UD

Evaluation Report 7.98

The World Bank and Poverty in Africa

A critical assessment of the Bank's operational strategies for poverty reduction

Christian Michelsen Institute
Norway

Ministry of Foreign Affairs

Information from the Royal Ministry of Foreign Affairs

The Ministry's Information Section provides information with regard to current foreign policy, trade policy and development cooperation policy. Informative material can be ordered from fax no. +47 22 24 27 87

Foreign Ministry switchboard,
Tel. +47 22 24 36 00
Fax +47 22 24 95 80 or +47 22 24 95 81

Information is available on Internet at
http://odin.dep.no/ud

Office address: 7. juni plassen, Oslo
Mailing address: P.O. Box 8114 DEP,
N-0032 OSLO, Norway

Information to the media:
The Ministry's Press Spokesman and the Senior Information Officer on development cooperation can be contacted through the Foreign Ministry switchboard

Foreign journalists:
The Norway International Press Centre, NIPS, is the Foreign Ministry's service centre for foreign journalists in Norway, tel. +47 22 83 83 10

In countries outside of Norway, information on the Ministry of Foreign Affairs may be obtained from Norwegian embassies or consulates

Published by: The Royal Ministry of Foreign Affairs
August 1998
Print: GCSM AS, Oslo
Circulation: 1000
E-586 E
ISBN 82-7177-524-3

The World Bank and Poverty in Africa

A critical assessment of the Bank's operational strategies for poverty reduction

Elling N. Tjønneland (project leader),
Henrik Harboe
Alf Morten Jerve
and Nazneen Kanji

With contributions by
Wycliffe R. Chilowa, Niki Jazdowska, Adrianne Madaris,
Archie Mafeje, David Satterthwaite, Neo Simutanyi and Else Øyen

---

A report submitted to the Royal Norwegian Ministry of Foreign Affairs
by the Chr. Michelsens Institute

Table of Contents

List of tables and figures ... 3
Preface ... 5
Overview and summary ... 6
Glossary of acronyms and abbreviations ... 11

1. Development aid and poverty reduction: Getting from intentions to actions ... 13
1.1. Objectives of the study ... 13
1.2. Analytical framework and outline of the study ... 13
1.3. Understanding of poverty: the case of Sub-Saharan Africa ... 14
1.4. Poverty and development assistance: moving targets ... 16

2. World Bank and poverty reduction: changes in policy ... 19
2.1. The new approach to poverty reduction ... 19
2.1.1. The evolving three-pronged poverty reduction strategy ... 20
2.2. Analysing poverty reduction in Africa: poverty assessments ... 24
2.3. Changes in Bank interventions ... 27
2.3.1. Measuring poverty-focus ... 28
2.3.2. Trends in the Bank's lending output ... 29

3. Operationalisation: Getting from objectives to poverty-focused bank interventions ... 32
3.1. The strategic compact ... 32
3.2. Poverty analyses: a basis for strategy formulation? ... 37
3.3. Country assistance strategies: poverty focused and a basis for lending? ... 38
3.4. Poverty focus in lending and non-lending services ... 40

4. Pursuing poverty reductions: Lessons from country case studies ... 44
4.1. The Bank's poverty analysis: assessing quality and relevance ... 44
4.2. Country assistance strategies and policy dialogues ... 48
4.3. Lending profiles ... 51
4.4. Growth, adjustment and poverty ... 53
4.5. Agriculture and rural development ... 57
4.6. The social sectors and human development ... 60
4.7. Social safety nets ... 62

5. Norway, poverty and the World Bank ... 65
5.1. Norway and poverty reduction ... 65
5.2. Norway and the poverty reduction through the Bank ... 66
5.3. Assessing relevance and achievements ... 68

6. Conclusion ... 70
6.1. The road map ... 70
6.2. The weakness of strength ... 72
6.2.1 External limitations ... 72
6.2.2 Internal limitations and the operational landscape ... 73
6.3. Impact of the Bank's poverty-reduction policies ... 76
6.4. Norway and the Bank ... 77

Annex 1: Terms of reference ... 80
Annex 2: List of persons interviewed/consulted ... 84
Annex 3: List of papers commissioned ... 86
Annex 4: Bibliography ... 87

Tables:

2.1	World Bank lending commitments to Sub-Saharan Africa, fiscal 1960–95	30
4.1	Recommendations for poverty reduction	47
4.2	Investment projects 1992–97 by poverty classification	52
4.3	Projects funded by MASAF and SRP	63

Figures:

3.1	Bank-wide networks and families	34
3.2	The organisational structure of the World Bank Africa Regional Office	35
3.3	The World Bank's derivation of poverty-focused lending programmes	36

Preface

This study is the result of an initiative taken by the Evaluations Division in the Norwegian Ministry of Foreign Affairs. Chr. Michelsen Institute (CMI) has co-ordinated and led the project in co-operation with the Comparative Research Programme on Poverty (CROP). The two institutions have shared the professional responsibility for the project and its output. They have been assisted by an advisory reference group which has met twice.

The authors of the main report have benefited from the help and advise of a number of people. The authors of the 7 background studies– Wycliffe R. Chilowa, Niki Jazdowska, Adrianne Madaris, Archie Mafeje, David Satterthwaite, Neo Simutanyi and Else Øyen – have provided valuable inputs. Karstein Haarberg, Arne Wiig and Else Øyen in the reference group have provided numerous inputs into the study, from the initial design and to the finalisation of the first draft. Staff members at CMI and in the CROP secretariat have provided comments and feedback at various stages. Einar Braathen (CROP), Hildegunn Nordås (CMI) and Arne Wiig (CMI) prepared substantial written comments and Tone Kristin Sissener (CMI) has been of tremendous assistance in the finalisation of the report.

We would also like to thank the Evaluation and Development Bank Divisions in the Ministry of Foreign Affairs, the Norwegian embassies in Lusaka and Harare, the Nordic-Baltic Office at the World Bank headquarters, and above all the numerous Bank officials in Washington and at the resident missions in Lilongwe, Lusaka and Harare as well as to their counterparts and other stakeholders in Malawi, Zambia and Zimbabwe. They all patiently gave of their valuable time to provide information, analysis, interpretations and explanations.

This final draft has also benefited from substantial written comments on the first draft from the Foreign Ministry and from several individuals at World Bank headquarters, as well as from a discussion of the draft report at a meeting with officials in NORAD.

Finally we would like to thank Guri Stegali, the project secretary at CMI and Hans Offerdal in the CROP secretariat for their assistance. We are also very grateful to Susan Høivik, our language editor.

Needless to say, the flaws and omissions are entirely ours.

Bergen, London and Oslo

May 1998

Alf Morten Jerve, Elling N. Tjønneland,
Nazneen Kanji, Henrik Harboe

Overview and summary

I

The purpose of this report is to review experiences of the World Bank in operationalising policies for poverty reduction in Sub-Saharan Africa. Operationalisation is understood as the linkages between the Bank's strategies for poverty reduction and their lending programmes and interventions. The focus is on the institution's analytical work on poverty; the country assistance strategies and the policy dialogue; the lending programme and outputs; and the relations and linkages between these three exercises. Three country cases have been selected from Southern Africa.

This report is therefore a study of formulation and implementation of policies. It is not an attempt to analyse or evaluate the impact of Bank policies in terms of reducing poverty, although the appropriateness of these policies is assessed.

The departure point is the publication of the 1990 World Development Report which was a first attempt to outline a coherent Bank approach to poverty reduction. Since then the Bank has established itself as a main source of measurement and assessment of poverty in poor countries, especially in Sub-Saharan Africa. It has also done more than any other donor agency in analysing poverty and in developing operational strategies for poverty reduction. Still, the World Bank's position is controversial and it remains an unpopular agency in many poor African countries.

The 1990s has seen a renewed emphasis on poverty reduction in official development assistance. Most major aid agencies now formally define poverty reduction as an overriding goal or as a priority alongside other priority objectives. Donor activities to pursue poverty reduction are manifested at many levels. Clearly formulated and operational pro-poor policies are however, in most cases lacking. Most information on poverty reduction seems confined to data on activities and output with little or nothing on impact and effectiveness.

Efforts to assess the poverty focus have instead tended to focus on disbursements figures. One approach has looked at the proportion of development aid going to the poorest countries. Another approach has been to quantify the proportion of development aid being channelled to poverty-focused projects or sectors. This has often implied counting the number of poverty targeted projects. Many donor agencies also focus on the indirect impact of their aid claiming that it through impacts on, e.g., economic growth, will contribute to poverty reduction in the long run. In most cases, however, there are few or no attempts to specify the linkage between the activities supported and the intended final outcome: poverty reduction.

II

The 1990 World Development Report formulated an approach to poverty reduction which was later to become known as the three pronged strategy. It was based on the three pillars of broad-based growth, human resources development and safety nets. It represents continuities as well as breaks with the past. At the level of development theory, the World Bank has maintained a remarkably constant approach to poverty reduction throughout its 50-year history. Its assumption has always been to view development and poverty reduction as fundamentally an issue of economic growth. Poverty reduction was not originally a goal in itself, but rather an expected, albeit unarticulated, consequence of economic growth.

The specific growth policies pursued by the Bank have changed over the years– reflecting changing perspectives in economic theory, as well as conditions in borrowing countries. During the first 30– 40 years the main focus was on the need to build up physical capital. That changed in the early 1980s when the focus shifted to macroeconomic adjustment loans, but also– and gaining momentum from the late 1980s– to a growing emphasis on development of human resources. The focus on the role of human resources in growth reinforced the prevailing view within the Bank that the growth process itself would act to reduce poverty, although it was also based on a growing acknowledgement of the importance of basic services for poverty reduction and the need to moderate the impact of adjustment on poorer groups.

The policy instruments used by the Bank have also changed. In the early days and during the 1970s the typical channel for promoting growth was the project loan. During the 1980s this began to change, with an emphasis on programme loans and structural adjustment operations. This also marked a shift in the Bank's instruments for influencing borrowers. The 1980s saw a growing emphasis on attaching conditionalities to loans. In the 1990s this was combined with an emerging new realisation that «borrower ownership» and «participation» were important for achieving sustainability.

The current concern with poverty emerged in the latter half of the 1980s. The severe disruptive social and political impacts of the early structural adjustment programmes in Africa forced the Bank to pay more attention to the «human dimension» of its adjustment interventions. The first, and major prong signalled a wish to broaden economic growth by focusing more strongly on labour-demanding growth

The second prong is the Bank's attempt to focus on the development of human capital. By improving health and educational qualification the ability of the poor to gain access to the labour market and employment would be improved. The final prong was the provision of safety nets. Most activities however, especially those associated with the social funds, have been focused on provision of physical facilities for improved social delivery, such as school buildings.

This focus on poverty reduction through the three pronged approach has led to changes in the Bank's lending profile in Africa. Most significant is a major expansion of lending to social sectors, especially primary services. There are also new efforts to invest in safety net operations, but this is less pronounced in volume terms. Changes in the traditional «growth investments» can also be recorded; mainly through a drop in lending to infrastructure and agriculture. There are also some changes within those sectors with a stronger emphasis on small farmers, rural infrastructure, small and medium sized enterprises and the informal sector, but the changes in volume seem less noticeable. The economic liberalisation approach continues through the Bank's dominant structural adjustment operations.

There are also some changes in Bank instruments. The first and most pronounced is the continued strong reliance on structural adjustment operations. They have now expanded to include also social issues, especially through demands related to public spending on education and health and establishment of safety nets. There is also another trend, less visible in lending volume, emphasising more flexible approaches and experimentation with micro-level projects. This has often involved closer co-operation with private institutions even acting as intermediaries outside or insulated from the borrowing government.

The report notes these important changes, but it also makes several critical comments. Most importantly it raises fundamental questions about the Bank-strategy itself. Is a reliance on economic growth with human development (the second and third prong) sufficient to bring poverty reduction in Africa? The report points out that the Bank pays scant attention to inequalities and distribution of assets as constraints on growth and poverty reduction. This involves not only material inequalities, but also gender relations and the distribution of political power and the ability of poor groups to influence public policy. This may affect overall growth and it may affect income growth of poor groups disproportionally. Growth, even when combined with increased social spending, may therefore simply not be enough to make any real dent in the problem of poverty in highly unequal African countries.

The report also makes several critical comments on the Bank's approach to cost recovery in the social sectors and the design of the social safety net operations.

III

The Bank's move in the latter half of the 1980s to a stronger focus on poverty was gradual and characterised by delays resulting from internal resistance, false starts and instability and infighting. The controversies revolved around competing claims of social and economic objectives, between conservatives sceptical to broadening Bank interventions into «welfare objectives» and those focusing more on poverty and social issues. This was mirrored in competing claims and institutional rivalries between different departments and operational sectors within the Bank.

The commitment to what was to become the three pronged strategy did however gather steam in the late 1980s and throughout the 1990s. This was also achieved through a series of reorganisations within the Bank, most recently with the «strategic compact» initiated by the current President, James Wolfensohn. The current organisational changes and institutional reforms are intended to strengthen the Bank's borrower orientation through an improved country assistance strategy; to build a more flexible Bank through decentralisation of powers and functions to resident missions and design of new lending instruments; and to create a more open and responsive Bank through dialogue and co-operation with other donor agencies and NGOs.

The Bank's formal system for generating poverty-focused policies and interventions is based first on research and assessment of poverty. This shall in turn feed into the Bank's country assistance strategy which is intended to provide the basis for the Bank's lending programme and non-lending services.

Poverty assessments are at the centre of this process. Such assessments have since the late 1980s been undertaken for 33 countries in Sub-Saharan Africa and they represent a major source of information for any approach to poverty in those countries. The Bank commands unparalleled resources and technical skills for undertaking analytical work on poverty, and the data they produce contain a wealth of information regarding the characteristics of the poor. These assessments rely strongly on money-metric indicators. There are great variations in quality although there is a general improvement in the analytical and methodological approaches, including use of qualitative and participatory approaches, and an increased focus on social indicators as well. This has helped to improve the poverty profiles and also opened up a debate on the causes and characteristics of poverty, and broadened the debate about what must be addressed.

The assessments are clearly related to the three-pronged strategy although many provide data which are relevant in discussing the limitations of this strategy. However, they rarely manage to move beyond the original framework or provide much information on how to address the shortcomings and gaps in the Bank's strategy. Policy recommendations have generally been the weakest part of the assessments. The Bank itself has also recognised that future analytical work in poverty will have to shift to formulating country-specific operational poverty-reduction strategies, and assess the impact of poverty-focused projects on the poor.

The country assistance strategy document has become a major policy document within the Bank. It is intended to provide the framework for the Bank's interventions in borrowing countries. Basically there is a steady progress in incorporating findings and recommendations from poverty studies in country assistance and lending programme although the linkages get weaker as we move into lending and other outputs.

The new and strong Bank-focus on country assistance strategies has also reinforced the role of the Bank's dialogue with African borrowers. This has posed several challenges for the Bank and has focused attention on both the internal capacities to undertake dialogue, and the dilemmas stemming from low borrower commitment to the Bank's poverty reduction and/or their capacity to implement these policies.

Overall, there is a growing mainstreaming within the Bank of the three-pronged approach to poverty reduction. There has also been a steady improvement and development of the approach itself. The current institutional reforms have reaffirmed this although there are many uncertainties which may lead to poverty disappearing in the multiplicity of objectives pursued by the Bank.

IV

Case studies of the Bank's operationalisation of its poverty reduction are provided based on data from three countries: Malawi, Zambia and Zimbabwe. These three countries are often mentioned in Bank documents as examples of countries where there are close links between poverty studies, country assistance strategies and lending programmes. The links are confirmed in this study and it is evident that the poverty studies has had some impact on Bank policies and also on raising awareness of poverty issues in the country concerned.

The analytical work on poverty is variable in quality and scope. Money-metric indicators dominate, but there is a shift towards analysing access to assets, especially related to land issues, but less on social and political organisation. The country assistance strategy documents have also been established as a key policy paper in the Bank's relations with the borrower.

There are strong efforts to justify the lending profile by reference to poverty-reduction objectives. The lending also clearly confirms to the three pronged approach: an emphasis on broad-based growth through rural development and support to small-scale farmers; primary health and education; and social funds to assist local communities. The adjustment operations have introduced «pro-poor» components and calls for increased social spending. A closer look at actual Bank investments reveals a less rosy picture. Adjustment operations dominate the lending portfolio but the design and implementation of the economic liberalisation package has at best had a limited impact on current poverty– and at worst contributed to an increase in poverty. The Bank's lending to social sectors, with the case of primary education in Malawi as a major example, has probably made a positive impact both directly on poverty, and on the borrowing country's policies for poverty reduction.

The Bank funds social funds in all three countries. These funds have provided a more flexible and simple mechanism for financing micro-projects than other Bank investment; they have also raised the quantity and quality of social services for participating communities. However, they are not safety nets targeted at particularly vulnerable groups. Instead they mostly deal with provision of physical facilities for social delivery using a more participatory approach than the relevant line ministries.

The Bank has emphasised the role of dialogue in all these three countries. They have put some efforts into broadening their discussions and consultations by involving organisations and circles outside the government and state institutions. This has typically been through a series of workshops with target groups among NGOs and the private sector. This is a process which should be further strengthened. The process is, however, fraught with difficulties: it is still largely a «one-way» dialogue, also due to weak institutions in most African countries (this contrasts to some extent with experience from some of the stronger countries in Asia and Latin America); the Bank has been less successful in linking consultations to existing channels for political dialogue and has often created its own fora and arenas for consultations; and there is a widespread perception that whatever is said locally and emerges out of the consultations disappears once the World Bank teams return to Headquarters and the project documents and recommendations get streamlined in the internal Bank processing.

V

Norway has played an active role in the development of the World Bank's approach to poverty reduction. It has fairly consistently promoted poverty reduction within the institution, through the combined efforts of earmarked funding to priority areas and by playing an active role in the Bank's governing bodies. The report concludes that Norwegian interventions have been both timely and relevant inputs into the evolving Bank approach to poverty– from the SDA programme in the late 1980s through the 1990s and into the current reorganisation and rationalisation of the Bank.

The Norwegian approach is based on a familiar pattern in the country's relations with international organisations and the United Nations. Generally, Norway wishes to see a strengthening of the multilateral institutions and seeks to promote this through dialogue, active participation in governing bodies and strong use of earmarked funding. Norway also seeks to strengthen the focus on certain priority issues such as poverty.

The impact of these efforts is more difficult to assess. Generally, the Norwegian input has mainly been confined to help in placing poverty on the agenda, rather than actual involvement in shaping the content and evolution of the three-pronged strategy itself– beyond the important emphasis on increased funding for social development. Norway has played an important role in assisting poverty studies on Africa through financial assistance to data collection, analysis and capacity building.

These Norwegian efforts should continue. The report provides several recommendations for Norwegian policies to strengthen the Bank's role in poverty reduction in Africa ranging from contributing to maintaining the pressure through governing bodies via support to strengthen borrower capacities and input to the country assistance strategy, to a more active role in supporting donor co-ordination.

VI

The World Bank is a dominant donor agency in Africa and its position has been further strengthened since the mid-1980s. The limitations and weaknesses of this strength are also clearly evident in the Bank's efforts at poverty reduction.

For one thing, the Bank's operations are constrained by policies adopted by the owners, and by agencies such as the IMF. The Bank is also constrained by its funding requirements and the need to raise funds from members in the North, which have given Northern NGOs stronger influence over the Bank.

Another important external constraint has been emerging out of the Bank's relations with its African borrowers. The Bank polices will have to be adopted, partly or wholly, and implemented by the borrower to be of any effect. The borrower may not agree or be willing to follow the policies prescribed by the Bank. This applies in particular to an issue like poverty reduction which also involves broader issues of policy distribution. An even greater challenge concerns the borrower's institutional capacity to implement poverty reduction policies.

Another powerful constraint facing the Bank stems from the Bank's problems of legitimisation and image in Africa. Trust is essential for a successful relationship between the Bank and the borrower, especially when this relationship focuses on policy issues and policy advise. The Bank has been a highly unpopular foreign donor agency in Africa, because of the unpopular adjustment operations, the distinct ideological edge to its intellectual pronouncements, and the perceived arrogance in its dealings with African borrowers.

The report also identifies several internal constraints which also impinge on the Bank's ability to pursue poverty reduction. One is staff capacity which is inadequate to deal with many of the new issues. A second is lending and disbursement pressure. Lending pressure is now less evident at the operational level– it has been formally removed from task managers and country directors– but it still represents a critical factor and is not likely to disappear.

The decision-making process within the Bank also in some respects hampers its ability to pursue poverty reduction policies. The strong centralisation and the weak residential missions in the Africa region serve to limit the Bank's ability to engage in ongoing dialogue with borrowers and other donor agencies. The Bank's heavy emphasis on programme lending through adjustment operations may not be the best vehicle for promoting poverty reduction. The sheer multiplicity of objectives and the difficulties associated with lack of ownership and poor implementations, suggest that other avenues and investment lending may be more efficient as a basis for dialogue, institutional development and implementation of poverty-reduction policies.

Glossary of Acronyms and Abbreviations

APL	=	Adaptable Programme Loans
ASIP	=	Agricultural Sector Investment Programme, Zambia
ASMP	=	Agricultural Services Management Project, Malawi
ASP	=	Agricultural Services Project, Zimbabwe
BA	=	Beneficiary Assessment
BP	=	Bank Procedures
CAS	=	Country Assistance Strategies
CEM	=	Country Economic Memorandum
CG	=	Consultative Group
CGAP	=	Consultative Group to Assist the Poorest
DAC	=	OECD Development Assistance Committee
DFID	=	UK, Development for International Development
EDRP	=	Entrepreneurship and Drought Recovery Program, Malawi
ESAP	=	Economic Structural Adjustment Programme, Zimbabwe
ESSD	=	Environmentally and Socially Sustainable Development,
NetworkESW	=	Economic and Sector Work
EU	=	European Union
FPSI	=	Finance, Private Sector and Infrastructure, Network
FRDP	=	Fiscal Restructuring and Deregulation Programme, Malawi
FY	=	Fiscal Year
GDP	=	Gross Domestic Product
GP	=	Good Practices
HD	=	Human Development, Network
HIPC	=	Heavily Indebted Poor Countries
IBRD	=	International Bank for Reconstruction and Development
IDA	=	International Development Association
IDS	=	Institute of Development Studies
IMF	=	International Monetary Fund
LIL	=	Learning and Innovation Loans
MASAF	=	Malawi Social Action Fund
MFA	=	Norwegian Ministry of Foreign Affairs
MPSLSW	=	Ministry of Public Service, Labour and Social Welfare
MRFC	=	Malawi Rural Finance Council
NGO	=	Non-Governmental Organisation
NOK	=	Norwegian kroner
NORAD	=	Norwegian Agency for Development Cooperation
OD	=	Operational Directive
ODA	=	UK Overseas Development Administration
OECD	=	Organisation for Economic Cooperation and Development=
OED	=	Operations Evaluations Department
OP	=	Operational Policies
PA	=	Poverty Assessment, Zimbabwe
PAP	=	Poverty Alleviation Programme, Malawi
PASS	=	Poverty Assessment Study Survey
PER	=	Public Expenditure Review

PFP	=	Policy Framework Papers
PPA	=	Participatory Poverty Assessments
PREM	=	Poverty Reduction and Economic Management, Network
PTI	=	Program of Targeted Interventions
PAAP	=	Poverty Alleviation Action Plan, Zimbabwe
RDC	=	Rural District Council, Zimbabwe
SACA	=	Smallholder Agricultural Credit Administration, Zambia
SAPRI	=	Structural Adjustment Participatory Review Initiative
SDA	=	Social Dimensions of Adjustment
SIP	=	Sector Investment Programmes
SPA	=	Special Programme of Assistance for Africa
SRP	=	Social Recovery Project, Zambia
SSA	=	Sub-Saharan Africa
UNDP	=	United Nations Development Program
UNICEF	=	United Nations Children's Fund
USAID	=	United States Agency for International Development
USD	=	US Dollar
WDR	=	World Development Report

1 Development Aid and Poverty Reduction: Getting from Intentions to Actions

The past three decades have seen some progress in combating and reducing extreme poverty. For example, in East Asia the absolute number of people living on less than one dollar a day has been reduced from 700 to less than 350 million (V. Ahuja et al. 1997: 6) – i.e. from 60 % of the population in the mid-1970s to 20 % by the mid-1990s. Still, more than an estimated 1.3 billion are still living in extreme poverty, as measured by the one dollar-a-day poverty line.[1] Nearly 30 % of the people in the South can be classified as what the *Human Development Report* terms the «income poor». The great majority of the poor live in South Asia and East Asia, the two most populous regions of the world.

Poverty reduction has always been a *raison d'etre* for official development assistance from the North to the South. However, it is only in the 1990s that donors have begun to make more explicit commitments to poverty reduction as such. In practice, however, this has not been properly operationalised, and few attempts have been made to turn this overarching goal into well-defined policies.

The World Bank took a leading role in shaping donor thinking with the publication of its 1990 *World Development Report (WDR)* on poverty. Here a three-pronged approach to poverty reduction was formulated, premised on broad based growth, human development and safety nets. Since then the Bank has done more than any other aid agency in analysing poverty. It has established itself as the main source of measurement and assessment of poverty in poor countries where the authorities themselves lack the capacity to provide such data. However, the achievements in terms of developing pro-poor policies and approaches are less tangible. The effects of Bank-financed operations on poverty are controversial, and good empirical impact studies are few.

1.1 OBJECTIVES OF THE STUDY

The primary goal for Norway's development assistance is «to contribute to economic and social development for poor countries and poor sections of the population» (see e.g. Norway 1997a). This study has been commissioned by the Norwegian Ministry of Foreign Affairs in view of the ongoing work within the Ministry and NORAD to strengthen the *operationalisation* of this objective. To this end, a better understanding of the World Bank's approach and experiences is considered valuable.

With the broadly formulated agenda of the 1990 WDR as the starting point, the Bank set out to change its own lending and non-lending operations through the following main exercises:

- Improve the analysis of poverty, especially through country Poverty Assessments (PA);
- Design Country Assistance Strategies (CAS) that support country efforts to reduce poverty; and
- Improve the tools for measurement and monitoring of progress in poverty reduction.

Studying the Bank's operationalisation of «poverty reduction» as a policy objective means studying the experiences of the Bank with respect to these exercises. This will be done with a focus primarily on Sub-Saharan Africa (SSA) – a region where poverty is pervasive, where the Bank plays a particularly dominant role, and where Norwegian aid is also concentrated. Malawi, Zambia and Zimbabwe were selected as case studies.

1.2 ANALYTICAL FRAMEWORK AND OUTLINE

Aid policies and strategies can be studied from at least two main perspectives:

- the «operators» as decision-makers in formulating and implementing policies; and
- the impacts of policies in light of their objectives.

This study will focus on the first perspective: on the Bank as decision-maker. The objective is to investigate *how* poverty-related analyses, as emerging from the three exercises above, influenced the initiatives and positions taken by the Bank in its policy dialogue with borrowing countries, and in the preparation and supervision of projects. The study will also look at how the Bank assesses its own progress

1 This is poverty line based on absolute private consumption. The dollar-a-day line is set by the purchasing-power parity method and is using the equivalent of standardised 1985 USD.

of WB lending and policy conditionalities in view of the poverty situation in those three countries. Our focus will be on *linkages between analysis and policies*, not the longer-term effects of these policies in terms of changes in the livelihood of the population.

The Terms of Reference for the study, attached as annex 1 to this report, spell out a number of questions, not all of which could be fully explored and documented, given resource and methodological constraints. This notwithstanding, the questions have served as planning pointers for the work of this study. The World Bank's strategy for poverty reduction has been reviewed and assessed on the basis of its own presentation in key policy documents, the annual report on poverty reduction published since 1992 as well as on insights from academic literature and findings and lessons from the Bank's previous interventions to promote poverty reduction. Particular emphasis is placed on an analysis of the Bank's evolving analyses of poverty through its poverty assessments as well a statistical profile of the Bank's evolving lending portfolio. This discussion is mainly found in Chapter 2.

Chapter 3 analyses the institutional procedures and practices, presenting and assessing how the World Bank has sought to turn strategic objectives into operational goals and policies. Central to this discussion are the Bank's procedures and operational directives, the ongoing institutional reorganisation, and the new emphasis on country assistance strategies, policy dialogue and partnerships. Information has been gained from Bank documents, especially as to the ongoing reorganisation associated with the «strategic compact», combined with interviews and consultations with a long list of Bank officials at various levels and within different departments.

In Chapter 4 the insights and findings from Chapters 2 and 3 are taken further through an in-depth assessment of the Bank's intervention efforts to promote poverty reduction in the three country cases – Malawi, Zambia and Zimbabwe.

Chapter 5 offers a separate presentation and discussion of Norway's relations with the Bank in the field of poverty analysis and strategy formulation. The final chapter offers an overall assessment of the effectiveness of the Bank's emphasis on poverty reduction in this decade. It also indicates some lessons for Norway in the formulation and operationalisation of pro-poor policies.

1.3 UNDERSTANDING OF POVERTY: THE CASE OF SUB-SAHARAN AFRICA

Sub-Saharan Africa stands out as the world's most poverty-stricken region as measured by conventional yardsticks. Of an estimated 220 million people in this region, about 40 % were living on less than one dollar a day in 1993. In contrast to South Asia, where growth in real per capita levels has been recorded between 1970 and 1992, GDP per capita in this region has fallen since 1982. In 1970 real purchasing power in South Asia was much lower than in Sub-Saharan Africa, but by the 1990s these positions were reversed. Also other indicators point to an erosion of living standards and growing poverty in Sub-Saharan Africa. The poverty gap – the average distance between the consumption of the poor and the poverty line – is also much worse in Africa than in South Asia.

The one-dollar-a-day yardstick and other (money metric) indicators must, of course, be read with caution. There are the obvious and serious problems relating to data quality and coverage. Nor – and most significantly – can such indicators capture the multidimensional nature of poverty, so critical to understanding the causes of poverty and the formulation of effective strategies for reducing it. (See more on this in Chapter 2.) But the one-dollar-a-day and similar consumption-based poverty lines do provide an initial basis for a comparative presentation of poverty, particularly in low-income countries.

Income/expenditure data, household surveys and poverty assessments can reveal much about the characteristics of poverty in Sub-Saharan Africa, who the poor are and where they live. Poverty varies considerably across the continent, but is generally concentrated in rural areas. The poor have access to less land, less capital, less education; they also have lower health status than others. Moreover, the rural poor have inferior access to markets, through often long distances and weak transport infrastructure. Also in urban areas, however, poverty is growing rapidly. The urban poor are confronted with different sets of constraints than their rural counterparts, especially centred around critical issues like water, sanitation and housing.[2]

Social indicators also put this region at the bottom of the list. Sub-Saharan Africa lags far behind other regions in social development as indicated by statistics on population growth rates, primary school enrolment and life expectancy. The latter is a particularly depressing indicator, as many African countries are now entering a period characterised by dramatic reduction in life expectancies linked to the AIDS epidemic.

The available data also suggest that Sub-Saharan Africa has a particularly skewed distribution of income and wealth compared to other developing regions. Using average Gini coefficients, one finds that only Latin America has a more unequal income distribution. Data also indicate that inequalities are increasing in Africa. This situation cannot but have severe impacts also on growth prospects and poverty-reduction efforts.

The indicators mentioned above can provide us with an initial profile of poverty on the continent, but they do not tell us much about the causes and dynamics of poverty. These figures are essentially correlates of poverty, yielding a summary of the characteristics of the poor. Characteristics of individuals and households living in poverty are often useful from a policy perspective – for instance, for designing specifically targeted poverty-alleviation programmes. But simply to know that poverty is high among female-headed households with low education and poor health living in region x does not tell us *why* they are poor. Much of the debate on poverty in Africa remains limited to empirical generalisations and discussion of the methodological issues involved in counting the number of poor (S. Miller 1996).

Despite disagreements on methodological issues and the causes of poverty, however, there is growing consensus that the profile of poverty must move beyond pure money-metric and income/consumption-based indicators. What is needed is a more multidimensional conceptualisation that can address issues of livelihood, resources, knowledge and rights. *Livelihood* represents the current condition of individuals and households and the means by which they reproduce themselves. This would encompass income, but also access to the three other dimensions. *Resources* represents access to assets such as markets, labour, land or basic services. *Knowledge* is also a resource and an important dimension of poverty, while *rights* include formal and traditional civil and political rights. Within such a multidimensional perspective, poverty reduction will have to be able to address not only improvements in livelihoods, but also improvement in access to resources, expansion of knowledge and increased empowerment.

An emerging consensus in understanding the profile of poverty does not imply a similar consensus in understanding the causes of poverty or the underlying dynamics. We will return to this in the next chapter. The current debate on poverty in Africa seems dominated by a focus on the connections between economic growth and income-poverty, between growth and social development, between social development and income-poverty, and the role of the state in influencing each of these elements (L. Taylor et al. 1997: 436). The «Washington consensus» and the World Bank have been central to ongoing policy debates on poverty reduction in Africa. The pillar for recommendations has been the findings that faster growth has acted to reduce income-poverty. This is based on the assumption that growth is distributionally neutral. According to this perspective, developed during the 1980s, the appropriate tools are the prescriptions for a minimalist state, undistorted product, financial and factor markets, and public provision of infrastructure. On this, however, there is no uniform agreement within the economic literature; others would call for stronger market interventions, more active foreign trade policies, and more expansionary macroeconomic and targeted industrial polices on the part of the state.

Mention should also be made of the strong alternative tradition that emphasises the need for more direct state interventions in the provision of social services. This approach argues that social objectives and human development are vital – too important to wait for countries to develop first, before engaging in policies to satisfy them. In this perspective, policies aimed at meeting social goals and poverty reduction more directly are also seen as often being beneficial to economic growth as well.

In the 1990s there has been a growing consensus on the need for polices to increase and broaden human capabilities. The World Bank has now called for a new focus on this, and has even begun to look into distributional impacts of growth, inequalities and options for some redistribution of assets. There is, however, no agreement on the role of the state and public interventions in redistribution and economic growth. There is a paucity of research on the impact of radical redistribution on the poor, and its compatibility with market-friendly development in the

---

2 Much information on poverty trends in Sub-Saharan Africa can be gained from the annual reports from the World Bank's annual reports on the status of poverty in Sub-Saharan Africa prepared for the Special Program of Assistance to Africa (SPA). The first, published in 1993, was entitled *Status Report on Poverty in sub-Saharan Africa*, the 1994 report was entitled *The Many faces of Poverty*, the third *Incidence and Trends in Poverty*, the fourth *Country Profiles and Patterns of Growth*, and the 1997 report is entitled *Tracking the Incidence and Characteristics of Poverty*. They are prepared by the Institutional and Social Policy Group in the Bank's Africa Region.

current globalised world (Lipton 1997). We will return to this in Chapter 2.

1.4 POVERTY AND DEVELOPMENT ASSISTANCE: MOVING TARGETS

Poverty is a name for many things, covering many situations. Broadly seen, a poverty- reduction strategy will have to be capable of addressing efforts not only to improve immediate living conditions, but also to increase access to resources and knowledge and to promote empowerment and participation. For most donor countries, «poverty reduction» had long implied merely that aid should be channelled to poor countries – or, for some during the 1970s, to basic needs projects. That began to change in the late 1980s, with the pendulum swinging towards greater concern with human development, largely in response to declining health and education indicators.

There is now strong donor commitment to poverty-reduction objectives. Many donors have formally defined poverty reduction as an overriding objective, while some only see poverty reduction as one priority alongside various other priority objectives. By the late 1990s there were few donors who avoided giving explicit priority to poverty reduction.[3] The OECD Development Assistance Committee, building on the 1995 UN Social Summit, has set firm targets for poverty reduction: by the year 2015, the proportion of people living in extreme poverty (i.e. one-dollar-a-day) in developing countries must be at least halved (OECD DAC 1996).

This rising commitment to poverty reduction is reflected in internal reviews and policy studies undertaken by bilateral and multilateral donors, and it has been the subject of an increasing number of donor conferences and consultations. Among those committed there seems to be a consensus inspired by the Word Bank's approach to poverty. They would also tend to subscribe to the operational aims developed by the Bank, although the emphasis on the different components and the mix between direct and indirect instruments may vary. On the other hand, exceptions to the consensus can also be found. One example is UNDP which would place greater emphasis on human development compared to the Bank's strong focus on growth. Most members of the OECD Development Assistance Committee would, however, seem to take the World Bank approach as their point of departure.

There is some evidence to suggest that this growing commitment to poverty reduction has led to an increase in targeted interventions to alleviate poverty, as well as to movement away from *ad hoc* projects to more sectoral approaches to poverty reduction, especially in social sectors. On the whole, however, the progress has been uneven and the ability to translate the priority objective of reduced poverty into operational strategies and policies has not been impressive. This has led to claims that the «new commitment» to poverty reduction is mainly rhetoric that disguises action – or inaction (Stokke 1996).

Donors have followed differing paths in their assistance to poverty reduction. Some have focused on *micro-level* projects and policies targeted directly at individuals, households and communities. Most typically this has meant distributional policies involving transfer of resources from the state to the identifiable groups at the local level. «Safety nets» for the very poor and vulnerable have been typical expressions of this, although it may also involve a range of projects aimed at income-generation or social improvement.

At the second level – sometimes referred to as the *meso level* – we have various sector programmes to reduce poverty. Most typically they include efforts to strengthen public delivery of primary health care and education. At this level we may also find programmes for the provision of relevant infrastructure, such as water and sanitation, low-income housing or rural roads. Most importantly, here we find various policies to increase income opportunities within the productive sectors, such as land reform and services to small-scale farmers, or support to the informal sector.

At the third level – the national or *macro level* – the donor focus has been partly on supporting efforts to put poverty on the political agenda and on contributing to firmer commitments to poverty reduction and pro-poor policies at all levels of government. A further concern has been with ensuring that the preconditions for poverty reduction are in place. This may involve support to issues like political stability and institutional capacities or sound macroeconomic policies. Few donors have, however, explicitly linked their activities at this level to poverty reduction.

[3] This has been examined in a recent study commissioned by the OECD Development Assistance Committee. See A. Cox and J. Healey, 1997. Cf. also a particular revealing case study by T. Killick et al. 1997.

