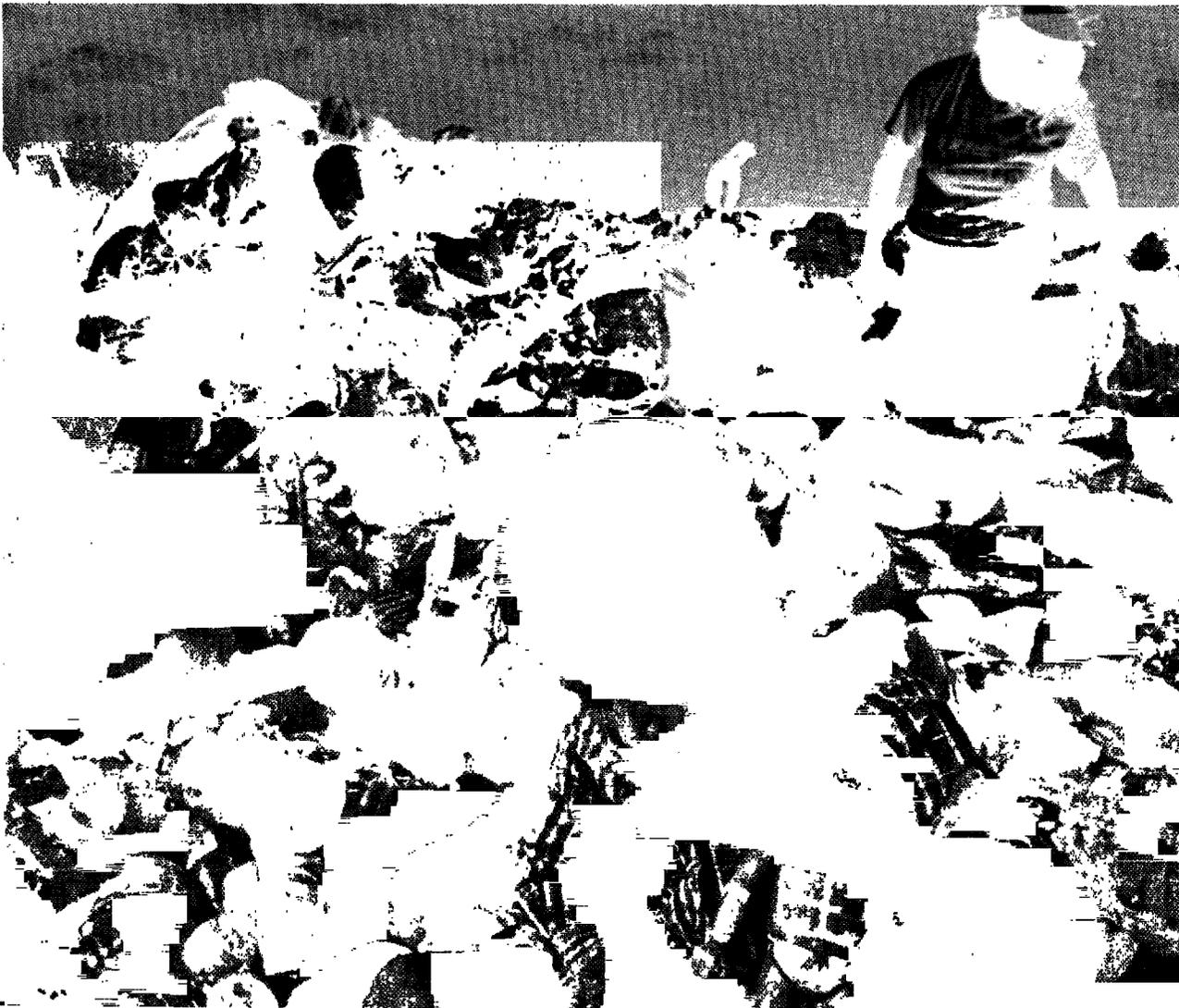


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Poverty Reduction in the 1990s

An Evaluation of Strategy and Performance



OPERATIONS EVALUATION DEPARTMENT

ENHANCING DEVELOPMENT EFFECTIVENESS THROUGH EXCELLENCE AND INDEPENDENCE IN EVALUATION

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Poverty Reduction in the 1990s

An Evaluation of Strategy and Performance

Alison Evans

2000

The World Bank
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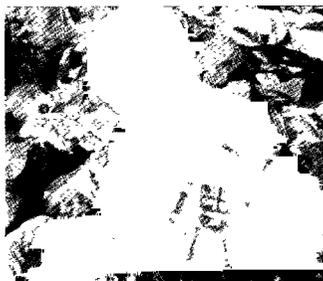
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FOREWORD

In 1990, when the Bank prepared its *World Development Report (WDR)* on poverty, the prospects for global poverty reduction looked promising. A review of global experience showed that a strategy emphasizing broad-based growth and the equitable provision of social services was the most effective route for sustainable progress on poverty. For those too poor or too vulnerable to participate in this process, a program of well-targeted transfers and safety nets was an essential complement to the strategy.

Since then the context in which the Bank operates has altered significantly, and so has the international economic environment. There have been significant improvements in social indicators in most regions, and modest reductions in the proportion of people living on under \$1 per day. But the absolute number of poor has continued to rise. The transition in Eastern Europe and Central Asia, which was not foreseen in 1990, has added large numbers of new poor to global poverty figures. Financial volatility, AIDS, and civil war have also clouded the prospects for poverty reduction.

Against this backdrop, the Bank has reconfirmed its commitment to poverty reduction. A revised poverty reduction strategy is being prepared, informed by the principles of the Comprehensive Development Framework (CDF) and shaped by the ongoing work of the Poverty Reduction Strategy Initiative (PRSI) and the *WDR 2000/2001* on poverty. This evaluation is OED's contribution to the strategy review process. It is too early to evaluate

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PREFACIO

En 1990, cuando el Banco preparó su *Informe Mundial sobre el Desarrollo (WDR)* acerca de la pobreza en el mundo, las perspectivas de reducción de la pobreza global eran prometedoras. Una revisión de las experiencias utilizadas mostraba que el medio más efectivo para erradicar la pobreza, de forma gradual y sostenible, consistía en una estrategia centrada en el crecimiento sobre la base más amplia posible y la provisión equitativa de servicios sociales. En cuanto a las regiones más pobres o más vulnerables, para que estas pudieran participar en este proceso, se estableció que el complemento esencial a la estrategia indicada consistiría en un programa de redes de protección social y transferencias específicas.

Desde entonces, el contexto en el que el Banco lleva a cabo sus actividades ha cambiado significativamente, y lo mismo ha ocurrido en el ambiente económico internacional. Se han producido importantes mejorías en los indicadores sociales de la mayoría de las regiones, así como una modesta reducción de la proporción de personas que viven con menos de 1 dólar al día. Sin embargo, el número, en términos absolutos, de personas pobres ha seguido aumentando. Las transiciones que se han producido en Europa del Este y en Asia Central, no previstas en 1990, han añadido grandes cantidades de nuevos pobres a las cifras de la pobreza global. La volatilidad financiera, el SIDA y las guerras civiles también han contribuido a ensombrecer las perspectivas que se tenían en 1990 para la reducción de la pobreza en el mundo.

Frente a este empeoramiento, el Banco ha vuelto confirmar su compromiso de reducir la pobreza. Se

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PRÉFACE

En 1990, alors que la Banque mondiale préparait son *Rapport sur le développement dans le monde*, les perspectives de réduction de la pauvreté dans le monde étaient excellentes. Une étude des expériences tentées à l'échelle de la planète démontrait alors qu'une stratégie axée sur une croissance à grande échelle et sur une prestation équitable de services sociaux était la voie la plus efficace pour une réduction durable de la pauvreté. Un programme de transfert et des filets de sécurité bien ciblés représentaient un complément indispensable à cette stratégie pour les pays les plus démunis ou les plus vulnérables.

Depuis lors, le contexte dans lequel la Banque fonctionne ainsi que le contexte économique international ont considérablement changé. Les indicateurs sociaux de la plupart des régions du globe ont évolué et le nombre des personnes vivant avec moins d'un dollar par jour a connu une légère diminution. Cependant, le nombre absolu des personnes pauvres a continué d'augmenter. La transition en Europe de l'Est et en Asie Centrale, qui n'était pas prévue en 1990, a entraîné l'apparition d'un grand nombre de nouveaux pauvres qui sont venus augmenter les chiffres mondiaux sur la pauvreté. La volatilité financière, le sida et la guerre civile ont obscurci les perspectives de réduction de la pauvreté.

Une fois encore, la Banque a réitéré son engagement pour une réduction de la pauvreté. Elle prépare une nouvelle stratégie de réduction de la pauvreté en suivant les principes du Cadre de développement intégré et en tenant compte du travail continu de

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the direction set by these new initiatives; instead, the report examines the direction set for the Bank by the 1990 strategy. It examines implementation of the strategy and draws lessons of experience about the relevance of the Bank's evolving policy framework for poverty reduction.

The report concludes that the 1990 strategy and the momentum it created have had a positive and significant impact on the Bank's operational work on poverty. The strategy was critical in highlighting the importance of broad-based growth for poverty reduction and in focusing operational priorities on the equitable provision of social services, impacting both the composition of Bank assistance and the priorities of other development agencies. The strategy also spurred a significant improvement in the poverty knowledge base that now spans the wider development community.

However, the Bank has found it difficult to operationalize broad-based growth through tailor-made country assistance programs. Insufficient information is available on whether lending for social services has reached the poor, and social safety nets were often neglected. Overall, the Bank's implementation of the strategy was insufficiently focused on measuring and monitoring results linked to Bank assistance.

The report recommends that the new poverty reduction strategy include clear, monitorable benchmarks for assessing implementation performance, as well as a framework for evaluating poverty outcomes related to the assistance of the Bank and other donors. All Sector Strategy Papers should be oriented toward poverty reduction

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está preparando una estrategia revisada para esta reducción, basada en los principios del MID, así como en el trabajo continuado de la Iniciativa de la Estrategia de lucha contra la pobreza (PRSI) y en el próximo informe *WDR 2000/2001*. Esta evaluación es la contribución de la OED al proceso de revisión de la estrategia.

Todavía es muy pronto para poder evaluar la dirección establecida por estas nuevas iniciativas; en lugar de evaluar, lo que hace el informe es examinar la dirección que la estrategia definida en 1990 estableció para el Banco; el informe examina la implementación de dicha estrategia y extrae lecciones, proporcionadas por la experiencia, acerca de la relevancia del marco de las políticas de evolución del Banco, encaminadas a reducir la pobreza en el mundo.

En el informe se concluye que la estrategia definida en 1990 y el impulso que ésta creó han tenido un notable impacto positivo sobre el trabajo operativo que el Banco lleva a cabo en relación con la pobreza. La estrategia fue decisiva al resaltar la importancia que el crecimiento sobre una base lo más amplia posible tiene para la reducción de la pobreza; así como el enfoque de las operaciones prioritarias dirigidas a la provisión equitativa de servicios sociales, afectando tanto a la composición de la ayuda proporcionada por el Banco como a las prioridades establecidas por otras agencias dedicadas al desarrollo. Asimismo, la estrategia proporcionó una importante mejoría sobre los conocimientos básicos de la pobreza, que ahora engloba a una comunidad en desarrollo más amplia.

No obstante, el Banco ha tenido dificultades para poner en marcha el crecimiento sobre una base amplia a través de programas de ayuda adaptados a cada país. La información disponible no es suficiente para

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L'Initiative en faveur des stratégies de réduction de la pauvreté et du *Rapport sur le développement dans le monde (2000-2001)* à paraître. Cette évaluation est une contribution du Département de l'évaluation des opérations au processus de révision de la stratégie pour la réduction de la pauvreté. Il est encore trop tôt pour évaluer l'orientation donnée par ces nouvelles initiatives. Le rapport examine plutôt l'orientation que la stratégie de 1990 avait fixée à la Banque. Il examine la mise en oeuvre de la stratégie et tire des leçons de l'expérience ainsi acquise afin de déterminer la pertinence du cadre stratégique évolutif de la Banque pour la réduction de la pauvreté.

Le rapport conclut que la stratégie de 1990 et l'élan qu'elle a créé ont eu d'importantes répercussions positives sur les interventions de la Banque pour réduire la pauvreté. La stratégie a largement contribué à mettre en lumière l'importance d'une croissance à grande échelle pour réduire la pauvreté et à axer les priorités sur une prestation équitable des services sociaux, ce qui a eu des répercussions sur la composition de l'aide de la Banque et sur les priorités des autres agences de développement. Elle a aussi permis d'améliorer la base de connaissance sur la pauvreté qui couvre maintenant une communauté de développement plus large.

La Banque a cependant trouvé difficile la mise en place d'une croissance à grande échelle par le biais de programme d'aide aux pays sur mesure. On ne dispose pas de suffisamment d'informations pour déterminer si les pauvres ont bénéficié des prêts accordés pour des services sociaux et les filets de sécurité ont souvent été négligés. Dans l'ensemble, la mise en oeuvre de la stratégie par la

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and integrated into the revision of the Bank's policy framework. Finally, OED should strengthen its internal processes to ensure that a poverty focus is the organizing principle of all OED evaluations.

Ultimately, poverty reduction—and the focus on results—is a shared enterprise of the Bank, its clients, and development partners. Hence, high priority should be given to implementing the lessons of experience through the *Poverty Reduction Strategy Papers*.

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comprobar si los préstamos concedidos para servicios sociales han llegado a los pobres, y a menudo se ha descuidado la protección social. En conjunto, la estrategia que el Banco ha implementado no se ha concentrado, hasta el grado deseado, en la evaluación y el control de los resultados relacionados con la ayuda proporcionada.

El informe recomienda que la nueva estrategia para la reducción de la pobreza incluya criterios claros y controlables, que permitan observar el nivel de rendimiento, así como un marco que evalúe los resultados de la pobreza relacionados con la ayuda proporcionada por el Banco y por otros donantes.

Todos los Documentos relativos a estrategia sectorial deberían estar orientados hacia la reducción de la pobreza e integrados en la revisión del marco de las políticas del Banco. Finalmente, la OED debería fortalecer sus procesos internos para garantizar que la preocupación por la pobreza es el principio organizador de todas las evaluaciones.

En última instancia, la reducción de la pobreza, y su enfoque en resultados, es una tarea que debe ser compartida por el Banco, por sus clientes y por los socios que promueven el desarrollo. Por lo tanto, debe darse una alta prioridad a la ejecución de las lecciones extraídas de la experiencia a través de los *Documentos sobre la estrategia para la reducción de la pobreza*.

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Banque ne tenait pas suffisamment compte de la nécessité de mesurer et de contrôler les résultats engendrés par l'aide fournie par cette dernière.

Le Rapport recommande que la nouvelle stratégie de réduction de la pauvreté comporte des moyens de mesure clairs et vérifiables pour évaluer les résultats de la mise en œuvre, ainsi qu'un cadre permettant d'évaluer les répercussions de l'aide fournie par la Banque et les autres bailleurs de fonds. Tous les documents sur la stratégie sectorielle devraient viser une réduction de la pauvreté et être intégrés à la révision du cadre stratégique de la Banque. Enfin, le Département de l'évaluation des opérations devrait renforcer ses procédures internes afin de s'assurer que la pauvreté constitue la préoccupation principale de ces évaluations.

Pour finir, la réduction de la pauvreté – de même que la recherche de résultats – incombe à la Banque, à ses clients et aux agences de développement. Par conséquent, il est indispensable de veiller avant tout à ce que les *Cadres stratégiques de la lutte contre la pauvreté* s'inspirent des leçons tirées de l'expérience passée.



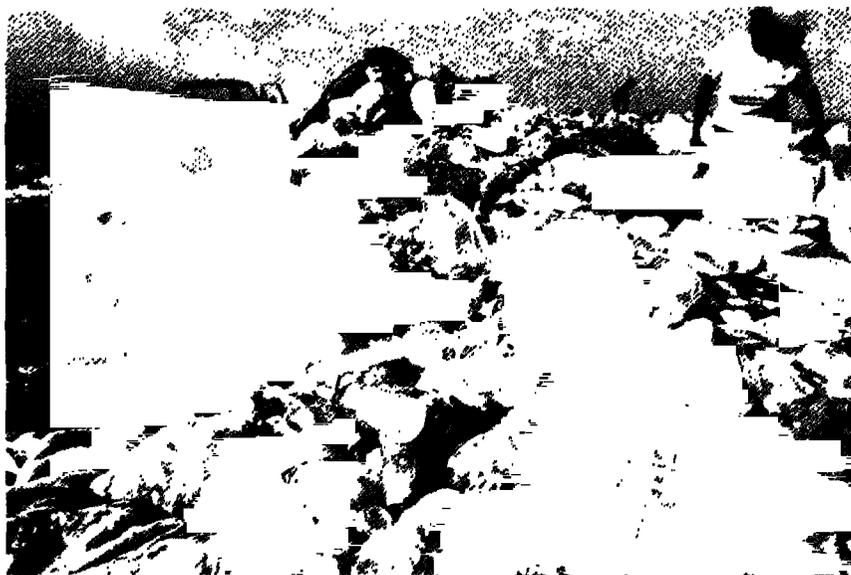
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EXECUTIVE
SUMMARY

The *World Development Report (WDR) 1990: Poverty*, provided the foundation for a World Bank strategy to help achieve global poverty reduction:

- Encourage a pattern of growth that promotes the productive use of labor, the most abundant asset of the poor, through policies that “harness market incentives, social and political



institutions, infrastructure, and technology [to that end]” (p. 3).

- Provide basic social services to the poor through a focus on primary health care, family planning, nutrition, and primary education.
- Program well-targeted transfers and safety nets to support those living in remote and resource-poor regions or groups directly affected by economic transition.

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RESUMEN

El Informe WDR de 1990: *pobreza*, proporcionó las bases para una estrategia del Banco Mundial de ayuda a la reducción de la pobreza global:

- Estimular un crecimiento que promueva el uso productivo de la mano de obra, la cual es el recurso más abundante en los países pobres, mediante políticas que “aprovechen los incentivos

del mercado, las instituciones sociales y políticas, la infraestructura y la tecnología” (pag. 3).

- Proporcionar servicios sociales básicos a los pobres a través atención médica primaria, planificación familiar, nutrición y educación primaria.
- Programar redes de protección social y transferencias seleccionadas para ayudar a las

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RÉSUMÉ
ANALYTIQUE

Le Rapport sur le développement dans le monde (1990) : Pauvreté, a servi de base à la stratégie de la Banque mondiale pour réduire la pauvreté dans le monde :

- Encourager un modèle de croissance qui favorise une utilisation productive de la main-d'œuvre, la principale richesse des pauvres, par le biais de politiques qui « orientent les incitations du marché, les institutions politiques et sociales, l'infrastructure et la technologie [dans ce sens] » (p. 3).
- Fournir aux pauvres les services sociaux de base en donnant la priorité aux soins de santé de première nécessité, à la planification familiale, à la nutrition et à l'éducation.
- Mettre en place des programmes de transfert et des filets de sécurité bien ciblés pour aider les habitants des régions éloignées ou des régions manquant de ressources ou les groupes directement touchés par la transition économique.

Depuis, dans un énoncé de mission très clair, la Banque s'est de nouveau engagée à réduire la pauvreté : « Lutter contre la pauvreté avec passion et professionnalisme et obtenir des résultats durables ». On prépare actuellement une stratégie de réduction de la pauvreté révisée, dans laquelle on tient compte des conclusions du *Rapport sur le développement dans le monde (2000-2001)* à paraître. Ce rapport est conçu de manière à

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The Bank has since reconfirmed its commitment to poverty reduction through a forthright mission statement: "To fight poverty with passion and professionalism for lasting results." A revised poverty reduction strategy is being prepared in light of the findings of the forthcoming *WDR 2000/2001*. This report is designed to contribute to the strategy review process. It examines the implementation of the 1990 strategy and draws the lessons of experience that touch on the Bank's policy framework for poverty reduction.

The report concludes that the 1990 strategy has had a significant and positive impact on the Bank's operational work on poverty. The strategy was critical in highlighting the importance of broad-based growth for poverty reduction and in focusing operational priorities on the equitable provision of social services. It helped to reshape both the composition of Bank assistance and the priorities of other development agencies. The strategy also spurred a significant improvement in the poverty knowledge base that now spans the wider development community.

But the Bank has also found it difficult to move from the policy generalities of the 1990 strategy toward Country Assistance Strategies (CASs) that address specific social and structural constraints to broad-based growth. Insufficient attention has been paid to ensuring that lending for social services actually benefits the poor, and to the integral role of social safety nets in managing risk and vulnerability to shocks. Overall, the Bank's implementation of the strategy was insufficiently focused on measuring and monitoring results linked to Bank assistance.

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personas que viven en las regiones más remotas y pobres más en recursos o a los grupos más afectados directamente por la transición económica.

Desde entonces, el Banco ha vuelto a confirmar su compromiso con la reducción de la pobreza, a través de una declaración abierta en su misión: "combatir la pobreza, de forma apasionada y profesional, buscando resultados duraderos". A raíz de los hallazgos que se reflejan en el Informe *WDR 2000/2001*, de próxima aparición, se está preparando una revisión de la estrategia para la reducción de la pobreza, para cuyo proceso de revisión esté informe está diseñado. En éste se examina la ejecución de la estrategia establecida en 1990, y se extraen las lecciones derivadas de la experiencia y que afectan al marco de políticas del Banco encaminadas a la reducción de la pobreza.

El informe concluye que la estrategia definida en 1990 ha tenido un notable impacto positivo sobre el trabajo operativo que el Banco lleva a cabo en relación con la pobreza. La estrategia fue decisiva en resaltar la importancia que tiene el crecimiento sobre una base amplia para la reducción de la pobreza y el enfoque hacia las prioridades operativas en torno a la provisión equitativa de servicios sociales. Contribuyó a reestructurar la composición de la ayuda proporcionada por el Banco y las prioridades establecidas por otras agencias dedicadas al desarrollo. Asimismo, la estrategia impulsó una importante mejoría de los conocimientos básicos sobre la pobreza, que ahora engloba a una comunidad en desarrollo más amplia.

No obstante, para el Banco ha resultado también difícil pasar de las generalidades de las políticas

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contribuer au processus de révision de la stratégie. Il examine la mise en oeuvre de la stratégie de 1990 et tire des leçons de l'expérience en rapport avec le cadre stratégique pour la réduction de la pauvreté.

Le rapport conclut que la stratégie de 1990 a eu des répercussions importantes et positives sur les interventions de la Banque destinées à réduire la pauvreté. La stratégie a été indispensable pour souligner l'importance d'une croissance à grande échelle si l'on veut réduire la pauvreté et concentrer les priorités du service sur une répartition équitable des services sociaux. Elle a permis de remanier l'aide octroyée par la Banque et de modifier les priorités des autres agences de développement. La stratégie a aussi été à l'origine d'une amélioration considérable de la base de connaissances qui couvre maintenant une communauté de développement plus large.

La Banque a cependant trouvé difficile de passer des politiques plus générales de la stratégie de 1990 à des stratégies d'aide par pays, qui font face à des contraintes sociales et structurelles précises pour une croissance à grande échelle. On ne s'est pas suffisamment assuré que les pauvres bénéficiaient vraiment des prêts octroyés pour les services sociaux et on n'a pas accordé suffisamment d'attention au rôle des filets de sécurité dans la gestion des risques et de la vulnérabilité des programmes. Dans l'ensemble, quand elle a mis la stratégie en oeuvre, la Banque ne s'est pas suffisamment attardée à mesurer et à contrôler les résultats obtenus grâce à son aide.

Lorsque la Banque procédera à la mise en oeuvre de l'Initiative en faveur des stratégies de réduction de la pauvreté, en collaboration avec le FMI, elle devra relever deux défis : concevoir

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As the Bank proceeds with implementation of the Poverty Reduction Strategy Initiative (PRSI) in collaboration with the IMF, the challenge will be twofold: (i) to design and implement tailor-made country and sector assistance strategies deliberately aimed at poverty reduction, and (ii) to develop a strategic framework for measuring results that will allow ongoing review of the new poverty reduction framework and country poverty strategies. This report provides evaluation findings and includes recommendations aimed at achieving this goal.

Putting Strategy into Practice

There has been a substantial mainstreaming of the 1990 poverty reduction strategy in Bank operations. Lending and nonlending activities are more sharply focused on poverty reduction today than at the beginning of the 1990s. Linkages between country information on poverty and the Bank's country strategies have steadily improved. Substantial gains have been made in the availability of poverty profiles, particularly their non-income dimensions. This has strengthened the linkage between the diagnostic treatment of poverty in the CAS and the relevance of the assistance strategy for poverty reduction. Progress is still uneven, however. While the quality of poverty assessments has improved, it is still modest overall. The treatment of social safety net issues, in particular, has been less than satisfactory. Many assessments still do not convincingly address macro linkages to poverty or sectoral issues, particularly the prominent roles of land policy, food policy, and rural development in poverty reduction.

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establecidas en la estrategia de 1990 a las Estrategias de Ayuda a cada País (CAS), que intentan dar respuesta a los obstáculos sociales y estructurales concretos que limitan el crecimiento sobre una base amplia. No se ha prestado suficiente atención a la tarea de garantizar que los préstamos concedidos para servicios sociales lleguen a los pobres, ni al papel integral que las redes de protección social juegan a la hora de amortiguar los riesgos y la vulnerabilidad frente a las situaciones inesperadas. En conjunto, la puesta en práctica de la estrategia por parte del Banco no se ha concentrado, hasta el grado deseado, en la evaluación y el seguimiento de los resultados relacionados con la ayuda proporcionada por éste.

Conforme el Banco prosiga con la implementación de la PRSI en colaboración con el FMI, el desafío tendrá dos facetas: (i) diseñar y poner en práctica estrategias de ayuda, adaptadas a cada país y sector, cuyo fin expreso será el de reducir los niveles de pobreza, y (ii) desarrollar un marco estratégico para la evaluación de los resultados que permita revisar, de forma continua, el nuevo marco de reducción de la pobreza y las estrategias adaptadas a cada país. El informe revela los resultados de la evaluación e incluye recomendaciones encaminadas a lograr estos objetivos.

