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# TARGETING POVERTY TARGETING: THE MDB'S & POVERTY REDUCTION

by John Gershman

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# The MDBs and Poverty Reduction

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## EXECUTIVE SUMMARY

Poverty reduction has taken a higher profile in the project lending operations at the Multilateral Development Banks (MDBs) in the 1990s. This paper assesses the current situation in four of the MDBs (the World Bank, African, Asian, and Inter-American Development Banks) in terms of their approaches to, and accomplishments in, poverty reduction as it applies to their project lending operations. The focus is on the World Bank, with lesser emphasis placed on the other MDBs. The paper begins by examining the background trends to the "New Poverty Agenda" by comparing the current agenda to the 1970s concern with basic needs and integrated rural development, and to the continuing concern over the effectiveness of MDB development interventions and the quality of their portfolios.

The record of the MDBs in the area of poverty reduction is evaluated along three main areas: the definition of anti-poverty lending operations, the nature of their portfolio, and the evaluation of the actual impacts of anti-poverty lending. Reviews of research and strategy documents find that the World Bank has yet to effectively mainstream poverty reduction within its research, assessment, and country strategy work; although there has been improvement in the more recent documents. The lack of participation by civil society representative organizations of the poor is a key weakness.

The pattern of growth is recognized to be crucial for enabling growth to effectively contribute to poverty reduction, but a recent review of Bank operations in Sub-Saharan Africa found that at best 30% of the loans aimed at enabling growth had pro-poor components. Social investment funds can assist in poverty alleviation, but are not panaceas for asset reform and the public provision of basic services.

The various poverty-targeted lending indicators that the MDBs use are unable to provide unequivocal indicators of the extent of MDB anti-poverty lending. Neither the amount of social sector lending nor the various classifications of pro-poor projects provide clear data. A key weakness is the use of share of beneficiaries who are poor rather than the share of benefits going to the poor as the key indice.

The rise of lending in health and education is discussed, but noting that there is little independent evidence upon which to make a determination of that trend's impact on the poor. There are some new initiatives that point to asset distribution as crucial, namely, the Agriculture Sector Review and the Social Development Initiative. The latter points to the importance of social capital as an asset for the poor. A brief review of the poverty reduction-related policies of resettlement and gender indicate that the implementation of those policies will require active monitoring and participation by grassroots groups in concert with MDB reformists and external pressure by donor governments.

Before concluding, the assessment focuses on what lessons can be drawn from NGO experiences in poverty reduction projects. It highlights that two major contributions the MDBs can play: first, do no harm to existing social capital and civil society organizations, and second, to direct resources to areas where the social capital of the poor and the policy environment will more likely direct the benefits of poverty reduction projects to the poor by supporting the scaling up of NGO initiatives.

The paper concludes with policy options for the United States government to promote the effectiveness of poverty reduction operations at the MDBs. These options focus on the need to first do no harm to the social and human capital of the poor, base investment decisions upon the degree to which national and sub-national policy environments are conducive to poverty reduction activities, and to develop better indicators, a more participatory project cycle, enhanced monitoring and evaluation including independent civil society-based monitoring, and staff incentives linked to the mission of poverty reduction. All must be based on a credible U.S. commitment to poverty reduction.

**INTRODUCTION**

The World Bank and the other multilateral development banks (MDBs) commonly identify three major themes in their lending operations: poverty reduction, private sector development, and environmentally sustainable development. Among these three, the last two have garnered the most attention from advocates and critics alike. But the shift in Bank priorities towards “social sector” and “targeted anti-poverty” lending remains a shift that has largely escaped independent scrutiny.

The move towards anti-poverty lending is important for at least three reasons. First, these shifts are especially important for the poorest borrowing countries, in contrast to the MDBs’ private sector operations, which, like the flows of private capital, remain concentrated in a small group of 'emerging markets.' Second, since 1990 the World Bank (followed by the other MDBs) has defined their main mission as “poverty reduction,” and claims that their portfolios reflect this shift, directing more money towards the social sectors (health, population, nutrition, and education) and other explicitly poverty-reduction projects like drinking water and rural development. Third, the World Bank’s involvement in the social sectors increasingly sets the policy agenda in these areas, both viz the other MDBs and in the development community as a whole. The World Bank is the largest external funder of health programs in developing countries, and provides one-quarter of all external support to the education sector.

This paper proceeds by evaluating the role of the MDBs in general, and the World Bank in particular, in poverty-targeted lending. The World Bank deserves special emphasis for two reasons. First, its anti-poverty policies and strategies are the most explicit and comprehensive among the MDBs. Second, among the four MDBs which are the subject of this paper (African, Asian, Inter-American, and World), the World Bank has potentially the greatest impact because of the size and scope of its lending operations, the reliance of other MDBs on Bank policies, research, and planning documents, and its role as a chair of many Consultative Groups that coordinate foreign assistance to developing countries.

A brief caveat on what this paper is not about. This paper will not focus on a whole range of issues that are related to issues of poverty and MDB lending. These include: an extensive discussion of how the MDBs define poverty (except as it relates to the lending operations); lending for microenterprise, agriculture, or adjustment lending and its relationship to poverty reduction; the perspectives of bilateral ODA agencies on MDB poverty reduction operations; and, NGO/beneficiary participation and the MDBs, all of which are addressed in other papers. It is also not the objective of this paper to provide a comprehensive historical review of the MDBs and poverty reduction. The focus is on the “new poverty agenda” of the 1990s, the lessons we can draw from the various internal and external evaluations of MDB poverty reduction activities, and a survey of lessons from NGO efforts at poverty reduction.[1]

**POVERTY REDUCTION AND THE MDBS: BACKGROUND TRENDS**

This section examines the background to the rise of poverty reduction on the MDB agenda. It first looks briefly at the 1970s, when poverty reduction also had an explicit priority on the MDB (namely the World Bank's) policy agenda. Then the paper reviews the rise of concerns over the effectiveness of MDB development interventions and the performance of the MDBs' portfolio.

**POVERTY REDUCTION: BACK TO THE FUTURE?**

The World Bank announced its shift towards "poverty-reduction" as its over-arching objective in the 1990 World Development Report (WDR) and described a three-prong strategy to attain this goal: labor-intensive growth, investing in the poor via the development of human capital (mainly health and education), and the promotion of safety nets and targeted social programs. This perspective was then operationalized in a series of policy documents, including the *Poverty Reduction Handbook,* and Operational Directive 4.15 (see Annex 1 for a list of the various MDB documents on poverty reduction). The other MDBs quickly followed, and an explicit poverty reduction agenda and the establishment of targets and criteria for anti-poverty operations followed at all the MDBs; particularly to retain or garner support for replenishments for the MDBs' soft-loan windows.[2]

Most of the MDBs claimed that this move to an explicit poverty reduction agenda represented an articulation of what was already existing policy. In the case of the World Bank, it was not the first time it had focused on poverty. During the presidency of Robert McNamara (1968-1981), the Bank also had a (largely rural) anti-poverty agenda, inspired at least in part by waves of peasant insurgencies. The 1970s anti-poverty agenda had two main characteristics: [3]

- integrated rural development through a two-pronged basic needs agenda which combined raising productivity through investment in rural infrastructure (roads, credit, etc.) and building human capital through social services.

- integrated rural development pursued in a project mode.

Five main elements distinguish the current approach from the McNamara era.[4]
First, there is more attention to direct targeting of resources to the poor and under-served, as opposed to a belief that growth itself will trickle down to benefit the poor. Second, the current approach has a focus on providing public goods that benefit poor people, rather than focusing on agricultural development per se; elite groups often captured the credit and other input subsidies provided under integrated rural development programs. Third, there is currently an emphasis on examining the composition of public spending in order to direct social spending more towards the poor. Bank analysts now ask, for example, whether health spending is targeted at providing primary or tertiary care, and if education monies fund primary schools in poor regions or college education for urban middle classes. Fourth, there is a greater attention (at least rhetorically) to beneficiary participation, environment, and the impacts on women in the current approach. Fifth, there is attention to the policy environment in which project lending takes place, building on the Bank's experience with policy lending in the 1980s, and more recent concerns about governance. Market-led growth remains central to the Bank's strategy for reducing poverty. In

that sense, some economists claim that all of its operations could be classified as poverty reduction operations. Some Bank analysts now recognize, however, that the pattern of growth matters for poverty reduction.

**EFFECTIVENESS**

The shift to more explicit poverty reduction operations has coincided with a period of concern about the (in)effectiveness of MDB operations overall, and concerns about the quality of the MDBs' portfolios. This resulted in a series of Portfolio Quality reviews at each of the Banks in the early 1990s.

The various portfolio reviews identified a set of problems that were common to the MDBs as a whole:

- an approval or lending culture;
- disproportionate use of resources and efforts on loan approval, rather than on preparation, implementation, supervision, monitoring and evaluation;
- poor monitoring and evaluation within the project cycle;
- inadequate or non-existent feedback loop, which prevented MDBs from learning lessons from both successful and failed projects;
- greater operational role for special units needed (e.g., environment, social development, women, etc.);
- failure to effectively implement existing operational policies;
- insufficient participation by non-government stakeholders.

Have things changed since the latest portfolio management review? I look quickly at the latest OED evaluation, the latest portfolio review, a report on monitoring and evaluation (M&E), and a recent survey to give a snapshot of where we are now in terms of the World Bank. The World Bank has the most well-developed M&E capacity of all the MDBs, and because of the scope and scale of its operations, has attracted the most interest. The Africa Development Bank is widely perceived to perform much more poorly than the other MDBs on all counts.

**OED**

OED's latest evaluation report covers 246 completed operations first evaluated in 1994. The latest evaluation results suggest that:

> Sixty-six percent of the operations evaluated in 1994 had satisfactory outcomes. Thus one in three is judged not to have met its major relevant goals and/or not to have made an acceptable contribution to development. This year's percentage compares with 64 percent in the cohort of

operations evaluated last year, and is better than the average of 63 percent for 1990-94, though it is still far too low to be acceptable.[5]

**PORTFOLIO PERFORMANCE**

The OED's most recent review of the annual portfolio performance review found that "a reduction in the failure rate of completed bank projects has proved elusive. Today, about a third of Bank-financed projects are rated as "unsatisfactory" by OED upon completion. And the failure rate has been stuck at about this level for about five years." (p.3)

There is a disconnect between the project ratings while the project is ongoing, and after its completion. Less than half of the projects the OED found unsatisfactory during the FY1991-1995 period had been rated as problem projects at the time of their last ARPP rating, "and less than one fourth of the projects whose outcome was "unsatisfactory" had been flagged as problem projects at their mid-life."[6]

A key contribution to this problem, notes the review, is that few projects have indicators against which task managers can evaluate progress. (p.4) This leads to questions over the World Bank's monitoring and evaluation capabilities.