Running through all these three levels is the concern with process and participation. There are touchy aspects involved in all development aid activities, but perhaps even more so in a politically sensitive area like poverty reduction, which is bound to involve redistribution of power, privileges and resources. At stake are issues such as popular participation and empowerment, as well as ownership and commitment.

A final level is the international or *global arena level*. Here a main concern has been to ensure that aid flows are channelled to the poorest and least developed countries. Previously, especially during the 1970s, the focus was also on striving for a new economic world order, but this has given way to a new emphasis on market liberalisation with efforts to ensure that poor countries are in a position to benefit from new opportunities. We have also seen various efforts to place poverty issues higher up on the global agenda; examples here include the 1995 UN Social Summit in Copenhagen and guidelines from OECD's Development Action Committee, calls for strengthening of poverty reduction in international law, debt relief operations, etc.

Donor activities to pursue poverty reduction are manifest at many levels. What is usually lacking, however, are clearly formulated and operational pro-poor policies. This makes it difficult to actually monitor and evaluate activities in this area. Most information on poverty reduction seems confined to data on activities and output, with little or nothing on the crucial impact and effectiveness of the poverty-reducing activities supported. Efforts to assess the new poverty focus have instead tended to focus on disbursement figures (White 1996). One approach has looked at the proportion of development aid going to the poorest countries. Here, however, there are methodological problems: what is meant by «poor» countries? Should this term include any country with a low per capita income (lower income and least developed countries)? Should it focus on countries with the highest incidence of poverty, which would suggest a concentration on countries in South Asia? Or does it call for a focus on countries with the greatest poverty gap, which are mainly to be found in Sub-Saharan Africa? Should aid donors give priority to poor countries – however defined – regardless of whether the recipients are committed to pro-poor policies? And, finally, how should donor agencies promote poverty reduction in countries where the government has insufficient capacity to implement poverty-reduction policies?

Another approach has been to quantify the proportion of development aid being channelled to poverty-focused projects or sectors. Various techniques have been employed for counting poverty-focused projects (cf. the discussion of the World Bank's Program for Targeted Interventions in Chapter 2). They all struggle with the same problem: how to define a poverty-focused project? Most have tended to base their counting on the intended impacts or benefits for the income-poor, whereas other aspects or dimensions of poverty identified above are generally neglected. Another problem is that many, perhaps most, such projects have a multiplicity of objectives, and poverty reduction may only be a small part.

Counting aid allocations to sectors believed beneficial for poverty reduction raises similar problems. This has usually meant adding up disbursements to education and health, although agriculture/rural development and water/sanitation are also often included as well. A major problem in this way of counting is that aid to such sectors may not necessarily benefit the poor, while aid to other sectors may directly contribute to poverty reduction. However, the greater the disaggregation in such counting, the more useful these are.

Yet another problem with counting sectoral allocations concerns the difficulties involved in assessing aid not definitely targeted at particular sectors, such as programme aid. Programme aid is development assistance aimed at supporting the country's overall development strategy, or one or more sectors, rather than specific sectors. It typically involves aid such as financial programme aid, balance of payment support and debt relief (Addison 1996). The World Bank's IDA-funded structural and sector adjustment loans are examples of this type of aid. (The Bank's IBRD loans carry non-concessional terms for repayment and cannot be classified as development aid.)

The role of programme aid illustrates another dimension in assessing the relations between the development assistance and poverty reduction: the distinction between direct and indirect effects or impacts. «Directly focused» means that the aid is explicitly targeted towards the poor, however defined, or that a disproportionate share of the intended beneficiaries are poor, or that a disproportionate share of the benefits will flow to the poor. «Indirect benefits» refer to aid disbursements which contribute to poverty reduction through «trickle down» or «multiplier effects». Programme aid is one example of such development aid often claimed to have a positive indirect impact on poverty reduction. Through its positive impact on growth it is also expected to contribute to poverty reduction. This, however, raises a number of methodological issues. One is insufficient data. Another is weak attention to the linkages between efforts to stimulate growth and impacts on poverty. Preparation documents rarely state what the aid donor hopes to achieve for the poor. Instead, they often focus on intermediate objectives, e.g. liberalisation of agricultural production and impacts on growth, while failing to specify the linkages to the intended final outcome: poverty reduction. This in turn makes it extremely difficult to monitor and evaluate the impacts of aid on poverty reduction.

2 World Bank and Poverty Reduction: Changes in Policy

Poverty reduction has officially remained the top priority for the World Bank since the publication of the 1990 *World Development Report*. With this report the Bank relaunched its commitment to reduce poverty through the formulation of what was later to become known as the «three-pronged strategy». This chapter examines the new Bank approach to poverty reduction. What does the strategy mean? How has it evolved since 1990? How does the Bank understand poverty? How has the three-pronged strategy been developed into operational policies and lending programmes? And how does the new approach compare to earlier Bank policies for poverty reduction?

These are some of the questions that we seek to answer in this chapter. The focus of the study is Bank interventions in Sub-Saharan Africa. The first part will examine the three-pronged strategy and the main trends in Bank policies for pursuing this strategy. The second part will take a closer look at the Bank's evolving conceptualisation of poverty as evidenced through its analytical work and poverty assessments. The final part will discuss the Bank's evolving lending profile and how that compares with the prescriptions laid down by its proclaimed new approach to poverty reduction.

2.1 THE NEW APPROACH TO POVERTY REDUCTION

The Bank's current approach to poverty reduction was outlined in its *1990 World Development Report* (World Bank 1990b). It can be seen as having three prongs: broad-based growth, human development, and safety nets. (The last prong was formally incorporated only at a later stage.) The first prong is focused on the need for a more labour-intensive growth pattern, while the two others are intended to assist the poor by developing their human capital through investments in social sectors and safety-net programmes.

The Bank released an important policy document in 1991, *Assistance Strategies to Reduce Poverty* (World Bank 1991a). This reaffirmed the three-pronged strategy but also emphasised that the volume of Bank lending to any given country should be linked to that country's efforts to reduce poverty. The composition of lending should also support efforts to reduce poverty; a special tracking mechanism, the Program for Targeted Interventions, was introduced to monitor progress here (further discussed in section 2.3 below). This policy document also called for improved analysis and periodic assessments of poverty.

The policy paper was taken further with the December 1991 *Operational Directive 4.15* on poverty reduction (World Bank 1991b), which summarised Bank procedures and guidelines for operations in poverty reduction. An important companion document was circulated internally in 1992 and published in April 1993: the *Poverty Reduction Handbook* (World Bank 1993b). This handbook surveyed Bank experiences and provided guidance to the Bank's operational task managers about «good-practice» operational approaches. It was divided into three major sections: one focusing on analysing poverty; the second on designing country assistance strategies; and the final one on measuring and monitoring poverty.

These operational guidelines and directives, together with subsequent Bank directives and procedures, will be discussed in the next chapter. The Bank has also attempted to develop further its three-pronged strategy and to design policies for poverty reduction. Various analytical documents and studies have been published since the seminal 1990 World Development Report. The Bank's annual report on poverty reduction is an important source of information on the evolution of formal policies. The first report was issued in 1993, covering fiscal year 1992; the most recent was released in December 1997, covering 1996 and 1997. A particularly useful source of information on the Bank's approach to poverty reduction in Sub-Saharan Africa was published in 1996: *Taking Action for Poverty Reduction in Sub-Saharan Africa* (World Bank 1996k; a shortened version was published a year later – World Bank 1997i). This was a critical discussion report prepared by a special task force working on poverty in the Bank's Africa region.

Before turning to a closer examination of the Bank's approach to poverty reduction, we must briefly look at the Bank's pre-1990 approach to poverty reduction in Africa. Also prior to 1990 the Bank had had a policy on poverty as well as official commitments to reduce poverty. At one level, the World Bank has maintained a remarkably constant approach to poverty reduction throughout its 50-year history.[4] Its assumption has always been – especially since it began to turn from reconstruction to development in the 1950s – to view development and poverty reduction as fundamentally an issue of economic growth. The specific growth policies pursued by the Bank have changed over the years – reflecting changing perspectives in economic theory, as well as conditions in borrowing countries. During the first 30 – 40 years the main focus was on the need to build up physical capital, especially roads, railways, harbours and other infrastructure. That changed in the early 1980s when the focus shifted to macroeconomic adjustment loans, but also – and gaining momentum from the late 1980s – to a growing emphasis on human development, especially through primary education. The focus on the role of human resources in growth only served to reinforce the prevailing view within the Bank that the growth process itself would act to reduce poverty.

Poverty reduction was not originally a goal in itself, but rather an expected, albeit unarticulated, consequence of economic growth. It first emerged as a special concern in Robert McNamara's period as Bank President (1968 – 81). Not least due to the views of McNamara himself, it was now for the first time within the Bank claimed that economic growth policies would have to be supplemented by additional measures if poverty were to be reduced. However, it was not until the latter half of the 1970s that a project portfolio crystallised. In Africa this was manifested in several new initiatives to support small farmers and integrated rural development projects. Projects in other areas were also singled out, especially within urban water supply and sanitation.

These projects, the integrated rural development projects in particular, were not very successful. And with McNamara's departure and the new focus on macroeconomic adjustment, the concern with poverty reduction again dropped out of sight, although it did survive in a few organisational enclaves within the Bank. Concern with poverty reduction re-emerged in the latter half of the 1980s, again triggered by the arrival of a new Bank President, Barber Conable (1986 – 1991) and marked by efforts to highlight poverty reduction activities through reorganisation within the Bank. However, in contrast with the first attempts, this second thrust at establishing poverty reduction as an independent criterion was much more clearly a response to the external environment. The severe disruptive social and political impacts of the early structural adjustment programmes in Africa forced the Bank to pay more attention to the «human dimension» of its adjustment interventions. The criticism and calls from African organisations and governments, NGOs, UN organisations and some likeminded Western countries for a rethink and revision of policies are well captured in the seminal UNICEF-sponsored report, *Adjustment with a Human Face* (UNICEF 1987). Perhaps most important was the Bank's funding concerns and the need to raise income through the general capital increase and the IDA – 8 negotiations in the latter half of the 1980s. The Bank took on board poverty and a range of other social goals as a way of responding to these pressures and of winning support from Washington-based NGOs and key shareholders.

The Bank attempted to respond to this criticism, primarily through its 1987 –91 *Social Dimension of Adjustment* (SDA) programme. This was a joint programme between the World Bank, the African Development Bank, UNDP and bilateral donors.

United Nations Development Programme (UNDP) The short-term goal was to alleviate poverty, while the long-term goal was to strengthen governmental capacity to alleviate poverty. SDA emphasised social safety-net programmes, but also provided funding for collection and analysis of data on poverty in individual African countries.[5]

2.1.1 The evolving three-pronged Poverty Reduction Strategy

The World Bank was not starting from scratch when it unveiled its new approach and strategy in 1990. It could build on several elements from the ongoing SDA programme, perhaps especially the focus on the need for poverty analysis, which led to the OD 4.15 prescriptions for poverty assessments. The SDA influence is also clearly visible in the emphasis on social safety nets. And finally, of course, the SDA programme helped draw the

[4] The most comprehensive overview and analysis of the World Bank and poverty can be found in the 1997 study from the Brookings Institution, The World Bank – Its First Half Century (D. Kapur et al. 1997). 6 chapters in this 2-volume study focuses specifically on the Bank's approach to poverty reduction.

[5] The World Bank had a special unit responsible for SDA. When its term expired in 1991, it was incorporated into the Bank's newly formed Poverty and Social Division of the Africa Technical Department.

Bank's attention to the need for focusing more firmly on poverty reduction.

In the following we shall briefly examine each of the three «prongs» and the main trends in the Bank's pursuit of poverty reduction in Sub-Saharan Africa during the 1990s.

Macroeconomic policies and broad-based growth

The Bank's approach to poverty is based on the assumption that faster growth acts to reduce income poverty and that the growth pattern will have to be «broad-based» to ensure maximum «trickle down» or «multiplier impact» which can reduce poverty. By «broad-based» the Bank means «labour-demanding» growth patterns – economic growth that can provide increased employment and make increased use of the main asset of the poor: labour power. The *Poverty Reduction Handbook* (World Bank 1993b: Chapter 2) stressed the importance of the labour market and the informal sector in generating employment. Remittances are, however, also recognised as another channel for trickle down, together with the impacts of increased demands for food products from the traditional agricultural sector.

Main tools for achieving these goals have been the formula from the liberal agenda of the 1980s centred around a minimalist state, undistorted product, financial and factor markets, and public provision of infrastructure. All this would, according to the Bank, stimulate and facilitate investment in the private sector. However, while the Bank's macroeconomic operations in the 1980 were mainly short-term policies to stabilise the economy, the current adjustment operations have broadened in scope to the extent that virtually any issue now may be covered within the *Policy Framework Papers* negotiated between the Bank, IMF and the borrower. Policy conditionalities in Africa have increasingly moved towards price liberalisation and the removal of «market distortions», as well as – and significantly – a new emphasis on the need to reallocate public expenditure in favour of social development. There have also been some efforts to assist reform of the public sector and to strengthen the capability of state institutions.

During the 1990s the World Bank has conducted considerable analytical work on poverty reduction and the relation between economic growth and income-poverty. From this, however, little has been achieved in terms of researching and formulating policies to promote labour-intensive growth under the current conditions in Africa beyond the general call for removal of «distortions». How can one promote labour intensive growth in the current climate of globalism? How can private investment be mobilised? What are the limits to employment creation? And in its approach to agriculture – where the majority of Africa's poor are concentrated – the Bank has focused on assisting small-scale farmers, paying insufficient attention to gender relations and often ignoring the landless and those with insufficient access to land.

Fundamental questions must also be asked about this growth strategy itself. Is a reliance on economic growth with human development (the second and third prong) sufficient to bring poverty reduction? Until recently, the Bank has paid scant attention to what others would claim are key determinants of growth and poverty reduction: the distribution of assets, both physical (e.g. land) and human capital. The Bank has traditionally seen changes in inequalities as a consequence of economic growth, and has considered distributional issues to be a difficult point. Redistribution could lead to populist transfers, fiscal destabilisation and reduced growth. Income distribution and social inequities as possible cause rather than consequence had simply not been an issue for the Bank. This also applies to the well-known work of Hollis Chenery and his colleagues, *Redistribution with Growth*, which appeared in the McNamara period. Today economists, especially with recent advances in growth theory, have put income inequality more firmly on the agenda as a possible constraint on growth and on poverty reduction, directly and indirectly through its negative effects on growth.

Studies from other regions have suggested that an unequal distribution of assets, especially of human capital, affects overall growth, and it affects income growth of the poor disproportionately (Birdsall and Londono 1997). A better distribution of assets increases the incomes of the poor, thereby reducing poverty directly. Furthermore, by reducing the negative effect on growth of income inequality, it increases aggregate growth, thus further reducing poverty indirectly. Growth, even when combined with increased social spending, may therefore simply not be enough to make any real dent in the problem of poverty in highly unequal African countries. In fact, minimal progress against poverty may even be affected by a worsening income distribution that has come about as a result of initial high asset inequalities.

There has been a heated debate on the actual impact of the

Bank's macroeconomic policies in Africa on poverty and income distribution (for an excellent overview, see Killick 1995). Insufficient data have made it difficult to come up with hard evidence. The Bank has for some time claimed that adjustments «probably has helped the poor» (World Bank 1994a: Chapter 6). Available survey data, according to Bank economists, now seem to confirm that «...improvements in the macroeconomic policy regime of the kind usually associated with World Bank and IMF-supported adjustment programmes are consistent with a decline in the incidence of poverty» (Demery and Squire 1996: 44 – 5). Others, however, have queried this.[6] It has also been pointed out the Bank's assessments are often based on *upper* poverty lines, with half the population classified as income-poor. Selecting lower income-poverty lines and focusing on the extreme poor may lead to very different conclusions.

Human development and social spending

The second prong in the Bank's approach to poverty is the development of human capital, mainly through the provision of primary health care and education. This came after a decade of neglect, where the Bank's focus on short – term macroeconomic issues and the need for debt repayment and reduction of budget deficits contributed to a major decline in public spending. There were also strong impacts on social sectors – especially in education, which generally seemed to have experienced heavier cuts than the average. These cuts, combined with indicators showing decline in social conditions, set the stage for a new emphasis on social sectors in the Africa policy of the World Bank.

The Bank's rationale for this new attention was to be couched in terms of the need to develop «human capital». Developing the «asset base of the poor», through improving their health and qualifications, was to improve the ability of the poor to gain access to the labour market and employment. Others, however, would argue that human development and provision of social services should be seen as justifiable goal s in themselves, and would place greater emphasis on such issues compared to Bank priorities (Mehrotra and Jolly 1997).

A clear example of this is the now widely supported goal of increasing girls' access to schooling. In Bank documents, this tends to be seen as an important cornerstone of education policy because of the high economic and social returns on such investment in terms of lower fertility rates, better health for children and increased labour and economic productivity. This is the primary Bank rationale which dominates its operational documents – as contrasted with a rationale that argues for education as a basic right for both boys and girls, expanding their choices and contributing to the empowerment of women and greater gender equality.

There is obvious coherence in the argument that investing in human resources results in positive synergies which contribute to equitable, effective and efficient development (although the Bank has done little analytical work on the actual impacts of investing in human resources on economic growth in Africa). However, the emphasis on economic and social returns has programming implications: strategies which work at reducing inequalities may be more costly and receive less priority than if human rights and equality are viewed as a central objective of development. These shifts in Bank policies have, at any rate, led to a growing consensus among major aid donors on the need to focus on social sectors.

The Bank has sought to implement its «human development» agenda through several avenues, m ost importantly through its efforts to protect and increase borrowers' public spending on health and education, especially at the primary level. This has been pursued through dialogue and advice but also increasingly through conditionalities in adjustment operations.

Cost recovery through user fees has been another dimension of the World Bank's new emphasis on financing social services. In some cases, user fees in Africa have contributed to an expansion of primary services, but most evidence indicates that it may have acted to reduce access to primary services for poor groups. Exemption systems for the poor are often too difficult to manage, and actual cost recovery may be limited. This has led to some reassessment within the Bank, which may result in a more flexible attitude regarding cost recovery at the primary level (cf. Shaw and Griffin 1995, Adams and Hartnett 1996).

The World Bank has also been providing significant loans to social sectors. The main challenge facing the Bank (and other donors) lies in the constraints emerging from limited capacities of formal institutions in most African countries. There is an imbalance between capital development expenditures and recurrent cost financing; administrative

[6] This debate can be followed in Weeks (1997) and L. Hanmer et al. (1996) with a response in Demery and Squire (1997a)

capacity is weak; and the quality of governance is yet another limitation. All of this impacts strongly on the capacity to deliver services efficiently and effectively – and to reach the poor.

Safety nets

The third and final prong in the Ban's approach to poverty reduction is the provision of safety nets. These are basically income maintenance programmes that protect a person or household against such adverse outcome s as chronic incapacity to work and earn, or a decline in this capacity caused by events such as shocks through economic recession, failed harvests or the sudden death of breadwinners. The safety-net concept is akin to the residual model of social welfare of the 1950s and early 1960s, where modernisation or accelerated economic growth was the dominant paradigm for development. Within this paradigm, public intervention to meet social needs was restricted to the most vulnerable groups in society – those who would not benefit from the «trickle-down» effect of wealth generated by growth in the formal or modern sector. The safety-net concept was originally applied in economies where the formal sector was predominant and where poverty was viewed as a transitional phenomenon.

In the former Soviet bloc, the World Bank focus has been on public spending on social insurance and social assistance payments such as pensions. In Sub-Saharan Africa, Bank efforts and lending in this area have been concentrated on what are termed social action programmes and social funds. The se emerged in the late 1980s as part of the Social Dimensions of Adjustment response to criticism of the Bank's economic reform policies. They are multisectoral programmes, implemented parallel to economic reforms; their objectives go beyond a pure social safety net to emphasise poverty reduction and the reintegration of vulnerable groups (Marc et al. 1995).

Social funds provide support for local organisations and often serve as an intermediary between governments, donors and implementation agencies such as local governments, NGOs and small-scale enterprises. They are intended to provide support in a more flexible manner than is possible for line ministries. The social funds are «demand – driven» in the sense that they respond to funding requests from local agencies and do not propose or implement subprojects. They monitor implementation, the mechanisms to ensure that target groups are reached, and coherence with the government's overall development strategy.

Social assistance programmes, on the other hand, are designed as regular investment projects. In most cases, line ministries serve as the implementing agencies, although NGOs have been used. Some assistance programmes also contain a social fund as one of their components.

The Bank has supported social funds and assistance programmes in Africa through adjustment operations. In some cases the se have contained clauses obliging the borrower to support and fund such activities. The Bank has also provided loans for these funds and programmes. The volume of lending, however, has tended to be small compared to total investment lending (cf. section 2.3 below).

Such demand-based activities, especially related to the social funds, have the potential to make a significant contribution in building and strengthening capacities at the community level. This is important for political sustainability as well as for poverty reduction. A major challenge and shortcoming is the lack of institutional capability to carry out these activities, perhaps especially in rural areas and among the very poor living in extreme poverty. A second shortcoming is the difficulty in identifying actions, other than rehabilitation of basic infrastructure, that reduce poverty and can be replicated on a larger scale. This is well illustrated with labour-intensive public works programmes. They have been successful in reaching large number s of people, but have not had much success in rural areas. It has proven difficult to institute public works as permanent programmes and to integrate beneficiaries into the existing economy.

Fundamentally, the main challenge is how to strengthen the capacity of the least powerful groups to determine the development agenda, since they are least able to translate their needs into effective demand. Social funds and other safety-net operations have to be designed in a participatory way to identify and encourage poor and vulnerable groups to utilise the opportunities provided. If not there is a tendency to respond to the demands of better organised and better off communities and to reinforce existing power structures within communities so that some groups continue to be excluded.

Targeting has emerged as a key issue in the Bank's approach to safety nets. Here the underlying rational has been that the social returns for a given level of transfers are higher for individuals or households at the lower end of the income distribution (the poor), than at the upper end. To maximise the welfare effect of a transfer programme, the appropriate target would be the population segment deemed poor according to some criterion. Targeting mechanisms may vary but can be divided into three broad categories: individual targeting, geographical or indicator targeting, and self-targeting (Subbarao et al. 1997: Chapter 2).

Targeting involves several costs, and these have a strong impact on the ability to pursue targeting in the African context. One is administrative: not only the costs and ability to measure poverty and to identify the poor – essential for designing any targeted transfer programme – but also the costs and capability to reach the target population. There are also incentive costs, some of which may be so negative as to outweigh the beneficial impact of targeting. Moreover, there can be stigma costs, deterring intended recipients.

Finally, there are what we may call political economy costs. Targeting, like any other poverty reduction intervention, creates losers as well as gainers. The distribution of political power in a country may not permit this. The interests of the various actors involved in administering the programme will shape how it is eventually implemented. Those living in extreme poverty are often the most difficult and costly to reach, so has meant that intervention efforts tend to focus on the most vocal and organised groups – which are not necessarily poor. Overly narrow targeting may sometimes run counter to the interests of the poor. Even if a programme is well-targeted, if the poor are relatively disenfranchised the programme may have scant political support and be allotted a small budget. A more broadly targeted programme may elicit greater political support and a larger budget (Subbarao et al.1997: 19 – 20)

The World Bank has relied on all the targeting mechanisms mentioned above in its safety-net operations in Sub-Saharan Africa. The Bank has also preferred broad rather than narrow targeting (cf. section 2.3 below for a presentation of the targeting programme). This may have been unavoidable, given a situation where the majority of the population are living in income-poverty and targeting costs are particularly high. But it is also a form of targeting which may disproportionally benefit the «better-off» among the poor, rather than the very poorest.

A final observation needs also to be emphasised. Many safety net operations runs the risk of creating parallel structures to sectoral Ministries. The emphasis on community responsiveness and procedures for quick disbursement has led the Bank to see independent project management structures as essential for success. The need to phase out these initiatives or to integrate them into existing state institutions responsible for social services does not seem to be a planning focus from the inception stage.

The three-pronged strategy and operational polices

The approach to poverty reduction and the strategic objectives discussed above are also closely linked to changes in operational policies and Bank practices. That has included an emphasis on the need for a stronger coordination of country interventions through country assistance strategies; a policy dialogue with governments and other stakeholders in borrower countries; partnerships with NGOs; and closer consultation with other bilateral and multilateral donors. There have also been attempts to identify more effective and flexible lending instruments and to ensure that the Bank's policy instruments can respond better to client needs and demands.

Many of these changes have their roots in the late 1980s and in the Bank's first attempts to respond to the criticism of its structural adjustment policies, but they have been developed further throughout 1990s. They should also be considered in light of the Bank's wish to serve as the de facto leader of the international aid regime and to maintain its position as the world's chief development bank.

These issues will be explored more fully in Chapter 3.

2.2 ANALYSING POVERTY REDUCTION IN AFRICA: POVERTY ASSESSMENTS

The World Bank commands unparalleled resources and technical skills for undertaking analytical work. Analytical work is also clearly recognised as crucial to the Bank policies. The new emphasis in Bank operations, shifting from physical inputs and outputs to outcomes and processes, will place additional demands on the needs for analytical capacity to design country-specific policies and to be able to learn from monitoring and evaluations. This is also recognised and emphasised in the Bank's strategy paper on *Health, Nutrition and Population* (World Bank 1997p), the first in a new series of sectoral strategy papers. (It should be added that uncertainties attend these issues. Efforts to cut operational costs have also impacted negatively on funding for economic and sector work.)

The 1991 *Operational Directive 4.15* on poverty reduction and the 1992 *Poverty Reduction Handbook* mentioned above also clearly emphasise and provide guidelines for poverty studies that can help in formulating policies for poverty reduction. In particular they mandate the Bank to undertake a poverty assessment in all countries where the Bank has an active lending programme. Conducting poverty assessments had begun in 1989 under the SPA programme, but has since accelerated. By the year 2000 the Bank is expected to have completed 125 poverty assessments world-wide: in other words assessments for countries covering over 90 % of those living in extreme poverty. In Sub-Saharan Africa the Bank had by the end of 1997 completed poverty assessments for 33 countries, as well as updates for two. By the end of the year 2000 an additional 7 country assessments are scheduled to be completed (World Bank 1997f: 128 – 31). Between 1985 and the end of 1997 the Bank had been involved in 87 completed household surveys – living-standard measurement surveys, priority surveys, and/or income/expenditure surveys – in 40 African countries (World Bank 1997q).

The poverty assessments (PA) undertaken in Africa vary considerably in scope, ranging from 20 pages in the case of the Comoros to 5 volumes in the case of Zambia. What do these assessments say about poverty and how to reduce it? What is the understanding of poverty and its dynamics underpinning the analysis? What do they recommend, and how do they relate to the three-pronged strategy?

As stipulated by Bank directives and procedures, PAs are to inform the policy dialogue between the Bank and borrower, and provide recommendations for the Bank's interventions aimed at reducing poverty (cf. the discussion in Chapter 3). The *Poverty Reduction Handbook* provides a fairly specific list of topics to be covered in the analysis as well as in the proposed policy prescriptions. PAs are to identify the countrywide issues of policy, public expenditure and institutional matters that constrain effective poverty reduction, and then recommend an agenda for reform. The assessment shall analyse the extent to which the government's short- and long-term economic management is (a) succeeding in generating growth that will create demand for labour, (b) developing human capital and (c) improving safety nets.

Thus, the objectives of the PAs are directly linked to the three-pronged strategy for poverty reduction discussed above. In practice, assessments vary considerably in what they cover, how they do it, and the relative emphasis on the various components specified in the guidelines. The assessments draw from a wide and variable range of primary and secondary sources. Household surveys and poverty profiles are usually at the core but participatory research has increasingly been undertaken. Public Expenditure Reviews, the country economic memorandum and sector reviews are also meant to feed into the poverty assessment. Generally, the PA will provide considerable information about the identity of the poor on the basis of «correlates of poverty» data. The emphasis is strongly on money-metric and income-poverty indicators.

Despite the firm basis in money-metric indicators, many assessments – and increasingly with the more recent ones – clearly recognise that poverty has many dimensions not captured by these indicators. They are also increasingly exploring other dimensions, such as access to assets, expansion of knowledge and empowerment (cf Chapter 1). Many PAs provide data which are relevant in discussing the limitations of the three-pronged strategy, but they rarely manage to move beyond the original framework or provide much information on how to address the shortcomings and gaps in the Bank's strategy. As noted below, policy recommendations have generally been the weakest part of the assessments.

The Bank's Operations Evaluations Department (OED) undertook a review of PAs in 1996 (World Bank 1996h). This evaluation provides an informative overview of the progress, focusing on the numbers of PAs carried out, their content and their influence on country assistance strategies and lending. The review examines the content of the assessments in terms of three benchmarks: inclusion of a comprehensive profile of poverty and poverty indicators, the diagnosis of poverty, and a set of prescriptions for poverty reduction. Its conclusion: poverty profiles tend to be incomplete. Trend information on the extent of poverty and progress in poverty reduction is often missing. On the other hand, the 1996 review reports that the diagnosis of poverty tends to be thorough, although issues related to gender, environment, ethnicity and institutional capacity for implementing implement a poverty reduction strategy are often minimal or absent. Recommendations are the weakest part of the assessments, according to this review. Many recommendations lack operational content, and they either do not follow from the analysis, or they are too general.

In examining the influence of PAs on Country Assistance Strategies (CASs), the 1996 review finds that through to the end of 1994, the findings of PAs found only weak expression in CASs. PA influence on targeted lending for poverty reduction is also deemed limited. (See more on this in the next chapter.)

The review concludes by stating that PAs have not yet become the foundation for mainstreaming the Bank's commitment to poverty reduction envisaged in OD 4.15. While offering several recommendations to improve the quality and coverage of PAs, it also makes the important point that placing a disproportionate emphasis on PAs may not lead to constructive changes in how the borrowing countries tackle poverty reduction.

Besides the Bank's own assessments of PAs, two major independent studies have been carried out. The first was by the Institute of Development Studies (IDS) at the University of Sussex in 1994 (IDS 1994) and the second by the Institute of Social Studies (ISS) in The Hague in 1996 (L. Hanmer et al. 1996). Both studies were prepared at the request of the Working Group on Poverty and Social Policy of the Special Program of Assistance to Africa (SPA).

The IDS study assessed several key areas relevant to the production and final output of PAs, including the poverty profile, public expenditure reviews, institutionalising the poverty agenda within countries, and the organisational process in the Bank. While commenting that the Bank «deserves great credit» for these innovations in poverty policy, the study also pointed out various concerns. It found the scope and quality of the first round of PAs for Africa to be variable, ranging from the unsatisfactory to the excellent. The definition and measurement of poverty used for the poverty profile was generally deemed too money-metric: an approach which, though convenient for measurement, is often based on unreliable data, as well as being not very illuminating for policy purposes. In conceptualising poverty, PAs place their major emphasis on the economic approach. This defines poverty as falling short of a reasonable minimum level of economic welfare, which itself is often given by a pre-determined basket of consumption. PAs are also criticised for not identifying the political and institutional constraints to poverty reduction.

Another area of concern is focused on the Bank's own motives and role. The IDS study notes that the Bank's commitment to poverty reduction needs to be further strengthened, with special attention given to the process of developing local ownership of the poverty agenda. Responsibility for the preparation of PAs is seen as too decentralised, often carried out by staff unaware of the real importance of the task.

Improvements suggested by the IDS study centre around four areas: (1) exploring qualitatively the constraints on agricultural production; (2) making participatory assessments of poverty a central part of PAs; (3) comparing poverty situations over time against well-established benchmarks; and (4) using a phased consultative process to build a consensus around the PA. On the basis of what were seen as the positive features of the Zambia PA, the study outlines four aspects that should be important in preparing future PAs: (1) the quantitative modelling done in order to systematically explore constraints on the use of labour-intensive growth as a poverty reduction strategy (in the Zambian case, in agriculture); (2) the use of participatory poverty assessments; (3) the use of secondary literature and comparisons of poverty over time; (4) a high degree of local involvement and consultation in the preparation process. The IDS study opines that these four factors together make the Zambia PA well-suited as a model for future PAs. However, as is also pointed out, the Zambian PA was the most expensive PA in Africa carried out so far.

The 1996 ISS study provides an extensive review of 25 poverty assessments in Africa. It reinforces the IDS study in its findings of heterogeneity among the assessments, the generally limited conceptualisation of poverty, an over-dependence on poverty lines and the weak links to policy and strategy.

The ISS study contrasts the relative strength of PAs in identifying the nature and extent of poverty, with their relative weakness in identifying causes. It argues that the relative neglect of basic causes at the micro and meso levels gives the impression of a Bank preoccupied with the macroeconomic causes of poverty and with economic growth as a solution. A lack of economic growth is argued to be a correlate of persistent poverty, not a cause. Besides weaknesses in identifying causes of poverty, the ISS study finds that insufficient connections are made between cause and effect, resulting in weaknesses in the policy and strategy conclusions for addressing poverty.

The ISS study also questions several of the assumptions underlying the Bank's three-pronged strategy and its poverty assessments. Special mention is made of the insufficient analysis of growth and the constraints on employment creation, which severely impact on possibilities for broadly-based growth.

These studies were based on the assessments completed up to mid-1990s. The present report has not been able to review assessments completed since then (apart from those discussed in the examination of the three country cases in Chapter 4). The Bank itself has summarised its own impressions in its 1996 – 97 annual report on poverty reduction (World Bank 1997f: 6 – 7). Here it is claimed that there are still variations in quality, but that there is improvement. A continuing weakness, according to the Bank, is the insufficient analysis of the relationship between macroeconomic policy interventions and poverty. Proposed poverty strategies still focus mainly on human capital development and agricultural policies. The Bank argues that there is a general improvement in the analysis of poverty profiles which now enables the presentation of a fuller picture of the incidence, depth and severity of poverty. Improvements are held to be particularly strong in the use of income-poverty indicators, but other dimensions of poverty, notably education and health indicators, have also been incorporated, The use of participatory methodologies in conducting poverty assessments has continued to increase. The increased use of participatory and contextual approaches are particularly important in gaining an understanding of how the poor themselves view their experiences during the past decade (Booth et al. 1997). They have also helped focus attention on dimensions that quantitative data are least able to deal with, such as isolation, social exclusion, adequacy of services, changes in social capital, kinship ties, and so on.

A similar trend can be noted in other analytical work such as sector analysis and research papers. Issues neglected or barely touched upon in the early 1990s are now increasingly being identified: issues such as subjective perceptions of poverty, or the impact of adverse shocks such as environmental degradation, violence and war in the analysis of poverty. There is work on methods to develop a combination of quantitative and qualitative approaches (Carvalho and White 1997), as well as new efforts to shift analysis from describing poverty to formulating strategies for reducing poverty. New studies are also beginning to address the relations between growth patterns, inequality and poverty reduction (as illustrated in recent Bank publications such as Demery and Walton 1997b), explore how to pursue labour-demanding growth in a globalised economy, or address political economy issues in designing country policies. Still, there are major gaps and shortcomings in the analytical work ranging from the analysis of how political power relations and governance impacts on poverty reduction policies, via the role of gender and asset inequalities in economic growth, to the role of liberalisation and improved macroeconomic balances on the poor.

2.3 CHANGES IN BANK INTERVENTIONS

How has the World Bank's approach to poverty reduction and the three-pronged strategy impacted on its lending profile? No clear targets are identified in Bank documents, but certain changes in the composition are expected to take place. These will be examined in this final part of Chapter 2.

The Bank itself admits that it has not made much progress in monitoring and evaluating its poverty reducing strategy (World Bank 1997f: viii). Several indicators have been developed for monitoring Bank performance in poverty reduction (Carvalho and White 1994). These focus on projects and are based on poverty indices (headcount, poverty gap and poverty severity indexes) and income-related poverty indicators to measure interventions aimed at promoting broadly-based growth. For interventions aimed at improving social services, the focus is on social indicators such as life expectancy or school enrolment rates, disaggregated so as to focus on the poor. There is, however, very little aggregate information on the performance and actual impact of the Bank's interventions to reduce poverty. Most information is confined to listing of objectives and activities. Project documents in this area are vague or silent with respect to data that could enable evaluations of impact. This may be contrasted to the Bank's adjustments loans, which are often very detailed in specifying macroeconomic and/or sector performance indicators and targets (although equally silent in addressing actual impact on social and economic groups).

Since 1993 the World Bank has published annual reports on poverty reduction, intended to provide information on Bank progress in reducing poverty. The quantitative data in these reports are based largely on information about objectives and design as provided in project documents at approval stage. There is progressively less information as we move to the other levels in monitoring development programmes and projects: the actual *inputs* and activities delivered, the immediate *outputs* and outcome, and the tangible development *impacts*.[7]

[7] For a summary of recent Bank perspectives on performance monitoring, see R. Mosse and L.E. Sontheimer 1996.

2.3.1 Measuring poverty-focus

The World Bank's monitoring of its own poverty reduction intervention through its annual reports is, as noted, based on the *objectives* and *design* of projects and programmes. That does not tell us much about whether the Bank actually delivers the intended outputs, or what impact this has on poverty. Classifying and counting projects which, at a fairly abstract level of objective-formulation, carry forward elements of the Bank's three-pronged strategy, is at best a way of gauging political commitment. Moreover, the methodology is prone to certain biases.

The three-pronged strategy operates at a very general level, and most development projects could easily be categorised into one of the three prongs. This in itself represents no renewed attack on poverty. Even the International Monetary Fund can now lay claim to being «poverty-focused», through its role in promoting parts of the first prong (IMF 1997). It is in the specific design of programme and projects, adjusted to their specific contexts, where success or failure will be determined. Placing projects within one of the three prongs merely reifies the strategy, and is no test on how it actually works, even at the levels of objectives and design. There must be some additional criteria involved: for instance, an education project must be subjected to more careful analysis than merely saying it represents the second prong and thus, as per the Bank's development theory, will necessarily contribute towards poverty reduction.

The Bank has recognised this reification problem, and has sought to develop some independent indicators for measuring progress in the implementation of poverty reduction. From fiscal year 1992 (July 1991 – June 1992) the Bank has monitored the poverty focus of its lending through a *Program of Targeted Interventions* (PTI). This is a tracking mechanism for *investment* operations, as distinct from *adjustment* operations and *emergency recovery* loans. A project is included in the PTI, at the time of approval, if:

(a) it has a specific mechanism for targeting the poor; and/or
(b) the proportion of poor people among its beneficiaries is significantly larger than the proportion of the poor in the total population.
Criterion (a) clearly relates to design, while criterion (b) is actually about intended impact. Project in category (a) are sometimes also defined as narrowly targeted. Hardly any projects in Sub-Saharan Africa are classified under this category; nearly all projects here belong to category (b), broadly-targeted projects. PTI projects are concentrated in four sectors: agriculture and rural development; human resources development; water supply and sanitation; and urban development.