Puesta en práctica de la estrategia

La estrategia para la reducción de la pobreza definida en 1990 se ha ido convirtiendo en el eje principal de las operaciones del Banco. En la actualidad, las actividades del Banco, relacionadas con préstamos o no, están más centradas en la reducción de la pobreza de lo que lo estaban al comienzo de la década de los 90. Las relaciones

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sur mesure et mettre en oeuvre des stratégies d'aide sectorielles et par pays destinées à réduire la pauvreté, d'une part, et mettre au point un cadre stratégique pour mesurer les résultats qui permettra de procéder à un examen continu du nouveau cadre de réduction de la pauvreté et des stratégies par pays, d'autre part. Ce rapport fournit les conclusions de l'évaluation et des recommandations pour atteindre ce but.

Mise en pratique des stratégies

La stratégie pour la réduction de la pauvreté de 1990 a profondément été intégrée aux activités de la Banque. Aujourd'hui, les prêts et les autres activités sont beaucoup plus axés sur la réduction de la pauvreté qu'ils ne l'étaient au début des années 90. Les liens entre les informations sur la pauvreté par pays et les stratégies de la Banque par pays n'ont cessé de s'améliorer. On dispose de beaucoup plus de profils de la pauvreté qu'auparavant, particulièrement en ce qui concerne les données qui ne relèvent pas des revenus. Cela a permis de renforcer le lien entre la manière d'établir un diagnostic de la pauvreté dans les stratégies d'aide par pays et la pertinence de la stratégie d'aide pour la réduction de la pauvreté. Toutefois, les progrès réalisés ne sont pas réguliers et demeurent modestes dans l'ensemble, même si la qualité des évaluations de la pauvreté s'est améliorée. La manière dont on a traité les filets de sécurité sociaux n'a pas été satisfaisante. De nombreuses évaluations continuent de ne pas établir les liens importants qui existent avec la pauvreté, en particulier les rôles majeurs de la politique foncière, de la politique alimentaire et du développement rural pour la réduction de la pauvreté.

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Country Assistance Strategies

A majority of CASs, and particularly those prepared in FY97-99, exhibit a tangible commitment to the first two pillars of the 1990 strategy. *Growth* is at the center of all CASs, and the focus on *social service provision* is almost universal. However, CAS policy frameworks have taken time to move from the generalities of the strategy to recommendations that are concrete and tailored to specific country contexts. The linkages between broad-based growth and poverty are not always clear. Too few CASs provide a clear prioritization of policy choices or address possible tradeoffs and their likely impact on the poor. There have been tangible improvements in linking poverty goals with CAS policy matrices, but many CASs still make inadequate arrangements to monitor and evaluate progress toward poverty reduction objectives.

Lending

In lending, the priorities implicit in the strategy have had a significant influence on the composition of investment activities and the allocations to countries in recent years:

- An increasing share of International Development Association (IDA) and International Bank for Reconstruction and Development (IBRD) lending has gone to countries that demonstrate stronger borrower performance and greater effort on poverty reduction goals.
- Lending has increasingly favored sectors and subsectors regarded by *WDR 1990* as directly relevant to the poor—rural and urban infrastruc-

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existentes entre la información sobre la pobreza en cada país y las estrategias del Banco han ido mejorando de forma constante. Se han logrado grandes avances gracias a la disponibilidad de perfiles sobre la pobreza en las distintas zonas, especialmente en los aspectos no referentes a sus ingresos. Esto ha fortalecido el vínculo entre el tratamiento diagnóstico de la pobreza establecido en las CAS y la relevancia de la estrategia de ayuda para la reducción de la pobreza. Sin embargo, los avances son todavía desiguales. Mientras que la calidad de las evaluaciones de las situaciones de pobreza ha mejorado, en su conjunto es aún modesta. En concreto, el tratamiento de los temas relacionados con las redes de protección social no ha sido satisfactorio. Muchas evaluaciones siguen sin establecer macrovínculos convincentes con la pobreza o los factores sectoriales, en especial, con los papeles claves que juegan el reparto de las tierras, la distribución de los alimentos y el desarrollo de las zonas rurales para la reducción de la pobreza.

Estrategias de ayuda a cada país (CAS)

Una mayoría de las CAS, especialmente las preparadas en los años fiscales 97-99, muestran un compromiso tangible con los dos primeros pilares de la estrategia establecida en 1990. Todas las CAS abordan el *crecimiento* como cuestión clave, y casi todas ellas se centran en la *provisión de servicios sociales*. No obstante, los marcos de políticas de las CAS han tardado bastante en pasar de las generalidades a las recomendaciones concretas y adaptadas a los contextos específicos de cada país. Los vínculos entre el crecimiento sobre la base más amplia posible y la pobreza no siempre están claros. Son muy pocas las CAS que

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Stratégies d'aide par pays

La majorité des stratégies d'aide par pays, et en particulier celles préparées au cours des années financières 97, 98 et 99, témoignent d'une préoccupation réelle pour deux éléments fondamentaux de la stratégie de 1990. La *croissance* est au centre de toutes les stratégies d'aide par pays et l'intérêt pour la *fourniture de services sociaux* aux populations démunies est pratiquement universel. Toutefois, il a fallu du temps pour que le cadre stratégique des stratégies d'aide par pays passe d'une orientation générale à des recommandations concrètes et adaptées au contexte de chaque pays. Les liens entre une croissance à grande échelle et la pauvreté ne sont pas toujours clairs. Trop peu de stratégies établissent des priorités claires pour les choix de politiques ou traitent des choix possibles et de leurs répercussions probables sur les pauvres. De réels progrès ont été réalisés en ce qui concerne l'établissement de liens entre les objectifs en matière de pauvreté et les choix de politique, mais beaucoup de stratégies d'aide par pays prennent des dispositions mal adaptées afin de contrôler et d'évaluer les progrès réalisés pour atteindre les objectifs de réduction de la pauvreté.

Prêts

En ce qui concerne les prêts, les priorités implicites dans la stratégie ont eu une influence significative sur le choix des activités d'investissement et de l'attribution des ressources par pays au cours de ces dernières années.

- De plus en plus de prêts accordés par l'Association internationale de développement (AID) et par la Banque internationale pour la reconstruction et le développement (BIRD) ont été octroyés aux pays

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ture, primary and secondary education, basic health, social assistance, and microfinance.

- Lending for the three main social sectors—education; health, nutrition, and population; and social protection—reached 20 percent of total Bank lending, compared with just 5 percent in the early 1980s.

Performance

In assessing performance, it is important to recognize that poverty outcomes are the product of a wide variety of factors, and that few of them are under exclusive Bank control. While the volume of lending has increased significantly in the social sectors, concerns about the loss of possible synergies with other sectors and limited knowledge of poverty impact have emerged. Basic health projects continue to perform below the average for the Bank, and below the average for targeted operations generally, although the record is improving. Primary and secondary education projects also showed a downturn in the mid-1990s. After almost two decades of experience, not enough is known about what has been achieved for the poor with investments in the social sectors. More attention needs to be paid to assuring quality at entry and that adequate arrangements have been made to assess social and poverty impact.

The record on integrating the priorities of the poverty strategy into adjustment lending is uneven. While there are tangible gains in protecting overall levels of social spending, progress is limited in ensuring equitable reallocations of spending and in making adequate safety net pro-

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proporcionan una escala de prioridades clara en relación con las políticas posibles o que describen las posibles consecuencias negativas y el impacto que probablemente tendrán sobre los pobres. Se han producido mejorías tangibles a la hora de relacionar los objetivos de reducción de la pobreza con los marcos de políticas de las CAS, pero en muchas CAS todavía se realizan disposiciones inadecuadas en lo que se refiere al seguimiento y la evaluación del progreso de obtención de metas relacionadas con la reducción de la pobreza.

Préstamos

En cuanto a los préstamos, las prioridades implícitas en la estrategia han tenido una importante influencia en la composición de las inversiones y en las asignaciones a los países en los años recientes:

- Una parte creciente de los préstamos concedidos por la Asociación Internacional de Fomento (AIF) y por el Banco Internacional de Reconstrucción y Fomento (BIRF) se ha destinado a los países que muestran un mejor comportamiento como prestatarios y que realizan los mayores esfuerzos por alcanzar los objetivos asociados a la reducción de la pobreza.
- De forma creciente, los préstamos han favorecido a los sectores y subsectores considerados en el Informe WDR 1990 como directamente relevantes para los pobres, a saber, infraestructuras rurales y urbanas, educación primaria y secundaria, atención sanitaria básica, asistencia social, y microfinanzas.
- Los préstamos a los tres

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qui affichent de meilleurs résultats grâce aux sommes déjà prêtées et qui prouvent ainsi qu'ils font des efforts pour réduire la pauvreté.

- Les prêts ont de plus en plus favorisé les secteurs et les sous-secteurs que le *Rapport sur le développement dans le monde (1990)* identifiait comme ayant un intérêt direct pour les pauvres – l'infrastructure rurale et urbaine, l'enseignement primaire et secondaire, les services de santé de base, l'aide sociale et les micro finances.
- Les prêts accordés aux trois principaux secteurs sociaux – l'éducation; la santé, la nutrition et les naissances; la protection sociale – représentent maintenant 20 % des prêts de la Banque, comparativement à seulement 5 % au début des années 80.

Rendement

Lorsqu'on évalue le rendement, il est important de reconnaître que de nombreux facteurs sont à l'origine de la pauvreté et que peu de ces facteurs dépendent seulement de la Banque. Alors que le volume des prêts a considérablement augmenté dans les secteurs sociaux, des craintes sont apparues en ce qui concerne la disparition de synergies possibles avec d'autres secteurs et la connaissance limitée des conséquences de la pauvreté. Le rendement des projets de santé de base continue de se situer au-dessous de la moyenne pour la Banque et au-dessous de la moyenne pour les activités ciblées, même si les résultats s'améliorent. Les projets d'enseignement primaire et secondaire ont aussi démontré un recul vers le milieu des années 90. Après presque 20 ans d'expérience, on ne dispose pas encore d'informations suffisantes sur ce qui a

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visions. Few loans include measures to remove distortions that directly affect the poor.

Projects included in the Program of Targeted Interventions (PTI) have performed better, on average, than other projects in the same sectors, largely because of their greater emphasis on beneficiary and community participation at the design and implementation stages and their relatively greater attention to performance monitoring. Lending specifically to community-based projects, including social funds, has performed well overall; 81 percent of projects approved since 1987 have achieved satisfactory outcomes. But inclusion in the PTI does not ensure that a project delivers benefits directly to the poor. PTI criteria are open to wide interpretation and involve no explicit requirement that project results be monitored or that impacts on the poor be demonstrated.

Overall, lack of systematic attention to monitoring and evaluation (M&E) has contributed to a major knowledge gap about the contribution of Bank lending to poverty and social outcomes.

Regional Trends

The *WDR 1990* made sound forecasts of the prospects for growth and improvements in social indicators. However, the unexpected impact of the economic and social transition in Europe and Central Asia (ECA) and of much slower growth than expected in Sub-Saharan Africa meant that, overall, the forecasts were optimistic. East Asia performed above expectations until the financial crisis of 1997. Africa performed below forecasted levels. IDA countries as a group made substantial improvements in social indicators, but Africa

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principales sectores sociales - educación, nutrición y población, así como protección social - alcanzaron un 20% de los préstamos totales concedidos por el Banco, a diferencia de un 5% de principios de los años 80.

Rendimiento

A la hora de evaluar el rendimiento, es importante tener en cuenta que los resultados son fruto de una variedad de factores, y que sólo una parte de éstos están bajo el control exclusivo del Banco. Mientras que el volumen de los préstamos ha aumentado notablemente en los sectores sociales, han surgido preocupaciones con respecto a la pérdida de posibles sinergias con otros sectores y al limitado conocimiento del impacto de éstos sobre la pobreza. Los proyectos relacionados con la atención sanitaria básica siguen mostrando un rendimiento resultados que es inferior al promedio del mostrado por los demás proyectos financiados por el Banco, e inferior también al mostrado por las operaciones en general, aunque este rendimiento está mejorando. Los proyectos relacionados con la educación primaria y secundaria también mostraron un empeoramiento a mediados de los 90. Tras casi dos décadas de experiencia, no se sabe suficiente acerca de qué es lo que se ha logrado para los pobres mediante las inversiones en los sectores sociales. Deben dedicarse mayores esfuerzos a garantizar que los objetivos de las inversiones sean de la máxima calidad y a asegurarse de que se toman las medidas adecuadas para poder evaluar el impacto social, y sobre la pobreza, de estas inversiones.

El historial de éxito en cuanto a integrar las prioridades de la estrategia de reducción de la pobreza en el ajuste de los préstamos es desigual. Aunque se han constatado avances tangibles en

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été fait pour les pauvres avec les investissements dans les secteurs sociaux. Il faudrait veiller davantage à la qualité des projets dès le départ et s'assurer que des dispositions ont été prises pour évaluer les répercussions sociales

et les répercussions sur la pauvreté. Les résultats enregistrés en ce qui concerne l'intégration des priorités de la stratégie pour la réduction de la pauvreté aux prêts à l'ajustement sont encore irréguliers. Alors que l'on fait de réels progrès en ce qui concerne la protection du niveau global des dépenses sociales, on ne réalise que des progrès limités quand il s'agit de garantir une réattribution équitable des dépenses et de fournir des filets de sécurité adéquats. Peu de prêts comprennent des mesures destinées à supprimer les inégalités qui affectent directement les pauvres.

Les projets qui faisaient partie du programme d'intervention ciblée affichent, en moyenne, un meilleur rendement que les autres projets dans les mêmes secteurs. Ceci s'explique en grande partie par le fait qu'on insiste davantage sur la participation des bénéficiaires et sur la participation communautaire au moment de la conception et de la mise en oeuvre et qu'on est plus attentif à la surveillance du rendement. Dans l'ensemble, les prêts accordés à des projets communautaires, y compris les fonds pour les secteurs sociaux, ont un bon rendement : 81 % des projets approuvés depuis 1987 ont obtenu des résultats satisfaisants. Mais ce n'est pas parce qu'un projet fait partie du programme d'intervention ciblée qu'il garantit que les pauvres en bénéficieront directement. Les critères de ce type de programme permettent une interprétation trop large et n'exigent pas clairement que l'on vérifie les résultats du projet et que l'on démontre qu'il a eu des

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has lagged behind, and the fragile gains that have been made are in danger of being offset by civil strife, military conflicts, and the effects of AIDS.

These are sobering trends, and worrisome in the light of the international community's commitment to achieving major reductions in poverty and social inequality by 2015. Does the strategy emphasized by the Bank since 1990 still have relevance for achieving global poverty reduction goals?

Relevance

The report finds that a strategy that emphasizes the mutually reinforcing benefits of sustained growth and human resource development remains highly relevant if combined with a focus on rural development and a system of well-designed safety nets. Finding the right combination of policies to support long-term growth and ensure that the poor benefit directly is a complex challenge. The evidence points to the deleterious effects of inequality. Based on the latest growth projections, the prospects for reaching the target of halving absolute poverty by 2015 are poor in countries with high income inequality.

The empirical evidence points to the importance of factors such as property rights, strong institutions, and the distribution of assets in mediating the poverty-reducing effects of growth. It also highlights the need for well-targeted safety nets to address growing problems of volatility and economic downturn. Rates of private investment are critically linked to the prospects for long-term growth, which are linked in turn to the availability of infrastructure and credible institutions.

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cuanto a garantizar los niveles globales de los gastos con lo que a fines sociales se refiere, los avances han sido limitados en el sentido de garantizar que las reasignaciones equitativas de los mismos y en cuanto a

proporcionar redes de protección adecuadas. Pocos préstamos incluyen medidas destinadas a eliminar las distorsiones que afectan directamente a los pobres.

Los proyectos incluidos en el Programa de intervenciones seleccionadas (PTI) han mostrado un mejor comportamiento promedio, que otros proyectos llevados a cabo en los mismos sectores, principalmente porque hacían mayor hincapié en la participación de los beneficiarios y de la comunidad en las fases de su diseño e implementación, y también porque en ellos se prestaba mayor atención al seguimiento de los resultados. En conjunto, los préstamos concedidos específicamente para proyectos basados en la comunidad, incluyendo los fondos sociales, han mostrado un buen comportamiento; en el 81% de los proyectos aprobados desde 1987 han mostrado resultados satisfactorios. Sin embargo, la inclusión del PTI no garantiza que un proyecto proporcione beneficios directos a los pobres. Los criterios del PTI están sujetos a una amplia interpretación y en ellos no se requiere de forma explícita que se controlen los resultados ni que se demuestre que los proyectos han tenido consecuencias beneficiosas para los pobres.

En resumen, la falta de una atención sistemática al seguimiento y a la evaluación ha contribuido a que exista un importante vacío de información en cuanto a la repercusión de los préstamos del Banco en el logro de mejoras sociales y de reducción de la pobreza.

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répercussions sur les pauvres.

D'une manière générale, en raison de l'absence d'une surveillance et d'une évaluation systématiques des projets, on ignore quelle est la contribution de la Banque à la réduction de la pauvreté et à l'amélioration des services sociaux.

Tendances régionales

Le *Rapport sur le développement dans le monde (1990)* faisait des prévisions sur la croissance et sur l'amélioration des indicateurs sociaux. Toutefois, en raison des répercussions inattendues de la transition économique et sociale en Europe et en Asie Centrale, ainsi que de la croissance beaucoup plus lente que prévue en Afrique subsaharienne, les prévisions étaient optimistes. L'Asie de l'Est a dépassé toutes les attentes jusqu'à la crise financière de 1997. Les indicateurs sociaux des pays de l'AID, considérés en tant que groupe, ont considérablement progressé, mais l'Afrique est restée loin derrière et la guerre civile, les conflits militaires ainsi que le sida risquent de réduire à néant les quelques résultats fragiles obtenus dans cette région.

Ces tendances sont préoccupantes si l'on se place du point de vue de l'engagement de la communauté internationale à réduire de façon significative la pauvreté et l'injustice sociale d'ici 2015. La stratégie mise de l'avant par la Banque depuis 1990 demeure-t-elle pertinente?

Pertinence

Le rapport conclut qu'une stratégie qui met l'accent sur les avantages mutuels d'une croissance soutenue et d'une mise en valeur de la main-d'oeuvre demeure très pertinente si on ne perd pas de vue le développement rural et si on met en place des filets de

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More recent evidence points to the role of social capital in shaping the ability of the poor to take advantage of income and welfare-enhancing opportunities, and to the importance of participation in ensuring that policies address issues that most directly affect the poor.

The Road Ahead

In sum, the thrust of the 1990 strategy remains relevant, but it needs to be combined with a more comprehensive approach. Nurturing policy reform and building pro-poor institutions is a long-term challenge. Lessons from project experience confirm the importance of a holistic approach to reach the poor more effectively. This includes a focus on local-level institutions and building on existing institutional frameworks wherever possible, and on creating synergies across sectors for maximum impact. These are lessons that are consistent with the Comprehensive Development Framework (CDF), echoed by the findings of the *WDR 2000/2001*.

It is not possible to say more about the contribution of Bank assistance to poverty reduction. The 1990 strategy, and the operational guidelines based on it, have failed to generate a clear emphasis on measuring and monitoring results. Carrying out this evaluation has been made difficult by the large gap in self- and independent evaluation relating to poverty and social outcomes. A critical test of the Bank's evolving poverty strategy will be the design of a credible framework for measuring the results of the Bank's country assistance, and helping to build local capacity for monitoring the impact of poverty reduction programs.

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Tendencias regionales

En el Informe *WDR 1990* se realizaban previsiones alentadoras respecto a las perspectivas de crecimiento y de mejoría de los indicadores sociales. Sin embargo, el impacto inesperado de la transición económica y social que se ha producido en Europa y en Asia Central (ECA), así como del crecimiento mucho más lento de lo esperado que se ha dado en África subsahariana, han demostrado que, en general, estas previsiones fueron demasiado optimistas. Asia Oriental mostró un comportamiento que superaba las expectativas hasta la llegada de la crisis financiera de 1997. África mostró un comportamiento inferior a los niveles previstos. El grupo de países que recibió ayuda de IDA mostró importantes mejorías en sus indicadores sociales, pero África se ha quedado atrás, y sobre los de momento avances que se han logrado pesa el peligro de las revueltas civiles y los conflictos armados, así como los efectos del SIDA.

Estas tendencias mueven a la reflexión sobre el anterior optimismo, y resultan preocupantes a la luz del compromiso de la comunidad internacional de lograr importantes reducciones de los niveles de pobreza y desigualdad social para el año 2015. ¿Es todavía relevante la estrategia en la que se ha centrado el Banco desde 1990 en lo que se refiere a lograr los objetivos fijados de reducción de la pobreza global?

Relevancia

El informe afirma que una estrategia que hace énfasis en el refuerzo mutuo de los beneficios del crecimiento sostenido y el desarrollo de los recursos humanos sigue siendo relevante si se combina con un enfoque en el desarrollo de las zonas

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sécurité bien ciblés. Il est extrêmement difficile de trouver la bonne combinaison de politiques à mettre en oeuvre pour permettre une croissance à long terme et s'assurer que les pauvres en bénéficient directement. L'effet néfaste de l'inégalité est évident. D'après les dernières prévisions de croissance, il y a peu de chance que l'on parvienne à réduire de moitié la pauvreté d'ici 2015, comme prévu, dans les pays où l'inégalité des revenus est élevée.

Les preuves concrètes soulignent l'importance de facteurs tels que le droit à la propriété, des institutions fortes et la distribution des richesses pour que la croissance contribue à réduire la pauvreté. Elles soulignent aussi la nécessité de filets de sécurité bien ciblés pour résoudre les problèmes de plus en plus importants de la volatilité et du ralentissement économique. Le taux des investissements privés est étroitement lié aux perspectives de croissance à long terme, lesquelles dépendent de l'existence d'une infrastructure et d'institutions crédibles. Des preuves plus récentes révèlent le rôle que joue le capital social pour permettre aux pauvres de profiter des possibilités qui leur sont offertes pour améliorer leur bien-être et leurs revenus ainsi que la nécessité de politiques portant sur les questions qui affectent le plus directement les pauvres.

Chemin à parcourir

En résumé, l'idée maîtresse de la stratégie de 1990 demeure pertinente, mais elle doit être combinée à une approche plus globale. L'élaboration d'une politique de réforme et la création d'institutions qui travaillent pour les pauvres représentent un défi à long terme. Les leçons tirées de l'expérience des projets confirment

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rurales y con un sistema bien diseñado de redes de protección social. Encontrar la combinación adecuada de políticas que respalden el crecimiento a largo plazo y que garanticen que los pobres se beneficiarán de forma directa es un desafío complejo. Las pruebas apuntan hacia los efectos nocivos de las desigualdades. En base a las proyecciones de crecimiento más recientes, las perspectivas de alcanzar, en el año 2015, el objetivo de reducir la pobreza, en términos absolutos, son poco halagüeñas en los países en los que los ingresos están muy desigualmente distribuidos.

Las pruebas empíricas señalan la importancia de factores tales como los derechos sobre la propiedad, las instituciones fuertes y la distribución de los recursos, como indispensables para que el crecimiento se traduzca en una reducción de la pobreza. Asimismo, estas pruebas resaltan la necesidad de establecer redes de protección social bien dirigidas para poder resolver los crecientes problemas de volatilidad y empeoramiento económico. Las tasas de inversión privada están decisivamente vinculadas a las perspectivas de crecimiento a largo plazo, las cuales a su vez están vinculadas a la disponibilidad de infraestructuras y de instituciones dotadas de credibilidad.

Las pruebas más recientes subrayan la importancia del capital social, en la determinación de la capacidad de los pobres para aprovechar sus ingresos y sus oportunidades de aumento de la riqueza; la participación tiene igual importancia para garantizar que las políticas respondan a los problemas que afectan más directamente a los pobres.

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l'importance d'adopter une approche holistique afin de toucher les pauvres plus efficacement. Cela suppose que l'on se concentre sur les institutions locales, que l'on utilise les structures institutionnelles déjà en place quand c'est possible et que l'on crée davantage de synergie entre les secteurs pour obtenir de meilleurs résultats. Tout ceci est compatible avec le Cadre de développement intégré appuyé par les conclusions du *Rapport sur le développement dans le monde (2000-2001)*.

Il n'est pas possible d'en dire davantage sur la contribution de l'aide fournie par la Banque pour la réduction de la pauvreté. La stratégie de 1990 et les lignes directrices qui en ont découlé n'ont pas réussi à faire accepter l'importance de mesurer et de surveiller les résultats obtenus. Les écarts importants qui existent entre les auto-évaluations et les évaluations indépendantes réalisées afin de mesurer les résultats obtenus pour la réduction de la pauvreté et l'amélioration des services sociaux rendent toute évaluation globale très difficile. Une épreuve décisive pour la nouvelle stratégie de la Banque consistera à concevoir un cadre crédible qui permettra de mesurer les résultats de l'aide accordée par pays et d'aider à créer l'infrastructure nécessaire dans chaque pays afin de surveiller les répercussions des programmes de réduction de la pauvreté.

El camino a seguir

Resumiendo, el impulso inherente a la estrategia establecida en 1990 sigue siendo relevante, pero es necesario combinarlo con un enfoque más completo. Alentar la reforma de las políticas y construir instituciones que apoyen a los pobres son retos a largo plazo. Las lecciones extraídas de la experiencia de los proyectos llevados a cabo hasta ahora confirman que es importante adoptar un enfoque holístico para que la ayuda llegue a los pobres de forma más efectiva. Esto incluye centrarse en crear instituciones de carácter local, aprovechando las estructuras institucionales ya existentes siempre que sea posible, y en crear sinergias entre los distintos sectores para lograr los máximos resultados. Estas lecciones son coherentes con el MID, y están respaldadas por los hallazgos incluidos en el Informe *WDR 2000/2001*.

No es posible decir más acerca de la contribución de la ayuda del Banco a la reducción de la pobreza en el mundo. La estrategia establecida en 1990, así como las directrices operativas basadas en ésta, no han conseguido generar un énfasis claro sobre la importancia de la evaluación y el seguimiento de los resultados. Llevar a cabo esta evaluación ha sido difícil a causa del gran vacío existente en la autoevaluación y en la evaluación independiente de los resultados sociales y de la reducción de la pobreza. Diseñar un marco, dotado de credibilidad, que permita medir los resultados de la ayuda del Banco a los países, así como contribuir a desarrollar la capacidad local de seguimiento del impacto de los programas de reducción de la pobreza, serán una prueba decisiva para la evolución de la estrategia del Banco frente a la pobreza.