**MONITORING AND EVALUATION**

There are severe weaknesses with the World Bank's internal, desk-based reviews of policy implementation, because of the poor quality of the Bank's own monitoring and evaluation which provides the data for the desk reviews. The Bank's OED study of the twenty-year-old policy on monitoring and evaluation in Bank projects found that the results were "disappointing...The history of M&E in the bank is characterized by non-compliance."[7]

These findings are echoed in a 1996 Bank report on poverty reduction efforts in Sub-Saharan Africa, which found that "few projects provide for monitoring or evaluating their effects on the poor. The projects will be supervised, but many of them do not have indicators developed to evaluated whether they are helping or reaching the poor." And another World Bank review of poverty indicators found that one third of the staff appraisal reports in fiscal 1988-1993 for Bank-assisted projects judged as poverty-targeted or program credits focused on poverty reduction, did not mention the use of indicators beyond routine project management.[8]

**SURVEYS**

Two internal World Bank surveys that coincided with the portfolio review process found additional information regarding the extent to which World Bank staff and borrower representatives view World Bank approaches to poverty reduction. The surveys, one conducted by OED and the other sponsored by the Africa Department, but conducted by non-Bank interviewers, found that

> "11 percent of borrowers did not know that poverty alleviation was a Bank objective. Nearly two-thirds said they consider poverty assessment important to their country's development, but their

> ratings of how well the Bank assesses poverty were less than positive. Staff views were only slightly better. Moreover, more than half of borrowers said the Bank does not sufficiently consider the impact of lending on social equity and poverty. It comes as no surprise, therefore, that only 16 percent rated the Bank as very or extremely effective in reducing poverty. Even fewer staff ( 7 percent) gave the Bank high marks."[9]

This snapshot suggests that in the case of the World Bank, effectiveness in general, let alone in the context of poverty reduction, remains an ongoing concern, and that while current World Bank President James Wolfensohn's concern with "results on the ground" is to be lauded, it still needs to be translated into practice.

**THE MDBs AND POVERTY REDUCTION: THE RECORD**

This section explores the nature and scope of the operationalization of poverty reduction in terms of the policies and practices of the MDBs. Emphasis is placed on the World Bank, because of the scale and scope of the resource transfer, and because the Bank has a longer history of making poverty reduction its operational mission.

**PUTTING POVERTY ON THE AGENDA**

The World Bank's poverty reduction strategy requires it to link the volume of lending to a country's effort to reduce poverty, while the composition of lending should support efforts to reduce poverty.[10] The composition of lending is supposed to be based upon the country's situation (as understood by the Poverty Assessment which would then influence the Country Assistance Strategies (CAS)), and then center around the poverty-oriented projects falling within the social sectors and the Program of Targeted Interventions (PTI). The following discussion looks first at the World Bank's Poverty Assessment, Public Expenditure Reviews, and Country Assistance Strategies in order to evaluate how these instruments support the Bank's mission of poverty reduction. Then we look at the composition of MDB lending, looking at the various indicators they have developed to measure anti-poverty lending.

**ASSESSMENT AND STRATEGY: POVERTY ASSESSMENTS, PUBLIC EXPENDITURE REVIEWS (PERS), and COUNTRY ASSISTANCE STRATEGIES (CAS)**

As Figure 1 indicates, the Poverty Assessments (PAs) and Public Expenditure Reviews (PERs) are slated to be the crucial inputs to influence the CAS, which are then supposed to provide the framework for Bank operations in a country. This section first evaluates the extent to which the *process* of producing the PAs and PERs, and the end *products* themselves, are effective in meeting the needs of the poverty reduction mission. This section focuses exclusively on the World Bank's operations because these documents are often the basis for regional MDB operations, and because the extent of data on the World Bank's PAs and PERs is much greater than that for the regional MDBs Economic and Sector Work (ESW) and country papers.

### POVERTY ASSESSMENTS

Poverty Assessments and PERs are supposed to be the two key research and assessment tools for shaping the overall country strategy. Poverty assessments are supposed to identify the economy-wide policy, public expenditure, and institutional issues that constrain effective poverty reduction and to recommend an agenda for reform.
The Bank completed 62 PAs from fiscal 1989-1995, and have scheduled an additional 58 to be completed by the end of fiscal 1999.[11] Many PAs are hampered by the lack of reliable household data; especially, but not exclusively in Sub-Saharan Africa. An internal World Bank review of poverty reduction in Africa found that the PAs were uneven in quality. They echoed the critiques and recommendations of an earlier report which determined that the caliber of the PAs varied from "missed opportunities (such as Ghana 2000) to substantial achievements (the Zambia PA)." [12]

The major weak point of PAs to date has been "the analysis of the process of poverty, as contrasted with the state of poverty, and in particular the political dynamics of this process."[13] This should not be all that surprising -- look at the lack of consensus on the causes of and solutions for poverty in Northern countries.

The question then becomes how the Bank, acknowledging the limits of its charter, can use its research and policy dialogue process to help place poverty reduction more firmly on the agenda of developing country governments. One mechanism is by using a participatory process as feasibly for drafting the PAs and PERs (and CAS's), viewing the process of their formulation as critically as the final product. A broad-based process of assessments, reviews, and strategy formulation is more likely (not guaranteed) to help build linkages between pro-poverty reduction state and civil society actors; linkages necessary to sustain a high priority for policies aimed at poverty reduction, to insure that such policies work (or are modified to do so), and serve as the political constituencies for pro-poor policies to be advanced in the face of vested interests. While the SPA review identifies participatory poverty assessment as one key input into the overall PA process, the "participatory" dimension needs to specifically and systematically incorporate the views of organizations of poor people, and not merely rely upon surveys and focus groups.

### PUBLIC EXPENDITURE REVIEWS

The Public Expenditure Reviews (PERs) are supposed to analyze the efficiency and equity dimensions of current public spending, with an eye towards identifying means by which public spending can become both more efficient and promote social equity. The Bank is producing PERs at a faster rate. From 1957-1993, the World Bank produced 155 PERs; 52 were produced in 1991-1993 alone. The Bank prepared an average of 18 PERs from 1990-1993, 50% more than from 1986-1989.[14] The PERs are pitched at two levels: the macro and meso (sectoral and intra-sectoral) levels. The macro concern is to maintain fiscal 'responsibility' (low inflation, etc.) At the meso-level, PERs have generally concentrated on three issues:

- the percentage of total public spending on the social sectors (namely health and education);

- the extent to which spending within the social sectors is pro-poor in character (i.e., is health spending going to primary or tertiary care, or is education spending going to primary education or colleges and universities);

- the input composition of budgets (i.e., what is the balance between spending for construction of new health clinics, staff salaries, and funds for medicines or school buildings, teachers' salaries, and books).[15]

A review of 13 recent PERs found "the quality of the analysis has been uneven and in many cases unsatisfactory."[16] The key finding for the purposes of our discussion was that "less than 10 percent of PERs examined the impact of public expenditures on the poor."[17] This review also cites two earlier reviews — one by the Netherlands Economic Institute and the other an internal World Bank review — which found that the PERs have had a "limited impact on client countries, donor coordination and the Bank's own lending strategy."[18] The most recent review does note that the most recent PERs are better and have addressed some weaknesses of earlier ones.

### STRATEGIES: COUNTRY ASSISTANCE STRATEGIES

The Bank's overall lending strategy is supposed to be tailored to reflect the country's unique situation through negotiations with representatives of borrowers with the results displayed in the Country Assistance Strategy. The most recent comprehensive review of CAS's is provided by the 1996 World Bank report, *Taking Action for Poverty Reduction in Sub-Saharan Africa* (hereafter *Taking Action*), which reviewed the most recent CAS for each country in the Africa region to determine, "(a) emphasis given to poverty reduction, and (b) specific proposals for reducing poverty."[19] They found that the typical CAS in the Africa region was:

- similar in structure to strategies for other countries with little in the way of a unique country perspective on poverty;

- lacked clear objectives and strategic vision for reducing poverty;

- lacked clear links among the strategy, lending program, and poverty reduction;

- used poverty reduction objectives to justify a wide range of activities, but especially promoting an emphasis on long-term growth without any discussion of the distribution of growth to the poor;

- lacked a set of priorities rooted in poverty reduction.[20]

The review emphasized that these criticisms were true of a typical CAS, **not** all CAS's, and that the most recent CAS's (those prepared in fiscal 1996) were better in terms of the incorporation of poverty reduction into the Bank's overall assistance strategy, the degree of participation by civil society stakeholders, and reliance upon a completed Poverty Assessment.

For a CAS to effectively embody the Bank's commitment to poverty reduction and have the support of all the key stakeholders, the CAS process must become more participatory, and the final documents must be available to civil society stakeholders; especially civil society organizations that represent the poor. They would be crucial forces to ensure that both the borrowing government and the MDBs keep the poverty reduction strategy on course.

**THE PORTFOLIO: ENABLING GROWTH, THE SOCIAL SECTORS AND TARGETED PROGRAMS**

While this paper does not intend to cover the policy dimension of poverty lending, two issues related to broader policy concerns are relevant to this discussion. First is the issue of patterns of growth. Second are social investment funds which emerged as a direct response to the anti-poor impact of adjustment lending.

The pattern of growth is crucial to promote poverty reduction. The pattern is shaped by initial asset distributions (land, human capital, social capital, natural resources, etc.), the redistributive nature of government programs, and whether growth is more labor or capital intensive. *Taking Action* categorized 56% of the 406 projects approved during fiscal 1992-1994 as intended to provide an enabling environment for macroeconomic growth, 26% for broadly-based services, and 18% for narrowly targeted services. *Taking Action* provides a valuable insight into the pro-poor nature of the type of growth that Bank operations promote. It must promote employment and labor intensive operations (but increased labor intensity that does not expand women's labor into a double or triple day). *Taking Action*'s review of the 96 investment and adjustment projects approved in fiscal 1992-1994 intended to enable long-term growth found that "*at best 30 percent of the Bank-assisted investment and adjustment projects committed to enabling long-term growth had pro-poor components.*"[21]

*Taking Action* classifies operations for enabling growth as adjustment, infrastructure, capacity building, and other. Adjustment lending composed 58% of the volume of lending for enabling long-term growth and 32% of all lending for fiscal 1992-1994 in Sub-Saharan Africa. *Taking Action* found that 21 of those 29 adjustment operations had pro-poor components, 25 had neutral components regarding the distribution of growth, and 16 had components that were not pro-poor, such as "components meant to improve cost recovery in health and education without discriminating on the basis of the ability to pay, improve the efficiency of the financial sector, and bring bank interest rates in line with market rates."[22] Only 4 of the 41 capacity-building projects from fiscal 1992-1994 (the majority of which are for private sector development) were classified as having pro-poor components, and of the private sector development projects, only one had either a microenterprise or small enterprise development component. The broadly-based services portfolio performed much better, with 56 of the 59 projects meeting at least one criteria for poverty reduction.[23]

This review indicates that whatever the impact of poverty-targeted projects, the World Bank needs to more systematically develop approaches to policy lending that will promote patterns of growth that reduce poverty.

