructure its recurrent spending. Over FY92-93 it achieved substantial increases in spending in its priority areas of primary education, basic health care, water supply, agricultural research and extension, and road maintenance and feeder roads.

Most impressive was a five-fold increase in spending on primary education with emphasis on the supply of text books and teaching materials.

Despite these successes, the Government had difficulty in institutionalizing the new priorities. The prevailing planning and budgeting system operated on a principle of allocating *historical* shares of expenditure to sectors and activities. A given segment of the road network, for example, received maintenance allocations in the same share year after year regardless of its state of repair or utility in, say, evacuating agricultural produce.

A second PER in 1992 analyzed needs to reorient planning and budgeting *processes* and assisted the Government in establishing recurrent spending norms for key sectors modeled on experience gained in other countries. This and other recommended actions are being implemented by the Government's new Budget Policy Unit and supported by IDA's FY93 Economic and Financial Management Credit. A forthcoming PER, the third in the series, is taking up issues of the investment budget and its programming.

books), and long term, as infrastructure and other public assets fall into disrepair.

The World Bank's support for free-standing projects in transport, water supply and other essential infrastructure and in the education and health sectors has frequently included financing for goods and services to improve operating efficiency and service delivery to compensate for inadequate past O&M expenditures. This support was normally complemented by increased funding for O&M in those sectors out of governments' own budgetary resources and/or increased user fees where appropriate.

O&M issues are also being addressed through increased budgetary allocations in key sectors in the context of adjustment operations. In Bangladesh, India, and 10 countries in Africa, incremental spending in education and health is being applied largely to O&M requirements and/or to expand services in outlying or otherwise underserved areas. Increased budgetary allocations are also being supported by IDA for road maintenance (Bangladesh, Burundi, Burkina Faso, Mali, Mozambique, Togo, and Uganda); for agricultural services (Mozambique, Togo, and Uganda); for water supply (Uganda); and for irrigation and flood control facilities (Bangladesh). In Burundi, the new budgetary allocations are part of a yet wider, across-the-board effort on the part of the government to double the share of

its recurrent budget allocated for O&M throughout all sectors over the 1992-94 period.

While imbalances in spending on wages and non-wage O&M are the most widely observed factor limiting the development impact of budgetary spending, another factor in a number of IDA countries is the share of their resources which is preempted by non-development spending, notably for defense and internal security. Pakistan spends 30 percent of its recurrent budget on defense, according to a recent PER of that country. Recent PERs in several countries in Africa also point to the impact of high levels of defense and security spending on recurrent budgetary resources.

Initiatives towards military demobilization have been taken by a number of countries, including Burundi, Burkina Faso, Mozambique, and Uganda, and are providing an opportunity to free up resources for development purposes. Among these, Uganda is a particularly dramatic case: whereas close to 50 percent of the Government's budget had been absorbed by defense requirements in 1991, this spending is now being phased down while development spending and management are being built up with IDA support (Box 2.2).

Reforms to improve public investment have deepened. As the level of investment spending has been better aligned with available resources, govern-

ments have turned to refining the composition of the program and increasing its development impact. This difficult task has led to greater efforts at improving investment programming management and techniques.

- In Burundi, the Government has focused its current adjustment effort on expenditure planning for the public investment program. Like many other IDA countries, Burundi's investment portfolio consists of as many as several hundred project proposals, far exceeding available counterpart funding and local programming capabilities. In line with recommendations of a recent PER, the Government is taking measures to prioritize investment proposals, ensure increased counterpart funding, and provide for future recurrent O&M requirements. The overall framework for determining those requirements is a series of newly established sector-wide expenditure plans in agriculture, education, health, and transport.
- In Bolivia, the Government is seeking to increase investments in health and education following the deep cuts across the investment budget that accompanied its stabilization program in the mid-1980s. New investment has accelerated sharply since 1991 following the introduction of measures under SACI to reinforce government planning services in those sectors.

- In Bangladesh, the Government has made a revamping of its investment program and management the top priority of its adjustment effort, an undertaking which has already shown positive results (Box 2.3).

The World Bank's support for public expenditure reform has shown promising signs of progress, especially in terms of planning and management. Still, many challenges remain. The dialogue on intra-sectoral allocations—for example, shifting resources from tertiary to primary education and health facilities—so critical to poverty reduction, is still at an early stage in most IDA countries. Public investment programs are still unwieldy and exceed institutional management capacity in many countries. O&M remains almost universally underfunded, despite the sizable and sustained improvement that has been achieved in a few countries such as Ghana. A major obstacle in addressing O&M is the high structural wage bills that are in place in many countries. This has been a key objective of civil service reform programs, which are discussed below.

#### *Civil Service Reform and Other Public Administration Reforms*

The impetus for civil service reform has come from the recognition that, in most IDA countries, the civil service was too large, too costly, and ineffective in

#### **Box 2.3: Public Investment Reform in Bangladesh**

Despite a series of broad-based policy reforms since the 1980s, declining rates of savings and investment have undermined the growth performance of the Bangladesh economy. A major factor was slow implementation of the public investment program. Domestic funding for investment had been nearly eliminated in an effort to contain the overall fiscal deficit in the face of stagnating revenue. The use of external resources committed for the program was badly slowed by the lack of counterpart funds and by poor investment programming and management.

Over the past three years, the Government has made the overhaul of its investment policies and management the top priority of its adjustment effort. The World Bank has provided ongoing technical advice, based on a comprehensive Public Expenditure Review in early 1991. It has further supported the reform through IDA in the FY92 Public Resource Management Adjustment Credit and an associated technical assistance credit.

The Government's first step in the overhaul was a deep cut in locally financed projects to free up domestic funding for higher priority projects with external financing. In addition, many lower-priority projects were struck from the program or scaled back. A major advance was the introduction of a three-year rolling investment program which was consistent with actual resource availability and implementation capacity, in contrast with its more ambitious Five-Year Development Plans. That in turn meant prioritizing project proposals within a much leaner resource envelope than previously envisaged. It also meant adopting new procedures for programming projects, utilizing aid resources, and managing project execution. These institutional changes began to have an impact by fiscal 1992/93, when, together with more domestic funding, they permitted the pace of investment to rise quickly to targeted levels.

Table 2.5: Major Civil Service Reforms in Selected IDA9 Operations

Country	IDA9 Operation	Components						
		Reduce employment/ Retrenchment/ Voluntary departures/ Enforce retirement age	Hiring freeze/ Eliminate automatic recruitment of graduates	Control wage bill/ Wage freeze	Audits/ Census/job inspections	Improve civil service management/ Centralized- computerized payroll and person- nel files	Restructure pay scale/ Link pay and prom- otions to performance	Functional- organiza- tional reviews
Benin	SAC II (FY91)	X						X
Burkina Faso	SAC (FY91), Public Investment (FY92)		X	X	X	X		
Côte d'Ivoire	Human Resources (FY92), Regulatory Reform (FY92), Economic Management (FY93)	X	X	X	X	X		
Ghana	Economic Management (FY91), Private Investment (FY91)				X	X	X	
Guyana	Public Administration Project (FY93)					X	X	
Laos	SAC II (FY92)	X			X	X	X	
Mali	SAC (FY91)	X	X	X		X		
Sierra Leone	Reconstruction Import Credit (FY92), Public Sector Management Support Project (FY93)	X	X		X		X	X
Tanzania	Parastatal and Public Sector Reform Project (FY93)	X	X		X	X	X	
Uganda	SAC (92), Economic and Financial Management (FY93)	X				X	X	X
Zambia	Economic Recovery Credit (FY92), PIRC (FY92)	X			X		X	
Zimbabwe	SAC I (FY92), SAC II (FY93)	X						X

delivering needed services. Civil service reforms—reforms designed to address the structural issues confronting the overall civil service, particularly size, organization, administration, remuneration, and incentives—have thus become an important component of public sector reforms. They have complemented strengthened support for capacity-building, including the Africa Capacity Building Foundation launched in 1991 by IDA jointly with the UNDP and the African Development Bank.

IDA has supported civil service reform through adjustment credits, technical assistance credits, and public sector management reform operations. During IDA9, civil service reform was being carried out with the substantial support of IDA in at least 12 countries (see Table 2.5). In a number of other countries, IDA operations contained components which support more limited or preliminary steps, such as gathering basic data, developing a civil service reform policy or action plan, or funding selective capacity building efforts. Overall, an average of 10 IDA

operations a year during IDA9 included a civil service reform component.

The major objectives of civil service reforms have included the following:

- controlling or reducing staffing numbers through such measures as hiring freezes, elimination of ghost workers, and enforcement of mandatory retirement requirements. Voluntary departures have also been encouraged but most reform efforts eventually face the need to undertake the more difficult and costly measure—mandatory retrenchments.
- introducing or strengthening personnel management systems. This is essential since the effectiveness of some early reform efforts was compromised by the absence of a central personnel function, poor record keeping, and lack of integration of payroll and personnel files, which made it difficult to determine or control the number of employees.

- addressing distorted wage structures. In many countries rapid growth of the civil service had been often accompanied by erosion of wages and compression of wage scales, particularly when budgets were under pressure. (In Zambia, for example, real pay for most senior staff fell by more than 80 percent from 1975 to 1990). Although wage compression was somewhat offset by in-kind benefits such as housing, food, government cars, and access to foreign exchange, such mechanisms tended to be highly inequitable in their distribution and invited corruption. To address these issues reform programs have included basic analytical work on the pay system and have used resources released from staff reductions to decompress wage levels within overall wage bill limits. (See Box 2.4 for examples of civil service reform efforts).

Most civil service reform programs have sought efficiencies from within the existing organizational

structure and functions of the government, but increasing attention is being placed on improving the broader conditions for effective government. This includes re-examining the appropriate role and functions of the government, developing the management culture, organization, and incentives needed to increase effectiveness of service delivery, and reforming administration and procurement practices to promote transparency and put in place management systems to control illegal and negligent practices.

There is therefore increasing use of functional reviews that look at the mandate of the ministries. For example, as part of the first Structural Adjustment Credit for Uganda (FY92), 13 of these ministry reviews were done, and the government reduced the number of ministries from 28 to 18 during 1991-92. The FY93 Economic and Financial Management project in Uganda is assisting the Ministry of Public Service to increase its capacity to design and carry out civil service reform and develop a five-year civil service plan. Albania is also taking a fundamental

#### Box 2.4: Five Civil Service Reform Programs Supported by IDA9

Ghana's major civil service reform effort began in 1987. This effort has been supported by two adjustment credits (FY87, FY89), an Economic Management Support project (FY91), and a Private Investment Promotion Credit (FY91). Significant progress has been achieved: staffing in the core civil service was reduced by about 27 percent between 1987 and 1992; the pay scale has been decompressed from around 2 to 1 in 1984 to a little over 10 to 1 in 1991; fringe benefits have been incorporated into base salaries; and the foundations of a control system have been put in place. However, this reform process is far from over, as ongoing job function reviews show that overstaffing problems remain.

In Laos, the initial civil service reform effort reduced staffing levels by 19 percent. A politically independent civil service administration was established for the first time since 1975. The second Structural Adjustment Credit (FY92) supported the formulation and adoption of a 3-year action program to further reduce the civil service by 25 percent and to use the savings to revise the salary system. Other actions under the program include a redefinition of the organizational structure of the civil service, a civil service census and a revision in civil service rules.

IDA has supported Zambia's civil service reform efforts through its Economic Recovery Credit (ERC, FY91) and its Privatization and Industrial Reform Adjustment Credit (PIRC, FY92). Under the ERC, the Government adjusted salaries, carried out a survey of

employees, and formulated an early retirement program and discharge procedures. As part of the PIRC, the Government is completing the identification and removal of ghost workers and reducing public sector employment by 20,000 workers. In Tanzania the Parastatal and Public Sector Reform Project (FY93) involves maintenance of a hiring freeze, implementation of a new personnel control mechanism, enforcement of the compulsory retirement age, a reduction in staffing of 50,000 over a three-year period, and development of an overall civil service strategy.

The FY91 Structural Adjustment Credit in Burkina Faso included measures to address the problem of the large and rapidly growing wage bill reflecting high wages and automatic promotions—overstaffing was not a major problem. In 1989 the wage bill accounted for 65 percent of total current expenditures and the defense ministry's share of the total wage bill was close to 40 percent. By eliminating automatic promotions, stopping the automatic hiring of graduates, and reducing the military in stages, the Government has achieved its planned modest reduction in the overall wage bill while increasing education and health expenditures. A follow up Public Institutions Development project (FY92) is funding a four-year time slice of the civil service reform effort and supporting basic analytical work and training including civil service censuses and studies to improve the management of the civil service.

look at the role, function, and structure of government under an Institutional Development Fund grant within a medium-term budget framework that envisions a significant reduction of the share of the wage bill in current outlays.

Assessments of civil service reform efforts have shown that such reforms are difficult to achieve and sustain.<sup>7</sup> They are politically difficult, involve large transitional costs such as severance pay and retraining, and are institutionally demanding to implement. Real net reductions in staff have often been far less than originally planned. Staff censuses have proven to be expensive and if not well planned, of limited value. Reversals of wage reforms have occurred. However, while major staff reductions may be rare, reductions are occurring in a broad range of countries and one clear accomplishment of the civil service reform effort in recent years has been that the growth in the civil service has generally been halted. Reflecting this experience, the approach to civil service reform has become more comprehensive under IDA9. Adjustment loans and technical assistance have been useful to get civil service reforms started, but longer-term vehicles such as specific civil service reform operations are increasingly being utilized to address the underlying structural problems and needed institutional changes (Box 2.5).

#### *Restructuring of Public Enterprises*

Public enterprises (PEs) have played a large, and in some cases, dominant role in many IDA countries. These enterprises, however, have increasingly been seen by governments as very costly and inefficient—often producing low-quality goods and services at a high cost to government budgets and the economy—and PE reform has been a priority for many of them. PE reform has also been placed within a broader context of a reevaluation and redefinition of the role of the state. Many governments have concluded that commercial productive activity can by and large be carried out most efficiently by private sector investors or managers, within an appropriate regulatory framework. By reducing governments' involvement in these activities, they are better able to concentrate scarce resources on increasing the quantity and quality of essential public services.

During the IDA9 period, almost all structural adjustment operations, most sector adjustment credits (outside the social sectors), and a large number of investment projects and technical assistance credits (over 90 during IDA9) have included public sector

#### **Box 2.5: Civil Service Reform Operation: Guyana**

Two major weaknesses in Guyana's public sector administration have hampered economic recovery. First, the public sector, because of low salaries, has been largely drained of skilled managers and technicians, and correspondingly has been unable to supply basic services or develop its human resources or infrastructure. Second, key public sector functions lack adequate management systems to ensure accountability and efficient use of public resources. In 1991 the Government initiated a program of public service reform. An early action was the reduction of the number of ministries from 18 to 11. The FY93 Public Administration project supports a deepening and expansion of the government reform effort, particularly in the area of public sector management. Three important components of that effort include the design and implementation of an integrated financial management system, a new regional administration system, basic personnel records, and a personnel management system. Such basic institutional changes will take time to develop and implement. As a result, disbursements from this IDA project are spread over the FY93–98 period. Progress will be closely monitored with annual joint reviews of implementation of agreed action plans and annual work programs and a mid-term review by July 1995 to assess overall progress in project implementation.

restructuring components. During IDA9 more than 20 countries had substantial public enterprise restructuring programs underway. In some of these countries (e.g., Ghana, Laos, Sri Lanka, Zambia) the process has been supported by a series of IDA operations; other countries (Albania, Egypt, Ethiopia, Mozambique, Nicaragua) are still at an early stage. If one includes cases where the public enterprise component was only a small part of a technical assistance or investment project or where the actions involved were very preliminary or limited (studies and reviews, pilot programs, small scale divestiture in a sector), IDA was engaged in public expenditure reforms in more than 50 countries during IDA9.

The initial focus of reform efforts has been on limiting or reversing the often large fiscal drain of the public enterprise sector. In Sri Lanka, for example, the eight largest public enterprises have accounted for almost half of the consolidated budget deficit. In addition to direct subsidies, poor tax and

7. *Adjustment in Africa: Reforms, Results, and the Road Ahead* (New York: Oxford University Press, 1994).