ABBREVIATIONS AND ACRONYMS

AIDS	–	Acquired Immune Deficiency Syndrome
ALMP	–	Arid Lands Resource Management Project (Kenya)
ARDE	–	Annual Review of Development Effectiveness
CAE	–	Country Assistance Evaluation
CAR/CAN	–	Country Assistance Review/Note
CAS	–	Country Assistance Strategy
CDF	–	Comprehensive Development Framework
CODE	–	Committee on Development Effectiveness
CPIA	–	Country Performance and Institutional Assessment
DAC	–	Development Assistance Committee
DPIRP	–	Drought Preparedness, Intervention, and Recovery Project
EAP	–	East Asia and the Pacific Region
ECA	–	Europe and Central Asia Region
EDRP	–	Emergency Drought Recovery Program
ERL	–	Emergency Recovery Loan
ESAF	–	Enhanced Structural Adjustment Facility
ESW	–	Economic and sector work
EU	–	European Union
GTZ	–	Gesellschaft für Technische Zusammenarbeit
HIV	–	Human Immunodeficiency Virus
HNP	–	Health, nutrition, and population
IBRD	–	International Bank for Reconstruction and Development (World Bank)
ICR	–	Implementation Completion Report
ID	–	Institutional development
IDA	–	International Development Association
IMF	–	International Monetary Fund
LCR	–	Latin America and the Caribbean Region
M&E	–	Monitoring and evaluation
MNA	–	Middle East and North Africa Region
MPU	–	Milk Producers' Unions
NRF	–	National Renewal Fund (India)
OD	–	Operational Directive
OECD	–	Organization for Economic Cooperation and Development
OED	–	Operations Evaluation Department
PA	–	Poverty Assessment
PDP	–	Pastoral Development Project
PER	–	Public Expenditure Review
PPA	–	Participatory Poverty Assessment
PPP	–	Purchasing power parity
PREM	–	Poverty Reduction and Economic Management Network
PRSI	–	Poverty Reduction Strategy Initiative
PRSP	–	Poverty Reduction Strategy Paper
PTI	–	Program of Targeted Interventions
QAG	–	Quality Assurance Group
RWS	–	Rural water supply
SAL	–	Structural Adjustment Loan
SAR	–	South Asia Region
SIF	–	Social Investment Fund

SME	–	Small and medium-size enterprise
SPA	–	Special Program of Assistance for Africa
SSA	–	Sub-Saharan Africa
SSP	–	Sector Strategy Paper
UNDP	–	United Nations Development Program
WDR	–	World Development Report



Introduction

The approach paper for this evaluation was sent to the Committee on Development Effectiveness (CODE) of the Bank's Board of Directors in June 1998, when implementation of the Strategic Compact was in full swing. Since then, two further major initiatives have been announced to improve the development effectiveness of the institution and the impact of development assistance on poverty in low-income countries. In his address to the Board on October 6, 1998, World Bank President James Wolfensohn outlined his vision for a

Comprehensive Development Framework (CDF) to guide the efforts of the World Bank. Key elements of the CDF are a holistic approach to development and a framework for development assistance that is embedded in participation, partnership, and results orientation. In September 1999 the Bank and the IMF proposed the adoption of an enhanced framework for poverty reduction in low-income countries: the Poverty Reduction Strategy Initiative (PRSI), which was conceived as a way of relating development assistance more closely to national poverty reduction efforts. Alongside these initiatives, the Bank is also preparing the *World Development Report 2000/2001* on poverty, which will provide guidance for a new, forward-looking strategy to reduce global poverty.

It is too early to evaluate these initiatives. Nevertheless, the rapidly evolving context has affected the focus of this evaluation. The original aim was to assess the Bank's progress in implementing the principles and guidance embodied in the last *World Development Report* on poverty (1990). This is still its primary focus, but the evaluation also seeks to assess the relevance of the 1990 strategy in the light of changing global conditions and the Bank's move toward the principles laid out in the CDF and the PRSI.

Background

In 1990, when the Bank prepared the *World Development Report 1990: Poverty*, prospects for global poverty reduction seemed bright. Projections for the 1990s showed buoyant growth for both industrialized and developing countries.¹ While the number of poor was already estimated at over 1 billion, major declines were expected in East and South Asia. Other regions were expected to see modest reductions in the numbers of poor, but steady improvement in social indicators. Where growth was not going to be enough to offset the effects of rapid population growth, as in Sub-Saharan Africa, adequate provision for the social sectors was expected to result in rapid reductions in child mortality and a reversal of the declines in primary school enrollment experienced during the 1980s. While the

Key elements of the CDF are a holistic approach to development and a framework for development assistance that is embedded in participation, partnership, and results orientation.

hurdles to be overcome in reducing poverty were known to be formidable, the mood remained optimistic.

Since 1990 the international economic environment has faced some difficult challenges. Yet virtually everywhere, levels of infant mortality, adult illiteracy, and maternal mortality have declined. There have also

The absolute number of poor has continued to rise.

been modest reductions in the proportion of people living on under \$1 per day in developing countries. The absolute number of poor, however, has continued to rise, mainly because of continuing high population growth,

but also because the economic growth that did take place over the decade was less than hoped for and unevenly distributed in many regions. The difficult economic and social transition in Eastern Europe and Central Asia, which could not have been foreseen in 1990, also added large numbers of new poor to global poverty numbers. The AIDS pandemic has also taken a heavy toll. Nearly 30 million people worldwide are infected with HIV/AIDS, 90 percent of whom are in developing countries, and over two-thirds in Africa alone.² Civil war and a succession of natural disasters, particularly in Sub-Saharan Africa and Latin America, have also affected the pace of poverty reduction.

With inadequate progress on poverty reduction in many regions, the development assistance community is asking itself hard questions about how to work together to improve the effectiveness of aid in the fight against poverty. The Bank's recent initiatives—the CDF and the PRSI—are a direct response to this call. The time is right to identify some of the main lessons and experiences of the past decade and to assess how the Bank's policy framework for poverty reduction has fared to date.

The Bank's Strategy

The 1990 strategy stated that sustainable poverty reduction could be achieved by a combination of the following:

- Broadly based growth to generate efficient income-earning opportunities for the poor based on policies that harness market incentives, social and political institutions, infrastructure, and technology.
- Improved access to education, nutrition, health care, and other social services to improve wel-



Low-cost housing area in Sao Paulo, Brazil. Photo courtesy of National Geographic.

fare directly and to enhance the ability of the poor to take advantage of the opportunities of broadly based growth.

- The strategy also called for a program of well-targeted transfers and safety nets to support those living in remote and resource-poor regions or groups affected directly by economic transition. While each element is important in its own right, the *World Development Report (WDR) 1990* emphasized that the three, or “two-and-a-half,” elements had to be seen as mutually reinforcing and part of a comprehensive approach to poverty reduction.

Based on the *WDR*, the Bank formalized its strategy in the policy paper *Assistance Strategies to Reduce Poverty* (1991) and Operational Directive (OD) 4.15, *Poverty Reduction* (1991).³ A *Poverty Reduction Handbook* was published in 1992 to provide opera-

tional staff with examples of good practice analytical and operational work consistent with the principles of OD 4.15.

From the outset, Bank guidelines emphasized the importance of aligning all Bank-supported operations with the poverty reduction strategy. OD 4.15 also made it mandatory for the Bank to prepare country poverty assessments to provide the basis for designing Country Assistance Strategies and identifying projects that both realize high economic returns and contribute to substantial poverty reduction. Bank assistance was to be linked to an analysis of the factors determining poverty, while the volume of lending was to be linked to a country's commitment and effort to reduce poverty. Implementation of the strategy had to be addressed in the context of the overall Country Assistance Strategy—including lending, economic and sector work, aid coordination, and policy dialogue—while country effort could be assessed in terms of government commitment and measured by the adequacy of the country policy framework for poverty reduction.

Structure of the Evaluation

Assessing the effectiveness of the Bank's poverty reduction strategy is a challenging task for several reasons. First, there is the problem of identifying which aspects of strategy implementation are the responsibility of the Bank, as distinct from the preserves of borrowing governments or other development partners. There is also the added problem of accounting for exogenous factors that impact on strategy implementation. Second, assessing relevance raises the question of the counterfactual. What would have happened in the absence of the strategy? This is impossible to assess at the global level, and continues to be very difficult at the country level. Finally, the lack of adequate monitoring and evaluation data relating to country strategy and the poverty impact of Bank lending operations makes it very difficult to assess the contribution of the strategy to policy change or poverty outcomes.⁴

Given these difficulties, the evaluation could not be comprehensive. Its focus is to assess implementation of the 1990 strategy in terms of the mainstreaming of poverty concerns in Bank assistance strategies, lending and nonlending work, and policy dialogue with borrowing countries. It maps these changes against assess-

ments of Bank performance at both the country and project level. Finally, it assesses the relevance of the key elements of the 1990 strategy in light of new data and shifts in the development assistance environment over the decade.

The overarching questions for the evaluation are:

- How well aligned are the instruments of Bank assistance with the elements of the 1990 strategy?
- Has the Bank linked the volume of its lending to country efforts to reduce poverty?
- How well have policies and projects performed in meeting poverty reduction objectives?
- How relevant is the 1990 strategy given data on poverty trends and more recent research on institutional and structural constraints to progress on poverty reduction?

The evaluation is based on a thorough review of the following data sources:⁵

- Internationally comparable economic and social data and national-level poverty data and indicators of country performance.
- Internal Bank reports, Country Assistance Strategies, Implementation Completion Reports, lending data, country assistance and thematic evaluations, and data from OED's project completion data base.
- Qualitative data generated by focus groups with staff and representatives of client countries, stakeholder surveys, and interviews with other development assistance partners.

The focus is to assess implementation of the 1990 strategy in terms of the mainstreaming of poverty concerns in Bank assistance strategies.

The report is structured to address the main evaluative questions in sequence, starting with the Bank's record on implementing the guidance of the 1990 strategy, and concluding with a discussion of the relevance of the strategy and its connection to the *WDR 2000/2001*, the CDF, and the PRSI.



Putting the Bank's Strategy into Practice

The poverty reduction strategy set out in the *WDR 1990* was developed against a background of evolving ideas about poverty and in a rapidly changing global environment.

The Evolving Paradigm

In the 1960s, the focus of debate among development agencies was on growth strategies. The presumption was that poverty was primarily a consequence of lack of income or lack of access to essential commodities. In the 1970s, growing disillusionment with the trickle-down effects of growth took hold. The Nairobi speech of Robert McNamara in 1973 signaled a shift in donor priorities away from overall economic growth, toward strategies designed to benefit the absolute poor. Notions of poverty expanded to include unmet basic needs, including food, health care, and education. The perceived need to deal simultaneously with poverty and economic growth led to the formation of a new strategy in the Bank's 1974 publication, *Redistribution with Growth*. This new strategy did not abandon growth as the primary objective, but raised concerns about the distribution of the benefits of growth and made the case for a more concerted effort to secure the basic needs of the poor and for systematic Bank investments in human development. *WDR 1980* placed a strong emphasis on the human development dimensions of poverty.

The late 1970s and early 1980s witnessed an unsuccessful experience with highly interventionist policies and large public spending, particularly in Latin America and Sub-Saharan Africa. The oil crises in 1973 and 1979 had led to periods of unsustainable borrowing, macroeconomic imbalances, and ultimately to the debt crisis. At the same time, East Asian

countries experienced rapid industrialization and export-led growth. While growth was accompanied by a rise in inequality, it was sufficiently rapid to "lift all boats" and to sharply reduce levels of poverty.

These diametrically opposed experiences highlighted the importance of an outward-oriented strategy and sound macroeconomic policies for growth and the significance of investments in human resource development for decisive reductions in poverty. By the time the Bank prepared its 1990 *WDR*, the dominant view was that only by shifting resources toward more efficient tradable, pro-rural, labor-intensive sectors would growth occur and the poor benefit. Simultaneous investments in human resource development would lead to productivity improvements and future enhancements in the social well-being of the poor.

Concerns about rising inequality refocused the policy debate on a possible relationship between poverty and inequality.

Broadening Concepts

Since the preparation of the *WDR 1990*, the poverty agenda has broadened further. Concerns about rising inequality in some regions, such as Latin America, refocused the policy debate on a possible relationship between poverty and inequality. Evidence of persistent

BOX 2.1. THE GENDER DIMENSIONS OF POVERTY

Of the 900 million illiterate adults in the world, two-thirds are female. Although women have made progress in recent years, they continue to earn, on average, 50–80 percent of what men earn. In some societies, levels of

undernourishment and poor health care among women are so great as to outweigh their biological advantage in life expectancy. Some research suggests that women are more vulnerable than men to the effects of transient poverty, whether as a result of war, economic

crisis, or illness. These disparities result from gender-based inequalities in households and are reinforced and supported by gender biases outside the household, such as in labor markets, credit institutions, and legal systems. These disparities are not just damaging to the

interests of women, but to people's livelihood strategies as a whole. Research on gender, growth, and poverty in Africa finds that persistent gender inequalities are correlated with lower growth in much of the region.

Source: Blackden and Bhanu 1999.

gender inequalities and a higher incidence of poverty among women in some regions reignited worries about a feminization of poverty (box 2.1). The transition in Eastern Europe and Central Asia pointed to different understandings of poverty and equity and emphasized the importance of transforming existing safety net systems to meet the needs of the new poor and of the emerging market economy. By the end of the decade, recurring themes were that the poor are a diverse group, that poverty and inequality are interrelated, and that being poor implies not only material deprivation but also varying degrees of isolation, lack of participa-

tion and freedom, vulnerability, and insecurity. (Blackden and Bhanu 1999; Narayan-Parker 2000).

Exogenous Factors

Over the decade, globalization has expanded opportunity for some, while being increasingly linked to greater economic and financial volatility for others (Tanzi 1999). Falling commodity prices and frequent episodes of conflict destabilized several countries in Sub-Saharan Africa and disabled growth prospects in large parts of the continent. A series of financial market or policy-induced crises in Latin America focused attention on the impor-

BOX 2.2. OD 4.15—POVERTY REDUCTION

OD 4.15 emphasizes the assessment of country policies, public expenditures, and institutions as a basis for the design of Bank country assistance programs to support country efforts to reduce poverty. While pointing to the importance of all country and economic and sector work in providing the analytic foundation for the

Bank's assistance, the OD refers directly to the role of *Poverty Assessments* and *Public Expenditure Reviews* in helping to establish the agenda of issues for policy dialogue on poverty reduction. Country circumstances should shape the policy dialogue on poverty reduction, and the volume of lending should be linked to country efforts to reduce poverty. Country effort takes into

account short- and long-term economic management and government efforts to improve social indicators and policies and programs in the social sectors, infrastructure, food security, labor market reform, and efficient employment generation. The composition of lending should support country efforts to reduce poverty. There are no sectoral lending targets, but where poverty is wide-

spread and implementation capacity is weak, broadly based growth and support for basic social services may be the most cost-effective route to poverty reduction. In countries where poverty is narrowly concentrated and implementation capacity is good, targeted programs can be an important part of government efforts to reduce poverty.

tance of well-targeted safety nets to protect the poor during economic downturns and adjustment periods. The 1997–99 financial crisis also meant that growth faltered or slowed, particularly in East Asia. While the impact of the crisis on the poorest countries has been less severe than initially feared, the international economic environment became much more difficult and the pressures on vulnerable sections of the population increased.

Implementing the Strategy

In its recommendations to management, the policy paper *Assistance Strategies to Reduce Poverty* (1991) showed how to apply the *WDR* approach in an operational context. OD 4.15 identifies the specific ways in which this should happen through country economic and sector work, linkages to country strategy work, and the focus of lending (box 2.2). This section takes these guidelines, together with the policy priorities set out in the original strategy, and assesses them in the context of the evolving Country Assistance Strategy (CAS) approaches and trends in Bank lending over the decade.

Country Assistance Strategies

The CAS, first introduced in 1990, is the main operational document of the Bank. It sets out the goals and objectives of Bank assistance as they relate to government development objectives. In the beginning, the CAS was exclusively a document for Board discussion of International Development Association (IDA) country programs. Over time this changed, both after the CAS was mainstreamed in 1992 to cover all

borrowers and as the Bank's operating environment changed. Since then, the CAS has been prepared in consultation with government, and increasingly with civil society.² Since August 1998, CASs have been disclosed to the public.

Because CASs were not widely produced before 1992, and did not appear in their current format until 1994, this review focuses on CASs prepared from FY94 onward. The sample included 42 CASs drawn from 20 IDA and International Bank for Reconstruction and Development (IBRD) countries for the period FY94–98,³ and a further sample of FY99 CASs to capture the latest evolution in CAS documents. Linkages with relevant economic and sector work were examined. All CASs were reviewed by a team of OED evaluators, while a subsample was reviewed by two external advisers to verify the results.⁴

The CAS is the main operational document of the Bank. It sets out the goals and objectives of Bank assistance.

Nonlending Work on Poverty

Poverty Assessments

The link between country information on poverty and its reflection in the CAS has steadily improved over the decade. Around 90 percent of CASs for the FY97–99 period referred directly to the poverty profile or related analytical work, compared with 70 percent in FY94–96. This trend is related to significant improvements in

BOX 2.3. THE VALUE OF QUALITATIVE POVERTY RESEARCH

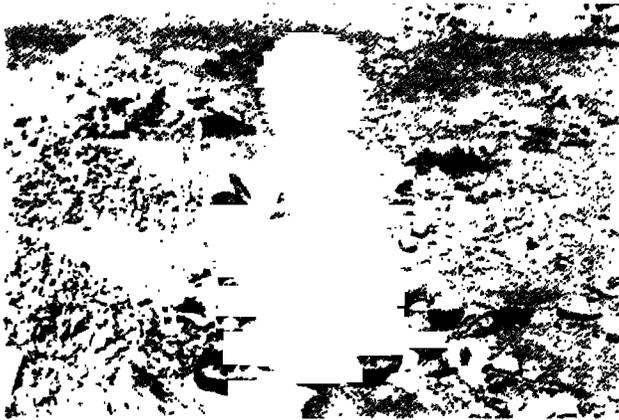
OThe qualitative research undertaken for the 1998 India Poverty Assessment highlights dimensions of well-being that are normally absent from income-based poverty research, including the value of social capital and the implications of

violence and insecurity for poverty. Similarly, the Côte d'Ivoire Poverty Assessment (1997) draws on a qualitative study to identify dimensions of poverty not captured in the statistical data, such as increased competition among uses of land and other natural resources and declining visits to

medical centers by families in the context of declining real incomes. In a study of the impact of Participatory Poverty Assessments (PPAs) on policy, Robb (1999) found that PPAs were making an important contribution by deepening our understanding of poverty as defined by the

poor themselves, influencing specific areas of policy, such as the timing of school fees in Zambia, and strengthening policy implementation through building local capacity in participatory methods.

Source: OED 1999a.



Child breaking stones for road repair/maintenance. Bhutan. Photo courtesy of www.fotofinder.net

the availability of national poverty data⁵ and to gradual improvements in the quality of Bank poverty assessments. (OED 1999a). This, in turn, has been reflected in the diagnostic treatment of poverty issues in CASs.⁶ Stakeholders and Bank staff confirm that Poverty Assessments and the combined use of quantitative and qualitative techniques have done much to strengthen the understanding of poverty and related policy issues (box 2.3).

The importance of the quality of analytical work on poverty is confirmed by the finding that the diagnostic treatment of poverty in the CAS is positively and significantly correlated with the relevance of the

The diagnostic treatment of poverty in the CAS is positively and significantly correlated with the relevance of the Bank assistance strategy overall.

Bank assistance strategy overall. The quality of the Poverty Assessment is also linked to the influence it is likely to have on country clients and stakeholders. In a survey of 81 stakeholders conducted for OED's *Poverty Assessments: A Follow-Up Review* (OED 1999b), over 70 percent responded that, in their view, the country Poverty

Assessment had a moderate-to-large impact on the design of the Bank's assistance strategy. Focus group sessions with Bank staff conducted in May 1999 also pointed to the contribution that Poverty Assessments have made to broadening the conceptualization and understanding of poverty. Recent evidence on Participatory Poverty Assessments (PPAs) suggests that beyond

identifying non-income dimensions of poverty, the methods used can be effective instruments for shaping policy dialogue with country partners (World Bank 1999b). Particularly successful examples of recent high-quality Poverty Assessments are Bangladesh (FY98), Bolivia (FY96), and Thailand (FY97), all of which show strong linkages to subsequent Country Assistance Strategies.

Despite tangible change, OED's follow-up review cautions that improvements in the quality of Poverty Assessments are still modest overall, as well as variable across the Bank. Although qualitative and participatory work have entered the Bank's mainstream, the overall framing of Poverty Assessments is still based on drawing a poverty line defined in monetary terms. This, in turn, restricts the range of strategy recommendations. Dissemination of poverty data and the analysis contained in Poverty Assessments has not always been adequate, and Bank efforts have not been focused sufficiently on supporting borrower capacity to utilize quantitative and qualitative poverty data.⁷ Limited access to poverty data continues to be a problem in many countries, particularly in Africa and Latin America, although the Bank has been influential in improving accessibility in South and East Asia.

On the treatment of the Bank's poverty strategy itself, the OED review found that nearly half the Poverty Assessments did not adequately address the individual elements of broad-based growth, social service provision, and safety nets, nor did they justify the balance among these elements in strategy recommendations. OD 4.15 states that the balance depends on the extent of poverty (whether it is widespread or narrowly concentrated) and the implementation capacity of borrower institutions. Few Poverty Assessments explore these issues systematically. There is also a general lack of clarity on issues relating to targeting and safety nets in many assessments, with the exception of some of the most recent assessments in Europe and Central Asia (ECA). Many assessments still do not address global or macro linkages to poverty or discuss sectoral issues in detail, particularly the prominent role of food policy and rural development in contributing to poverty reduction. In the survey of stakeholders, 30 percent of respondents felt that the treatment of rural poverty issues in their assessment was unsatisfactory (OED 1999b). OED's recent evaluation of the Bank's implementation of the rural development sector strategy—*From Vision to Action*—notes that effective rural development work is closely correlated with the quality of

related analytical work, particularly the focus on rural poverty (OED 1999g). The role of Poverty Assessments is critical in this regard.

Public Expenditure Reviews

Efficiency, equity, and accountability in public expenditures are also crucial in the fight against poverty. OD 4.15 states that, by focusing on intersectoral and intrasectoral tradeoffs, the efficiency and effectiveness of spending, and the cost-effectiveness of safety nets and targeted programs, Public Expenditure Reviews (PERs) contribute to the policy dialogue and the assistance strategy. Based on the CAS review, however, only 15 of 42 CASs made direct reference to the findings of PER work. This is partly because not all countries had a full PER available at the time of CAS preparation, but also because of the uneven treatment of poverty-related issues in the PERs themselves.⁸

An OED impact evaluation of PERs looked at a representative sample completed during FY94–98. It found that while the overall quality of PERs is improving, poverty issues and the distributional implications of public expenditure reform are frequently underrepresented. Criteria for the assessment of the benefit incidence of public spending were found in only a few of the PERs reviewed, but findings were often not clearly linked to sectoral policy recommendations.⁹ Once again, the rural sector received remarkably scant attention. Few PERs contained any gender disagree-

gated data, although the more recent cohort does pay greater attention to gender issues (OED gender evaluation, forthcoming).

The lack of a direct focus on poverty is most obvious in PER recommendations. Of the large number of detailed recommendations made—on average, about 100—24 percent related to the role of government, 16 percent to infrastructure, and 2 percent to direct poverty alleviation. Few PERs helped clients sort out the strategic choices and tradeoffs inherent in expenditure reform, or how best to monitor performance toward sectoral or poverty outcomes. The evaluation also found that PERs frequently suffered from a lack

of timeliness and rarely consulted beyond the central government or other donors in their preparation and dissemination. There are some important exceptions however, as in the PERs for Cambodia, Ethiopia, Peru, Russia, and Uganda (box 2.4).

The relationship between nonlending work and the CAS points to a significant improvement in the coverage and diagnosis of poverty issues. Yet the linkages are still uneven and, as in the case of PERs, the

While the overall quality of PERs is improving, poverty issues and the distributional implications of public expenditure reform are frequently underrepresented.

BOX 2.4. POVERTY AND THE PER IN CAMBODIA

The PER for Cambodia (FY98) reviewed public expenditures financed not only by the government, but also by donors and nongovernmental organizations (NGOs). It concluded that outlays on defense have crowded out government resources for spending on poverty reduction activities.

It estimated that with the effective implementation of the demobilization program, defense expenditures could be reduced from 3.3 percent of GDP in 1997 to 1.9 percent in 2002, creating a sizable peace dividend to be used for basic social services.

The PER also noted that corruption had led to unsustainable forest management, resulting

in a revenue loss of more than 2 percent of GDP in 1997 alone. The PER found that insufficient resources were being spent on the rural sector (22 percent), where the bulk of the population and the poor live (88 percent), and that the bias toward secondary and tertiary services catered to the affluent segments of society.

Recommendations—later incorporated into the Structural Adjustment Program—emphasized increasing outlays for the social sectors substantially, targeting health services for poorer individuals and underserved provinces, and redirecting resources to primary facilities.

strategic value of the analytical work has often not been adequately exploited.¹⁰ A recent assessment by the Quality Assurance Group (QAG) confirms that

Few CASs actually make explicit the meaning of broad-based growth or establish the links between growth-oriented policies and poverty reduction within the context of specific country conditions.

important shortfalls remain in the quality of economic and sector work on poverty, which in turn impacts the poverty focus and content of country strategies adopted by the Bank.¹¹ With changes in the operating environment already under way with the CDF and the PRSI, the Bank is under even

greater pressure than in 1990 to improve the strategic value of its nonlending work, and to ensure its practical relevance to country poverty strategies.¹²

Poverty Strategy and the CAS

A central concern of the CAS is to set priorities among relevant policy issues as a way of shaping Bank assistance and supporting country poverty reduction efforts. Based on the content analysis of CAS documents, this section examines the way in which the three planks of the 1990 strategy—broad-based growth, social service provision, and safety nets—have influenced the policy framework for Bank assistance.

Growth

The 1990 strategy was clear in emphasizing that the participation and contribution of the poor to growth requires policies that induce utilization of their most important asset—labor—and enhance their access to markets, key productive inputs, and social services. The central focus of all CAS documents is growth. Nearly 80 percent of those reviewed identified broad-based growth as critical to sustainable poverty reduction, although fewer than 10 percent made any explicit reference to labor-intensive growth.