**SOCIAL INVESTMENT FUNDS (SIFs)**

Social Investment Funds emerged as a response to political opposition to the implementation of economic reform programs associated with structural adjustment programs, and to the growing demand by the poor, other donor agencies (e.g., UNICEF), donor governments and NGO critics to address the anti-poor effects of adjustment policies. The negative effects of adjustment on the poor was not a major concern at the Bank in the early years of the adjustment decade. As the Bank itself noted in 1990, "when structural adjustment issues came to the fore little attention was paid to the effects on the poor."[24]

Much has been made of some social funds' demand-based approach. This has indeed enabled those communities with strong civil society organizations to use access to fund resources to promote accountable and broad-based community development. In this way, transparently organized social funds that are responsive, accountable and honest, can help build upon existing social capital resources in communities to support pro-poor infrastructure or social service investments. In areas where local politics are characterized by clientelism and authoritarianism, these funds can be captured by local elites and reinforce clientelism and exclusionary development, as Jonathan Fox argues for Mexico, and Carol Graham argues for Peru and Senegal.[25]

But these organizations rarely represent the poorest of the poor. As Carol Graham noted in her broad review of SIFs, "the most evident drawback of the social fund approach is that the poorest groups, which tend to be weakly organized, are the least equipped to solicit benefits from demand-based programs."[26] For example, for poor women "the record of the supply-oriented government schemes in terms of reaching poor women and providing them with paid work is far better than that of the demand driven social funds."[27]

Jonathan Fox and Josefina Aranda's in-depth study of the Mexican Municipal Solidarity Funds provides some valuable insights into the relationships between decentralization, participation, and poverty reduction in Oaxaca, and highlights some points for social funds and anti-poverty programs more generally. Most broadly, attention to the *political* context in which decentralized anti-poverty programs are pursued is crucial. Fox and Aranda contrast the program in Oaxaca and Chiapas. In Oaxaca, local governments were already responsive in most of the state, so the decentralized anti-poverty program strengthened those existing governance structures. But in Chiapas, submunicipal officials were appointed by mayors, who in turn were backed by a state government that was not responsive to state's poor majority's demands. In the latter case, project funds reinforced authoritarian and exclusionary institutions of governance.

At the level of project design, their study's conclusions included that "active community participation in project selection and implementation is necessary but not sufficient to produce anti-poverty impact." Other aspects of project design, including the distribution of funds between municipal centers and outlying areas, the availability of technical assistance, and the timeline over which project funds are available (one time infusions versus over several years), all have implications for the poverty impact of particular projects.

A key factor highlighted in the study is also the importance of social capital (the horizontal networks of trust and cooperation) that have a reciprocal effect with good governance in Oaxaca, and facilitate effective participation by the community. Social capital is a key building block for collective action by communities, and can be created by actors in civil society in conjunction with good 'enabling environments' for its accumulation. Greater attention to social capital, as well as human capital as a basis for effective poverty reduction, has been acknowledged in the ongoing work of the recently appointed Social Development Task Force at the World Bank, but has yet to permeate throughout the work of the Bank.

Social funds *can* have a valuable spillover effect by creating new openings for alliances between reformist anti-poverty bureaucrats and organizations of the poor. "The success of such programs hinges, among other factors, on their operating in a transparent manner that incorporates the participation of the poor and thereby enhances their economic potential *and* political influence,"[28] notes Carol Graham. But they "*cannot* be expected to substitute for coherent macroeconomic policy or efficient basic social welfare services, such as public health and education"[29] for poverty reduction. Finally, while safety net programs may be more palatable to elites than asset transfer programs (such as land reform), temporary transfers are easier to reverse and may have a lower long-term impact.[30]

**INDICATORS**

There are two key indicators of increased poverty targeting: shifts in the portfolio towards investing in human capital, and the development of an indicator to measure the extent to which individual Bank operations actually reflect its stated anti-poverty thrust. This section does two things: First, it evaluates the extent to which the MDBs, based on their own indicators, are directing resources towards sectors and projects that can benefit the poor; Second, it evaluates the indicators themselves to see what they actually tell us about the quality and quantity of poverty-targeted lending.

**SOCIAL SECTOR LENDING**

The MDBs use somewhat different criteria for identifying the part of their portfolio that falls within the 'social sectors.' The World Bank classifies three sectors of lending as part of their anti-poverty program: agriculture and rural development, water supply and sanitation, and human resources. Agriculture and rural development lending has fluctuated from 27% of Bank lending in fiscal 1981-83, to 15% in fiscal 1990-92, increasing in fiscal 1993-95 to 24% of all Bank lending. Water supply and sanitation have remained constant at 4-5% of Bank lending from the early 1980s to the present. The most rapid increase in lending has occurred in what is known as human resource lending in the 1990s. At the World Bank in the 1980s, lending to human resources (health and education) averaged about 5% of operations; this tripled to over 15% in the fiscal 1993-1995 period. In fiscal 1995 the figures were $3.9 billion, with $2.1 billion in education, $1.2 billion in population, health, and nutrition, and $648 million in other social sectors.[31] The figures for the MDBs are listed in Table 1.

Social sector operations are likely to increase significantly in both absolute and relative terms in coming years. At the World Summit on Social Development last March, the World Bank announced that it will increase social spending by 50% over the next three years. The other MDBs made similar claims.[32] For example, since the 8th Replenishment in 1994, the IDB has claimed to target 40% of its lending to the social sectors, a target which was not met in fiscal 1995. But the figures on social sector lending provide only a very vague estimate of how the MDBs stated commitment to reducing poverty is actually translated into practice. We now move to a discussion of the indicators used to evaluate the extent to which particular projects are actually pro-poor.

**TABLE 1**

**Social Sector lending**

| | FY1991 | | FY1992 | | FY1993 | | FY1994 | | FY1995 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | $mill | %tl | $mill | %tl | $mill | %tl | $mill | %tl | $mill | %tl |
| AfDB | | | | | | | | | | |
| ADB | | | | | | | | | | |
| IDB* | 1,566 | 22.1 | 4,318 | 27.8 | 3,076 | 35.0 | 3,200 | 61.5 | 2,731 | 37.4 |
| IBRD/IDA | | | | | | | | | 3,900 | |

%tl=percent of total portfolio.

*Includes Education; Science and Technology; Health and Sanitation; Social Investment; Urban Development; Microenterprise; and Environment, from 1991-1994. Science and Technology was moved from the social to the productive sectors category in the 1995 Annual Report. In 1994 the IDB began lending to support government reform, which it notes as having social objectives, although not counted within the social lending category. IDB. (1996, March 6-12). *Social Dimensions in the Agenda of the IDB.* (World

Summit for Social Development). Copenhagen, Denmark, p. 12. *IDB Annual Report* (1995).

**PROJECT INDICATORS: THE WORLD BANK'S PROGRAM OF TARGETED INTERVENTIONS (PTI), THE IDBs LOW-INCOME GOAL, AND THE ADBs STRATEGIC DEVELOPMENT OBJECTIVES**

All four MDBs have different criteria for classifying their loans as poverty-targeted. This section reviews the criteria and discusses the strengths and weaknesses of the indicators. In all cases, the indicators are less than adequate for providing solid data on which to unequivocally identify poverty targeted operations.

**THE PTI**

As a follow-up to the 1990 WDR report, the Bank created a framework for staff to implement the anti-poverty agenda. One element was the development of an indicator to distinguish anti-poverty lending activities. This is the Program of Targeted Interventions (PTI), the Bank's indicator of anti-poverty lending. The basic definitions of PTI are used by the AfDB as well for its project lending.[33] The IDB and ADB use different indicators (see below).

Both adjustment and project loans can qualify under the PTI. A project loan qualifies as a PTI project if the project either (I) has a specific mechanism for identifying and reaching the poor; or ii) the participation of the poor significantly exceeds the proportion of the poor in the population as a whole, and that in either case such criteria are met for at least 25% of the project. An adjustment loan qualifies if it meets one of the following criteria: (I) reforming social expenditures to better reach the poor; (ii)removing distortions of particular harm to the poor; (iii) contains safety nets or other targeted programs; (iv) introduces poverty monitoring; or (v) develops a poverty policy. "Most PTI operations are intended to reach the poor in three sectors: agriculture and rural development, education, and population, health, and nutrition."[34]

According to Bank external affairs staff, the creation of the PTI was part of an effort to convince donor governments, under pressure from poverty-focused NGOs, to contribute to the International Development Association (IDA). As the table indicates, PTI projects are a greater percentage of IDA lending than IBRD lending.

**WEAKNESSES IN THE PTI**

But there are a number of weaknesses in the PTI: the definition risks over-estimating the actual anti-poverty focus of Bank operations, because the definition focuses on the percentage of the beneficiaries who are poor, rather than the percentage of the loan benefits received by the poor. For example, take a $100 million loan in a country where 50% of the population is poor. If 80% of the project beneficiaries are poor, and they receive 25% of the benefits, the entire loan is counted as a PTI project.

**TABLE 2**

| | Fiscal Years, ($millions) |
|---|---|

| Figures | 1992 | 1993 | 1994 | 1995 |
|---|---|---|---|---|
| Total World Bank PTI lending | 3,837 | 4,674 | 4,441 | 5,437 |
| As share of investment lending * | 24 | 27 | 25 | 32 |
| As share of all Bank lending | 18 | 20 | 21 | 24 |
| Total number of PTI projects | 57 | 72 | 63 | 75 |
| Total number of projects | 190 | 228 | 197 | 208 |
| IDA PTI lending | 1,812 | 2,137 | 1,853 | 2,423 |
| As share of all IDA investment lending* | 43 | 41 | 43 | 54 |
| As share of all IDA lending | 28 | 32 | 28 | 43 |
| Number of IDA PTI projects | 35 | 44 | 35 | 48 |

*excludes adjustment, debt and debt-service reduction operations, and emergency-reconstruction operations.