**Box 2.6: Examples of Major Public Enterprise Reform Efforts: Laos, Burkina Faso, Albania, Zambia**

In 1986 the Government of Laos adopted a program of reforms which dramatically altered the economic orientation of the country—moving from a socialist toward a market-based framework. Early on the Government (i) gave almost complete autonomy to state enterprises to set their prices, (ii) removed all state subsidies to State Owned Enterprises (SOE's), including allocation of credit through the banking system, and (iii) sought to promote the role of the private sector, particularly in foreign trade. In 1991 the Government removed almost all public sector trade monopolies. Agriculture is now almost entirely under private small scale farmers. The Government has also sought to restructure ownership of state owned enterprises through foreign and private leasing, privatization, joint venture arrangements, and employee management schemes, with an overall objective of privatizing over 95 percent of all SOE's. This reform effort was supported through IDA economic and sector work and two adjustment credits (FY89 and FY92). Implementation of the first credit, however, was hampered by a lack of trained personnel, poor financial information, and weak institutional authority. Based on this experience, the second adjustment credit focused on improving the institutional and legal underpinning to the privatization program. A new privatization office was established, and more strict and transparent technical specifications guiding privatization procedures were adopted.

Burkina Faso's economic situation deteriorated rapidly in the late 1980s. In 1990 it adopted a comprehensive adjustment program which aimed at transferring public financial, commercial, and productive enterprises to the private sector. IDA has supported this effort through a series of operations, including a Structural Adjustment and an Education Sector Credit in FY91; Agricultural and Transport Sector Credits in FY92; and a Private Sector Assistance Credit in FY93. The pace of the divestiture effort has exceeded expectations. While the adjustment credit called for privatization of 12 enterprises (out of 37), the Government has already officially published a list of 21 enterprises to be privatized, including a number of large operations (e.g., flour mill, drug import monopoly, cement plant). Ten have already been privatized and invitations to bid for five others are presently being reviewed. The banking sector is also being restructured and privatized. The number of banks is being reduced from eight to five through the merger of three banks and the liquidation of the government development bank. One bank has already been privatized and the privatization of three others is underway. Three important elements underlying progress have been: (1) extensive efforts to build support for the program through discussions with the business community and unions; (2) establishment of a privatization committee outside the ministries; and (3) use of TV and advertisements to publicize the offerings and make the process transparent.

Albania's reform effort, begun in 1991, has already sharply reduced government involvement in commercial activities and begun to establish a market-based framework. It has fundamentally altered land ownership: the land which had been held by co-ops—nearly 75 percent of all arable land—was distributed to individual farm workers, creating close to 380,000 family farms. By the end of 1993 the Government plans to complete the privatization of agricultural land by liquidating all state farms and distributing most of the land through land rights to workers. The Government has also opened the agricultural input market, supported by IDA's Critical Imports Credit (FY92), and is implementing a program to privatize all state enterprises in agricultural processing and marketing. These actions have already contributed to a recovery in agricultural output which is boosting GDP growth in 1993. IDA is supporting these reforms through a rural poverty alleviation credit and an agricultural sector credit, both FY93 projects.

In 1992, the new Government of Zambia began implementing a major restructuring of the public enterprise sector consisting of some 130 PEs and accounting for about 50 percent of the formal sector of the economy. The program aims to reform the mining company and privatize all other commercially oriented parastatals, except the public utilities, about 105 companies over a five-year period. This effort was supported by three adjustment and three project credits during IDA9. On restructuring, the plan calls for granting managerial autonomy and setting business plans for core PE's, improved regulatory systems for utilities, removal of remaining financial sector privileges, the elimination of direct budgetary subsidies, regular adjustment of public utility tariffs to cover operating costs and provide a fair return on capital, and strengthening of the ministries responsible for PE reform. The privatization program includes development of a strategy and timetable for core public companies, enactment of a privatization law, closure of loss makers, a ban on new parastatals, opening up of important economic activities including agricultural marketing and processing and insurance to the private sector, limitation of new investments in companies to be divested to emergency rehabilitation, and the development of plans for redundant staff. With strong government commitments the program is ahead of schedule. The first 19 parastatals were offered for sale in late 1992. Business plans have been completed for most of the smaller utilities, and efficiency studies and strategy plans for the three large ones (rail, electric, and telecommunications) are being prepared. Numerous challenges remain (including issues of labor redundancy, institutional capacity, and financial sector development) and are the subject of the ongoing dialogue with the Government.

dividend payment records and tax and import duty exemptions have contributed substantially to the outflow from the government to the public enterprises (e.g., Zambia, Rwanda). Moreover, even without budget support, public enterprises' privileged access to low cost credit from the central bank or government owned banks not only reduced credit availability to private borrowers but led to distress in the financial system because of defaults from PEs.

Two approaches have been used to rationalize public enterprises. First, for enterprises to be retained under state ownership—usually public service agencies and public utilities—the focus is on improved efficiency and commercialization, subjecting the enterprise to a competitive environment:

- IDA has supported increasing autonomy of PE management in such areas as employment and pricing (e.g., Mali, Sierra Leone, Laos) and in reducing budgetary subsidies, special privileges for credit and inputs, and government investment expenditures for PEs (e.g., Bolivia, Zambia). Because a lack of overall control on enterprise financing enabled PEs to use increased bank credit to offset reduced subsidies, the more recent programs have limited privileged access to credit as well as imposed strict budget constraints.
- Performance contracts have been used to establish an appropriate balance between autonomy and accountability, and to promote efficiency of government enterprises (e.g., Guinea, Ghana, Mali, Burundi, Sierra Leone, Bolivia). However, experience has shown that such arrangements cannot by themselves make up for weak financial management systems or prevent government interference. Another more successful approach has been privatization of management through management contracts. With IDA support, Guinea has put the electric company and publicly-owned infrastructure in the water sector under private management; and management of the Sierra Leone Port Authority by an international consulting firm under a contract is producing significant savings to the government.

Second, divestiture has been used, either on an "as is" basis for typically small commercial operations, moribund firms, and a few selected large enterprises, or after restructuring the enterprise to make it more viable. Concrete results from divestiture have been slow. The pace and degree of reform have been af-

ected by government commitment to the reform (including the support or resistance of important interest groups); its technical capacity to analyze, prepare and carry out the effort; and the absorptive capacity of the private sector. In most IDA countries, these efforts have taxed limited implementation capacity, while the absorptive capacity of the private sector has often been limited by almost non-existent domestic capital markets along with concerns about concentration of economic power by individuals, ethnic groups, or foreign owners. While political uncertainty can significantly delay and slow the reform process, in some countries political change has been the catalyst for dramatically boosting reform. Some of the most dramatic reform programs have been developed in countries confronting severe fiscal crisis and in countries undertaking the transition from a centrally planned to a market oriented economy (Box 2.6).

The degree of rationalization and downsizing that has been accomplished so far varies greatly, dramatic results have yet to be demonstrated in most IDA borrowers and some efforts have clearly stalled or achieved little. However, one clear result is that very few new public enterprises are now being brought into existence and public enterprises play a less significant economic role than they did in the past.<sup>8</sup> In addition, performance improvements, while difficult to measure, have been achieved in many enterprises that have remained in state hands, and there has been, over the course of IDA9, a progressive adoption, acceleration, and deepening of divestiture/liquidation programs across a broad spectrum of countries built on the experience and lessons of earlier efforts. The limited results to date reflect not only the difficulty of many of these reforms and the time needed to effectively carry them out but also the fact that many IDA countries have only recently embarked on this reform path.

### Supporting Private Sector Development

To complement the changing role of government, the World Bank has significantly strengthened its support for market-friendly economic policies and strategies designed to encourage private sector activity. The Bank's strategy and efforts to support private sector development (PSD) emphasize the critical importance of (i) the establishment of a sound macro-economic framework which reduces risk and distortions within the economy and (ii) the rationalization of the public sector which can open up oppor-

8. See *The Reform of Public Sector Management: Lessons from Experience* (World Bank, 1991).

tunities for private sector involvement in areas previously controlled by the State and reduce other disincentive effects which state involvement in commercial activities produces.<sup>9</sup> Reducing government involvement in agricultural marketing has been an important avenue of reform, both to improve efficiency and develop a private sector response.

IDA's support for these efforts has been complemented by a "second generation" of reforms in three areas: improving the business environment, financial sector reform, and developing the basic infrastructure critical to reducing costs and improving efficiency:

- Nearly 40 IDA adjustment operations and 80 investment operations contained components aimed at improving the business climate by reforming government procedures, regulations, and laws; increasing transparency; and reducing arbitrary enforcements and business costs. The Côte d'Ivoire Competition and Regulatory Reform Adjustment Credit, for example, included opening up of coffee and cocoa marketing and transportation to private sector participation, along with such measures as elimination of export licensing, rationalization of the investment code, revision of company law, simplification of export procedures, and modernization of accounting practices.
- More than 70 IDA9 operations over a broad range of countries supported the restructuring of financial institutions and reform of financial policies such as interest rates, reserve requirements, and taxation. Increasingly, these efforts were being complemented with action to create the appropriate legal, regulatory, and supervisory structures needed for an efficient financial system. Progress has been achieved in initiating critical long term institutional and policy reform. Restructuring of banks, however, has proven to be difficult and often expensive and at times the continued decline of the financial system has required repeated restructuring efforts.
- More than 25 percent of IDA9 investment lending was for infrastructure. In addition to helping relieve key infrastructure constraints to growth and private economic activity, these operations have increased business opportunities by supporting the contracting out of services to the private sector where it can provide them more efficiently. In transportation, for example,

IDA has encouraged governments to use private contractors and NGOs (as contractors) for such tasks as road maintenance to improve operational efficiency. Private management contracts have increasingly been used in energy and water supply.

To sharpen the strategic focus of PSD efforts at the country level, the World Bank, in collaboration with the IFC and with inputs from MIGA and FIAS, began in 1991 the preparation of a series of Private Sector Assessments (PSAs). These seek to: (i) systematically analyze the full range of constraints inhibiting private firms in a given country to distinguish real from apparent obstacles and gain a clear view of binding constraints that actually affect entrepreneurs and (ii) lay out steps to advance private sector development in the country. PSAs were begun in 11 IDA countries and five more are in the planning stage. These countries have been selected, in consultation with the respective governments, on the basis of the urgency of addressing PSD issues, the potential of their private sectors, and the governments' commitment to pursue PSD-oriented reforms. Many PSAs include in-depth interviews with entrepreneurs and firm level surveys provide valuable insight into how entrepreneurs themselves see the day-to-day world in which they operate.

Through FY93, five PSAs have been completed for IDA countries (Ghana, Kenya, Nigeria, Senegal and Zimbabwe). The analysis and findings from this first set of PSAs have already contributed to the formulation of IDA assistance strategies addressing PSD priorities and the policy dialogue. For example, the constraints identified in the Zimbabwe PSA included the foreign exchange allocation system, which hindered production and made obtaining foreign exchange a time-consuming and costly endeavor; rigid investment controls, which inhibited the creation and expansion of firms; inadequate infrastructure, which contributed to high costs of doing business, particularly in agriculture; and state owned enterprises including marketing boards. This analysis was used in IDA's dialogue with the government and contributed to the design of the two IDA9 structural adjustment credits.

### Conclusion

IDA has been engaged in supporting programs of economic adjustment and reform for more than ten

9. See *Developing the Private Sector: A Challenge for the World Bank Group* (World Bank, 1989) and *Developing the Private Sector: The World Bank's Experience and Approach* (World Bank, 1991).

years. This experience has indicated that progress in this area is neither automatic nor irreversible, but reform programs have been shown to yield results when pursued on a sustained basis. Sustaining the process, however, requires strong government commitment and new capacities. During IDA9, the share of adjustment lending for reform was equivalent to that of IDA8, as many countries continued their reform programs, a number of new programs were

launched, but some faltered. Among the continuing programs, reforms increasingly focused on areas requiring difficult institutional change. The dialogue on public expenditures was extended and deepened through more extensive use of public expenditure reviews. Reforms of public enterprises were increasingly recognized as long-term processes, and the development of the private sector began to be addressed in a more systematic manner.

# 3

## Reaching the Poor

---

Reducing poverty has long been the overarching objective of the World Bank. During IDA9 a comprehensive strategy was put in place for poverty reduction emphasizing both efficient growth to generate employment opportunities and activities focused specifically on the poor.<sup>10</sup> In implementing the strategy, poverty reduction assumed a central place in country assistance strategies (Box 3.1), and the Bank began to more systematically assess poverty issues and target key groups and activities which are essential for reaching the poor:

- Country analytic work now includes poverty assessments and analyses to identify the poor and to understand better the nature and causes of poverty.
- Lending instruments are tailored more explicitly to poverty reduction. Adjustment operations in IDA9 increasingly included poverty-focused actions. Many investment projects targeted the poor as principal beneficiaries, when nationwide projects failed to reach them adequately.
- By the late 1980s, it had become clear that the strategic position of women in poverty reduction as mothers and productive agents was being compromised by their lack of access to production-oriented and social services, particularly basic education and health. This past weakness was explicitly addressed in sectoral operations during the IDA9 period.
- IDA sharply increased its support to population programs during IDA9, in recognition of the

difficulties that rapid population growth poses for a country's development.

IDA's experience in these four areas during the IDA9 period is summarized below.

### Poverty Assessments

Country poverty assessments form the analytical basis for design of long-term poverty alleviation strategies.<sup>11</sup> Poverty assessments typically provide a profile of the poor, the causes of poverty, and the effectiveness of the government's efforts to reduce poverty. Although poverty analyses have been undertaken since the latter part of the 1980s, formal poverty assessments became a regular part of the World Bank's analytic tool kit during IDA9. By the end of FY93, formal poverty assessments had been completed for 16 IDA countries (Table 3.1).

### Common Themes in Poverty Assessments

In most IDA countries, the poverty profiles show the following:

- The incidence of poverty, as well as the number of poor, is highest in rural areas. The poor are most often small subsistence farmers or landless agricultural workers, who typically have inadequate access to rural credit and infrastructure and whose land tenure rights are uncertain. In several countries, indigenous and tribal people or ethnic minorities are also more likely to be poor.

10. This strategy was defined in *World Development Report 1990*, on poverty (New York: Oxford University Press), and in the *Poverty Reduction Handbook* (World Bank, 1992). The publication *Implementing the World Bank's Strategy to Reduce Poverty: Progress and Challenges* (World Bank, 1993) summarizes progress in implementing this strategy through FY92.
11. These formal assessments represent only a small portion of IDA's analytical work on poverty. The most extensive analytical work on poverty is in sector studies. In IDA9, sector reviews in education and population, health, and nutrition continued to provide the basis for project development in those sectors. In addition, several Country Economic Memoranda (CEMs) were devoted to poverty issues. Assessments that have focused on the role of women in development (WID) also have provided information on a group susceptible to poverty. Finally, food security studies have added to IDA's understanding of poverty in Sub-Saharan Africa and their findings are incorporated in the design of targeted programs. To date, more than 20 food security studies have been completed in Sub-Saharan Africa.

### Box 3.1: Poverty Reduction: The Centerpiece of Country Strategies

The comprehensive poverty reduction strategy articulated in the 1990 WDR is as relevant to Ethiopia, a very poor country emerging from war and famine, as it is to Ghana, with almost a decade of macroeconomic reforms behind it.

Half of Ethiopia's 53 million people live in absolute poverty. Per capita income is \$120 per annum and falling. Infant mortality is 154 per thousand births. And the primary school enrollment rate is 36 percent. To reduce absolute poverty, the Transitional Government's primary objective, the economy needs to be rebuilt and transformed from being centrally planned to market-based. The Transitional Government is starting to revive investment and production by restoring macroeconomic stability, instituting appropriate market incentives, and rehabilitating existing infrastructure. IDA is supporting this program, which will have strong employment benefits. It is also assisting the Transitional Government in improving the quality of and access to education and health services and in establishing safety nets to protect the most vulnerable from the short-term negative effects of adjustment.