Few CASs actually make explicit the meaning of broad-based growth or establish the links between growth-oriented policies and poverty reduction within the context of specific country conditions. Employment and labor force trends in the context of strategies to remove tariff barriers and stimulate investment in tradable sectors, for example, receive modest to negligible attention in most CASs. Structural and institutional barriers to the entry of the poor into formal markets are not widely addressed, except for some attention to unemployment and labor market rigidities in transition economies. Only 20 percent of CASs include an explicit treatment of microeconomic constraints and equity issues that affect the poor's access to physical assets and key markets, while few CASs directly address the relationship between persistent gender inequalities and the strategy for broad-based growth. These issues all relate to obstacles that prevent the poor from directly and immediately benefiting from

BOX 2.5. GROWTH AND EMPLOYMENT IN AFRICA

The labor force in Sub-Saharan Africa is growing exceptionally fast, but rapid demographic growth combined with slow growth of investment has resulted in a fall in the capital-labor ratio in most countries. This negative movement is reflected in

trends in the productivity of labor and in the income received by working people. While macroeconomic policy reform has managed to shift relative prices in favor of agriculture and to the tradable goods sectors, a recent ILO/UNDP report indicates that the change has not been suf-

ficient to bring about more employment and better wages for the majority of Africans. Instead, the volume of formal sector employment has fallen sharply and the share of the labor force engaged in informal sector jobs has grown enormously. The conclusion is that reallo-

cating resources through changes in relative prices is necessary, but not sufficient, to create jobs and improve wages. Instead, this requires major improvements in rates of private and public investment.

Source: ILO/UNDP 1997.

BOX 2.6. APPROACHES TO BROAD-BASED GROWTH

The Malawi Country Assistance Strategy (FY99) is set against the formidable challenge of persistently high levels of income poverty, rapid population growth, skewed asset holding, and a slowing-down of structural reforms. One of the major issues identified in the CAS is the comparatively low growth-elasticity of poverty in Malawi.

Analysis of household-level income distribution data suggests that because of the depth of poverty and inequalities in access to land, education, and

other assets (between the poor and non-poor and between women and men), the responsiveness of poverty measures to changes in average incomes is comparatively low. In response, the CAS states that as well as measures to support an acceleration of growth, investments and policies are needed to improve income distribution, including building numeracy and literacy skills and access to credit and market information for microenterprises. In addition, policies are needed to increase labor productivity, promote labor-intensive exports, increase equity in access

to social services (especially HIV support), adopt a more equal distribution of land, and mobilize communities to participate.

Ecuador is also a country with a highly skewed distribution of wealth. Despite periods of unprecedented growth, poverty remains pervasive, especially in rural areas. The FY96 CAS recognizes the special challenges that this presents and proposes a strategy that focuses on social sector reforms and the provision of basic infrastructure. Nevertheless, the CAS is limited in its assessment of the relationship between

growth, inequality, and poverty and the implications for the growth strategy. The Ecuador Poverty Assessment (1996) clearly points to land as a determining factor for rural poverty, arguing the need for support for the existing informal market in land and the titling of the many unregistered farms as a way of moving toward more formal land transactions. The CAS avoids the issue of land distribution, focusing instead on the role of broad-based education and health in improving opportunities for the rural poor.

growth, and should therefore be part of the diagnostic on the links between growth and poverty reduction.

Given the diversity of socioeconomic conditions and poverty profiles, and the emphasis on broad-based growth, the CAS review found surprisingly limited differentiation in the policy agenda across CASs, although there are signs of growing diversity, particularly in the ECA countries.¹³ Over 90 percent of CASs recommend a strategy of macro-stability, liberalization, and trade and tariff reform to support broad-based growth. The linkages or transmission mechanisms between this policy agenda and expected changes in the conditions facing the poor are left largely unclear, however. The implicit assumption seems to be that growth resulting from macroeconomic stability and improved resource allocation will automatically lead to increased incomes and employment for the poor and non-poor alike (box 2.5). In reality, the non-poor are likely to benefit earlier from growth than the poor. A mix of policies must be identified that places the highest

priority on enhancing the poor's prospects for benefiting from growth and protecting those who are likely to lose out most in the short run.¹⁴ The latest Malawi CAS (see box 2.6) is one of the few to provide a simple but effective method for identifying short-term "winners" and "losers" in the context of specific policy initiatives and to suggest their likely response to policy change.

CAS policies targeted at key growth sectors, such as the private or financial services sector and the rural sector, also make surprisingly few links to the overarching goal of broad-based growth. Fewer than 50 percent of CASs recommend growth-enhancing actions such as reforming inequitable tax systems, removing constraints to the informal sector, and improving the regulatory environment for small and medium-size enterprises that would directly assist the poor. CASs fall short in the presumption that removing macro and sectoral distortions alone will create employment, whereas analytical evidence confirms that institutional and structural barriers severely inhibit the

employment (and income) prospects of the poor, particularly women. Explicit consideration of these issues, along with the removal of macro and sectoral distortions, would clearly enhance growth and accelerate its

CASs have focused forcefully on the provision of basic social services.

translation into reduced poverty. This applies particularly to the rural sector, where the prospects for poverty reduction are greater, but such distortions and institutional rigidities are stronger, than in the urban sector.

Clearly, the CAS needs to be selective. Not all the issues mentioned here will be relevant to country development goals, or the Bank's comparative advantage. Nevertheless, every CAS should include a clear rationale for the selection and prioritization of policy areas and their relationship to the goal of broad-based growth (box 2.6). As the most recent CAS retrospective makes clear, CAS documents need to do a better job in developing the links

between growth-enhancing policies and the short- and long-term prospects for poverty reduction.

Social Services

The second pillar of the 1990 strategy emphasizes provision of basic social services to ensure that the poor are in a position to participate in and contribute to new growth opportunities. Almost without exception, CASs have focused forcefully on this element, supported by a large volume of economic and sector work setting out the linkages between investments in human capital and positive changes in labor productivity, and other key correlates of poverty.

The relationship between basic social services and poverty reduction has become something of a given in CAS documents; but as the recent literature shows, this link is far from automatic (Thomas and others, in press; Filmer, Hammer, and Pritchett 1998). Few CASs go beyond the broad generalities of the 1990 strategy to recommend policies focusing on specific institutional and

BOX 2.7. DEFINING AND DESIGNING SAFETY NETS

The *WDR 1990* defines safety nets in fairly limited terms, distinguishing between the provision of transfers—food price subsidies and food stamps—for those unable to participate in the growth process, and the provision of safety nets—public employment schemes—for those temporarily endangered when events take an unfavorable turn. The *Poverty Reduction Handbook* (World Bank 1993a) focuses mainly on the public expenditure implications of targeting and the role of safety nets in addressing

the social costs of adjustment, particularly through social funds and social action programs. Over time, the definition of safety nets has broadened considerably to include a wide range of social assistance programs and, particularly in the transition countries, pension systems and labor market programs.

A cross-country review of safety net programs by Subbarao and colleagues (1997) points to a number of important lessons in designing safety nets. First, safety nets designed to complement growth must include the poor in productive activities. In

addition, safety nets can be combined with long-term programs that build human capital and transfer assets to the poor. For example, public works programs can create growth-enhancing infrastructure. Third, publicly funded safety nets should not displace private transfers and traditional mechanisms for alleviating distress. Rather, wherever possible, publicly funded safety nets should strengthen informal and traditional arrangements.

Ravallion (1999) argues that safety nets should become a permanent institution, dealing simultaneously with cri-

ses and more routine problems of transient poverty, idiosyncratic risk, and poor area development in normal years. A key advantage of making a safety net permanent is that it constrains political pressure to increase transfers or wage rates before elections. It also creates a basis for rapid response built on public action (which is held in reserve in good years) from the bottom up, rather than relying on potentially slow administrative discretion from the top down.



Chechenian mother cooks on a make-shift stove. Grozny, Russia. Photo courtesy of www.fotofinder.net

governance barriers to improved social service delivery (OED 1999f). The role of demand for social services, and the complementary nature of investments necessary to reduce gender biases and biases against the poor in social service delivery, are given little space. More generally, policy recommendations tend to assume that expanding the quantity of primary social services will be sufficient to reach the poor, whereas evaluation evidence suggests that improving the quality of service and access to existing facilities are equally important.

This said, the Bank's policy stance on the delivery of social sector services is evolving, including the unbundling of centralized management and provision in the social sectors and the recognition of the importance of institutional development to improvement in service delivery. But the links with the needs of the poor are at times tenuous and assume that system changes will automatically trickle down to the poor. Once again, CASs should include a clear rationale for the prioritization of policy choices in light of the overarching goal—to enhance social well-being and reduce poverty. Institutional changes take a significant amount of time to occur, and CASs should be realistic about what can be achieved, particularly for the poor.

Safety Nets

The third element of the strategy, the provision of safety nets for the vulnerable and the ultra-poor, is covered in just over 50 percent of CASs. The ECA countries have the clearest and strongest focus on safety net issues. This is explained in part by the nature of these economies. The correlation between unemployment and poverty, especially in the Eastern European countries, and the significant overlap between pension reform issues and poverty

alleviation, particularly in the Central Asian republics, have forced a wider treatment of social safety nets than was originally conceived in *WDR 1990*. Only one out of five East Asia CASs reviewed had a focus on safety nets, despite coverage of safety net issues in accompanying Poverty Assessments.

Since 1990 the Bank has developed significant capacity in the area of social protection. Yet despite this stock of knowledge and experience with rules for selecting and designing safety nets for different conditions (box 2.7), operational practice is lagging. A recent Bank study of social protection and social assistance within ECA finds a lack of clear prioritization of social assistance issues in large portions of the Bank's country assistance (Andrews and Ringold 1999). The need to develop better concepts to address the overlapping issues of social assistance and social protection in ECA is expected to be a major area of focus in the forthcoming *Regional Social Protection Strategy Paper*. CAS documents for the Kyrgyz Republic (FY98) and Armenia (FY98) reflect this new trend, stressing that pension reform is necessary in order to make the system of social assistance for the poor financially sustainable.

Safety nets are still an afterthought in many CASs. Where they are discussed, there is a tendency to focus on problems faced by groups affected by public sector reform, rather than on the needs of the transitory poor more generally, and those least likely to be able to help themselves. In cases where public sector reform issues are uppermost, it is important that the CAS clarify what other areas of action are needed to ensure that the poorest and those most vulnerable are protected from the short-term adverse effects of reform.

One of the main weaknesses of CASs is the lack of a clear distinction between the needs of the transitory and the chronically poor. Equally important, very few CASs address the likely economic impact of their own growth and public expenditure policies on the poor, or suggest ways to mitigate any possible negative effects. One way around this has been to concentrate strategy and investment on social funds. Nearly half of the CASs reviewed contained some reference to a social fund

The provision of safety nets for the vulnerable and the ultra-poor is covered in just over 50 percent of CASs.

initiative. While the value of social funds in channeling funds directly to communities is understood, early evidence indicates that social funds are less than perfect substitutes for well-designed safety nets that can respond quickly and effectively in times of crisis.¹⁵

Overall Assessment

The above reservations notwithstanding, poverty concerns and the strategy for poverty reduction have entered the mainstream of the Bank's country assistance work. CAS documents show an increasing commitment to poverty reduction goals, supported by a growing stock of poverty data. The process of CAS preparation has also moved toward greater consultation with clients and stakeholder participation. Of course, operationalization of the objectives of the poverty strategy still has some way to go.

Policy frameworks have taken a long time to move from the generalities of the initial 1990 strategy to recommendations that are concrete and tailored to specific country contexts.

The policy implications of broad-based growth (as opposed to growth per se) are still not sufficiently explicit in most CAS documents, and the focus on safety nets remains uneven. While the diagnosis of poverty issues has improved, there remains a lack of prioritization of goals and objectives with respect to country situations. An analysis of the optimal balance or relative weight between the main elements of the poverty strategy, relative to the scale of poverty and country implementation capacity, is often missing. The emphasis on diversity among the poor and on the multidimensional character of poverty found in most Poverty Assessments is still only weakly reflected in policy recommendations. Policy frameworks have taken a long time to move from the

generalities of the initial 1990 strategy to recommendations that are concrete and tailored to specific country contexts. In some instances, as in the case of the Bank's rural development strategy, this has resulted in a vacuum between the language of the strategy and practical proposals for reform.

The 1999 CAS retrospective recognizes a lack of political realism in the recommendations for policy reform and continued weaknesses in the monitorability of CAS goals. Despite growing attention to poverty goals in CAS policy matrices, many documents still fail to distinguish adequately between what is achievable as a direct result of Bank assistance and what is achievable more generally. Fourteen of 42 CASs provided concrete recommendations for monitoring poverty trends. Almost all of these CASs were prepared after FY97. The shift to the CDF and the PRSI offers the opportunity to correct these weaknesses by placing the borrower at the center of strategy formulation, emphasizing a results-based approach and mainstreaming a poverty focus throughout the country strategy. How the CAS will evolve under this new framework is not yet clear, but the findings here indicate that the CAS should develop more effective criteria for the prioritization and monitoring of policy choices in the context of a long-term focus on poverty reduction.

From Strategy to Lending

The 1990 strategy distinguishes between investments that support the overall economic environment for labor-intensive growth and those that seek to influence directly the asset position of the poor. OD 4.15 also states that the volume of lending to a country should be linked to that country's efforts to reduce poverty, while taking into account country-specific political, institutional, and socioeconomic factors. This section reviews the extent to which these priorities have been reflected in the Bank's own lending program.

TABLE 2.1. THE LINK BETWEEN LENDING VOLUME AND COUNTRY EFFORT

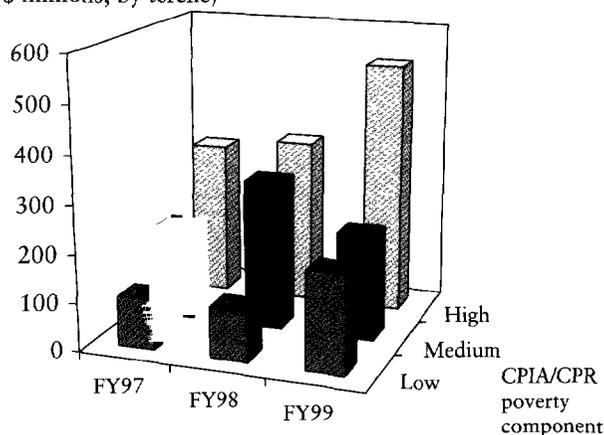
	OED borrower performance	ICRG bureaucratic quality	Policy performance index	Total Bank lending (\$)
OED borrower performance	1.000	0.176 ^a	0.086 ^b	0.137 ^a
ICRG bureaucratic quality		1.000	0.143 ^a	0.330 ^a
Policy performance index			1.000	-0.037
All lending (\$)				1.000

Note: All correlations are Spearman's rho. ICRG: International Country Risk Guide.

a. Significant at 5 percent.
b. Significant at 10 percent.

FIGURE 2.1: WORLD BANK LENDING AND COUNTRY POVERTY REDUCTION EFFORT

Average lending per country
(\$ millions, by tercile)



Linking Lending and Country Effort

Table 2.1 summarizes the results of a nonparametric exercise in which three proxies for country effort—economic policy performance,¹⁶ bureaucratic quality, and OED's own measure of borrower performance¹⁷—are correlated with total Bank lending for 1990–95. The results confirm that the volume of Bank lending has been higher in countries showing stronger borrower and institutional performance, although there is no clear relationship, in this exercise, between total Bank lending and macro policy performance. A recent study by Collier and Dollar (1999), however, finds that when per capita income and population are controlled for, there is a clear positive correlation between IDA lending and the quality of economic management, as measured by the Country Performance and Institutional Assessment (CPIA) index.¹⁸ The strength of this correlation has also increased over the 1990s, suggesting that, for IDA at least, the allocation in favor of good-policy countries was stronger in 1998 than in 1990.¹⁹

Since achievement of good performance also requires commitment to poverty reduction as a development goal, an attempt is made to assess the linkage between total Bank lending and country performance in poverty-related actions. This is done by looking at assessments of country “poverty performance” included in the annual CPIA. The overall CPIA index is used as a starting point for determining IDA resource allocations. Only elements that relate directly to borrower poverty reduction initiatives

(poverty monitoring, targeted poverty programs, and safety nets) are used here.²⁰

Figure 2.1 shows the relationship between the average score for poverty-related actions for FY96–98 and average (IDA and IBRD) lending commitments for FY1997–99.²¹ Commitments clearly favor countries with high scores on the poverty component of the CPR/CPIA, with the link increasing significantly in FY99.²² The results infer association and not causation, and the data do not allow a test for more than a few years. Nevertheless, the findings are consistent with the Bank's stated intention to link lending volumes to assessments of country poverty reduction efforts.²³ That there is still room for improvement is indicated by the specific country examples given in Chapter 3.

The Changing Composition of Lending

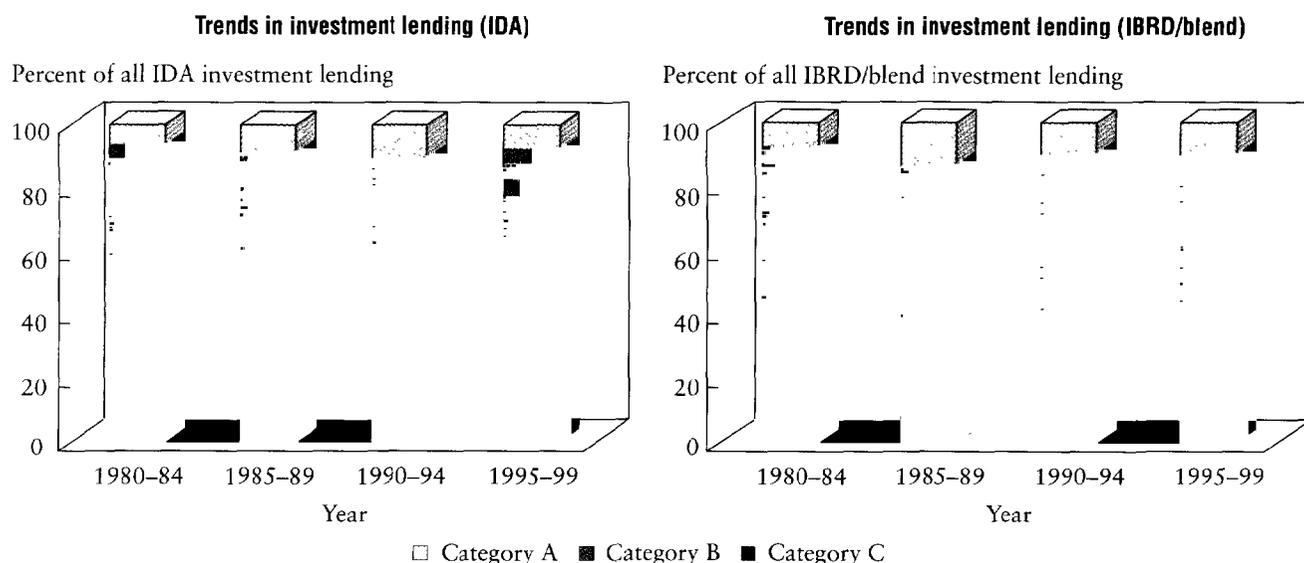
Implicit in the 1990 strategy is a pattern of lending that favors investments that support the overall economic environment for labor-intensive growth and seek to directly address the access of the poor to basic social services. These themes cut across a wide range of Bank sectors and subsectors. To build an overall picture of the anatomy of Bank lending during the 1990s, three broad lending categories were created that aggregate the Bank's multiple efforts to support growth (category A), to support specific growth and human development-related sectors (category B), and to support the provision of basic services, particularly for the poor (category C). The categories are heuristic, and intended only as a way of reflecting the broad compositional shift of the Bank's aggregate portfolio.²⁴

Figure 2.2 summarizes the share of total investment lending committed to these categories over time for IBRD and IDA countries.²⁵ The shift toward lending for sectors concerned with the provision of basic social and infrastructural services (category C) is evident for both types of lending, but the trend is most dramatic for IDA.²⁶ Across the Regions a similar shift has taken place, and particularly so in Regions receiving a substantial share of IDA resources, such as Africa.

Underlying the aggregate shift in the focus of Bank

Commitments clearly favor countries with high scores on the poverty component of the CPR/CPIA, with the link increasing significantly in FY99.

FIGURE 2.2. ANATOMY OF IDA AND IBRD INVESTMENT LENDING, 1980-99



Note: Category A represents the Bank's multiple efforts to support growth; category B to support specific growth and human development-related sectors; and category C to support the provision of basic services, particularly for the poor.

lending is a fourfold increase in lending during the 1990s for the three main social sectors: education; health, nutrition, and population (HNP); and social protection (figure 2.3). By 1995-99, lending to these sectors reached 20 percent of total Bank lending, compared with just 5 percent between 1980 and 1984.²⁷ Within these sectors, lending for specific sub-sectors has also shifted. Lending to primary education, for example, increased by a factor of four in the early 1990s, while the relative share of lending for higher education fell from 26 percent to 14 percent over the same period. The volume of lending for basic health has continued to increase since the early 1980s, increasing by a factor of 2 in the late 1990s. As a share of total HNP lending, basic health now accounts for almost 60 percent. In social protection, commitments to the sector increased by a factor of four within the 1990s, with the share going specifically to social assistance (which includes social funds) reaching 20 percent in the late 1990s.

The analog of the rising trend in lending for the social sectors is a declining trend in lending to the more traditional sectors such as agriculture, industry, and power (figure 2.4). Lending to agriculture declined by 21 percent in the 1990s compared with the 1980s. Lending to industry declined by over 60 percent, dropping to just 2 percent of the total portfolio in FY99. Lending for power and oil and gas also declined by an

average of 10 percent over the decade. Together these sectors made up approximately 55 percent of Bank lending in the early 1980s. By the end of the 1990s, their share had fallen to 23 percent.²⁸

Other sectors that have continued to grow—but less dramatically—also show signs of reorientation. In transport, for example, although the focus on highways and railways has been maintained in absolute terms, the share of lending committed to rural roads and urban transport increased significantly during the 1990s. In urban devel-

FIGURE 2.3. A SHIFT IN FAVOR OF THE SOCIAL SECTORS

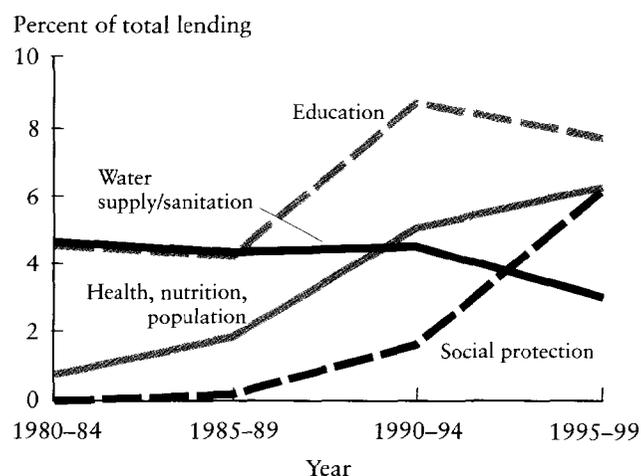
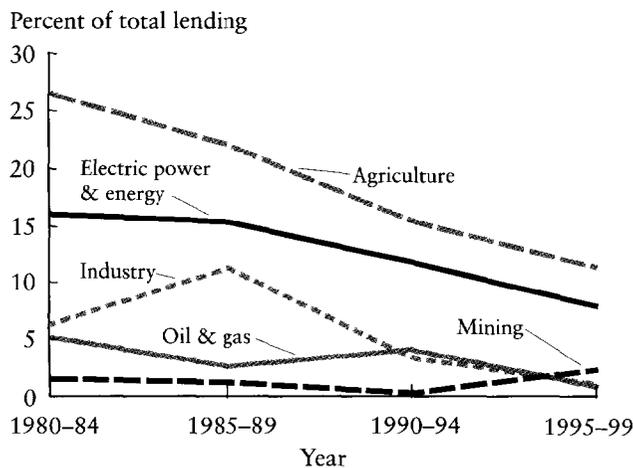


FIGURE 2.4. A SHIFT AWAY FROM THE TRADITIONAL SECTORS

opment, the focus has shifted away from urban management to a greater balance among urban environment, housing, and support for livable cities. In finance, while the development of sound financial sectors is a continuing priority, an increasing share of lending is also directed to supporting the development of rural finance mechanisms, microcredit, and small and medium-size enterprise (SME) finance. For example, Bank support for microfinance was just \$137.8 million between 1987 and 1990, but trebled to \$402 million between 1994 and 1997.

The changing composition of the Bank's aggregate portfolio is frequently cited as evidence that the Bank has fulfilled the broad aims of the 1990 strategy. Yet beneath the broad changes in composition lie the more complex issues of quality and poverty impact. In agriculture, for example, the shift away from traditional agricultural investments was driven by a history of low project rates of return and unsatisfactory outcomes. Despite a renewed commitment to rural development in the Strategic Compact, the inputs to the Bank's rural development program have remained roughly constant.²⁹ Spending has increased, mainly because of rising unit costs, and in Africa absolute spending has actually declined since the Strategic Compact (although current sectoral definitions are thought to underestimate the rural component of the portfolio).

In other sectors, too, where the volume of lending has increased significantly, concerns about the quality of lending have emerged. In HNP, for example, a recent OED study finds that "not only do we know relatively little about what the Bank has 'bought' with its investments, but when progress toward objectives is not measured, they are less likely to be achieved" (OED 1999f). A review of social protection lending for the forthcoming Sector Strategy Paper also finds a disconnect between much of the analytical work on social protection and lending and nonlending services: "the sector does well on processes but is unrealistic in its assessment of outcomes." This remark relates to a portfolio that has grown almost exponentially since 1992.

Lending trends thus present a mixed picture. While the aggregate story is favorable, particularly in the enhanced lending to the human development sectors, lending quality and the estimation of poverty impact remain major challenges. There are also concerns that in focusing so heavily on the social sectors, the Bank has underemphasized the poverty-reducing potential of key subsectors in energy, infrastructure, private, and financial sector development. As the next two chapters detail, however, establishing the precise impact of the shift in lending or the increased poverty focus of the CAS is extremely difficult. Despite exhortations in OD 4.15 that special attention should be paid

While the aggregate story is favorable, particularly in the enhanced lending to the human development sectors, lending quality and the estimation of poverty impact remain major challenges.

to establishing a basis for monitoring success in reaching poor beneficiaries, and that short-term indicators should be tracked during adjustment to provide feedback on the impact of the program on the poor, the lack of a clear Bankwide evaluation strategy for assessing the impact of the 1990 strategy has meant that by the end of the decade, still relatively little can be said with any certainty about development effectiveness.