The Bank's annual reports on poverty reduction do not provide much information about the reason for inclusion – inclusion is based on loan documents at approval stage – but generally the classification is subject to the problems identified in Chapter 1. It is not always easy to identify what constitutes a «poverty focus»; even when that can be established, projects usually have a multiplicity of objectives and may benefit non-poor groups as well. In the Bank's operationalisation, inclusion in PTI has usually meant that at least 25 % of the loan amount should meet either the (a) or the (b) criterion. The 1996 Report of the Africa Region Task Force on Poverty (World Bank 1996k) applied a slightly different and more narrow definition of poverty targeting in its review of Bank lending to Sub-Saharan Africa.

The problem of formulating good indicators and applying them is even greater in the case of adjustment operations, and these account for most Bank lending to Sub-Saharan Africa. Adjustment operations – structural adjustment loans, sectoral adjustment loans and rehabilitation import loans – are considered to be poverty-focused if they meet at least one of the following three criteria in supporting government efforts to:

(a) reallocate public expenditures in favour of the poor;
(b) eliminate market distortions and regulations that disadvantage the poor and limit their income-generating opportunities; and/or
(c) support safety nets that protect the most vulnerable members of the population.

Until 1996 – 97, poverty monitoring and developing poverty policy were also included as poverty-focused criteria. No adjustment operations have, however, been classified as poverty-focused on the basis of either of these two criteria alone (World Bank 1997f: 153).

These criteria also relate to objectives and design as presented in the loan documents at approval stage. In Sub-Saharan Africa, the main poverty focus of these adjustment operations has been reallocation of public expenditures and improved coverage of social services together with removal of sectoral distortions disadvantaging the poor. (In Eastern Europe and Central Asia, on the other hand, the main focus has been on safety nets.)

Assessing the «poverty impact» of such operations is even more difficult, and the Bank documents are vague in specifying the intended impacts on the poor. Typically they focus on intermediate objectives, e.g. liberalisation of agricultural production and impacts on growth, but fail to specify the linkages to the intended final outcome: poverty reduction. The impacts on poverty are indirect and, especially in the case of category (b), are expected to take the form of «trickle-down» or «multiplier» effects. (See also the discussion of programme aid and poverty reduction in Chapter 1.)

The Bank's annual progress report on poverty reduction would seem to suffer from exaggeration. Creative writing and re-labelling can achieve a lot in terms of «progress» on poverty. One way to limit this tendency would be to also present counterfactual perspectives: in other words, recognise that projects or project components may not always contribute towards poverty reduction, and in some cases may even have negative impacts on poverty. This is all the more important since poverty-targeted interventions (PTI projects) represent less than half of all the Bank's investment lending in Sub-Saharan Africa; a sizeable share of the Bank's adjustment operations in this region has no poverty-focused components at all. It is noteworthy that the Bank's classification does not factor in possible adverse effects of policy reform. There is no reporting on risks – only of positive objectives and intended outputs.

The 1996 report of the Bank's Task Force on Poverty in Sub-Saharan Africa provides a slightly more critical perspective (World Bank 1996k). It classifies *all* lending to the Africa region as contributing to either *enabling growth, broadly-based services* or *narrowly-targeted services for the poor.* While the Bank's annual poverty reduction reports restricts itself to listing poverty-focused components, this report also makes an attempt to identify «distributionally neutral» and «not pro-poor» objectives in the Bank's growth-focused operations.

This reflects the basic policy dilemma of the Bank, and most bilateral donors as well: how to distinguish between poverty reduction as the all-embracing agenda, and poverty reduction as specific policies frequently in conflict with other agendas. The latter would imply recognition of the fact that the Bank also supports projects that could adversely effect poverty.

2.3.2 Trends in the Bank's lending output

If we look at lending to Sub-Saharan Africa from the late 1980s onwards, the picture emerging from Bank reports can be summarised in three trends:

1. Adjustment operations and investments in economic growth projects dominate;
2. Investments in social services have increased significantly; and
3. Poverty targeted investments have remained fairly constant as a share of total investment (around 44 %)

Table 2.1 below shows World Bank lending commitments to Sub-Saharan Africa from 1960 to 1995. These loans figures includes commitments both from IBRD («loans» on commercial terms) and IDA («credits» on concessional terms). The number of IBRD loans to the Bank's Africa region has however dropped significantly and today there is virtually no IBRD lending to social or poverty reduction purposes. Most African countries are eligible for the «soft» IDA loans.

Trend 1: The growth agenda

Adjustment operations and investments in improving conditions for economic growth remain the thrust of the Bank's operations in Sub-Saharan Africa throughout the 1990s. These account for between 55 and 70 % of all Bank lending assistance to this region. Most (around 60 %) constitute adjustment operations, with investments accounting for the remaining 40 %. The dominance of the adjustments operations increases further if we look at disbursement figures.

The main change in the Bank's adjustment operations in Africa lies in the new emphasis on reallocating public expenditures and expansion of social coverage in primary health and education. Tranche-release conditions are increasingly also related to these measures.

Trend 2: Human capital development

The 1990s have seen an increase in lending to social sectors. Comparing the IDA9 period (1990 – 93) with IDA10 (1993 – 96), we note that the increase in the disbursement to social sectors globally was nearly 70 %, most of which was for primary services within education, health, and water and sanitation. (World Bank 1997e). From 1988 to 1996 social sector projects increased 3.5 times, and the share of total IDA investments rose from 15 % to 34 % during the same period. The trend for Africa has been the same, albeit slightly less pronounced.

An independent study of the Bank's funding of *basic – needs* projects over a 27-year period from 1970 to 1996 confirms the same trend.[8] Nearly two-fifths of the total amount allocated to basic-needs projects in Sub-Saharan Africa came in the last six years of this period (1991–1996). The Bank made hardly any commitments to primary *health-care* projects in Sub-Saharan Africa before 1982, but since then there have been commitments each year up to 1996, with peaks in 1992 and 1995, when annual commitments totalled around USD 200 million (1990 USD).

Support for primary and basic *education* (including literacy programmes) dates back to the early 1970s, with commitments made for each year since 1972. The highest commitments were recorded in 1991 and 1993, with totals around USD 200 million (1990 USD). Bank support for social funds, social employment programmes and other projects to help mitigate the social costs of structural adjustment began in this region in 1988. There are large fluctuations in the scale of annual commitments, with peaks in 1992 and 1996, also with annual totals to the tune of USD 200 million.

Table 2.1: World Bank lending commitments to Sub-Saharan Africa, Fiscal 1960 – 95 (percent unless otherwise indicated (a))

Commitment	FY 60–69	FY 70–79	FY 80–89	FY 90–95
Sector				
Agriculture	15	31	24	16
Finance and industry	1	8	12	11
Infrastructure (b)	69	39	22	18
Social (c)	8	16	16	29
Other (d)	8	7	26	26
Lending instrument				
Adjustment (e)		3	29	37
Sector investment and maintenance	11	16	22	10
Specific investment	86	72	37	46
Other (f)	3	9	12	7
Annual average				
Nominal commitments (USD billions)	0.1	0.8	2.3	3.2
Real commitments (1995 USD billions)	0.6	0.8	3.2	3.5
Number of loans	14.0	63.1	87.5	85

(a)(a) Numbers may not add up because of rounding.
(b) Transportation, telecommunication, electricity.
(c) Education, environment, population, water, sanitation, urban development.
(d) Mining, multisector, oil and gas, public sector management, sector unclassified, tourism.
(e) Sector adjustment, structural adjustment.
(f) Emergency recovery, financial intermediation, technical assistance.

Source: World Bank data base figures reproduced on p. 696 in D. Kapur et al. 1997.

Trend 3: Poverty-targeted investments

PTI is the Bank's chief tracking indicator in measuring the poverty focus of its investment lending. In Sub-Saharan Africa there have been hardly any narrowly-targeted interventions as defined by the Bank; targeted interventions here fall mostly in the category of «broadly- targeted». PTI projects in Africa have fluctuated somewhat, but have remained relatively constant in 1992–97 as a percentage of total IDA investment loans – around 43–46 %. As a percentage of total IDA lending there has been more fluctuation – between 23 and 33 %. The most striking trend to emerge from the statistics in the annual reports is the significant drop from 1996 to 1997. From 46 to 42 % as a share of IDA investment lending, and from 27 to 23 % as a share of all IDA lending. In absolute figures this reduction is more dramatic: from USD 730 million in 1996 to USD 395 million in 1997 (World Bank 1997f: 136). The report explains this statistical reduction as a result of particularly high lending in the preceding fiscal year, 1996.

[8] A statistical analysis of Bank lending was commissioned from David Satterthwaite at the International Institute for Environment and Development in London (see annex 3)

Within the PTI, safety nets – in the case of Africa mostly through social fund mechanisms and social action programmes – are the most innovative and new project mechanism. They are however, few in number and absorb relatively low volumes of lending. In the 1992–97 period, eight stand-alone social funds projects were approved: five in 1996 and none in 1997.

The figures above indicate that, seven years after the 1990 World Development Report and five years after the first operational directives, the main changes are an increase in lending to social sectors and a continued growth in adjustment operations. These changes did however, begin in 1986–88.

Impact on poverty is, of course, the final test on the effectiveness of Bank lending, but a good halfway measure could be to review lending relative to targets established by the Bank. We find, however, that the Bank until recently has avoided setting specific targets related to poverty. Bank documents from the early 1990s are silent on these issues, with no quantitative targets established for changes in the composition of lending. Generally, the appraisal reports prepared by Bank staff are vague in specifying intended impacts on poverty, focusing on activities and intermediate objectives but failing to specify the linkages to the final objective: poverty reduction.

A first major poverty progress related to impact came as recently as in 1997, when the Bank adopted the OECD DAC goal of at least halving the proportion of people living in extreme poverty in developing countries by the year 2015. To accomplish this, the Bank will also have to strengthen monitoring and evaluation of its poverty reduction strategies. It will have to – as formulated in its recent report on poverty reduction – shift from describing poverty to formulating country-specific strategies for reducing poverty, and it must shift from counting poverty-focused projects to assessing their impacts on the poor (World Bank. 1997f: vii – viii).

3 Operationalisation: Getting from Objectives to Poverty-focused Bank Interventions

How is the Bank operationalising its three-pronged strategy? How is it translating strategic aims into operational goals and objectives? This chapter examines the institutional and procedural mechanisms established to formulate and implement poverty-reduction policies. Our focus is the formal process of generating Bank interventions in Sub-Saharan Africa, a process intended to begin with analytical work, including assessments of poverty, which feeds into the formulation of a country assistance strategy, which in turn is to provide the basis for lending and non-lending output.

This process has been formalised through various operational directives, procedures and guidelines. These indicate two major organisational changes within the Bank: a growing «mainstreaming» of the three-pronged approach to poverty reduction, and a new country focus in Bank operations. In addition, there are also external changes in the Bank's operational approach involving an emphasis on a dialogue and consultations with borrowers and other stakeholders, and a search for different lending instruments and shifts in management of investment lending.

These changes gained momentum in the mid-1990s, especially with the reorganisation associated with the «strategic compact». At this point, one caveat is in order: We must bear in mind that the World Bank is not a monolithic institution. There are significant differences in outlook and perceptions between individuals at all levels within the organisation. Thus, the new shift towards more poverty-focused operations is also subject to inter-personal and inter-sectional variations, and may be modified in practice through organisational rivalries. The current changes in structure and policies do not have unanimous support; moreover, they may often be the product of organisational politicking rather than collective rational design. (On this, see also Gibbon 1993: 35). This is clearly evident in the history of the Bank's approach to poverty reduction (D. Kapur et al. 1997). The move to a growing focus on poverty both in the 1970s as well as in the late 1980s was gradual and characterised by delays resulting from internal resistance, false starts and instability and infighting. These controversies revolved around competing claims of social and economic objectives. A core challenge remained the lack of a coherent operational policy, beyond simply calling for economic growth.

The commitment to the new poverty-focused policies gathered steam throughout Barber Conable's term as Bank President from 1986 to 1991. His period was also marked by efforts to highlight poverty reduction activities through reorganisation within the Bank. Tensions continued between conservatives sceptical to broadening Bank interventions into «welfare objectives» and those focusing more on poverty and social issues. This was mirrored in competing claims and institutional rivalries between different departments and operational sectors within the Bank. The official commitment to poverty reduction continued under Lewis Preston, Bank President from 1991 to 1995, although the focus on poverty may have become somewhat restrained in his term– also because the new members from the «transition economies» in the East consumed a larger share of energy resources. The current President, James Wolfensohn, initiated further reorganisation. His «strategic compact» programme for change was intended to strengthen the Bank's borrower orientation through an improved country assistance strategy and dialogue; to build a more flexible Bank through decentralisation of powers and functions to resident missions and design of new lending instruments; and to create a more open and responsive Bank through dialogue and co-operation with other donor agencies and NGOs (World Bank 1997j).

3.1 *THE STRATEGIC COMPACT*

The «strategic compact» provides a good introduction to the key issues facing an institution attempting to increase its effectiveness and maintain its position as the dominant development aid institution. Here it must be stressed that implementation of this strategic compact is still underway, making it too early to make any precise assessments of the consequences and effects. Wolfensohn had a background from business and Wall Street. He identified a need for far-reaching changes to make the Bank more «client oriented» and effective in pursuing its goal as a development bank. Under the label «strategic compact» he introduced a series of changes and institutional reforms with the potential to impact strongly also on the Bank's ability to pursue its poverty-reduction objective.

The strategic compact is an attempt to respond to the changing external environment which has posed new challenges for development assistance as well as for the

World Bank. It aims at renewing the Bank and increasing its development effectiveness. Four priority areas are identified: The *first* is what the strategic compact documents refer to as «refuelling current business activities»; this includes efforts to establish new organisational structures and to shift resources away from overhead and administration and to front-line operations instead.

The *second* is «refocusing the development agenda», through strengthening of social and environmental analysis, improved country assistance strategies and poverty-reduction strategies, and the formulation of more flexible lending instruments. *Thirdly*, the strategic compact seeks to «retool the knowledge base» by making Bank's knowledge, experiences and best practices more accessible – internally as well as for external partners and clients.

Finally, the strategic compact seeks to «revamp institutional capabilities», through improved management of human and financial resources, including a stronger emphasis on performance monitoring and the use of incentives.

Two dimensions of the strategic compact are particular relevant for our discussion: the new country focus in Bank operations, and role of poverty reduction.

Strengthened country focus

The strategic compact seeks to promote a stronger country focus in the Bank's activities, and a correspondingly weaker influence by sector people. A key element here is the change from the old Country Departments to a new model centred around Country Directors. Before the latest re-organisation, the old Country Departments covered a large number of countries and had influential sector division chiefs who were in charge of budgets. Entrepreneurial task managers were also very active in promoting «their» project proposals. Within the new organisational models, each country has a Country Director. Professional staff are organised in Networks and Families (see below) and are being used by the Country Directors upon request. Budgetary powers have also been given to the Country Directors. The intention is also that the previously strong pressure to lend will no longer apply– at least not for Country Directors.

The Country Directors now have a much greater say in the Country Assistance Strategy process and in the Bank's lending and non-lending output. In the past these processes used to be strongly supply-driven and heavily influenced by sector staff people. The country departments, however, are generally small, and with a limited number of staff, but they do have large budgets. With the current reorganisation Country Directors will generate demand for skills and expertise and «buy» services from the sector staff. The sector staff functions like consultants and «sell» their time to the Country Departments.

The current reorganisation is intended to make the Bank more demand-driven, more responsive to the needs expressed by its clients. As will be discussed later, formulating the Bank's Country Assistance Strategy has become a much more participatory process, involving the government as well as other stakeholders in the borrowing country. These changes are further underpinned by the continued decentralisation within the Bank, which involves not only devolving more and more powers and operational responsibilities to the resident mission, but also increasingly relocating Country Directors to the field. (The Africa region has been lagging behind in these decentralisation efforts, although it had pioneered some of the other dimensions of the new country focus.)

The poverty focus

With respect to poverty concerns, the strategic compact does not imply fundamental changes in the «operational system». The reorganisation is focused on enabling the Bank to implement and follow this system. A major rationale underlying the strategic compact is that the previous organisation and management within the Bank constrained the generation of poverty-focused Bank interventions. More specifically, it did not enable the Country Assistance Strategies to play their intended role. This line of reasoning is also reflected in the title of the key Bank document presenting the reform: «The Strategic Compact: Renewing the Bank's Effectiveness To Fight Poverty» (World Bank 1997j).

The change towards a more demand-driven institution and a stronger country focus are the key components behind the Bank's efforts to strengthen its poverty focus. This, however, does not follow automatically. Externally, a focus on client-orientation may not necessarily lead to increased demands for interventions to reduce poverty. Internally, there may be various forces and issues pulling in different directions. Much will depend on the Country Directors, who may not all be equally committed to poverty reduction (or to other cross-cutting issues, such as those related to the environment and gender relations). We shall return to some of these issues below. Here let us briefly mention two internal mechanisms intended to strengthen the poverty focus of the Bank's country operations.

The first concerns the reorganisation of professional staff into what are termed networks and families to facilitate better use of technical knowledge and expertise across the Bank. There are four networks:

- Poverty Reduction and Economic Management (PREM);
- Finance, Private Sector and Infrastructure (FPSI);
- Human Development (HD); and
- Environmentally and Socially Sustainable Development (ESSD).

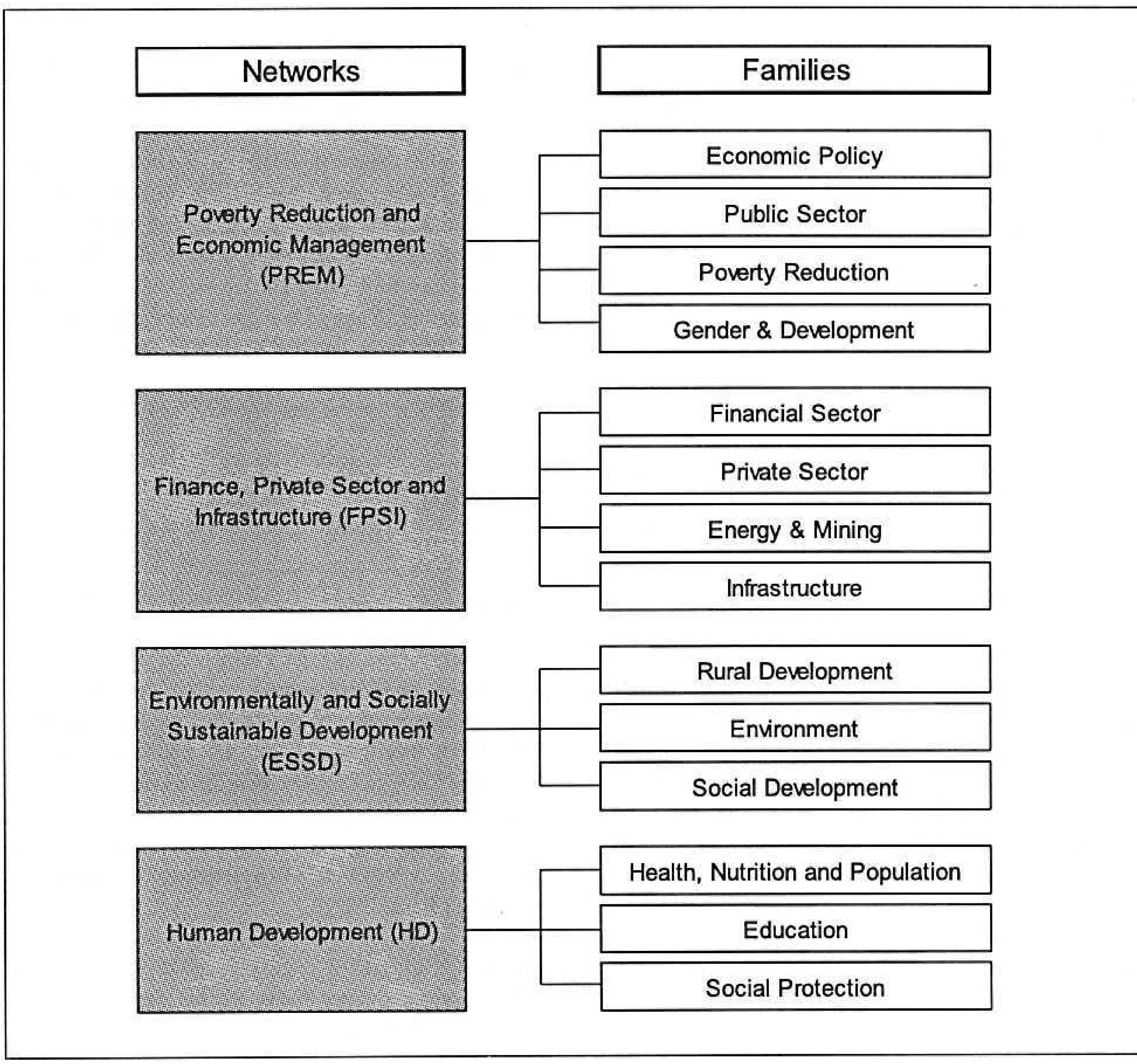


Figure 3.1 Bank-wide networks and families (late 1997)

These are specialised networks which brings together Bank managers and staff who possess skills and work experience relating to a particular area of expertise. They evolved from previously informal networks of experts. The networks vary in size. There are approximately 800 people in the PREM network.

Each network is governed by a «network council». They provide a forum for the formulation and co-ordination of World Bank policy across the networks. They are composed of very senior-level staff members with expertise in a given sector and senior level representatives from each region.

The networks are sub-divided into sector management units, also known as «sector» or «families», led by an «anchor» or sector board chair. They comprise sets of World Bank staff who work on a particular issue. Each sector is governed by a sector board which serve the same policy-making and co-ordinating function as the network council, but at the level of sectors. Sector boards are chaired by a senior staff member, the «anchor» who also serves as that sector's representative on the network council. Other members of the sector boards include representatives from each region, as well as other Bank staff whose expertise enhances the cross-cutting nature of the sector board. The networks and families are presented in fig. 3.1.

Within the PREM Network, there are four such sectors. One of them is the *Poverty Reduction Sector.* It has eleven people on the board. The «poverty anchor» is the Bank-wide focal point for poverty issues. The poverty anchor does not have formal authority or power to push or to ensure that sufficient emphasis is put on poverty issues– in the Bank in general, or in individual CAS documents or lending programmes. Its mandate includes dissemination of information on poverty, best practices etc. across the Bank. Furthermore, the anchor is to initiate and be involved in research on poverty and policy development, and have responsibility for processes such as the *World Development Report 2000* on poverty. It is, however, not intended to act as a «clearing house», nor to exercise any formal control over the Bank's poverty focus. As with other cross-cutting issues such as environment and gender, there is concern that further control mechanisms are still needed.

The Bank-wide networks and families were established in mid-1997. However, each region has the flexibility to select and adapt these divisions to suit the region's needs. This has led to different network and sector emphasis and to somewhat confusing additions and omissions across the regions. An organisational chart for the Bank's Africa region is presented in figure 3.2. This region has 6 technical groups or families, but the regional technical networks and families/sectors do not always correspond to Bank-wide networks and families. The economic management and social policy units or family corresponds to PREM, and PREMs poverty family corresponds to the Africa region's institutional and social policy group, a subgroup of this technical unit.

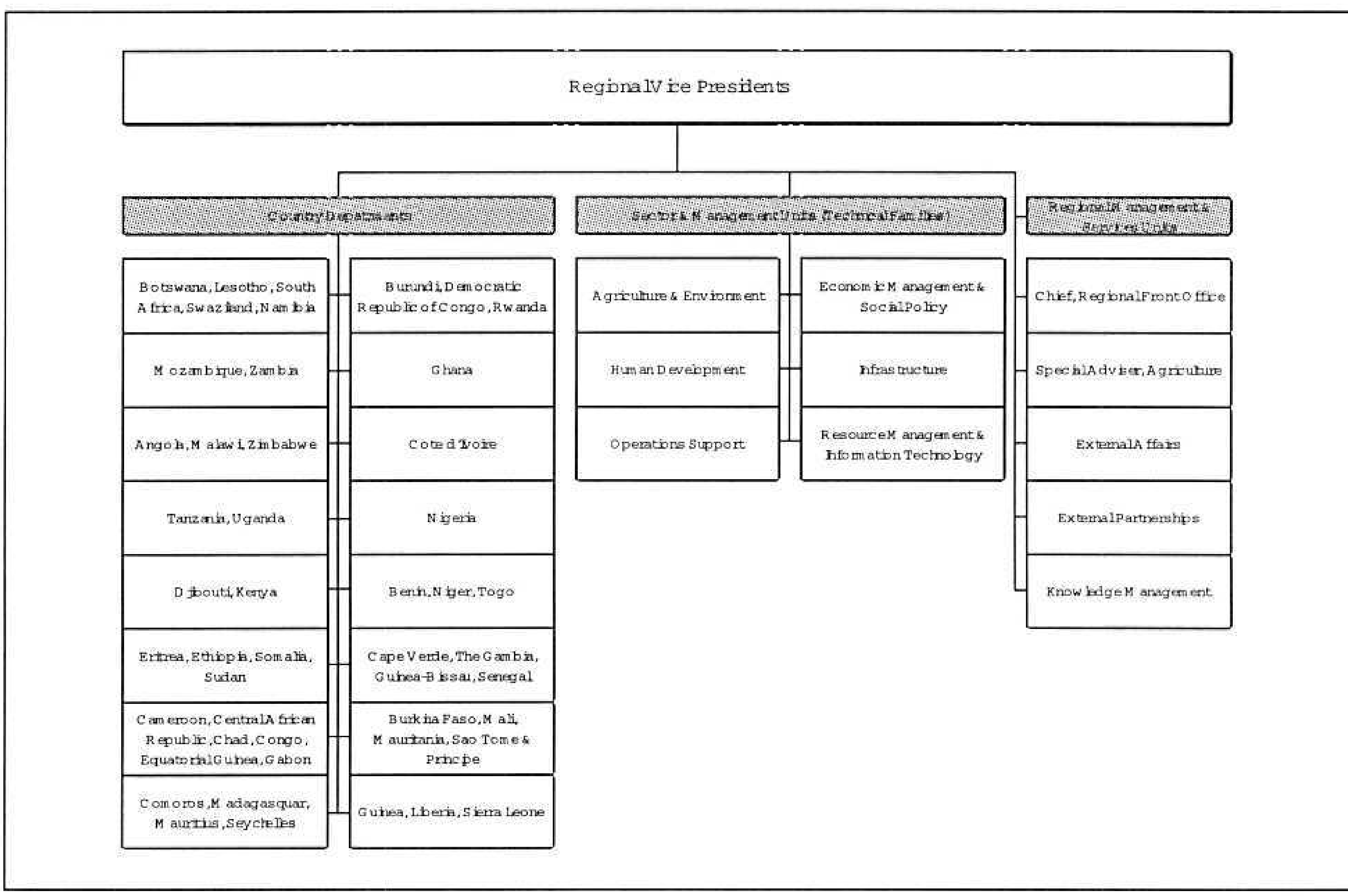
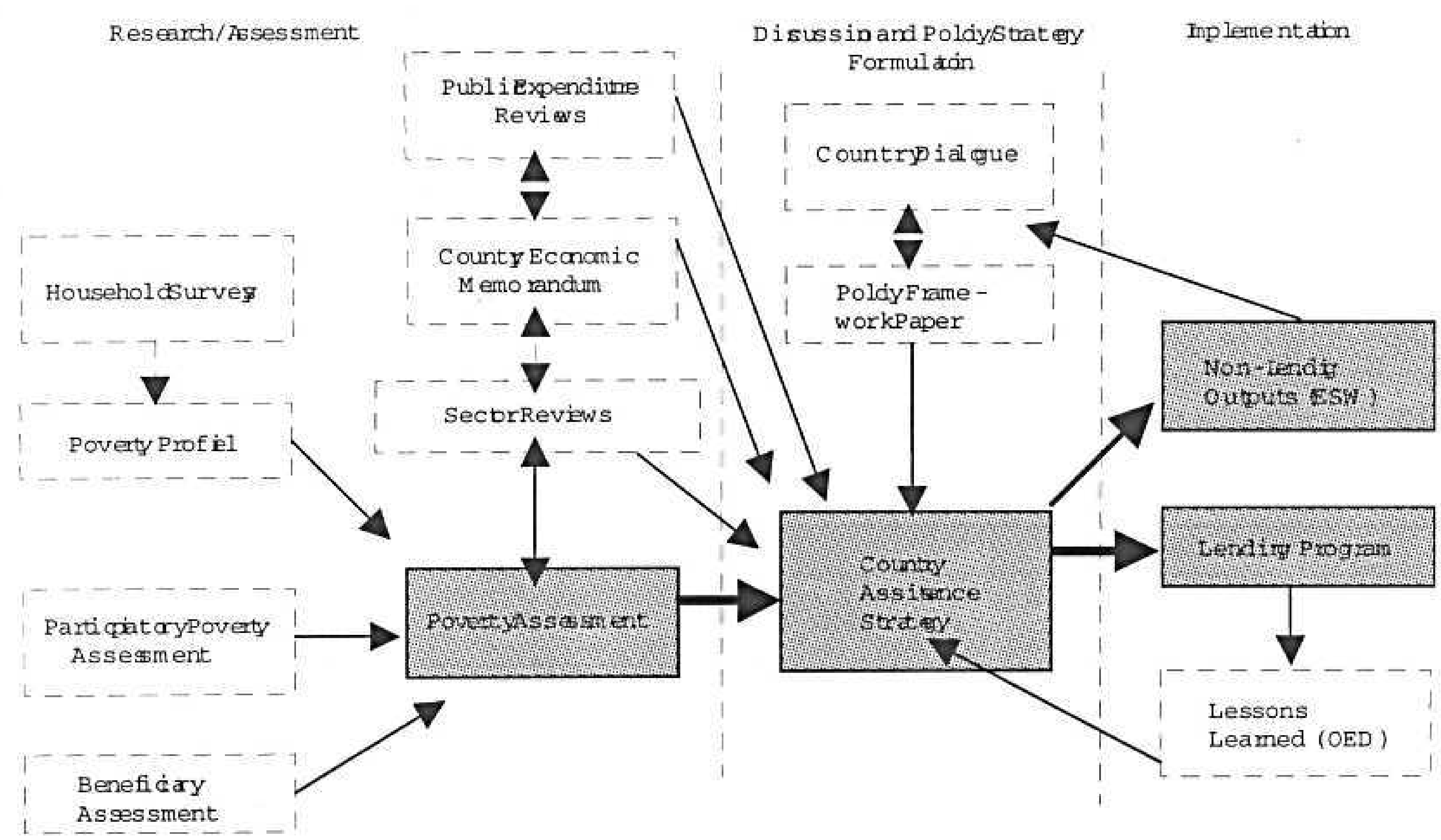


Figure 3.2 The organisational structure of the World Bank Africa Regional Office (late 1997)

Documents on the strategic concept strongly underline performance monitoring and incentives. These are seen as crucial to ensure that Country Directors and professional staff actually implement poverty-reduction policies in accordance with Bank directives and procedures. Here, three key questions are particularly relevant

1. Where does the budget go? (and then tie the budget allocations more to poverty)
2. What do the managers spend time on? (improve the poverty attention)
3. Individual performance (appraisal, career opportunities)

The Bank's formal system for generating poverty-focused interventions is illustrated schematically in Figure 3.3. The grey boxes constitute the key elements in developing poverty-focused World Bank lending programmes in individual countries:



Source: Taking action for poverty reduction in sub-saharan Africa, World Bank 1996

Figure 3.3 The World Bank's derivation of poverty-focused lending programmes

The intended logic behind this supposedly linear process is that economic and sector analysis, including poverty assessments, is to feed into the formulation of the Bank's Country Assistance Strategy (CAS). This is in turn meant to provide the basis for the Bank's lending programme and non-lending services (World Bank 1997f: 2). Each of the three key elements in this system are described in greater detail below, with a focus on the Bank's interventions in Sub-Saharan Africa. In our discussion of output we will also focus on some of external dimensions of the current reorganisation of the Bank.

The process outlined in Figure 3.1 is supported by various formal policy documents, directives and procedures, notably:

- The 1991 Assistance Strategies to Reduce Poverty (World Bank 1991a);
- The 1991 Operational Directive 4.15 on Poverty Reduction (World Bank 1991b);
- The 1995 Bank Procedures 2.11 on Country Assistance Strategies (World Bank 1995b); and
- The 1993 Poverty Reduction Handbook (World Bank 1993b)

It should be noted that the Bank's system of operational guidelines and procedures has changed, from Operational Directives (ODs) to Operational Policies (OPs), Bank Procedures (BPs) and Good Practices (GPs). The implications for poverty guidelines are that the OD 4.15 on Poverty is in the process of being revised to become OP/BP 4.15, while OD 2.11 on Country Assistance Strategies has already been converted into BP 2.11. Consequently, one might find references both to the old system (ODs) as well as to the new documents (OPs, BPs and GPs) in the discussion of these issues.

3.2 POVERTY ANALYSES: A BASIS FOR STRATEGY FORMULATION?

Research and assessment of poverty are the first steps in this system for generating Bank interventions. This is meant to include analyses of what causes poverty, identification of the main constraints against poverty reduction, and recommended actions for reducing poverty. Poverty Assessments (PAs) are at the centre of this process (see also the discussion in Chapter 1).

Formal requirements exist for the conduct of poverty analyses, in addition to specific requirements with respect to the contents of these poverty analyses in general, and Poverty Assessments in particular. Central here is OD 4.15. Originally, PAs began as an IDA requirement, before a first round of PAs was made mandatory for all borrowing countries in the Bank. To date, 33 country assessments and 2 updates have been completed for Sub-Saharan Africa, with an additional 7 in the pipeline (World Bank 1997f: 128–31).

The Bank's new country focus also implies that the country director is to have an important say in assessing the need for further poverty assessments or updates and other related analytical work.

Bank's poverty assessments and related analytical work are central parts of the so-called Economic and Sector Work (ESW) or non-lending activities of the Bank in a borrowing country. Consequently ESW, including poverty monitoring, constitutes an input to the country strategy process, as well as being a part of the activities and outputs in borrowing countries (see also the discussion of lending below). Public Expenditure Reviews (PER) are also important here. The focus of the PER is both on the macro level as a key instrument in the process of reducing the overall budget deficit, and at the meso level in addressing issues such as the share of public expenditure spent on social sectors, intra-sectoral reallocation towards the primary level, and the input-composition of budgets.

The quality of the Bank's work in this field and its Poverty Assessments in particular is discussed in Chapter 1. PAs are clearly linked to the Bank's three-pronged strategy for poverty reduction. We find great variations in quality although there is general improvement in the analysis of poverty profiles. The linkages between macroeconomic policy interventions and poverty remain weak. Policy recommendations are also poorly developed, with the main emphasis usually focused on human development and agricultural policies. The Bank's analytical work on poverty has been concentrated on describing poverty. But despite gaps and shortcomings, we also find fairly uniform agreement among most observers that the Bank's work represents an important contribution to our understanding of the current profile of poverty in Sub-Saharan Africa.

The Bank's poverty anchor has identified several challenges facing the Bank in its future poverty analysis (World Bank 1997f: vii-viii). Above all it argues that the Bank will have to shift to formulating country-specific operational poverty-reduction strategies, and assess the impact of poverty-focused projects on the poor. How is this affected by the current reorganisation?

Before the strategic compact was introduced, Bank staff in the former Africa Technical Department were organised in a separate group focusing on poverty. Formally they worked together with the Country Departments, providing poverty expertise and input according to needs expressed by the Country Departments. In addition to this, the poverty staff were also more pro-active – suggesting for instance studies and new approaches related to poverty issues in individual countries. The poverty staff also had at their disposal a certain amount of resources, partly Trust Fund money from donors (including from Norway, cf. Chapter 5), with which they could initiate and run studies, innovative pilot projects, etc. This kind of supply-driven and more pro-active approach from the poverty staff may have been necessary in the early 1990s, when poverty reduction was not yet firmly mainstreamed within the Bank.

With the strategic compact, the Bank's intention is to formalise a more demand-driven system. The demand-driven system has logically been followed up by moving control over resources from sector and professional staff towards Country Directors. This may potentially reduce the influence of the poverty staff of the former Africa technical department. In particular, it may lessen the poverty staff's possibilities to undertake resource-demanding repetitive activities such as poverty data collection and regular or innovative analyses of poverty issues not initiated by a country director. The poverty staff in the Africa region have in fact issued a small warning:

new organisational structure of the Bank may not be as conducive to ensuring that gender and poverty reduction are integrated into the Bank's strategy. In the absence of departmental staff who were responsible for monitoring and advising on actions to address poverty reduction and gender issues (as was the case in the former organisational structure), there is concern that less attention may be given to poverty reduction and gender issues. (World Bank 1997c: 21.)

However, some resources for these purposes will still be available through the poverty anchor serving the whole Bank. The anchor has the power and resources to initiate research and studies supplementary to what Country Directors deem necessary for operational purposes.

The poverty staff are now grouped together with macroeconomists in the Poverty Reduction and Economic Management (PREM) Network. This has been done to promote stronger links between the poverty perspective and the Bank's efforts to promote economic growth in borrowing countries. Some concerns have, however, been expressed by social development staff in the Bank that the poverty staff is composed mainly of economists, and that there are too few «soft» social scientists.

In terms of incentives, the demand-driven approach increases competition among the Country Directors to get the best people to do poverty analyses for them, and makes it possible for the best people to choose which country they would like to work on, depending on their own interest. However, no mechanisms are in place to encourage the best poverty experts to work on countries where the poverty challenge is the most serious and critical.

Questions have been raised about the potential impact of the strategic compact on the Bank's analytical work on poverty. Commitment to poverty reduction may not be sufficiently mainstreamed within the Africa region to enable a fully demand-driven system. A similar situation and concern exist with respect to environmental and gender issues. Experience has shown that such issues need to be pushed and promoted through a mix of rules and formal requirements, good examples and availability of resources for innovative pilot activities. Bank staff also underline the importance of «champions» within the Bank promoting such issues.