Ghana has made progress in reducing poverty since its Economic Recovery Program was adopted in 1983.

However, GDP growth of 5 percent per year is too low to eradicate poverty when the population is growing at 2.6 percent. Although Ghana's infant mortality rate (85 per thousand), adult literacy (60 percent), and primary school enrollment rates (82 percent) are above the average for Sub-Saharan Africa, further improvement is needed. Accordingly, the Government is combining a program to accelerate growth with human resource investments. This involves keeping the macroeconomic situation under control, establishing a favorable environment for vigorous private sector activity, and providing social services to the poor. IDA is extending the Poverty Assessment completed in FY93 to include analysis of urban labor markets and public expenditures and the findings of a participatory assessment. It has also been working with the Government to reorient budgetary expenditures toward poverty-alleviating activities. In education, the Government is according greater priority to primary education and literacy programs and relying more on private funding for secondary and tertiary education. To sustain income growth, IDA is also supporting the government's efforts to change traditional techniques which deplete the soils and forests.

- The poor do not have adequate access to basic social services. Rural areas, because of their remoteness, as well as poor urban neighborhoods are generally underserved by basic health and education facilities.
- Safety nets help mitigate poverty. In some countries, like India, these take the form of government programs. In Africa, informal family and community-based safety nets often are more relevant.
- Among the poor, women are generally disadvantaged in terms of access to public benefits and sharing in household benefits.

Across the board, poverty assessments recommend providing more human resource and infrastructure services. They also stress the importance of efficient labor-using economic growth, through wage employment as well as increased productivity of small farmers. In view of the importance of informal safety nets in many countries, poverty assessments are recommending that government safety nets complement, rather than replace, informal ones.

#### *Linkages of Poverty Assessments to IDA9 Lending*

These poverty assessments and analyses—as illustrated below—have helped IDA better formulate country assistance strategies:

- The poverty assessment for China found that while years of reform and growth had reduced absolute poverty significantly, pockets of extreme poverty remained, primarily in rural areas. In response, IDA's strategy for China is focusing agricultural and social sector lending on areas of concentrated poverty—in much of the northwest, the "red soils" areas in the southeast, and the resource-poor sections of the southwest.
- In Pakistan, poverty remains pervasive despite relatively high rates of GNP growth. The assessment and related analyses showed that basic social services are weak, and Pakistan's population growth rate of over 3 percent per annum has made economic progress for families more difficult. Consequently, IDA's assistance to the

Table 3.1: Formal Poverty Assessments

FY90	FY91	FY92	FY93
Bangladesh	Bolivia	China	Ethiopia
India	Mozambique	Egypt	Gambia, The
Malawi	Nepal		Ghana
	Pakistan		Mali
			Philippines
			(update) <sup>a</sup>
			Sierra Leone
			Uganda

a. Initial poverty assessment in FY89.

government is directed toward reducing poverty through broad-based economic growth and development of a Social Action Program to improve coverage and quality of basic services and infrastructure, especially in rural areas, and to reduce fertility.

- The poverty assessment for Malawi showed that 55 percent of the population are poor, because of limited employment, low productivity of land and labor, low levels of human capital, and limited access to land and other assets. Consequently, the Government, with IDA's support, is implementing a development strategy encompassing a favorable environment for growth of private sector employment and opportunities for women, improving smallholder agricultural productivity, and expanding access to social services.

As a result, the poverty assessments have affected the composition of IDA's lending. In some countries, like India and Malawi, a significant increase in poverty-related lending has occurred. In all countries, the poverty analyses have influenced the design of projects supported by IDA. Table 3.2 illustrates the links between some of the analytic results and lending in the IDA9 period. Projects to increase smallholder productivity and diversify income sources in rural areas are prominent (e.g., Bangladesh, China, India, Malawi, Mali). Provision of basic education and health services is being supported by IDA in almost all of the countries listed. Access of girls and women to education and health services is also being improved (e.g., Bangladesh, Pakistan, Philippines).

Experience has shown that government involvement in a poverty assessment adds to its sense of ownership. Although the analyses to date have typically been undertaken by the World Bank, a few have had government participation. The assessment for Uganda, for example, used a special household survey fielded by the government, benefited from the participation of a government counterpart team in the preparation stage, and had high level support for its recommendations. In two ongoing assessments, the Government of Cape Verde is taking the responsibility for doing the assessment, while the Zambian government, together with NGOs, is participating in working groups to help define and analyze the issues and contribute to the recommendations.

Even without active participation in the assessment, most governments have welcomed the analysis and are following up on it. For instance, the Transitional Government of Ethiopia, which asked the World Bank to do an assessment, is planning to allocate funds in the 1994 budget for much of the proposed action plan. The Government of Mozambique is undertaking an additional participatory poverty assessment on health, education, and agriculture to complement the Bank's analysis. And the authorities in China considered the poverty assessment an important source of independent analysis in an area to which they were already giving priority.

#### *Future Poverty Assessments*

It has been difficult to undertake formal poverty assessments in Africa. Lack of household data is one problem. Through the Living Standards Measurement Survey program and the Social Dimensions of Adjustment program, a concerted effort has been underway to collect household data in Africa and to build up the capacity of local statistical institutions. Household surveys have been initiated in 27 countries, and the results for 13 already reported or used. The sheer number of assessments needed is another problem. One of the proposed activities of the working group on poverty and social policy in the third phase of SPA involves technical and financial cooperation between the Bank, bilateral donors, other multilateral institutions, and African governments to prepare poverty assessments for African countries.

Even with good household expenditure data, the true nature of poverty is often not fully reflected in statistical poverty profiles. Therefore, two of the FY93 poverty assessments, for Mali and Uganda, have tried to describe the social dimensions of poverty by drawing on rapid rural appraisals, a social assessment technique based on listening to the views of people in local communities. Participatory poverty assessments, which also involve interviewing the poor, are expected to add substantially to IDA's understanding of the constraints which the poor face, how helpful they perceive actual or proposed services, their own view of what they need, and their desired participation in the development of this assistance.<sup>12</sup> They are being conducted in Ghana, Madagascar, and Zambia on a pilot basis.

12. Within the World Bank, this type of participatory analysis is being used increasingly, both in analytical studies and in projects. For example, a beneficiary assessment for the FY91 Zambia Social Recovery Project has influenced implementation procedures and provided useful feedback on the impact of subprojects financed by IDA. This approach is also being piloted in other projects.

Table 3.2: Poverty Assessments and Related Lending

Country	Selected Results from Poverty Assessment	Linkage to IDA9 Lending Program
Bangladesh	<ul style="list-style-type: none"> <li>• Smaller irrigation schemes to increase access of farmers.</li> <li>• Expand water supply.</li> <li>• Rapid population growth presents a serious constraint to poverty alleviation.</li> <li>• Expand female access to education.</li> </ul>	<ul style="list-style-type: none"> <li>• National Minor Irrigation Project (FY91)</li> <li>• Shallow Tubewell and Low-Lift Pumps (FY91)</li> <li>• Population and Health IV (FY91)</li> <li>• Female Secondary School Assistance (FY93)</li> </ul>
Bolivia	<ul style="list-style-type: none"> <li>• Reach the rural poor with social services.</li> <li>• Increase assets and income of the poor.</li> </ul>	<ul style="list-style-type: none"> <li>• Social Investment Fund II (FY93)</li> <li>• Integrated Child Development Project (FY93)</li> <li>• Agro-Export Development (FY92)</li> </ul>
China	<ul style="list-style-type: none"> <li>• Pockets of rural poor remain in resource-poor areas, despite high national growth. Focus agricultural research and investment as well as targeted social sector interventions on these areas.</li> </ul>	<ul style="list-style-type: none"> <li>• Mid-Yangtze Agricultural Development (FY91)</li> <li>• Infectious and Endemic Disease Control (FY92)</li> <li>• Education Development in Poor Provinces (FY92)</li> <li>• Rural Water Supply and Sanitation (FY92)</li> <li>• Sichuan Agricultural Development (FY93)</li> </ul>
Egypt	<ul style="list-style-type: none"> <li>• Welfare approach for ultra poor combined with economic approach for working poor.</li> <li>• Shield poor from costs of adjustment.</li> <li>• Upgrade social services.</li> </ul>	<ul style="list-style-type: none"> <li>• Social Fund (FY91)</li> <li>• Basic Education (FY93)</li> </ul>
Ethiopia	<ul style="list-style-type: none"> <li>• Core of poverty strategy must be to stimulate economic growth and employment, especially from the private sector.</li> </ul>	<ul style="list-style-type: none"> <li>• Structural Adjustment Credit (FY93)</li> </ul>
Ghana	<ul style="list-style-type: none"> <li>• Raise investment in human resources to let the poor participate in economic growth.</li> </ul>	<ul style="list-style-type: none"> <li>• Adult Literacy (FY92)</li> <li>• Primary Education (FY93)</li> </ul>
India	<ul style="list-style-type: none"> <li>• Reorganize and strengthen targeting of existing social programs on the poorest.</li> <li>• Expand basic social services for the poor.</li> <li>• Direct resources to low-income states.</li> </ul>	<ul style="list-style-type: none"> <li>• Integrated Child Development Service I (FY91) and II (FY93)</li> <li>• Population VIII/Urban Slums (FY92)</li> <li>• Child Survival and Safe Motherhood (FY92)</li> <li>• Shrimp and Fish Culture (FY92)</li> <li>• Social Safety Net SECAL (FY93)</li> <li>• Bihar Plateau (FY93)</li> </ul>
Malawi	<ul style="list-style-type: none"> <li>• Increase and diversify incomes of rural smallholders.</li> <li>• Raise smallholder agricultural production.</li> <li>• Expand social services.</li> </ul>	<ul style="list-style-type: none"> <li>• Rural Financial Services (FY93)</li> <li>• Entrepreneurship Development (FY92)</li> <li>• Agricultural Services (FY93)</li> <li>• PHN Sector Investment Credit (FY91)</li> </ul>
Mali	<ul style="list-style-type: none"> <li>• Need to expand social services.</li> <li>• Rapid increase in urban population is resulting in unemployment, especially among youth.</li> <li>• Long-term environmental issues will affect productivity in the rural sector.</li> </ul>	<ul style="list-style-type: none"> <li>• Health, Population, Rural Water Supply (FY91)</li> <li>• Public Works and Capacity Building (FY92)</li> <li>• Natural Resource Management (FY92)</li> </ul>
Mozambique	<ul style="list-style-type: none"> <li>• Rebuild rural areas devastated by war.</li> </ul>	<ul style="list-style-type: none"> <li>• Rural Restructuring (FY93)</li> </ul>
Nepal	<ul style="list-style-type: none"> <li>• Intensify basic education, especially for females, which has been found to impact fertility, hygiene, and nutrition.</li> </ul>	<ul style="list-style-type: none"> <li>• Basic and Primary Education (FY92)</li> </ul>
Pakistan	<ul style="list-style-type: none"> <li>• Investment in basic education and health needs to be greatly expanded, with due regard to gender issues.</li> </ul>	<ul style="list-style-type: none"> <li>• Family Health I (FY91) and II (FY93)</li> <li>• Balochistan Primary Education (FY93)</li> </ul>
Philippines	<ul style="list-style-type: none"> <li>• More targeted assistance is needed, in women's health, family planning, and nutritional interventions.</li> </ul>	<ul style="list-style-type: none"> <li>• Urban Health and Nutrition (FY93)</li> </ul>
Sierra Leone	<ul style="list-style-type: none"> <li>• Repair and improve urban infrastructure while creating employment.</li> </ul>	<ul style="list-style-type: none"> <li>• Freetown Infrastructure (FY93)</li> </ul>

### Lending Instruments for Poverty Reduction

Sustainable country macro and sectoral policies and public expenditure allocations, as well as investments in infrastructure and basic services, contribute to poverty reduction. In IDA9, both adjustment operations and investment projects, principal instruments for implementing country assistance strategies, were focused more explicitly on these policies and investments.

### Poverty-Focused Actions in Adjustment Operations

Experience has shown that primary education, health, and other basic services require adequate delivery systems and sufficient recurrent expenditures to operate them. As shown in Chapter 2, adjustment operations have been increasingly used to address public expenditure policy. About one in three adjustment operations for IDA countries in FY91-93 addressed expenditure policy for the so-



**Table 3.3: FY92-93 Poverty-Focused IDA Adjustment Operations**

Year	Country	Operation	Reforming Public Expenditures	Addressing Distortions	Targeted Programs	Monitoring Poverty	Developing Poverty Policy	Tranche Release Conditions
FY93	Albania	SECAL		X				X
FY92	Bangladesh	SAL	X					X
FY92	Bolivia	SAL	X					
FY92	Burundi	SAL	X	X				X
FY92	Côte d'Ivoire	SECAL		X				
FY92	Côte d'Ivoire	SECAL	X					X
FY92	Ghana	SECAL	X		X	X		
FY93	India	SECAL	X		X			X
FY92	Kenya	SECAL	X					X
FY92	Malawi	SAL	X	X	X			X
FY92	Mozambique	SAL	X	X	X		X	X
FY92	Sierra Leone	SAL	X					X
FY92	Uganda	SAL	X		X			X
FY92	Zambia	SECAL	X		X			X
FY92	Zimbabwe	SAL	X	X	X	X		X
FY93	Zimbabwe	SAL	X	X				X

*Notes:*

SAL = Structural Adjustment Credit

SECAL = Sectoral Adjustment Credit

Reforming Public Expenditures—supports a reorientation of public expenditures towards physical infrastructure and basic social services for the poor.

Addressing Distortions—focuses specifically on eliminating distortions that especially disadvantage the poor.

Targeted Programs—supports programs that provide safety nets or that target specific groups.

Monitoring Poverty—supports the gathering of poverty data and the monitoring of the impact of adjustment on the poor.

Developing Poverty Policy—includes the development of poverty reduction strategies and improvement of policy formulation and coordination for reducing poverty.

Tranche Release Conditions—poverty-focused agenda is tied to tranche release conditions.

cial sectors, and with it, appropriate budgetary reallocations.<sup>13</sup>

In some countries, the additional budgetary resources are being applied broadly to expand service availability. In other countries, they are being used to correct for earlier underfunding of materials and supplies, or to reach previously underserved areas.

- In India, increased budgetary allocations are meeting the costs of revamped national programs for the poor in primary education, primary health care, disease control, and nutrition so as to improve their targeting efficiency among both rural and urban populations.
- In Bangladesh, the aim is to protect social sector expenditure in a period of fiscal austerity so as to support increased investment in health and education.
- In Benin and Mali, where severe imbalances in wage and non-wage spending affect social ser-

vice efficiency, incremental budgetary resources are providing added materials and supplies; complementary reforms are also underway to cut back excess personnel.

- In Kenya, where the education budget favors higher level instruction, increased funding is being directed to improving services at the primary level and to reducing drop-out rates among children from disadvantaged areas.
- In Mozambique, the resources are being reallocated to primary education and basic health services in areas where poverty is pervasive, such as newly resettled smallholder communities. Budgetary allocations have also been raised in Malawi to permit expansion of health services in peripheral zones.

Public expenditure reallocations are only one of a range of poverty-focused actions included in adjustment operations. Table 3.3 illustrates this broader

13. In countries where this issue is not included in an adjustment operation, it is generally being addressed either within sectoral investment programs or through technical assistance from other donors.

range of actions being supported in a sample of adjustment credits approved in the IDA9 period which are specifically focused on poverty reduction. Clarification of land ownership, leasing, and renting, removal of commodity processing and marketing restrictions on farmers, elimination of administered producer prices, and deregulation of labor markets are among the policy distortions which are being corrected. A number of adjustment credits also support safety nets (primarily food subsidies) or targeted transfers to specific poor groups, as well as workers who are made redundant by public sector restructuring.

#### *Program of Targeted Interventions*

A substantial share of IDA-funded investment projects benefit the poor, either directly or indirectly. In order to increase the direct impact, 40 percent of IDA financed investment projects in FY92-93 explicitly targeted the poor (Table 3.4). As a group, these latter projects have come to be known as the Program of Targeted Interventions (PTI).<sup>14</sup>

PTI projects encompass a number of sectors. In FY92-93, about 60 percent of IDA PTI lending was in the social sectors (education, population, health, nutrition, and water supply) and almost 30 percent in agriculture and rural development. The other 10 percent was in basic infrastructure, in the urban, transport, and energy sectors.