*Source:* World Bank, *Poverty Reduction and the World Bank: Progress and Challenges in the 1990s* (Washington, D.C.: World Bank, 1996), p.51.

The increase "poverty-focus" to adjustment lending is also problematic. According to the Fiscal 1995 *Poverty Reduction and the World Bank* annual report, 14 of 27 adjustment operations in fiscal 1995 were poverty-focused, compared with nearly three-quarters in fiscal 1994, a third in fiscal 1993, and just over half in fiscal 1992.[35] While the percentage of poverty-oriented adjustment operations declined in fiscal 1995, the amount of lending ($1.65 billion) remained stable from fiscal 1994 ($1.67 billion). But, the criteria are very weak. If an adjustment loan merely funds the counting of the poor (poverty monitoring), then the entire loan counts as a PTI loan.

The Bank and some observers also point to increased social sector conditionality and sectoral adjustment loans (SECALs) as an element of greater poverty reduction orientation of adjustment operations. The World Bank identifies the share of adjustment loans with social sector conditionalities as increasing from under 5% in 1984 to almost 30% in 1990-1992.[36] But the simple increase in social sector conditionality does not necessarily indicate that the funds are going to the poor. Most funds are still going to balance of payments support; similarly for SECALs. The bulk of sector adjustment loans are used to provide balance of payments support, even if they incorporate capacity building elements. What distinguishes them from traditional adjustment loans is the nature of the conditionality of the loan, not the destination of the funds they provide.[37]

The weaknesses in the PTI indicate that the Bank itself cannot unequivocally state how much of its lending is actually going to poverty-reduction activities. Its fiscal 1995 figures for Bank-wide operations (24%) and IDA (43%) in all probability represent over-estimates.

**THE IDB's POVERTY REDUCTION INDICATORS**

The IDB has two sets of 'poverty targeting indicators.' The first is by country, and the second is by level of benefits to the poor (known as the low-income goal). The IDB has a four-tiered structure for classifying borrowing countries (A-D, with A roughly representing the wealthiest, and D group the poorest).[38] There is a graduated percentage of total project costs covered by Bank funds depending on the country group: A(50%), B(60%), C(70%), D(80%). There are no individual country allocations, but there is specific targeting of FSO resources to specific countries. Since the Fifth Replenishment at the IDB there has been a policy mandate to direct at least 50% of the net benefits of projects to low-income beneficiaries (known as the "low-income goal"); Since the Seventh Replenishment, an incentive for poverty targeted projects (see above) of an additional 10% of foreign exchange financing above the limit for the country group.[39]

The mandate was operationalized by identifying low-income groups in each country on a conventional food basket approach, expressed in local currency. The final level was then 'adjusted' upward or downward in negotiations with borrowing countries to avoid political conflict. Bank staff then used a different benefit incidence methodology (depending on the type of project) to calculate expected distribution of economic benefits.[40] No method of counting beneficiary impact was used in about a third of all IDB projects (because of methodological difficulties, thereby limiting application of the mandate) and few ex-post evaluations were conducted to determine if the expected distribution of benefits was the actual one (e.g., if the methodologies were actually measuring what they claimed to measure).[41]

An independent review of the IDB's portfolio from 1979-1991 challenges the basis of the calculations (project documents did not always contain the data necessary from the calculations) and the usefulness of the indicator (it doesn't cover the entire portfolio). The low-income mandate has not been met since 1982, even since the resurgence of social sector lending in 1986.[42] From 1990-1993, the "measurable lending" on which the "low-income goal" is calculated was at most half of the volume of Bank lending. Of this, an average of forty percent of the benefits reached low income groups.[43]

The IDB's "low-income goal" has,

> "been divorced from strategic planning, the process of loan selection, evaluation, and approval, as well as from allocation of resources by country and sector. In practice, this meant that the bank could not insist on doing low-income projects because it was not a criteria for designing a loan program. Moreover, it should be noted that the mandate did not call for social lending as such; it did, however, stress employment creation.[44]
>
> The goal remained a vaguely couched wish without the support of broader poverty-oriented policies and unaccompanied by instruments for implementation. There was no requirement to give special weight to low-income benefits in resource programming and in project design. In essence, the [Inter-American Development] Bank was expected to move toward the target without changing its way of doing business."[45]

As a result of the Eighth Replenishment, the IDB committed to pursue a strategy similar to the approach laid out in the World Bank's 1990 World Development Report on Poverty, in its lending, policy dialogue, and technical assistance programs. The IDB is due to finalize its *Strategy to Fight Poverty* this year. The Eighth Replenishment also mandated that 40% of the volume of loans and 50% of the total number of IDB operations be dedicated to social reform and poverty reduction. That target was reached in fiscal 1994, but not fiscal 1995.

**THE ADB**

The ADB is the only MDB with an overall strategic planning goal for the entire portfolio that sets clear targets for types of lending. The Medium-Term Strategic Development objectives for fiscal 1992-95 are to: Promote Economic Growth (the overarching objective); Reduce Poverty; Support Human Development; Improve the Status of Women; and, Protect the Environment. [46]

Out of this developed a four-fold project classification:

- traditional growth projects
- social concerns (poverty reduction, human development, and Women in Development (WID)
- environmental protection or improved natural resource management
- growth-oriented projects having secondary features to address social and/or environmental concerns

The target goals are that no more than 50% of the loans should be traditional growth loans. But that indicator is based upon the number of loans, rather than the volume of lending.

I will focus on the human development, poverty reduction and WID loans as most directly connected to our discussion, recognizing that environmental protection can have significant pro-poor effects. Human development loans are: (I) loans aimed at increasing the value of human capital and the quality of life through investing in: education, health, population planning, water, sanitation, housing and other basic needs. (This reflects the definition of "social sectors" used by the other MDBs); and (ii) components for human development account for more than 50% of the project cost. Poverty reduction loans are loans that: (I) have a direct impact on poverty by improving either access for the poor to income/employment or human development services; (ii) at least 2/3 of the beneficiaries are poor; or, (iii) the components specifically for the poor are more than 50% of total project cost.[47]

A growth-oriented loan is classified as having secondary effects to address social (poverty reduction or WID) or environmental concerns if: (I) more than 1/3 or less than 2/3 of its beneficiaries as poor (or women) it is counted as a poverty reduction (or WID) loan; or (ii) the loan has more than 20% and less than 50% of project costs as benefits to the poor (or women, or the environment).

By the end of calendar year 1995, the project mix had already achieved the targets set for cross-cutting loans to be at least 50% of the portfolio.

The unwillingness to evaluate how growth projects actually contribute to poverty reduction is of concern for evaluations of poverty reduction, because the ADB seems to take at face value that growth reduces poverty. The use of a number of loans rather than the volume of operations, the shaky definition of the growth plus category, and the reliance on input and beneficiaries rather than benefits (and little or no monitoring or evaluation to determine if the intended beneficiaries actually receive the benefits) makes the indicators rather unreliable as a measure of anti-poverty lending. The ADB's reliance on input indicators (project costs) is reflective of the fact that the ADB, "still [does] not have a good mechanism to evaluate output rather than input,"[48] according to an ADB official.

Asian Development Bank Performance on Strategic Planning Portfolio Targets[49]
(1991-1994)

| | 1991 | | 1992 | | 1993 | | 1994 | |
|---|---|---|---|---|---|---|---|---|
| | No. | % | No. | % | No. | % | No. | % |
| Traditional growth | 32 | 51 | 28 | 44 | 32 | 49 | 26 | 55 |
| Social Projects | 12 | 19 | 17 | 27 | 22 | 34 | 10 | 21 |
| Poverty Reduction | 2 | 3 | 5 | 8 | 4 | 6 | -- | -- |
| Human Resource Dev't | 10 | 16 | 12 | 19 | 17 | 26 | 9 | 19 |
| Women in Development | -- | -- | -- | -- | 1 | 2 | 1 | 2 |
| Environment Projects | 3 | 5 | 5 | 8 | 3 | 5 | 1 | 2 |
| Growth Plus | 16 | 25 | 14 | 22 | 8 | 12 | 10 | 21 |

**CONCLUSION**

The weaknesses in the definition and measurement of all these indicators should give pause to any grandiose claims of the extent of poverty reduction activities by the MDBs. While the initial steps toward generating indicators are to be lauded, they are so loose as to risk virtual meaninglessness. A preferred approach would be an indicator that measures the share of the benefits accruing to the poor. Poverty reducing projects should be projects where the poor's share of the benefits should at least equal the percentage of the poor in the population.[50]

**SOCIAL SECTOR OPERATIONS**

In spite of the limitations of these two official indicators - human resource investment and PTI - the growing share for health and education can no longer be assumed to be merely "more of the same" structural adjustment. For example, the Bank has softened its earlier insistence on harsh cost-recovery charges for basic services to poor people. According to OXFAM International, the earlier focus on cost recovery has shifted, at least in Southern Africa.

**HEALTH AND EDUCATION**

Bank operations in the population, health, and nutrition sector (PHN) have increased in absolute terms, from an annual average of $103 million in the 1981-84 period to $1.3 billion in the fiscal 1991-1994 period, and comprises about 5% of the Bank's total lending. Of the twenty six PHN projects approved in fiscal 1995 projects, 19 involved some level of NGO participation according to Bank figures.