This is also illustrated by the debate about the future of PAs. It is essential to ensure that ESW on poverty is undertaken and that it feeds into the CAS process. Many argues that without some mandatory requirements, poverty studies may be simply be downgraded by some Country Directors, particularly when they find themselves facing budgetary constraints and have to make priorities.

3.3 COUNTRY ASSISTANCE STRATEGIES: POVERTY-FOCUSED AND A BASIS FOR LENDING?

The Country Assistance Strategy (CAS) constitutes a key element of the Bank's operational strategy for poverty reduction, and the second stage of the Bank's system for generating poverty-focused lending programmes. CAS summarises the Bank's assessment of economic and political issues and sets out the Bank's proposals for assistance to a country.

CAS documents are intended to play a central role in determining the Bank's interventions in borrowing countries. Moreover, CAS documents are increasingly the result of a process involving the government and other stakeholders in borrowing countries, and are emerging as the *de facto* negotiated documents. The «strategic compact» reinforces the efforts to both make CAS more central to Bank operations and to increase borrower influence over the final CAS document.

The formal requirements for the CAS are set out in the 1995 BP 2.11. This document stipulates that CAS are to provide a country-specific strategy for achieving the Bank's objective of poverty reduction, built on existing analyses, such as country economic memoranda, public expenditure reviews, sector reports, poverty assessments and other non-lending tasks. Further, the content and recommendations in PAs should be reflected and taken into consideration in the CAS documents, and the CAS should indicate the level and composition of assistance to be provided to a country.

CAS guidelines emphasise that poverty reduction should be a systematic theme throughout the CAS; it is recommended that all sections of the CAS include discussion of the contributions that specific policies and investments can make to poverty reduction. In 1995, the Africa Region developed supplementary CAS guidelines recommending that each CAS include an analysis of how the proposed growth strategy will affect different groups of the poor over time (World Bank 1995a). BP 2.11 also requires a list of key poverty and social development indicators as an annex to the CAS.

The current CAS guidelines are under revision at present. This revision is intended to be completed by June 1998.

The 1990s have witnessed a gradual evolution and strengthening of the role, importance and content of the CAS. Until 1990, the CAS was purely a management document, but since 1990 it has been discussed with the Board of Directors, although formally not approved by it. Since 1994, it has also been discussed with borrowing countries and various stakeholders in the countries, although the extent of this dialogue varies considerably between countries. The CAS is now informally, but not officially, agreed with the borrowing government. It still remains a confidential Bank document. The Bank's intention is to make the CAS process increasingly open and participatory, involving various stakeholders in borrowing countries – NGOs, the business community, etc. This strengthened CAS process has been driven by IDA deputies who have in fact actually initiated a major change in the way the Bank does business.[9]

Until the recent reorganisation, the CAS process (as well as the generation of the Bank's lending programme) was very much supply-driven, with the economists focusing in particular on how much lending the borrowing countries could absorb. Country Operations staff and the economists did the diagnosis and analysed what the problems were, then the sector people designed solutions, influenced by pressure to lend and to produce projects within their respective sectors. There was not sufficient interaction between the two sets of personnel.

With the ongoing reorganisation this has changed somewhat. Country Directors now play a much more dominant role in the CAS process. They have the tools, the responsibility and the authority to steer the process and shape the final outcome.

The quality of the CAS documents, their poverty focus and their influence on lending have been the subject of several internal and external reviews. One key finding related to the link between PAs and the CAS is that clear measures aimed at strengthening the poverty focus of the CAS also depend on the clarity of policy recommendations in the PAs.

The British ODA (now DFID) has for the SPA Working Group on Poverty and Social Policy used a checklist approach to see how poverty and gender issues are actually reflected in the content of CAS documents as well as in Policy Framework Papers (PFPs) and adjustment credit documents in African countries for the period October 1994 to July 1996 (UK 1996). (The DFID also presented an update in October 1997 focusing on PFPs and adjustment documents – UK 1997.) As far as CAS documents are concerned, all 12 reviewed by the ODA framed the strategy with poverty reduction as their central objective. Three-quarters of them contained a reasonable discussion of the constraints on poverty reduction in-country, and those eight countries which had a poverty assessment did reflect the PA's recommendations in their strategies. On gender issues, however, the CAS documents were found to be weaker.

The poverty focus of CAS was also reviewed by the World Bank's own Africa Region Task Force on Poverty (World Bank 1997i). The Task Force found that, even though most CAS documents followed World Bank guidelines, they typically did little to emphasise poverty reduction per se or to identify specific actions that would benefit the poor. This led the Task Force to conclude that the attention given to poverty in CAS documents was not adequate; they indicated that a significant change in «mind-set» would be needed in preparing CAS to ensure that poverty reduction could become a dominant theme. This Task Force report contained specific proposals to strengthen the poverty focus of CAS.

The Bank's own review of assistance from IDA to its borrowers during the IDA 10 period (FY94– 96) found that only a few CAS documents made good use of the conclusions reached in the PAs about strategic options for reducing poverty (World Bank 1997e).

An internal Bank review of FY97 CAS in the Africa Region (World Bank 1997c) reports that progress has been made in strengthening the poverty focus of CAS, but that CAS remain weak related to the following aspects:

- poor documentation of specific constraints on sustainable poverty reduction;

[9] This information is derived from interviews with World Bank staff at Bank headquarters in Washington in January 1998.

- lack of analysis of the precise impact of macroeconomic policies on the poor;
- lack of clearly specified monitorable poverty-reduction outcomes;
- lack of analysis of winners and losers of proposed policies; and
- poor analysis and discussion of gender issues, and lack of specific actions to address gender constraints.

Another internal Bank review of CAS documents, referred to by World Bank staff interviewed for the present study in January 1998 (but not yet completed), finds that the CAS process today is much more thorough. According to the review team, there have been marked improvements in quality and poverty focus of the CAS over the last few years, including the coverage of issues such as broad-based growth and human resources development. The review identifies some correlation between good PAs and good CAS, but also notes that the link is not automatic.

As far as the ability of CAS to constitute the link between PAs and the lending programmes is concerned, some World Bank staff emphasise that there are signs of links between PAs and lending programmes, without there necessarily being similar links between poverty analyses and CAS. This may indicate that the CAS process is not sufficiently institutionalised, but also that turning CAS into a negotiated document may unintentionally act to weaken the poverty focus. This then brings us to our final comment regarding the content of the CAS documents: the analysis of the political and institutional framework in borrower countries.

CAS documents list or sometimes discuss the borrowing governments' formal policy statements, actions plans and public commitments to poverty reduction, but beyond that these are issues avoided in CAS documents. Typically, little emphasis is given to the underlying social forces that drive and sustain pro-poor development. Capacities to deliver are not properly assessed, nor are the social and political background of the policies and programmes examined. Poverty-reduction polices, like other development policies, create losers as well as winners. This is something which the distribution of political power in a country may not permit. The interests of the different players involved in administering a poverty-reduction programme will also shape how it is eventually implemented. The strategic compact has, however, recognised that the social dimension has not been properly analysed in CAS, and pilot studies have now been initiated to explore prospects for improvement. Two countries in Africa have been selected for this.

The original policy documents leading to the current directives and bank procedures (e.g. World Bank 1991a) strongly emphasised the need to link the volume and composition of the lending programme to the poverty-reduction policies of the country in question. This was not followed up in the 1995 BP 2.11, which is silent on the question of the relationship between lending and poverty reduction.

3.4 POVERTY FOCUS IN LENDING AND NON-LENDING SERVICES

How does the poverty focus in economic and sector work and the CAS documents translate into actual lending and non-lending services? The World Bank's official poverty policy clearly holds that the volume of lending should be linked to the borrowing government's commitment and efforts to reduce poverty, and that the composition of lending should support and complement country efforts to reduce poverty.

The general relationships between the three-pronged strategy and changing compositions of Bank-lending were analysed in Chapter 2. In this section we shall look at the operational dimension, the prescriptions provided in directives and procedures and the current reorganisation within the Bank, including the new emphasis on partnerships and dialogue with other stakeholders.

There are few formal requirements relating to the links between lending/non-lending output on the one hand and PAs and CAS documents on the other. The assumption is that the output will be poverty-focused if one follows the requirements for analytical work and country assistance strategies as specified in OD 4.15 and BP 2.11. These specify, among other things, that every project is to be consistent with the poverty-reduction strategy (OD 4.15 para 27), but every Bank-financed project does not need to have a specific poverty-reduction component. Furthermore, OD 4.15 clearly states that poverty-reduction projects must pass the same economic tests that apply to other projects (para 29).

There is however, a strong emphasis in Bank documents on the need for poverty-focused interventions. This has been reinforced in strategic compact documents and in the emphasis on performance monitoring of staff. Importantly, the Bank's Board of Directors has increasingly focused its attention on the relations between CAS and lending. Such increased and continued attention from the Board is vital for strengthening the demand for poverty-focused CAS and lending programmes. As a consequence of the changed approach, it has become more and more difficult to get approval for projects and interventions that have not been foreseen in the CAS.

There exist a few studies on the relationship between poverty assessments/country assistance strategies and lending. The Bank's Operation Evaluations Department (OED) undertook a review of poverty assessments in the mid-1990s and concluded that PAs did strengthen the poverty focus of CAS (World Bank 1996h: Chapter 6). They also found that PAs raised the likelihood of poverty-targeted lending, but that the relationship was weak.

The British DFID (formerly ODA) used a checklist approach to see how poverty and gender issues were actually reflected in the content of Policy Framework Papers and adjustment credit documents in African countries from October 1994 to July 1997. The second review covers the period 1994– 96, while a third review covering 1996– 97 was presented by DFID in October 1997.

The ODA 1994–96 review found that (UK 1996):

- no great leap forward had been made in the way poverty and gender recommendations were absorbed in adjustment documents;
- there was no evidence that poverty and gender sensitivity was applied to the formulation of macro-stabilisation policies ... and few adjustment documents had adjusted their growth-promoting policies with the benefit of information on the economic experiences of poor groups, and of men and women; and
- the presence of a PA in a country did not seem to make that country's adjustment documents any more poverty- or gender-sensitive, nor did it necessarily change the poverty-reduction strategy at all. In most cases this reflected the weakness of the recommendations contained in the PAs, rather than a failure of adjustment operations to adopt them.

The DFID 1996– 97 review finds that the poverty coverage of adjustment documents has improved (UK 1997). These documents now more generally elaborate on the constraints to poverty reduction. There is an increased focus and operationalisation of more than just the social services and the safety net prongs with stronger emphasis on measures to improve income, livelihood and reduce vulnerability. However, according to the DFID review, there is also still some way to go before gender considerations are fully incorporated in adjustment papers. Furthermore, greater consideration could be given to both the possible range of policy interventions and to assessing how policy shifts would impact on different groups among the poor and on the depth of poverty.

In practice, the CAS seems to be just one of several factors influencing the lending programme. These other factors include:

- sectoral legacies which are still present, but less pronounced than in the past, especially after the country focus reform;
- strong Bank tradition of infrastructure projects and infrastructure components of projects and programmes;
- the push for achieving a certain level of lending in individual countries;
- pressure to ensure positive net transfers, and expected levels of IDA disbursements as indicated within the context of SPA, the initiative to alleviate the debt of the most Heavily Indebted Poor Countries (HIPC) or in IDA replenishment negotiations; and
- IMF influence on adjustment lending conditionality, and consequently on World Bank policy conditions. The IMF often has a much shorter time-perspective, and this might have severe implications on public expenditure levels and on the poverty situation in a country.

New approaches to lending

There have, however, also been new Bank approaches to managing the Bank's investment lending and to making it more effective and sustainable. Sector Investment Programmes (SIPs) are most developed of these approaches (cf. Jones 1997) A SIP is an integrated programme that brings together the borrower, the Bank and other donors in developing a sector strategy. It seeks to co-ordinate donor activities under the management of the borrower and often involves radical institutional reforms involving major changes in the role of the state. This has generally been welcomed as an initiative which addresses several weaknesses of development aid practices. In particular, it is intended to strengthen the ownership and co-ordination of donor funding. From a poverty-reduction perspective, however, the impacts of SIPs may not necessarily be equally positive, especially in situations where the borrower is not strongly committed to reducing poverty.

In addition to SIPs, the Bank has also explored possibilities for offering new products and services to make it more able and flexible to respond to the differing needs of its clients. The Social Funds (cf. Chapter 2) introduced new elements in Bank lending in Africa and often relied on intermediaries to reach communities. More recently, new lending instruments have also been introduced, including Learning and Innovation Loans (LILs) and Adaptable Programme Loans (APLs) (World Bank 1997b). They are to allow for piloting and innovation within a relative short timeframe.

LILs are intended to support small, time-sensitive programmes to build capacity; to pilot promising development initiatives; or to experiment and develop locally-based models prior to large-scale interventions. A LIL could also be useful to demonstrate the potential of a particular way of overcoming a development constraint in order to gain consensus among critical stakeholders, before moving ahead on a large scale.

The underlying notion of the APLs is that some development processes cannot be addressed within the context of a single investment operation and, in fact, may take many years to resolve. APLs would provide phased but sustained support for the implementation of long-term development programmes, starting with a first set of activities, and, if agreed milestones and benchmarks are met, be followed by several subsequent phases.

Poverty monitoring

The future of Economic and Sector Work (ESW) in general, and ESW on poverty in particular, is also a particularly important Bank output in borrowing countries. Overall ESW funding is being reduced, and there are fears that this may have an especially negative impact on resources allocated to poverty-related ESW. These changes may have severe negative implications for the Bank's poverty focus.

One such area is poverty monitoring. According to OD 4.15, the initial Poverty Assessment should be accompanied by an appraisal of the country's statistical system for monitoring poverty and a proposal for improving it. The Bank should assist the country in preparing a proposal for improving the quality and reliability of poverty data. As far as individual projects are concerned, every poverty project should have benchmarks and monitorable social indicators for gauging progress. This requirement is intended to ensure that sufficient poverty data are collected for monitoring purposes. The ODA/DFID surveys referred to above note that, even if progress has been made in terms of poverty data availability, more needs to be done to set up permanent monitoring capacity in-country, to observe the impact of policies, judge their effectiveness and adjust those policies accordingly. In fact, the need for increased in-country capacity to collect and analyse poverty data is underlined by all studies and reports addressing poverty in developing countries. Better and more reliable data are needed both to describe and analyse the poverty situation and to monitor how it evolves, as well as gauging the impact of various interventions. Above all, the availability of such data is crucial for the formulation of country-specific and operational poverty-reduction strategies.

Partnerships, dialogue and the limits of Bank interventions

A chief purpose of the «strategic compact» is of course to increase the development effectiveness of the Bank. Major issues here have been the recognised need to strengthen the «client orientation» and to work more closely with other aid donors and stakeholders.

Closer dialogue with various stakeholders in borrowing countries is highlighted. This is intended to «customise» Bank operations and to promote ownership and sustainability in development projects and poverty-reduction activities. Most have welcomed these changes in Bank approaches to borrowers, but there have also been critical remarks about the way it is conducted.

The Bank has also increasingly called for partnerships with other donors, and is becoming involved with international organisations in operationalising global approaches to poverty reduction. A new relationship is also being sought with NGOs, including many outspoken and vocal critics of the Bank and its activities. This has involved bringing in NGOs as intermediaries and implementers of Bank projects. It has also meant working together with NGOs in a major review of the structural adjustment programmes. This started off as a joint project between the Bank and a group of largely North American NGOs (with significant Norwegian funding). This *Structural Adjustment Participatory Review Initiative* (SAPRI), launched in 1997, now involves four countries in Sub-Saharan Africa and brings together government, local NGOs and the Bank in this evaluation of key Bank policies.

The new emphasis on dialogue and partnerships in pursuing poverty reduction has opened up real dilemmas for the Bank, dilemmas which also illustrate the weakness of the Bank» strength. There is a thin line between assisting a borrower in project preparation and implementation, and undermining borrower responsibility and commitment. The Bank, and most foreign donor agencies now realise that, without borrower responsibility and commitment, it is simply not possible to ensure proper implementation and sustainability. The Bank may concentrate on promoting ownership and strengthening institutional capacity. This is crucial to ensure sustainability, but objectives such as poverty reduction may suffer in the short run. Taking a more interventionist role by either de facto bypassing state institutions or taking a more hands-on approach to state management may yield short-term benefits but undermine sustainability. These dilemmas are likely to expand with the weakening of state institutions and even state collapse in many African countries.

The Bank's problems of legitimisation and image in Africa is also a major constraint facing a more poverty-focused Bank. Trust is essential for a successful relationship between the Bank and the borrower, especially when this relationship focuses on policy issues and policy advise. The Bank, together with the IMF, has been a highly unpopular foreign donor agency in Africa, because of the unpopular adjustment operations, the distinct ideological edge to its intellectual pronouncements, and the perceived arrogance in its dealings with African borrowers.

The Bank's competence and staff capacity to enter pursue policy dialogue and partnerships are also often questioned. The Bank's understanding of political dynamics is seen as at best superficial. It has yet to develop a clear policy on how to deal with borrowers not committed to the Bank's approach to poverty reduction. The previous approach to African partners through the adjustment operations provided a salutary lesson in how *not* to conduct dialogue and partnerships.

We shall return to these issues and the limitations and weaknesses of Bank interventions in the concluding chapter.

4 Pursuing Poverty Reduction: Lessons from Country Case Studies

The three countries selected as case studies in this report – Malawi, Zambia and Zimbabwe – are all located within the Southern Africa subregion. They share a common past as members of the former British Central African Federation; historically, close ties have developed among them. The World Bank plays an important role in this subregion, with most countries being major borrowers and recipients of structural adjustment loans. Malawi and Zambia are both very poor; they belong to the category of least-developed countries, and have particularly strong and dependent relations with the Bank. The Bank does not play such a critical or dominant role in Zimbabwe, which is in a some what better position, with a larger and more diversified economy and stronger public institutions. IDA lending to Zimbabwe only resumed in 1992, and ongoing IBRD loans are still a significant share of Bank portfolio.

Southern Africa has also to some extent pioneered the ongoing institutional changes within the Bank. The country focus has been strong, with greater budgetary responsibilities delegated to the subregional director – a feature reinforced with the new structure. Zimbabwe and Malawi now fall under the purview of one country director (together with Angola), and Zambia (together with Mozambique) under another. Many projects also have joint task managers. These three countries are often also mentioned in Bank documents as examples of countries where there are close links between poverty studies and country assistance strategies.

Less rosy, however, is the general local image of the World Bank as an agent for poverty reduction. Bank-commissioned Client Feedback Surveys seem to indicate that although the Bank may be given high marks for its analytical work, including their poverty assessments, the satisfaction rate drops when borrowers are asked to rank the Bank's performance relating to poverty reduction. Satisfaction among senior government officials and ministers may be high when it comes to economic issues, but it drops significantly when these are asked to assess Bank performance in the poverty area. On the other hand, these surveys do make note of some progress in Bank performance.[10]

This chapter will examine how the Bank's efforts at poverty reduction have manifested themselves in these countries. We start by asking how the Bank understands poverty as evidenced through poverty assessments, and then assess the quality and relevance of its analysis. Secondly, we will see how poverty reduction is addressed in the country assistance strategies and how the Bank runs poverty-reducing policies within its the new and reinforced «country focus». Finally, we will look at how poverty reduction is operationalised through the Bank's lending programmes and actual implementation of the three-pronged strategy.

4.1 *THE BANK'S POVERTY ANALYSIS: ASSESSING QUALITY AND RELEVANCE*

The Bank's Poverty Assessments (PAs) and analytical work on poverty in these three countries are variable in quality and scope. The methods and indicators used in assessing poverty are also highly variable, but there are significant shifts from income and expenditures measures to include other dimensions of poverty.

Malawi. A *de facto* poverty assessment was produced for Malawi as early as in 1990, before OD 4.15. It was termed a «poverty profile» and served as the basis of a paper outlining a strategy for growth through poverty reduction. This study indicated that poverty, conservatively defined, encompassed about half the population. The assessment relied on a poverty line based on minimum nutrition requirements from food, roughly equivalent to USD 40 per capita per annum. Using this line, 55 % of the population was classified as poor, with a further line drawn for the «core poor» – 20 % of the population. Poverty was found to be predominantly rural, in the smallholder sector (85 %) and in the estate sub-sector (10 %). A third of the poor were in female-headed households. The section titled «Why are they poor?» identifies six factors: limited employment opportunities, low productivity of labour and land, low levels of human capital, limited access to land, minimal income transfers, and difficulties in increasing either production or transfer income on a per capita basis.

While the single indicator used can be heavily criticised

[10] These findings are from the 1997 *Malawi Client Feedback Survey* (Kandoole 1997). Similar findings were reported from Zambia and Zimbabwe. Interview with Dr B.F. Kandoole, director, Malawi Institute of Management, Lilongwe 19 November 1997. Dr Kandoole did the client feedback surveys also in Zambia and Lesotho.

for being too limited, static and uni-dimensional, Bank officials consider the assessment important in paving the way for more poverty-focused lending in the 1990s, especially following Malawi's transition to democracy in 1995. Particular important here is the profile's focus on the low enrolment in primary education. It identifies school fees as a major factor behind this and emphasises that urgent interim measures must be taken to secure alternative revenues if the government proceeds with its plans to reduce fees. Within the agricultural sector, an increase in productivity in the smaller smallholder sector is identified as crucial; the study calls for increased public support and provision of services to smallholders, including a liberalisation of the extremely oligopolistic production of burley tobacco.

Human Resources and Poverty: Profile and Priorities for Action (World Bank 1996e) was meant as both an update of the 1990 assessment and an attempt to respond to the dramatically new political conditions for poverty reduction in Malawi following the fall of the Banda regime and the transition to multi-party democracy. The document was also a formal input into the Poverty Alleviation Programme of the new government of Malawi. This 1995 study provides a overview of poverty, on the basis of available literature and data from three household surveys carried out in the early 1990s. Once again, indicators measuring income poverty are the point of departure, but a wider range of indicators is used to construct a profile of the poor. Compared to the 1990s study, the 1995 assessment provides more data on factors associated with poverty and the distribution of poverty. It reinforces the findings of the 1990 profile, but pays more attention to income inequalities and to the constraints on smallholder agriculture that arise because of the small size of land holdings.

The study reinforces the recommendations from the 1990 work and calls for broad reforms across all sectors as a condition for successful poverty reduction. It also points out the need for further liberalisation and deregulation of the economy, as well as a reorientation of public spending.

Zambia. The 1992/93 Poverty Assessment in Zambia is a much more comprehensive piece of work, based on a wide variety of sources, methods and indicators. It uses two household surveys, a Participatory Poverty Assessment and a Beneficiary Assessment, as well as sociological and anthropological micro-studies (World Bank 1994g). It revisits many policies and programmes analysed in other documents, examining their impact from the perspective of poor households. A detailed poverty profile is offered, and the causality and the varied dimensions of poverty are analysed. For example, on the basis of focus group discussions with women in a village, hunger seen in connection with the quantity and quality of human capital, availability of household assets, presence of physical infrastructure and ability to cope with adverse environmental conditions. The impact of various macro- and sectoral policies on households (where possible disaggregated by gender and age) is analysed. What emerges is a nuanced picture of regional, inter-household and intra-household differences, together with explanations of the causes of poverty for different groups. The work concludes with a strong and detailed set of policy and programme recommendations for poverty reduction.

Poverty in Zambia is seen as linked to the country's historical dependence on copper exports and urban development with a bias against agriculture. This bias meant that the potential for smallholder agriculture was neglected, so that sector has not significantly contributed to poverty reduction. With the fall in copper prices, unemployment increased in urban areas and rural terms of trade worsened as the government sought to cushion the impact on urban populations by keeping maize prices low. Education and health worsened as increased demand for services coincided with falling supply. In 1991, about 69 % of the population were living in households with expenditures below a level sufficient to cover their basic needs. Using a poverty line reduced to cover only basic nutrition, 55 % of people were found to fall below this line (the core poor). Other measures of poverty, such as access to services and nutritional status, confirm the characteristics of poor households using this expenditure-based measure. Poverty prevalence (core poverty) was found to be especially high in rural Zambia – 76 %. However, urban poverty has increased in the 1990s; slightly under half the populations living in urban areas are classified as poor.

More than half of the rural core poor live in Eastern, Luapula and Northern regions. Rural poverty is closely associated with geographical isolation as well as the lack of productive assets such as oxen and mechanised farm implements. Female household headship emerged as a «good predictor» of poverty in rural areas. It was found that most urban poor live in squatter settlements on the periphery of urban centres where lack of legal status and service provision means poor health, low educational standards, insecurity and constrained economic opportunities.

The PA points out that the poverty situation, as reflected in a range of expenditure and social indicators, has not improved despite improved macroeconomic performance in Zambia. The general conclusion is that, if poverty is to be reduced, growth will have to increase the returns on poor people's assets, mainly labour and land. To date, market liberalisation in the agricultural sector has not been sufficient to reduce poverty: rather, it has resulted in growth in line-of-rail areas where commercial farmers predominate. The overall welfare of the poor is negatively affected by malnutrition, low levels of education and poor health, and is further exacerbated by high rates of HIV/AIDS.

A strong feature of the Zambia PA, emphasised by Bank staff involved in the work, was the process of carrying out the assessment with the involvement of a wide range of actors from government, NGOs and the academic community. This, they said, served to raise the profile of poverty concerns within national agendas for action.

Zimbabwe. The Bank has not undertaken a separate poverty assessment in Zimbabwe. The first major contribution here was a chapter in the 1995 Country Economic Memorandum (CEM) (World Bank 1995h) with a profile of poverty based on data from an Income, Consumption and Expenditure Survey carried out by Zimbabwe's Central Statistical Office in 1990/91. Here poverty was measured using a poverty line based on purchasing power over basic consumption needs. The cost of a basic food-basket was derived separately for urban and rural households, constituting a lower poverty line, with those below this line categorised as very poor. The costs of other basic needs were then added to derive a higher poverty line, so as to distinguish the poor from the non-poor. On this basis, 25 % of people in Zimbabwe are classified as poor and 7 % as very poor. Among of the rural population, 31 % are poor and 9 % very poor, compared to 10 % and 2 % respectively in urban areas. Poverty is therefore regarded as a primarily rural phenomenon, most prevalent in communal farming and resettlement areas. No correlation was found between poverty and the gender of the household head, although this relationship is complicated by the importance of remittances from husbands away in urban areas.

It is acknowledged that these data are now somewhat dated, and that improvements in social indicators in the 1980s have undergone setbacks in the 1990s, due not least to drought and recession. The CEM chapter also states that poverty has become more common since 1991, especially in urban areas. The reasons cited for this are the slow growth in employment opportunities, sharp increase in prices, reduction in real wages and retrenchments in the public and private sectors.

Following the 1995 CEM, the Bank conducted a series of desk studies and consultations which culminated with the publication of a more comprehensive report or discussion paper on poverty and human resources. This study – released in December 1996– reiterates the findings from the CEM report, but focuses more specifically on the structural factors associated with poverty and changes in the 1990s (World Bank 1996). One set of factors found to exacerbate poverty concerns land: unequal distribution of land, insufficient access to good-quality land and inflexible land markets. The second set relates to the historical development of manufacturing and commercial farming sectors which favour capital over labour. The report concludes that the growth of labour-intensive industries such as tourism and horticulture has not been sufficient to outweigh the effects of falling real wages and low employment growth in Zimbabwe. Some health and education indicators have deteriorated; this is attributed to cuts in real social spending, HIV/AIDS and drought. There is very little disaggregation in this paper, particular in terms of gender inequalities.

Zimbabwe has also completed a poverty assessment of its own: the extensive *Poverty Assessment Study Survey* (PASS), carried out in 1995 by the Ministry of Public Service, Labour and Social Welfare (MPSLSW). Preliminary findings were released in 1995, whereas the full report became available only towards the end of 1997. PASS utilised a household survey to collect income and consumption data as well as information on access to services and infrastructure. However, this survey coincided with a serious drought; the data collection has also been criticised as unreliable. As such, the resultant high estimates of the incidence of poverty – 62 % of the population – are regarded by the Bank and many others as serious overestimates (Killick, Carlsson and Kierkegaard 1997). However, there does seem to be consensus that income inequalities have increased in the 1990s.

The Bank's poverty assessments in these three countries vary considerably in scope, but the recommendations for action are all clearly related to the three-pronged strategy for poverty reduction: broadly-based growth, improved social services and safety nets. The key interventions recommended by these three poverty assessments work are summarised in Table 4.1 below:

Table 4.1 Recommendations for poverty reduction

ZAMBIA	MALAWI	ZIMBABWE
Ongoing pro-poor reform elements sustained /deepened Facilitate smallholder agricultural growth by providing rural infrastructure and technology and supporting marketing, storage and processing Increase access to quality education, primary health care, family planning and nutrition services. Expand female education. Develop a safety net including labour-intensive public works to increase access to markets and welfare Promote decentralised, integrated and participatory planning of programmes Support systematic poverty-monitoring systems	Improve opportunities for off-farm employment and increase returns to on-farm labour by investing in rural infrastructure. Diversify own-farm crops. Examine land policies. Improve access and quality of education and health in rural areas, targeted at most densely populated and poor regions Develop a safety net including labour-intensive public works and short-term subsidies to input distribution programmes including extension support Improve poverty monitoring for better targeting	Decrease government's deficit and continue liberalising markets Encourage investment in sectors with high employment potential e.g. textiles and garments Increase access of the poor to productive assets, especially land and water Restore levels of public spending on health and education especially primary services, reduce HIV/AIDS Well-targeted investments on environment and infrastructure in rural areas Better targeting of emergency grain distribution and child feeding Building community capacity to identify and implement solutions to problems Further studies and poverty monitoring

The analytical work on poverty carried out in Zimbabwe, Zambia and Malawi shows that there has been a general shift from using only income-based poverty lines to including a few social indicators, including health indicators and access to public services. However, money-metric measures of income, expenditure and consumption still occupy a central place. The Bank's reliance on these indicators has been heavily criticised for providing a limited and static view of poverty (as discussed in Chapter 2). Given the complexity of household structures in the region, transfers within family and kinship groups and urban– rural linkages these measures may be even more inaccurate.

There has also been a shift (albeit less pronounced) towards an access-to-assets framework. This allows an exploration of the causes of poverty, but tends to be confined to the most tangible productive assets such as land, rather than less tangible assets such as social or political organisation.

Several critical issues are inadequately addressed in the Bank's analytical work on poverty. Of the three countries dealt with here, the *Zambia PA* has the most comprehensive framework (see also the discussion in Chapter 2 for additional comments).

These poverty assessments shares a firm belief in the role of economic growth in contributing to poverty reduction, and in the proposition that stabilisation and adjustment policies are designed so as to help , inter alia to create the necessary conditions for sustainable growth. The structure and composition of growth is, however, not properly analysed, and the constraints on employment creation are not clearly identified. Nor is there an adequate assessment of how growth patterns impact on various groups, or on how sharp inequalities impact on poverty reduction.

The analysis of growth also lacks important international and regional contextualisation: there is only a limited analysis of debt issues and how these impact on poverty, nor are there any significant attempts to examine the regional economic and political relations which affect the prospects of national growth and poverty reduction.

The degree to which groups are disaggregated according to gender and ethnicity is also highly variable. There is still a tendency to address gender issues in terms of household headship, rather than examining more complex and sensitive areas of gender inequality – for example, the differentiated impact of economic reforms linked to intra-household inequalities in labour, access to and control over resources and decision-making.

These poverty studies have very little or nothing to say about the government's commitment to pursuing pro-poor policies, or about the ways in which bad governance and weak institutional capacity impact on poverty reduction.

Lack of access to decision-making and participation in policy processes are other less tangible dimensions of poverty which have not yet received due attention in poverty assessments. The studies are still essentially focused on money-metric poverty lines, with generally limited attention paid to access to assets and very little on human rights and empowerment.

On the positive side, the undertaking of PAs does seem to have helped to highlight the scale and prevalence of poverty to national policy-makers and perhaps even to NGOs and donor agencies. Poverty assessments, particularly in poor countries with weak capacity for data collection and analysis, can thus serve as useful tools in raising awareness of poverty issues and promoting pro-poor policy dialogue.

The Bank has, as part of its country assistance strategy to all these countries, supported the development of national poverty monitoring. In Zimbabwe, the collection of poverty data has been largely uncoordinated and *ad hoc*, and the Bank has proposed that the government should, as part of its Poverty Alleviation Action Plan, explore institutional mechanisms to co-ordinate the collection and utilisation of poverty data. An institutional framework for a poverty-monitoring system is now being developed in Zimbabwe by the Central Statistical Office and the Ministry of Public Service, Labour and Social Welfare. This is supported by the Bank through the Community Action Project, which is discussed below in section 4.7 on safety nets. Collaborative analysis may also take place using indicators from the Income and Expenditure surveys of 1991 and 1996, the Poverty Assessment Study of 1995 and UNICEF-supported sentinel sites surveys (World Bank 1997f:175/6, annex H).

In Zambia and Malawi, support to poverty-monitoring systems is also a component of Bank-supported safety net projects– the Social Recovery Project in Zambia and the Malawi Social Action Fund (cf. section 4.7). In Zambia, considerable work on combining methods and indicators has been undertaken by the Central Statistical Office and the Poverty Action Group. The latter is an NGO set up to carry out qualitative research, following the participation of a wide range of local researchers in the Bank-funded Poverty Assessment in 1992/93. In January 1998, a seminar with key ministries was planned to orient them as to the information available, in particular the results of research financed by the Study Fund, which has a strong policy focus.

In Malawi, significant efforts have been made to strengthen and co-ordinate poverty monitoring since 1995. The government has established a Technical Working Committee for poverty monitoring, with representation from a wide range of ministries, research institutes, NGOs and donor agencies. The goal of this committee is to establish an institutional framework for a co-ordinated poverty-monitoring system. A Poverty Monitoring Unit has been set up within the National Economic Council to act as a secretariat. Within the framework of the Malawi Social Action Fund, the Bank has committed funds to supporting poverty monitoring. The National Statistical Office is currently at a very early stage in developing an Integrated Household Survey programme and a qualitative impact monitoring system. The Bank's view is that progress has been slow but there seems to be a commitment to strengthening national institutions and co-ordinating efforts with other donors (World Bank 1997f:174, annex H).

In all three countries, however, there is at best very limited monitoring of the poverty-reduction impact of Bank-supported interventions, a point recognised in Bank documents. It is hoped that ongoing efforts to strengthen national poverty-monitoring activities and statistical institutions will lead to an improvement here.

4.2 COUNTRY ASSISTANCE STRATEGIES AND POLICY DIALOGUE

Country Assistance Strategies (CAS) summarise the World Bank's assessment of economic and social performance, the borrower country's development objectives and the Bank Group's lending and non-lending assistance (cf. the presentation and discussion in Chapter 3). Malawi, Zambia and Zimbabwe are listed in Bank documents as examples of countries with strong linkages between Poverty Assessments, CAS and lending/Economic and Sector Work (World Bank 1997i:98 and World Bank 1997c:20).

The Malawi CAS was presented to the Board of the World Bank in March 1996, the Zambia CAS in June 1996 and the Zimbabwe CAS in May 1997 (World Bank 1996c, 1996m and 1997o). (A new CAS for Malawi is under preparation and is scheduled for discussion at a Board meeting in April 1998.) Clearly, the insights gained from the PAs have been incorporated in these three CAS documents. They all provide a summary of the poverty profile as it emerges from the PA and analytical work. Although the presentation is short, the understanding of poverty would seem to be moving beyond a simple poverty line and indicators in attempting to capture some of the multidimensional aspects of poverty.

On the other hand, these CAS documents fail to analyse properly the impacts of past and current macroeconomic policies and growth patterns on poverty. Nor is there an appropriate attempt to identify losers and winners of pursued policies. The partial exception here is the document on Malawi, which highlights the positive impact of adjustment programmes on poverty focusing on the impact of liberalisation of agricultural production which has allowed the rapid growth of small holder production of tobacco.

The Zimbabwe CAS generally gives a good profile of the poverty situation. However, in discussing the impacts of macroeconomics, it restricts itself to noting that the slippage of domestic policy together with the drought have contributed to poverty while liberalisation has provided some, albeit insufficient, alleviation.

Lacking in these CAS documents is an in-depth discussion of the impact of regional developments and external relations on policies for sustainable poverty reduction. Debt issues, world prices and trade issues have important implications for poverty trends, but this point is barely touched upon in these documents. Even more noticeable, given the geographical location of the countries, is the absence of an appropriate assessment of regional relations. In the mid-1990s Southern Africa was undergoing tremendous changes involving major implications for development of the region – and yet the CAS documents have little to say about the constraints and opportunities for poverty reduction emerging from the end of the war in Mozambique or the change to democracy in South Africa. At best these documents make mention of certain economic sectors which may benefit from liberalisation and the lifting of trade restrictions.

A final neglected issue in all three documents is the domestic political and institutional framework for poverty reduction. The CAS documents list or sometimes discuss the government's formal policy statements, action plans and public commitments to poverty reduction, but otherwise tend to avoid these issues. Typically, little emphasis is given to the underlying social forces that drive and sustain pro-poor development. Capacities to deliver are not adequately assessed, nor are the social and political background of the polices and programmes examined. The three CAS documents noted here have made some progress in addressing these issues, but there is still a long way to go.

The CAS documents are particularly weak with respect to gender concerns. There is hardly discussion of gender issues or specification of actions to address gender constraints.

Some, but not all, of these shortcomings are being addressed in ongoing economic and sector work and other analytical studies (see below) that may lead to improvements in future CAS documents. However, the assessment of social and political factors, country institutions and implications for external assistance would seem to be limited in the on-going analytical work.

These shortcomings in current CAS documents have important implications for the Bank's prescriptions and its ability to translate strategic poverty-reduction objectives into effective action programmes. It becomes difficult to specify links between the lending strategy and poverty reduction, the distribution of growth and the impacts of macroeconomic adjustment on the poor. None of the CAS documents specify monitorable poverty outcomes, nor is there adequate discussion of opportunities and constraints on poverty reduction. Strategy documents tend to be technocratic, descriptive and prescriptive, setting out ambitious reform objectives without properly assessing the capacities available to deliver results. A case in point is the ambitious Agricultural Sector Investment Program in Zambia. This was launched in 1995 as a major programme to assist poor farmers and promote rural development, but two years later is close to being classified as a disaster (see more on this project below).