Common themes in the PTIs, as illustrated by the list of all FY93 projects (Table 3.5), include the following:

- Agriculture and rural development projects focus on raising smallholder productivity. As such, they support the provision of inputs, extension, rural infrastructure, and credit to the relatively disadvantaged, especially women.
- Management of fragile or degraded lands, the objective of resource management projects, also improves smallholder productivity.
- Education projects focus on improving basic education, with girls comprising a priority target group.
- Basic health projects focus on maternal and child health, including family planning and nutrition, and on endemic diseases with highest prevalence among the poor.

**Table 3.4: Program of Targeted Interventions**

	FY92	FY93
Volume of PTI Lending (\$million)	1,828	2,137
Share of IDA Investment Lending (percent)	40	40
Number of PTI Projects	36	44

- Water supply and sanitation projects use a community-based approach to increase sustainability and ownership.
- Infrastructure and urban projects are designed to increase the mobility and income opportunities of the poor.
- Social funds are being used to bring services to communities and groups that are not well served by government agencies and to address adverse short-term impacts of adjustment programs. NGOs are often heavily involved in designing and implementing the subprojects.

#### **Helping Women**

Reducing poverty requires helping women. As mothers, producers, and wage earners, they are important development partners. However, their contributions fall far short of their potential. They are less educated and often less healthy than men and have a higher incidence of poverty. Traditions frequently limit the kinds of jobs they can do and their access to social and production-related services.

The World Bank has been making a special effort to target women in its programs since FY87, when Women in Development (WID) became an area of special emphasis. As summarized in Table 3.6, about half of IDA operations during FY91-93 supported interventions to help women. Some projects or project components specifically target women. Others reach out to women in projects which are not gender-specific.

The World Bank has given priority to educating girls, providing production-related services and credit to women farmers and entrepreneurs, and offering basic health and family planning services. It also has been supporting efforts to integrate women into the wage labor force and to understand better the institutional and legal basis for gender differentials.

14. The Program of Targeted Interventions, initiated in FY92, is one of several mechanisms to monitor implementation of the Bank's poverty reduction strategy. A PTI project either includes a targeting mechanism for identifying and reaching the poor or is designed to disproportionately benefit the poor. Commencing in FY92, a list of these projects is compiled each year and reported in the annual Poverty Progress Report.

**Table 3.5: Common Themes in the FY93 PTI Projects**

<b>Agriculture and Resource Management</b> <i>Inputs, Extension, and Services</i> Gambia, The—Agricultural Services Ghana—National Livestock India—Rubber Kenya—Emergency Drought Reconstruction Malawi—Agricultural Services Mozambique—Rural Rehabilitation	<b>Population, Health, and Nutrition</b> <i>Maternal and Child Health and Nutrition</i> Bolivia—Integrated Child Development Honduras—Nutrition and Health India—Integrated Child Development II Pakistan—Second Family Health Philippines—Urban Health and Nutrition Yemen—Family Health
<i>Rural Credit Access</i> Madagascar—Rural Finance Technical Assistance Malawi—Rural Financial Services	<i>Disease Control</i> India—National Leprosy Elimination
<i>Natural Resource Management</i> Egypt—Matruh Resources Management India—Uttar Pradesh Sodic Lands Reclamation Pakistan—Northern Resources Management	<b>Community Water Supply</b> India—Karnataka Water Supply and Environment Sri Lanka—Community Water Supply
<i>Farm Infrastructure</i> India—Bihar Plateau	<b>Infrastructure/Urban</b> Cape Verde—Transport Ghana—Urban Transport Mauritania—Construction Capacity Sierra Leone—Road Rehabilitation Sierra Leone—Freetown Infrastructure Development
<i>Income Diversification</i> Burkina Faso—Food Security and Nutrition China—Sichuan Agricultural Development	<b>Social Funds</b> Albania—Rural Poverty Alleviation (component) Bolivia—Social Investment Fund II Burundi—Social Action Guinea-Bissau—Social Sector (component) Madagascar—Food Security and Nutrition (component) Nicaragua—Social Investment Fund
<b>Education</b> Bangladesh—Female Secondary School Assistance Chad—Basic Education Egypt—Basic Education Ghana—Primary Schools Development India—Uttar Pradesh Basic Education Pakistan—Balochistan Primary Education Senegal—Second Human Resources Development Uganda—Primary Education and Teacher Training Yemen—Basic Education Zambia—Education Rehabilitation Project	Number of PTI Projects = 44

### *Educating Girls*

Education not only raises the economic and social status of women. It also reduces fertility and child mortality. In FY91-93, the World Bank helped to encourage parents to send their girls to school. The means for doing so, and illustrative IDA-funded projects employing these means, are given below.

- Where girls' mobility is restricted by the prevailing cultural environment, IDA has helped build more schools (Yemen, Senegal). Where schools or classes are segregated, with teachers of the same sex required, teachers are being recruited and trained (Pakistan, Yemen). School building designs are being modified to provide restrooms for female students (Zambia, Bangladesh) and facilities for female students and teachers.
- IDA is supporting government efforts to reduce

the costs to parents of sending girls to school, especially for the poor whose enrollment rates are lowest. This includes subsidizing school fees for girls in urban slum areas in Balochistan (Pakistan) and providing stipends for girls of lower caste, the most educationally disadvantaged group in Uttar Pradesh (India).

- In the upper grades, where female dropout rates are high, IDA-supported projects are combin-

**Table 3.6: IDA Projects with Specific WID Actions**

Year	Percentage of projects
FY85	18
FY89	30
FY90	40
FY91	54
FY92	45
FY93	50

ing stipends with occupational training or employment programs (Bangladesh, Uttar Pradesh/India). More relevant technical education programs are also being developed (India).

- Gender sensitivity training for teachers, textbook and curriculum revisions, and community awareness programs are also addressing gender bias (Bangladesh, Chad, India, and Zambia).

### *Support for Farmers and Entrepreneurs*

Women are heavily engaged in small-scale businesses or farming in most poor economies. Selected IDA-supported projects, described below, are helping improve their access to information, institutional credit, and other services needed to earn a better living.

- Projects—in the Central African Republic and Malawi, for example—explicitly include women entrepreneurs in credit and other business services. In Malawi, a project for micro-, small-, and medium-sized rural enterprises includes a pilot program to test innovative approaches to providing credit to rural women entrepreneurs and farmers.
- A number of projects focus on increasing women's economic opportunities. In India, the Government is encouraging women in fish and shrimp production through participation in fish cooperatives and in the ownership and management of shrimp ponds. In Bangladesh, as part of a project to increase the use of liquefied petroleum gas as a cooking fuel, women are being encouraged as marketing agents for LPG cylinders and stoves in a network of small-scale private retail operations.
- Improving women producers' purchasing and marketing power through cooperative arrangements is also intended to raise their incomes. In Equatorial Guinea, an IDA-supported project is providing capital for village stores, which are often owned by women who organize into partnerships to receive financing. The Sichuan government in China is helping women organize their activities and coordinate sales and marketing efforts.
- Assistance to farmers includes strengthening their land tenure rights (Honduras, Mozambique). In a number of countries, women farmers cannot hold legal title to the land, thus preventing them from using it as collateral for agricultural loans and limiting their investment in the land. Under a pilot scheme, women farmers in Uganda would be able to receive credit by

offering as collateral a joint pledge by members of their women's group in place of legal title.

- Farm assistance also covers improving women's access to extension services. A number of IDA-funded projects—e.g., in Bangladesh, China, Equatorial Guinea, The Gambia, Ghana, Malawi, Mozambique, and Yemen—are increasing the number of women extension agents. The objective is to achieve more rapport with women farmers and to develop programs that are most useful to them. An extension project in Kenya is not only increasing contact with women's groups; it is integrating home economics staff and messages into the extension frontline, using mass media to reach women directly, and encouraging the development of appropriate technology.

### *Other WID Initiatives*

Several other areas have received attention during the IDA9 period. IDA has been supporting efforts to give women a greater voice in community decisions which have a direct impact on their lives. In parts of India, village women are being included in local village committees which manage the forest and pasture resources (Maharashtra) or the water and sanitation facilities (Karnataka, Maharashtra). As part of a pilot scheme in Bangladesh to involve local communities in forestry development and management, special measures are being taken to ensure that women not only receive some of the jobs but also manage some of the forestry activities.

IDA has also been helping to integrate women into the wage labor force in countries with a flourishing enterprise sector. In some countries, it is supporting the expansion of export or agri-businesses which are expected or required to hire women (Bolivia, China, India). In Bolivia, an IDA-funded project to establish daycare centers in urban and peri-urban areas is expected to allow more women to work outside the home. There also is considerable scope for examining institutional and legal barriers to women's participation in society. For example, the Government of Mozambique, conscious of the disparate representation of women at the higher levels of the legal and civil service professions, is: (a) supporting a women's law association, which was established to improve the situation of women through studies, legal assistance, and civil education and (b) considering civil service reform strategies which emphasize the professional development of women, including participation in local and overseas training. The Central African Republic has adopted a national Policy for the Promotion of Women which

includes the preparation of a family code and the review of legal texts to reduce the gender bias, as well as an action plan to improve female education.

### IDA's Role in Population Programs

A reduction in fertility and population growth is a critical aspect of any poverty reduction strategy. The complexity of demographic change, however, has required careful tailoring of the World Bank's approach to individual country circumstances. The motivation of parents to limit family size, the acceptable means for regulating fertility, and government commitment to and involvement in the effort are all important and vary across countries. To achieve lasting results, the World Bank's approach to population assistance is integrated into a broader strategy which includes keeping adolescent girls in school, improving the quality of reproductive health and safe motherhood services, and reducing infant and child mortality.

In FY91-93, the World Bank stepped up its dialogue with governments on population policy and also helped them develop the health and education infrastructure needed to both motivate families to reduce fertility and to deliver the means to do so. Table 3.7 shows an increase in population, health, and nutrition (PHN) lending as well as lending for population per se in IDA9 relative to IDA8. The differentiation is not precise, since family planning components have been increasingly included in health projects. Nevertheless, the growth in IDA lending in these areas has been substantial, regardless of which indicator is used.

The bulk of the IDA9 population lending was almost evenly divided between Africa (about \$160 million), where the population increases by 3 percent per year, and South Asia (over \$180 million), where many of the world's poor live.

A significant change is occurring in Africa. In the early 1980s, only two IDA countries in Sub-Saharan Africa—Kenya and Ghana—had explicit population policies, and even in these countries political support was limited. With the deterioration of the economic environment and increase in poverty in the 1980s, however, many African governments now recognize that rapid population growth has outstripped their capacity to extend basic social services and provide enough employment. (In most of Sub-Saharan Af-

**Table 3.7: Population Lending by IDA (US\$ million)**

Total lending for	IDA8	IDA9
Population, Health, Nutrition	828.2	2,680.1
Population	141.7	375.1

*Note:* Population lending consists of freestanding projects or components of PHN projects which support family planning service delivery and fertility surveys or census work. In IDA9, PHN activities have increasingly been incorporated into broader social sector operations.

rica, 45-50 percent of the population is below the age of 15).<sup>15</sup>

- Some countries, like Nigeria, that used to favor increased population size to promote economic development now have reversed their stance. Other countries, such as Ghana and Kenya, are revitalizing their population programs.
- Those that have not yet established policies to limit population size—such as Benin and Zimbabwe—nevertheless recognize the benefits of family planning and child spacing to infant and maternal health.

This change in government views reflects in part the growing interest of couples in reconsidering the benefits of large families. The erosion of values that support high fertility, the mounting cost of education, the growing number of educated women and female-headed households, and urbanization are increasing the desire for smaller families.

As a result, fertility seems to be falling in parts of Africa. Kenya and Zimbabwe, for example, have experienced recent declines that may indicate the onset of a transition from high to low fertility. (In Kenya, the total fertility rate dropped from 8 children in 1970 to 6.5 in 1991; in Zimbabwe, the drop was from 7.7 to 4.7 in the same period.) In Nigeria, fertility has dropped more than 10 percent in the southwest and parts of the southeast. Recently, increases in contraceptive use have been reported, at least in some localities, in a number of other IDA countries. These include Ghana, Malawi, Niger, Rwanda, Senegal, and Zaire. In Niger, contraceptive usage, while remaining below 5 percent for the country as a whole, has risen rapidly to about 18 percent in major

15. An unprecedented volume of demographic data on Africa also has become available. These data have helped to foster a new appreciation for the impact of population growth trends and are providing an empirical basis for planning and tracking development programs.

### Box 3.2: IDA's Support for Population Policies and Programs in Africa

Angola's program to rehabilitate and expand its deteriorated health system is supported by an FY93 Health Project, IDA's first contribution in that sector. The project will help strengthen government capabilities in essential areas of health policy, management, and program development, as well as support the upgrading of training and service facilities. The project provides support through the U.N. Population Fund to both policy and program development in population and family planning.

Ghana is undertaking a sector-wide reform program to improve the quality and coverage of its health and family planning services. One component in the Second Health and Population Project is family planning service expansion by the Ministry of Health, the Planned Parenthood Association of Ghana, and other NGOs.

In Madagascar, the National Population Law in 1991 reversed former pro-natalist policies and gave the Health Ministry the mandate to deliver family planning services. The objective of the FY91 Health Sector Improvement Project is to assist the government in implementing the national program.

Malawi's population, health, and nutrition programs are now being strengthened and refocused on rural areas where the bulk of the population resides. Promoting outreach and village-based providers, rehabilitation or construction of rural health centers, and provision of rural housing to attract personnel and vehicles are among the activities being supported by IDA's FY91 PHN sector project.

Mali hopes to increase efficiency in the provision of health and family planning services through a partnership between the public sector (at the central and local levels), NGOs, local communities, and private practitioners. IDA's Second Health, Population, and Rural Water Supply Project supports this effort through a fund to finance public, private, and innovative NGO activities.

Nascent programs in Mauritania and Niger, supported by IDA, stress (1) effective integration of family planning into ongoing maternal and child health (MCH) efforts, (2) multiple MCH and family planning delivery channels, and (3) a broad-based effort to increase demand for family planning, including an information, education and communication campaign and support for programs to improve the status and welfare of women.

The adoption in 1991 of an action plan and National Family Planning Program in Senegal has formalized official support for family planning and, together with the gradual development of a service delivery system, now makes Senegal one of the more advanced Sahelian countries in outlook on population issues. IDA played a significant role in helping the government take these steps. The FY91 Human Resources/Population Sector Project supports the government's implementation of a national program.

The Population and Health Sector Adjustment Program in Togo supports the adoption and introduction of a national policy; a revised health sector policy, which includes population goals; and improved management, monitoring, and coordination mechanisms.

urban areas where services have been available. In Malawi, the use of modern contraceptives has doubled to 7-8 percent in the last five years.

The World Bank has been a partner in this change. Through IDA, the Bank substantially increased the amount and scope of its population assistance to Africa during the IDA9 period. It helped governments formulate national population policies. It also supported the development and implementation of population programs, including the strengthening of institutional capacity. A number of IDA-supported health and population projects approved in FY91-93 are listed in Box 3.2.

In Africa, as in other regions, IDA9-funded projects increasingly involved beneficiaries, NGOs, and grassroots organizations in program design and implementation. The World Bank is also participating in an "Agenda for Action to Improve Implementation of Population Programs in Africa," intended to increase beneficiary participation in the design of local family planning programs. The Agenda is part

of the work plan of the African Population Advisory Committee, comprised of African Ministers of State, senior policymakers, and leading experts in fields related to population planning. The Committee is jointly sponsored by the World Bank, United Nations Population Fund, and the International Planned Parenthood Federation. Its Secretariat is housed in the Bank.

South Asia's demographic problem is very different from that of Sub-Saharan Africa. The sheer numbers of people have made governments conscious of the continuing need to reduce population growth. Even though parents in much of the region do not want very large families—four children is the current average—high mortality, women's cultural constraints in implementing their preferences, combined with a lack of basic health infrastructure in some countries make it more difficult to achieve rapid reductions in fertility.