From Strategy to Effectiveness

The Country Dimension

OED's 1999 *Annual Review of Development Effectiveness* reviewed progress across the sample of countries for which OED has completed Country Assistance Evaluations (CAEs).¹ The evidence regarding economic and social progress is sobering. Forty percent of the countries had zero or negative growth in per capita income between 1981 and 1997, and 85 percent had per capita income growth of 1 percent or less during the 1990s. In a quarter of the sample, the ratio of population below the national poverty line had increased,

and in another quarter, life expectancy had declined. These figures disguise important country variations,² but they are indicative of the scale of the challenge facing the Bank and its development partners at the end of the decade. This chapter examines the efficacy of the Bank's poverty strategy in the light of selected country progress during the 1990s.

Selected Country Progress

Ultimately, whether or not the Bank's poverty strategy has made an impact at the country level depends not only on the Bank's performance, but also on the performance of the borrower and other development partners, as well as the part played by exogenous factors.³ It is extremely difficult to separate out all these factors. Nevertheless, an attempt is made by looking at a selection of countries covered by recent CAEs—Bolivia, Côte d'Ivoire, Ghana, Indonesia, and Ukraine. The case of China is added for comparative purposes. The CAEs provide an important source of data on the causes and consequences of country progress and on the relevance and efficacy of the Bank's strategy relative to country conditions and borrower performance.

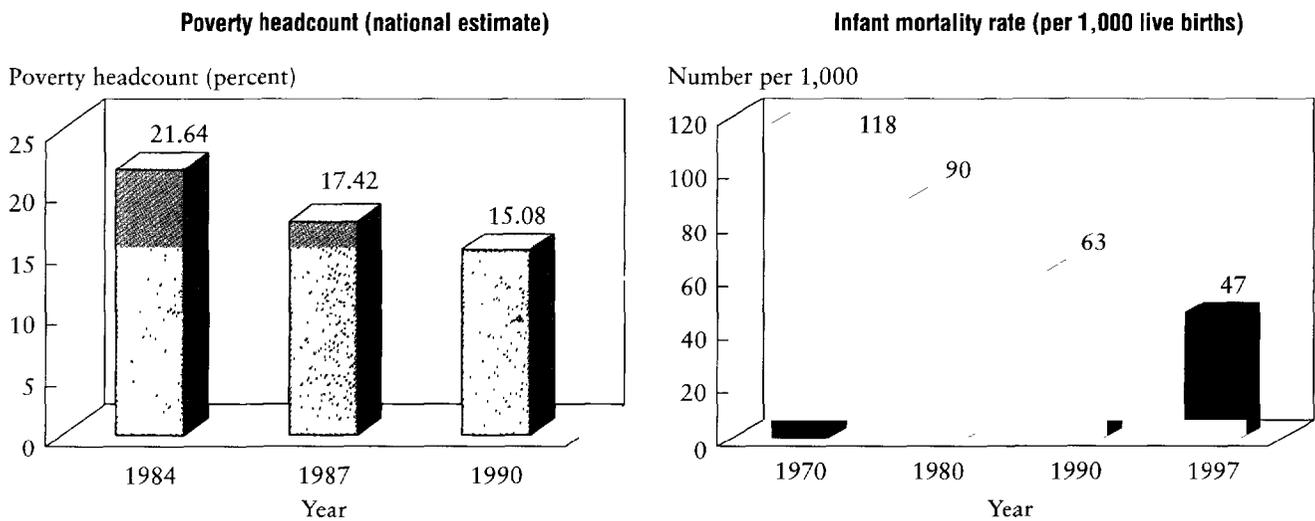
Indonesia

Indonesia, which sustained an annual rate of economic growth of over 7 percent between 1985 and 1996, backed up by a consistently high rate of domestic investment and a sustained emphasis on social sector development, saw poverty fall from over 20 percent in 1984 to less than 15 percent in the early 1990s. Key social indicators also improved (figure 3.1).

In many ways the early Indonesian experience proved the point of the 1990 strategy, and the Bank rightly took some of the credit for maintaining the focus on poverty reduction. However, in 1997 a major financial crisis and massive income shock turned a booming economy into negative growth

Whether or not the Bank's poverty strategy has made an impact at the country level depends not only on the Bank's performance, but also on the performance of the borrower and other development partners, as well as the part played by exogenous factors.

FIGURE 3.1. INDONESIA'S RECORD THROUGH THE 1980s AND 1990s



Source: World Bank 1993b. These are official poverty estimates prepared by the Central Bureau of Statistics. IMR data from *World Development Indicators 1999*. The latest available purchasing power parity (PPP) \$1/day estimate for Indonesia (1996) shows 7.7 percent of the population in absolute poverty.

virtually overnight (box 3.1). OED's Country Assistance Note, produced in 1999, found that, among other things, rapid improvement in indicators of social progress had led the Bank, and others, but most especially the government of Indonesia, to downplay obstacles to long-term sustainable growth and poverty reduction, particularly weak governance and institutional structures. Aggregate social indicators also masked several inequities. The declining aggregate headcount of poverty belied growing regional disparities

The declining aggregate headcount of poverty belied growing regional disparities and the lack of progress for many of the non-poor bunched close to the poverty line.

and the lack of progress for many of the non-poor, who had been lifted above the poverty line in the 1980s, but were still bunched close to it.

While the events of 1997-99 do not contradict the focus of the poverty strategy of either the Bank or the government,

they do highlight the need to look at other measures of poverty, particularly its depth and severity, when monitoring poverty performance and assessing the vulnerability of the population to shocks. Until 1997, the Bank's assistance strategy did not include adequate proposals for

addressing inequality or developing a broad-based safety net for vulnerable groups. The "half," or third element, of the 1990 strategy was rarely mentioned in Bank analytical work or operational documents before 1997. Since then, in response to the crisis, the Bank and government have placed a central focus on safety nets and on ensuring that the gains made in human development over the past decade are not lost. In the final analysis, if political conditions allow, it will be these early gains in social indicators that will provide Indonesians with the chance to bounce back from the events of 1997-99.

China

China provides the example of a country with a low initial income and a high level of income poverty that has achieved, since 1980, significant reductions in income poverty and major improvements in the social dimensions of well-being. Like Indonesia, its poverty record has been built on a combination of strong domestic investment, rural growth and areas of high-tech manufacturing growth, and a priority to education and other social objectives.

One of the salient features of the Bank's relationship with China has been its consistency. The current Bank CAS builds on agreement in long-term priorities—including macroeconomic growth and stability, human development, agricultural and rural develop-

BOX 3.1. THE COSTS OF INDONESIA'S ECONOMIC CRISIS

Few Indonesians remained untouched by the events of 1997 and 1998. The drought of 1997, the relative price changes associated with the collapse of the rupiah and removal of subsidies, and the income shocks arising from changes in demand have contributed to an extremely complex picture of change throughout the society. The effects of the crisis on the welfare of the population are, nevertheless, nuanced and heterogeneous.

Source: Frankenberg and others 1999.

Some of the main findings point to a substantial decline in real purchasing power of the average household as measured by per capita levels of expenditure, driven largely by reductions in the expenditures of upper-income households. Estimates that incorporate province-specific inflation rates also suggest that, overall, the proportion of households below the poverty line has risen by 25 percent, with a larger increase in urban than in rural areas. Responses from individuals and

households to the crisis include a substantial increase in the employment rates of men and women in their late teens and early 20s and an increased percentage of 13–19 year-olds out of school. Younger children, especially among poor households, are also less likely to be in school. For adults, the proportion using public health services declined slightly in 1998, and visits by children also declined, while visits to private providers appear to have increased somewhat.

Although there is no

evidence that general health status has deteriorated for adults or children, the nutritional status of adults appears to have worsened. Data also indicate that the relevance of food assistance following the crisis is quite high, although the median value is a small fraction of total household expenditure, and urban households, especially in Jakarta, are particularly likely to have benefited from public assistance.

ment, infrastructure, and environmental protection—with the Chinese government. These priorities were also present in the 1995 CAS. Overall, the Bank's rural development strategy in China was rated "good practice" by OED's recent evaluation of the implementation actions proposed in *From Vision to Action* (OED 1999g).⁴ The strategy included a strong focus on the impediments to rural income growth and a well-executed discussion of poverty issues congruent with the Chinese context.

Over the 1990s there has been a consistent focus by the Bank on the poorer provinces and poorest counties, mainly through lending for integrated multisectoral projects that emphasize poverty alleviation in the context of support for rural health, education, water supply, and agriculture. Nevertheless, regional disparities are growing. Much of China's rapid progress on poverty and social well-being took place in the late 1970s and early 1980s, and although the 1990s have seen continued progress, the pace slowed as the challenge became one of reaching those well below the poverty line and addressing growing disparities be-

tween and within rural and urban areas.

The experience of China shows that sustained growth can have an impact on income poverty, and that when this growth is combined with a strong rural focus and rapid human resource development, the results are remarkable. The recent experience in Indonesia illustrates that without a broad-based safety net in place, unforeseen shocks can set back the achievements of the near-poor. An inadequate focus on reducing disparities between and among different groups of the poor can also weaken the sustainability of the growth process. This points to an important, and often underplayed, aspect of the original 1990 strategy—that the three elements have the greatest potential impact when applied together, as part of a comprehensive approach, rather than treated independently.

Over the 1990s there has been a consistent focus by the Bank on the poorer provinces and poorest counties.

Bolivia

In Bolivia, it is the lack of adequate broad-based growth that appears to be an important factor behind persistently high poverty levels. Bolivia is one of the poorest countries in the Latin America and Caribbean Region (LCR). It began its stabilization and adjustment program in 1985 following a period of rapidly deteriorating economic conditions. Although the stabilization was successful, rates of growth in the 1990s have been modest. The relative level of income is low, education levels are poor, and health indicators are among the worst in the Region. The economy is dominated by agriculture, but as a mountainous, landlocked country, transportation costs are high and communication links difficult.

OED's 1998 CAE concluded that the three elements of the Bank's poverty strategy had not found firm footing in Bolivia. While the Bank undertook competent and compelling economic and sector work (ESW) to support its efforts to translate the vision of broad-based growth into high-impact operations, growth was neither sufficient nor broad-based. The process was compromised by poorly designed operations; lack of full commitment by the Bolivian authorities, including overlapping circles of policymaking leading to undue overlap and rivalry; and lack of institutional capacity.⁵

In 1997, against a backdrop of limited progress on poverty, the government launched its National Dialogue to bring together representatives of the private

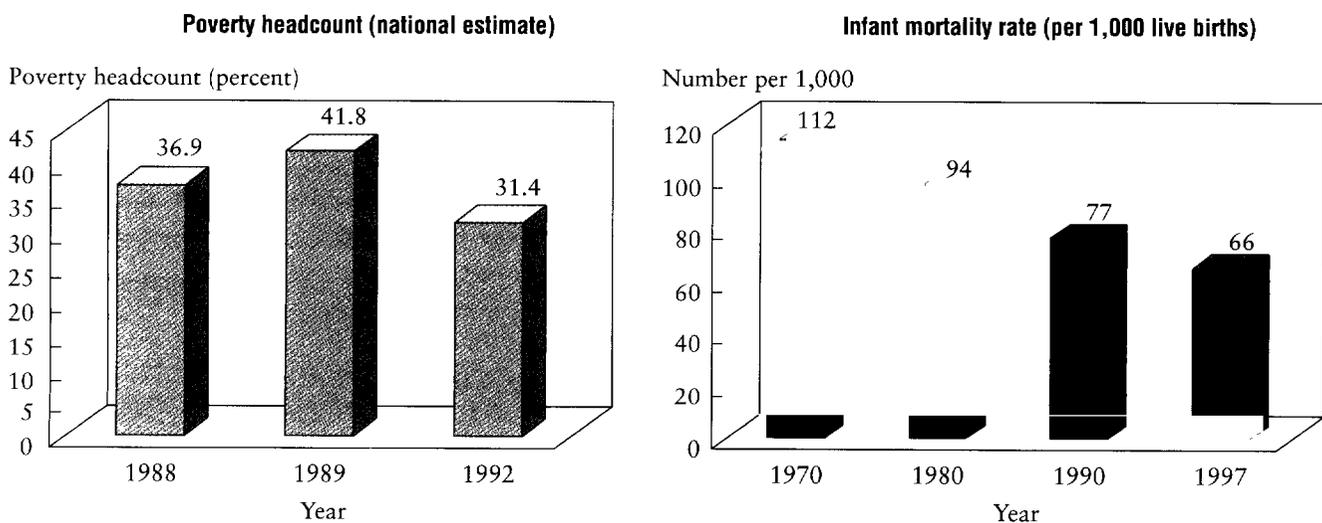
sector, nongovernmental organizations (NGOs), and others in an attempt to build consensus on key policy issues. This dialogue has been informed by a Poverty Assessment prepared by the Bank in collaboration with the Bolivian authorities. After discussions with Bolivian leaders in 1999, a pilot Comprehensive Development Framework (CDF) was launched. The latest CAS recommits itself to a strategy of broad-based growth (opportunity), human development (security), and improved governance (dignity) within a framework that recognizes the challenges of relatively low domestic investment, weak institutional capacity, and structural inequality. The challenge now is to foster real partnership among donor agencies in Bolivia.

Ghana

Ghana is in many ways a country of firsts. It was the first in Africa to emerge from colonialism; the first to experience rapid growth, until the economic crisis hit in the late 1970s; and the first to rebound after launching one of the more stringent economic recovery programs in the Region in the mid-1980s. Ghana also stands out as the recipient of one of the highest IDA disbursements in Africa.

During the late 1980s and 1990s, Ghana performed better than almost all its comparator countries (figure 3.2). The economy grew an average of 4.4 percent yearly between 1992 and 1998, and the poverty headcount declined to 31.4 percent in 1992.⁶ Despite

FIGURE 3.2. SIGNS OF PROGRESS IN GHANA



Source: World Bank 1995 (table 3.2). The figures are based on the Ghana Living Standards Survey 1 & 2.

BOX 3.2. DISTRIBUTIONAL CHANGE IN THE CONTEXT OF ADJUSTMENT: THE IMF/ESAF EXPERIENCE IN CÔTE D'IVOIRE

Prior to the negotiation of an IMF Enhanced Structural Adjustment Facility (ESAF) loan in 1994, there had been a long period of worsening poverty in Côte d'Ivoire. During the first ESAF it was acknowledged that the urban poor might be adversely affected by the reforms, including the devalua-

tion. To mitigate the effects, the program planned targeted safety net assistance to urban areas. It was envisaged that the program would lead to a substantial rise in rural incomes. The net effect of reforms has been studied in a number of surveys. Snapshots of poverty in 1988 and 1993 show a doubling in both the incidence and inten-

sity of poverty, but little change in the distribution of income, suggesting that the deterioration reflected the decline in mean income. Urban poverty increased dramatically as a result of the devaluation, and the rate of unemployment rose. Safety net programs were only partially implemented and failed to prevent a substantial decline. Over-

all, between 1989 and 1995, per capita GDP fell by 12 percent and poverty more than doubled. The effects on income distribution occurred mainly through the devaluation—rural exporters benefited and urban informal sector workers lost out most.

Source: Botchwey and others 1998.

carrying out a sustained adjustment and prioritizing investments in the social sectors, improvement in most social indicators has been relatively slow. Basic education sector improvements have not fared well, largely because of a lack of government capacity to manage the program. In health, a shift to a sector investment program pooling the support of 17 donors is faring somewhat better. Nevertheless, more than 1 in 3 Ghanains still lived in poverty by the end of the 1990s.

OED's Country Assistance Note (FY00) finds that the strong growth record owes as much to a large, deficit-financed public investment program supported by donor funds as to the private sector investment needed for sustainable growth. Slow progress on private sector development, weak governance, and high aid dependency now appear to be the main obstacles to sustained poverty reduction. They affect, among other things, the rate at which growth is translated into poverty reduction. In the face of slow progress, the 1997 CAS proposed a new implementation strategy for Ghana, decentralizing activities to the resident mission, stressing program ownership by the government, and emphasizing new nonlending services for technical and implementation support. While it is too early to tell whether this new model will produce a greater poverty impact, the need to complement the focus on growth with an emphasis on governance and institutional capacity is now clear.

Côte d'Ivoire

Côte d'Ivoire has been the recipient of substantial World Bank assistance since 1968, equivalent to 2.2 percent of GDP, compared with 0.9 percent for the rest of Sub-Saharan Africa. From the first adjustment loan in 1981 to June 1997, the country received US\$3.2 billion in net commitments. But Bank and other donor assistance could not prevent a severe fall in household income and a dramatic rise in poverty between 1985 and 1993 (box 3.2). While average income over the 1990–95 period was higher than that of other low-income countries in Africa, Côte d'Ivoire's social indicators are far worse, and income poverty levels rose from 11 percent in the mid-1980s to 37 percent of the population in the mid-1990s. There is also widespread inequality in the incidence of public spending. The lowest quintile of the population benefits from only 11 percent and 14 percent, respectively, of the spending on health and education, compared with 31 percent and 38 percent among the richest quintile.

While average income over the 1990–95 period was higher than that of other low-income countries in Africa, Côte d'Ivoire's social indicators are far worse.

Many of the reasons for limited progress on poverty

BOX 3.3. PERSPECTIVES FROM UKRAINIAN STAKEHOLDERS

A focus group was held in June 1999 with representatives of government, academia, and independent policy research centers in Ukraine to elicit views about the Bank's poverty strategy for the country. Few participants could comment on the overall objective or strategic focus of the Bank's assistance in Ukraine, but many were aware of the

Bank's background work on poverty through the Poverty Assessment carried out in 1996.

Participants underscored the fact that the Bank had been the first donor to assist Ukraine in conducting a new, innovative, and high-quality report on poverty. But they felt that the Bank needs to do better in informing the general public about its work and ensuring that key reports are widely dis-

seminated throughout government.

More broadly, it was noted that the Bank should attempt to unify its terminology and understanding among all actors in the poverty arena. Greater attention to coordination and participatory project design is also needed.

Finally, while the Bank's record of cooperation with the government has been excellent, its collaboration with insti-

tutions outside of government is considered weak. In particular, too little emphasis is given to building local capacity and utilizing national experts on Bank missions. This would provide more local knowledge and create the basis for more effective ownership and commitment to the poverty agenda.

in the 1990s stem from a cycle of erratic economic growth; high, inadequately targeted public spending; a very poor human resource base; and a weakly diversified economy. Until recently, poverty reduction was given very little official priority by Ivorian authorities, making it very difficult for the Bank to develop a coherent poverty strategy. A new development strategy unveiled in 1995

opened the way for a much more direct dialogue between the donor community and the Ivorian authorities on the importance of poverty reduction. The Bank completed a Poverty Assessment in 1997, and the engagement with civil society in a tripartite social dialogue during its preparation set a precedent for work by the Bank and the government (OED 1999b). However, recent develop-

BOX 3.4. COUNTRY PERSPECTIVES ON THE BANK'S POVERTY REDUCTION STRATEGY

Results from five country focus groups (Bangladesh, Côte d'Ivoire, Morocco, Uganda, and Ukraine) reveal important perspectives on the strengths and weaknesses of the poverty strategy and its implementation.

Strengths

- Analytic power; high-quality studies, surveys, and technical assistance
- Ability to fold issues of poverty into broader discourses on economic and social development and to be persuasive about the arguments
- Sharing of good practice; "fighting poverty is not just throwing money at it."

Weaknesses

- Insufficient focus on national capacity building for poverty analysis, monitoring, and evaluation
- Too little *local ownership* of ideas and interventions
- The strategy is too macro; it does not connect well enough with microeconomic issues and poverty
- Bank processes and procedures are too rigid to permit true partnership and full participation.

ments in the political arena have thrown a veil of uncertainty over the direction of change in Côte d'Ivoire.

Ukraine

The problems encountered when there is a serious lack of social consensus for reform is highlighted by the Bank's experience in Ukraine. Ukraine joined the World Bank in 1992. Despite considerable natural resources, a well-educated population, and relatively well-developed infrastructure, economic and social development over the decade has been poor. Income per capita declined by over 40 percent from 1989 to 1997, real wages are currently about 35 percent of the levels at independence, and poverty has increased significantly.

The Bank's assistance strategy has supported the Ukrainian government in achieving a degree of macro-economic stability, reducing inflation, privatizing state-owned enterprises, and carrying out trade and price liberalization. Yet progress in creating a more dynamic agricultural sector as the basis of a return to broad-based growth and in reforming the country's social safety net to protect the poor and most vulnerable has been less than satisfactory. Despite Bank efforts to generate a shared vision of the path to follow, lack of a clear consensus on the direction of reform has limited the feasibility of a coherent poverty reduction strategy.

OED's CAE (1999) finds that despite some promising economic and sector work on problems facing the social sectors and the social safety net in Ukraine, Bank proposals for reform were ill-adapted to the political and institutional environment. They gave inadequate emphasis to the need to build public support for change, especially institutional change, and underestimated the importance of social development to the overall reform effort. Although the Poverty Assessment provided one of the first detailed profiles of poverty incidence in Ukraine, the CAS failed to prioritize policies for broad-based growth and to build support for reform of the social assistance program. Clearly, where there is limited social

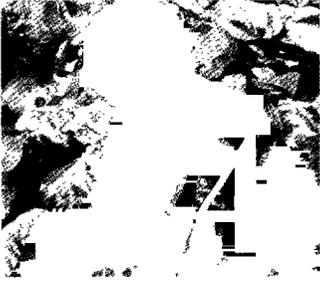
consensus for reform, the scope for Bank assistance is severely limited and the focus should be on building public awareness and facilitating a dialogue between government and other stakeholders on the priorities for equitable growth and development (box 3.3).

Overall Assessment

The country cases confirm the diversity of economic and social conditions and the considerable challenge of poverty reduction. Some of the lessons to emerge are listed below, while views of Bank clients and stakeholders are summarized in box 3.4.

The focus should be on building public awareness and facilitating a dialogue between government and other stakeholders on the priorities for equitable growth and development.

- Growth that is based on rural development has a notable impact on overall levels of poverty.
- Lack of social consensus and government commitment can be a major obstacle to reform, while weak institutional capacity can hinder prospects for implementation of an effective country poverty strategy.
- Slow private sector development, weak governance, and high aid-dependence slow down the prospects for growth and reduce the long-term sustainability of growth and improvements in the social sectors.
- There is a need to monitor not only the level, but also the depth and severity of poverty. Since negative growth can lead to a worsening of poverty levels, safety nets are a necessary condition for ensuring that the poor are protected. All three elements of the 1990 strategy are important for sustained poverty reduction.



From Strategy to Effectiveness

The Project Dimension

OD 4.15 states that every project should be consistent with the poverty reduction strategy, although not every Bank-financed project, or adjustment loan, need have a specific poverty reduction component. In addition, special attention should be paid to monitoring success in reaching poor beneficiaries and tracking, particularly during adjustment, the impact of programs on the poor. This chapter examines the extent to which Bank projects and policy-based lending have addressed these guidelines and assesses their effectiveness in implementing poverty reduction objectives.

Policy-Based Lending

OD 4.15 states that poverty-focused adjustment loans should include measures that (a) focus specifically on eliminating distortions affecting poor groups and (b) support a public expenditure program focused on poverty reduction. Examining first the aggregate performance data for adjustment lending in table 4.1, operations classified as *poverty-focused*¹ show a marginally better performance record in the second half of the 1990s than regular adjustment operations. Institutional development performance also appears to be better, although the likelihood of sustainability is weaker for poverty-focused operations. Looking at Bank and borrower performance, 70 percent of poverty-focused adjustment loans were judged to have satisfactory borrower performance during 1995–99, while 80 percent were judged to have satisfactory Bank performance.

A critical question is whether the relatively better performance of poverty-focused loans is because of their efforts to address social impact or because of other

features of the adjustment operation. Table 4.2 examines the outcome performance of a sample of completed poverty-focused adjustment operations.² The data indicate whether policy measures targeted at enhancing social impact had been achieved at the time of completion.³ Most success appears to have come in managing inflation and in measures designed to protect (or improve) social expenditures.⁴ In the majority of cases social spending levels were protected, and in a few cases spending levels increased significantly (Ghana Private Sector Adjustment, 1995; Malawi Entrepreneurship Development, 1992; and Uganda First Structural Adjustment, 1992). This finding fits closely with the

Seventy percent of poverty-focused adjustment loans were judged to have satisfactory borrower performance during 1995–99, while 80 percent were judged to have satisfactory Bank performance.

TABLE 4.1. COMPARATIVE PERFORMANCE OF POVERTY-FOCUSED AND ADJUSTMENT LENDING

Lending category	OED rating	1980-84	1985-89	1990-94	1995-99
Adjustment	Outcome (1 = satisfactory)	71	57	66	82
	Sustainability (1 = likely)		37	51	66
	ID impact (1 = substantial)		23	34	35
Poverty-focused adjustment	Outcome (1 = satisfactory)			100	84
	Sustainability (1 = likely)			60	56
	ID impact (1 = substantial)				50

results of OED's *Social Dimensions of Adjustment* evaluation (1996), which found that reductions in inflation were an important factor in lower income poverty. The social impact of adjustment was also more positive for countries that, in addition to favorable macroeconomic policy and supply-side reforms, also managed to preserve budgetary allocations for priority social expenditures (box 4.1).

In fewer cases, however, is the protection of social sector spending accompanied by a successful reorientation in spending to priority areas (primary health, basic education),⁵ and in at least three operations, social expenditures actually declined during the period of implementation, mainly through a combination of weak borrower ownership and poor program coordination.

It is notable how few of the operations listed in table 4.2 included a safety net component. Of those that did, the record of success was mixed. In Yemen, a

public works project was implemented that helped to enhance the political acceptability of the adjustment measures, but the scope of the project was limited. In India, the National Renewal Fund (NRF) was established to provide compensation and training to workers made redundant by the closure of state enterprises, but lack of progress on the latter meant that demand for the NRF was well below expectations. In Armenia, the Rehabilitation Credit provided humanitarian assistance and cash transfers to the most vulnerable, but serious problems with targeting meant that many of the benefits went to those who were not vulnerable and were not poor. In Ukraine no progress was made to strengthen the social safety net, improve social spending, or carry out wider fiscal reforms, despite rapidly deteriorating social and poverty indicators.

The data in table 4.2 also point to an important issue of balance among the objectives of poverty-

BOX 4.1. MOROCCO—THE EXPERIENCE OF A SOCIAL SAL

Structural Adjustment Loan (SAL) II was the ninth in a series of adjustment operations implemented during 1984–92. Poverty objectives were addressed in a series of reform proposals in the area of public investment. Six ministries—all judged to be key sectors in facilitating the country's future socioeconomic development—were targeted for special investment effort during the SAL

period. SAL II aimed for a reallocation of public investment in favor of the targeted sectors, while ensuring that investment in these sectors increased as a share of GDP.