The CAS document is emerging as the key policy document in the Bank's relation with the borrowing country. It is at the centre of the new strategic compact with its emphasis on country focus and client needs in bank operations (cf. discussion in Chapter 3). Although formally an internal Bank document, the Country Assistance Strategy is also increasingly emerging as a *de facto* negotiated strategy between the Bank and the borrowing country. This has major implications for poverty reduction, and brings us to the critical issue of policy dialogue and borrower commitment to poverty reduction.

Although the Bank's formal client orientation is reaffirmed within the CAS process, in reality the Bank commands significant resources for influencing the client government's understanding of its investment priorities. This influence may be exerted directly through a variety of conditionalities (mostly linked to the adjustment loans), policy prescriptions and technical advice, and more indirectly through the sheer size of the Bank's lending volume, the impact of its interventions and its influence on other donors. These influences are also manifest in the field of poverty reduction. While the Bank's chief pressure and conditionalities have been directed at economic reform these policy prescriptions have also, in the 1990s, begun to include components associated with poverty reduction, primarily linked to social spending and safety nets.

The new attention to poverty reduction has also served to emphasise several crucial dimensions of the Bank's policy prescriptions, especially borrower ownership and commitment to Bank policies. Poverty reduction invariably involves redistribution of political and economic power, and may therefore easily lead to situations that provoke borrower reluctance or even outright resistance– even to a greater extent than what has normally been the case with the structural adjustment programmes of the 1980s.

The country cases shed some light on how the Bank has handled poverty reduction in the policy dialogue. There can be no doubt that that Bank has put poverty on the agenda in its dealings with these three countries. It has featured prominently in the series of workshops and meetings that the Bank now conducts as part of the CAS process with government and stakeholders in all three countries. In many instances the Bank has positively influenced government thinking on poverty reduction and the design of national policies. A case in point is the expansion of primary education in Malawi where the Bank probably helped improve the project design. The Bank has also provided assistance to emerging government institutions and policies devoted to specific poverty alleviation or reduction, such as Zimbabwe's Ministry of Public Service, Labour and Social Welfare and the Poverty Alleviation Action Plan.

The Bank has also attempted to promote poverty reduction in situations where governments have been reluctant or unwilling to address poverty. The sections on implications for poverty inserted into Zimbabwe's original Economic Structural Adjustment Programme seem largely a result of Bank pressure (according to information supplied to the team). But the Bank has been less successful in strengthening poverty reduction policies where the government (the borrower) is less committed or even opposed. Under such conditions, pursuing poverty reduction is no easy matter, particularly when the recipients are governments and when domestic ownership and commitment are crucial for implementation and successful impacts.

To make progress in such aid environments it is crucial both to be able to respond quickly and flexibly and to be able to assist the political processes that promote a commitment to poverty reduction– and all this without unduly interfering domestic politics and decision-making. It seems questionable whether the Bank has been able to fully exploit the possibilities in this respect, and other donors with far less aid funds at their disposal have often proven themselves more effective. The UNDP, for example, is widely seen as playing a far more important role in promoting poverty reduction policies in Zimbabwe, although it barely has funds available for distribution. Bilateral donors active in Zimbabwe have had some success at the sectoral level, working through line Ministries even when the national government has been less receptive to donor calls for poverty-reduction programmes and projects.[11]

The Bank does say that borrower commitment to poverty reduction is important in deciding on volume and composition of lending (cf. Chapters 2 and 3). In practice the Bank has not (yet) been able to progress further with this beyond noting in CAS documents that borrower policies on poverty reduction may have implications for future lending. Various reasons may underlie the Bank's difficulties in pursuing poverty reduction in countries where governments are less receptive. One is the centralised structure and weak residential missions, which have made it more difficult for the Bank to interact with local authorities and political processes. A related problem has been the limited capacity to work closely with other donors in pursuing poverty-reducing aid projects. Interviews in all three countries conveyed a fairly uniform picture: donors as well as NGOs and– albeit to a lesser extent– governments complained that the Bank did not properly interact, consult and liase with domestic stakeholders and donors. They are seen as relying too much on visiting missions that zoom in and out of the country. This is confirmed also

[11] See an excellent analysis of this in case study from Zimbabwe (T. Killick et al. 1997).

by recent Bank-commissioned client feedback surveys – e.g. Kandoole 1997. These surveys indicate that the Bank should be more flexible, devolve greater decision-making powers to resident missions and be more responsive to local needs: it should listen more and lecture less during consultations.

On the other hand, such feedback surveys also record steady progress in local perceptions of the Bank. There is improvement in consultations with stakeholders and donor partners, there are attempts to decentralise authority to resident missions and, most recently, new lending instruments intended to be more flexible and adaptable have been introduced. Still, aid co-ordination is far from perfect: in these three countries, as in most other countries, it is primarily restricted to common approaches to economic policy and economic reform. There is no similar co-ordination or common approach with regard to poverty reduction. Poverty appears primarily to be an «add-on» in donor fora, for instance at consultative group meetings. Moreover, other donors in all three countries seem to agree that the Bank could and should play a more active role in placing poverty reduction more firmly on the agenda in donor– recipient relations.

4.3 LENDING PROFILES

The current and planned lending portfolio as outlined in the CAS document would seem to correspond to the general trends and shifts identified in Chapter 2: increased attention to poverty components in adjustment operations, some increase in social sector investments and a new emphasis on social safety nets. Adjustment operations (structural adjustment loans and sector adjustment loans) dominate the Bank's 1992– 97 lending portfolio for all three countries,[12] accounting for a high 52 % (USD 625 million) of all lending to Zambia, the biggest borrower among the three. In Malawi, 44 % or USD 284 million of total lending is for adjustment operations, and the picture is similar for Zimbabwe (USD 300 million). Actually, Zimbabwe is a special case, with all adjustment lending confined to three structural adjustment loans in 1992 and 1993 and with a small number of projects in the total lending. The role of adjustment operations emerges as even greater if we look at disbursements figures: 86 % for Zambia, 70 % for Malawi and 58 % for Zimbabwe.

All these adjustment operations, according to the Bank's own assessment, have poverty- focused or «pro-poor» components – usually because they include efforts to reallocate public expenditures in favour of spending on social sectors or on special safety net measures to protect the poorest and most vulnerable (cf. discussion in Chapter 2). Frequently the adjustment loans may claim to have a poverty focus because they address market distortions through liberalisation measures (e.g. agricultural pricing), which in turn are believed to have a positive impact on poverty reduction. These measures are often included as conditions for tranche releases of the loan.

A poverty-focused adjustment operation does not mean, however, that the whole loan is specifically concerned with poverty reduction. In fact, all the adjustment operations contains many elements intended to have no impact of poverty at all, or even with a negative impact. For example, the 1992 Structural Adjustment Loan to Zimbabwe did include pro-poor measures, such as requiring the establishment of a Social Development Fund and the expansion of public works programmes– but it also had components with distinct «non pro-poor» objectives, such as the required increase in cost recovery in health and education sectors and improved legislation for labour retrenchments. This is also admitted by the Bank itself.[13] We return to the content of this poverty focus in the next section. Here let us simply note that there is a specific effort to address poverty issues in the adjustment. The main expression of this, and new components compared to the 1980s, is the increased emphasis on reallocation of public expenditures towards social spending and safety nets.

There have also been some shifts in investment lending. Table 4.2 lists all the Bank's investment projects in the 1992– 97 period and classifies them according to whether they are intended to promote enabling growth, broad-based services or narrowly targeted interventions.

Most significant is the emergence of a number of poverty-targeted projects. The Table above lists eight such pro-

[12] All lending figures are in current value and derived from the World Bank's data base and its list of statement of loans and credits. All lending approved by the Bank between 1 January 1992 and 31 December 1997 are included.

[13] Cf. the 1996 Africa Task Force report which reviews all adjustment operations and lists their «pro-poor», «neutral» and «not pro-poor» policies/objectives (World Bank 1996k: Annex 2). (This appendix is not included in the shortened published version from 1997 (World Bank 1997i).

Table 4.2 Investment Projects 1992– 97 by poverty classification

		Project Name	Poverty Classification	Loan (USD mill)
Malawi	1992	Local government	2	24.0
	1992	Power V	1	55.0
	1993	Agricultural Services	3	45.8
	1993	Rural Financial Services	3	25.0
	1994	Institutional Development II	1	22.6
	1994	Malawi Railways Restructuring	1	16.2
	1995	National Water Development	2	79.2
	1996	Primary Education Emergency	2	22.5
	1996	Social Action Fund	3	56.0
	1997	Environmental management	2	12.4
Zambia	1992	Privatization & Industrial Reform TA	1	10.0
	1993	Agricultural Marketing and Processing InfrastructureTransport Engineering	2	33.0
	1993	Education Rehabilitation	3	32.0
	1993	Financial and Legal Management	1	18.0
	1994	Petroleum Rehabilitation	1	30.0
	1994	Health Sector Investment Program	2	56.0
	1995	Agricultural Sector Investm. Program	2	60.0
	1995	Urban Restructuring & Water	3	33.0
	1995	Social Recovery II	3	30.0
	1996	Economic Recovery and Investment Promotion TA	1	23.0
	1997	Enterprise Development	1	45.0
	1997	Environment	1	12.8
	1997	National Roads	(1)	70.0
Zimbabwe	1992	Emergency Drought Recovery	3	150.0
	1993	Sexually Transmitted Infections	2	64.5
	1994	Power III	1	90.0
	1996	Enterprise Development	1	70.0
	1997	Pilot Rural District Councils	(3)	12.3

Note: Category 1 includes projects with a focus on enabling growth, category 2 broadly-based services while category 3 includes the narrowly targeted. () indicates that official project classification is not available and has been done by this team following the same Bank guidelines. Note that «narrowly targeted» does not fully correspond to the Bank's tracking under the Program for Targeted Interventions.

Source: Adapted from Annex 3 in World Bank 1996k and the Bank's database on loans and credits as of 31 December 1997.

jects which roughly, but not entirely, correspond to the Bank's classification under the Program for Targeted Interventions (this programme uses a somewhat different classification and lists some of the other projects as poverty-focused). Among the targeted interventions are the two social funds in Malawi and Zambia (a first investment to the Social Recovery Project in Zambia was approved in 1991). A similar fund for Zimbabwe (the Community Action Project) has reached the final stage of preparation and is scheduled to be approved in 1998. In addition, a number of projects intended to improve conditions in rural areas and within health and education are included.

These projects are classified as poverty-targeted, not necessarily because they have a specific mechanism to reach the poor (few have), but because it is expected that there will be a significantly larger proportion of the poor among the project's beneficiaries than in the proportion as a whole. In other words: a fairly broad criterion is applied in classifying these projects as poverty-targeted (see also the presentation of the criteria used in Chapter 2 and the discussion in Chapter 1).

These investment projects do not in general imply any major departures from the 1980s, but we can note a shift towards an increased emphasis on poverty-focused components of projects, and a greater emphasis on social funds and social sectors compared to the previous decade.

There is also a shift towards more co-ordinated sectoral approaches with the move towards the introduction of sector investment programmes, especially noticeable in Zambia which now has such programmes within both health and agriculture. The Pilot Rural District Council Project in Zimbabwe is also a first attempt to shift to more pilot approaches and adaptable project designs.

Such shifts seem more pronounced when we move to current economic and sector work, with its greater focus on poverty-related issues. Social and political constraints and opportunities for poverty reduction, however, are still rather neglected– the focus still tends to be on economic issues and growth options. This is most pronounced in the case of Malawi (partly linked to the preparation for the 1998 CAS), but is also notable with the Zimbabwe CAS. The Zimbabwe CAS is unique in stressing that non-lending services and shorter, more focused studies will have to become increasingly central to the Bank's relations with Zimbabwe, and that operations must rely more on pilot projects and adaptable project designs.

Two of the CAS documents (Malawi and Zambia) have also introduced a poverty focus in their lending scenarios. Good performance on the «poverty score» – usually adherence to social spending goals – is among the factors that may lead to higher lending.

It is not possible to draw firm conclusions about the causal relations between analytical work, CAS and the actual lending and interventions. These processes have run fairly parallel in all three countries. To illustrate: In Zambia the poverty assessment, the 1996 country assistance strategy and the agricultural sector investment programme were prepared at almost the same time – and partly also by the same person! What is, however, clear is the steady progress in giving CAS documents a sharper poverty focus. This is perhaps most evident in Malawi, where the 1990 PA helped direct the Bank's attention to poverty and probably provided the basis for more poverty-focused operations from the mid-1990s. Also evident are strong efforts to justify the lending profile by reference to poverty-reduction objectives. We also know that analytical work on poverty has informed the design of several projects.

Before proceeding with further observations and conclusions on the poverty focus of the Bank interventions, we need to look behind the formal and official pronouncements, classifications and stated intentions and objectives. How has the World Bank actually pursued poverty reduction in the projects discussed above? We shall take a closer look, beginning with the adjustment operations and the growth focus.

4.4 GROWTH, ADJUSTMENT AND POVERTY

The World Bank's adjustment loans to these three countries account for nearly half of total approved Bank lending (and much more if we look at disbursement figures). Together with investment projects in physical infrastructure, private sector development and other growth focused activities (cf. Table 4.2), this indicates that most projects and the main share of total lending are directed towards adjustment and growth interventions. It makes the Bank a major investor in two of the countries (Zambia and Malawi) and a significant advisor behind macroeconomic policies in the third (Zimbabwe). Further, we know that inequalities has probably increased, and the number of those living in extreme poverty may have expanded, in all three countries in the 1992– 97 period. How then has the Bank gone about pursuing poverty reduction within its adjustment and growth operations? And what of the impacts on poverty?

Malawi was subject to two World Bank adjustment operations in the 1992– 97 period: the 1992 *Entrepreneurship and Drought Recovery Program*(EDRP) and the 1996 *Fiscal Restructuring and Deregulation Programme* (FRDP) totalling some USD 287 million. Prior to that and during the 1980s the country had undertaken five World Bank-funded adjustment operations. The operations in the 1980s were primarily designed to have an impact on fiscal stability. They had no pro-poor components; in fact the main burden was often borne by the poorest segments of the population (through, e.g., cuts in spending on primary social services). Nor did these adjustments lead to any sustainable economic recovery. The partial exemption and the first adjustment operation to include a specifically poverty-focused component was the 1989 *Agricultural Sector Adjustment Credit*, which lifted some restrictions on smallholder agriculture and may have had some positive impacts on smallholder production.

These reforms – further liberalisation of agricultural production – were taken further with the 1992 EDRP. This programme also for the first time raised the issue of reorienting public expenditure in favour of social spending. However, EDRP coincided with the 1992 drought and with political transition in Malawi. The programme therefore became little more than a holding operation to keep the economy on track.[14] Tangible results with regard to poverty reduction– according to the Bank's own performance audit reports– did not begin to emerge until the mid-1990s. This was closely linked to the political transition and the economic reforms introduced by the new government of Malawi.

The World Bank's adjustment operation to assist this process, FRDP, is marketed as poverty-focused. The operation is explicitly linked to findings from the analytical work on poverty. Through the restructuring aspect FRDP attempts to reorient public spending in a pro-poor direction, primarily by shifting spending towards the primary level. (Removal of all primary school fees is identified as an important step, although it dramatically reduced cost recovery.) Through deregulation the Bank wants to continue the liberalisation from previous adjustment operations, primarily through a rapid abolishment of the strong public regulation of the agricultural sector which is claimed will facilitate growth of the smallholder production and open up new economic opportunities for the poor. This has been reinforced in subsequent Economic and Sector Work which has centred around the key document on growth prospects and poverty reduction. This document was finalised in September 1997, and was intended to feed into the country dialogue and the preparation of the new country assistance strategy (World Bank 1997a). It clearly states that «trickle-down» growth is not sufficient for poverty reduction; the growth rate will have to be at least 5– 6 % over the next 10 year in order to keep the total number of poor from rising. Policies will therefore have to be shifted in a pro-poor direction, and broad-based growth must be pursued. An emphasis on smallholder agriculture is emerging as the main priority in the Bank's prescriptions for broad-based growth in Malawi.

In Zambia The the same focus – demands for shifts in public spending and promotion of smallholder agriculture through liberalisation policies – is also found in recent adjustment operations, Zambia although the emphasis here seems to be more firmly on social services. Zambia has particularly large external financing needs due to its high debt service requirements and the limited short-term prospects for the production of copper, its principal export. The Bank initiated three adjustment operations during the 1980s (the 1985 *Agricultural Rehabilitation Project*, the 1986 *Industrial Reorientation Project* and the 1986 *Economic Recovery Project*). When the Government of Zambia abandoned the adjustment in 1987, disbursements were halted and were not resumed until the early 1990s. Since then the Bank has introduced six adjustment operations: the 1991 *Recovery Credit*, the 1992 and 1993 *Privatization and Industrial Recovery Credit I and II*, the 1994 *Economic and Social Adjustment Credit*, the 1995 *Economic Recovery and Investment Credit* and the 1996 *Second Economic and Social Adjustment Credit* (Bonnick 1997, World Bank 19961).

The pre-1994 operations had no particular poverty focus. Operations in the 1980s aimed at restoring macroeconomic stability through liberalisation and increasing output in three major economic sectors. In the 1990s came a shift towards developing non-copper exports and pursuing efficiency through privatisation. There were some attempts to protect vulnerable groups from the worst impacts of adjustment (including assistance and training programmes offered to retrenched workers and civil servants), but a more systematic attempt to focus on poverty became evident only with the Economic and Social Adjustments Credits. These adjustment documents all strongly emphasised the need to improve social services, especially the education and health sectors, combined with safety-net programmes. Broad-based growth is identified as the key to sustainable poverty reduction and continued commitment to macroeconomic stabilisation and within this fiscal discipline is emphasised. Increased production in agriculture (facilitated through liberalisation of prices and markets combined with improved services) and manufacturing (privatisation, private sector development, agro-based activities and rural-focused) are intended to lay the basis for sustained broad-based growth. The adjustment documents and other economic and sector work are, however, notably vague in their attempts to specify what impacts this may have on the poverty profile (World Bank 1996h).

Zimbabwe is a different case altogether. During the 1980s its economy grew and performed reasonably well. The *Economic Structural Adjustment Programme* (ESAP) announced by the Government of Zimbabwe in late 1990 was introduced mainly to pre-empt economic recession and secure long-term sustainability. The Bank (and the IMF) did influence the design of ESAP, but this remained primarily a «home-grown» product. Compared to Malawi and Zambia, Zimbabwe also enjoyed a degree of autonomy in determining the pace of adjustment (Skålnes 1995, Jenkins 1997). The Bank provided three loans for the first

[14] These assessments are unless otherwise stated taken from official Bank documents. Cf. the summary of the past adjustment operations in World Bank 1996d.

and second phase of ESAP in 1992 and 1993 (totalling USD 300 million, of which 125 mill. was an IBRD loan). There are some pro-poor objectives centred around social safety nets and training programmes for vulnerable groups, but most objectives are linked to fiscal reform, trade and exchange rate liberalisation and domestic deregulation.

The Bank's influence expanded after the adoption of ESAP, and it played an increasingly important role in economic policy-making in Zimbabwe through technical assistance, policy advice and economic and sector work. The severe 1991– 92 drought and Zimbabwe's slow pace in implementing tax and public expenditure reforms brought the World Bank even more strongly into the picture, primarily acting in concert with the IMF. The IMF began to apply firm pressure on Zimbabwe, and the Bank withheld tranche releases under the 1993 structural adjustment loan because of Zimbabwe's failure to meet macroeconomic conditions (the last disbursement not made until late 1997). Further adjustment lending is conditioned on an agreement between Zimbabwe and the Bank/IMF on a medium-term fiscal and macroeconomic framework. Meanwhile the Bank sees itself playing an important role as provider of technical assistance and policy advice through economic and sector work. According to the Zimbabwe CAS, the focus is to be on efforts to reduce fiscal deficit, while at the same time budgetary expenditures are to be restructured towards the social sectors, the civil service streamlined and public management improved. The deepening economic (and political) crisis beginning in late 1997 may further increase the Bank's influence on economic policies in Zimbabwe.

There is thus in all three countries a growing emphasis on poverty reduction in the Bank's adjustment operations, primarily through a stronger emphasis on the need to re-order priorities in public expenditures towards human development and to ensure what is termed «broad-based growth». This does not necessarily imply that the Bank's adjustment and growth operations have a positive impact on poverty reduction. The poverty-reduction objectives may not be implemented; they may conflict with other lending goals; and/or the intended effects may not materialise. Perhaps most commonly: the adjustment operations may contribute to poverty reduction for some groups, such as the better-off among the poor, whereas others, such as the very poor, may find themselves worse off. Some of the general issues surrounding the adjustment/ growth and poverty agenda have been discussed in Chapter 2. The emerging lessons from the above mentioned World Bank operations may shed further light on these issues.

Poverty in all the three countries has deepened during the 1990s and since the introduction of the above-mentioned adjustment operations, although – as noted – this has been an uneven process with some poor groups improving their positions considerably while others have found themselves worse off. Popular opinion, especially in Zimbabwe but also in the other countries holds that this has been caused by the World Bank's adjustment interventions. Measuring the effectiveness and impact of adjustment operations is difficult– perhaps even more so related to poverty reduction. How would the situation have been without the adjustment operations? Are there any causal relations between the adjustment operations and the poverty situation? Should we distinguish between short- and long-term impacts, current and future poverty? What are the gender dimensions of these shifts? These are critical questions, and yet, as we have seen, the country assistance strategies and the adjustment documents are almost silent on these issues.

Zimbabwe provides a good illustration. The country made steady progress in poverty reduction throughout the 1980s, but ESAP may have put many of these in reverse. Partly directly, and partly through interactive effects between ESAP and the severe 1991– 92 drought (and also other factors such as global recession and the HIV/AIDS epidemic). ESAP did reduce the access to and quality of health care, with resultant increases in maternal mortality and poorer birth outcomes. It also led to higher unemployment with little formal sector employment creation, as well as to a rise in lower paying jobs in the informal sector and a decline in real wages and incomes. It also contributed to an increase in food insecurity and to higher prices for most staple foods (Marquette 1997).

Some poor groups obviously benefited from ESAP and the deregulation measures– small farmers gained better access to markets and others benefited from the growth in the informal sector– but overall living conditions worsened. ESAP had a negative impact on *current* poverty, as is also admitted in Bank documents.[15] What proponents of ESAP argue is that adjustment will have a positive impact on *future* poverty. While few would dispute that some

[15] See e.g. World Bank 1995c. They list (p. 27– 28) «poor design and implementation of specific reform measures» as factors responsible for worsening welfare and social services.

adjustments were necessary in order to make sustainable the growth and social gains achieved during the 1980s, it is more questionable whether the design of ESAP was sufficient both to maximise growth and to ensure a distribution of the gains from growth that would reduce poverty (Davies and Rattsøe 1996). On the last point it seems fair to conclude that ESAP did not pay sufficient attention to the transitional costs and the potential negative impacts on poverty although the Bank did provide an emergency loan to reduce the adverse effects of drought. The main mechanism introduced to alleviate poverty and the perceived short-term side-effects of adjustments, the Social Development Fund, was plainly ineffective (Moorsom et al. 1997). Only in the mid-1990s did more systematic attempts to address poverty begin to emerge, for example through community-based development projects.

Zimbabwe illustrates a general pattern even more clearly evident in the case of Zambia and Malawi: The Bank emphasises the need to focus on the composition of growth and calls for more broad-based growth able to provide increased opportunities for employment. It has not succeeded in making much progress in pursuing this through its adjustment operations in the 1990s. The standard prescriptions have been deregulation and liberalisation of trade policies, but the links to intended effects have often been weak and fragile in these three countries as well as in other Sub-Saharan African economies. Complementary sector reforms and investment programmes (e.g. in agriculture) are often required, but these may not be forthcoming on the scale and at the pace required. Liberalisation has often failed to elicit the desired response (McKay et al. 1997).

Zambia is a case where structural adjustment in the 1990s – deregulation of agricultural marketing, commercialisation of agricultural service and liberalisation of financial services – dramatically altered the producer environment for small-scale farmers. These economic reforms were supposed to lead to increased production output and welfare. In fact, they have had severe and serious adverse impacts on household food security in all but the most central and close to line-of-rail areas. This has implied high costs of social and rural-to-urban dislocation, losses in social capital and decreases in social welfare (Wold 1997).

A similar picture emerges in Malawi, where the rapid World Bank-designed deregulation and liberalisation programmes had dramatic impacts on small-scale farmers. On the positive side, abolishing restrictions on the main export product burley tobacco– under the Banda regime this had been legally restricted to mostly the major farming estates – led to remarkable growth of tobacco production among small-scale farmers, with an estimated 175,000–200,000 households entering production. Despite several negative side-effects, there is no doubt that this liberalisation led to a major cash injection in rural areas able to produce burley tobacco. Positive impacts may also be recorded for other cash crops. The big losers have been the remote rural areas and food producers and vulnerable small-scale producers, with severe implications for the country's food security. Again, the positive links have failed to materialise, leaving food security and vulnerable food producers worse off. What remains is a situation characterised by increased inequalities within the rural areas, as well as a possible increase in vulnerabilities for the very poor.

The experiences from these three Sub-Saharan countries do not provide evidence of any major shift in Bank adjustment operations. They are still firmly anchored in a neo-liberal paradigm although they have become broadened in scope and in topics covered, especially compared to the early 1980s. But there is one aspect of the adjustment operations which can be said to represent a shift compared to earlier structural adjustment operations. That is the new emphasis on redirecting public expenditure towards social sectors, which has emerged as a strong component in adjustment operations in Zambia and Malawi. Protection and/or increases in budgetary allocations and spending on primary education and health have now become conditions for tranche releases. In the case of Malawi, where spending on primary services has been particularly low, this has helped to bring about a real increase in spending on primary education– assisted also by a special emergency loan from the Bank. In Zambia, spending on health and education has been protected and has increased as a share of total spending. Measured in absolute terms and in per capita terms, overall public spending to these sectors has decreased– and this has adversely affected the poor. Still it seems safe to conclude that without World Bank pressure Zambia would have been even worse off in its spending on primary social services.

It is thus difficult to escape the conclusion that the Bank's adjustment operations during the 1990s have had at best a limited impact on *current* poverty in these countries– and at worst contributed to an increase in poverty. Complementary to these adjustment loans we find a number of investments in productive sectors, in human resource development and in safety nets. How are these investments to be judged from a poverty-reduction perspective?

4.5 AGRICULTURE AND RURAL DEVELOPMENT

Agriculture is a priority sector for the Bank's poverty-reduction efforts in Sub-Saharan Africa. In all three case-study countries, agriculture is seen as the key sector for contributing to economic growth and poverty reduction. In particular, support to smallholder agriculture is viewed as a central strategy for broad-based growth and poverty reduction. This section assesses the poverty-reduction aspects of Bank-supported projects in this area. In particular we want to see how the market-oriented agricultural polices are supplemented by assistance to small and poor farmers.

In *Malawi,* the Agricultural Services Project (ASP) was prepared in the early 1990s and was initiated in 1993 with an IDA loan of USD 45.8 million over a seven-year period (World Bank 1993c). The aims are to provide cost-effective and sustainable technologies suitable for smallholders, and to improve incomes and food security by increasing productivity and diversification. The main components are support to agricultural research and extension, increasing seed and fertiliser inputs and institutional strengthening of the Ministry of Agriculture. The project is included in the Bank's Program of Targeted Interventions (PTI) since the proportion of the poor people among its beneficiaries is intended to be significantly larger than the proportion of the poor in the total population.

Four years into the project, the research and extension system does not seem to be operating effectively. In the view of one Bank official, extension systems which are run by District Councils have largely broken down due to lack of supervision and lack of qualified staff, the latter situation exacerbated by AIDS. The institutional capacity-building component is not considered to be a success. The Ministry is seen – by a variety of donor agencies and the Bank – to lack capacity and commitment; this situation is exacerbated by the number of donor agencies involved in the sector and competing for «good projects».

In assessing the project objective of increasing access to agricultural inputs, the wider reforms in the provision of credit and fertiliser have to be taken into account (Evans 1997). There was a breakdown in the Smallholder Agricultural Credit Administration (SACA) as a result of politically motivated default in 1993. The subsequent rebuilding of the credit service since the inception of the Malawi Rural Finance Council (MRFC) in 1994 has been constrained by the Ministry's reduction in support to credit clubs, more stringent loan conditions and the increased costs of inputs and borrowing. The devaluation of the national currency unit, the kwacha, in 1995 and the removal of subsidies resulted in a 300 % rise in the prices of fertiliser. Not surprisingly, the use of inorganic fertilisers by smallholder households has fallen dramatically over the past five years.

The impact of the World Bank-sponsored liberalisation of agricultural policies in Malawi is highly contentious. There is much criticism of the timing and pace of these reforms, as well as and disagreement between donor agencies on the need to maintain at least transitional subsidies on fertiliser and credit for the poorest farmers. The EU has partially subsidised credit and fertiliser for the poorest farmers, but the Bank and USAID disagree with this measure, which they also see as undermining a Bank-financed credit scheme, MUTZI, directed at the poorest farmers. Production of the staple food crop, maize, has fallen, but there is no agreement on the main causes of the situation. A rapid assessment study in five sites in 1997 found that the decline in maize production had a significant negative impact on food security (Evans 1997).

The liberalisation of Malawi's burley tobacco production, noted above, is widely seen to have benefited smallholders, but the impacts have been uneven and some vulnerable groups may have found themselves worse off than before. A recent study indicates that although burley growers have increased their incomes, this has resulted in short-term rises in consumption followed by increased dependency on being hired as agricultural labourers to offset food deficits later in the season (Evans 1997). More worrying are the findings that nutritional status has fallen amongst families of burley growers, and that women's workload has increased, leaving them less time for food preparation and care of sick children.

On the positive side, ASP has provided support to the diversification of crops towards drought- resistant maize, tubers and groundnuts. However, on the whole, there is little evidence that the project has been successful in terms of its main aims of providing higher incomes and greater food security for rural communities in Malawi.

The Bank also manages a Food Security Programme on behalf of IFAD. This project is aimed at the poorest farmers, especially female-headed households. It is seen by the Bank's Task Manager as a complementary project to ASP and one which has had a greater impact on poverty reduction.

ASP is due to end in the year 2000, and work has begun on the preparation of an Agricultural SIP for Malawi, although some doubts were expressed by Bank officials as to government commitment to the project. A Rural Transport and Travel Project is also under preparation and the National Water Development Project agreed in 1995 does include components to improve rural domestic water supply with community-based management for operations and maintenance aspects.

Zambia is the only one of the three case countries with an Agricultural Sector Investment Programme (ASIP) in the implementation phase. ASIP took two years to prepare; it was initiated in 1995 and is supported by 14 donors, with the Bank playing a central role in its conception and funding (USD 60 million over four years) (World Bank 1995g). There are four main components: policy and institutional improvements; public investment in a range of areas including agricultural research and extension, livestock, irrigation and fisheries; private sector development and pilot investment schemes. The last component is claimed to be particularly poverty-focused and aims to support small-scale capital investments in rural communities on a matching-grant basis.

Zambia's ASIP is classified as belonging to the Program of Targeted Interventions (PTI) while the Bank's Africa Task Force Report on Poverty decided not to classify this as «targeted intervention» on the basis of its more narrow definition of targeting (cf. Table 4.2 above). According to Bank documents, the research and extension subprograms are meant to focus on improving food security and reducing poverty among rural households through the promotion of affordable production technologies. In addition, through increased crop production and diversification, ASIP is expected to improve the incomes of women farmers, who are said to be the main providers for their families. ASIP was prepared during the period when the Poverty Assessment was being carried out and the overall design was influenced by the analytical work, not least because individual Bank officials were involved in both.

ASIP is widely regarded as a failure, both within the Bank and with donor agencies interviewed in Zambia. Institutional reforms in the Ministry have taken much longer than expected; only the upper layers have been involved to date and decentralisation has not taken effect. According to one NGO working in 27 districts in Zambia at the end of 1997, ASIP has generated considerable uncertainty about the future within district and extension workers and further weakened the system. A review of ASIP carried out in 1997 by the University of Zambia's Institute of Economic and Social Research confirms this view, stating that staff at lower levels believe that restructuring is only about retrenchments, pointing to a lack of information and communication from central levels of the Ministry (University of Zambia 1997). The Review concludes that planned activities will have to be scaled down while institutional restructuring is completed.

The main problem, according to Bank officials, is the weak institutional capacity of Zambia's Ministry of Agriculture and lack of commitment to ASIP. According to some donors, an accounting and reporting system which allows donors to channel their money to ASIP is not yet in place and funds are still directed to projects. The frequent changes of ASIP task managers in the Bank is also viewed as an obstacle to progress. The above-mentioned review has a quite different perspective on the situation (University of Zambia 1997). It states that donors have disbursed a much lower proportion of earmarked funds and suggests that donors have been unwilling to move from supporting projects where they exercise considerable influence, to supporting a sector-wide programme.

In sum, over two years into implementation, and despite a two-year preparation period with various stakeholders, it is difficult to see what ASIP has contributed towards poverty reduction in Zambia. This is particularly serious since the rapid liberalisation of agricultural policies, pursued through the adjustment operations, has been found to have a serious adverse impact on household food security in all but the most central and close to line-of-rail areas.

On the positive side, a Sector Investment Programme is now underway in the roads sector, with a component to improve rural travel and transport, in order to ease one set of constraints on marketing.

From a poverty-reduction perspective, the picture that emerges from *Zambia*and *Malawi* with regard to the Bank's investment in agriculture and rural development is rather grim. There is a strong reliance on policy reforms, that is liberalisation pursued through adjustment lending, which is expected to lead to growth in smallholder farming and agricultural output. The assumed positive impact of market liberalism is subject to some dispute. This is not our concern here, but it must be stressed that even Bank studies note that explicit strategies are often not formulated at the outset for sequencing the transition from control to market transition (World Bank 1996n). According to the Bank, liberalisation itself is not sufficient to ensure broad-based, i.e. labour-intensive, growth. The Bank's investment programmes in agriculture and rural development are intended to play a crucial role here. Rural projects in Zambia and Malawi are supposed to make an impact on poverty reduction through assistance to small-scale farmers as well as through various projects to strengthen infrastructure. No impact assessment has been undertaken, but the available evidence indicates that implementation has been slow and limited, and that the main beneficiaries may well have been the better-off farmers, with the very poor and vulnerable small-scale producers and landless in many instances worse off.

Finally, a gender perspective which disaggregates the possible differential impact of agricultural and rural development projects on women and men is sadly lacking. Important opportunities and constraints for women and for the welfare of their households are simply not discussed. In particular, more attention needs to be paid to the gender dimensions of access to markets. A recent study in Zambia confirms findings from other studies in Sub-Saharan Africa that due to legal constraints, family obligations and workload, women farmers are less able to utilise new market openings and respond to a different set of opportunities than men (Wold 1997).

In *Zimbabwe,* the influence of the Bank in agriculture and rural development has been very different than in the cases of Malawi and Zambia. Apart from an Emergency Drought Recovery project in 1992, the Bank's lending activities to agriculture and rural development in Zimbabwe has, during the first half of the 1990s, centred on agricultural credits for export promotion. This lending has been directed to large commercial farmers; any benefits to smaller farmers, for example in horticultural and cotton research, have, according to Bank officials, been indirect and unintentional. The Bank has supported the privatisation of parastatals (for example, the dairy board) and cost recovery for agricultural services (i.e. livestock services) within broader policy reforms under the Economic Structural Adjustment Programme. The effects of these reforms on poverty reduction have not been examined directly, in that the costs and benefits for different groups of the population have not been adequately assessed.

In the last few years, new priority has been given to investing in rural areas and a Agricultural Services Management Project (ASMP) is currently in preparation. Research and extension services have been under pressure from budget squeezes in the 1990s and the new project aims to revive on-farm research and extension and more generally, reorient services towards small farmers. Although Zimbabwe's Ministry of Agriculture has not in the past viewed poverty reduction as its main concern, but has focused on maximising yields, both Bank officials and the Ministry say that there has been a shift towards a concern with smaller farmers (1– 7 hectares of land). The current project preparation includes Beneficiary Assessments and Client Satisfaction Surveys which will provide baseline information; the project also aims to have a stakeholder advisory panel. However, some doubts have been voiced by Bank officials as to whether the poorest farmers will benefit, particularly those in the poorest and most arid regions.

The skewed distribution of land in Zimbabwe is widely seen as an important constraint for poverty reduction, but redistribution is a highly politically charged issue. The Bank's view is that a land reform is important for the generation of employment and poverty reduction. Such a land reform, according to the Bank, will have to be undertaken in a transparent manner and without undermining commercial farming. The Bank has offered the government support to look into and learn from land reform in other countries. The government's renewed emphasis (from late 1997) on the need for land reform may give the Bank a more prominent role in this process.

Decentralisation and the strengthening of Rural District Councils is seen by the Bank as an important vehicle for rural development and poverty reduction. In 1997 the Bank approved a Rural District Council Pilot Capital Development Project, the RDC Pilot. This will involve lending USD 12.25 million as a two-year funding of a capital development component of the five-year Rural District Council Capacity Building Programme, which is a programme intended to strengthen Zimbabwe's 57 Rural District Councils through funding for institutional development (strengthen capacities); human resources development (capacity building and manpower training); and capital development (service and infrastructure provision). According to the Bank, the project has a positive impact on poverty because it focuses on the rural areas where poverty is more prevalent than in urban areas; rural women will benefit from the capital development's top priority to water and sanitation; and rural poverty will be reduced through provision of basic services and community participation. The project is also an example of the Bank's new emphasis on pilot projects and adaptable project design (cf. Chapter 3). The RDC Pilot incorporates innovative procedures to facilitate disbursements and promote learning-by-doing which is intended to provide the government with lessons in the process of decentralisation. It is envisaged that the Bank will provide funding for a five-year period after the initial two-year period (World Bank 1997h).