Accordingly, the World Bank has sought to improve access to and quality of service. In FY91-93,

IDA continued its long-term population assistance to India and Bangladesh, where government commitment to family planning is established and the fertility rate has fallen substantially in the last three decades. In India, the emphasis in IDA9 was on extending access of urban slum dwellers to family planning/health services. In Bangladesh, strengthening the government's family planning service delivery system, within the context of the broader health system, received priority. And in Pakistan, which has one of the highest total fertility rates (5.7 children) in the region, IDA supported the development of a more fledgling combined basic health care and family planning service delivery system.

### Conclusion

The World Bank's approach to poverty reduction has evolved with experience. When economies were growing in the 1970s, the Bank focused on improving access of the poor to basic economic and social services. In the 1980s, when the terms of trade deteriorated and growth faltered, the Bank placed greater emphasis on the need to eliminate disincentives to efficient production and provide a more stable macroeconomic environment, thereby generating income and job opportunities. This two-pronged ap-

proach was integrated into a comprehensive framework in the 1990 *World Development Report*, and major steps were taken during IDA9 to implement it.

More systematic analytical work in FY91-93, including formal poverty assessments, has helped to develop a better understanding of the causes of poverty and the characteristics of the poor. This information underpins the development of country assistance strategies centered around poverty reduction and, together with accumulated experience, has helped to focus the World Bank's programs and projects more effectively on poverty alleviation. In the IDA9 period, adjustment operations and investment projects dealt more systematically with poverty constraints. Protecting budgetary allocations for essential social services received more attention. Targeting the poor in investment operations proved to be a useful complement to economy-wide projects. Addressing gender issues and supporting population policies and programs were critical.

Together, these instruments are part of a concerted effort by the Bank to explicitly reach the poor. It is too soon to tell whether they are actually helping intended beneficiaries. However, at this point in the program and project cycle, available feedback from recipient governments and beneficiary groups has by and large been favorable.

# 4

## *Environmentally Sustainable Development*

---

During the 1990s, the World Bank has sought to strengthen the environmental sustainability of development programs in the poorest countries.<sup>16</sup> The environmental strategy was designed, first, to integrate environmental concerns into broader operational and analytical activities; second, to encourage increased commitment by developing countries to environmental objectives and to support the development of sound policies, institutions and programs, and strengthened implementation capacity; and, third, to assure adequate identification and assessment of environmental impacts and the participation of those affected by environmental plans and programs.

The World Bank's responses to this agenda are described below in sections dealing respectively with country environmental and development strategies, their national environmental action plans, and measures taken to expand and deepen IDA support for environmental programs and further strengthen its own assessment procedures.

### **Integrating Environmental Issues into Country Development Strategies**

#### *Building on the Complementarities*

During the IDA9 period, IDA's donors and management stressed that environmental sustainability should be part of each IDA country's assistance strategy. Accordingly, the Bank's priorities have been to develop the necessary policy dialogue on environment and related development issues, encourage national environmental action, and broaden the Bank's own approach so as to emphasize the complementarities between development and the environment. The 1992 *World Development Report* on the environment highlighted that:

- Policies to promote efficient resource use benefit both the environment and the economy. For example, the removal of subsidies that encourage inefficient use of energy, water, wood, or pesticides can greatly benefit the environment. So may the removal of distortions in the trade or investment regime, or better management of state owned utilities, or improved macro-balance that encourages private investors to take a longer-term view.
- Poverty alleviation, reduced fertility, and accelerated human development are essential for environmental sustainability. IDA projects with population, education, and targeted poverty components can contribute as much to the environment as those specifically designed as environmental operations. Moreover, they help to broaden the policy dialogue on the environment.
- Countries should consider the environmental implications of all kinds of development policies and investments, rather than viewing the environment as a discrete sector.

#### *Strategic Focus*

In some cases, environment issues are at the forefront of national policy concerns, and the benefits for development of environmental initiatives are recognized (see Box 4.1 on Bhutan). In most IDA countries, however, much needs to be done to bring environmental issues into the center of development management. During IDA9, these issues assumed a much more prominent role in IDA's country policy dialogue, as IDA stepped up its analysis of environmental issues in support of country environmental planning:

---

16. A Bank-wide perspective is provided in the Annual Environment Report, most recently *The World Bank and the Environment: Fiscal 1993* (World Bank, 1993).



**Box 4.1: Bhutan: Development and the Environment**

Bhutan is engaged in a process of development consciously designed to avoid the environmental and social damage which has occurred in many other countries. Its principal resources are its forests and a vast hydropower potential, estimated at 20,000 MW with about 340 MW of installed capacity, and huge markets for hydropower to the south. The forests constitute a vital source of export income as well as a habitat for flora and fauna to be preserved both for the Bhutanese and the rest of the world. About 20 percent of the land area has been declared wildlife sanctuaries, game reserves, reserved forests, and a national park. Only 40 percent of the forest area can be legally used for commercial forestry. Despite this, the growing demand for forest products is threatening forest resources in some parts of the country. Widespread land degradation has not oc-

curred, but serious local problems of erosion have been caused by overgrazing and road construction on steep slopes.

Therefore, IDA's support to Bhutan, most recently through the Third Forestry Development Project, has aimed at reinforcing an already strong government commitment to the conservation of natural forests and their biodiversity and to support forest programs that will also reduce pressures on scarce farming and grazing land. Watershed protection will be enhanced, climatic conditions for agriculture and horticulture preserved, soil erosion reduced, and grazing and fuelwood demands better controlled. Preservation of Bhutan's forest watersheds is also expected to provide regional benefits, including those from hydropower, to downstream inhabitants of India and Bangladesh.

- **The National Environment Action Plan (NEAP)** is the most important tool for developing a country's environmental strategy. Even though the borrowers are responsible for preparing them, World Bank staff are involved in launching the process, monitoring progress, and arranging for technical support. Once the plan is completed, its findings are factored into country priorities and the plans of IDA and other donors for projects, sector studies, and the policy dialogue.
- **Country Environmental Strategy Papers (CESPs)** and other country economic and sector studies prepared by the Bank have been used to support policy dialogue and stimulate action in countries where the NEAP process is moving more slowly. Lending operations have also been instrumental in raising environmental issues and generating environmental action.
- Many of the Bank's sector studies on forestry, agriculture, energy, and water resource management help to define sustainable development and investment strategies for discussion with borrowers. A number of forest management studies have been prepared, at both country and regional levels, as has the revised Operational Policy on Forestry that will guide future lending in this sector. A paper on agricultural management that highlights the links between agriculture, natural resource management, and environmental quality provides a framework for projects in these areas. Similarly, a policy paper on water resource management addresses the issues of water conservation and quality and builds on lessons of

Bank experience. These studies influence the issues selected for policy dialogue with government and the design of IDA's lending program. For example, a recent study of energy conservation in China emphasized the primary role of energy conservation in addressing China's growing problems of air pollution and greenhouse gas emissions and proposed high-priority measures to promote industrial co-generation, reduce power system losses, increase the efficiency of motors and coal-fired boilers, reform state-set prices for coal, and take other steps that are being incorporated in various Bank Group lending operations.

**National Environmental Action Plans (NEAPs)**

The NEAP, which borrowers are responsible for preparing, represents a process that is influential in guiding borrowers' policy-making and the World Bank's own assistance strategy in the poorest countries. This is because the NEAP is intended to reflect broad consensus within a country on the highest-priority environmental issues and actions. It is also meant to be comprehensive, covering policies, institutions, and state of knowledge, in addition to possible projects. As emphasized at the Rio Summit, it is intended to be "country driven."

**Completion of NEAPs**

The pace of completion of NEAPs by IDA countries has been slower than expected. Some borrowers, while interested in doing an action plan, lack the capability to do the required analytical work. Con-

sensus building within the government and across the country is time consuming. Finally, changes of government in the middle of the NEAP process—a common occurrence in many of the IDA recipient countries—have required a recommitment of the new government to the product and the process.

By the end of September 1993, 22 active IDA member countries had completed NEAPs or their equivalent (Table 4.1). Among active borrowers who have not yet completed an NEAP, the process is well underway and a number of steps already completed.<sup>17</sup> As summarized in Annex III, the work in progress shows that:

- Many governments are building on earlier environmental work, including National Conservation Strategies, National Plans of Action to Combat Desertification, Tropical Forestry Action Plans, national reports for the UN Conference on Environment and Development, and Country Environmental Strategy Papers.
- In many countries, consultation within government and with the public is an integral part of either the preparation of the plan or the discussion of the draft.
- While most governments are drafting the reports themselves, they are receiving assistance from IDA, UN agencies, bilateral donors, and, in several cases, NGOs.

By the end of FY94, the national environmental planning phase will essentially be complete for all active IDA borrowing countries. By then, the remaining NEAPs for active IDA borrowers will either be finished or environmental strategy papers that are synthesized by IDA, endorsed by government, and discussed with public groups will be available.

#### *National Ownership and Participation*

IDA and its borrowers recognize that internalizing the process of preparing and implementing National Environmental Action Plans and, in particular, reaching agreement among concerned parties on the priority environmental issues and appropriate strategies to address them are more important than the NEAP document. This, however, takes time. As illustrated in Box 4.2, the systematic, highly participatory process that is taking place in Uganda, which has experienced no major setbacks, will have taken

**Table 4.1: Status of Environmental Action Plans and Equivalent for IDA Countries**

<i>Region</i>	<i>Completed</i>
Africa	Benin Burkina Faso Gambia, The Ghana Guinea-Bissau Lesotho Madagascar Nigeria Rwanda São Tomé and Príncipe
Europe and Central Asia	Albania
Middle East and North Africa	Egypt
East Asia	China Maldives Philippines
South Asia	Bhutan Nepal Pakistan Sri Lanka
Latin America	Bolivia Honduras Nicaragua

over three years by the time the final NEAP is completed in early- to mid-1994.

The NEAP process began relatively early in some countries. Countries like Ghana have already completed their NEAPs, even while undertaking a broad-based consultative process among government agencies and private groups. In other countries, resolving institutional issues and ensuring participation has extended the time frame. In Guinea, for example, an NEAP was launched at the end of 1989. However, it was halted two years later when it became clear that the process was not succeeding; in mid-1992, the Government re-launched the process and agreed on the priorities in a national seminar. The new approach to the process, which is in its final phase, has involved many local NGOs and has used a multi-media campaign to mobilize community interest. In a number of countries, however, formal NEAP preparation was launched more recently. For the most part, these countries are building on earlier environmental plans or studies, as described in Annex III.

17. Political difficulties or civil unrest have interrupted IDA's dialogue in several countries and have prevented the preparation of an NEAP. These countries include Afghanistan, Angola, Cambodia, Chad, Haiti, Liberia, Myanmar, Somalia, Sudan, Togo, and Zaire.

**Box 4.2: Broad Participation in Uganda's NEAP**

Before the NEAP was initiated in late 1990, Uganda had no forum either inside or outside government to deal with environmental issues and activities. A Ministry of Environment Protection had been established in 1986 and several other government agencies are responsible for particular environmental issues but, in the main, each agency acted independently and there was no adequate mechanism for applying an environmental overview to sectoral and economic policies. Institutions outside government, notably Makerere University, the Uganda Institute of Ecology, the Uganda Museum and Wildlife Clubs of Uganda, also undertake environmental activities and studies, as do numerous aid donors and international NGOs. These agencies rarely worked together. The Government decided that the formulation of its NEAP should be based on wide local participation involving the central government, local government, civic groups, research and academic institutions, NGOs and private sector agents. It was to be broad in scope and cover all of the nation's principal environmental issues.

With IDA assistance, an organizational structure was established for NEAP preparation. This involves a Cabinet-level steering committee chaired by the Prime Minister and including 12 Ministers whose portfolios include environmental issues; a secretariat headed by the Secretary for Environment Protection and advised by a committee of representatives of multilateral agencies and bilateral donors, international NGOs, and local NGOs; and a series of task forces focusing on specific issues or groups of issues, each of them involving Government officials, academics, local NGOs, and the private sector.

The substantive work of analyzing and presenting issues was done by the 8 task forces, drawing on contacts with local resource-users and others. Together they identified what became an agreed list of 57 issues that could be grouped into 12 priority areas. These included:

- The lack of a national land use policy or relevant land tenure policy;
- Gaps in basic information on the environment;
- Urban and industrial pollution;
- Limited public awareness of environmental issues, or public participation;
- Applied research needs, institutional issues, and coordination problems; and
- Shared regional and international concerns, such as those concerning Lake Victoria or biodiversity.

The consultative process was extensive, leading to task force field trips and a series of regional workshops in 1992. The workshops were characterized by wide and enthusiastic participation by local governments, NGOs, farmers, and other private citizens. The feedback they provided was used to revise task force issues papers for presentation to a national symposium on the environment in December 1992. The secretariat and task forces are now drafting the action plan, including an institutional and legal framework, to address the issues.

Even before reaching the implementation stage, Uganda's NEAP process is producing results that may be more important than the end product. It has brought government, local and international organizations, private citizens, and donors into a common forum to discuss issues and agree on priorities. Middle and lower level management and technical staff of government, through participation in task forces and seminars, have become aware of NEAP objectives and issues and have benefitted from the teamwork involved. Phase I of the NEAP process in Uganda—to identify and get a consensus on the issues—is now virtually complete. Phase II—the preparation of a detailed plan for addressing the issues—is building upon the broad understanding that has emerged from the first phase.

*Implementation of NEAPs*

In the countries that have already completed NEAPs, implementation and follow-up have taken many forms. These include donor/government round tables to agree on investment priorities; design and implementation of specific projects financed by IDA and other donors; and launching of further research and sectoral analyses and legal and institutional reforms by the borrower's government. For example:

- Madagascar completed its NEAP in 1989 and now has a comprehensive environmental program which has led to the creation of 13 new
- park areas, over 100 small grants to NGOs to improve local resource management, aerial photography for 80 percent of its protected areas, new institutions, and laws requiring environmental impact statements for new investments. Yet key environmental problems are still aggravated by the directions of agricultural development, sectoral policy and price distortions, stagnant urban economies, and population growth. Much needs to be done to heighten public awareness and launch activities delayed by political uncertainty.
- Ghana's NEAP (1991) has led to an effort to strengthen the institutions responsible for implementation, including sectoral ministries, re-

**Table 4.2: Environment-Related Conditions in Adjustment Operations**

<i>Policies</i>	<i>Countries</i>
Increase or liberalize agricultural producer prices, encouraging environmentally sustainable production growth	Albania, Burkina Faso, Burundi, Ghana, Uganda, Zambia
Change price or rationalize use of agricultural inputs reducing environmental costs	Albania, Benin, Burkina Faso, Ghana, Zambia
Reform regulations on land tenure and land use to promote improved land management	Albania, Benin, Burkina Faso, Burundi, Côte d'Ivoire, Honduras, Kenya, Kyrgyzstan, Philippines
Introduce sustainable management of forests and fisheries, for both environmental impact and poverty reduction	Philippines, Sierra Leone
Increase prices of energy sources and electricity for conservation and efficiency reasons	Burundi, Sierra Leone
Invest in or study hydro, geothermal, biomass, and solar generation; implement energy conservation programs	Honduras, Zimbabwe

search institutes, and universities, helped by an Environmental Resource Management Project financed by IDA, bilateral donors, and the GEF.

#### *Summary of Experience with NEAPs*

Experience with NEAPs to date suggests that:

- They should be seen as part of a continuing process.
- Those most affected should be included in the planning process.
- NEAPs will be more effective when preparation involves those ministries which are responsible for economic as well as environmental decisions.
- Institution building is critical to the success of the NEAP approach.
- NEAPs will have maximum impact only if the cross-sectoral nature of environmental degradation and its causes are taken into account.

These lessons are being applied now to newer NEAPs, and in the revision of earlier plans.

#### **The Environment and Lending**

Environmental issues have been increasingly addressed by IDA's adjustment lending and investment lending.