Since the mid-1980s, HIV/AIDS and safe motherhood projects, and in the 1990s early childhood development have grown as a percentage of the health portfolio. The

Bank has loaned about $800 million for projects in over 40 countries for HIV/AIDS, and from fiscal 1990-1994 the Bank provided $745 million for projects in early childhood development. In fiscal 1993 there were 70 Bank-funded projects with safe motherhood projects underway, compared to 9 in fiscal 1986. Some critics suggest, however, that many of the 'safe motherhood' projects are actually maternal and child health (MCH) programs, but often "MCH programs lose sight of the "M" in MCH and/or become overshadowed by family planning/population programs." [51]

With at least an equal if not greater impact on health policy than its projects is the Bank's policy dialogue. The publication of the World Bank's 1993 World Development Report, *Investing in Health,* represented, according to the British medical journal, *The Lancet,* "a shift in leadership on world health from the World Health Organization to the World Bank."[52] The Bank's policy advice includes shifting public expenditures from tertiary to primary care, developing more targeted interventions (such as micro-nutrient programs and early childhood interventions), decentralization, and the use of 'cost-recovery' mechanisms like user fees in at least some cases. While the Bank has reportedly stepped back from the widespread promotion of user fees, at least in parts of Southern Africa, hard independent data monitoring the impact of all these trends and projects is lacking because few groups devote resources to tracking Bank-assisted projects in this sector. [53]

The publication of the Bank's 1993 World Development Report, *Investing in Health,* has been applauded for its emphasis on primary care, but also criticized for its advocacy of market-oriented health care systems (including managed care), its reluctance to identify the weaknesses of such systems, and its emphasis on 'cost recovery' mechanisms, such as user fees.[54]

**EDUCATION**

The World Bank's role as a lender for education is also crucial; a role heightened by the recent publication of the Bank's education sector review.[55]

Three key issues have emerged within the education sector. First there is a debate over whether the economic rates of return to education are what they are claimed to be, or whether they are measuring something else (such as the level of employment in the labor market). Several reviews have raised questions about justifying education as a strategy for poverty reduction based primarily upon the rates of return, including research by the Bank's own policy research staff. [56] Second, education critics point to the economism of the Bank's discussion of education sector policy, pointing out that a successful education sector policy should have education performance indicators at the core, not just economic ones.[57] Finally, there remains an ongoing debate over the appropriate level and use of user fees.[58]

Systematic data for the other regional banks, with the exception of the IDB, is not available. There appears to be an implicit specialization by the IDB in funding higher education. This is important for developing a cadre of skilled professionals, but may be less successful at reducing poverty. The independent IDB review recommends an expansion of resources to education, to include expanding primary education in rural and marginal urban areas, as well as among women.[59]

**SOCIAL SECTOR REDUX**

There have been no comprehensive reviews of the social sector portfolios of the ADB and AfDB. An independent review of the IDB's portfolio found that IDB social sector lending tends to benefit the smaller, wealthier countries.[60] Education lending seems to be oriented towards maximum effectiveness (rather than poverty reduction) while health, water, and sewage seems to be better targeted at poverty reduction. The revision of the ABCD grouping of countries would be useful in general, and particularly with regard to social sector lending.[61]

For the World Bank, human resource projects are of growing interest because they are ranked as among the best performing projects by the OED(83% rated satisfactory), as well as key to the Bank's anti-poverty strategy.[62]

But the OED's 1994 evaluation highlighted the following problems with Bank-assisted human resource operations that need to be addressed:[63]

- Recurrent expenditure and counterpart funding problems are highlighted in almost all performance audits. This implies that project design should pay more attention to the potential of institutional and community organizations in operating and maintaining these investments.

- Complex projects are institutionally difficult to implement, and unduly rapid expansion can compromise quality.

- To make an effective contribution, human resource operations need flexible implementation and ongoing monitoring to identify impediments to the effective use of facilities offered.

- Piloting and flexible, not blueprint approaches.

Some critics might argue that human resource lending deals only with the symptoms of national economic policies that generate poverty; but that view still begs the question of the impact that increased human resource lending has on poverty reduction. Other critics note that social service investments don't address the key determinants of poverty, such as asset distribution. Recent internal World Bank policy assessments have begun to address these issues in the agricultural sector review and a new social development initiative, which are discussed below.[64]

**AGRICULTURAL SECTOR ACTION PLAN**

Two recent initiatives reflect some positive trends: the Agricultural Sector Action Plan and a Social Development Initiative. Agriculture is a critical sector for the Bank if it is to improve its performance, because agriculture is consistently the worst performing sector of Bank lending. OED's latest evaluation found that performance was poorest in agricultural projects (60% rated satisfactory) but that was better than the 1990-1994 average.[65] The Agricultural Action Plan presented to Wolfensohn in late February reflected some of these reassessments in several areas: an emphasis on smallholders, land reform, and participation. "The Bank's objectives of poverty reduction, sustainable natural resources management and food security cannot be met unless rural well-being in general, and a prosperous smallholder strategy in particular, are nurtured and improved,"[66] notes the paper. And it recommends a strong emphasis on land reform in Latin America and Eastern Europe. But the report declines to address possible linkages between national economic policy reforms, such as trade liberalization, and the economic sustainability of family farming.

In terms of civil society, the report recognizes that "lack of participation" is a "key weakness of the past," and the Action Plan even calls for the Bank to "assist the poor to organize, understand policy options, and articulate their demands."[67] But the report neglected the "governance" dimension of participation. Ostensibly "participatory" projects in rural areas are unlikely to get very far where freedom of association is denied and state and local governments are dominated by authoritarian elites.

A clear example of this is provided by a recent study of a Rural development program in Mexico, based upon a paper done for the Bank's own Participation Learning Group.[68]

**SOCIAL DEVELOPMENT INITIATIVE**

On the heels of the agriculture policy reassessment, Wolfensohn commissioned the Bank's social scientists to draft a position paper on social development. Entitled, *Social Development and Results on the Ground*, the premise of the exercise is that "failure to take into account how implementing institutions actually work, and how communities will participate, is a common cause of failure of Bank-supported projects. Adequately considering the social dimensions of development is even more important at the policy level." Bank social scientists were asked to develop a strategy to respond to the question, "How can social concerns be effectively absorbed into the development paradigm and used for policymaking purposes?"[69] The final report was released in September 1996, but is a 'living document' for discussion, not a policy. Like many Wolfensohn-inspired reassessments, the actual impact of the agriculture and social development reports still remains to be seen: will they translate into changes in Bank practice, staff incentives, and impact.
While these initiatives are important signs of positive changes afoot, there has been little evidence that Bank practice is changing on the ground. The obstacles to translating these initiatives into changes in Bank policy and practice can be highlighted by examining two key policies that directly relate to poverty reduction.

**KEY POLICIES: RESETTLEMENT AND GENDER**

Most of the major MDB policies adopted in the 1980s and 1990s have significant effects, directly or indirectly, on the poverty reduction impacts of Bank projects. These include the indirect effects of the information and inspection policies, as well as those of resettlement, gender, indigenous people, environmental assessment, and the range of other sectoral policies like water, forestry, and energy.[70] This section will explore only two of them: resettlement and gender.

### RESETTLEMENT

Resettlement is a major issue for poverty reduction, because it often results in the direct impoverishment of those displaced. The World Bank's Resettlement Review estimated that 10 million people annually entered the cycle of forced displacement and relocation in two sectors: dam construction and urban/transportation in the 1980s. "Development-caused displacements... have turned out to be a *much larger process than all the world's annual new refugee flows*."[71]

The World Bank was the first development agency to adopt an explicit policy on involuntary resettlement.[72] The Bank often claims that its participation in projects makes them less-bad than they would have been without the Bank's participation. Domestic projects (e.g., without external financing) account for the vast majority of those forcibly displaced worldwide. World Bank anthropologist and author of the Resettlement Review, Michael Cernea, states, "bluntly that the worst consequences of forced displacement occur in domestic projects that are not guided by national or international *policy* norms."[73]

The most comprehensive review of World Bank policy compliance is the 1994 Resettlement Review.[74] The review found that 192 projects active between 1986-1993 displaced approximately 2.5 million people, and that many of the dislocated peoples seemed not to have been resettled at a better or equal living standard. But the Bank has had problems implementing its resettlement policy,[75] with, perhaps, the Narmada project as the most well-known testimony to that.[76]

### GENDER[77]

The gendered impact of poverty reduction is crucial. Women are paid less than men and are more likely to have incomes below the poverty level. Major women-targeted interventions which are known to have significant poverty reduction effects include: education of girls, participation of women in infrastructure projects (especially relating to potable water and sanitation) as well as environmental resource management, and investment in social services and infrastructure that inhibit women's full productivity, especially in food production and trade.[78] Two recent reviews of the Bank's implementation of its gender policy provide some valuable information on the extent to which the Bank has implemented its gender policy, a policy which could have a significant effect on the Bank's poverty reduction impact.

The OED evaluation reviewed the 4,955 projects approved during FY 1967-1993, and found that at least 615 had gender-related actions; over half of these were approved in FY 1989-93. Human resources (health, population, and education) composed nearly half of these (46%) while nearly forty percent (39%) were in agriculture. These actions were not identified as to what percentage of the projects were actually covered by the gender-related actions.
The independent review, published as a study by the Overseas Development Council and the International Center for Research on Women, noted that "the Bank has followed, not led, on analysis and action on women in development (WID) issues."[79] For example, the World Bank's Board approved the Bank's first policy paper and operational policy statement in April 1994, while the IDB's policy was approved in

1987. They also note that the Bank, like other donor agencies, "has argued and done significantly more on behalf of women as *mothers* than as *workers*."[80]

They identified that effective Bank-funded projects and programs for women had the following characteristics:

- an intellectual consensus on the issues and the commensurate political will within the Bank as well as the borrowing country;
- collaboration with other donors or NGOs, particularly women's groups in the design and implementation of the project;
- the use of targeting strategies and innovative operational styles;
- relatively high representation of women among the professional staff involved.[81]

Gender-related Bank operations focus more on health and education targeting women as mothers, (discussed above), rather than on distribution of productive assets, access to jobs, or specifically enhancing women's access to infrastructure or credit. While both reviews noted that the Bank had improved, they also noted the steps the Bank still needs to take. Attentiveness to the gendered impacts of projects and policies is also a key concern in devising monitoring and evaluation indicators and processes.[82]

**CONCLUSION**

This brief discussion of policies with particular relevance to poverty reduction demonstrates that at this point the key efforts are not the drafting of new policies, but of implementing and monitoring those policies, and linking implementation of those policies in lending operations. The Resettlement Review demonstrated what could be done by committed Bank staff, with external allies, in the face of significant internal opposition. Those gains need to be consolidated and similar dynamics need to be constructed for the other policies.

**NGOs AND POVERTY REDUCTION**

This section explores the experience of NGO poverty reduction projects. It begins with a quick scan of MDB-NGO relations to date, followed by a review of the most relevant findings on NGOs and poverty reduction that emerges from this now immense literature that might be applied to MDB policy and practice.

**NGOS AND THE BANK'S POVERTY REDUCTION AGENDA**

In March, the Bank released its *Participation Sourcebook*, a manual that encourages Bank staff to more directly interact with civil society "stakeholders." It followed a 1994 board decision that mandated the mainstreaming of participation in Bank operations. The Sourcebook is the outcome of a five year process of the Bank's Participation Learning Group and includes cases and examples of how to incorporate participation into project and policy lending. A notable contribution by the Bank's Legal Department is a section on the importance of freedom of association. Diverse

Bank-sponsored research projects concur that community and stakeholder participation improves project performance - still a major concern given the recurring concerns of project effectiveness and sustainability.