This is a new project, and it is too early to draw any conclusion about impacts on poverty reduction. There is, however, concern in the Ministry of Local Government, Rural and Urban Development (the implementing agency) that there is no real consensus about what decentralisation means and that central government is being deprived of resources (by donors) while district councils are weak and could constitute an additional level of bureaucracy. The Association of Rural District Councils, an independent body representing district councils,[16] is less concerned with capacity constraints and more concerned that decentralisation of functions and responsibility may take place without devolution of power and resources. The current political climate in Zimbabwe may reinforce the government's reluctance to decentralise. The success of this project also depends on complex political and social processes but the project design does indicate a greater emphasis by the Bank on the need to build the capacity and organisation of poor groups to work with local government, as a means of promoting appropriate pro-poor rural development initiatives.

4.6 THE SOCIAL SECTORS AND HUMAN DEVELOPMENT

The Bank's approach to human development and the social sectors corresponds to the general picture described in Chapter 2. Through adjustment operations (in the case of Zambia and Malawi) it has attempted to increase public spending on primary health and primary education, and lending to social sectors ha s become more important with in the overall lending profile.

In Zimbabwe, the Bank has provided IBRD loans for Family Health Projects (I and II). The Bank's investment has been directed mainly to infrastructure development, in particular, the upgrading of district hospitals (World Bank 1994e). Other donors have provided grant funding for other components of the projects. The second Family Health Project improved the design of hospital structures and was more efficient in the costs of construction; this project is now near ing completion. However, there is a current staffing crisis in the health sector and many of these hospitals are very poorly staffed. The government has set up a National Commission to review and reform the sector, and the Bank is part of this Commission. (A similar Presidential Commission has been formed in the Education sector, but here the Bank does not take part.) There are plans to provide further support to the health sector, including components to address the problem of HIV/AIDS, but the Bank is awaiting the results of the health sector reforms. A Performance Audit Report in 1996 suggests that since a relatively large proportion of the Ministry's capital budget is externally financed, a broader sector – investment approach would be more appropriate in the future (World Bank 1996f).

Bank documents, such as the recent CAS, express concern about the skew towards secondary and tertiary services in spending and provision of health services. It is through policy dialogue and a possible future Health Project that the Bank anticipates influencing the «restoration of health spending to 2.5 % of GDP and increased public funding for primary health care from US$ 6 to US$ 9» to cover a complete basic health package (World Bank 1997n).

In Zambia, adjustment credits ha ve secured a increase in public expenditures on social sectors, although there has been a reduction in absolute terms compared to the early 1990s. In education, an integrated SIP is in its planning stages, but there have been considerable delays due to weak institutional capacity. Several donors have continued to fund programmes separately or are awaiting progress before committing funds to the SIP. In the mean time, the Bank is preparing a Basic Education Subsector Investment Programme as a successor to the Primary Education Project (World Bank 1997m).

In the health sector, there is an ongoing SIP aimed at devolving service delivery from central and local government to district – level autonomous health boards. The Ministry of Health is perceived by donors and the Bank to be particularly strong, and there is general satisfaction with the move towards decentralisation. An independent

[16] Separate Associations representing the communal and the commercial farming areas were amalgamated in 1993. Historically, the councils in communal areas have been much weaker and resource-starved than those in commercial farming areas.

review of the health reforms notes that strong leadership, good timing and co-ordinated donor support ha ve resulted in this sector being ahead of others (Zambia 1997). However, there are also criticisms that the creation of autonomous health boards has been a costly operation and that while there are some gains to end – users, notably increased availability of medicinal drugs, better staff morale and some community representation on health centre committees, the situation is very uneven and considerable problems remain. The Bank is providing funding with a focus on infrastructure development.

In Malawi, the focus of the Bank's current support to the social sectors is to education, where the government's abolition of school fees in 1994 triggered an influx of over one million students into the primary system and led to the recruitment of 20,000 secondary school leavers as teachers (World Bank 1996b and 1995d). The Primary Education Project was an emergency project initiated in 1996; it has concentrate d on classroom construction, in-service teacher training and the provision of teaching and learning materials. The project is expected to run until 1999, with a total IDA loan of USD 22.5 million. It is classified as belonging to the Program of Targeted Interventions and aims to contribute to poverty reduction by improving access to and quality of primary education.

Abolition of school fees was the major reason for the rapid increase in primary school enrolment. The Bank also responded quickly to new situation by providing an emergency loan to cover increased expenses and the revenue shortfall. This project also shows that the Bank has some flexibility and can respond quickly to changing national priorities. This was undoubtedly also facilitated by the Bank's analytical work on poverty where primary school fees ha d been identified as a major cause of the particularly low enrolment figures in Malawi.

This also raises the issue of user fees and cost-sharing, which has been an important component in Bank prescriptions for policy reform. During the 1980s, as resources were more constrained, user fees were introduced or raised for primary schools and health clinics in many African countries. As a recent Bank study points out, planning for new or higher fees in the 1980s did not adequately protect the poor in terms of exemptions, which have proven difficult to implement effectively (Adams and Hartnett 1996).

Various different arguments are used in Bank documents as a rationale for cost-sharing at the primary level. Sometimes the emphasis is on financial returns which cut public expenditure and can be used to improve the quality of services at the local level. At other times, the emphasis is on promoting community participation and partnerships in the provision of service s (Zambia 1997: 23– 4). Introducing or raising user fees is a contentious issue with political implications for the government in question.

There is considerable evidence that cost sharing does result in declines in access for the poorest groups. The doubling of school enrolment rates in Malawi with the abolition of school fees would suggest that access is constrained when parents have to pay. A study in Zambia found parents bitter that their contributions were going sharply up, when government was providing less materials than in the past. The same study recommends that more attention be given to safety nets and exemption systems for both health and education fees for the poor (Booth 1995). In Zimbabwe, primary school fees were introduced in 1991 in urban areas but not in rural areas, with lower fees for low-income urban settlements and higher fees for high-income areas. Nevertheless, parents in poor urban areas have found it difficult to find the fees at the beginning of term without cutting consumption or getting into debt (Kanji 1995).

Several studies from the region have shown that girls» access to school is even more negatively affected than boys» access when parents have to make choices in the face of resource constraints (see Odago and Heneveld 1995).

In Zambia, fees were introduced at all health facility levels across the country, with an observed decline in patterns of utilisation at some health centres. A study on user fees in the health sector in four districts in Zambia illustrates how even if the particular preventive services are free and if an exemption system is included, several factors can lead to a decline in utilisation in a range of preventive and curative services (Kalyalya & Milimo 1996). These include lack of consultation with and information for user groups and staff, weak administrative capacity including the inability to identify vulnerable groups and the inability of some groups to pay cash. The government recently (1996/7) experimented with a prepayment scheme; this was not successful and has now been abandoned.

In *Malawi*, fees are not charged at health facilities. In Zimbabwe, the introduction of fees at health – centre level in the early 1990s is acknowledged to have caused problems for the poor and in 1995, fees were abolished for rural health centres. As one Review points out, experimenting with various forms of user fees is not a substitute for the development of a health financing policy which systematically examines different financing options, including higher charges for better-off groups, and which uses operational research to test viability (Zambia 1997: 24).

When fees are introduced or raised on several services simultaneously, community-level micro-studies show that considerable pressure is put on poorer groups to make choices between various basic goods and services (Kanji 1995). The Bank study referred to above recommends that fees for basic education and primary health care should be discouraged unless adequate protection for the poor can be assured (Adams and Hartnett 1996). It points out that recent Bank policy documents in the education sector are becoming clearer in discouraging cost sharing at the primary level, in particular, the Bank's 1995 education policy overview.

In conclusion, there is little doubt that the Bank is according higher priority to investment in the social sectors in the 1990s, with greater attention to primary – level services. However, much of the Bank's investment has remained focused on infrastructure development ; and the indicators on which such projects are assessed need to be more directly focused on increasing the access of poorer groups to quality services. This is the main recommendation of poverty assessment work in the three country case – studies. Available material does not allow for any firm conclusion on the impact of these recent changes on poverty. The indications and findings f r o m micro-level studies are mixed, but one tentative conclusion is that a disproportionate share of the benefits may have gone to the better-off among the poor, rather than the poor est and most vulnerable groups.

4.7 SOCIAL SAFETY NETS

Support to safety nets is the third element of the Bank's three-pronged strategy for poverty reduction. Their introduction is perhaps the most noticeable manifestation of the Bank's three-pronged strategy in these countries.

In *Malawi,* the Social Action Fund (MASAF) was conceived of as a key component of the Poverty Alleviation Programme which was launched by the new government in 1994 (Malawi, Government of, 1995). MASAF was initiated in 1996, with an IDA loan of USD 56 million and contributions by other donors bringing the total to USD 71.3 million over a five-year period. There are three components: Community Sub-Projects (71 % of funds), a Public Works Programme (27 %) and a Poverty Monitoring Support Facility (2 %). MASAF is implemented by a specially created management unit with the participation of the National Economic Council (responsible for poverty monitoring) and various line ministries (World Bank 1996j).

In *Zambia,* the Second Social Recovery Project (SRP) has an IDA loan of USD 30 million and is also implemented by a specially created Microprojects Unit under the National Commission for Development Planning, Office of the President (World Bank 1995c). Not unlike the case in Malawi, community-based micro-projects constitute 75 % of project costs, with two other components: Poverty Monitoring (5.7 % of costs) and Poverty Analysis (2.3 %). The remaining 17 % will be devoted to technical and logistical support to the project. Public works are not part of this project, although the Ministry for Community Development and Social Services implements public works programmes as part of its ongoing community development programmes.

In *Zimbabwe,* the situation is somewhat different: a Community Action Project, to replace the earlier Social Dimensions Fund, is now at appraisal stage and will be implemented by the Ministry of Public Service, Labour and Social Welfare. CAP is envisaged to be a central activity of the Poverty Alleviation Action Plan (PAAP) which sought to build on SDF activities while responding to some of the criticisms of its limitations.[17] Its components will be that of the SRP in Zambia, with most funds devoted to micro-projects (USD 37.5 million) and a poverty-monitoring component (USD 3 million). The project will be funded by an IDA loan over five years (1998–2003), with grant financing for institutional support and capacity building (USD 5.5 million) (World Bank 1997g). The separate programme to strengthen Rural District Councils (see above) is seen as a key complement to CAP.

Several key issues arise in relation to so-called «safety net» programmes which are common to Malawi and Zambia and from the information available to date, likely to be relevant to Zimbabwe as well.

[17] See R. Moorsom with J. Matanga and L. Sachikonye, (1997) for a discussion of these issues, including limited outreach, procedural barriers and institutional confusion.

A key feature of the «bottom-up» community projects component is that they are meant to be demand-driven. They are preceded by Systematic Client Consultation and are intended to respond to demands articulated by communities. In both Malawi and Zambia, the main priority of consulted communities was in relation to increasing opportunities for income generation. However, the Bank's official view, not shared by all staff members, is that the management units created to run these projects do not have the capacity, experience or skills to support revenue-generating interventions such as credit provision and micro-enterprise development. In practice, almost all micro-projects funded are for the rehabilitation or expansion of infrastructure for basic and social service provision. This implies that funding decisions are to some extent supply-driven, circumscribed by institutional capabilities rather than being completely demand driven by the priorities which the communities have identified. The MASAF management unit has planned a study to examine whether to include credit provision in a possible follow-up project.

Table 4.3 shows that the creation or rehabilitation and refurbishment of infrastructure in health, education and water are the main community projects funded by MASAF and SRP in Malawi and Zambia respectively.

It would seem that projects such as MASAF and SRP are effective and efficient mechanisms for improving physical facilities for social delivery, particularly schools. These activities undoubtedly contribute to poverty reduction, and the approach used does increase community ownership of the schools. However, it is difficult to see how such projects can be conceptualised as safety nets according to the original definitions, where safety nets are intended to be interventions which address the needs of vulnerable groups and keep them from falling into absolute poverty.

Table 4.3 Projects funded by MASAF and SRP

	No. of projects	Education	Health	Water	Infrastructure
Social Recovery Project	644	76 %	14 %	7 %	4 %
MASAF	656	79 %	4 %	13 %	4 %

Sources: MASAF Factfile, April 1997; interview with C. Mambo, Microprojects Unit, SRP, Lusaka, November 1997.

Another important question is whether the projects are creating parallel structures to the sectoral Ministries responsible for education, health and water. Although there is some co-ordination at the district level in terms of siting and staffing of social infrastructure, these initiatives cannot substitute for national policies and programming by the relevant ministries. It is argued in Bank documents that independent project management structures are essential to the success of the projects in terms of community responsiveness and quick disbursement of funds. In some cases, institutional capacity building and reform of the social sectors are underway, but there do not seem to be any efforts to integrate policy lessons from these microprojects into sectoral policies and programmes. Thus although we can note that physical facilities for social delivery are being improved, the phasing out or integration of these initiatives into existing structures responsible for social services does not seem to be a planning focus from the inception stage.

In *Zimbabwe*, it is too early to judge success, but the implementation of CAP by the Ministry of Public Services, Labour and Social Welfare has the potential to increase existing institutional capacity and supporting the Ministry to change to a more participatory approach in its programming. However, the indications from the Ministry are that this programme will also focus on physical facilities for social delivery, which belong to the core activities of other ministries.

As for Malawi and Zambia, the in-country management units of MASAF and SRP are clear about their lack of capacity to target their interventions at particular geographical areas or population groups. Poverty is pervasive in both countries and requests are likely to come from needy communities. However, the respective management units admit that communities which are more organised and able to make the required 20 % community contribution are more likely to receive support. MASAF does have a plan to develop geographic targeting at a later stage in order to ensure that poor and remote areas have access to the project.

There is a plan in CAP in Zimbabwe to utilise available data from the Poverty Assessment Study (a multi-deprivation index has been developed) to target selected rural districts for intervention. Within districts, CAP field officers from the Rural District Councils will be trained in participatory rural appraisal techniques in order to build a poverty map of different communities which should then feed into project approval decision-making processes. The Bank is therefore promoting the further targeting of such projects.

Labour-intensive public works programmes, on the other hand, are self-targeting. The food or cash provided to labourers is generally below the minimum wage levels so that only poorer individuals would want to participate. However, there does tend to be a gender bias, with women having less access to these programmes in many areas. Constraints which need to be addressed to allow women to participate may relate to workload or to cultural perceptions as to what constitutes appropriate work for women. Such issues, however, are not being addressed within MASAF. Moreover, the Bank has limited investment in this area, with MASAF the sole project to include this component, devoting 27.3 % of total funding to 20 public works projects. Labour-intensive public works would have to become much larger permanent programmes within relevant sectoral interventions in order to have any lasting effect on poverty.

It is generally accepted that successful safety nets which address the needs of very vulnerable groups build on existing positive coping strategies. In Sub-Saharan Africa, there are complex systems of rights and obligations, including urban– rural linkages. However, some of them have been weakened by processes of social change. Many coping strategies have attendant costs to particular groups at community and household levels, for example, increasing women or children's workload, and/or such strategies are not sustainable in the long run. Building on positive informal safety nets is therefore a complex area. MASAF and SRP do not collect information or include components or strategies which take into account the need to disaggregate communities and households, with conscious attempts to include less powerful individuals and groups. In particular, inadequate attention is paid to gender differences in roles and access to resources which influence participation in and benefits from development processes.

In conclusion, the social funds have provided a more flexible and simple mechanism for financing micro-projects than other Bank investment; they have also raised the quantity and quality of social services for participating communities. However, they are not safety nets targeted at particularly vulnerable groups, using criteria such as location, income level or gender. Instead, they deal with provision of physical facilities for human resource development using a more participatory approach than the relevant line ministries. In particular, the Bank's safety net operations have not been sufficiently linked to broader initiatives to increase the productive capacity of poor groups, even though this has been the priority identified by communities themselves.

The PAs in both Zambia and Malawi recommended developing extensive safety nets, including labour-intensive public works. In addition, the Malawi PA recommended as a safety net short-term subsidies to input-distribution programmes in agriculture. With the exception of a small public works component of MASAF in Malawi, these recommendations have not been implemented. Safety nets, as they are being put into practice or planned, seem to be implementing recommendations of the PAs to increase access to and quality of health and education services, both of which belong to the second prong of the Bank's poverty-reduction strategy.

5 Norway, Poverty and the World Bank

Norway takes a deep interest in the role of the World Bank and seeks to play an active role in the governing bodies of the institution. This is based on Norway's general position in international politics. As a small country, Norway wishes to strengthen the multilateral system in all areas of international affairs, not least in aid policy (Norway 1997a: 17– 21). Norway is a small shareholder in the Bank as well as in IDA, with a voting power of less than 1 %. However, it is widely recognised that Norway's influence goes well beyond formal powers in governing bodies, due in part to the heavy use of earmarked funds to promote and strengthen certain priority issues. For instance, Norway is the fourth largest contributor (after Japan, the Netherlands and Denmark) to the Bank's trust funds which are used to finance priority development activities (World Bank 1997l: 124).

According to official policy documents, Norway expects through its relations with the Bank to achieve two main purposes: to learn from the expertise and capacity of the Bank, which (like other multilateral institutions) possesses expertise that is lacking both in the recipient country and in Norway's own aid administration; and secondly, to encourage the Bank to increase its efforts in areas which have high priority in Norwegian development co-operation.

This chapter will discuss how this Norwegian approach to the World Bank has manifested itself in the fields of poverty and poverty reduction during the 1990s. We will focus on the main positions taken by Norway and on the mechanisms employed for pursuing these goals, and attempt to assess their relevance in the development and evolution of the World Bank's three-pronged strategy.[18] This chapter will not address the first purpose mentioned above: the relevance of Bank policies and knowledge for Norwegian development co-operation. We will, however, return to some of these issues in the final chapter.

The focus here is restricted to the Norwegian Ministry of Foreign Affairs. It is this Ministry which is responsible both for Norwegian policy on development assistance in general as well as for Norway's relations with the World Bank, including giving instructions to the Nordic– Baltic representative on the Bank's Board of Directors.[19] The Norwegian bilateral aid agency, NORAD, is also involved with the World Bank and co-finances several Bank projects. However, this takes place as part of, or closely linked to, NORAD's aid programmes in individual developing countries, and not as part of deliberate attempts to influence the Bank's efforts at poverty reduction. Consequently, NORAD co-financing with the World Bank is not covered in this chapter.

This does not imply that closer co-ordination between the multilateral and bilateral aid in this area is unimportant. On the contrary, there is scope for major improvement in co-ordination between Norwegian bilateral and multilateral development co-operation for poverty reduction– not least in view of the Bank's emphasis on the need for closer donor co-ordination to achieve poverty reduction. This may have implications for Norwegian/NORAD co-funding with the Bank, for standpoints taken at consultative group (CG) meetings and for individual Norwegian country-assistance policies. Furthermore, lessons have been learned within NORAD which are highly relevant for the Bank's own policy development.

5.1 NORWAY AND POVERTY REDUCTION

Poverty reduction is an overall objective of Norwegian development assistance, but an explicit poverty reduction policy or strategy has never been elaborated. Or, put somewhat differently: Norway has not yet operationalised its commitment to poverty reduction beyond stating that it will provide development assistance to poor countries and that it intends to emphasise the social sectors (cf. also Ch. 1) In consequence, there has been no comprehensive attempt to clarify Norway's policy and position on several difficult issues and dilemmas related to the poverty reduction objective of development aid in general – dilemmas that also are key elements in the debate on the World Bank and its poverty profile.

[18] The main source of information are interviews and consultations with staff at the Development Bank Division of the Norwegian Ministry of Foreign Affairs and with Bank staff dealing with Norway. These sources are supplemented with data derived from internal documents from the Bank Division (Norway 1996, 1997b).

[19] Contrary to most other Bank member countries, the Norwegian Ministry of Finance is not involved in policy discussions in the World Bank. The Nordic– Baltic group has one joint representative on the Board of Directors.

There has been ideological cleavage between the World Bank's approach to development and poverty reduction, and the welfare-state philosophy of Norway and the other Nordic states. This was the case particularly in the early 1980s, when the World Bank was promoting the first generation of adjustment programmes with its strong emphasis on short-term macroeconomic policies for reducing the role of the state in the economy and drastic cuts in public expenditure, without protecting expenditure on primary education and health. This was also before the Nordic welfare state model began encountering financial problems and also started undergoing serious «structural adjustment», in particular in Sweden and Finland. By the mid-1990s, the picture had changed considerably, with fewer obvious differences between the development model promoted by the Bank and the model followed by Nordic countries. However, there are still important differences in the ideological underpinning of the development strategies of the Bank and those of Norway, illustrated for example by the rationale behind social sector investment. Norway and the other Nordic countries emphasise the social-rights aspect of providing health and education services, and see improved health and education standards as objectives in their own right (Øyen 1997). The Bank, on the other hand, cites the argument of high socio-economic returns in order to support investment in health and education (see Chapter 2).

During the 1980s Norway actively promoted the «adjustment with a human face» agenda both within the Bank and outside – through other international organisations, through Africa-based initiatives, and through other avenues. This was reinforced by the heavy criticism of the World Bank emanating from vocal NGOs, politicians and academics. It also forced the Ministry of Foreign Affairs to spell out more clearly its policy towards the Bank, and probably contributed towards making Norway play a more active role vis-à-vis the Bank.

Norway was a particularly strong player in the Social Dimensions of Adjustment programme which provided the foundation for the Bank's current approach to poverty reduction and the three-pronged strategy. Throughout the 1990s Norway has been a firm supporter of the Bank's renewed focus on poverty reduction. As to the differences between the World Bank and Norway today, the World Bank puts greater emphasis on economic growth and liberalisation than Norway does. Norway's position seems to have centred around the need to strengthen funding for social sectors and to keep «poverty» on the agenda.

5.2 NORWAY AND POVERTY REDUCTION THROUGH THE BANK

The earmarking of contributions has probably been at the core of the Norwegian strategy to influence the Bank and to promote «mainstreaming» of objectives and issues deemed important for Norway. Such earmarking has been systematically combined with efforts to put issues on the agenda; with support to the preparation of policy papers and their approval; with the formulation of Bank policies and operational directives; and finally with efforts to ensure monitoring and evaluation. This is a strategy which has been pursued with respect not only to poverty but also to environmental and gender issues.

Below we shall briefly present the main channels for Norwegian efforts at aimed at promoting poverty reduction in the work of the Bank.

The Bank's governing bodies

These bodies are clearly important since it is they who approve and adopt strategies and policies. Through these bodies, poverty can be put on the agenda, policy papers approved, and operational directives adopted. Norway has pushed poverty issues repeatedly in all the governing bodies and policy-making fora, including:

- annual meetings of the Bank and meetings of the Development Committee, a joint IMF and World Bank ministerial committee discussing overall development issues.
- the Bank's Board of Directors, who meet twice a week to discuss overall Bank policies and practices. Norway has also been a firm supporter of the ongoing institutional reform and streamlining of the Bank, seeing this as a process which will lead to greater focus on the social sectors and poverty reduction.
- IDA replenishment negotiations, held every three years. They set priorities and requirements for the use of IDA funds and have become important in setting new requirements for IDA operations with subsequent impacts also on the Bank Group as a whole. (The strong Bank focus on poverty assessments and the country assistance strategy processes owe much to the efforts of IDA deputies.)
- meetings with the World Bank's President, where Norwegian ministers have repeatedly emphasised the importance of the Bank adopting a strong focus on poverty.

Earmarked financial assistance

In addition to pushing poverty issues at the policy level in various Bank fora, Norway has provided earmarked funding (co-financing) for poverty-reduction purposes – both for strengthening the Bank institutionally with respect to poverty, and for supporting specific poverty-focused projects at the country level.

Earmarking assistance to the Bank (and other multilateral institutions) has emerged as a significant way of promoting Norway's policy objectives (Norway 1997a: 19). Earmarked financial contributions and co-financing are used to influence the Bank's policies. Norwegian earmarked contributions aim at financing activities where it is assumed that Norwegian contributions can act as catalysts in influencing Bank policies and practices. Highest priority from the Norwegian side has been accorded to the environment and gender, but poverty reduction has also been identified as a priority area for earmarked assistance.

Norway's earmarked funding to the Bank can be divided into two major categories: support to institutional development, and support to individual projects.

A: Institutional support

Norway has over the years provided substantial assistance enabling the Bank to strengthen its competence and capacity to work on poverty issues. This has included:

- support for strengthening the analytical capacity of the Bank, making it possible to focus on new issues and to be more innovative and pro-active than would have been possible with only regular Bank funding;
- secondment of Norwegians with specialised skills in analysing poverty data and social development; and
- pilot schemes to demonstrate new and innovative approaches to Bank staff, to borrowing countries and to other donors.

This support has mainly been provided through first the *Social Dimensions of Adjustment* (SDA) programme (1987–93). Norway was among the most active countries behind the establishment of the SDA and one of its largest contributors. Much of the Norwegian support focused on developing survey data methodologies and on strengthening local capacity for poverty data collection, analyses and monitoring in borrowing countries. Norway's SDA contribution for the period 1987– 93 totalled NOK 56 mill.

Assistance to the SDA was followed by support to the *Africa Poverty Trust Fund* (1994– 97), which provided financial support to the former Poverty Group of the Africa Technical Department. Here the major aims were to build up national capacity on poverty statistics, to strengthen the process of institutionalising poverty assessment and to develop data bases on households and living conditions. In addition, the fund has been used for strengthening the focus on gender aspects of poverty, by financing collection of gender-specific poverty data and analyses of impacts of adjustment programmes. The fund has also financed training activities for African statisticians and has facilitated exchange of experiences on poverty-related issues among African countries. Moreover, it has contributed to the financing of the important report on *Taking Action for Poverty Reduction* (World Bank 1996k). The fund also partly finances the annual status reports on poverty in Sub-Saharan Africa prepared for the SPA Working Group on Poverty and Social Policy (see below). Norway's contributions to this fund amount to NOK 20 million

B: Project support

In addition to this institutional support, Norway has provided direct financial support to individual World Bank projects, especially through co-financing of selected projects within specific areas and geographical regions. A chief objective has been to strengthen the Bank's profile and interventions in social development and poverty reduction. This has been reinforced in recent years, with Norway seeking to focus its co-financing on a more limited number of priority sectors and areas – poverty being one of these. The intention is to move away gradually from supporting individual projects, towards supporting workmore directly aimed at influencing Bank activities to become more in line with Norwegian development priorities

The current portfolio of co-financing projects largely reflects this. An internal 1997 MFA review) of the NOK 700 mill. co-financing portfolio shows that more than 30 % was for health and education, 14 % for gender activities and 12 % for what were termed «poverty-focused activities». Among the major new poverty- focused projects are funding for the Bank's follow-up and further development of the 20/20 initiative as well a sizeable contribution (NOK 10 million) for the joint Bank/NGO Structural Adjustment Participatory Review Initiative (SAPRI). (See more on SAPRI in Ch. 3.)

Co-ordination fora

In addition to working at the policy level and providing earmarked contributions, Norway has also used various co-ordination fora to pursue poverty reduction. The Bank plays an important role in donor co-ordination, and several co-ordination processes have become central fora for discussing donor approaches to poverty reduction. They are also seen as important bodies for influencing the Bank's approach. Some of the key fora in this respect are:

- The Special Programme for Africa (SPA). The SPA is the key co-ordination process and forum for the support given by the World Bank, the IMF, the African Development Bank and bilateral donors to the economic reform process in African countries. During its 10 years of existence, its importance has increased in terms of co-ordinating and influencing adjustment policies. Norway worked actively to get poverty on the SPA agenda.
- The SPA Working Group on Poverty and Social Policy. This working group addresses the key issues on the links between adjustment, economic growth and poverty, and provides input to the biannual SPA plenary meetings. Norway was active in the establishment of the group and organised its first meeting in Oslo.
- CGAP (Consultative Group to Assist the Poorest) has become the key forum for co-ordinating and exchanging experience on support to micro-credit mechanisms. Norway participates actively in the CGAP.
- The former SDA Steering Committee. This committee consisted of the contributors to the SDA programme: the World Bank, UNDP, the African Development Bank and bilateral donors, including Norway. The group primarily gave guidance to and monitored progress of the SDA programme, but was at the same time an important forum for discussing social consequences of adjustment programmes. As one of the major bilateral donors to SDA, Norway was particularly active in this steering committee.

5.3 ASSESSING RELEVANCE AND ACHIEVEMENTS

The overview above does not enable us to deliver any final judgement or evaluation of the role and impact of Norway's efforts to influence the Bank. But it does paint a picture of a small country which fairly consistently has striven to promote poverty reduction through its policy of earmarked funding and taking an active position in governing bodies. Combined with the insights from previous chapters, this suggests that the efforts made by Norway have been both timely and relevant contributions to the development of the World Bank's approach to poverty reduction.

Norway's main contribution seems to have been its ability to stimulate and strengthen the process towards increased Bank commitment to poverty reduction. Norway has made an impact in contributing to putting poverty issues on the agenda. Furthermore, it has played an active role in promoting poverty issues at each critical juncture in the evolution of the Bank approach to poverty– from the SDA programme at the end of the 1980s through the 1990s and into the current efforts to reorganise and streamline the Bank.

Norway seems to have had less of an impact on the Bank strategy as such, and on the evolution of the three-pronged approach. Norway confined itself to advocating an increased emphasis on social sectors in investment lending and in the adjustment operations. Norway has not– as far as we can establish– made any substantial criticism of the main pillar of the Bank approach: macroeconomic policies and broad-based growth or the relations between the different prongs. This is perhaps not surprising; as pointed out above Norway has not developed any clear poverty-reduction strategy and finds itself– like most other donors– far behind the Bank in developing operational policies for reducing poverty.

We can also conclude that Norway has made a sizeable contribution and impact on poverty studies in Africa through its major financial support (and some technical assistance) to data collection, analysis and capacity building. This is an area where Norway has concentrated much of its support, first through the SDA programme and later the Africa Poverty Trust Fund, a support which has been both timely and relevant.

A final observation also relates to the Norwegian strategy of combining earmarked funding with activities at the policy-making level. This complementarity has probably increased the total impact of Norway's activities. Bank staff frequently mentioned how Norway, in contrast to most other member countries, supplements and matches pressure and points of view expressed at the policy level with financial and intellectual input and support. This in turn acts to heighten the policy impact of Norwegian interventions.

There are some clear conclusions to be drawn from these observations. The first is that Norway should continue its strategy of combining co-financing of projects and trust funds with policy interventions in a few priority areas. It may even benefit from a further concentration of efforts and priorities. This should, however, not rule out the need to maintain flexibility and to allocate seed money for innovative projects and activities.

A second conclusion is that the Norwegian focus on poverty analysis in Africa should be maintained, but that it may be expanded to incorporate impact monitoring and evaluations of poverty-reduction policies. The Bank's monitoring and evaluation capacity on this needs to be strengthened. This work may also include efforts to support research and policy studies to improve strategies for poverty reduction, such as ongoing analytical work leading up to the Bank's next poverty report – the World Development Report 2000.

A third is the monitoring and evaluation of the impact on poverty-reduction policies of the current reorganisation and streamlining of the Bank. This includes the role of the new country focus and priorities given to country assistance strategies.

Norway should also consider to provide assistance to efforts to strengthen borrower input into the consultation and dialogue process that lead up to the formulation of the Bank's country assistance strategies.

We shall return to some of these issues in the concluding chapter.

6 Conclusion

This report was commissioned by the Norwegian Ministry of Foreign Affairs to review experiences of the World Bank in operationalising policies for poverty reduction. Operationalisation is understood as the linkages between the World Bank's strategy for poverty reduction and the Bank outputs and interventions. The study has not attempted to assess the impact of these outputs and interventions. It has focused on the Bank's analytical work on poverty, its dialogue with borrowers, and its lending programme, with country cases selected from Southern Africa. In this concluding chapter we summarise our key findings and bring together insights from the various chapters under four main headings: the World Bank's road map; the weakness of strength; the impact of Bank policies; and recommendations for Norwegian policy.

6.1 THE ROAD MAP

At the level of development theory, the World Bank has maintained a remarkably constant approach to poverty reduction throughout its 50-year history, although policies and instruments have been changing. Its assumption has always been – especially since it began to turn from reconstruction to development in the 1950s – to view development and poverty reduction as fundamentally an issue of economic growth.

The specific growth policies pursued by the Bank have changed over the years – reflecting changing perspectives in economic theory, as well as conditions in borrowing countries. During the first 30 – 40 years the main focus was on the need to build up physical capital, especially roads, railways, harbours and other infrastructure. That changed in the early 1980s when the focus shifted to macroeconomic adjustment loans, but also – and gaining momentum from the late 1980s – to a growing emphasis on development of human resources, especially through primary education. The focus on the role of human resources in growth reinforced the prevailing view within the Bank that the growth process itself would act to reduce poverty, although it was also based on a growing acknowledgement of the importance of basic services for poverty reduction and the need to moderate the impact of adjustment on poorer groups.

The instruments used by the Bank have also changed considerably. In the early days and during the 1970s the typical channel for promoting growth was the project loan. During the 1980s this began to change, with an emphasis on programme loans and structural adjustment operations. This also marked a shift in the Bank's instruments for influencing borrowers. The Bank has always regarded itself as an institution with a missionary and educational role vis-à-vis its borrowers. During the 1980s this became combined with a growing emphasis on attaching conditionalities to loans. The number and scope of these conditionalities also expanded rapidly – an average of 56 conditionalities per adjustment loan was reached in 1990. In the 1990s this was combined with an emerging new realisation that «borrower ownership» and «participation» were important for achieving sustainability.

Poverty reduction was not originally a goal in itself, but rather an expected, albeit unarticulated, consequence of economic growth. It first emerged as a special concern in Robert McNamara's period as Bank President (1968 – 81). Not least due to the views of McNamara himself, it was now for the first time within the Bank claimed that economic growth policies would have to be supplemented by additional measures if poverty were to be reduced.

McNamara had strong persuasive abilities and was committed to his moral mission of reducing poverty. He wanted to redesign the Bank, mobilise other donors and secure commitment to poverty-reduction objectives from leaders in poor countries. However, rhetoric often outran implementation. It was not until the latter half of the 1970s that a project portfolio crystallised. In Africa this was manifested in several new initiatives to support small farmers and integrated rural development projects. Projects in other areas were also singled out in Africa, especially within urban areas for water supply and sanitation and for reaching low-income groups with improved housing (through upgrading and services site schemes).

These projects, the integrated rural development projects in particular, were not very successful. And with McNamara's departure and the new focus on macroeconomic adjustment, the concern with poverty reduction again dropped out of sight, although it did survive in a few organisational enclaves within the Bank. Concern with poverty reduction re-emerged in the latter half of the 1980s, again triggered by the arrival of a new Bank President, Barber Conable (1986 – 1991) and marked by efforts to highlight poverty reduction activities through reorganisation within the Bank. However, in contrast with the first attempts, this second thrust at establishing poverty reduction as an independent criterion was much more clearly a response to the external environment. The severe disruptive social and political impacts of the early structural adjustment programmes in Africa forced the Bank to pay more attention to the «human dimension» of its adjustment interventions. Perhaps most important was the Bank's funding concerns and the need to raise income through the general capital increase and the IDA – 8 negotiations in the latter half of the 1980s. The Bank took on board poverty and a range of other social goals as a way of responding to these pressures and of winning support from Washington-based NGOs and key shareholders.

The move from rhetoric to operations was, however, gradual. Furthermore, it was – in a fashion similar to McNamara's early period – characterised by delays resulting from internal resistance, false starts and instability and infighting that revolved around competing claims of social and economic objectives. A core challenge remained the lack of a coherent operational policy, beyond simply calling for economic growth. An intellectual framework for a more poverty-focused strategy finally emerged with the 1990 World Development Report which, with later elaboration, led to a «new strategic approach» based on three pillars or «prongs»: broad-based economic growth, development of human resources, and the creation of social safety nets. This can perhaps best be summarised as a combination of poverty reduction through measures for improved «trickle down», and short-term poverty alleviation through safety nets. In assessing the three-pronged strategy in a historical perspective, one should acknowledge that it emerged more as a result of a piecemeal adaptation to external pressures and new understanding, rather than the outcome of coherently designed poverty research. This strategic framework continues to be challenged from outside as well as inside the Bank.

The commitment to the new strategy gathered steam throughout Conable's term, although the tensions continued between conservatives sceptical to broadening Bank interventions into «welfare objectives» and those focusing more on poverty and social issues. This was also mirrored in competing claims and institutional rivalries between different departments and operational sectors within the Bank. The growing focus on poverty may have been somewhat restrained in Lewis Preston's period as Bank President (1991 – 95) – also because the new members from the «transition economies» in the East consumed a larger share of energy and resources. The commitment to poverty reduction has been further reaffirmed under the current president, James Wolfensohn (1995–). Further reorganisation initiated in his period is intended to strengthen the Bank's borrower orientation through an improved country assistance strategy and dialogue; to build a more flexible Bank through decentralisation of powers and functions to resident missions and design of new lending instruments; and to create a more open and responsive Bank through dialogue and co-operation with other donor agencies and NGOs.

Poverty reduction has increasingly become mainstreamed within the Bank. Work on poverty and social issues has expanded and moved out of organisational enclaves to make an impact on Bank-wide policies, operational guidelines and procedures. There is also a visible impact on the composition of lending, especially related to social sectors and human resources development. Beginning in the latter half of the 1980s, the Bank's lending to these areas has increased significantly. The Bank is now probably the single biggest external contributor to primary education in Africa. The strategy itself, however, is both unclear and vague. The lack of definitional precision in Bank documents – Who are the poor? How do they benefit? What are the distributional impacts? – indicates the difficulties faced by the Bank in designing and adopting a proper road map for poverty reduction.

Fundamental questions must also be asked about this three-pronged strategy. There has been a insufficient progress in refining and operationalising the term broad-based economic growth. How different is it from previous growth policies pursued by the Bank? There has been shifts from investments in physical capital to investments in human capital, and there has also been a stronger focus on supporting small farmers, micro, small, and medium-sized enterprises. Economic liberalisation remains the main Bank policy for growth.

Furthermore, is a reliance on economic growth with human development sufficient to bring poverty reduction? Until recently, the Bank has paid scant attention to what others would claim are key determinants of growth and poverty reduction: the distribution of assets, both physical (e.g. land) and human capital, and the distribution of political power and the ability of poor groups to influence public policies. The Bank has traditionally seen changes in inequalities as a consequence of economic growth, and has considered distributional issues to be a difficult point.