#### *Adjustment Lending*

The World Bank's structural and sector adjustment operations generally support measures to correct

price and market distortions and overcome institutional weaknesses in borrowers' economies. Many of these distortions and weaknesses have direct or indirect consequences for the environment. Increasingly since 1988, adjustment operations have included environmental goals or policy conditionalities addressing environmental concerns in agriculture, forestry, energy or trade, and industry. Table 4.2 illustrates such measures in IDA9 adjustment operations, showing the range of subjects treated.

Adjustment operations are intended to be disbursed and completed quickly. They are therefore especially appropriate where environmentally desirable actions can be taken rapidly and with unambiguous impact. They can, however, do little to help achieve long-term development of personnel and institutions that most borrowers require. This is where investment operations must have the lead role.

#### *Investment Lending*

During FY91-93, IDA lent about SDR 2.1 billion (\$2.9 billion) for 59 investment projects that had mainly environmental objectives, with the pace of lending increasing steadily during the period. These projects are listed in Table 4.3, grouped by type and region. South Asia, with its needs for capital-intensive investments in industrial and urban environmental protection, accounted for close to half the lending, while Africa accounted for about one-third of all the projects. Besides the projects listed in Table 4.3, IDA9 financed at least as many that had important components with environmental benefits. These are described in the Annual Reports on the Environment.

**Table 4.3: Environment Lending in the IDA9 Period, FY91-93**  
(SDR Million)

	<i>General Environmental Management</i>	<i>Rural Land and Water Management</i>	<i>Forestry</i>
<b>Africa</b>	Burkina Faso: Env. Management (11.5) Ghana: Env. Resource Management (12.6) Nigeria: Environmental Management (18.8)	Benin: Mgmt. of Natural Res. (10.1) Kenya: Ag. Sector Management II (13.8) Malawi: Fisheries (6.2) Mali: Natural Res. Management (15.0) Niger: Agricultural Services (12.9)	Kenya: Forestry (13.9) Tanzania: Forest Res. Management (13.2)
<b>South Asia</b>	India: Industrial Pollution Control (23.4) Pakistan: Environmental Protection and Resource Conservation (21.4)	India: Bihar Plateau (80.7) Maharashtra Rural Water and Sanitation (76.4) U.P. Sodic Soils Rehab. (39.5) Pakistan: Eastern Sadiqia Irrig. and Drainage (39.6) Salinity Control and Rehab. (14.8) Northern Res. Mgmt. (20.5)	Bangladesh: Forestry Management (36.4) Bhutan: Forestry (3.9) <sup>a</sup> India: Maharashtra Forestry (88.9) India: West Bengal Forestry (24.4)
<b>East Asia</b>	China: Environmental Technical Assistance (35.3) Philippines: Env. and Natural Resources Management (50.0)		
<b>Middle East/North Africa</b>		Egypt: National Drainage (56.4) Egypt: Matruh Res. Mgt. (15.9) Yemen: Land and Urban Conservation (24.1)	
<b>Latin America/Caribbean</b>	Bolivia: Environmental Tech. Assistance (3.3)		Haiti: Forestry and Env. Protection (19.7)
<b>Total IDA</b>	<b>176.3</b>	<b>425.9</b>	<b>200.4</b>

Note: As of June 30, 1993.

a. Project submitted to Board in June and approved July 6.

The approach to environmental lending has benefited from gathering experience and new research. There was increased emphasis on particular areas of environmental lending, especially for the improved management of national environmental programs, and the strengthening of the responsible institutions. Broader participation in planning as well as implementation has also become a feature of many new projects.

One evident change is that the links between poverty alleviation and environmental sustainability are increasingly reflected in IDA's projects, notably for rural land and water management and in the water, sewerage, sanitation and urban sectors. One example is the Bihar Plateau Development Project (FY93), designed to raise the incomes of mainly tribal peo-

ples in one of India's poorest states. This project will finance irrigation, rural roads, and drinking water supply for villagers in areas of low agricultural productivity. In doing so, it will introduce methods to prevent soil erosion and nutrient loss, improve road maintenance so as to reduce degradation, and replace unhealthy water sources with safe pumped water systems. Another poverty-focused project, for Community Water Supply and Sanitation in Sri Lanka, will cut the incidence of water-borne diseases and reduce stream and groundwater pollution by introducing safe water supplies and latrines for 650,000 very poor rural dwellers.

The projects listed under energy conservation and fuel substitution are just a small proportion of IDA9's energy sector lending. Only projects having

<i>Water, Sewerage Sanitation and Urban</i>	<i>Energy Conservation and Fuel Substitution</i>	<i>Other</i>	<i>Total IDA (Million SDR)</i>	
Angola: Lobito Urban (33.6) Benin: Urban Rehabilitation (16.7)	Burundi: Energy Sector Reh. (16.3) Guinea-Bissau: Energy (11.3)	Kenya: Protected Areas and Wildlife Service (44.8)	455.7	Africa
Burundi: Water Supply (24.2) Kenya: Mombasa Water (31.8) Mauritania: Water Supply (7.7) Nigeria: Lagos Drainage and Sanitation (44.5) Sierra Leone: Freetown Infra. Rehab. (18.4) Uganda: Urban (20.7)	Malawi: Power 5 (39.2) Rwanda: Energy Sector (18.5)			
India: Karnataka Water Supply and Env. (66.3) Nepal: Urban Water and Sanitation (45.5) Pakistan: Rural Water Supply (96.4) Sri Lanka: Community Water Supply and Sanitation 2 (16.9)	India: Renewable Resources Dev. (81.6) Nepal: Power Efficiency Improvement (48.1)	India: Mine Fire Protection and Env. T.A. (8.6) India: Dam Safety (96.2)	929.5	South Asia
China: Liaoning Urban (54.2) Medium Sized Cities (62.2) Changchun Env. and Water Supply (86.6) Zhejiang Multi-Cities (79.3) Beijing Environment (60.1) Tianjin Urban Env. (73.3) Rural Water Supply (78.9)		China: Ship Waste Disposal (11.0)	590.9	East Asia
			96.4	Middle East/North Africa
Bolivia: Major Cities Water and Sewerage (25.2)			48.2	Latin America/ Caribbean
942.5	215.0	160.6	2,120.7	Total IDA

predominantly environmental benefits through, for example, promotion of renewable energy sources and reduction in waste and losses in energy production are included. In fact, most of IDA's energy sector projects generate environmental benefits by requiring borrowers to eliminate subsidies that encourage wasteful use of the resource, and to strengthen the often weak companies and agencies in the sector.

IDA9 financed eight forestry projects, somewhat fewer than had been expected. IDA significantly re-oriented its policies and practices on forestry lending after adopting a new Forest Policy in 1991. It has become clear that if forestry investments are to be financially and environmentally sustainable, the borrowers must have appropriate wood pricing and taxation regimes, laws and regulations on land

use, and opportunities for local communities and the private sector to be involved in forest management. IDA now places greater emphasis on the sectoral and macroeconomic context for forestry activities, and there has been a corresponding shift away from narrowly focused plantation and farm forestry projects—relatively straightforward to prepare—toward more comprehensive but politically sensitive sector investment projects like those already approved for Bangladesh and India.

The projects for general environmental management aim to strengthen public and private sector institutions and policies and build up capacity for training and research in the environment field. Borrowers undertaking such projects, which are typically small but difficult to implement, have a strong

commitment to creating the conditions for sustainable development.

The experience with earlier IDA projects with the environment (and forestry) as key components showed that weak technical and managerial capacity among agencies responsible for environmental assessments and designing project components, as well as institutional and technical deficiencies among those responsible for implementation, cause frequent difficulties and delays.

As lessons are learned, they are being applied in new IDA operations. For example, a recent OED evaluation of natural resource management in Bolivia indicated that the ability to achieve natural resource goals depends significantly on how well natural resource management concerns are integrated into all levels of decision-making; that the donor community frequently overestimates the capacity of national institutions to implement natural resource programs; that past operational decisions about natural resource management have been made without sufficient information; and that for new programs to succeed, appropriate policy, institutional and other reforms must be designed and implemented. The new Environmental Technical Assistance project for Bolivia accordingly focuses on institutional strengthening, human resource development, and education initiatives. For China, where there has been strong IDA support for environmental programs, the need to strengthen national environmental capacity was recognized. This is a major component of the recently approved Environment Technical Assistance Project, which will emphasize training to improve country environmental assessment (EA) skills and build in-country EA training capacity.

#### *Improvements in Project Design and Environmental Assessments*

The IDA9 period has seen important improvements in the World Bank's attention to the environmental aspects of project design in all sectors. In the early part of IDA9, the Bank was completing guidelines and material on best practices for the use of staff and borrowers. Operational directives on particular topics<sup>18</sup> were issued and, more significantly, the Bank began to screen all its projects for environmental impact and to require its borrowers to carry out comprehensive environmental assessments of pro-

jects with significant impacts. By the end of FY93, the Bank's existing guidelines and procedures were being consistently applied, and emphasis shifted to strengthening borrowers' capacity to do their own environmental assessments and mitigation plans.

A comprehensive review of environmental assessments was completed in FY93, the findings of which were contained in the 1993 Annual Environment Report. This review found that while EAs have led to improvements in project design, the quality of EAs has been mixed. Many borrowers lack experience or capacity to do EAs, confirming the need to allow sufficient time for EAs and for building borrower capacity. It was also noted that providing for more extensive consultations with affected populations and local NGOs is essential for effective assessment. One finding was that sectoral and regional EAs have high potential benefit and should be used more widely in investment operations.

#### *Participation*

The World Bank has begun to place a much greater emphasis in environmental lending on active participation at the national and community levels in both the preparation and implementation of plans and programs. In Egypt, the Matruh Resource Management Project will involve men and women from each of 40 Bedouin tribes in designing, implementing, and monitoring actions to combat desertification, promote water conservation, and plant fruit trees to reduce erosion and generate extra income. This is the first IDA natural resource management project for a nomadic tribal group, but others are now tapping the resources of rural and urban communities to improve the environment and reduce poverty. For example, in the Pakistan Rural Water Supply and Sanitation Project, full responsibility for management and recurrent O&M financing is being transferred to beneficiary communities at the village level or below.

#### *IDA and the GEF*

During the IDA9 period, the Global Environment Facility (GEF) was launched and began to fund projects in four areas of global and regional significance: biodiversity conservation, reduction of greenhouse emissions, protection of international waters, and protection of the ozone layer. The three<sup>19</sup> GEF com-

18. Including those on Indigenous Peoples, Agricultural Pest Management, and Involuntary Resettlement. In addition, policy notes on wildlands and cultural property conservation are being upgraded to operational policies.

19. China: Ship Waste Disposal (FY92); Ghana: Environmental Resource Management (FY93); India: Renewable Resources Development (FY93).

ponents of approved IDA9 projects and the six free-standing GEF projects prepared for IDA borrowing countries during IDA9 have complemented IDA's activities. These activities, which are expected to accelerate as the GEF moves from pilot to full-scale operation, give IDA staff a better understanding of the linkages between global and national environmental issues and increase their contacts with environmental NGOs, consultants, and borrower agencies. By providing grant funding for both technical assistance and investment operations, the GEF makes it attractive for borrowers to develop the global aspects of national environmental projects and include them in their development budgets. This in turn strengthens their national environmental strategies, which IDA supports. India's Renewable Resources Development Project is one example. This will involve the construction of 45 mini-hydro plants and the promotion of other alternative energy development, including expansion of an existing plant for bagasse-based newsprint production. There is also a \$30 million GEF component for reducing greenhouse emissions by funding solar photovoltaic and windpower technologies, and leveraging over \$100 million in private investment which will displace conventional fossil fuel alternatives.

### Conclusion

The World Bank began to strengthen its environmental activities in the late 1980s in response to a growing awareness of the extent and pace of environmental

degradation. But the scale of environmental activities—and the capacity to address them—both in the Bank and in borrower countries, was not nearly great enough to address these needs. As this chapter has shown, considerable progress was made during IDA9 for the poorest countries. Environmental issues have assumed a larger role in policy dialogue and country assistance strategies. The NEAP process has actively engaged most IDA borrowers in a process which takes a strategic approach to the environment. IDA support for policy changes is addressing environmental issues, and IDA has focused environmental lending on critical areas. Helped by an enhanced environmental assessment process, governments have become more aware of environmental issues, and IDA's lending in all sectors has become more environment-friendly and begun to encourage more local participation in project design and implementation.

Much still needs to be done to integrate environmental sustainability and development. Environmental issues are new to many development officials; borrower capacity to address these issues, though improving, remains weak in most IDA countries; and experience in developing effective modalities for consultation with affected groups is still at an early stage. The World Bank will continue to work with governments to broaden these dimensions of their development strategy. And the new vice presidency for Environmentally Sustainable Development, which was created in January 1993, will help to achieve the synergy within the Bank to do this effectively.



# 5

## Aggregate Uses and Resources

---

### Patterns of Lending

The overall patterns of IDA lending during the FY91–93 period were consistent with the IDA9 guidelines on broad regional distribution as well as with the three areas identified in the Agreement as priority areas for IDA work during the period—sound economic management, poverty reduction, and the environment. These results were achieved despite unforeseen developments, notably the Gulf Assistance Program and the significant financing needs of ten new borrowers, which placed additional and largely unanticipated demands on IDA resources and their distribution.

### Regional Distribution

The distribution of IDA commitments by country and region in FY91–93 reflected the increased focus placed by IDA on country performance, including poverty alleviation efforts, in arriving at specific country allocations, and was in line with the expectations on region/country group allocations contained in the IDA9 Agreement. Regional lending patterns during FY91–93 are shown in Table 5.1 together with those of FY88–90. Highlights include:

- The Africa share was 46 percent in FY91–93, consistent with the IDA9 guideline of 45–50 percent. Lending was initiated to three IDA9 new entrants—Angola, Côte d'Ivoire, and Zimbabwe—and expanded substantially in countries with relatively strong performance, including Ghana, Uganda, and Zambia. In addition, the recovery in lending to Ethiopia, the potentially largest borrower in the region, began in FY92 following years of reduced or no activity. In contrast, lending was limited (or nil) for such major borrowers as Madagascar, Senegal, Somalia, Sudan, and Zaire, on account of poor performance and/or civil strife, and was sharply reduced in other countries such as Central African Republic, Chad, Guinea, and Mau-

ritania, also mostly due to weakened performance.

- Close to 46 percent of lending in FY91–93 went to South and East Asia, with about 30 percent to India and China. During the IDA9 period, IDA lending to India was supplemented by SDR 477 million (\$658 million) in resources made available from previous replenishments as a result of portfolio restructuring and re-committed in support of India's adjustment program. Lending was initiated to two new entrants—Mongolia and the Philippines—but declined in Bangladesh, where the pace of new operations in support of the reform program initiated by the Government in 1991 slowed in the face of unresolved policy issues and related processing delays. This region also includes a number of IDA-eligible countries—Cambodia, Myanmar, and Viet Nam—for which there was no lending in FY91–93 mostly due to unsettled country conditions.
- Other countries in Europe and Central Asia, Middle East and North Africa, and Latin America and the Caribbean accounted for some 8 percent of total IDA lending in FY91–93. This increase over IDA8 lending reflected the initiation of lending to five IDA9 new entrants in this group—Albania, Egypt, Honduras, Kyrgyzstan, and Nicaragua—which accounted for close to 5 percent of total lending in FY91–93. Most of the IDA credits to the new borrowers were in support of recovery/adjustment programs and social sector/human resource development.

Across regions, lending to IDA-only and blend countries in FY91–93 accounted for 56 percent and 44 percent of the total, respectively.