An increasing fraction of World Bank projects report some role for NGOs. Forty-one percent of Bank projects approved in fiscal 1995 have some provision for NGO involvement, with the greatest participation in projects in Africa and South Asia. Bank observers have long noted that NGO involvement is often limited to "retail service delivery." [83] According to the 1995 Bank Progress report on Bank-NGO Cooperation, this pattern is beginning to change. NGOs played a “significant role in project design” in 52% of the cases of collaboration, about 20% in monitoring and evaluation, while 15% were in project identification. While the report does not distinguish between NGO participation in entire projects and involvement in small sub-components, fifty percent of NGOs involved are national NGOs, 30% are grassroots, and 12% are international. In addition, World Bank resident missions in Latin America and Africa have recently hired civil society liaison staff.[84]

Some Bank operations have hampered rather than encouraged NGO operations. For example, a study of the Orangi Pilot Programme in Karachi (OPP) found a problem caused by the unwillingness of the Bank to adopt a low-profile in its attempt to scale up in Hyderabad, with official money, the OPP’s successes in Karachi.[85] In Uganda, the Bank’s funding and procurement procedures reportedly created difficulties for World Vision’s program.[86]

**NGOs AND POVERTY REDUCTION: THE LESSONS**

There is an extensive literature on NGOs and poverty reduction that I will neither attempt to synthesize nor summarize here. Let me simply state the lessons that some of the more systematic studies of NGOs and poverty reduction have concluded, again leaving out microfinance and agriculture, which are covered elsewhere.[87]

While the MDBs have come under heavy criticism for their project failure rate, it is not clear that NGO projects surpass the MDBs in their project success rates. One review of ODA suggests that at least 10% of official ODA projects are a failure, while the specifically poverty-targeted projects have lower success rates than their other projects.[88]

Nevertheless, the data that do exist enable one to state fairly strongly that NGO experiences in poverty reduction have something to offer in terms of lessons that can be applied to poverty reduction projects.

A recent in-depth evaluation of sixteen income generating, anti-poverty NGO programs in four countries, determined that successful project interventions were related to, among others, three particular factors:

- beneficiary participation at all levels of the project (planning, design, and implementation)

- strong and effective leadership and management, and

- a skilled and committed staff.

Other key factors they found were a favorable economic and political environment (an expanding, or at least not contracting, economy, plentiful resources, and a broadly supportive local elite (supportive of the NGOs objectives)). Greater preparation in the design phase also leading to success.[89]

These findings highlight, in addition to the factors relevant to the process and substantive dimensions of the project's design, the importance of an enabling environment (in both its economic and political dimensions). These are also areas where the MDBS have influence, for example, through policy dialogue, policy lending, and through their approaches to governance.

A growing research also suggests that some common myths about NGOs are not accurate, such as:

- NGOs may not always be more cost-effective at service provision than states.[90]

- NGOs do not generally reach the poorest of the poor.

- Many NGO projects are not financially sustainable once the NGO departs.

This suggests that the idea that poverty reduction can come on the cheap through subcontracting to NGOs may not be viable for several reasons. One, the NGOs will not actually reach the poorest of the poor, and two, they may not be cheaper than state provision. A more nuanced assessment of NGO capabilities requires developing a balanced approach between state, market, and civil society in approaching poverty reduction.

**CONCLUSION AND IMPLICATIONS: BEYOND PANACEAS**

There are no panaceas for poverty reduction in general, let alone for poverty reduction and foreign assistance, or poverty reduction and the MDBs. Microfinance, land reform, participation, decentralization, and the next flavor of the month will come and go. All have a place, but none provide the magic key.

The MDBs do seem to be increasing their anti-poverty lending, in spite of the lack of clear indicators. There is also greater legitimacy within the Banks for more open and direct engagement with civil society, at least in this sector of the portfolio. But some key questions remain. Within what is called poverty reduction and participation, what fraction really is? What about the necessary conditions for effective participation? Many NGOs and social organizations would differ with the World Bank over "what counts" as poverty-targeted investment and "stakeholder participation." Unless public interest groups develop clear alternative indicators and more systematic bottom-up monitoring of these trends, Bank-NGO dialogue and debate will remain at a very general level.

Another point is that there are strong pro-poor constituencies within all the MDBs, constituencies with interests, objectives, and concerns that overlap with concerns over portfolio quality, development impact, and project effectiveness. The challenge for those concerned about poverty reduction and the MDBs is how to support mechanisms and initiatives that support both internal reform pressures and external scrutiny; especially by organizations in civil society in borrowing countries.[91]

**RECOMMENDATIONS**

If the United States government is to be successful in promoting a poverty-reduction agenda at the Banks, several elements are crucial based on the evaluation of the somewhat successful elements shaping the environmental reform process. One is credibility. As Robert Paarlberg has argued for other dimensions of US foreign economic and environmental policy, leadership abroad begins at home.[92] How can the United States be second in the OECD in domestic income inequality, slash safety nets at home, and be credible fighting for poverty reduction policies abroad? Second, how can the US push reforms if it continues to refuse to keep its word on IDA replenishment? While future IDA replenishments can be reduced, the U.S. needs to keep its promises for credibility. Third, an anti-poverty agenda viz the Banks will have greater impact, and be taken more seriously, if it is coupled with other foreign economic policy initiatives aimed at reducing poverty such as, cutting US agricultural export subsidies, leading on debt reduction, lifting barriers to exports of the poorest countries, and more systematically incorporating the mission of poverty reduction throughout the rest of the US foreign assistance program. The failure to promote such reforms at home are not excuses for not pushing pro-poor, pro-participation, and pro-accountability reforms within the MDBs, but one must recognize the limits of US influence as long as it has a major 'credibility gap.'

A recent review of the experience of the US Congress and environmental reforms at the MDB provided the following useful suggestions in thinking about legislative mechanisms for reforms:[93]

1. The most effective form of legislation is that which sets specific conditions and requires structural changes.

2. Policy-level changes require strong cooperation between Congress and the executive branch.

3. Voting restrictions are not a precise instrument for changing policy and cause conflict within the executive branch.

The last point is not an argument against Pelosi amendment style legislation, only to point out how the method may cause conflict in the executive branch. In 1995 there were no US abstentions on Pelosi grounds at the MDBs.

**FOR EDs AND THE BANK**

Poverty reduction must be a key determinant of project effectiveness, as well as the genuinely overarching mission for the Bank. The Bank needs to have country-specific strategies, and recognize that the policy environment and governance supportive of anti-poverty programs and projects varies within as well as among countries; policy dialogues and project planning must recognize this fact and respond in a manner that at a minimum does not reinforce existing authoritarian elites.

- Revise the PTI indicator (or other poverty-targeted loan indicators) so that it is a useful indicator, relying on distribution of benefits, rather than beneficiaries.

- If poverty reduction is truly to be the Bank's core mission, than getting results in poverty reduction must be linked to all aspects of operations, including M&E, staff incentives, and so on, so that development impact (in terms of poverty reduction) outweighs mere loan quantity as an operational incentive.

- Follow-up the OED's recommendation from the latest portfolio review to define a clear policy on the ARPP, including a policy statement for staff.

- Address the *political* dimensions of poverty reduction head-on. The MDBs currently view governance as a key area shaping the Bank's determination of the extent to which a borrowing country has created an enabling environment for growth. But growth is supposed to be a means, not an end in itself. The end is supposed to be poverty reduction, and the kind of 'enabling environment' that reflects the borrower's commitment to poverty reduction may extend beyond the largely technical/administrative means by which the Bank approaches governance. A more *political* view of governance is articulated in the World Bank's *Participation Sourcebook* and drafts of the Social Development Task Force; it is less clearly articulated in the other MDBs' governance position papers. And governance issues need to be examined at all levels of the policy, not merely at the national state-- this is particularly crucial for anti-poverty programs, many of which are administered at the state/provincial or municipal level.

- Recognize that effective projects and policies that promote poverty reduction are based upon a process of interaction among stakeholders. This implies the following: first, do not pursue projects and policies that destroy the social capital of poor communities; second, build upon the social capital that already exists among poor people and communities as reflected in organizations. Third, recognize that such social capital (like human and physical capital) is unevenly distributed within countries, and that different types of Bank operations will be appropriate depending upon their concentration on those areas where the enabling environment for poverty reduction already exists, or, with appropriate dialogue and operations, can be created. This requires reliance upon an expertise rooted in the realities of poor people, their communities, and the organizations of which they are a part. It is a reality that must be understood up close, not from a distance. The recent deconcentration initiatives of Bank staff are an excellent first step, as are the creation of the civil society liaison posts.[94] But much more can be done.

In addition, one can only endorse the recommendations from OED's latest evaluation:[95]

- Bottom-up participatory processes that enhance beneficiaries' role in designing and implementing operations.

- Cooperative approaches that boost beneficiaries' confidence and encourage entrepreneurship and innovation.

- Regularization of land-use titles to encourage beneficiaries' involvement and commitment to development efforts.

- Innovative financial measures that promote self-financing by beneficiaries and strengthen the links between public and private sector institutions.

- Social action programs, such as safety nets and the protection of basic services, to protect the poor from the adverse consequences of adjustment.

**FOR CONGRESS**

- Expand the scope of people involved in MDB policy-making within the U.S. government, beyond just the Treasury. It is not clear that the Treasury alone has the skills and resources to evaluate these issues.

- Follow-up on the current pro-accountability reforms, especially information disclosure.

- Pursue the labor rights language inserted into the 1994 IBRD appropriations to develop a mechanism for monitoring labor rights and MDB monitoring.