Redistribution, in their view, could lead to populist transfers, fiscal destabilisation and reduced growth. Income distribution and social inequities as possible cause rather than consequence had simply not been an issue for the Bank. Now economists have put income inequality firmly on the agenda as a possible constraint on growth and on poverty reduction, directly and indirectly through its negative effects on growth. They argue that economic growth, even when combined with increased social spending, may simply not be enough to make any real dent in the problem of poverty in highly unequal African countries. In fact, minimal progress against poverty may even be affected by a worsening income distribution that has come about as a result of initial high asset inequalities.

These issues have now emerged as a topic on the Bank's research agenda, and the Bank has also begun to address some of them in its work. Property rights, land reform, access of the poor to legal systems and credit, fair competition, gender inequalities, and empowerment and distribution of political power – these are now beginning to be addressed by the Bank. This development is also increasingly evident in more recent poverty assessments and in some country assistance strategy documents. In some cases it has also filtered down into lending operations and pipeline projects. This is – on a modest scale – evident in all the three case studies taken up here, especially in the safety-net operations and in rural development projects. It is also evident in the new focus on micro-credits and the evolving new lending instruments and use of NGOs as intermediaries. However, it has not yet been developed into Bank-wide operational polices. The change has mostly, but not entirely, been confined to micro-level and pilot projects, with the Bank struggling to figure how to deal with these issues and concerns.

6.2 THE WEAKNESS OF STRENGTH

The World Bank has become the predominant external development assistance actor in Sub-Saharan Africa. In terms of policy analysis and policy development, donor co-ordination and (with IMF) financial flows, it has dominated the international aid regime in Africa – at least since the mid-1980s. The scale and scope of the Bank's involvement in Sub-Saharan Africa over the past 25 years have also been different from that elsewhere. Africa is also the only operational region for which, from the early 1980s onwards, the Bank regularly undertook region-wide analysis. This dominance may have given the Bank greater leverage towards its African borrowers, but the limitations and weaknesses of this strength are also clearly evident in the Bank's efforts at poverty reduction.

6.2.1 External limitations

The Bank may or may not have a good operational policy for poverty reduction, but this does not necessarily mean the Bank controls the implementation or the outcome of its interventions. For one thing, the Bank's operations are constrained by policies adopted by the owners, especially the G7 group of powerful Northern governments, which formally makes key decisions through its Governing bodies and consultations. This is illustrated by the role of the International Monetary Fund in Bank operations in Africa. The Fund has been focusing on the size of the fiscal deficit and the level of external debt, whereas the Bank has been more growth-focused – a point which often spills over into contentious debates on specific budgetary items. The IMF has retained its position as the official gatekeeper in most cases. It is the senior partner in preparing the important Policy Framework Paper for countries undergoing adjustment programmes; it enjoys primacy in discussions of macroeconomic issues; and Bank support for adjustment is conditioned on the Fund programme being on track. Above all: the ability of the Bank (and of the IMF) to influence the agenda and the external framework for Africa's development may also be declining in today's increasingly globalised world, with its liberalisation of financial markets and world trade, and the emergence of new bodies like the World Trade Organisation.

The Bank is also constrained by its funding requirements. This is particularly evident in the regular struggles to secure replenishment of the IDA fund. Political opinion in major member countries is often crucial here. This has also given Northern NGOs, especially those based in Washington DC, much stronger influence over the Bank. This has been a significant factor behind the Bank's special operations and the stronger focus on crosscutting issues such as the environment, gender or poverty.

The single most import external constraint, however, has been emerging out of the Bank's relations with its African borrowers. The Bank may have well-designed poverty-focused policies and lending proposals, but these will have to be adopted, partly or wholly, *and*implemented by the borrower to be of any effect. The World Bank does not run the borrowing countries although Bank influence may be strong. The borrower may not agree or be willing to follow the policies prescribed by the Bank. Pursuing poverty reduction is not simply a technical question; it involves broader policy issues of distribution and it may challenge existing power relations, embedded in hierarchies of class, ethnicity and gender, especially if these policies also address issues of asset inequalities and redistribution. The new emphasis «participation» and «empowerment» are also sensitive topics. They will frequently involve decentralisation issues and through that also distribution of political power. Focusing on such issues under conditions of low or no economic growth is even more difficult.

An even greater challenge concerns the borrower's capacity to implement poverty reduction policies (or any other policies). Social and political institutions in African low-income countries (the IDA countries) tend to be woefully inadequate. This applies not only to state institutions – which in most cases are the implementers of Bank projects – but also to institutions in the private sector, both non-governmental organisations and those in the business sector.

There is a thin line between assisting a borrower in project preparation and implementation, and undermining borrower responsibility and commitment. Most foreign donor agencies now realise that, without borrower responsibility and commitment, it is simply not possible to ensure proper implementation and sustainability. The poverty agenda has reinforced these concerns. The dilemmas are real: The Bank may concentrate on promoting ownership and strengthening institutional capacity. This is crucial to ensure sustainability, but objectives such as poverty reduction may suffer in the short run. Taking a more interventionist role by either *de facto* bypassing state institutions or taking a more hands-on approach to state management may yield short-term benefits but undermine sustainability.

The Bank has responded in various ways to these dilemmas. It has, on the hand, introduced new conditionalities and prescriptions in Bank policies, evidenced through Policy Framework Papers and adjustment operations which have led to the familiar problems associated with non-commitment and poor implementation. There have also been new efforts to promote donor co-ordination and to strengthen ownership and borrower influence. This is also evident in the greater emphasis on strengthening the capacity of recipient government agencies to act effectively, as seen through both adjustment operations and more directly through special projects aimed at strengthening institutional capacities.

On the other hand, there has also been a growing experimentation with micro-level projects involving closer co-operation with private institutions even acting as intermediaries outside or insulated from the borrowing government. The safety net projects, especially some of the social funds, and more recently CGAP are major examples of this, but there are also earlier examples, especially in some of the Bank's projects for provision of infrastructure services for the urban poor. The Bank's experiences in this field, as well a those of other donor agencies, are that it is possible to implement some redistribution through most recipient governments as long as there are some competent government institutions at some levels (local, provincial or sectoral).

The problems of limited and weak borrower capacity are likely to further expand with the weakening of state institutions and even state collapse in many African countries.

A third powerful constraint facing a more poverty-focused Bank stems from the Bank's problems of legitimisation and image in Africa. Trust is essential for a successful relationship between the Bank and the borrower, especially when this relationship focuses on policy issues and policy advise. The Bank, together with the IMF, has been a highly unpopular foreign donor agency in Africa, because of the unpopular adjustment operations, the distinct ideological edge to its intellectual pronouncements, and the perceived arrogance in its dealings with African borrowers. The 1990s have seen marked improvement in Bank – borrower relations, compared to often quite hostile relations that characterised the 1980s. The dialogue between governments and the Bank has experienced significant improvement, whereas Bank relations with NGOs and the wider community still are very tense.

Finally, we need to emphasise a rather obvious point: reducing poverty in Africa necessarily involves addressing complex development issues. There are various competing choices and policies for growth and poverty reduction. There exists no clear textbook solution or operational policy that can bring us to the goal of poverty reduction.

6.2.2 Internal limitations and the operational landscape

Several internal constraints also impinge on the Bank's ability to pursue poverty reduction. One is staff capacity.

Pursuing projects and issues involving broader policies is far more demanding, in term of both preparation and supervision, than are standard investment projects involving physical capital. This is even more demanding in environments with a high degree of instability where key assumptions frequently change. It also requires a professional competence in areas such as social policy, gender or institutional development where the Bank's competence is far from sufficient despite recent efforts to expand recruitment. The Bank has a huge bureaucracy and counts thousands of economists and engineers among its staff, but the «NESS» category («non-economic social scientists») includes only a handful of political scientists and a few dozen anthropologists and sociologists.

The aggregate staffing quality in the Bank's Africa region is also reported to be below the Bank-wide average – notwithstanding outstanding individual work at all levels. Professional staff often prefer to work in other and more rewarding environments, such as East Asia or Eastern Europe. Staff turnover is said to be much higher in the Africa region than the Bank-wide average.

A second pressure is lending. The Bank's chief purpose is to provide development finance and to lend money. In the Africa region, concessional IDA lending dominates, and here a different pressure is important: the Bank has to spend the money in order to secure the inflow of new money. The regular IDA negotiations and replenishments depend on success, and success is partially measured in volume of lending. Lending pressure is now less evident at the operational level – it has been formally removed from task managers and country directors – but it still represents a critical factor and is not likely to disappear.

The disbursement pressure is also evident at another level, in the pressure for quick disbursements under the adjustment operations. This type of programme lending has several objectives – partly to transfer flexible resources such as budget support, but also to change policies and reform institutions. In practice, the urgency of the first objective often weakens the other, and the result is quick disbursements at the expense of policy reform.

Thirdly, the decision-making process within the Bank also in some respects hampers its ability to pursue poverty reduction policies. The strong centralisation and the weak residential missions in the Africa region serve to limit the Bank's ability to engage in ongoing dialogue with borrowers and other donor agencies.

Fourthly, the Bank's heavy emphasis on programme lending through adjustment operations may not be the best vehicle for promoting poverty reduction. In some cases, policy reform can be pursued through such interventions. However, in most cases, the sheer multiplicity of objectives – as noted above, the average number of conditionalities per operations has reached 56 and is still rising – and the difficulties associated with lack of ownership and poor implementations, suggest that other avenues and investment lending may be more efficient as a basis for dialogue, institutional development and implementation of poverty-reduction policies.

The Bank is seeking to address these issues, especially through the ongoing reorganisation initiated by its new President, James Wolfensohn. The changing operational landscape can be assessed through four key questions addressed in this report.

1: Does the Bank's analytical work on poverty lead to improvements in Bank policies?

The Bank has undertaken an impressive amount of data collection on living conditions and poverty in Africa. Efforts to analyse the data, especially through the Poverty Assessments, have also made an important contribution to the understanding of poverty in the region. Traditionally, the Bank has relied on a fairly uni-dimensional understanding of poverty based on crude income-poverty, and its data collection has often been confined to collecting a wealth of information on «correlates of poverty» that provide poverty profiles, tell who the income-poor are and where they live. There has however, been a steady improvement in the analytical and methodological approaches, including use of qualitative and participatory methodologies, and an increased focus on social indicators as well. Previously neglected or taboo areas – such as asset inequalities, e.g. related to land reform, and social exclusion – have also emerged as items on the research agenda. This has enabled the Bank to provide a richer picture of the incidence, depth and severity of poverty. It has also opened up a debate on the causes and characteristics of poverty, and broadened the debate on what must be addressed. On the other hand, the Bank has not been able to develop sufficiently country-specific policies for poverty reduction beyond the general prescriptions related to growth and increased public spending on the development of human resources.

It is difficult to draw firm conclusions about the impacts of the Bank's analytical work on the evolution of Bank strategies and policies. This work has clearly been significant in creating an awareness of poverty and has helped focus Bank attention on poverty reduction. It has also filtered into the Bank's operational procedures and guidelines, where there is now a much stronger emphasis on poverty. The country studies in this report also convey the impression that the Bank's Poverty Assessments and other analytical studies have had an impact on the Bank's policies and have helped to shape its lending programme. But they also reveal shortcomings and unresolved tensions: between macroeconomic prescriptions and poverty reduction; between growth and social objectives; between ownership and institutional development versus the desire to see rapid implementation and immediate results. The analytical work on poverty also underlines another key issue: poverty analyses which presents clear recommendations and operational prescriptions have a greater impact than studies with only vague policy recommendations.

The ongoing reorganisation of the Bank associated with the strategic compact may lead to a further strengthening of poverty studies, in the direction of formulation of more country-specific strategies for poverty reduction. That is the intention of the Bank's Poverty Anchor. The uncertainties around the future of Poverty Assessments and the role of economic and sector work suggest that this will have to be monitored and followed up. Progress will also depend on the role of the country directors, who now have much greater influence over the country programmes.

2: Does the focus on country assistance strategy change the Bank's relations with its African borrowers? Is the CAS an efficient vehicle for a poverty-focused Bank?

A stronger country focus is a chief objective of the ongoing reorganisation within the Bank. Also emphasised is the need for closer dialogue and consultations with borrowers, including non-governmental organisations and the business sector. The formulation of the Bank's country assistance strategy is a particularly important mechanism here (although not the only one). Formally, the CAS is a Bank document, but is envisaged to become a negotiated document that emerges out of discussions between the Bank and the government in the borrowing country. In contrast to past practices, the Bank has put considerable effort into broadening the dialogue and consultations by involving organisations and circles outside the government and state institutions. This has typically been through a series of – often quite extensive – workshops with target groups among NGOs and the private sector. This is a process which should be further strengthened. The process is, however, fraught with difficulties: it is still largely a «one-way» dialogue, mainly due to weak institutions in most African countries (this contrasts to some extent with experience from some of the stronger countries in Asia and Latin America); the Bank has been less successful in linking consultations to existing channels for political dialogue and has often created its own fora and arenas for consultations; and there is a widespread perception that whatever is said locally and emerges out of the consultations disappears once the World Bank teams returns to Headquarters and the project documents and recommendations get streamlined in the internal Bank processing. Such perceptions are reinforced by the fact that the output documents normally remain classified and are not formally accessible to institutions outside the borrowing government.

We understand that some of these weaknesses are being addressed, not least through the efforts to devolve greater functions and powers to residential missions. Through SAPRI, initiatives are also under way to make Bank documents more accessible.

There is a need for a clearer distinction between participation as a research methodology and participation as an aspect of empowerment. Participation «tools», such as participatory rural appraisal (PRA), beneficiary assessments and qualitative methods of observation, will not empower the poor unless participation extends into decision-making on planning and implementation. In general, the Bank should be careful in pursuing public consultation processes and participatory research methodologies, when these exercises remain locked into top-down and non-transparent decision-making processes. A central issue is the extent to which the Bank should pursue procedural conditionalities regarding the decision-making process in the borrowing country, rather than counting participatory exercises as a measurement of empowerment of the poor.

There is also another dimension to this which must be emphasised. If CAS is made a negotiated document, there is also a real danger that poverty may receive less attention, especially in situations where the national governments pay less attention to poverty issues. In those cases a poverty focus may be pursued at the sub-national level, through e.g. line ministries at the sectoral level, as well as at the project level through competent implementing agencies (e.g. local governments or private organisations). We would therefore emphasise that it is important for the Bank to retain its independent capacity to analyse poverty and present proposals for poverty reduction and a poverty-focused CAS as its contribution to the negotiating table. The OED's country assistance reviews and economic and sector work are important instruments here.

3: How poverty-focused are the Bank's lending operations and lending instruments?

The composition of Bank lending to Africa has changed significantly since the mid-1980s. Most noticeable from the statistics is the rapid expansion in lending to social sectors. A new feature in Bank lending is the safety-net projects, although these are small in terms of volume. A separate tracking or monitoring mechanism has also been institutionalised through the Program for Targeted Interventions. Around 40% of the Bank's investment lending to Africa is classified as poverty-focused according to the criteria set out there. The figure has remained relatively constant.

Programme lending through adjustment loans remains the dominant mechanism for Bank interventions in Africa. This activity has, according to Bank monitoring, become increasingly poverty focused by including conditionalities related to public expenditures on social sectors, establishment of safety nets, etc. These changes indicate that the Bank is changing and that it responds to demands for a different lending profile.

4: Is the Bank learning from its intervention?

This study has also shown that the Bank's learning capacity has increased. Its supervision and monitoring instruments have been refined over the years, including poverty indicators, albeit recurrent criticism that the Bank remains overly focused on quality of planning at the expense of supervision and monitoring of implementation. The main concern, however, is not with immediate outputs of Bank lending, but its medium and long term impacts. In fact, poverty monitoring within the Bank has been largely confined to tallying up poverty-focused projects and adjustment operations. Regular project monitoring and evaluations have focused on performance, activities and output, but limited attention has been paid to impacts.

There is a need to shift the focus to assess impacts of poverty and also to assess the overall impact of Bank policies on the poverty and the distributional impacts of their prescriptions for growth. The role of the Bank's Operations Evaluation Department is critical here, as are the overall country assistance reviews. To date, however, these have been undertaken for only a few countries.

6.3 IMPACT OF THE BANK'S POVERTY-REDUCTION POLICIES

This report has not been able to examine the impact of the Bank's poverty focus in any detail, as that lay beyond the scope of the study. Indeed, a full-scale impact evaluation of ongoing and planned activities is scarcely possible. Still, we would like to offer a few preliminary observations related to the impact of Bank policies on overall donor policies and donor co-ordination; on borrower policies; and finally on poverty itself.

The Bank has increasingly come to dominate the international aid regime with respect to prescriptions for economic policy. The Bank is less important in terms of co-ordination of poverty-focused development aid, but that is also because poverty never has been at centre of international aid co-ordination, at least not compared to economic policy management, adjustment operations or debt rescheduling. There is, however, a growing international concern with poverty – as evidenced in the 20/20 compact that emerged from the 1995 Social Summit and the OECD/DAC goal of halving the number of people living in extreme poverty by the year 2015. Most bilateral foreign donors within the OECD have also made poverty reduction an overarching or priority objective. Improved donor co-ordination in this field should be welcomed.

The Bank can be expected to play a key role in this process, not least because of its intellectual resources and its many achievements in operationalising poverty reduction. Despite various shortcomings, it is at present far ahead of other donor agencies. Improved co-ordination should be encouraged as it is important to operationalise the emerging new goals, and to bring poverty more firmly into donor co-ordination meetings such as the consultative group meetings. It is also important that other donor agencies – which may have better experience in promoting social objectives or in assisting empowerment strategies than the Bank – also bring their experience and lessons to the table with a view to improving Bank performance.

More difficult to assess is the Bank's impact on borrower policies with respect to poverty policy. What we do know is that the Bank consults more widely than it used to and that it engages broader circles in the borrowing country.

The focus on poverty has also become an issue in the country dialogue; in many African countries it has helped create awareness around poverty issues and to put them on the national agenda. There are however great variations here. Much also depends on the political conditions and receptiveness in the borrowing country, as well as on the quality of the policy dialogue. The greatest impact, however, stems from the sheer size of the Bank's involvement. When the Bank does get involved, it gets involved in big way, and this makes a difference. When it does decide to invest in, say, primary education in an African country, it is likely to have a major and direct quantitative impact on that sector – as was shown in the case of Malawi, discussed in this report. A strong Bank intervention may also be reinforced through additional funding from other donor agencies.

The ultimate test of any poverty-reduction strategy is of course its ability to reduce poverty. The Bank's main activity and lending operations have concentrated on economic growth and increased public spending on human resources. A focus on economic growth is necessary for any poverty reduction in Africa. Over 20 of the countries of Sub-Saharan Africa have average annual per capita incomes of less than USD 366. It is simply not possible to significantly reduce the numbers living in extreme poverty (one US dollar a day or less) without major economic growth. The Bank's operationalisation of this has largely been a continuous focus on adjustment operations which has been expanded to include policy reform and institutional development related to the development of human resources.

There has been some investment lending and new projects focusing on poverty reduction, but overall the Bank is still grappling with how to pursue poverty reduction in projects beyond simply investing in the development of human resources. The Herculean task of finding ways to promote labour-intensive growth and invest in productive sector has not yielded much, although the past few years have seen innovative attempts to focus on the informal sector, micro-entrepreneurs and rural producers. Many of the achievements here, although limited, may also have been undermined by other prescriptions from the Bank, especially those centred around its often heavy-handed approach to market liberalisation, as evidenced in the country cases in this report.

The social safety nets are new poverty alleviation measures that have been innovative projects with some success: they have been demand-driven and community-focused; they have provided support for local organisations and contributed to a strengthening of capacities at the community level. These projects are, however, few in numbers. Nor do the projects, in most cases, contain strategies to include less powerful and more vulnerable communities groups in communities. Frequently, they are simply alternative means of funding physical facilities for social delivery such as school buildings – activities that normally should have been undertaken by line ministries. They therefore also run the risk of undermining state capacities and further weakening sustainability and ownership.

This study also suggests that the main beneficiaries of the Bank's poverty focused projects in Africa may be the «better-off» among the poor, rather than those living in extreme poverty. They may be unaffected or in some case perhaps even worse off in the short-to-medium term. The discussion of the «road map» above also suggest that the Bank's approach may have limited impact on poverty unless it can manage to address and promote a reduction in asset inequalities. There is little evidence to suggest that gender inequalities are addressed, despite the negative implications of these inequalities on agricultural productivity, household nutrition and women's own health and well being.

6.4 NORWAY AND THE BANK

The World Bank is not a static institution unwilling or unable to respond to external demands and pressures. The Bank is shaped not only by its shareholders and governing bodies but also by its interaction with borrowers and other donor agencies. The current reorganisation and emphasis on a stronger country focus and «client orientation» as well as «partnerships» with donor agencies, NGOs and others open up further opportunities for influencing the Bank.

Norway has played an active role in the development of the Bank's approach to poverty reduction. It has fairly consistently promoted poverty reduction within the institution, through the combined efforts of earmarked funding to priority areas and by playing an active role in the Bank's governing bodies. We can conclude that Norwegian interventions have been both timely and relevant inputs into the evolving Bank approach to poverty – from the SDA programme in the late 1980s through the 1990s and into the current reorganisation and rationalisation of the Bank.

The Norwegian approach is based on a familiar pattern in the country's relations with international organisations and the United Nations. Generally, Norway wishes to see a strengthening of the multilateral institutions and seeks to promote this through dialogue, active participation in governing bodies and strong use of earmarked funding. Norway also seeks to strengthen the focus on certain priority issues such as poverty.

The impact of these efforts is more difficult to assess, nor have we attempted to do so within the confines of this study. Generally, our impression is that the Norwegian input has mainly been confined to help in placing poverty on the agenda, rather than actual involvement in shaping the content and evolution of the three-pronged strategy itself – beyond the important emphasis on increased funding for social development. Norway also seems to have played an important role in assisting poverty studies on Africa through financial assistance to data collection, analysis and capacity building.

These Norwegian efforts should continue. In the light of the findings and assessment of Bank policies in this report we wish to put forward six recommendations for Norwegian policies to strengthen the Bank's role in poverty reduction in Africa:

1: Maintain pressure

Norway should continue to ask critical questions and emphasise the need to maintain the poverty focus in country-assistance strategies and lending programmes in individual countries. Despite the formal commitment to poverty reduction there are competing objectives, and poverty may not be given sufficient attention and priority at critical moments. Furthermore, Norway should help to ensure that there is a continued requirement to undertake Economic and Sector Work on poverty linked to the process of preparing country-assistance strategies. However, it must be borne in mind that there are no simple solutions for reducing poverty. Neither the Bank nor other donor agencies have any clear strategies on this. This calls for some caution in issuing firm policy recommendations and attaching conditionalities to the Bank's lending operations.

2: Use earmarked funds

Norway should continue to use trust funds for efforts to strengthen the poverty focus of the Bank. Future allocations may give priority to, *inter alia*, the development of more country-specific poverty-reduction strategies and operational approaches to neglected areas such as reduction of asset inequalities, social exclusion and the reduction of gender inequalities, as well as to the strengthening of borrower influence over the CAS process (see below).

3: Use the CAS process and strengthen borrower influence

Norway should support the CAS process and help to ensure that it becomes an instrument for committing both lender and borrower to development objectives and poverty reduction. Norway should support efforts that can strengthen borrower input into the Bank's country- assistance strategy.

4: Support monitoring and evaluation

Norway should continue to support monitoring and evaluation within the Bank, and help improve capacities to assess poverty-reduction efforts. This also involves continued support to strengthen borrower capacities to monitor and analyse poverty, and to evaluate Bank performance and impacts. Norway must also re-emphasise that the Bank puts more efforts into both assisting these efforts, and – especially – improves its use of data from institutions in borrower countries.

5: Link lending to borrower commitment to poverty reduction

The Bank is formally committed to linking their assistance to borrower commitment to poverty reduction. In a few CAS documents this has also been listed as a factor that may trigger higher/lower lending. This linkage needs to be operationalised. This may impact on the volume of lending (e.g. reduced lending with limited or no commitment), the composition (e.g. reduced lending to infrastructure or private sector to non-committed governments) and search for ways and means of assisting poverty reduction in countries with less committed governments (e.g. identify prospects for lending to sectors which may impact positively on poverty reduction despite low commitment to poverty reduction goals from the central government). Norway should support such efforts and also raise these issues when individual CAS documents are discussed at Board meetings.

6: Support donor co-ordination

Norway should continue to support efforts to strengthen donor co-ordination. This should include efforts to facilitate joint operationalisation of key poverty-reduction objectives from the multilateral organisations (such as the 20/20 compact); stimulate focus on poverty reduction within OECD's DAC; and improve the focus on poverty within donor-fora such as the consultative group meetings. Norway should also focus attention on possibilities for improved poverty focus in donor co-ordination at the national and sub-national levels. This may include further exploration of how and to what extent sector investment programmes can be an efficient mechanism for donor-assisted poverty reduction; the role of the borrower in donor co-ordination; or the impact of donor co-ordination on ownership and sustainability.

All the above carry implications for Norwegian bilateral development assistance. This has, however, been outside the proper scope of this study. Suffice it here to note that many of the recommendations above have a direct bearing on the bilateral channel; the need for donor co-ordination, strengthening of borrower capacities and an improvement of the CAS process. Norway may also, in its assistance to partner countries in Africa and in its efforts to strengthen the poverty focus, benefit from making better use of the resources and insights within the Bank. At the same time we should mention that some of Norway's lessons and experiences in its aid programme may prove useful to the Bank in improving its operationalisation of the poverty-reduction objective.

Annex 1: Terms of reference

Extracts from the project document outlining this study and its objectives are printed below.

1 INTRODUCTION

This project document is based on the original proposal submitted by CMI and CROP in response to the letter of invitation for tender, dated 18 April 1977, and on subsequent communication and dialogue between the Ministry of Foreign Affairs and CMI.

The study will be carried out by the Chr. Michelsen Institute (CMI) of Bergen jointly with the Comparative Research Programme on Poverty (CROP), International Social Science Council. CMI will be administratively and legally responsible for the assignment, and the team leader/coordinator is a CMI Research Fellow.

The two institutions share the professional responsibility for the output of the study. This is facilitated through an internal review process involving senior staff at CMI and the CROP Secretariat

1.1 CMI

CMI – Development Studies and Human Rights undertakes applied research related to developing countries. The professional staff include about 40 researchers, covering a wide spectrum of social sciences. CMI's main areas of research and consultancies are: North-South – aid and trade relations; poverty and structural inequalities, governance and political institutions, natural resource management, economic planning and management, populations in development, and human rights in North-South perspective. The overall objective is to assist national agencies and international donors in promoting equitable and sustainable development. Its staff has considerable long-term experience from operational assignments and field work in developing countries.

1.2 CROP

CROP is a world-wide network of researchers and experts on poverty, organised under the International Social Science Council. The aim of CROP is to establish an arena for inter-disciplinary and comparative research on poverty in developed and developing countries. CROP organises regional workshops, symposia and international conferences, promotes joint research projects and publications, links poverty researchers and disseminate information about poverty research. CROP has developed an international database on poverty researchers and ongoing research. The Secretariat of CROP is located at the University of Bergen.

2 CLARIFICATION OF OBJECTIVES FOR THE STUDY

2.1 General objective of the study

This study has been justified by the Ministry of Foreign Affairs in view of the ongoing work within the Ministry and NORAD to strengthen the *operationalisation* of the poverty reduction objective of Norwegian development assistance: «to contribute to economic and social development for poor countries and poor sections of the population». The primary objective of the study is to «provide a better understanding of the WB's *operationalization* (our emphasis) of policies and strategies to reduce poverty» (letter of invitation, para 2.1).

2.2 Understanding poverty reduction as a policy objective

Throughout the history of international development assistance, poverty reduction has been the core underlying objective. This applies to Norwegian aid in as much as the World Bank's lending policies. The underlying theme of most development research over the last three decades is poverty, not necessarily by name, but indirectly through the focus on processes of growth and distribution of wealth and services. At this general level, operationalisation of policies to reduce poverty becomes all embracing. It is about the implementation and net effect of all aid policies in combination. Poverty reduction is the automatic effect, or indication of, successful development.

Over the last decade, aid agencies and development banks, as well as several national governments, have been searching for a more focused and exclusive approach to the poverty issue. This reorientation has been motivated by the realisation that poor people, however defined, must be specifically targeted to mitigate against the structural disadvantages experienced by poor in the development process. This 'affirmative action' thinking calls for a different kind of analysis. One has to agree on who are the poor, what factors constrain their ability to improve their own situation, and how such factors can be ameliorated through public intervention programmes – or, as the terminology goes, how the poor can be reached.

The World Bank has been a leading agency in the attempt to develop an improved analytical basis for the formulation of more specific poverty reduction strategies. This work involves three main exercises:[1]

- analyse poverty and prepare country Poverty Assessments (PA);
- design Country Assistance Strategies (CAS) that support country efforts to reduce poverty; and
- measure and monitor progress.

Studying the WB's operationalisation of «poverty reduction» as a policy objective means studying the experiences of the Bank with respect to these exercises.

3 *ANALYTICAL FRAMEWORK*

3.1 Focus on WB decisions

Aid policies and strategies can be studied from at least two main perspectives:

- (1) the «operators» as decision-makers in formulating and implementing policies, and
- (2) the impacts of policies in the light of their objectives.

Covering both perspectives is indeed a complex research agenda. With a focus on a policy or objective as general as «poverty reduction», the agenda becomes even more wide ranging. Within the limited resource and time frame suggested for this study, it is critical to narrow down the perspective considerably.

This study will focus on the first perspective, i.e., on the WB as decision-maker. The objective is to investigate *how* poverty related analyses (i.e., the three exercises above) influenced

(a) the initiatives and positions taken by WB in the identification, appraisal and negotiation of loans to particular countries; and

(b) during supervision of projects under implementation.

It follows, that the study shall *not* evaluate the impacts of WB financed projects and programmes in terms of poverty reduction. The study will not evaluate the effectiveness and efficiency of programmes and projects, or assess their appropriateness in view of the poverty situation of a specific country. However, the study shall look at how the bank collects and makes use of information on impact obtained through monitoring systems.

The focus of this study should be on the *linkages between analyses and decisions*, not the longer-term effects of these decisions in terms of changes in peoples' livelihood. Or in other words, is the Bank trying to do what it has told itself to do to operationalise the objective of poverty reduction?[2]

Creating a climate for poverty reduction in borrowing countries.
Reaching the remaining poor.
Widening the coverage of poverty assessments.
Informing the policy dialogue with the borrowers and within the Bank.
Conducting further research.
Evaluating on-the-ground impact.
Broadening participation.
Strengthening partnerships at country level.

3.2 Focus on country cases

Furthermore, in view of the extensive literature on WB and poverty, both related to WB's operational activities (including the preparatory study by ECON)[3] as well as developmental impacts, this study will place strong emphasis on selected *country cases*. That is, to study in a selected number of countries the decision-making processes leading up to the current lending portfolios.

The study will take a *regional focus*, and select the country cases from one region, namely Sub-Saharan Africa. A more global perspective will be impractical, and make it difficult to draw general lessons of operational relevance. The three countries selected are Malawi, Zambia and Zimbabwe (see below for justification of the sample).

For each country a limited number of projects will be

[1] See World Bank, *Poverty Reduction Hanbook*, Washington, D.C., 1993; and World Bank, *Implementing the World Bank Strategy to Reduce Poverty*, Washington, D.C., 1993.

[2] See Chapter 3 of World Bank, *Implementing the World Bank Strategy to Reduce Poverty*, Washington, D.C., 1993.

[3] ECON, *Operationalisation of Poverty Reduction: The World Bank Experience and its Relevance for Norwegian Development Assistance. An Inception Report*, Oslo, December 1996.

selected for more careful scrutiny of the planning and implementation process. The team will select projects identified by the Bank as projects that particularly meet poverty reduction objectives.

The ECON-study provides sufficient background and summary of the general literature on WB-operations with respect to poverty reduction. To support the country analyses, however, the study will comprise a background document discussing the literature focusing specifically on Sub-Saharan Africa.

3.3 Hypotheses

The analytical approach is to empirically explore certain important issues raised with respect to WB operations. These are substantiated by recent studies and reflected in the conclusions of the ECON-study. These issues can be formulated as *hypotheses* related to WB as a decision-maker:

Poverty Assessments (PA) commissioned by WB does not lead to more poverty focused programmes and projects.

WB's definitions and analyses of poverty are static and yield few practical recommendations on how to address processes of poverty development.

The policy dialogue with the borrower is weak when it comes to poverty issues, and there is lack of borrowers' ownership to poverty reduction policies advocated by the Bank.

WB lacks access to an effective system for monitoring of the poverty situation in borrowing countries, in terms of quality and appropriateness of indicators, procedures for monitoring, and institutional capacity for data collection and for action in response to results of monitoring.

3.4 Specific questions

The study will address a number of specific questions:The first set of questions will *only*be addressed in the context of the three *country cases*:

- How does the Bank define poverty?
- What poverty indicators are being used?
- How are these definitions and indicators used in project design?
- How are these definitions and indicators used in monitoring of Bank financed programmes and
- projects?
- In particular, how are target groups being identified, if at all?

In addition, the study will address issues that require the team to take a *regional* perspective:

- What has been the effect of Norway's support to the Bank's work on poverty analysis in Africa (this may include countries outside our sample)?
- What are the main arguments used in the debate on definitions and indicators (related to the case countries, but also more generally to the region)?

The strong emphasis on the *WB as an institution*implies looking at procedures and practices institution-wide:

- Where and at what level in the Bank structure are decisions made that directly influence methods and use of poverty analyses in particular countries?
- How are decisions made, and the work co-ordinated?
- What procedures exist for ensuring that approved policies and strategies are implemented?
- What incentives exist in the organisation to encourage staff to focus on poverty reduction?
- What is the Bank using of its own resources (funds and staff) on activities directly related to poverty?
- How are these activities financed?

4 ORGANISATION OF THE STUDY

The study will be divided into three components:

4.1 Background study

Scope:

The study focuses on Sub-Saharan Africa and involves (a) a systematic review of all relevant literature on WB poverty assessments and WB literature pertaining to policies and strategies, with particular emphasis on the 3 countries selected. These reports will (b) be analysed in view of existing research in the region on the relationship between the WB supported policies and their effects on poverty alleviation, including reports from UNECA and UNDP.

The study will analyse the correspondence between the information gained through PAs and the actual use of such information by the WB, and look at the consequences of using different indicators. Through this exercise the underlying model for the WB's poverty activities will become more visible and questions can be raised as to the actual change of the model over time, its internal consistency and the implications for future policy development.

This literature review will be supported by a quantitative analysis of WB lending to poverty reduction 1970–96 (or possibly 1997) in the region. This will include details of how the WB lending priorities changed to each (and all) categories of project or program judged to be directly or indirectly related to poverty reduction. There will be more detailed information on the three countries, including a sectoral analysis of priorities and how these have changed over time.

4.2 Country case-studies

Scope:

This is a comparative analysis of WB's operationalisation of poverty reduction in 3 African countries. The objective is to throw light on the hypotheses (or some would call it allegations) listed above. The analysis would focus on how PAs, CASs and poverty monitoring instruments had an impact on:

- the policy dialogue between the Bank and the Borrower, including key national stakeholders;
- composition of the lending programme, related to volume, sectoral distribution, type of projects/programs etc.;
- type of conditionalities established in lending programmes;
- design or modification of specific projects, with respect to objectives, targeting, etc.; and
- implementation modalities, such as institutional partners, participation, capacity building, delivery mechanisms, supervision, etc.

It is important to select cases that represent variation with respect to the Bank as an 'operator', without introducing too much variation in critical macro variables (national income level, political system, resource endowment, culture, size and market integration). The countries are selected are Malawi, Zambia and Zimbabwe. They are neighbours and share a number of similarities.

4.3 The WB system

Scope:

This involves documenting in more detail than presented in the ECON-study the formal procedures within the Bank related to Operational Directive 4.15 on Poverty Reduction. More important, however, is to solicit the Bank's own assessment of where it stands, and where the efforts will be directed in light of the renewed emphasis on poverty reduction by the President of the Bank.

This entails:

- discussions on what constrains the WB from giving greater priority to poverty reducing activities (focusing among other things on institutional limits to large capital loans, staff knowledge, in-country capacity, mode of operation etc.);
- a discussion of the logic established within the WB on the relationship between the choice of poverty indicators and actual poverty reducing activities, as expressed in WB lending and the assumptions built into WB models;
- a (more speculative) discussion on which poverty developments could have been expected without the conditions set by the WB and the loans it provided; and finally
- discussions on how incentive mechanisms and organisational culture of the Bank support shifting the focus towards poverty reduction.

This component will also contain assessments of the Norwegian support to the Bank's poverty analysis. To the extent the Norwegian trust funds have been used for these purposes in any of the case countries, the experiences thereof will be incorporated.