### *The Gulf Assistance Program*

This program was developed in the Fall of 1990 against a backdrop of great uncertainty as to the

**Table 5.1: Distribution of IDA Commitments by Region**  
(SDR million)

	FY88-90		FY91-93 <sup>a</sup>	
	Amount	Percent	Amount	Percent
Africa	5,582	49.4	6,332	46.1
East Asia	1,474	13.1	2,421	17.6
South Asia	3,747	33.2	3,836	27.9
ECA	—	—	105	0.8
MENA	120	1.1	382	2.8
LAC	371	3.3	652	4.7
<b>Total</b>	<b>11,294</b>	<b>100.0</b>	<b>13,728</b>	<b>100.0</b>
<i>Memo Items:</i>				
IDA-only countries	7,509	66.5	7,690	56.0
Blend countries	3,785	33.5	6,038	44.0
India/China	3,163	28.0	4,180	30.4
Others	623	5.5	1,858	13.6

— No commitments.

a. Excludes SDR 477 million in India recommitments from cancellations of previous credits.

duration and extent of the impact of the Gulf crisis on IDA recipients. The program initially envisaged additional IDA commitments of about SDR 800 million (\$1.1 billion) to deal with the most severe anticipated effects, which threatened fragile financing situations and/or adjustment programs in a number of IDA borrowers. It also included temporary changes in cost sharing limits aimed at raising disbursements of ongoing credits to those countries. In fact, while the economic impact of the crisis on countries in the immediate area was somewhat greater than anticipated, the financial disruptions affecting other countries was much less severe than expected, particularly as oil prices did not rise as much as had been originally projected. In total, additional lending of SDR 414 million (\$571 million) was committed in FY91-92 as part of the program. This new lending was to 12 countries<sup>20</sup> and took primarily the form of additional support for ongoing adjustment programs and/or social sector/poverty reduction operations.

#### *New IDA Recipients*

Ten countries—Albania, Angola, Côte d'Ivoire, Egypt, Honduras, Kyrgyzstan, Mongolia, Nicaragua, the Philippines, and Zimbabwe—were declared IDA-eligible in FY91-93 under the established criteria of per capita income, lack of creditworthiness, and development performance. Of these countries,

Albania, Angola, Kyrgyzstan, and Mongolia became new members of IDA during the IDA9 period; Honduras and Nicaragua had been on non-accrual status for some time; Zimbabwe had been an IBRD-only borrower until it was determined that its limited creditworthiness would not allow it to meet its external capital requirements without concessional assistance; and the other three new entrants—Côte d'Ivoire, Egypt, and the Philippines—had also been IBRD-only borrowers, but declines in their per capita income along with creditworthiness constraints led to their IDA eligibility.

The new entrants borrowed SDR 1,376 million (\$1,898 million) or 10 percent of the IDA9 total. A portion of this new lending—about SDR 160 million (\$221 million)—was part of the Gulf Assistance Program. The remainder was re-allocated from all Regions, as anticipated in the IDA9 Agreement.

#### *Distribution by Sector and Instrument*

The enhanced priority given by IDA during FY91-93 to poverty reduction and sound economic management is reflected in lending trends by sector. As shown in Table 5.2, lending for human resource development and economy-wide activities accounted for nearly half of the total during the IDA9 period, compared to about a third during the IDA8 period. While this increase was of necessity accompanied by

20. Comoros, Guinea-Bissau, Rwanda, Uganda, Zambia, India, Philippines, Sri Lanka, Egypt, Yemen, Guyana, and Honduras.

**Table 5.2: Distribution of IDA Commitments by Sector**  
(SDR million)

	FY88-90		FY91-93 <sup>a</sup>	
	Amount	Percent	Amount	Percent
Agriculture and Industry	4,733	42	4,337	32
Infrastructure (Energy, Power, Telecommunications, Transport, Urban)	2,933	26	2,777	20
Human Resource-Related (Education, Population, Health, Nutrition, Water Supply, Sanitation)	2,254	20	4,203	31
Economy-wide (Structural Adjustment, <sup>b</sup> Public Sector Management, Technical Assistance)	1,373	12	2,412	18
<b>Total</b>	<b>11,294</b>	<b>100</b>	<b>13,729</b>	<b>100</b>

a. Excludes SDR 477 million in India recommitments from cancellations of previous credits.

b. Sectoral adjustment operations are included in the sectoral categories above.

a considerable reduction in the corresponding shares for agriculture, industry, and infrastructure, projects in these sectors, particularly in agriculture, have been increasingly designed in the last three years to address poverty concerns.

While the increase in lending for human resources affected all Regions, it was most pronounced in East Asia, where lending for this sector more than tripled between IDA8 and IDA9. This was primarily the result of a similar increase in human resource lending to China. Lending for human resources also grew significantly in Africa and South Asia, with increases of 43 percent and 64 percent between FY88-90 and FY91-93, respectively.

The reduction in the share of lending for agriculture and industry between FY88-90 and FY91-93 reflected primarily a decline in lending for those sectors in Africa and South Asia and, within those regions, in large borrowers such as Ethiopia, Nepal, Pakistan, and Tanzania (agriculture); Bangladesh, Kenya, and Mozambique (industry); and India (agri-

culture and industry). The lower share of lending for infrastructure during IDA9 was the result of a sharp decline in lending for that sector in South Asia, which was in turn concentrated in Bangladesh and India. The volume of lending for infrastructure increased significantly in Africa and East Asia between FY88-90 and FY91-93.

Most of the lending in support of sound economic management took the form of fast-disbursing structural and sectoral adjustment credits. As shown in Table 5.3, adjustment lending accounted for about 22 percent of the total in FY91-93, marginally below the corresponding FY88-90 figure.

The share of adjustment lending in Africa reached about 37 percent of the total in FY91-93, up slightly from 36 percent in FY88-90 (Table 5.4). Countries in that Region with a high proportion of adjustment

**Table 5.3: Distribution of IDA Commitments by Lending Instrument**  
(SDR million)

	FY88-90		FY91-93 <sup>a</sup>	
	Amount	Percent	Amount	Percent
Investment	8,653	76.6	10,653	77.6
Adjustment	2,640	23.4	3,075	22.4
<b>Total</b>	<b>11,294</b>	<b>100.0</b>	<b>13,728</b>	<b>100.0</b>

a. Excludes SDR 477 million in India recommitments from cancellations of previous credits.

**Table 5.4: Regional Pattern of Adjustment Lending**  
(SDR million)

	FY88-90		FY91-93 <sup>a</sup>	
	Amount	Percentage Share	Amount	Percentage Share
Africa	2,019	36.2	2,352	37.1
East Asia	103	7.0	80	3.3
South Asia	391	10.4	355	9.2
ECA	—	—	14	13.5
MENA	—	—	—	—
LAC	127	34.2	275	42.2
<b>Total</b>	<b>2,640</b>	<b>23.4</b>	<b>3,076</b>	<b>22.4</b>

— No commitments.

a. Excludes SDR 477 million in India recommitments from cancellations of previous IDA credits.

lending in FY91-93 included Burkina Faso (41 percent), Côte d'Ivoire (73 percent), Ethiopia (48 percent), Kenya (60 percent), Rwanda (48 percent), Uganda (43 percent), Zambia (82 percent), and Zimbabwe (45 percent). Adjustment lending in Africa was carried out in the context of the Special Program of Assistance for Africa (SPA) which generated bilateral support of about \$6.2 billion in FY91-93. Adjustment support was also prominent in Latin America, where it represented over 40 percent of total lending in FY91-93, with particularly high shares in Honduras (51 percent) and Nicaragua (85 percent).

### IDA Allocations and Country Performance

Country performance played a prominent role in the allocation of IDA funds by country, as reflected in the distribution of FY91-93 per capita commitments by level of performance (Table 5.5). Assessments of performance were based on short- and long-term economic management and poverty reduction efforts. While performers in the top 25 percent received an annual average of SDR 11.3 (\$15.59) per capita in FY91-93, up from SDR 9.0 (\$12.42) in FY88-90, the bottom 25 percent received SDR 1.8 (\$2.48), down from SDR 2.3 (\$3.17) in FY88-90. In addition, close to 60 percent of total IDA lending in FY91-93 took place within the context of joint World Bank-IMF Policy Framework Papers (PFPs) agreed with borrower governments. In general, lending to countries with poor performance was constrained to "core" programs, which are typically limited to priority lending for emergency reconstruction and/or social sector and safety net programs. Lending to these countries, which represented 7.8 percent of total IDA lending in FY88-90, amounted to only 2.1 percent in FY91-93.

The increased availability during the IDA9 period of country poverty assessments as well as of other

**Table 5.5: IDA Commitments and Performance**  
(for IDA-only countries)

	IDA8 FY88-90 Annual Average SDR/Capita	IDA9 FY91-93 Annual Average SDR/Capita
Top 25% of Performers	9.0	11.3
Middle 50%	5.2	4.6
Bottom 25% of Performers	2.3	1.8

poverty-related work (see Chapter 3) has significantly improved the Bank's understanding of the issues involved, and thus its ability to factor the increased weight given to the government's commitment to poverty reduction into the determination of overall country performance and, therefore, of lending allocations. This is illustrated by the fact that during IDA9, the annual average per capita lending to the IDA-only performers in the top 25 percent with respect to poverty reduction was five times higher than that of the bottom 25 percent, compared to three times higher during IDA8.

### Sources of IDA9 Resources

A total of SDR 13.7 billion (\$18.9 billion) in commitment resources were used in IDA9, SDR 2.4 billion (\$3.3 billion) more than in IDA8 (see Table 5.6). Most of the increase was from non-donor resources, consisting of IDA reflows<sup>21</sup> and transfers from the net income of the IBRD, which rose from SDR 1.1 billion (\$1.5 billion) in IDA8 to SDR 2.6 billion (\$3.6 billion) in IDA9. Nonetheless, donor resources still provided some 81 percent of IDA's commitment resources, compared with 90 percent in IDA8.

**Table 5.6: Sources of Funding for IDA8 and IDA9 Commitments**  
(SDR million)

	IDA8	IDA9
Contributing members	10,199 <sup>a</sup>	11,124
Reflows:	1,011	1,934
Advance Commitments	860	1,498 <sup>b</sup>
Annual Allocations	151	361
Work-out Programs		75
Transfers from IBRD	84	670
From FY87 net income	84	
From FY90 net income		200
From FY91 net income		260
From FY92 net income		210
Total	11,294	13,728 <sup>c</sup>

a. At end of replenishment period exchange rates; IDA9 excludes SDR 95 million of unreleased contributions.

b. Includes carry-over from IDA8 of SDR 190 million and SDR 130 million authorized as part of Gulf Assistance Program.

c. Excludes SDR 477 million in recommitments from cancellations of pre-IDA9 IDA credits to India.

21. The term IDA reflows refers to the repayments stream of IDA credits by IDA borrowers. These resources are returned directly to IDA and are lent out again. In order to maximize IDA's commitment authority, advance commitments are made based on a portion of the expected level of reflows.

### *Donor Contributions*

Donors provided SDR 11.1 billion (\$15.3 billion) to IDA9. This was SDR 236 million (\$326 million) less than expected at the time of the IDA9 agreement. The decrease resulted from: (a) an exchange loss of about SDR 300 million (\$414 million), (b) SDR 95 million (\$131 million) of contributions to IDA9 that remain unreleased, and (c) a partially offsetting increase of SDR 159 million (\$219 million) from the contributions of new members (Czech Republic, Russia, Slovak Republic, and Switzerland).

### *Reflows*

The commitment authority from reflows utilized during IDA9 was SDR 1.9 billion (\$2.6 billion), compared with SDR 1.0 billion (\$1.38 billion) in IDA8. In addition, the Executive Directors authorized SDR 700

million (\$966 million) in commitment authority from this source, which is available for future use. Annual allocations from reflows to fund supplementary credits to IDA-only countries with outstanding IBRD debt rose by SDR 200 million (\$276 million) as the program was phased in and new countries became eligible. Finally, the Executive Directors approved special allocations of reflow resources for the Gulf Assistance Program and for debt work-out programs.

### *IBRD Transfers to IDA*

Total transfers to IDA from the IBRD during the IDA9 period amounted to SDR 670 million (\$925 million). These transfers were made primarily to help IDA accommodate the new IDA entrants as well as re-activating countries without unduly affecting existing borrowers and were equivalent to nearly 50 percent of the credits made to the new borrowers.

# 6

## *Looking Ahead*

---

During the IDA9 period, the World Bank made substantial progress in addressing the priority objectives set out in the report of the IDA9 donors. Recipient governments increasingly emphasized poverty reduction as their central development objective and accepted the importance of economic reform in achieving this goal. Many also began to focus on the inter-relationship between poverty reduction and sustainable natural resource use. IDA's support to governments in these areas during FY91-93 was strengthened in many ways, both through changes in the Bank's approach and through development or more systematic use of well-focused instruments.

The experience during the IDA9 period also underscored the difficulty of the development challenge in low-income countries. Economic reform requires consensus and commitment. But the benefits of reform can be slow in coming or, in the short run, overwhelmed by adverse external developments. As the reform process deepens, it also involves greater institutional change, which is more difficult to implement. Programs to improve the access of the poor to income earning opportunities or to basic services commonly require changes in institutional arrangements if they are to effectively reach the poor. Change threatens vested interests. The task of reversing environmental degradation is taxing for institutions that are among the weakest in low-income countries, while pervasive patterns of behavior need to be changed.

IDA has adapted the orientation and design of its operations to address these constraints. But the pro-

cess is an ongoing one. In IDA10, the World Bank is continuing to refine its present policies and programs and develop new ones, as warranted by changing borrower needs. In addition, the newly created central vice presidencies for Environmentally Sustainable Development, Human Resources Development, and Finance and Private Sector Development enable the Bank Group to focus more sharply on the key elements of its poverty reduction strategy.

During the IDA10 period, increased attention is also being given to several aspects of IDA's activities that are critical for effective use of its resources. Strengthening the implementation of existing and new projects is one such topic. The Bank will be drawing upon the recommendations of the Portfolio Management Task Force and the Action Plan to address these recommendations. (See Annex IV for a summary of the Action Plan and next steps.) Another topic is governance. IDA10 donors focused on four dimensions of governance—managerial and financial accountability, transparency of decision-making, existence of a stable legal framework, and participation by affected parties in the design and implementation of programs and projects—which are within the scope agreed by IDA's Executive Directors. A third topic is aid coordination, which in a period of scarce budgetary resources is critical to increasing the development efficiency of all aid. Strengthening these areas will augment further the ability of the Bank and its borrowers to effectively reduce poverty in the poorest countries.

## ***Annex I. Donors to IDA9***

---

Australia  
Austria  
Belgium  
Brazil  
Canada

Czech Republic<sup>1</sup>  
Denmark  
Finland  
France  
Germany

Greece  
Hungary  
Iceland  
Ireland  
Italy

Japan  
Korea  
Kuwait  
Luxembourg  
Mexico

Netherlands  
New Zealand  
Norway  
Poland  
Portugal<sup>2</sup>

Russian Federation<sup>2</sup>  
Saudi Arabia  
Slovak Republic<sup>1</sup>  
South Africa  
Spain

Sweden  
Switzerland<sup>3</sup>  
Turkey  
United Kingdom  
United States

(As of December 1993)

1. Successor country to Czechoslovakia, which joined and contributed to IDA9 after conclusion of the IDA9 Agreement.
2. Joined and contributed to IDA9 after conclusion of the IDA9 Agreement.
3. Observer in IDA9, later a member.