## ANNEX 1

### POVERTY REDUCTION POLICIES AT THE MULTILATERAL DEVELOPMENT BANKS

| | STRATEGY/POLICY DOCUMENTS | OTHER POLICIES |
|---|---|---|
| **World Bank** | World Development Report 1990<br>Assistance Strategies to Reduce Poverty (1991)<br>(1993) Inspection Panel (1994)<br>O.D. 4.15 (1992)<br>Poverty Handbook (1992)<br>World Development Report 1993: *Investing in Health* | Indigenous Peoples (1980)<br>Information Disclosure<br><br>Resettlement (1980)<br>Gender |
| **African Development Bank** | Poverty Alleviation Strategy and Action Program (1992)<br><br>African Development Report 1991: *Human Resource Development in Africa* | |
| **Asian Development Bank** | | Information Policy (1994)<br>Inspection (1995)<br>Governance (1995)<br>Resettlement (1995)<br>Indigenous Peoples (1995) |
| **Inter-American Development Bank** | Strategy Paper to Reduce Poverty (forthcoming)<br>Economic and Social Progress in Latin America 1993: *Human Resource Development* | Information (1993)<br>Inspection<br>Indigenous Peoples<br>Gender (1987) |

## ANNEX 2

## ANTI-POVERTY TARGETS AND INDICATORS

| | **Anti-Poverty Sectors**<br>Loan Indicators | **Portfolio Targets** |
|---|---|---|
| **World Bank** | Agriculture and Rural Development<br>PTI<br>Population, Health, and Nutrition<br>Education<br>Other Social Sectors (SIF, etc.)<br>Water and Sanitation | ------ |
| **African Development Bank** | Agriculture<br>PTI | AfDB and NTF -- up to 35% operations for ag<br>and social sectors<br>ADF - 60-65% of total commitments for agriculture and social sectors |
| **Asian Development Bank** | Education, Health, Housing,<br>Water, Sanitation, Population | At least 50% of portfolio for human development<br>(poverty reduction and WID), environment, or growth with secondary effects on human development or environment. |
| **Inter-American Development Bank** | Education, Health, Sewerage, CID<br>Urban Development,<br>Other Social Sectors | FSO targeted to poorest 5 Group D countries<br>Social Sector target, Low-Income Goal |

## ANNEX 3

### PROGRAM OF TARGETED INTERVENTIONS (PTI) BY SECTOR, FISCAL 1992-1995

| Sector | 1992 | 1993 | 1994 | 1995 | Total |
|---|---|---|---|---|---|
| **IDA PTI lending as a percentage of IDA investment lending** | | | | | |
| Agriculture | 44 | 47 | 39 | 52 | 45 |
| Education | 69 | 72 | 85 | 98 | 81 |
| PHN | 82 | 85 | 95 | 85 | 86 |
| Social | ---- | --- | 100 | 100 | 100 |
| Urban | 35 | 22 | 42 | 33 | 34 |
| Water supply and Sanitation | 70 | 29 | 72 | 64 | 55 |
| **PTI lending as a percentage of total investment lending (IDA and IBRD)** | | | | | |
| Agriculture | 38 | 27 | 26 | 56 | 36 |
| Education | 59 | 73 | 75 | 55 | 65 |
| PHN | 75 | 84 | 79 | 87 | 82 |
| Social | --- | --- | 100 | 100 | 100 |
| Urban | 19 | 54 | 48 | 29 | 35 |
| Water Supply and Sanitation | 35 | 55 | 40 | 19 | 38 |

--- Not Available

Source: *Poverty Reduction and the World Bank: Progress and Challenges in the 1990s* (Washington, D.C.: World Bank,1996),p. 53.

## ANNEX 4

### SOCIAL INVESTMENT FUNDS, LATIN AMERICA AND THE CARIBBEAN

| FUND | YEAR ESTABLISHED | DURATION |
|---|---|---|
| Bolivia, FSE | 1986 | 4 ½ years |
| Bolivia, FIS | 1990 | No time limit |
| Chile, FOSIS | 1990 | Indefinite |
| Ecuador, FISE | 1993 | 4 years; government may extend. |
| El Salvador, FIS | 1990 | originally 4 years, extended to November 1997 |
| Guatemala, FIS | 1992 | 8 years; Operation delayed until 1994 because of political events |
| Guyana, SIMAP | 1990 | No specific termination date |
| Haiti, FAES | 1990 | No specific termination date. 3 year evaluation not completed because fund not operative during military government |
| Honduras, FHIS | 1990 | Originally 3 years, extended to 4 years in 1991 and until 1997 in 1994. |
| Nicaragua, FISE | 1990 | 5 years to be extended |
| Panama, FES | 1990 | Originally 3 years, extended indefinitely in 1993 when designated executing agency of government's human development agency |
| Peru, FONCODES | 1991 | No time limit |

**Source:** Philip J. Glaessner, Kye Woo Lee, Anna Maria Sant'Anna, and Jean-Jacques de St. Antoine, *Poverty Alleviation and Social Investment Funds: The Latin American Experience* World Bank Discussion Paper No. 261 (1994), pp. 39-42.

**SOCIAL INVESTMENT FUNDS, SUB-SAHARAN AFRICA**

| FUND | YEAR ESTABLISHED |
|---|---|
| Cameroon, SDA Project | 1990 |
| Chad, SDAP | 1991 |
| Ghana, PAMSCAD | 1988 |
| Guinea, SEDSP | 1989 |
| Guinea-Bissau, SIRP | 1989 |
| Madagascar, EMSAP | 1988 |
| Sao Tome and Principe, SIF I | 1990 |
| Sao Tome and Principe, SIF I | 1991 |
| Senegal National Employment | 1988 |
| Senegal, AGETIP I | 1990 |
| Senegal, AGETIP II | 1992 |
| Somalia, SAP | 1989 |
| Uganda, PAPSCA | 1990 |
| Zambia Social Recovery | 1991 |

**Source:** Alexandre Marc, Carol Graham, Mark Schacter, and Mary Schmidt, *Social Action Programs and Social Funds: A Review of Design and Implementation in Sub-Saharan Africa*, World Bank Discussion Paper No. 274 (1995), pp. 86-90.

**ENDNOTES**

[1]As noted above, the paper does not address other donor views of MDB effectiveness in poverty reduction, a perspective which is addressed in Petesch, Patti L. (1996). Targeting the Poor: Survey of Donor Assessment of MDB Effectiveness. Paper prepared for the US Congressional Task Force on the MDBs

[2]The soft-loan or concessional windows include: International Development association (IDA) at the World Bank, Fund for Special Operations (FSO) at the IDB, African Development Fund (ADF) at the AfDB, and the Asian Development Fund (ADF) at the ADB.

[3]See, for classic statements on this, Chenery, Hollis *Redistribution with Growth* and Streeten, Paul *Basic Needs*. For an evaluation of this anti-poverty agenda at the World Bank, see Ayres, Bill (1983). *Banking on the Poor.* Washington, D.C.: Overseas Development Council; and for a cogent summary, see Lewis, John P. (1993). *Pro-Poor Aid Conditionality.* Washington, D.C.: Overseas Development Council. This section draws on Lewis, pp. 22-26.

[4] This draws on Gershman, John & Fox, Jonathan. Taking On Poverty Targeting. *Bankcheck Quarterly* and Lipton, Michael & Maxwell, Simon. (1992, August). *The New Poverty Agenda: An Overview* (IDS Discussion Paper #306).

[5]OED. (1996). *1994 Evaluation Results.* Washington, D.C.: World Bank, p.25.

[6]OED. (1995, November 22). Process Review of the FY95 Annual Report on Portfolio Performance, p. 4.

[7]Operations Evaluation Department. (1994, June 30). *An Overview of Monitoring and Evaluation in the World Bank.* (Report No. 13247). Washington, D.C.: World Bank, p. iii.

[8]Carvalho, Sonya & White, Howard. *Poverty Indicators*. (World Bank Discussion Paper).

[9]OED. (1996, June). *World Bank Performance: How Are We Doing?* (Precis No. 114) reported the results of the two surveys. The OED survey had 47 respondents in the borrower component, covering 25% of projects across four regions and a cross-section of institutions. The staff component was based on a questionnaire completed by 32 task managers, 37 operational division chiefs, and 12 couture department directors. The Africa Region survey was conducted in early 1995, covering 261 borrower representatives and 187 Bank staff from the Africa Region.

[10]World Bank. *Assistance Strategies to Reduce Poverty: A World bank Policy Paper*. pp. 20-21.

[11]*Poverty Reduction in the 1990s*, p. 69. Of the 62 from 1989-1995, 58 were first time PAs and the rest updates; by end fiscal 1999, the plan is 105 first-round PAs and 13 updates.

[12]See IDS for Special Program of Assistance in Africa Working Group on Poverty and Social Policy, and cites in *Taking Action for Poverty Reduction*, pp. 72-73.

[13]Toye, John & Jackson, Carl. (1996). Public Expenditure and Poverty Reduction: Has the World Bank Got it Right? *IDS Bulletin* 27(1), p. 58.

[14]Pradhan, Sanjay. *Evaluating Public Spending: A Framework for Public Expenditure Reviews* (World Bank Discussion Paper #323), p. 25.

[15]Toye and Jackson, pp. 59-60.

[16]Pradhan, *Evaluating Public Spending: A Framework for Public Expenditure Reviews* , p. 25.

[17]Pradhan, *Evaluating Public Spending: A Framework for Public Expenditure Reviews* , p. 26.

[18]Pradhan, *Evaluating Public Spending: A Framework for Public Expenditure Reviews*, p. 27, citing Netherlands Economic Institute. (1995). (Review of Public Expenditure Work, no title, 19950 and World bank, Office of the Vice President, Development Economics). Washington, D.C.: World bank.

[19] *Taking Action for Poverty Reduction*, p. 76.

[20] *Taking Action for Poverty Reduction*, pp. 76-77.

[21] *Taking Action,* p.84, emphasis added.

[22] *Taking Action*, p.86.

[23] *Taking Action*, p.89. The criteria were: (a)increased income and employment opportunities for the poor; (b) improved delivery of social services for the poor; © increase availability of productive assets to the poor; and (d) monitoring and evaluation.

[24]World Bank. (1990). *Poverty*. (World Development Report 1990). Washington, D.C.: World Bank, p. 103; and Killick, Tony (1995). Structural Adjustment and Poverty Alleviation: An Interpretive Survey. *Development and Change* 26, 305-331.

[25]See Fox, Jonathan. *World Politics* and Fox, Jonathan & Aranda, Josefina. (1996). *Decentralization. and Rural development in Mexico: Community Participation in Oaxaca's Municipal Funds Program.* Center for US-Mexican Studies, UC-San Diego.

[26]Graham, Carol. (1994). *Safety Nets, Politics, and the Poor: Transitions to Market Economies.* Washington, D.C.: Brookings Institution, p. 252.

[27]Buvini´c, Mayra, Gwin, Catherine, and Bates, Lisa M. (1996). *Investing in Women: Progress and Prospects for the World Bank.* Washington, D.C.: Overseas

Development Council, p. 64.

[28]Graham, p.264.

[29]Graham, p.253, emphasis original.

[30]See Graham, Carol p.266, citing Frances Stewart for this point.

[31]The ‘social sectors’ category was first created in 1994 and includes social saftey net programs and capacity building for social service agencies.