Annex 2: List of persons interviewed/consulted

ZIMBABWE

Chigudu, Edgar T. (Director, National Economic Planning Commission, President's Office)
Cook, David (Resident Representative, World Bank Mission)
Davies, Rob (Dept of Economics, University of Zimbabwe)
Goromonzi, W.O. (Deputy Director, Social Development Fund, Ministry of Public Service, Labour and Social Welfare)
Kubberud, Tor (Councellor, Royal Norwegian Embassy)
Loewenson, Rene (Co-director, Training and Research Support Centre)
Mafico, Muriel (Researcher/Documentalist, Poverty Reduction Forum, Institute of Development Studies, University of Zimbabwe)
Mbethu, R. (National Coordinator, Ministry of Local Government, Urban and Rural Development)
Milort, Anna (UNDP)
Mollestad, Ingrid (2 Secretary, Royal Norwegian Embassy)
Mozhentiy, Rodgers (Development Advisor, Association of Rural District Councils of Zimbabwe)
Nkala, Denis (Programme Coordinator, UNDP)
Raftopoulos, Brian A.C. (Deputy director, Institute of Development Studies, University of Zimbabwe)
Sithole, G. (Deputy Secretary, Economics and Marketing, Ministry of Agriculture)
Zeitlyn, Sushila (Social Development Advisor, Department for International Development, British Development Division in Central Africa)

ZAMBIA

Banda, Abedanigo K. (Director, Economics and Market Development Dept., Ministry of Agriculture, Food and Fisheries)
Chizhuka, Felix (Drought Rehabilitation Manager, Programme Against Malnutrition)
Haciinda, Jones (Secretary General, Small Scale Farmers Association)
Hampango, Meselina M. (Assistant Secretary, Development and Training, Ministry of Community Development and Social Services)
Haugen, Kikkan (Second Secretary, Development Cooperation, Royal Norwegian Embassy)
Hedley, Darren (PUSH Project Manager, CARE-Zambia)
Heijden, Hendrik van der (External Financing Advisor, Ministry of Finance)
Keller, Robert (Senior Economist, Embassy of Sweden)
Lomøy, Jon (Ambassador, Royal Norwegian Embassy)
Mambo, Cosmas B. (Project Coordinator, Social Recovery Project)
Moe, Siv Christine (Royal Norwegian Embassy)
Mulenga, K.I. (Deputy Permanent Secretary, Ministry of Labour and Social Security)
Mumba, Bwalyn (Physical Planner, Ministry of Health)
Mundia, Gertrude E. (Project Co-ordinator, Health Sector Reform Support Project, Ministry of Health)
Musumali, Cosmos (Research Advisor, Study Fund, Social Recovery Project)
Nkojo, Gedion B. (Resident Representative, World Bank Mission)
North, Walter (Resident Representative, USAID)
Sikazwe, Emily Joe (Executive Director, Women for Change)
Simatebele, Helen (Deputy Director, Programme against Malnutrition)
Styve, Gudbrand (Royal Norwegian Embassy)
Wells, Victor (Credit Manager, Programme Against Malnutrition)
Ågård, Christer (Councellor, Embassy of Sweden)

MALAWI

Bamysi, E. (Poverty and Social Policy Division, National Economic Council)
Chandimba (Director, Planning Unit, Ministry of Education)
Chipeta, Prof. (Department of Economics, University of Malawi, Zomba)
Chiunda, C. (Poverty and Social Policy Division, National Economic Council)
Jones, T. (Resident Representative UNDP)
Kabango, Grant B. (Division Chief, International Operations Department, Reserve Bank of Malawi)
Kachikopa, L. (Poverty and Social Policy Division, National Economic Council)
Kalyati, Esnath J. (Former Secretary, National Economic Council)
Kandoole, Benson F. (Executive Director, Malawi Institute of Management)
Keimangirana, Bessie (Principal Secretary, Ministry of Women, Youth and Community Services)

Krieft, Thomas R. (Director, Save the Children US, Malawi Field Office)
Leverington, Bob (First Secretary, Development, British High Commission)
Mbetewa, H.S.K. (Principal Secretary, Ministry of Local Government and Sports)
Mbeye, J.O. (Deputy Resident Representative UNDP)
Mikkola, Heimo (FAO Resident Representative)
Mkomba, Ben (Principal Economist, Planning Division, Ministry of Agriculture)
Nkosi, Milingo W. Venge (Programme Economist, USAID)
Phiri, Jean M. (Head of Administration, Malawi Social Action Fund)
Sisson, Andrew B. (Director, Education and Institutional Development, USAID)
Smith, James W. (Deputy Resident Representative, World Bank Mission)
Tsilizani, Macleod (Director of Industry, Ministry of Commerce and Industry)
Wathome, Jane (Programme Director, Save the Children Fund UK)
White, Susan (Director, UNICEF)

WORLD BANK HEADQUARTERS, WASHINGTON, D.C.

Ahsan, Ahmad (Country Economist, Malawi)
Bastoe, Per Øyvind (OED)
Blackden, Mark (Senior Operations Officer)
Candler, Will (OED)
Datta-Mitra, Jayati (OED)
Davis, Gloria (Director, Social Policy Family, ESSD)
Dejene, Tekola (Senior Economist, Agriculture, Africa)
Demery, Lionel (Principal Economist – Poverty Division, PREM)
Evans, Alison (OED)
Fredriksen, Birger (Regional Technical Manager, Human Development, Africa)
Frigenti, Laura (Human Development, Africa)
Grootaert, Christiaan (Senior Economist, Social Development, ESSD)
Haque, Trina (Human Development, Africa Region)
Harstad, Jarle (Senior Monitoring and Evaluation Coordinator, Global Environment Facility)
Hentschel, Jesko (Economist – Poverty Division, PREM)
Jaffee, Steven (Economist/Agribusiness, Agriculture and Environment Division, Africa)
Johnston, Timothy (OED)
Jones, Bruce (Human Development, Africa)
Jorgensen, Steen (Sector Leader – Social Protection, Child Labor)
Kafka, Barbara (Country Director – Malawi & Zimbabwe)
Kvam, Reidar (Social Policy, Asia)
Liebenthal, Andres (Principal Evaluation Officer, Infrastructure and Energy Operations Evaluation Department)
Malhotra, Mohini (Operations Manager, CGAP)
McLaughlin, Julie (Public Health Specialist, Human Development Technical Group, Africa)
Moser, Caroline (Senior Urban Social Policy Specialist, Social Policy and Resettlement
Division)
Mugwagwa, Norbert (Sr. Population Specialist, Human Development, Africa)
Newman, Constance (Consultant, Director»s Office, Policy Research Department)
Niemi, Ilkka (Executive Director, Nordic– Baltic Region)
Pellekaan, J. van Holst (Lead Poverty Specialist, Institutional and Social Policy Group, Africa Region, PREM)
Poll, Bernard van de (Senior Agriculturist, Agriculture Operations, Africa)
Pomerantz, Phyllis R. (Country Director, Zambia, Africa Region)
Ribe, Helena (Sector Manager, Human Development – Africa)
Roseberry, Wendy (Health Technical Specialist, Human Development Group, Africa)
Salop, Joanne (Director, Operations Policy and Strategy Group)
Sherburne-Benz, Lynn (Senior Economist, Policy Support Corporate Secretariat)
Shetty, Sudhir (Principal Economist, Macroeconomics, Africa)
Slade, Roger (OED)
Walton, Michael (Director, Poverty Reduction, Prem)
Westberg, Ann Kristin (Advisor, Nordic-Baltic Office)
Wood, Joseph (Senior Advisor to the President)
Zachau, Ulrich (Economic Adviser, Operations Policy and Strategy)

OSLO

Berg, Erik (Evaluation, MFA)
Hermansen, Anne Kristin (Advisor, Development Bank Division, MFA)
Kolberg, Aud (Head of Development Bank Division, MFA)
Semb, Helge (Head of Developmnet Bank Division 1988–94, p.t. Inter-American Development Bank, Washington, D.C.)

Annex 3: List of papers commissioned

This study has benefitted from a number of commissioned papers. They have provided essential empirical information and have contributed significantly to the analysis and assessments made in this report.

7 papers were prepared specifically for the study. They are:

Wycliffe R. Chilowa (Centre for Social Research, University of Malawi, Zomba):
Scope and magnitude of poverty in Malawi: Government's approach and World Bank and other stakeholders' role in poverty reduction, 29 pages, December 1997

Niki Jazdowska (Training and Research Support Centre, Harare):
Background Study of the World Bank's Work on Poverty Reduction in Zimbabwe, 30 pages, November 1997

Adrianne Madaris (Instititute of Development Studies, University of Sussex, Brighton) *World Bank and Poverty Reduction*, 22 pages, February 1998

Archie Mafeje (American University, Cairo)
World Bank Poverty Assessments in Sub-Saharan Africa, 46 pages, December 1997

David Satterthwaite (International Institute of Environment and Development, London)
The changes in the prority given by the World Bank to basic needs, 1970–1996, and the internal and external constraints increasing this priority, 58 pages + tables, December 1997

Neo Simutanyi (Institute for Social and Economic Research, University of Zambia, Lusaka)
The World Bank and Poverty Reduction in Zambia, October 1997

Else Øyen (Comparative Research Programme on Poverty, Bergen)
Poverty Reducing Strategies, 8 pages, November 1997

Annex 4: Bibliography

Adams, A. van and Hartnett, T., 1996: Cost-Sharing in the Social Sectors of Sub-Saharan Africa: Impact on the Poor. Washington, D.C.: World Bank (World Bank Discussion Paper no. 338).

Addison, T. 1993: A Review of The World Bank's Efforts to Assist African Government in Reducing Poverty. Washington, D.C.: World Bank (ESP Discussion Paper Series; 10).

Addison, T., 1996: «Evaluating the Poverty Impact of Programme Aid», IDS Bulletin, vol. 27, 4: 25–34.

African Development Bank, UNDP and The World Bank, 1990: The Social Dimensions of Adjustment in Africa. A Policy Agenda. Washington, D.C.: World Bank.

Ahuja, Vinod, Benu Bidani, Francisco Ferreira, and Michael Walton, 1997: Everyone's Miracle? Revisiting Poverty and Inequality in East Asia. Washington, D.C., World Bank (Directions in Development).

Alwang, J., Siegel, P. B., et al., 1996: «Seeking Guidelines for Poverty Reduction in Rural Zambia.» World Development 24(11): 1711–23.

Baker, J. L. and Grosh, M. E., 1994: «Poverty Reduction through Geographic Targeting: How Well Does It Work?» World Development 22(7): 983–95.

Bidani, B. and Ravallion, M., 1997: «Decomposing Social Indicators Using Distributional Data.» Journal of Econometrics 77 (1): 125–39.

Birdsall, Nancy and Londotño, Juan Luis, 1997: «Asset Inequlity Matters: An Assessment of the World Bank's Approach to Poverty Reduction» American Economic Review, vol. 87, No. 2:32–37.

Bonnick, G. G., 1997: Zambia Country Assistance Review. Turning an Economy Around, Washington, D.C., World Bank (A World Bank Operations Evaluation Study).

Booth, D. et al., 1995: Coping with Cost Recovery: A Study of the Social Impact of and Responses to Cost Recovery in Basic Services (Health and Education) in Poor Communities in Zambia. Report to SIDA, Sweden.

Booth, D. et al., 1997: Participation and Combined Methods in African Poverty Assessment: Renewing the Agenda. (Paper prepared for the 5th Meeting of the SPA Working Group on Poverty and Social Policy, Stockholm, September 30-October 2, 1997)

Carvalho, Soniya and White, Howard, 1994: Indicators for Monitoring Poverty Reduction. Washington, D.C.: World Bank (World Bank Discussion Papers No. 254).

Carvalho, Soniya and White, Howard, 1996: Implementing projects for the poor: what has been learned? Washington, D.C.: World Bank. (Directions in Development)

Carvalho, Soniya and White, Howard, 1997: Combining the Quantitative and Qualitative Approaches to Poverty Measurement and Analysis. The Practice and the Potential. Washington, D.C.: World Bank (World Bank Technical Paper No. 366).

Cahubey, P. K., 1994: «Measurement of Poverty: Takayama Index Reconsidered.» Journal of Quantitative Economics 10 (1): 191–98.

Chen, S., Datt, G., et al., 1994: «Is Poverty Increasing in the Developing World?» Review of Income and Wealth 40 (4): 359–76.

Chilowa, Wycliffe R. (ed.), 1997: Sustainable social and human development in Malawi: towards poverty alleviation? Zomba: Centre for Social Research, University of Malawi. (bwalo. A forum for social development, Issue 1, 1997).

Cleaver, K. M. and Donovan, G. W., 1995: Agriculture, poverty, and policy reform in Sub-Saharan Africa. Washington, D.C.: World Bank (World Bank Discussion Papers).

Cox, A. and Healey, J., 1997: «Poverty Reduction: A Review of Donor Strategies and Practices», paper prepared for the Forum on Key Elements for Poverty Reduction Strategies, organised by OECD Development Assistance Committee and Development Centre, Paris 4–5 December 1997.

Davies, R. and Rattsøe, J., 1996: «Growth, distribution and environment: macroeconomic issues in Zimbabwe», World Development, vol. 24, 2: 395–405.

Demery, Lionel and Squire, Lyn, 1996: «Macroeconomic Adjustment and Poverty in Africa: An Emerging Picture.» World Bank Research Observer, vol. 11, no. 1, February.

Demery, Lionel and Squire, Lyn, 1997a: «Adjustment and Poverty Evidence: A Response to Weeks.» Journal of International Development 9 (6): 837–42.

Demery, Lionel and Walton, Michael, 1997b: «Are Poverty and Social Targets for the 21 st century attainable?» Paper prepared for the Forum on Key Elements for Poverty Reduction Strategies, organised by OECD Development Assistance Committee and Development Centre, Paris 4–5 December 1997.

Evans, J. E., 1997: Growth Prospects Study: Rapid Assessment of the Impact of Policy Changes on Rural Livelihoods in Malawi. A Report prepared for the World Bank and financed by UNDP. Lilongwe, June (Unpublished).

Gibbon, Peter, 1993: «The World Bank and the New Politics of Aid». The European Journal of Delvelopment Research, volume 5, No. 1. June. Frank Cass, London.

Gillespie, Nancy, 1990: Selected World Bank Poverty Studies: A Summary of Approaches, Coverage, and Findings. Washington, D.C.: World Bank (Policy Research and External Affairs Working Paper 552).

Grootaert, C., Kanbur, R., et al., 1995: The dynamics of poverty: why some people escape from poverty and others don't: an African case study. Washington, D.C.: World Bank (Policy Research Working Papers; 1499).

Hanmer, L., Pyatt, G. and White, H., 1996: Poverty in sub-Saharan Africa. What can we learn from the World Bank's Poverty Assessments? The Hague: Institute of Social Studies.

Haque, T. and Kleppe, I., 1995: Developing a Poverty Monitoring and Analysis System in Malawi. World Bank, Human Resources Division, Southern Africa Dept. (Unpublished)

Hutchful, Ebbe, 1994: «Smoke and Mirrors: The World Bank's Social Dimensions of Adjustment Programme». Review of African Political Economy. December.No. 62, vol. 21.

IDS, 1994: Poverty Assessment and Public Expenditure. A Study for the SPA Working Group on Poverty and Social Policy. September (Summary Report), Brighton, University of Sussex, The Institute of Development Studies.

IDS, 1996: The Political Economy of Poverty in Zimbabwe. (Harare: Political Dialogue Series No. 1.) University of Zimbabwe, Institute of Development Studies.

IMF, 1997: «The IMF and the Poor», paper prepared for the Forum on Key Elements for Poverty Reduction Strategies, organised by OECD Development Assistance Committee and Development Centre, Paris 4–5 December 1997.

Jayarajah, Carl, Branson, William and Sen, Binayak, 1996: Social Dimensions of Adjustment: World Bank Experience 1980–83. Washington, D.C.: World Bank. (Operations and Evaluation Study.)

Jenkins, C., 1997: «The Politics of Economic Policy-Making in Zimbabwe», Journal of Modern African Studies, vol. 35, 4: 575–602.

Jones, Stephen P., 1997: Sector Investment Programs in Africa. Issues and Experience. Washington, D.C.: World Bank (World Bank Technical Paper No. 374. Africa Region Series).

Kadoole, B. F., 1997: Malawi Client Feedback Survey 1997. Lilongwe: Malawi Institute of Management.

Kalyalya, D. H. & Milimo, J. T., 1996: User Fees in the Health Sector: Policy, Practice and Perceptions, Lusaka: The Study Fund, Social Recovery Project, May.

Kanbur, R., Keen, M., et al., 1994. «Labor Supply and Targeting in Poverty Alleviation Programs.» World Bank Economic Review 8 (2): 191–211.

Kanji, N., 1995: «Gender, Poverty and Economic Adjustment in Harare, Zimbabwe.» Environment and Urbanisation, Vol. 7, no. 1.

Kapur, Devesh, Lewis, John P. and Webb, Richard, 1997. The World Bank. Its First Half Century. Washington, D. C.: Brookings Institution Press.

Kayizzi-Mugerwa, Steve and Levin, Jorgen, 1994: «Adjustment and Poverty: A Review of the Africa Experience.» African Development Review, vol. 6, no 2, December.

Kessides, Christine, 1997: World Bank Experience with the Provision of Infrastructure Services for the Urban Poor: Preliminary Identification and Review of Best Practices. Washington, D. C.: World Bank. (Transportation, Water, and Urban Development Department TWU-OR8)

Khadiagala, L. S., 1995: Social funds: strengths, weaknesses, and conditions for success. Washington, D.C.: World Bank. (Poverty and Social Policy)

Killick, T., Carlsson, J. and Kierkegaard, A., 1997: «European Aid and the Reduction of Poverty in Zimbabwe», Draft Report.

Killick, T., 1995: «Structural Adjustment and Poverty Alleviation: An Interpretative Survey.» Development and Change 26 (2): 305–31.

Lal, D. and Myint, H., 1996: The political economy of poverty, equity, and growt: A comparative study. Oxford and New York, Oxford University Press.

Lele, U., 1990: «Structural Adjustment, Agricultural Development and the Poor: Some Lessons from the Malawian Experience.» World Development 18 (9): 1207–19.

Lipton, M., 1997: «Editorial: Poverty – Are there Holes in the Consensus?», World Development, vol. 25, No 7: 1003–7.

Livingstone, I., 1995: «Minimum Wage Policy, Rural Development and Poverty Alleviation in Malawi.» Development and Change 26 (4): 729–52.

Malawi, Government of, 1995: Policy Framework for Poverty Alleviation Programme, PAP coordinating Unit, Ministry of Economic Planning and Development, October.

Marc, Alexandre et al., 1995: Social Action Programs and Social Funds. A Review of Design and Implementation in Sub-Saharan Africa. Washington, D.C.: The World Bank (World Bank Discussion Papers No. 274).

Marquette, M., 1997: «Current poverty, structural adjustment, and drought in Zimbabwe», World Development, vol. 25, No 7: 1141–49.

McKay, A. et al., 1997: «Trade Liberalisation and Agricultural Supply Response: Issues and Some Lessons», European Journal of Development Research, vol. 9, 2: 129–47.

Mehrota, Santosh and Jolly, Richard (eds.), 1997: Development with a Human Face. Experiences in Social Achievement and Economic Growth. Oxford: Clarendon Press.

Miller, S. M., 1996: «The great chain of poverty explanations», in E. Øyen et al. (eds.): Poverty. A Global Review. Handbook on International Poverty Research, Oslo: Scandinavian University Press.

Moorsom, R. with BMG Ltd., 1997: Social Action and Microcredit Funds in Malawi: A Pilot Study, Bergen: CMI (R 1997:8).

Moorsom, R. with Matanga, J. and Sachikonye, L., 1997: Evaluation of the Social Development Fund in Zimbabwe: a Pilot Study, Bergen: CMI (R 1997: 9).

Moser, C. O. N., 1996: Confronting crisis: A comparative study of household response to poverty and vulnerability in four poor urban communities. Washington, D.C.: World Bank.

Mosse, Roberto and Sontheimer, Leigh Ellen, 1996: Performance Monitoring Indicators Handbook. Washington, D.C.: World Bank (World Bank Technical Paper No. 334).

Norway, MFA, 1996: «Verdensbanken og fattigdomsreduksjon.» Notat fra Multilateral avdeling til Statssekretær Mathiesen, 18. juli.

Norway, MFA, 1997a: Focus on Norwegian development cooperation. Statement to the Storting on development cooperation policy. Report on Norwegian development cooperation in 1996, Oslo.

Norway, MFA, 1997b: «Samfinansiering med Verdensbanken.» (Unpublished, Development Bank Division, Ministry of Foreign Affairs.)

Odago, A. and Heneveld, W., 1995: Girls and Schools in Sub-Saharan Africa: From Analysis to Action. Washington, D.C., World Bank (World Bank Technical Paper No. 298).

Pyatt, G., 1991: «Poverty: A Wasted Decade.» European Economic Review 35 (2–3): 358–65.

Ravallion, M., 1992: Poverty comparisons: A guide to concepts and methods. Washington, D.C.: World Bank.

Ravallion, M. and Bidani, B., 1994: «How Robust Is a Poverty Profile?» World Bank Economic Review 8 (1): 75–102.

Ravallion, M., 1994: «Measuring Social Welfare with and without Poverty Lines.» American Economic Review 84 (2): 359–64.

Ravallion, M., 1994: «Poverty Rankings Using Noisy Data on Living Standards.» Economics Letters 45 (4): 481–85.

Ravallion, M., 1995: «Growth and Poverty: Evidence for Developing Countries in the 1980s.» Economic Letters 48 (3–4): 411–17.

Ravallion, M., Walle, D. van de, et al., 1995: «Testing a Social Safety Net.» Journal of Public Economics 57 (2): 175–99.

Ravallion, M., 1996: «How Well Can Method Substitute for Data? Five Experiments in Poverty Analysis.» World Bank Research Observer 11 (2): 199–221.

Ravallion, M., 1996: «Issues in Measuring and Modelling Poverty.» Economic Journal 106 (438): 1328–43.

Riddell, R. C. and Robinson, M., 1995: Non-Governmental organizations and rural poverty alleviation. With John de Coninck, Ann Muir and Sarah White. London Oxford and New York, Overseas Development Institute, Oxford University Press.

Rodgers, Gerry and Hoeven, Rolph van der (eds.), 1995: The Poverty Agenda: Trends and Policy Options. Geneva: ILO/International Institute for Labour Studies.

Sahn, D. E. and Sarris, A. H., 1991: «Structural Adjustment and the Welfare of Rural Smallholders: A Comparative Analysis from Sub-Saharan Africa.» World Bank Economic Review 5(2): 259–89.

Sen, M. R. B., 1994: How land-based targeting affects rural poverty. Washington, D.C.: World Bank (Policy research working papers; 1270).

Simon, David et. al (eds.), 1995: Structurally Adjusted Africa: Poverty, Debt and Basic Needs. London: Pluto Press.

Skålnes, T., 1995: The Politics of Economic Reform in Zimbabwe: Continuity and Change in Development, London: MacMillan.

Shaw, Paul R. and Griffin, Charles C., 1995: Financing Health Care in Sub-Saharan Africa throughUser Fees and Insurance. Washington, D.C.: The World Bank. (Directions in Development.)

Squire, L., 1993: «Fighting Poverty.» American Economic Review 83 (2): 377–82.

Stewart, Frances, 1995: Adjustment and Poverty: Options and Choices. London: Routledge.

Stokke, O., 1996: «Introduction» in O. Stokke (ed.) Foreign Aid Towards the Year 2000: Experiences and Challenges, London: Frank Cass.

Subbarao, K., et al., 1997: Safety Net Programs and Poverty Reduction. Lessons from Cross-CountryExperience. Washington, D.C.: The World Bank. (Directions in Development.)

Taylor, Lance, Mehrotra, Santosh and Delamonica, Enrique 1997: «The Links between Economic Growth, Poverty Reduction, and Social Development: Theory and Policy», in S. Mehrota and R. Jolly (eds.) Development with a Human Face. Experiences in Social Achievement and Economic Growth. Oxford: Clarendon Press.

Toye, John and Jackson, Carl, 1996: «Public Expenditure Policy and Poverty Alleviation.» IDS Bulletin, vol. 27, no. 1.

UNCTAD, 1994: The Effects on Poverty Alleviation of Structural Adjustment Programmes. Background Note by the UNCTAD Secretariat. UNCTAD/PA/8, 2 June.

UNDP, 1997a: Poverty Reduction. Module 3. Poverty Measurement: Behind and Beyond the Poverty Line. United Nations Development Programme, New York.

UNDP, 1997b: Poverty Reduction. Module 4. Macroeconomic Policies and Poverty Reduction. United Nations Development Programme, New York.

UNICEF, 1987: Adjustment with a Human Face. Oxford: Oxford University Press.

United Kingdom, Overseas Development Administration 1996: A review of Policy Framework Papers, Adjustment Credits and World Bank Country Assistance Strategies, London. (Prepared for the SPA Working Group on Poverty and Social Analysis.)

United Kingdom, Department for International Development 1997: The treatment of poverty and gender issues in SPA Adjustment Programmes. A review of Policy Framework Papers and Adjustment Credits in SPA countries, London. (Paper prepared for the 5th Meeting of the SPA Working Group on Poverty and Social Policy, Stockholm, September 30-October 2, 1997.)

University of Zambia, Institute of Economic and Social Research, 1997: Zambia: Agricultural Sector Performance Analysis and A Review of the Implementation of the Agricultural Sector Investment Program. Lusaka.

Weeks, J., 1997: «Analysis of the Demery and Squire Adjustment and Poverty Evidence.» Journal of International Development 9 (6): 827–36.

White, H., 1996: «How much aid is used for poverty reduction?», IDS Bulletin, vol. 27, 1: 83–99.

Wold, B. K. (ed.) 1997: Supply Response in a Gender Perspective. The Case of Structural Adjustment in Zambia, Oslo: Statistics Norway (Reports 97/23).

World Bank, 1987: Protecting the Poor During Periods of Adjustment. Washington, D.C.

World Bank, 1988: Status Report on the Bank's support for Poverty Alleviation. Washington, D.C.

World Bank, 1990a: Making Adjustment Work for the Poor. New York: Oxford University Press.

World Bank, 1990b: World Development Report. Washington, D.C.

World Bank, 1991a: Assistance Strategies to Reduce Poverty. Washington, D.C.: World Bank. (A World Bank Policy Paper.)

World Bank, 1991b: Operational Directive 4.15; Poverty Reduction. Washington, D.C., December.

World Bank, 1993a: Implementing World Bank Strategy to Reduce Poverty: Progress and Challenges. Washington, D.C.

World Bank, 1993b: Poverty Reduction Handbook. Washington, D.C.

World Bank, 1993c: Staff Appraisal Report, Agricultural Services Project Malawi, Washington, D.C., May.

World Bank, 1993d: Status Report on Poverty in sub-Saharan Africa, prepared for the Special Program of Assistance to Africa (SPA) by the Institutional and Social Policy Group, Africa Region, Washington, D.C.

World Bank, 1994a: Adjustment in Africa: Reforms, Results and the Road Ahead. Washington, D.C. (A World Bank Policy Research Report.)

World Bank, 1994d: Poverty Reduction and the World Bank. Progress in Fiscal 1993. Washington, D.C.

World Bank, 1994e: Project Completion Report, Zimbabwe, Family Health Project, Washington, D.C. Report Number 13784-ZIM, December.

World Bank, 1994f: The Many faces of Poverty (Status Report on Poverty in sub-Saharan Africa, prepared for the Special Program of Assistance to Africa (SPA) by the Institutional and Social Policy Group, Africa Region), Washington, D.C.

World Bank, 1994g: Zambia Poverty Assessment, 5 volumes, Washington, DC. Report No 12985-ZA, November.

World Bank, 1994h: Poverty Reduction and The World Bank. Progress in Fiscal 1994. Washington, D.C.

World Bank, 1995a: Africa Region Change Agenda: Putting Poverty Reduction at the Center of the CAS. Washington, D.C. (Unpublished)

World Bank, 1995b: Bank Procedures 2.11: Country Assistance Strategies. Washington, D.C.

World Bank, 1995c: Memorandum and Recommendation to Zambia for a Second Social Recovery Project, Washington, D.C. Report no. P-6591-ZA, June.

World Bank, 1995d: Memorandum and Recommendation, Primary Education Project, Malawi. Washington, D.C. Report Number P-6757-MAI, December.

World Bank, 1995e: Performance Audit Report Zimbabwe Structural Adjustment Program, Washington, D. C.: Operations Evaluation Department. Report no. 14751.

World Bank, 1995f: Incidence and Trends in Poverty (Status Report on Poverty in sub-Saharan Africa, prepared for the Special Program of Assistance to Africa (SPA) by the Institutional and Social Policy Group, Africa Region), Washington, D.C.

World Bank, 1995g: Zambia: Agriculture Sector Investment Programme, Staff Appraisal Report, Washington, D.C., March.

World Bank, 1995h: Zimbabwe: Achieving Shared Growth. Country Economic Memorandum Volume II, Main Report, Washington, DC. Report No 13540-ZIM, April.

World Bank, 1996a: Country Profiles and Patterns of Growth (Status Report on Poverty in sub-Saharan Africa, prepared for the Special Program of Assistance to Africa (SPA) by the Institutional and Social Policy Group, Africa Region), Washington, D.C.

World Bank, 1996b: Malawi: Primary Education Project, Staff Appraisal Report, Washington, D.C. IDA/R96–2[SAR], January.

World Bank, 1996c: Malawi Country Assistance Strategy. Washington, D.C. Report No 15494-MAL.

World Bank, 1996d: Malawi, Fiscal Restructuring and Deregulation Program. Washington, D.C. Report No.: P-6799-MAI.

World Bank, 1996e: Malawi: Human Resources and Poverty, Profile and Priorities for Action, Washington, DC. (A grey cover version was released in March 1996 as Report No 15437-MAI.), November.

World Bank, 1996f: Performance Audit Report, Zimbabwe, Family Health Project, Washington, D.C. Report Number 15944-ZIM, August.

World Bank, 1996g: Poverty Reduction and the World Bank: Progress and Challenges in the 1990s.Washington, D.C.

World Bank, 1996h: Poverty Assessment: A Progress Review. Washington, D.C. (Operations Evaluation Department. Report No. 15881.)

World Bank, 1996i: Zambia Second Economic and Social Adjustment Credit, Washington, D.C. Report No.: P-6929-ZA.

World Bank, 1996j: Staff Appraisal Report, Malawi Social Action Fund, Washington, D.C., Report no. 15345-MAI, April.

World Bank, 1996k: Taking Action for Poverty Reduction in Sub-Saharan Africa, Report of an Africa Region Task Force, Washington, D.C. (Report No. 15575-AFR)

World Bank, 1996l: Understanding Poverty and Human Resources in Zimbabwe: Changes in the 1990s and Directions for the Future. Washington, DC, December. (Discussion Paper)

World Bank, 1996m: Zambia Country Assistance Strategy. Washington, D.C. Report No 15761-ZA.

World Bank, 1996n: Zambia: Prospects for Sustainable Growth 1995–2000, Washington, D.C. Report No. 15477-ZA.

World Bank, 1997a: Accelerating Malawi's Growth. Long-term prospects and Transitional Problems, September (Unpublished, green cover).

World Bank, 1997b: Adaptable Lending – New Investment Instruments. Washington, D.C.

World Bank, 1997c: An Assessment of the Treatment of Poverty and Gender Issues in FY97 Country Assistance Strategies in the Africa Region, Washington, D.C.: Institutional and Social Policy Group, Africa Region. (Paper prepared for the 5th Meeting of the SPA Working Group on Poverty and Social Policy, Stockholm, September 30-October 2, 1997.)

World Bank, 1997e: IDA in Action 1993/96 – The Pursuit of Sustained Poverty Reduction. Washington, D.C.

World Bank, 1997f: Poverty Reduction and the World Bank: Progress in Fiscal 1996 and 1997. Washington, D.C.

World Bank, 1997g: Project Appraisal Document for Community Action Program, Zimbabwe. Washington, D.C. Report no. 17115-ZIM, October.

World Bank, 1997h: Staff Appraisal Report. Zimbabwe Rural District Council Pilot CapitalDevelopment Project, Washington, D.C. Report No 16046-ZIM.

World Bank, 1997i: Taking Action to Reduce Poverty in Sub-Saharan Africa. Washington, D.C. (Development in Practice).

World Bank, 1997j: The Strategic Compact: Renewing the Bank's Effectiveness to Fight Poverty. Washington, D.C., Planning and Budgeting Department, February.

World Bank, 1997k: Tracking the Incidence and Characteristics of Poverty (Status Report on Poverty in sub-Saharan Africa, prepared for the Special Program of Assistance to Africa (SPA) by the Institutional and Social Policy Group, Africa Region), Washington, D.C.

World Bank, 1997l: The World Bank Annual Report 1997. Washington, D.C.

World Bank, 1997m: Zambia Basic Education Subsector Investment Program, Preparation Mission Draft Aide Memoire, November 13 (Unpublished).

World Bank, 1997n: Zimbabwe Country Assistance Strategy, Washington, D.C., May. Report No. 16541-ZIM.

World Bank, 1997p: Health, Nutrition, & Population. Washington, D.C. The Human Development Network.

World Bank, 1997q: Africa Household Surveys Data Bank. List of Surveys. Washington, D.C.Institutional and Social Policy, Poverty Monitoring and Analysis Team, Africa Region. (Unpublished)

Zambia, Government of, 1997: Enhanced Structural Adjustment, Economic Growth and Poverty Reduction: Policies of the Government of the Republic of Zambia. (Report presented to the Consulative Group Meeting for Zambia, Paris 9–11 July 1997) Lusaka.

Zambia, Government of, n.d.: The National Programme of Action for Children in Zambia, Lusaka.

Zambia, Government of and United Nations Family, 1996: Prospects for Sustainable Human Development in Zambia. More Choices for our People. December, Lusaka.

Zambia, Ministry of Health, 1997o: Comprehensive Review of the Zambian Health Reforms, vol. 1:Main Report April. (Unpublished)

Zimbabwe Congress of Trade Unions, 1996: Beyond ESAP: Framework for a long-term Development Strategy in Zimbabwe Beyond the Economic Structural Adjustment Programme (ESAP),Harare: ZCTU.

Zimbabwe, Government of, 1997a: Zimprest Volume 1: Executive Summary. (Draft, June.) Zimbabwe Programme for Economic & Social Transformation, Harare.

Zimbabwe, Government of, 1997b: Zimbabwe Vision 2020 and long term Development Strategies. Harare: National Economic Planning Commision (NEPC). (Draft, October)

Øyen, E. et al. (eds.), 1996: Poverty. A Global Review. Handbook on International Poverty Research, Oslo: Scandinavian University Press.

Øyen, E. 1997: «Some basic welfare measures for combating poverty: Lessons from a formerly poor country», in D. Nteta, J. Hermans & P. Jeskova (eds.): Poverty and Plenty: The Botswana Experience, Gaborone: The Botswana Society.

EVALUATION REPORTS

1.87	The Water Supply Programme in Western Province, Zambia
2.87	Sosio-kulturelle forhold i bistanden
3.87	Summary Findings of 23 Evaluation Reports
4.87	NORAD's Provisions for Investment Support
5.87	Multilateral bistand gjennom FN-systemet
6.87	Promoting Imports from Developing Countries
1.88	UNIFEM - United Nations Development Fund for Women
2.88	The Norwegian Multi-Bilateral Programme under UNFPA
3.88	Rural Roads Maintenance, Mbeya and Tanga Regions, Tanzania
4.88	Import Support, Tanzania
5.88	Nordic Technical Assistance Personnel to Eastern Africa
6.88	Good Aid for Women?
7.88	Soil Science Fellowship Course in Norway
1.89	Parallel Financing and Mixed Credits
2.89	The Women's Grant. Desk Study Review
3.89	The Norwegian Volunteer Service
4.89	Fisheries Research Vessel - "Dr. Fridtjof Nansen"
5.89	Institute of Development Management, Tanzania
6.89	DUHs forskningsprogrammer
7.89	Rural Water Supply, Zimbabwe
8.89	Commodity Import Programme, Zimbabwe
9.89	Dairy Sector Support, Zimbabwe
1.90	Mini-Hydropower Plants, Lesotho
2.90	Operation and Maintenance in Development Assistance
3.90	Telecommunications in SADCC Countries
4.90	Energy support in SADCC Countries
5.90	International Research and Training Institue for Advancement of Women (INSTRAW)
6.90	Socio-cultural Conditions in Development Assistance
7.90	Non-Project Financial Assistance to Mozambique
1.91	Hjelp til selvhjelp og levedyktig utvikling
2.91	Diploma Courses at the Norwegian Institute of Technology
3.91	The Women's Grant in Bilateral Assistance
4.91	Hambantota Integrated Rural Development Programme, Sri Lanka
5.91	The Special Grant for Environment and Development
1.92	NGOs as partners in health care, Zambia
2.92	The Sahel-Sudan-Ethiopia Programme
3.92	De private organisasjonene som kanal for norsk bistand, Fase1
1.93	Internal learning from evaluation and reviews
2.93	Macroeconomic impacts of import support to Tanzania
3.93	Garantiordning for investeringer i og eksport til utviklingsland
4.93	Capacity-Building in Development Cooperation Towards integration and recipient responsibility
1.94	Evaluation of World Food Programme
2.94	Evaluation of the Norwegian Junior Expert Programme with UN Organisations
1.95	Technical Cooperation in Transition
2.95	Evaluering av FN-sambandet i Norge
3.95	NGOs as a channel in development aid
3A.95	Rapport fra presentasjonsmøte av "Evalueringen av de frivillige organisasjoner"
4.95	Rural Development and Local Government in Tanzania
5.95	Integration of Environmental Concerns into Norwegian Bilateral Development Assistance: Policies and Performance
1.96	NORAD's Support of the Remote Area Development Programme (RADP) in Botswana
2.96	Norwegian Development Aid Experiences. A Review of Evaluation Studies 1986-92
3.96	The Norwegian People´s Aid Mine Clearance Project in Cambodia
4.96	Democratic Global Civil Governance Report of the 1995 Benchmark Survey of NGOs
5.96	Evaluation of the Yearbook Human Rights in Developing Countries
1.97	Evaluation of Norwegian Assistance to Prevent and Control HIV/AIDS
2.97	«Kultursjokk og korrektiv» – Evaluering av UD/NORADs studiereiser for lærere
3.97	Evaluation of decentralisation and development
4.97	Evaluation of Norwegian Assistance to Peace, Reconciliation and Rehabilitation in Mozambique
5.97	Aid to Basic Education in Africa – Opportunities and Constraints
6.97	Norwegian Church Aid's Humanitarian and Peace-making Work in Mali
7.97	Aid as a tool for promotion of human rights and democracy: What can Norway do?
8.97	Evaluation of the Nordic Africa Institute, Uppsala
9.97	Evaluation of Norwegian Assistance to Worldview International Foundation
10.97	Review of Norwegian Assistance to IPS
11.97	Evaluation of Norwegian Humanitarian Assistance to the Sudan
12.97	Cooperation for Health Development WHO's support to programmes at country level
1.98	«Twinning for Development» Institutional Cooperation between Public Institutions in Norway and the South
2.98	Institutional Cooperation between Sokoine and Norwegian Agricultural Universities
3.98	Development through Institutions? Institutional Development promoted by Norwegian Private Companies and Consulting Firms
4.98	Development through Institutions? Institutional Development promoted by Norwegian Non-Governmental Organisations
5.98	Development through Institutions? Institutional Development in Norwegian Bilateral Assistence. Synthesis Report
6.98	Managing good fortune – Macroeconomic management and the role of aid in Botswana
7.98	The World Bank and Poverty in Africa

Royal Ministry 7. juni plassen, P.O. Box 8114 DEP, N-0032 OSLO, Norway