## Annex II. IDA Commitments by Country, Total, and Adjustment, FY91-93

(SDR million)

	FY91		FY92 <sup>a</sup>		FY93 <sup>a</sup>	
	Total	Adjustment	Total	Adjustment	Total	Adjustment
Total IDA	4,554	990	4,635	1,406	4,539	679
IDA-Only	2,641	940	2,914	1,370	2,282	529
Total Blend	1,914	50	1,721	36	2,257	150
<b>Africa</b>						
Africa IDA	1,978	801	2,375	1,067	1,980	484
Africa IDA-Only	1,775	801	2,136	1,031	1,670	395
Africa Blend	203	0	239	36	310	88
Africa Reg. Projects	0	0	4	0	0	0
Angola	17	0	106	0	59	0
Benin	66	41	27	0	3	0
Burkina Faso	104	60	81	21	14	0
Burundi	16	0	59	22	10	0
Cape Verde	0	0	3	0	9	0
Central African Rep.	15	0	19	0	0	0
Chad	8	0	0	0	40	0
Comoros	11	6	0	0	0	0
Côte d'Ivoire	0	0	86	75	17	0
Djibouti	8	0	0	0	0	0
Equatorial Guinea	5	0	4	0	2	0
Ethiopia	0	0	105	0	261	177
Gambia, The	0	0	0	0	9	0
Ghana	230	91	210	136	251	5
Guinea	0	0	5	0	62	0
Guinea-Bissau	11	0	7	0	6	0
Kenya	201	170	253	113	82	38
Lesotho	15	0	26	0	0	0
Madagascar	38	1	18	1	24	1
Malawi	72	5	146	89	55	4
Mali	88	50	34	0	8	0
Mauritania	3	3	21	2	19	2
Mozambique	51	0	212	132	87	0
Niger	14	0	26	0	0	0
Nigeria*	203	0	94	0	176	0
Rwanda	107	68	14	0	19	0
São Tome & Príncipe	5	0	16	0	0	0
Senegal	80	5	32	4	29	0
Sierra Leone	0	0	47	32	58	0
Somalia	0	0	0	0	0	0
Sudan	0	0	12	0	0	0
Tanzania	101	12	188	159	246	8
Togo	68	50	0	0	0	0
Uganda	195	71	194	93	162	74



	FY91		FY92 <sup>a</sup>		FY93 <sup>a</sup>	
	Total	Adjustment	Total	Adjustment	Total	Adjustment
Zaire	47	0	20	0	0	0
Zambia	199	169	161	154	140	87
Zimbabwe*	0	0	145	36	134	88
<b>Asia</b>						
Asia IDA	2,279	148	1,810	146	2,169	141
Asia IDA-Only	673	98	410	146	278	79
Asia Blend	1,605	50	1,400	0	1,891	62
Bangladesh	332	3	185	112	124	75
Bhutan	0	0	0	0	0	0
China*	706	0	700	0	734	0
India*	673	0	571	0	796	62
Laos	32	0	30	30	39	0
Maldives	0	0	8	0	0	0
Mongolia	0	0	26	0	0	0
Myanmar	0	0	0	0	0	0
Nepal	46	0	110	0	19	0
Pakistan*	176	0	102	0	311	0
Philippines*	50	50	26	0	51	0
Solomon Islands	0	0	0	0	12	0
Sri Lanka	262	96	52	4	79	4
Tonga	0	0	0	0	0	0
Vanuatu	3	0	0	0	0	0
Western Samoa	0	0	0	0	5	0
<b>Other Regions</b>						
Others IDA	298	41	451	193	391	55
Others IDA-Only	193	41	368	193	335	55
Others Blend	105	0	83	0	56	0
Albania	0	0	30	0	32	14
Bolivia	59	10	113	38	75	8
Caribbean Region	0	0	0	0	0	0
Egypt, Arab Rep.*	105	0	83	0	56	0
Guyana	16	16	10	2	30	3
Haiti	17	0	20	0	0	0
Honduras	29	14	69	62	97	24
Kyrgyzstan, Rep.*	0	0	0	0	43	0
Nicaragua	0	0	91	91	23	6
Republic of Yemen	70	0	35	0	33	0
St. Kitts and Nevis	1	0	0	0	0	0
St. Lucia	0	0	0	0	0	0
St. Vincent & Grenada	0	0	0	0	0	0

\*Blend countries (i.e., creditworthy for limited amounts of IBRD borrowing).

a. Excludes SDR 184 million in FY92 and SDR 293 million in FY93 in India recommitments from cancellations of earlier credits.

## ***Annex III. Status of National Environmental Action Plans (NEAPs) for Selected IDA Countries***

---

### **Africa**

#### ***Burundi***

The process of preparing an NEAP is almost completed. A final draft is currently being reviewed by the new Government. A second national meeting on the NEAP was held in September 1993 with participation by government, private sector, NGO, and donor representatives. The NEAP proposes the creation of an interministerial committee for environment to provide the basis for a continuing dialogue among the different sectors involved in natural resources management.

#### ***Cape Verde***

The NEAP process has focused on follow-up work to the National Plan of Action to Combat Desertification (NPACD), which was completed in 1986. In July 1992, the Government established an inter-agency National Council on the Environment, demonstrating its commitment to environmental issues. The Government also requested the U.N. Sudano-Sahelian Office (UNSO) to help them integrate the concerns outlined in the NPACD into the Third National Economic Development Plan. This in turn resulted in the preparation of a "Strategic Framework for Natural Resources Management," which was discussed at a donor Round Table in November 1992.

#### ***Central African Republic***

A draft NEAP is being prepared with the assistance of the U.N. Development Programme (UNDP). NEAP preparation was interrupted in August/September 1993 by presidential and legislative elections. Therefore, consultation with the public will probably not start until after the new government settles in. When completed, the NEAP, together with an IDA-

prepared Country Environmental Strategy Paper (to be prepared by April 1994), should provide a strong foundation for environmental planning and management in the CAR.

#### ***Comoros***

An NEAP, financed by the UNDP and prepared with the assistance of the U.N. Economic and Social Council (UNESCO) and the World Conservation Union, is expected to be completed by spring 1994. Consultations with local communities have been conducted and a national seminar took place in November 1993.

#### ***Côte d'Ivoire***

Preparation of an NEAP is underway, with support from the Bank's Technical Assistance Grant Program for the Environment. It will incorporate the results of an ongoing, broad-based consultation with national groups and agencies. Detailed studies will be conducted in each of the country's ten administrative regions. Priorities may be similar to those in the report for the U.N. Conference on Environment and Development (UNCED), although more attention is likely to be given to natural resource management. A national seminar to review the draft NEAP and discussion with the Government on a paper by IDA on prospects and priorities for sustainable socioeconomic development are expected to be held by the end of the fiscal year. A CESP will be completed by June 1994.

#### ***Equatorial Guinea***

The country has formulated a project to develop an environmental strategy with the assistance of UNDP. This exercise, which is to be very participatory, is expected to start in early 1994 and should take about a year and a half to complete. Environmental work,

however, will be proceeding in the interim, using as a basis a CESP being prepared by IDA and the earlier UNCED report.

#### *Guinea*

Guinea's NEAP, prepared by a local NGO under a government contract, is in the final phase of preparation. With presidential elections occurring at the same time, however, completion of the report and national discussions of the draft may take place only after the new government has settled in—probably only after February 1994. IDA, UNSO, and UNDP have been assisting the government throughout the process.

#### *Malawi*

An NEAP Secretariat will produce a draft NEAP by the end of January 1994, based on eighteen task force reports, augmented by workshops held in eight agro-ecological districts, in which local people identify their local environmental problems and their actions to redress them. The final product will be out by the end of June 1994. Meanwhile, the Bank is producing a CESP, which will build on the issues and recommendations arising from IDA's FY91 Economic Report on Environmental Policy for Malawi, a joint Government/IDA Forestry Policy Review, and other sector work.

#### *Mauritania*

The key environmental policy framework in Mauritania is the Multi-sectoral Plan of Action to Combat Desertification (PMLCD), which was completed in 1990 with the support of UNSO, UNDP, and IUCN and presented to donors at a Round Table meeting in April 1992. The document itself as well as its preparation are important steps in the NEAP process. The Government, with UNDP's support, is now planning to expand the PMLCD into a national Agenda 21 strategy which, it is hoped, can be assimilated with the NEAP. At the same time, IDA is preparing a Country Environmental Strategy Paper which will be completed and discussed with the Government and donors during FY94.

#### *Mozambique*

The Bank is supporting the preparation by Government of a National Environmental Management Program (NEMP). Because local institutional and technical capacity is very limited, however, Mozambique's equivalent of a draft NEAP is only expected in June 1994. Two consultants in close consultation with the

IDA task manager for Mozambique's NEAP will produce a draft CESP as the first phase of the NEMP. The CESP will build on the UNCED report and others, particularly the report produced with NORAD assistance on the Environmental Situation in Mozambique. A seminar to discuss the CESP will be held with Government officials, NGO representatives, and donors in December 1993.

#### *Niger*

IDA and other donors are currently working with the Government to develop a national strategy and program for natural resource management in the context of a proposed IDA-funded Natural Resource Management Project. A draft Country Environmental Strategy Paper has been completed. The two together are expected to form the basis for the Government's environmental strategy.

#### *Senegal*

The Government started the NEAP process with a study, "Towards a National Environmental Action Plan." IDA staff determined that it needs further development to become a full NEAP. The Government created in June 1993 a National Environmental Council under the Office of the President. IDA has also prepared a CESP which will be discussed with the Government in the first half of FY94 and which may help the government in completing its NEAP.

#### *Sierra Leone*

An environmental strategy paper prepared by IDA is currently being reviewed by the Cabinet, with approval expected shortly. Building on this report, the Government is leading a team drawn from the private as well as the public sector to prepare an environmental program which will be presented to the Consultative Group Meeting in early 1994.

#### *Zambia*

A leader in environmental policy in the region, Zambia prepared a National Conservation Strategy (NCS) in 1935. IDA is assisting the Government in preparing an NEAP to update existing policies to reflect the nation's shift from a command to a market economy. A CESP is being prepared by IDA's Resident Mission together with the Ministry of Environment and Natural Resources (MENR) and the National Environmental Council; it will be completed by December 1993. The NCS, the Natural Resources Use and Conservation Study currently being prepared by IDA, and the CESP will be used in preparing the NEAP.

### *Zimbabwe*

The National Conservation Strategy (1987), the national UNCED report (1992), and a public conference to report on the results of UNCED (1992), along with the results from district workshops and surveys, are building blocks in the formulation of a strategy for environmentally sound development. Meanwhile, the Bank is producing a CESP, based on the Forestry Policy Review, Wildlife Management and Environmental Conservation work, other sector work, and on the work of a local consultant working with the Ministry of Environment and Tourism for the purposes of the CESP.

### **Other Regions**

#### *Bangladesh*

The draft NEAP has been completed. It will now be reviewed by the line Ministries and subsequently by donors, NGOs, and other interested groups. Final agreement on an action program which will emerge from the NEAP is expected by the end of FY94.

#### *Guyana*

The authorities are formulating their NEAP based on working papers prepared by IDA. They are expected to submit the draft to IDA and to hold a public consultation in early 1994. The draft will then be revised and submitted for Cabinet approval.

#### *India*

The Ministry of Environment and Forests is preparing the NEAP with the cooperation of other relevant ministries. The NEAP is expected to be presented to IDA by the end of December 1993. The NEAP process is comprehensive and is intended to fit into India's overall development strategy. An interim document, "Environment Action Programmes-India" was completed in November 1992. As part of the NEAP process, the Government has held extensive consultations with central and state ministries and agencies as well as with key NGOs involved in environmental activities. It is also ensuring that the analyses and recommendations are consistent with other key policy documents, including the Eighth Five-Year Plan (1992-97).

#### *Lao PDR*

The Government is currently working on the draft NEAP under the leadership of the Vice Minister in charge of Environment, who is in the Organization

for Science, Technology, and Environment (OSTE) in the Prime Minister's office. Representatives from all key ministries, assisted by a consultant funded by the World Bank's Institutional Development Fund, are participating. The draft builds on an Environment Sector Report prepared by IDA, which involved an inter-ministerial group on key environmental issues covered by the report. The first draft will be circulated to concerned organizations for review and comments, to relevant ministries, and, following revisions, to the Prime Minister's office for approval.

#### *Mongolia*

An NEAP is being prepared by the Ministry for Nature and Environment, with assistance from consultants. Recent economic and political problems have delayed its preparation. However, it is expected to be completed in early 1994.

#### *Viet Nam*

The NEAP builds on the Government's National Plan for Environment and Sustainable Development (NPESD) and follow-up Project profiles—both completed in 1992—and other initiatives such as the Tropical Forestry Action Plan and the national UNCED report. IDA has asked that the Government fill in analytical gaps and update the formulation of policies and programs which are implementable. The Government and IDA have agreed to jointly undertake further analysis on several key issues. The results, in the form of an IDA report, are to be discussed formally with the Government, with participation from research institutes, in March 1994. Five working groups have been established. Technical assistance is being sought to assist the Government, following the March workshop discussions and further consultations at the provincial level, to build up its internal capability and to update the NPESD.

#### *Yemen*

A full NEAP is being developed by the Secretariat of the Environmental Protection Council (EPC). To serve as the basis for this plan, four policy options papers prepared by IDA have been consolidated into a draft NEAP strategy paper, to be discussed with the EPC and senior government officials in early 1994. Working groups will discuss the policy options in key environmental areas, and a national seminar on the NEAP will include the EPC, the Ministry of Planning and Development (MPD), sectoral government agencies, regional and local administrations, universities, and NGOs.

## *Annex IV. Improving Portfolio Performance*

---

### **The Wapenhans Task Force Report**

While the majority of operations in the World Bank's portfolio are performing well and the Bank's financial health, with its AAA credit standing, is excellent, there has been a decline in the proportion of successful operations over the last decade. Among operations in progress, the proportion with "major problems" rose from 11 percent in 1981 to 20 percent a decade later. Among completed operations, the proportion judged satisfactory fell from 85 percent to 63 percent during the same period.

Therefore, a task force headed by Willi A. Wapenhans was convened in 1992 to examine the quality of the Bank's loan portfolio and to make recommendations on how to reverse the project performance trend. The task force found that some of the problems affecting the portfolio under implementation are due to world economic conditions over which the Bank and its borrowers have limited control. Others—such as resistance to change within agencies implementing projects or shortages of funds to pay the local-currency costs of projects—reflect country-specific characteristics over which the Bank has no direct influence.

The Bank has focused successfully on technical soundness, so that technical issues rarely cause difficulties in the operations it supports. But less attention has been given to the commitment of borrowers and their implementing agencies to these operations and to the degree of "ownership" assumed by borrowers. Rapid changes in government personnel, political concerns, and conflicting priorities often have produced situations in which government commitment to operations supported by the Bank was unclear or wavering.

At the project level, the leading design problem identified was that projects have become too complex. Often the Bank has not made enough effort to keep the number of project goals, components, and

sponsors in line with the borrower's capacity for project implementation. Thus, the task force concluded, the Bank has substantial scope for improving the performance of its portfolio through changes in its own policies and practices.

### **The Action Plan**

An action plan to respond fully to the recommendations of the task force was approved by the Bank's Executive Board in July 1993. A number of task forces and special studies have been launched to assess how to respond to some of the task force recommendations. Management will share the findings of those studies with the Board as they become available. The Board will also be regularly informed of the progress in implementing the action program through the discussions on Country Assistance Strategies and through the Annual Report on the Portfolio Performance of March 1994. Finally, management will present a progress report to the Board in June 1994.

The plan, which builds on "best practices" already in use in the Bank, introduces more efficient and client-oriented business practices and processes. It is also designed to shift the Bank's own institutional culture toward more consistent emphasis on the management of operations under implementation.

The plan recognizes that the ultimate test of the Bank's programs is their long-term effects on people and the environment. Instruments needed are being developed to further strengthen the impact of the Bank's lending on poverty; for example, addressing effectively the issues of participation, project ownership, involvement of nongovernmental organizations, and better ways of monitoring performance. The changes under the plan aim to make the Bank's operations more effective in promoting sustainable development.

The plan also recognizes that, "It is the actions of the Bank's borrowers that will ultimately have the

---

*Note:* Excerpted from *Getting Results: The World Bank's Agenda for Improving Development Effectiveness* (World Bank, 1993).

greatest impact on project quality. For this reason, stronger borrower commitment to, participation in, and ownership of Bank-financed operations are essential to success."

The main features of the plan are as follows:

- Move the management of country portfolios to center stage in the Bank's dialogue with borrowers, its planning of future lending, and its judgments about its own effectiveness;
- Foster genuine partnership with borrower agencies, whose full commitment is vital to successful development operations;
- Ensure the participation of the poor in operations directly affecting them;

- Restructure ongoing operations as necessary;
- Improve and, where appropriate, simplify project design;
- Improve the management of operations in progress;
- Enhance the role played by operations evaluation in providing lessons of experience, to be applied in the Bank's current work; and
- Redirect the Bank's internal incentives toward a better balance between approving new operations and ensuring the success of those in progress.

The Bank will closely monitor the implementation of the plan.