The first goal was largely achieved, despite vague articulation of targets in the policy matrix and loan agreement. The second goal was not achieved. Furthermore, evidence of the impact of expenditure reallocation on poverty/social

objectives was unavailable, largely because attempts to monitor the program ran into serious difficulties.

Despite an innovative approach in SAL II to monitoring progress toward achievement of the social objectives, chosen indicators proved nonoperational because of design flaws and limitations in the data available. An additional goal was the provision of information and analysis of poverty (including the

commissioning of three studies on poverty-related issues).

The performance audit points out that, in retrospect, these studies should have been carried out before proceeding with the SAL. This would have permitted a more appropriate targeting of public expenditures and would have avoided the inadequacies in the design of monitoring indicators.

TABLE 4.2. PROGRESS ON SELECTED POVERTY-FOCUSED ADJUSTMENT OPERATIONS, 1992-97

Country and adjustment operation	FY approved	FY exit	Progress on objectives at completion			Addressing distortions ^b	Targeted programs/safety nets
			Fiscal reform ^a	Inflation reduced	Protect social spending		
Armenia Rehabilitation Credit	1995	1996	No	Yes	No		Yes (but targeting errors)
Bangladesh Public Resources Management Adjustment	1992	1994			Yes		
Côte d'Ivoire Competitive & Regulatory Reform Adjustment	1992	1994			Limited	Limited	
Human Resources Development	1992	1995			No		
Ghana Agricultural Sector Adjustment	1992	1996	Yes	Yes	Yes	Yes (some)	
Private Sector Adjustment	1995	1998			Yes	Yes (some)	
India Social Safety Nets	1993				Yes		Yes (but limited)
Kenya Education Sector Adjustment	1992	1995	Limited		Limited		
Kyrgyz Republic Agricultural Privatization and Enterprise Adjustment	1995	1997			Yes (unclear impact)		
Malawi Entrepreneurship Development through Recovery	1992	1996			Yes	Yes (cash crops)	
Morocco Structural Adjustment Loan II	1992	1994			Yes		
Uganda First Structural Adjustment Credit	1992		Yes		Yes	Yes (cash crops)	
Second Structural Adjustment	1994				Yes		
Ukraine Rehabilitation Loan	1995		No	Yes	No		No
Viet Nam Structural Adjustment Credit	1995	1997	Yes	Yes	Not clear	Not clear	
Yemen, Republic Economic Recovery Credit	1996	1998	Yes	Yes	Yes		Limited

a. Fiscal reform covers: improved public expenditure management, revenue mobilization, stabilization of budgets, and the like.

b. Price liberalization, monopolistic marketing, labor market flexibility, and so forth.

BOX 4.2. STAFF VIEWS ON THE STRATEGY

Six Groupware sessions were held with Bank staff during May 1999 to elicit their views about the Bank's poverty reduction strategy and its effectiveness. Staff from a wide range of operational, policy, and research positions were invited to participate.

A widely held view was that the Bank's strategy for poverty reduction is a sound strategy on paper, but needs to be adapted to take account of emerging priorities such as

the role of the private sector, participation, voice, gender equity, risk, and vulnerability.

Staff pointed to what they perceived to be limited understanding of the appropriate policy mix and relative weight of the three elements of the strategy; lack of clear guidance on the meaning of broad-based growth; and uncertainty about how to operationalize effective safety nets.

On adjustment lending, staff noted that while it had proven to be effective in removing policy distortions, it did not

always result in high or pro-poor growth. As one staff member put it, "we do not know how to advise the client in achieving rapid but broad-based growth which will benefit the poor disproportionately more." Staff pointed to a tendency to over-support countries that displayed no real commitment to pro-poor reform.

Staff noted that experience has shown that lending based on good social assessment and participatory tools works well. As one staff member put it, "poverty

impact is greater in areas where *lending is linked with learning*." Nevertheless, many respondents felt that there was a fundamental misalignment between the ostensible overarching objectives of the Bank and the internal processes whereby resources are allocated to products and activities—"we often feel that we are working against the system of incentives rather than being encouraged by it."

focused adjustment. The focus on public expenditures far outweighs that on addressing economic distortions or safety nets.⁶ This emphasis is also confirmed by a recent OED evaluation of *Higher Impact Adjustment Lending* (OED 1999c), which finds that 43 percent of operations included measures to reallocate expenditures to the social sectors. However, targeting of vulnerable groups with improved public expenditure

One of the main problems in assessing the effectiveness of project lending in terms of poverty reduction goals is the lack of monitoring and evaluation data.

Reduce Poverty (World Bank 1991) on how to assess the relative weight of the three elements of the poverty strategy in given country contexts and how to identify possible tradeoffs between the macro and micro impli-

cedures is not always specified, and the impact of reforms on the poorest is rarely considered. Part of the problem stems from the limited guidance given in OD 4.15 and the *Policy Paper Assistance Strategies to*

cations of an adjustment program.

The record on integrating the priorities of the poverty strategy into policy-based lending is mixed. In particular, there continues to be a question mark associated with the provision of safety nets and the reform of basic economic distortions that inhibit access by the poor to assets and to the opportunities created by growth. Piecing together progress against the recommendations of the earlier Social Dimensions of Adjustment study (OED 1996), it is clear that considerable progress has been made in supporting the collection of country poverty data and in emphasizing the importance of adequate social sector expenditure for long-term poverty reduction. Less progress, however, has been made in effectively integrating poverty concerns into Public Expenditure Review (PER) analyses and adjustment operations, or in making adequate safety net provisions to include consultative and participatory mechanisms.

Investment Lending

One of the main problems in assessing the effectiveness of project lending in terms of poverty reduction goals is the

TABLE 4.3. EFFECTIVENESS OF INVESTMENT LENDING BY POVERTY LENDING CATEGORY

Poverty lending category	Main OED rating	Number of projects by exit fiscal year		
		1985-89	1990-94	1995-99
Category A	Outcome (% satisfactory)	70	64	69
	Sustainability (% likely)	50	50	54
	Institutional development impact (% substantial)	31	32	35
Category B	Outcome (% satisfactory)	66	61	61
	Sustainability (% likely)	44	41	35
	Institutional development impact (% substantial)	23	27	35
Category C	Outcome (% satisfactory)	55	64	67
	Sustainability (% likely)	38	38	41
	Institutional development impact (% substantial)	27	29	32

Note: See text and note to figure 2.2 for category definitions.

lack of monitoring and evaluation data. This section draws on OED performance data that evaluate the relevance and efficacy of project objectives, although not necessarily in meeting overall poverty reduction goals. Using the heuristic categories developed in Chapter 2, table 4.3 summarizes OED project performance ratings across the Bank's portfolio. Overall there is little significant difference across each of the lending categories. Projects in category A, which covers subsectors most directly concerned with growth, have a marginally stronger outcome performance, but projects in category C, which covers subsectors most directly concerned with social service provision, show a more consistent improvement in performance over the past decade. All categories show an improvement in the percentage of operations that are likely to be sustained and the extent of institutional development after 1994, but the room for improvement is still significant.

Looking at the performance of specific sectors, table 4.4 summarizes the outcome performance of the five sectors regularly monitored in the annual *Poverty Reduction and the World Bank*—agriculture, education, HNP,

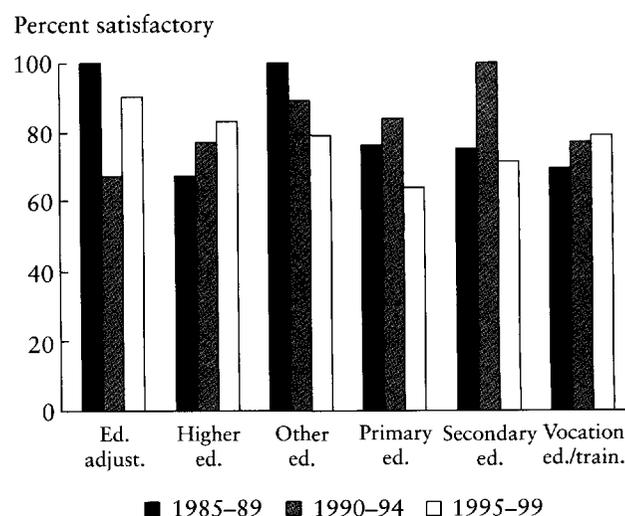
TABLE 4.4. OUTCOME PERFORMANCE BY SECTOR (NUMBER OF PROJECTS BY FY OF EXIT)

Sector	Percent satisfactory (no. of projects)			
	1980-84	1985-89	1990-94	1995-99
Agriculture	67	53	58	68
Education	100	72	80	75
Health, nutrition, population		40	72	67
Social protection		100	75	80
Water supply and sanitation	100	57	67	46

social protection, and water supply and sanitation.

Overall, education and social protection show the strongest outcome performance, followed by HNP and agriculture. However, examining performance at the subsector level shows that lending for primary and secondary education has performed less well than other education subsectors in recent years (figure 4.1). In HNP as well, basic health projects have performed below the average for the Bank as a whole, and below the average for the sector as a whole, although the record is improving.

Institutional development impact and sustainability display similar patterns. During 1995-99, primary education projects were judged to be of likely sustainability in only 39 percent of cases and were judged to have achieved substantial institutional development in only 14 percent. This compares with 58 and 67 percent, respectively, for

FIGURE 4.1. OUTCOME PERFORMANCE BY EDUCATION SUBSECTOR

BOX 4.3. INSTITUTIONAL DEVELOPMENT AND HNP

Overcoming institutional challenges in the HNP sector is critical if Bank assistance is to effectively reach the poorest. Yet institutional development performance has been disappointing. OED's

evaluation of development effectiveness in the HNP sector offers a number of explanations, many of which apply to other social sectors.

- The Bank often does not adequately assess borrower capacity to implement planned

project activities.

- In seeking to promote institutional change and build borrower capacity, the Bank often does not adequately analyze the constraints underlying current performance.

- Weak analysis contributes to a lack of clarity in the articulation of institutional development objectives and weak performance monitoring.

Source: OED 1999f.

education adjustment and higher education projects. In HNP too, only 36 percent of projects were judged to have substantial institutional development impact, although a higher share—54 percent—were considered to have likely sustainability (box 4.3). The tiny percentage of projects that are actually able to demonstrate clear results for the poor suggests that it is always dangerous to assume *ex-ante* that lending in a particular sector or subsector (such as primary education) will be pro-poor. A recent OED evaluation of lending in the HNP sector reveals that few project documents present a coherent analysis of how project interventions will be translated into improved health outcomes for the poor, despite classification as a poverty-targeted operation.

Targeted Investments

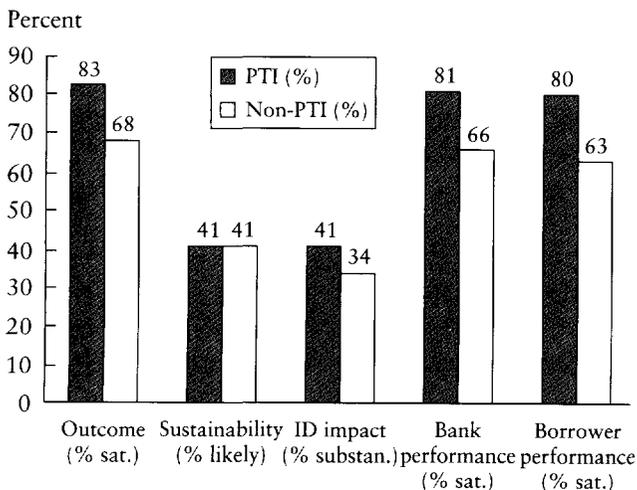
Examining further the disaggregated performance of investment lending, development effectiveness ratings were compared for a sample of completed Program of Targeted Intervention (PTI) and non-PTI projects for the same priority sectors listed above. The overall picture is presented in figure 4.2.

Projects included under the PTI perform better in outcome, institutional development, and Bank and borrower performance. Both sets of projects appear to perform similarly when it comes to sustainability. These results are notable given the preponderance of PTI projects in IDA lending and the weaker historical performance of IDA investment projects, although IDA projects have begun to show significant improvement since FY97 (OED 1999a).

It is difficult to explain *a priori* why projects included under the PTI are performing better, given that the PTI is really no more than a poverty marker system. A further analysis of the project data reveals some interesting results, however. First, for projects in similar sectors, those included under the PTI are more likely to adopt principles of participatory design than non-PTI projects. Thirty-seven percent of PTI projects were rated as having substantial or high participation from beneficiaries at project identification, compared with just 17 percent of non-PTIs. At appraisal, 61 percent of PTIs performed satisfactorily in carrying out institutional capacity analysis, and 41 percent performed satisfactorily in carrying out social and stakeholder analysis, compared with 49 percent and 18 percent, respectively, of non-PTIs.

Second, PTI projects are more likely to focus on beneficiary participation and community development

FIGURE 4.2. THE RELATIVE PERFORMANCE OF PTI AND NON-PTI PROJECTS, 1992–99



BOX 4.4. STAFF VIEWS ON THE PTI

During the focus groups, Bank staff were asked to rate the PTI as a system for tracking the Bank's progress in implementing its poverty strategy and meeting its

overarching poverty reduction objectives. Of those responding, 30 percent had not heard of the PTI at all, 30 percent felt that it was reasonably adequate, while 40 percent felt strongly that the PTI was not an effective

instrument for tracking the Bank's progress. On the broader question of the Bank's experience with targeted interventions, many staff felt that the Bank had not yet acquired good targeting procedures nor sufficient

good practice to identify and target the poor effectively. The PTI criteria were considered too broad to be operationally meaningful.

during project implementation. Fifty-two percent of PTI projects focused on both beneficiary participation and community development, compared with 32 percent of non-PTIs. Third, more PTIs performed satisfactorily in incorporating monitoring and evaluation indicators (53 percent) and using performance indicators during project supervision (37 percent) than non-PTIs (33 percent and 25 percent respectively).

Overall, PTIs appear to have performed better because of their greater emphasis on beneficiary and community participation at the design and implementation stages, and their relatively greater attention to performance monitoring. These are factors widely associated with good practice in the Bank, and as such reflect important changes in the way the Bank has been

delivering its lending since 1990.

There are several reasons to be very cautious about the implications of this analysis. First, there are reasons to doubt the consistency of the *ex ante* application of the PTI classification (box 4.4). The minimum requirement for inclusion is that a project meets either or both of the targeting criteria. However, a review of project appraisal documents and Implementation Completion Reports finds that the criteria themselves are too broad to be operationally useful in targeting project benefits. PTI projects are also not always directly concerned with poverty reduction. They may include components that mention the poor, but they are not necessarily synonymous with a poverty project.⁷ In other cases, PTIs appear to be assigned almost routinely to every basic health and

BOX 4.5. MARKER SYSTEMS FOR POVERTY REDUCTION—THE DAC EXPERIENCE

Poverty reduction mainstreaming requires monitoring systems that provide accountability against poverty objectives and effective lesson learning and feedback. A minority of international development agencies use marker systems to record agency intentions with respect to

poverty reduction, the World Bank among them. The problem with existing marker systems, however, is that they tend to focus on interventions providing direct assistance to poor people, reducing the incentive to examine the poverty linkages of all interventions and mark them accordingly. The contribution of monitoring systems to

accountability and lesson learning is currently seriously constrained by the widespread failure to provide evidence on how the poor, in particular, have benefited from outputs or impact. Even where agencies have sophisticated monitoring and evaluation systems, dissemination of information and incorporation of the knowledge gained is

often weak. Holding country program managers accountable for their performance against the poverty reduction objectives of the Country Assistance Strategies would strengthen the desire to ensure an adequate poverty monitoring system.

Source: DAC/OECD 1999.

primary education project. Under these conditions it is difficult to assess the credibility of a project's intentions to target project benefits to the poor.⁸

The better outcome performance of individual PTI projects does not mean that PTI projects have a larger impact on poverty.

Second, the better outcome performance of individual PTI projects does not mean that PTI projects have a larger impact on poverty. In many cases Implementation Completion

Reports (ICRs) make no mention of the percentage of beneficiaries who are poor, or the share of project benefits that reached them. A review of ICRs for projects included in the PTI and evaluated by OED between 1992 and 1999 reveals that almost half (45 percent) were judged *not* to have an emphasis on poverty reduction. Of the remainder, the information on the achievement of explicitly poverty-related objectives was insufficient to draw any firm conclusions. Lesson learning and feedback have not been systematically applied to PTI projects, whether at the point of preparing an ICR or an ICR review.

As a poverty marker system, the PTI gives an account of the share of Bank lending directed to poor groups, but because it is limited to projects that provide direct assistance to the poor, there is little incentive for project and country managers to demonstrate the poverty relevance of all interventions, especially actions that support an enabling environment for poverty reduction. Limited learning and feedback mean that as a tool for enhancing the direction and the impact of Bank lending on the poor, the PTI system is deficient (box 4.5).

The Bank's approach to monitoring outcomes has been evolving quite rapidly over the past three years. This has involved a movement from a system largely focused on measuring inputs to one that tries to measure outcomes in poverty and social impacts in client countries. It is too early to tell whether this shift has made a significant impact, although there are hopeful signs regarding the experimental approaches to benchmarking and performance monitoring undertaken by CASs for Bolivia, Mali, Macedonia, and Yemen. Most recently, in the context of the HIPC initiative and the Poverty Reduction Strategy Papers (PRSPs), participating IDA countries will be setting specific goals for poverty reduction.



Lessons of Experience

There can be no doubt that, since 1990, considerable headway has been made in understanding poverty and identifying the key correlates of improved well-being. The Bank's intellectual and operational work has made a significant contribution. Yet the backdrop is sobering. Global and regional poverty estimates for the mid to late 1990s suggest that the numbers of absolute poor are rising, and that despite the economic recovery of the mid- to late-1990s, growth has been insufficient to make a significant impact on poverty in many parts of the world.¹

Progress Since 1990

Table 5.1 presents the latest estimates on growth for the decade and compares these with the forecasts used in the *WDR 1990*. Developing countries as a whole grew at 3.2 percent between 1991 and 1998, compared with a forecast of 5.1 percent for the period 1989–00. Much of the divergence is explained by the dramatic collapse of growth in the transition economies during the early 1990s.² Excluding the transition countries improves the growth estimate for developing countries to 5.3 percent for 1991–98, which slightly exceeds the forecast for the period. This average disguises important variations in regional growth performance. The Middle East and North Africa (MNA), Latin America and the Caribbean (LCR), and Sub-Saharan Africa (SSA) all experienced growth below forecasted levels, compensated for by above-trend growth in the South Asia Region (SAR) and East Asia and the Pacific (EAP).

The latest long-term projections suggest that progress on poverty reduction will be even slower in the next few years, and for some Regions, including SSA and LCR, reductions in poverty are likely to remain below the targets recently adopted by the international community (World Bank 2000).

If growth has been slower and more variable than was anticipated in 1990, how do social outcomes compare with those forecast in 1990? The latest social indicator data relate only to 1996/97 and are not available for all regions. Nevertheless, the direction of change is clear in table 5.2. All Regions have improved their primary school enrollment ratios, although MNA and LCR still lag behind forecast levels. Progress has been marginally slower in improving under-5 mortality rates. Only MNA and LCR have improved on levels forecast for 2000, and some regions, such as ECA, are currently experiencing a worsening of under-5 mortality rates.

For IDA countries as a whole, latest estimates suggest positive change across a wide spectrum of social indicators in the 1990s. On average, primary school enrollment ratios increased by 14 percent between 1990 and 1997 for IDA countries, 15 percent if China is excluded, while the drop in the

For IDA countries as a whole, latest estimates suggest positive change across a wide spectrum of social indicators in the 1990s.

TABLE 5.1. GROWTH IN THE 1990s

Country group	World Development Report 1990		Economic Prospects 2000		
	1989-90 (actual)	1989-00 (forecast)	1991-98 (actual)	1999 (forecast)	2000 (forecast)
High-income countries	2.7	3.0	2.3	2.6	2.9
Developing countries	3.2	5.1	3.2	2.7	4.2
Sub-Saharan Africa	2.8	3.7	2.8	2.3	3.1
East Asia & Pacific	4.4	6.6	5.5	5.5	6.2
South Asia	5.1	5.1	5.8	5.4	5.5
Eastern Europe & Central Asia	1.9	1.9	-4.0	0.3	2.5
Middle East & North Africa	4.3	4.3	2.9	2.0	3.2
Latin America & Caribbean	4.2	4.2	3.6	-0.6	2.7
Developing countries excluding transition countries			5.3	3.0	4.5

Source: World Bank 1990, 2000.

infant mortality rate has been close to 11 percent for all of IDA, and 12 percent excluding China. Once again, however, Africa lags behind the rest of IDA, especially in improvements in primary school enrollments and the infant mortality rate. Moreover, the fragile gains in Africa are being overwhelmed by conflicts (internal and external) and AIDS-related deaths.

There is no simple counterfactual for assessing the global relevance of the Bank's strategy.

The recent record on growth and social outcomes is particularly important in the context of the commitments made by the international community to achieving major reductions in poverty and social inequality by 2015. A key question is whether the type of strategy emphasized by the Bank since 1990 still has relevance for countries pursuing poverty reduction goals.

Growth and Social Sector Development

There is no simple counterfactual for assessing the global relevance of the Bank's strategy. The only available approach is to test whether the two main pillars of the poverty strategy—growth plus social service provision for the poor—explain variations in poverty levels across developing countries.

The basic relationship is tested using a multiple regression that assumes that the poverty outcome in a particular year is a function of the level of initial per capita income and the growth of per capita income in the intervening period.³ Poverty is measured in terms of the national headcount poverty estimate.⁴ The model is estimated separately for ten-year average growth, five-year average growth, and previous-year growth for a sample of 63 developing countries. The data set includes data that were not available at the time *WDR 1990* was prepared.

The regression results confirm the negative rela-

TABLE 5.2. SOCIAL INDICATORS IN THE 1990s

Country/area	Primary school enrollment (% net)		Under-5 mortality (per 1,000 live births)	
	WDR 1990 (1990)	WDI 1999 (1996/97)	WDR 1990 (1990)	WDI 1999 (1996/97)
Sub-Saharan Africa	36		105	147
East Asia & Pacific	100	101	23	47
China only	95	102	25	39
South Asia	68		98	100
India only	56		94	88
Eastern Europe & Central Asia	92	92	16	30
Middle East & North Africa	94	87	21	63
Latin America & Caribbean	100	91	52	41

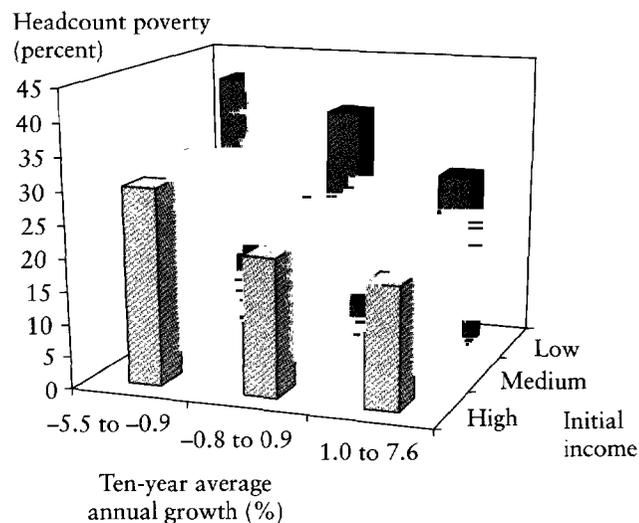
Source: WDR 1990 and World Development Indicators 1999.

tionship of poverty and growth underlying the 1990 strategy.⁵ This relationship holds for all growth periods studied. However, the effect of long-term average growth (in this case, over the 10-year period preceding the year for which a poverty estimate is available) is significantly larger than that of the shorter periods. This is significant in the light of the long-term perspective now being encouraged in the context of the CDF. Figure 5.1 presents this relationship of poverty and average growth over ten years, controlling for the initial level of country income. Countries are grouped by initial income and growth terciles.⁶

The regression analysis also confirms the relevance of the second major part of the 1990 strategy. The proxy variable for the level of social sector development, holding growth constant, is significantly related to the level of poverty.⁷ A reduction in poverty outcomes can, therefore, arise from growth, or an improvement in the level of social sector development, or both. Of course, each can reinforce the other.⁸

Although the model results are significant and substantiate, on aggregate, the relevance of the two main pillars of the 1990 strategy, they fall short in at least three important respects.⁹ First, given its simplicity, the model cannot capture the full diversity of country experiences of poverty, or efforts to reduce it, and the experience of both the 1980s and 1990s has been one of widely divergent country trends.¹⁰ A significant percentage of the variation in poverty remains unexplained. Second, because the model is based on outcome data—growth performance and

FIGURE 5.1: THE RELATIONSHIP BETWEEN TEN YEARS OF GROWTH AND POVERTY LEVELS (CONTROLLING FOR INITIAL INCOME)



poverty levels—it says little about the relevance of particular policies (such as trade liberalization and tariff reduction or increased social spending) in achieving these outcomes.¹¹ Third, the model does not account for the effect of inequality on poverty. There is increasing evidence in the literature of its importance to poverty reduction (box 5.1). For example, Birdsall and Londono (1997) find that the initial distribution of human capital affects future growth, while Deininger and Squire (1996) highlight the link between initial unequal distribution of land and low growth. Similarly,

BOX 5.1. LABOR-INTENSIVE GROWTH AND INEQUALITY

While growth that takes place in areas and sectors where the poor live and work may be consistent with a labor-intensive growth path, it can also be accompanied by increasing, declining, or static income inequality. In Ethiopia, for example,

macroeconomic change looks promising, and the first signs indicate that rural poverty has fallen sharply since the change of government in 1992. Yet those that have gained have been those with assets, including land, oxen for plowing, education, and access to public goods such as roads. Rural households

with few assets have lost out. Rural inequality has risen based largely on inequalities in access to assets (Dercon and Krishnan 1998). Research on the pro-poor bias of growth in India also finds that between 1973 and 1989, growth was essentially pro-poor in Andhra Pradesh and anti-poor in Uttar Pradesh.

Although poverty levels declined in both states, and the rural poor benefited, the scale of poverty reduction in Uttar Pradesh was significantly reduced by a worsening income distribution (McCulloch and Baulch 1999).

Blackden and Bhanu (1999) conclude that high levels of gender inequality are associated with low levels of GDP growth.¹² Thus, domestic policies that tackle access to public and private assets for the poor are critical to both inducing growth and reducing poverty.