[32]See IDB. (1996, March 6-12). *Social Dimensions in the Agenda of the IDB* (World Summit for Social Development) Copenhagen, Denmark.

[33]African Development Bank and African Development Fund. (1992, September). *Poverty Alleviation Strategy and Action Programme.* Abidjan, Cote D’Ivoire, p.50.

[34]OED. (1996). *1994 Evaluation Results.* Washington, D.C.: World Bank, p.69.

[35]Of the 14, 8 were Structural Adjustment Loans (SALs), 2 were Sectoral Adjustment Loans (SECALs), and 4 were Rehabilitation Import Loans (RILs).

[36]*Implementing the World Bank’s Strategy for Poverty Reduction*, p.20.

[37]White, Howard. (1996). How Much Aid is Used for Poverty Reduction. *IDS Bulletin* 27(1), p.92.

[38]Categorization of particular country is based upon a combination of indicators, including: GNP, GNP per capita, population, annual rate of population growth, share of investment in GNP, rate of growth of per capita GNP, life expectancy at birth, infant mortality rates, and literacy rates, with some politically motivated compromises determining some final assignment of slots. See the discussion in Tussie, Diana. (1995). *The Inter-American Development Bank.* Boulder, CO: Lynne Reinner, pp. 42-46.

[39]Diana Tussie, p. 46.

[40]For a discussion of the limitations of the IDB’s benefit incidence calculations, see IDB. (1986). *Evaluation Review on IDB’s Experience under the Low Income Goal.* (RE-139). Washington, D.C.: IDB. Headcounting the share of low-income beneficiaries were used for most social sector projects.

[41]Diana Tussie, p.82.

[42]See Diana Tussie, p.83.

[43]Diana Tussie, p.85.

[44]Diana Tussie, p.82. The remainder of this section draws on Tussie, pp. 80-86.

[45]Diana Tussie, p.84.

[46]This comes from the ADB's *Medium Term Strategic Framework*

[47]WID loans are calculated the same as for poverty reduction, simply replacing poverty with women where appropriate. Environment loans: (I) promote sound management of natural resources and the environment through environmental protection and improvement or conservation of natural resources; (ii) promote environmental education and strengthen environmental policies and institutions; **and** (iii) more than 50% of the project costs are devoted to environmental protection.

[48]Sakai, Kazu (1995, December 5). Strategic Planning Office, Asian Development Bank, to the ADB NGO Working Group, Manila, Philippines.

[48]Data presented by Sakai, Strategic Planning Office, Asian Development Bank, to the ADB NGO Working Group, Manila, Philippines, December 5, 1995, and ADB Annual Report 1994, p. 59. See also discussions in Quizon, Antonio B. & Perez-Corral, Violeta Q. (1995). *The NGO Campaign on the Asian Development Bank.* Manila: ANGOC; and Kappagoda, Nihal. (1995). *The Multilateral Development Banks, Volume 2. The Asian Development Bank.* Boulder,CO: Lynne Reinner.

[50]See White, Howard (1996). How Much Aid is Used for Poverty Reduction? *IDS Bulletin 27*(1), p. 88.

[51]Mayra Buvinic et al, op cit.

[52]*Lancet*, 342, July 10, 1993.

[53]For the importance of developing such independent monitoring, see the paper by Jonathan Fox.

[54]Cites here on WDR 1993.

[55](1995). *Priorities and Strategies for Education: A World Bank Sector Review* Washington, D.C.: World Bank Education and Social Policy Department.

[56]See Bennell, Paul. (1995, September). *Using and Abusing Rates of Return: A Critique of the World Bank's 1995 Education Sector Review*. (Institute for Development Studies Working Paper #22). Sussex; and Lant Pritchett.

[57]For criticism from the education side, see Samoff, Joel. *(1995, September 13). Which Priorities and Strategies for Education?* (Discussion comments prepared for the Oxford International Conference on education and development: Globalization and Learning). New College Oxford.

[58]For a critique of the general neoliberal approach to education policy, including user fees, see Colclough, Christopher. (1996). Education and the Market: Which

Parts of the Neoliberal Solution are Correct? *World Development* 24(4), pp. 589-610.

[59]Griffith-Jones, Stephany, Singer, H.W., Puyana, Alicia, and Stevens, Christopher. (1994, November). *Assessment of the IDB Lending Programme, 1979-1992.* (IDS Research Report 25). Sussex: Institute for Development Studies, p. 93.

[60]Stephany Griffith-Jones et al, p.95.

[61] Stephany Griffith-Jones et al , p.95.

[62]OED. (1996). *1994 Evaluation Results.* Washington, D.C.: World Bank, pp. 2, 31-34.

[63]OED. (1996). *1994 Evaluation Results*. Washington, D.C.: World Bank, pp. 31-32.

[64]The following section draws heavily from John Gershman and Jonathan Fox, op cit.

[65]OED. (1996). *1994 Evaluation Results.* Washington, D.C.: World Bank, pp. 2, 31-34.

[66]*(1996, March 27). From Vision To Action In The Rural Sector*. Rural Development and Agriculture Staff, World Bank, p.1.

[67]*From Vision To Action In The Rural Sector* , p.45 and p.35.

[68]See Jonathan Fox and Josefina Aranda, op cit.

[69]See Terms of Reference.

[70]Studies on the indigenous people policy include Gray, Andrew in Fox, Jonathan & Brown, L. David (Eds.). (Forthcoming). *Struggling for Accountability: The World Bank, NGOs, and Grassroots Movements.*

[71] Cernea, op cit, p. 249, emphasis original.

[72]For an overview, see Cernea, Michael. (1995). Understanding and Preventing Impoverishment from Displacement: Reflections on the State of Knowledge. *Journal of Refugee Studies 8*(3), 245-264; and Guggenhiem, Scott (Ed). (1994). *Involuntary Resettlement: An Annotated Reference Bibliography for Development Research.* (Environment Working Paper No. 64) Washington, D.C.: World Bank.

[73]Cernea, p. 251, emphasis original.

[74]For a discussion of the inside story of the World Bank's Resettlement Review, see Fox, Jonathan & Thorne, Eva in Fox, Jonathan & Brown, L. David (Eds.). (Forthcoming). *Struggling for Accountability: The World Bank, NGOs, and Grassroots*

*Movements.*

[75]*Resettlement Review.*

[76]See also Rich, Bruce (1994), *Mortgaging the Earth.* Boston: Beacon; Udall, Lori. The World Bank and Public Accountability: Has Anything Changed? in Fox, Jonathan & Brown, L. David (Eds.). (Forthcoming). *Struggling for Accountability: THE World Bank, NGOs, and Grassroots Movements.*

[77]See Fox, Jonathan & Brown, L. David. Conclusion: Assessing the Impact of NGO Advocacy Campaigns on World Bank Projects and Policies, in Fox, Jonathan & Brown, L. David (Eds.). (Forthcoming). *Struggling for Accountability: The World Bank, NGOs, and Grassroots Movements.*

[78]For examples on girl's education, see Summers, Lawrence. (1992). *Investing in All the People*. (Working Paper Series No. WPS0905). Washington, D.C.: World Bank. On participation, see Narayan, Deepa. (1993). *The Contribution of People's Participation: 121 Rural Water Supply Projects.* World Bank: Environmentally Sustainable Development.

[79]Mayra Buvinic et al, p. 2.

[80]Mayra Buvinic et al, p. 19, emphasis added.

[81]Mayra Buvinic et al, p. 5.

[82]See Moser, Caroline O. N. Evaluating gender impacts, in OED. (1995) *Evaluation and Development: Proceedings of the 1994 World Bank Conference.* Washington, D.C.: World Bank, pp. 125-135.

[83]See Nelson, Paul. (1995). *The World Bank and NGOs: The Limits of Apolitical Development.* New York: St. Martin's Press.

[84]See Hansen-Kuhn, Karen. *Bankcheck Quarterly*.

[85]Hasan, A. (1993). *Scaling Up the OPP's Low-Cost Sanitation Programme.* Karachi: Orangi Pilot Project.

[86]Voorhies, S. (1993). *Working with Government Using World Bank Funds.* (Staff Working Papers No. 16). Washington, D.C.: World Vision International.

[87]On microfinance see Yanovitch, Lawrence & Macray, Dennis (1996). *The Multilateral Development Banks and the Microfinance Sector: An Introduction to the Issues*. Prepared for the Congressional Task Force on the U.S. and the Multilateral Development Banks. On agriculture, see Bathrick, David D. (1996). *Agricultural Development for Global Well-being: Expanded Roles for the Multilateral Development Banks.*

[88]Cassen, Robert. (1986 Edition). *Does Aid Work?*, p.11-13.

[89]See Riddell, Roger C. & Robinson, Mark with de Coinck, John, Muir, Ann, and White, Sarah (1995). *Non-Governmental Organizations and Rural Poverty Alleviation.* Oxford and New York: Oxford University Press and Overseas Development Institute. The cases were 16 anti-poverty projects executed or funded by British NGOs in Bangladesh, India, Uganda, and Zimbabwe. Poverty alleviation was defined as "an intervention aimed at a sustained improvement in the economic status of the poor, by raising incomes and creating new opportunities for employment, which in turn bring about increased consumption, savings, and investment." (pp. 62-63).

[90]See, among others, Edwards, Michael & Hulme, David. (1996). Too Close for Comfort? The Impact of Official Aid on Nongovernmental Organizations. *World Development 24*(6), 961-973. Riddell, Roger C. & Robinson, Mark with de Coinck, John, Muir, Ann, and White, Sarah (1995). *Non-Governmental Organizations and Rural Poverty Alleviation.* Oxford and New York: Oxford University Press and Overseas Development Institute.

[91]For an analysis of the dynamics of reforms in both projects and policies, see Fox, Jonathan & Brown, L. David (Eds.). (Forthcoming). *The Struggle for Accountability: The World Bank, NGOs and Grassroots Movements*.

[92]Paarlberg, Robert. (1995). *Leadership Abroad Begins at Home: US Foreign Economic Policy After the Cold War.* Washington, D.C.: Brookings Institution.

[93]Bowles Ian A. & Kormos, Cyril F. (1995, Summer). Environmental Reform at the World Bank: The Role of the US Congress. *Virginia Journal of International Law 35*:(4), 777-839.

[94]On the liaisons, see Hansen-Kuhn, Karen. *Bankcheck Quarterly*.

[95]OED. (1996). *1994 Evaluation Results.* Washington, D.C.: World Bank, p.5.