Which Policies Matter?

The *WDR 1990* pointed to the importance of a stable macroeconomic environment, undistorted intersectoral terms of trade and factor markets, and public provision of infrastructure to raise per capita incomes and to release resources for investments in human capital.

Reviewing empirical work on the role of economic policy, it has been observed that positive actions by governments and others to affect the quality and sustainability of growth for poverty reduction have often lagged seriously behind efforts at macroeconomic stabilization.

Policies for openness and competition are closely related to macroeconomic stability. Recent research by Thomas and others (1999) finds that measures of openness are generally positively related to poverty reduction, human development, and GDP growth, although more specific measures, such as trade-to-GDP ratios and tariff reductions have positive but insignificant associations with GDP growth. Lundberg and Squire (1999) find that openness, financial depth, and land redistribution are all policies that spur growth. But while financial depth and land redistribution also benefit equality (albeit with a much smaller effect than growth), the relationship be-

tween openness and equality is less clear. In Latin America, for example, trade-opening during the late 1980s and 1990s has been linked to rising inequality, particularly between skilled and unskilled workers (Birdsall and Sabot 1995). Other research points to the importance of physical infrastructure, particularly in spurring agricultural growth and distributing the benefits among the rural poor (White 1997).

Recent empirical work points to a number of factors behind the variable performance of Sub-Saharan Africa, which has struggled the most to make significant inroads against poverty. These factors include a lack of both public and civic social capital, a lack of openness, a continuing deficit of public services, and the added complications of geography and risk. Not only are these factors significant at the country level, they are also significant in explaining outcomes at the level of agents and markets (Collier and Gunning 1999). An independent evaluation of the impact of reforms supported by the Special Program of Assistance for Africa (SPA) found that of the eight countries that remained on track during 1992–96, aggregate investment performance was consistently better than in countries that did not stay on course.¹³ The on-track countries also achieved higher export growth rates and were more successful in curbing fiscal deficits than the 20 other SPA countries (OED 1997). Social development indicators also showed similar differences: the on-track countries reduced infant mortality rates, provided access to safe water, and increased primary school enrollment rates faster than the remaining SPA countries.¹⁴

The human development literature confirms a broad correlation between income levels and life expectancy, literacy and infant mortality. Research on Africa points to

Policies for openness and competition are closely related to macroeconomic stability.

BOX 5.2. WILL THE INTERNATIONAL DEVELOPMENT TARGETS BE MET?

Work by Hanmer and Naschold (1999) shows that if the 4 percent annual growth rate predicted for developing countries up to 2015 is

accompanied by low inequality, the international target of halving absolute poverty could be achieved ahead of time. However, if high income inequality accompanies growth, the

target is not achieved. Higher rates of growth will help, but the effect will be limited. To achieve the target, high-inequality countries need to address inequality by designing growth strate-

gies that increase the incomes of the poorest disproportionately, or ex post by redistributing income through taxation.

Source: Hanmer and Naschold 1999.

a “basic needs multiplier”: higher human development results in higher growth, which then increases welfare and future growth (White 1997). Yet counterintuitively, levels of government spending on social services are only weakly associated with human development outcomes (Filmer, Hammer, and Pritchett 1998). Policies that encourage investment in human capital are clearly critical, but improvements in welfare outcomes are the result of more complex processes, including the technical and institutional characteristics of public service delivery systems (Girishankar 1999; OED 1999f).

These observations suggest that, while a strategy that emphasizes the mutually reinforcing benefits of growth and human resource development is relevant, finding the right combination of policies to support long-term growth, and to ensure that the poor benefit directly, is a more complex challenge. The most recent empirical evidence points to the importance of contingent factors such as property rights, a capable bureaucracy, and the distribution of assets in mediating the poverty-reducing effects of growth, and to the negative effects of corruption on both inequality and poverty.¹⁵ Research on the impact of debt and globalization point to the importance of increased policy coherence between the macro and financial policies of the industrial countries and those of developing countries, and the need for well-targeted safety nets to address the problems of short-term volatility and economic adjustment (Tanzi 1999). New evidence on participation points to the role of social capital and empowerment in shaping the ability of the poor to take advantage of income and welfare-enhancing opportunities.¹⁶

The challenge of poverty reduction is therefore both multidimensional and multisectoral. To date, the level of growth has been insufficient to make a sustained impact on poverty. Human development has proven to be vital for long-term growth, but ultimately it is the *interaction* between policies that sustain long-term growth, improve the distribution as well as the stock of human capital, curb corruption, *and* enhance the social and physical capital of the poor that is likely to make the real difference. These are all elements of the Comprehensive Development Framework. The key will be understanding the interaction between them, and designing Country Assistance Strategies accordingly.

Lessons from Project Experience

The findings of macroanalysis are echoed at the microlevel. A review of recent donor and government



Homeless children in Nairobi, Kenya. Photo courtesy of www.fotofinder.com

experience with different types of poverty-targeted interventions is summarized in table 5.3. The findings suggest that reaching the poor and making tangible differences to their well-being depends not just on a good project design but also on the macroinstitutional environment (formal and informal rules), specific local institutional capabilities (public as well as private), and the cultural acceptability of different types of interventions. Distilling the lessons from a review of completed and active Bank projects over the past five years points to similar findings.

Achieving Results

Tightly targeted projects with good communication, supervision, and built-in flexibility can work, even in difficult institu-

tional/policy environments. In some cases they can also lay the basis for future, larger-scale operations. In Ukraine, where persistent weaknesses in the policy environment and in the relationship between central and local governments make implementation particularly difficult, a safety net operation designed to compensate and assist laid-off mine workers has been successful. Supported by a detailed social assessment and close consultation with affected individuals and communities, mine workers under the Bank-supported scheme have received more effective compensation, retraining, and advice than workers from mines not covered by the scheme.

Reaching the poor and making tangible differences to their well-being depends not just on a good project design but also on the macroinstitutional environment.

TABLE 5.3. EVALUATION LESSONS: POVERTY-TARGETED INTERVENTIONS

	Social Funds	Nutrition	Microfinance	Workfare
Targeting efficiency	<p>Demand-driven approach can conflict with targeting the poor.</p> <p>Use self-targeting (e.g., mothers) combined with geographical targeting.</p> <p>Create incentives to work in remote and poor areas.</p>	<p>Subsidize inferior goods, no general subsidies.</p> <p>Combine targeting methods.</p> <p>Food stamps for specific at-risk groups.</p> <p>Keep transactions costs (distance, transport) and stigma low.</p>	<p>Seek alternatives to physical collateral.</p> <p>Reduce transactions costs.</p> <p>Use poor-friendly <i>indirect</i> targeting instruments.</p> <p>Use simple, observable poverty proxy as direct targeting instrument.</p>	<p>Project wages, NOT above-market wages.</p> <p>Reduce transactions and transport costs.</p> <p>Avoid eligibility restrictions.</p> <p>Provide child care.</p> <p>Combine area-targeting with self-targeting.</p>
Enhancing beneficiary impact	<p>Ensure participation (including financial) throughout project.</p> <p>Provide information to potential beneficiaries.</p> <p>Encourage private sector involvement.</p> <p>Ensure assets created are of maximum value to the poor.</p>	<p>Early, timely intervention.</p> <p>Combine food supply with schooling, health facilities, counseling.</p> <p>Integrated programs.</p> <p>Pre-test consumer acceptance.</p> <p>Nutrition education.</p> <p>Minimize market distortion.</p>	<p>Respect loan fungibility among uses.</p> <p>Avoid direct targeting instruments that might have adverse incentive effects.</p> <p>Avoid lending monopolies.</p>	<p>Implement during slack agricultural season (pre-test for demand).</p> <p>In-kind payments depend on food market.</p> <p>Complementary interventions.</p> <p>Provide legal guarantee.</p> <p>Avoid monopoly supply of contractors.</p>
Enhancing organizational capacity	<p>Financial packages should reflect local conditions.</p> <p>Prepare for problems of financial dependence.</p> <p>Implement cost-recovery mechanisms.</p> <p>Ensure maintenance.</p> <p>Coordinate with other policies (and entities).</p> <p>Keep procedures light and simple/ training.</p>	<p>Keep administrative costs low through simple targeting and distribution channels.</p> <p>Incentives to managers.</p> <p>Use private sector distribution where possible (not for food supplementation).</p> <p>Build information base for timely interventions.</p> <p>Community participation.</p>	<p>Build appropriate repayment incentives.</p> <p>Quick, repeat loans.</p> <p>Encourage savings and pooled funds for non-covariant emergencies.</p> <p>Performance incentives.</p> <p>Transparent loan portfolio information.</p> <p>Subsidize transactions costs, NOT interest.</p>	<p>Decentralize decisionmaking.</p> <p>Coordinate with existing projects.</p> <p>Plan for maintenance.</p> <p>Compare labor intensity to similar non-workfare projects.</p> <p>Financial contingency.</p>
Linkages to long-run development	<p>Capacity building/institutional demonstration effects.</p> <p>Decentralization with capacity building.</p>	<p>Stimulate complementarity—e.g., with education.</p>	<p>Need for complementary action—e.g., infrastructure.</p>	<p>Assure assets created are of maximum value to poor</p> <p>Complementary programs (health, education, social capital).</p>
Prospects for replicability	<p>Reflect local conditions.</p> <p>Share learning/process experiences.</p> <p>Institutional design vital.</p>	<p>Need local adaptation and test of consumer acceptance.</p>	<p>Respect context.</p> <p>Share learning experiences of failure as well as of success.</p>	<p>Respect context.</p> <p>Institutional arrangements important.</p>

BOX 5.3. BUILDING ON THE LESSONS OF SUCCESS—THE ALMP IN KENYA

The Arid Lands Resource Management Project (ALMP) in Kenya builds on the groundwork laid down by the IDA-funded Emergency Drought Recovery program (the EDRP, mentioned above), as well as other agency programs such as the EU-funded Kenya Livestock Development program, the UNDP-funded Pastoralist Integrated Development program, and the Dutch-funded Drought Management project.

The ALMP has incorporated the lessons learned during the implementation of these projects. Care is being taken to ensure that community ownership is fostered and project interventions are kept simple so that the communities can manage them on their own. Program components are expanded only when the capacity of the communities, participating NGOs, and government agencies has been adequately strengthened.

The ALMP has been

emphasizing community development initiatives and training in participatory methods based on participatory rural appraisal tools and methodologies (including the logframe). The entire community—not just the community elders—is included in the training.

There is evidence to show that the capacity of these participating agencies to prepare proposals for microprojects has improved. As in the case of the EDRP, close supervision by the resident staff in Nairobi and peri-

odic progress monitoring workshops have been crucial to the satisfactory performance of the ALMP. Donor coordination has also been good. Positive synergies have developed among the Dutch-funded Drought Preparedness, Intervention, and Recovery project (DPIRP), the GTZ-funded Samburu and Marsabit district development projects, the Wajir-based OXFAM Pastoral Development project (PDP), and ALMP.

Of course, there are limits to the effectiveness of the project approach within difficult policy environments. In Kenya an ambitious cross-sectoral project designed to alleviate the impact of drought in arid and semi-arid areas was too complex to deliver on all its development objectives. Nevertheless, the project had a positive and long-lasting impact through the smaller and more tightly targeted relief components—livestock, water, health, and local drought management—which were effectively implemented even in a poor policy environment. The main contribution of the project was its decentralized support for the development of local associations of users of water and livestock drugs. Underlying the success of the smaller project components was close supervision from the Bank's Country Office in Nairobi, direct and regular contact between Bank staff and government officials, flexibility in project implementation, and extensive community participation. The experience also laid the basis for a larger operation that is also showing signs of success (box 5.3).

In difficult institutional environments, experience indicates that it is best to avoid the temptation to do too much or to scale up too quickly. Keeping targeted

projects small and flexible, with close participation of beneficiaries, is a surer way to ensure short-term results. Systemic weaknesses within a country's institutional framework are an ever-present threat to development projects, yet strong institutional design can provide some degree of protection against the vagaries of the implementation environment. But building a credible set of institutional arrangements requires long-term government and donor commitment.

Projects, and more specifically targeted projects, continue to be important mechanisms for addressing the basic needs of the poor, but there are important limitations to what individual projects can achieve. In isolation they are often too small to make a significant dent in the scale or depth of poverty. Conditions in the wider policy and institutional environment can also diffuse, even nullify, the beneficial impact of individual projects, especially when implemented top-down. The benefits that flow from one project may only be realized if there are complementary investments in other areas. Given these shortcomings, the Bank and other development agencies have increasingly come to stress the importance of sectorwide initiatives, supporting the institutional framework and building synergy

BOX 5.4. INDIA'S DAIRY REVOLUTION

Operation Flood was aimed at assisting dairy cooperatives to (a) provide farmer-members with an assured market for their output; (b) enable farmers to directly share the returns generated by the cooperative; and (c) offer farmer-controlled mechanisms for delivering essential support services such as technology transfer. In all, the Bank committed

nearly \$245 million of credit/loans for the three phases of Operation Flood (1970–96).

The achievements of Operation Flood are impressive. By 1996, it involved 9.3 million farmer-members supplying an average of 10,900 metric tons of milk daily through nearly 72,000 village cooperatives attached to 170 milk producers' unions (MPUs). It is estimated that 40 million metric tons of additional milk were produced in 1995

than would have been produced if the pre-1971 growth rate had continued.

Even though this project was not designed as a "poverty" project, it has proved to be a major source of income and employment generation. Nearly 60 percent of the beneficiaries are small or marginal farmers or landless producers. The OED report *India: The Dairy Revolution* (OED 1998d) notes that the growth in milk production under Operation

Flood is comparable to increases in grain production achieved under the Green Revolution.

By 1996, 6,000 women-only dairy cooperative societies had been set up. The dairy cooperative societies and the MPUs represent a major addition to social capital in the participating villages.

within the lending program. Adaptable lending instruments and Sector Investment Programs are specifically designed to address these issues.

Building on the Institutional Framework

The Bank's involvement in the dairy sector in India provides an example of how investment projects supporting sectoral initiatives can have wide-ranging benefits for poor producers (box 5.4). Central to the success of the program, according to a 1998 OED impact evaluation, was a well-designed institutional framework (with government ownership) for projects. The Bank did not

Local institutional structures are often a key to project success or failure.

have to build a sense of ownership, nor did it have to support new institutions for the project. It focused mainly on providing funds to well-designed, farmer-driven initiatives in the dairy sector and on strengthening the existing institutional framework.

The institutional framework is also critical to the effectiveness of social service delivery. Water and sanitation is a key area in the fight against poverty. Early Bank lending for rural water supply and sanitation was based on supply-driven, top-down approaches

to project design and implementation. Limited results and persistent problems with sustainability led to a gradual shift to demand-driven approaches based on private sector participation and community-based systems. A recent OED review of completed rural water supply (RWS) projects found that this shift has been critical. The review noted that local institutional structures are often a key to project success or failure; the Bank needs to take account of local specificity and avoid promoting standardized models for project design. Assessing long-term system operating costs and finding sustainable ways of managing them, not only for this but for the next generation as well, is also critical. In small systems, support for local organizations and water funds may be the way forward.

Lack of proximity is one of the stumbling blocks to effective public action on behalf of the poor. Social funds and decentralization of government services are now widely used as mechanisms for bringing government closer to people and enhancing responsiveness to the needs of the poor. The Bank has sought to address the need for a greater emphasis on demand and decentralization in a wide variety of sectors, including the social sectors. However, a review of studies on the impact of social funds and decentralization finds that while they offer the potential for improved outcomes



People scan the central garbage dump for food and recyclables in Port-au-Prince, Haiti. Photo courtesy of www.fotofinder.net

for the poor, there is no reason to expect that the benefits will always accrue to the poor.

Evaluations from Bolivia and Ecuador reveal that the number of days of work created for the poor has often been below expectations, and that the beneficiaries of both the jobs created and the newly created infrastructure have often not been from the poorest regions or districts. Reddy (1998) finds that the equity record of social funds is mixed, including those in the popular area of microfinance (box 5.5). Evidence from some funds suggests that their beneficiaries were moderately—but not especially—poor and disproportionately male. Regional imbalance is also a problem. Some aspects of fund design—such as cost-recovery for financial sustainability or the need to secure the political support of the non-poor—may reduce impact

on the poor. There may also be a tension between the goal of targeting the poor and the demand-driven nature of social funds. In Bolivia, it is better-organized communities rather than the poorest that are most likely to obtain Social Investment Fund (SIF) investments. How to target the poorest within municipalities is a key policy question.

Decentralization in situations where the relationship between local and central government is weak or conflict-ridden can be problematic. In Ghana, local stakeholder resistance to central government authority caused a Bank-supported primary education project to founder. Decentralized interventions risk creating greater disparities and inefficiencies in the provision of basic education. In contrast, the experience of the EDUCO program of community-managed schools in El Salvador has been positive.

Where increased decentralization has had a positive impact on pro-poor outcomes, it has been the product of a combination of strong central authority, pro-poor ideology (often in the form of resources for centrally driven programs), and active engagement by the center (Crook and Svevrisson 1999). Evidence from comparative work on Indian states reinforces this conclusion (cited in Crook and Svevrisson 1999; World Bank 1997). In India, the federal system has allowed

There may be a tension between the goal of targeting the poor and the demand-driven nature of social funds.

BOX 5.5. THE BANK'S PROJECT EXPERIENCE WITH MICROENTERPRISE FINANCE

The Bank has considerable experience in attempting to measure the scale or social impact of its support for microenterprise finance. Indeed, in all projects covered by a recent OED evaluation of these activities, pov-

Source: OED 1999d.

erty alleviation was stressed as an objective. In only 40 percent of the projects was consideration given to the kinds of performance indicators that could determine the project's impact on poverty. Similarly, in only 40 percent of the completed projects were

gender issues raised as a concern, even though the evidence is that this form of borrowing is particularly beneficial for poor women. Furthermore, of the limited number of projects that considered gender concerns, in only one-third were the effects of gender rates as

substantial. The development of impact measures and cost-effective poverty measurement methodologies are areas in which the Bank should be able to make a substantial contribution.

enough room for state governments with alliances favorable to the poor to have an impact on poverty outcomes. Yet such alliances are not always present. Decentralization without effective local accountability to a local electorate is less likely to establish pro-poor policies. Experiments in Ghana and Bangladesh suffered from inadequate staffing and poor management, as well as weak local accountability. Decentralization is a complex, long-term process, and not a quick or easy solution to the problem of pro-poor public action (World Bank 1997).

Creating Synergy

A qualitative review of the Bank's private sector development agenda in early 1999 suggests that the Bank's poverty reduction strategy has been weak with

There is a need to better understand the synergy between key areas of public and private action to better address the priority needs of the chronically poor.

respect to the role of private sector. The 1990 strategy placed labor-intensive growth at the center of its agenda for poverty reduction. But with the exception of the message that growth was absolutely necessary, it was unclear what the

operational imperatives were for private sector development. Similarly, the 1997 Strategic Compact reaffirmed the Bank's focus on poverty and emphasized the critical role of private sector development, but there was no clear articulation of the relationship between the two. As a result, until recently, the expectation has persisted that poverty could be properly addressed by

"raising the whole tide" rather than being directly leveraged through private sector and infrastructure development. But creating and institutionalizing awareness of poverty issues in sectors with a traditionally indirect relationship to the poor can also have positive effects.

In transport, while economic efficiency is the primary objective, there is growing awareness that efficiency-oriented transport may benefit the rich more than the poor, while transport externalities such as vehicle emissions and traffic accidents may harm the poor more than the rich (Gannon and Liu 1997). An impact study of 129 villages in Bangladesh found that villages with better transport access were significantly better-off in a number of areas, including household incomes, wage incomes of landless labor, health, and the participation of women in the economy (Ahmed and Hossain 1990). Local infrastructure and communications and water and sanitation are important areas for public/private partnership. Each has potentially significant complementarity with other areas of public action such as health care and education in both rural and urban areas. Consequently, there is a need to better understand the synergy between key areas of public and private action to better address the priority needs of the chronically poor.¹⁷

A key lesson from the evolution of the Bank's approach, and one that fits very closely with the principles of the CDF, is that consciously taking account of intersectoral synergies and side-effects has the potential to substantially increase the positive social impact of individual and sectorwide investments. Poverty is a multidimensional, multisector phenomenon that deserves multi-sectoral, context-specific responses.



Conclusions and Recommendations

Has the Bank Aligned Itself with the Objectives of the 1990 Strategy?

The Bank has come a considerable distance in the past decade in recognizing that poverty and its eradication go beyond economics. The *WDR 2000/2001* will add new and important information in this area. The Bank has also made headway in aligning its instruments with its poverty reduction strategy. The most tangible improvements are the linking of country poverty profiles to CASs, the articulation of CAS goals in relation to country poverty

reduction goals, and the shifting of resources to sectors and subsectors—particularly the human development sectors—in keeping with the aims of the strategy. These are substantial achievements. In addition, the Bank's research and analytical work on poverty has resonated positively with borrowers and the development community. Not all CAS policy frameworks, however, have moved in tandem with the broadening of the poverty agenda in the 1990s. Emphasis on diversity among the poor, especially its gender and ethnic dimensions, and on the multidimensional nature of poverty is still weakly reflected in many CAS documents. Policy frameworks have taken a long time to move from the generalities of the initial strategy to recommendations that are concrete and tailored to specific country contexts. Social safety net issues are still treated ad hoc, and the Bank's ability to link its activities with progress indicators on poverty reduction and social development remains seriously deficient.

Has the Bank Linked Lending Volume and Country Efforts to Reduce Poverty?

The results in this area are promising. Aggregate Bank lending in the 1990s has been greater in countries

showing stronger borrower and institutional performance, although the same does not appear to hold for macropolicy performance. Further analysis of country poverty reduction efforts using the CPIA measure finds that, over the past three fiscal years (1997–99), lending commitments have been higher in countries that demonstrate better performance on poverty actions (monitoring, targeted poverty programs, and safety nets). Nevertheless, there is still a need to improve both the criteria and the extent of country selectivity based on assessments of country poverty reduction effort.

Has the Bank Been Effective in Implementing Its Poverty Strategy and Has It Monitored Its Impact on Poverty Outcomes?

The efficacy of Bank lending presents a mixed picture. While there has been a major shift in lending composition, the record on integrating a poverty focus into policy-based lending has been uneven. In investment lending, while projects included under the PTI and those focused on community-based lending have performed well on average, projects in key sectors such as primary education and basic health have performed below average and have had limited



Child begging, Kaliningrad, Russia. Photo courtesy of National Geographic.

impact on institutional development. Of equal concern is the lack of a clear link between lending and poverty outcomes, even for projects intended to provide direct assistance to the poor. A history of inadequate project monitoring data and weak follow-up on poverty-related project objectives in Implementation Completion Reports (ICRs) and ICR reviews has resulted in a serious gap in the Bank's knowledge about the effectiveness of its lending in reaching poverty goals. The lack of a clear poverty focus in OED's work until recently has only served to perpetuate this gap.

Is the Bank's 1990 Strategy Still Relevant?

The answer to this question is inevitably very complex. A review of the latest policy literature suggest that the strategy is relevant, but that a more comprehensive approach is required. Growth and social sector development have made positive contributions to poverty outcomes, but there is also increasing evidence that income inequality, as well as inequalities in the distribution of land and human capital, inhibit the translation of growth into reduced poverty. Thus, domestic policies that tackle access to public and private assets for the poor are critical, both to induce growth and to reduce poverty. Nurturing reform in these areas is a demanding and long-term task in most developing countries.

Recent research also reveals that a wider set of policies is necessary for long-term growth and poverty reduction than envisaged in 1990. In Sub-Saharan Africa, which has struggled the most to make significant inroads on poverty, factors such as the availability of public and civic social capital, the quality as well as

quantity of social and physical infrastructure, and buoyant private investment have been associated with better growth performance and social progress. To date the level of growth has been insufficient to make a sustained impact on poverty in most countries. Human development has proven vital for long-term growth, but ultimately it is the interaction between policies that sustains long-term growth, improves the distribution as well as the stock of human capital, and enhances the social and physical capital of the poor that is needed for sustained poverty reduction. Here, too, the reform agenda and capacity building requirements are demanding and require a long-term focus.

The Road Ahead

Since 1990, the Bank and the development assistance environment have been evolving. The volume of official aid has been declining (until the past fiscal year), while the agenda of development assistance has increased significantly. Projects have evolved to take into account the complexities of the implementation environment, while an increased focus on the institutional framework for development assistance has taken the Bank and other donors in the direction of greater policy-based lending and sectorwide investments. The Bank has increased its lending volumes and has focused on the need to improve effectiveness through the Strategic Compact, and in partnership with others in the context of the CDF and the PRSP. These new devices represent a commitment to move to a more comprehensive approach to poverty reduction. They are moves in the right direction. Yet there remains a great deal of ignorance about the benefits and costs of much of what the Bank does.

Recommendations

Poverty reduction is the primary objective of the Bank's strategy and should be the organizing principle for the Bank's self-evaluation and its independent evaluation of development effectiveness. The recommendations that follow are designed to feed into processes currently under way, particularly the implementation of the CDF, the PRSP process, and the translation of the *WDR 2000/2001* into operational policies and procedures.

Operational Policy and Bank Procedures

- Reworking the Operational Directive on Poverty Reduction in the light of the *WDR 2000/2001*

should be based on the findings of this evaluation and full consultation with representatives of civil society, the private sector, and the Bank's development assistance partners. It should include clear, monitorable benchmarks for assessing implementation performance. The Poverty Sector Board should also identify strategic elements of the revised policy framework for periodic review.

- Sector Strategy Papers (SSPs) need to be fully integrated into the revision of the Bank's policy framework for poverty reduction. To overcome fragmentation of effort, Sector Boards need to improve their connectivity to the Poverty Sector Board, and SSPs should make sustainable poverty reduction their central objective.
- Country strategies and policy documents can contribute by better integrating quantitative and qualitative data about the diversity of the poor (particularly gender issues, indigenous and socially excluded groups) and their informal safety net strategies, and by improving ex ante analysis of the likely social impact of proposed policy changes.

Good Practice

- The increased focus on poverty and the new directions in thinking and operationalization of the poverty reduction strategy will require stepping up the effort on policy guidance and training. The *Poverty Reduction Strategies Sourcebook* (in preparation) will go some of the way toward filling this knowledge gap. This should be accompanied by a systematic program of knowledge dissemination and training, which would include borrower staff, on monitoring and implementing poverty reduction strategies. The effectiveness of such training should be carefully reviewed by the Poverty Sector Board at regular intervals.
- Capacity development is crucial to make the CDF and PRSP work for the poor. The focus should be on supporting a wide spectrum of capacity inside and outside government to prepare, implement, and evaluate national poverty reduction strategies. This should be based on extensive consultation and participation. Support for capacity building should be done sensitively and flexibly to ensure that local ownership is not undermined.

Monitoring and Evaluation

- A strategic framework for evaluating poverty outcomes must be developed alongside the revised poverty reduction policy and should include: (i) regional strategies for improving the stock of evaluative data on the relationship between Bank assistance and poverty outcomes and (ii) a set of criteria for identifying self-evaluation priorities to maximize learning about poverty reduction.
- SSPs can support enhanced monitoring of the revised policy framework by committing to an overarching results framework that systematically links sector-specific and intermediate development objectives with progress indicators in poverty reduction. SSPs should also help to clarify Development Assistance Committee (DAC) objectives and develop intermediate targets to meet them. A new kind of poverty progress report should be developed that combines these sector- and region-specific results into a report that covers overall progress toward poverty reduction goals.
- Self-evaluation and independent evaluation must move in tandem. OED must strengthen its internal processes to ensure that a poverty focus is the organizing principle of all OED evaluations. The format for ICR reviews and project performance audits should be revised to serve as building blocks for country and sector evaluations. Apex and corporate evaluations should provide the framework for evaluating the Bank's progress toward its corporate mission. Developing methodological tools for enhancing the poverty focus of country and sector evaluations should be carried out in consultation with Bank staff and with partner agencies, including the Multilateral Development Banks (MDBs), the United Nations Development Program (UNDP), and bilateral donors through the DAC.

A strategic framework for evaluating poverty outcomes must be developed alongside the revised poverty reduction policy.

ANNEXES

ANNEX A: MANAGEMENT ACTION RECORD

<i>Major Monitorable OED Recommendations Requiring Response</i>	<i>Management Response</i>	<i>Actions</i>
<p data-bbox="228 495 542 558">Effectiveness of the Bank's Poverty Reduction Strategy</p> <p data-bbox="228 596 602 659"><i>Operational Policy and Bank Procedures</i></p> <p data-bbox="228 663 602 1234">Reworking the Operational Directive on Poverty Reduction in the light of the <i>WDR 2000/2001</i> should be based on the findings of this evaluation and full consultation with representatives from civil society, the private sector, and the Bank's development assistance partners. It should include clear, monitorable benchmarks for assessing implementation performance. The Poverty Sector Board should also identify strategic elements of the revised policy framework for periodic review.</p> <p data-bbox="228 1276 399 1308"><i>Good Practice</i></p> <p data-bbox="228 1312 602 1850">The increased focus on poverty and the new directions in thinking and operationalization of the poverty reduction strategy will require stepping up the effort on policy guidance and training. The <i>Poverty Reduction Strategy</i> will go some way in filling the knowledge gap. This should be accompanied by a systematic program of knowledge dissemination and training, including borrower staff, on monitoring and implementing poverty reduction strategies. The effectiveness of such training should be</p>	<p data-bbox="639 495 1052 800">The <i>WDR 2000/2001</i> is providing an opportunity to bring together the lessons of experience of the 1990s and the major themes that have emerged (the importance of good governance, empowerment and participation, the focus on inequality and vulnerability) and synthesize current thinking.</p> <p data-bbox="639 835 1052 1171">A first major step in updating and expanding the Bank's poverty strategy was covered in the Poverty Reduction Strategy initiative launched in FY00—see the joint IMF-WB Board papers on <i>Building Poverty Reduction Strategies in Developing Countries</i> (Sept. 1999) and <i>PRSPs: Operational Issues</i> (Dec. 1999).</p> <p data-bbox="639 1207 1052 1339">Work is also ongoing to develop a program of global initiatives and to support community-based development.</p> <p data-bbox="639 1375 1052 1648">As discussed in the note, management disagrees that practical policy guidance was lacking; in fact, the 1990 <i>WDR</i> was the first to be followed by an Operational Directive and a Handbook; both captured what was at the time state-of-the-art analytical and policy guidance.</p> <p data-bbox="639 1684 1052 1850">The <i>Poverty Reduction Strategies Sourcebook</i>, now under preparation, is being designed to capture the current state of the art on good practice for core poverty analysis,</p>	<p data-bbox="1088 495 1458 1207">The <i>WDR</i> and documents on the PRSP Initiative will be complemented in FY01 by a strategic statement on additional shifts that will be prepared based on the 1990 strategy, the findings of the <i>WDR 2000/2001</i>, the OED evaluation, and other recent developments. This statement will include guidance on the links between the CDF and the PRSP initiative, updating of poverty diagnostics, monitorable benchmarks, and a monitoring and evaluation strategy. Operational guidelines will be revised as needed, recognizing that country ownership will lead the content and form of poverty analyses. Broad consultations will be held on this strategy.</p> <p data-bbox="1088 1243 1458 1444">To allow sufficient time for consultation, it is anticipated that the strategic statement will be formally submitted to the Board of Directors in the second half of FY01.</p> <p data-bbox="1088 1480 1458 1850">In parallel with consultations to finalize the <i>Sourcebook</i>, a major capacity building program is under preparation for staff and country counterparts, beginning with those involved in the poverty reduction strategy initiative. This is being complemented by a broadening of existing training for all clients, working increasingly with external partners, and</p>

carefully reviewed by the Poverty Sector Board at regular intervals.

Monitoring and Evaluation

A strategic framework for evaluating poverty outcomes must be developed alongside the new policy framework. It should include: (i) regional strategies for improving the stock of evaluative data on the relationship between Bank assistance and poverty outcomes and (ii) a set of criteria for identifying self-evaluation priorities to maximize learning about poverty reduction.

Sector Strategy Papers can support enhanced monitoring of the revised policy framework by committing to an overarching results framework that systematically links sector-specific and intermediate development objectives with progress indicators on poverty reduction.

strategy, and macro and sectoral links to poverty. While the initial focus is on low-income countries, the *Sourcebook* is being designed to be relevant for all Bank clients.

As discussed in earlier documents such as the "Poverty Progress Report" and *Country Assistance Strategies—Retrospective and Implications* (R99-228), December 7, 1999, management agrees with the need to, and is already taking steps toward, strengthening monitoring and evaluation capacities, especially in the area of poverty reduction.

A "Handbook on Impact Evaluation" has been prepared under the leadership of the Poverty Reduction Board to provide guidance on how to carry out structured evaluations of interventions, and is being disseminated among staff and partners.

for staff. Implementation will be monitored by the Poverty Reduction Board.

The strategic document mentioned above will include a monitoring and evaluation strategy, as well as a discussion of how to strengthen incentives to learn from experience. For country-level monitoring and evaluation of poverty trends, the strategy will discuss how monitoring and evaluation strategies will be systematically integrated within country assistance strategies over time.

For sector strategies, the SSP stock-taking planned for the first half of FY01 will examine the scope and timetable for SSPs to systematically improve or introduce: (a) monitorable poverty outcome indicators (with poverty intended in a multidimensional sense, as in the *WDR 2000/2001*) and intermediate indicators; (b) a discussion of the links between actions in the sector and these indicators; (c) evaluation plans for selected program interventions that contribute to the realization of planned outcomes.

ANNEX B: REPORT FROM THE COMMITTEE ON DEVELOPMENT EFFECTIVENESS (CODE)

The Effectiveness of the World Bank's Poverty Reduction Strategy: An Evaluation; Poverty Reduction and the World Bank: Progress in Fiscal 1999 (Discussion Draft); and Draft Management Response to the Evaluation Report

The Committee is pleased to report on its deliberations concerning the three documents on poverty: *The Effectiveness of the World Bank's Poverty Reduction Strategy: An Evaluation* (CODE2000-11); *Poverty Reduction and the World Bank: Progress in Fiscal 1999 (Discussion Draft)* (CODE2000-12); and *Draft Management Response to the Effectiveness of the World Bank's Poverty Reduction Strategy: An Evaluation* (CODE2000-13). The Committee commended the high quality of the reports and considered it fortunate to have them discussed together. The Committee also commended the productive synergy and interaction between OED and Management that resulted in the incorporation of many OED recommendations in the Progress Report and the Management Response.

The Committee welcomed the positive findings of the OED report: that the 1990 strategy and the momentum it created have had a positive and significant impact on the Bank's operational and analytical work, including CASs and composition of lending. However, it generally agreed with OED's further findings that in certain areas—for example, social safety nets—the Bank belatedly moved to reflect them in its Country Assistance Strategies, as the importance of social risk management became apparent. The Committee appreciated that, as described in the Progress Report, the Bank's poverty strategy is already moving in new directions, with the *WDR 2000/2001* providing new themes and the CDF and PRSP initiatives providing a new approach—country ownership, participation of civil society, partnerships with development partners, and greater focus on measuring and monitoring.

The challenge will be the implementation of new themes and initiatives. The Committee would like to bring the following issues to the Board's attention (as a way of focusing the Board's discussion).

Updating/Revising the Bank's Poverty Reduction Strategy: Questions were raised as to whether the 1990 *WDR* strategy needed to be updated or simply strengthened and implemented better. In general, members felt that the paradigm had shifted, to include new themes such as inequality, volatility, vulnerability and institu-

tions, and a multisectoral approach that included private sector, trade, public expenditure, and other macropolicies. Finding the right combination of policies and programs would be the key, and sector strategies would play an important role in promoting poverty impact. The Committee noted that there was considerable urgency to defining the new paradigm, particularly in view of initiatives already ongoing, and that a new strategy document should not be delayed until the second half of FY01 (paras 5-8 of Implementation Note). Members urged Management to undertake corrective measures as and when issues arise without waiting for the implementation of the *WDR 2000/2001* recommendations.

Guidelines on Poverty Analysis: The Committee called for sufficient guidance to staff on the new requirements for poverty diagnosis and the link to Country Assistance Strategies (para. 9 of Implementation Note).

Monitoring and Evaluation: The Committee shares Management's and OED's major concern with lack of adequate monitoring and evaluation of Bank projects and programs at the country level, as well as disentangling the effects of country performance and impact of Bank assistance. Management has acknowledged this weakness, while raising legitimate issues about methodology and cost. The task force on project impact evaluation will discuss its work with CODE in the coming months; the Committee would suggest that both benefits and costs be considered. Questions were also raised regarding lack of monitoring capacity in countries, and the possible source of financing for an enhanced impact monitoring effort (paras 10-11 of Implementation Note).

Program of Targeted Interventions (PTIs): The Committee raised the question of whether the Bank should discontinue the use of PTIs since there was not enough evidence that they had more direct impact on poverty than the indirect effects of other projects (paras 12-14 of Implementation Note).

Organization, Staff Capacity, and Matrix Management: The Committee emphasized the need to clearly address organizational implications, including training of staff, incentives, and skill-mix issues. Questions were raised regarding the role of the Networks in quality assurance and the responsibilities of country directors. Committee members also expressed a desire to hear directly from Regional and Network

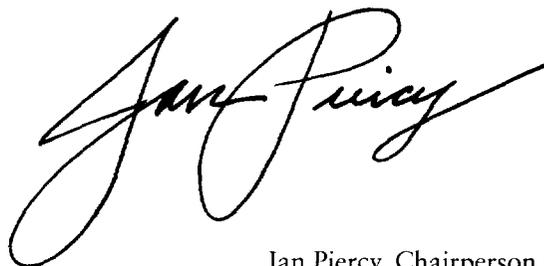
staff on these issues, as well as recent experience with PRSPs (paras 15-17 of Implementation Note).

Future Progress Reports on Poverty: The Committee requested information on Management's plans for future progress reports, including its timing, content, and the desirability of an Apex Report (para 18 of Implementation Note).

Other Issues: Poverty and Gender: Several Committee members questioned whether gender had been adequately addressed in the reports and in the Management Response.

The Committee recognizes that all of these issues are high on Management's agenda. The Committee asked Management to prepare an Implementation Note

outlining how it plans to address these issues. The Implementation Note that has been prepared provides a good basis for Board discussion. The Committee looks forward to working with Management in effectively implementing the Bank's poverty reduction agenda.

A handwritten signature in black ink, reading "Jan Piercy". The signature is written in a cursive style with a large, looping initial "J".

Jan Piercy, Chairperson
April 20, 2000

ENDNOTES

Chapter 1

1. Industrial nations were projected to grow at 3 percent a year, and developing nations at 5.1 percent, compared with the 4.3 percent achieved by the developing world in the 1980s. Projections did not take into account the impact of the collapse of the Soviet Union after 1990.

2. This has had the effect of actually lowering life expectancy in 10 African countries. In four—Botswana, Uganda, Zambia, and Zimbabwe—life expectancy declined by more than 10 percent between 1975 and 1997 (UNDP Human Development Indicators 1999).

3. OD 4.15 is due to be updated following publication of the *WDR 2000/2001: Poverty and Development*.

4. In 1998 the Poverty Sector Board created a thematic group on impact evaluation that seeks to enhance the quantity and quality of project-level impact evaluation in the Bank. A review of the state of the art in impact evaluation revealed that less than 5 percent of FY98 projects included plans for a full-scale impact evaluation, although 30 percent did include plans for poverty monitoring and evaluation (Subbarao and others 1997).

5. Background Paper 9 gives more detail on the types of evaluation data and the methodology.

Chapter 2

1. The CAS document is described in the guidance given to staff on CASs (GP/BP2.11 January 1995) as “the central vehicle for Board review of the Bank Group’s assistance strategy for IDA and IBRD borrowers” (and increasingly IFC strategy also). How the Bank intends to support country efforts in poverty reduction should be reflected in the CAS, but full details of how this will take place will not necessarily appear in the CAS document, but in the individual loan agreements and supporting project documentation.

2. The cost of preparing a CAS has also risen, from an average of \$75,000 in FY96 to \$150,000 in FY99. Approximately 40 percent of the average cost of a full CAS is attributed to increased consultation and participation outside the central government.

3. The 20 countries were randomly selected from a structured sample based on income per capita, the poverty headcount, measures of aid dependence, and geographic region.

4. Background Paper 9 provides a more detailed description of the CAS evaluation methodology.

5. The 1999 annual progress report on poverty (World Bank 1998b) notes that by 1999, 113 countries had at least one household survey with data on consumption and/or income, although the latest round of global income poverty estimates uses data from 96 countries.

6. The first OED evaluation of Poverty Assessments, in 1996, found these aspects to be severely wanting in many cases.

7. Problems of Bank staff turnover have also impaired the effectiveness of nonlending work. In Burkina Faso, the country team adopted a highly participatory process for reaching a consensus on the definition of poverty and actions to alleviate it. This information fed into discussions with government and key

civil society representatives and led to a CAS in 1996 that was considered an example of good practice in Africa for its focus on poverty. But a major turnover of the country team in 1997 impaired the continuation of this work. OED’s latest CAE on Burkina Faso (1999) notes that many current task managers and project directors have not even seen the Participatory Poverty Assessments and profiles.

8. A number of external evaluations of the Bank’s analytical work on poverty supported by the Special Program for Africa’s Social Policy Working Group have identified similar issues relating to PERs and the linkages with Poverty Assessments and CASs.

9. A recent review of benefit incidence studies in Africa points to some of the weaknesses in the methodology for assessing benefit incidence, particularly in accounting for quality variations (Castro-Leal and others 1999).

10. This is sobering, given that a full PER costs an average of \$250,000 and takes around 12 months of elapsed time to produce.

11. A review by the Bank’s Quality Assurance Group in FY98 found that only 43 percent of Poverty Assessments were satisfactory in their treatment of the poverty profile and of policy/strategy-related issues. QAG’s FY99 assessment found that overall quality had not improved much compared with FY98, and one out of four tasks continues to be *less than satisfactory*.

12. The forthcoming *Poverty Reduction Strategies Sourcebook* will include some of the latest good practice on poverty data and measurement, participatory processes, and statistical capacity building.

13. QAG quality assessment of economic and sector work also finds that CAS objectives are often too broad to be readily interpreted and monitored.

14. This finding matches conclusions from the 1996 report of the Africa Region Task Force for Poverty Reduction in Sub-Saharan Africa, which noted that CASs and policy-based lending generally focused on growth policies, with little or no emphasis on measures that enhanced the participation of the poor in that growth.

15. Although the early experience of the emergency social funds in Bolivia suggested that this could be achieved, subsequent evaluations point to the limited amount of employment created and the limited regional spread of funded projects. Recent experiments with social fund-type mechanisms in Indonesia and Thailand suggest that they can be used to respond to crisis, but the jury is still out on how well they have performed as social safety nets. More on social funds appears in Chapter 6.

16. The policy performance index is the economic policy index used in *Assessing Aid* (World Bank 1998c).

17. Borrower performance as used here is a country-level aggregation of individual project borrower performance ratings based on a six-point scale (highly unsatisfactory to highly satisfactory). As a measure of borrower effort at the project/program level, it captures aspects of borrower commitment and willingness to reform (through compliance with legal covenants, committing counterpart funds, and so forth), ownership, and implementation capacity. OED’s 1998 *Annual Review of Development Effectiveness* (OED 1998a) finds that aggregate project ratings are fairly good proxy indicators of country performance overall.

18. See note 20 for a full explanation of the CPIA Index.

19. The relatively low values of the correlations presented in table 2.1 suggest that while the direction of association is indicative, the measures themselves are somewhat imperfect.

20. Previously called Country Performance Ratings (CPR), the CPIA combines information on borrower performance in short- and long-run macroeconomic management, governance, and poverty alleviation. A change was made in FY99 in order to give greater weight to governance concerns. Although the CPIA is an important tool for determining IDA allocations, the results are indicative, and actual lending responds to changes in conditions and other factors between annual performance assessments.

21. In practice, future commitments are based on historic assessments of performance. Therefore, average lending commitments for FY97 are mapped against the poverty score for FY96, those for FY98 against the score for FY97, and so on.

22. In FY97, 17 percent of total commitments were to countries falling in the lowest tercile, while 52 percent were to countries in the highest tercile. In FY99, 21 percent of commitments were to countries falling in the lowest tercile and 56 percent to countries in the highest tercile. There is no significant difference in the share of poverty-targeted lending going to countries in each of the terciles.

23. There are, of course, weaknesses in this measure, not least the problem of capturing complex information about the intentions and actions of borrowers in three heavily simplified sets of questions. Some corroboration of the measure is provided by an independent survey of national poverty plans conducted by the United Nation's Development Program in 1998. Matching the countries covered by the survey with those covered by the CPIA, 12 out of 18 countries scoring "low" on the poverty component did not have national anti-poverty plans in place, while 12 out of 20 countries scoring "high" on the poverty component had such plans.

24. Doing this subsector by subsector is simply too massive a task to be attempted here.

25. The categorization is meant to be heuristic. Category A lending includes general macroeconomic and policy support for economic growth plus investments in strategic sectors such as power, highways, and capital markets. Category B lending involves sectors related to supporting growth and participation in growth, such as small-scale enterprise development and secondary education. Category C lending includes primary social services, safety nets, and rural transport and infrastructure.

26. Recent IDA replenishments have emphasized the importance of increasing the share of lending to the social sectors and to targeted interventions. Category C includes, but is not restricted to, projects classified as poverty-targeted under the Program of Targeted Interventions (PTI). The share of PTIs in total lending has remained at 30 percent since 1992, although it rose to 40 percent in FY98, largely as a result of three large loans to East Asia following the financial crisis there. PTI projects made up 54 percent of IDA lending in FY98.

27. Part of IDA 12 commitments was the provision that the share of IDA lending going to the social sectors should represent around 40 percent of investment lending.

28. It is important to place these trends in the broader context. The public-private composition of economic activity has changed, and so has the state's role in supporting economic and social development. Public participation in some traditional areas of agricultural investment has declined as the role of the private sector—in marketing for example—has increased. Direct public investment in sectors with expanding private sector competition, such as energy and telecommunications, also indicates a changing role for Bank support.

29. Includes lending to agriculture, natural resource management, rural roads, and rural water supply.

Chapter 3

1. This is not a representative sample of the Bank's country work; rather, it reflects the CAS preparation schedule and OED's work program. The countries are: Albania, Argentina, Azerbaijan, Bangladesh, Bolivia, Burkina Faso, Cambodia, Côte d'Ivoire, Ghana, Indonesia, Jamaica, Kenya, Malawi, Morocco, Mozambique, Nepal, Philippines, Poland, Sri Lanka, Thailand, Togo, Yemen, and Zambia.

2. In four African countries—Ethiopia, Ghana, Mauritania, and Uganda—the national poverty rate fell during the 1990s. In three others—Nigeria, Zambia, and Zimbabwe—the poverty rate increased.

3. There are major problems of attribution and the counterfactual in moving to the country level. It is important to remember that, irrespective of the scale of the Bank's presence in a country, its assistance is only one piece of a much larger package of resources and knowledge that a country mobilizes to achieve its development goals.

4. *Rural Development: From Vision to Action* (World Bank 1997b) details the World Bank's strategy for rural development, issued in FY96.

5. The external evaluation of the IMF's ESAF program in Bolivia identifies similar problems in implementing policy reforms (Botchwey and others 1998).

6. The latest preliminary figures for Ghana suggest a national poverty rate of 51 percent in 1992 and 42.6 percent in 1999. Since these figures are preliminary and reflect a reworking of the most recent household survey data, they have not been used here. Nevertheless, they indicate the same direction of change in poverty levels, even if the magnitude is slightly different.

Chapter 4

1. The classification has been in use since 1992 and relates to adjustment operations that support government efforts to reallocate public expenditures in favor of the poor, eliminate distortions and regulations that disadvantage the poor, and/or support safety nets to protect the most vulnerable.

2. The sample was drawn from the universe of completed poverty-focused adjustment operations during FY92–98. The sample reflects all the completed operations for the 20 countries used to define the CAS evaluation. More detail is provided in a background paper on the CAS evaluations.

3. This does not account for the possibility of policy reversal

at some later date.

4. Stabilization measures are also a major part of non-poverty-focused adjustment operations, which would also make a contribution to lower poverty.

5. Some success was achieved in the Morocco SAL II and Bangladesh Public Resources Management.

6. For example, Mali's HIAL addresses distortions that disadvantage the poor through the combination of a study and a media campaign, while Chad's HIAL addresses such distortions through a cotton sector human resource development strategy.

7. For example, the Armenian Institutional Building Loan approved in FY92 and completed in FY99 was intended to strengthen the capacity of the Ministry of Labor and Social Protection to design and administer programs for the unemployed. Classified as a PTI project, project progress indicators make no mention of any expected changes in the targeting or reach of the program for the unemployed, the project's major achievements list no poverty-related activities, and the ICR rates the relevance of the project to poverty reduction goals as "not applicable"!

8. There is a mechanism for checking PTI errors, which relate mainly to misclassification (Poverty Monitoring Unit, PRMPO). Nevertheless, a closer look indicates that a wide variety of inclusion and exclusion errors are based on information provided by the task manager.

Chapter 5

1. In a review of country experiences of growth and poverty, a study by the UNDP (1998) found that of 27 countries sustaining moderate rates of per capita growth (0–4 percent), 13 also experienced rising poverty; in the case of countries experiencing per capita growth greater than 4 percent, poverty rose in 2 out of 5 cases.

2. The original growth estimate for ECA was based on a small set of Eastern European countries that were members of the World Bank in 1990. It was not until well after 1990 that the full impact of the transition in the former Soviet Union and the incorporation of a large number of new member states was actually felt.

3. The level of initial income, measured in constant (1995) US dollars, is a scaling variable given the wide disparities in observed income per capita across countries.

4. The estimation used poverty data drawn from country Poverty Assessments, and not the \$1/day measure more commonly used. In pulling together national estimates, all efforts were made to select consistent estimates that had been verified by Bank teams preparing the Poverty Assessment.

5. A review of a sample of country experiences by the UNDP (1998a) also confirmed this overall negative relationship between growth and poverty. It found that when growth is negative, poverty increases in all cases. But the study also found that the converse does not always hold. It found that of 27 countries in its sample that sustained moderate rates of per capita growth (0–4 percent), 13 experienced rising poverty; in the case of the 5 countries experiencing per capita growth greater than 4 percent,

poverty rose in 2 cases. Although the study did not control for initial income and duration of growth, it concluded that when it comes to reducing poverty, some patterns of growth are more efficient than others.

6. Excludes transition countries of ECA for which there was no income data available ten years prior to the year of the poverty survey. It also excludes three outliers.

7. The infant mortality rate is used as a proxy for the inverse of the level of social sector development.

8. These synergies are not examined here.

9. As Ravallion (1999) has argued, one thing to be careful of in these aggregate growth regressions is aggregation bias, which can be quite large.

10. Only during the 1990s have a significant number of African governments embarked on reform. In many ways it is too early to tell what the long-term effect on poverty levels will be. Current data can only account for the initial response to reform, and the reforms that have been undertaken so far are largely those amenable to quick implementation (Collier and Gunning 1999).

11. Stiglitz remarked, in connection with the performance of the East Asian countries, that while the impact of individual policies in the Region remain the subject of dispute, the combination of macro and micro policies and a capable state clearly worked well (1998 Prebisch Lecture, UNCTAD). Temple (1999) notes that although policy matters, the growth evidence still does not point to which elements of policy are crucial.

12. In a review of the new growth evidence, Temple (1999) finds—in something of a departure for the growth literature—that studies have tended to concur in the finding that high inequality has a negative effect on subsequent growth. However, just because high inequality lowers growth does not automatically lead to the conclusion that governments should redistribute. Political economy explanations, for instance, suggest that redistribution may be driving the correlation in the first place, and that tackling inefficient redistributive mechanisms is an important place to start in redressing the balance between the poor and non-poor.

13. The eight on-track countries were Benin, Burkina Faso, Ghana, Malawi, Mali, Mozambique, Uganda, and Zambia, although both Ghana and Zambia experienced serious lapses during the period.

14. Primary enrollment declined in the remaining 20 countries.

15. Gupta and Davoodi (1998) find that corruption increases inequality through a number of channels, including lower economic growth, biased tax systems favoring the rich, poor targeting of social programs, lower social spending, and unequal access to education.

16. World Bank, forthcoming, and the "Voices of the Poor" consultation exercise.

17. A recent multisectoral initiative set up by the Urban Sector Board to provide services in poorly serviced urban neighborhoods will attempt to link a multisectoral approach to service delivery with national poverty reduction strategies currently being developed.

BIBLIOGRAPHY

Background Papers to the Study

All background papers are available upon request.

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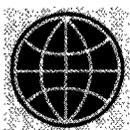
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