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The World Bank's Poverty Strategy

Author(s): Paul Spray

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This new work is an example of a number of areas in which we are collaborating closely with social-development specialists in other aid agencies. The social dimensions of macro-economic reform are another. A recent SIDA report on structural adjustment in Tanzania has used an inter-sectoral and inter-disciplinary approach, highlighting the linkages between micro and macro levels, as well as the forms of relationships existing between social and economic spheres of society. The biggest challenge is to help communities and institutions develop and articulate an informed understanding of complex and diverse social reality as a key ingredient in the shaping of macro-level policy.

Reaching a common understanding of what is meant by social development and how best to promote it through international aid is a major challenge and tremendous opportunity for all donors.

Note

This article is based on a talk delivered at an Overseas Development Institute (ODI) discussion meeting in London. It represents the author's personal views.

The author

Rosalind Eyben is Principal Social Development Adviser at the Overseas Development Administration, 94 Victoria Street, London SW1E 5JL. Tel: 0171 917 7000. Fax: 0171 917 0197.

The World Bank's poverty strategy[1]

Paul Spray

What is poverty?

Not long ago, a Christian Aid staff member was on the border between Bolivia and Brazil. Huge farms – several square miles each – were being cleared from the jungle, to grow soya beans. One of the people clearing the stumps, and throwing them on the fire, was an 18-year old man, who was working 11 or 12 hours a day, for US$2.00, between the hot sun and the flames. He was from the rural highlands, where his family had a few hectares of land on which they would grow wheat, potatoes, fruit, and vegetables. In the past, they used the surplus to buy other essentials, such as oil and soap. But in recent years they couldn't raise enough cash from their produce, so this man and his brothers spend 3-4 months each year living under tatty plastic in communal tents. But he was not complaining: he knew there were many who would willingly take his place.

The man was clearly poor in terms of his income. But he was getting more than he could at home, and it could be argued that the Bolivian structural adjustment programme has at least provided that opportunity, by stimulating the export of soya. But poverty is not just a matter of low income: he was also separated from his family, cut off from the culture of his home village, and as a casual labourer had very little job security. These things matter.

The World Bank's poverty strategy

The World Bank has committed itself to reducing poverty, as its principal objective. In the 1990 *World Development Report*, it set out a three-point strategy for nations to

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tackle poverty: labour-intensive economic growth; human-resource development; and safety nets for the vulnerable. These three elements are sensible goals;[2] but it is the Bank's proposals for implementing them which are the problem.

To achieve economic growth, the Bank places far too much reliance on market forces alone, for the following reasons:

• Market signals do not give any weight to some of the things that are important to poor people – the ability to stay put rather than leave their families for months; culture; the extent of people's control over their lives – let alone the environmental value of preserving the jungle rather than turning it over to soya.

• Inevitably, too, the market gives a stronger voice to the rich – who can afford to pay for what they want – than to the poor.

• Often, the market does not work: when the State stopped buying maize in Zambia, private merchants established monopolies in the more distant areas, and would pay farmers only a pittance.

• To encourage employers to hire more workers, the Bank wants wages to be cut, and unions (a 'labour-market distortion') weakened; but that hurts poor workers and their dependants (often in rural areas), and stifles an important voice in society – without necessarily succeeding in encouraging investment.

The market *is* necessary, but the Bank needs to pay much more attention to types of investment that would enable the poor to benefit from it.[3]

It is good that the Bank has rapidly increased its spending on **human resources** – health and education. But the increase is occurring when total per capita spending on health and education is pitifully low, and in many countries falling – often as part of public-sector cuts. To take an example, Sri Lanka is often singled out for praise as a country with good standards of health and literacy, because the government for decades allocated resources to health care and education. Yet today Sri Lanka's health spending (as a proportion of GDP) is no more than the Asian average, and its education spending is actually below average. More dramatic still, Zambia's 1989 health-care expenditure was only a third of the 1982 level, and education less than a quarter. The Bank needs to be more outspoken (especially to other donors) about this disastrous trend, and more consistent in defending total spending on health care and education.[4]

One response of the Bank is to try to change the balance of spending *within* education and health. But in many countries that is quite insufficient, and even counter-productive. Clearly primary schools need to be better funded – but so too do universities, where shortages of books and low staff salaries have seriously undermined the quality of higher education.

In these circumstances, the Bank needs to be far more realistic. SCF (UK) examined the health policies promoted in the Bank's 1993 *World Development Report*. Its proposed health package could not be financed in many countries, and its remedies (for example a US-style model of private health care) are inappropriate. Rather, local health-care systems need to be built up, according to the local conditions and constraints.[5]

The third aspect of the Bank's poverty strategy is **safety nets**: welfare arrangements for those who do not benefit. This is obviously a second-best strategy: it is preferable for poor people to be part of the longer-term growth process, enabled to have secure incomes. Detailed points could also be made about the design of safety nets. But perhaps the main point is that, where most people are poor, the programmes can be wholly insufficient – a net with huge holes. The Bank sees the Zambia Social Recovery Project as a success story[6] – and yet in 1993

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the Catholic Bishops of Zambia wrote: 'There seems to be very little effective action taking place in regard to the suffering of the people. Ordinary citizens hear more about assistance than actually see it.'

Monitoring effectiveness

The Bank's strategy, then, cannot be taken for granted. There is no one set of policies that can be assumed to reduce poverty. So it is vital that the Bank monitors *actual* performance, not against whether it is following some pre-ordained policy, but whether poverty is actually being reduced.

The Bank is busy reforming itself in the light of the Wapenhans Report, which showed that its performance was deteriorating. Yet the criteria applied by Wapenhans were not dominated by poverty.[7] Indeed the Report's recommendations can be read as a retreat: calling for simpler and less risky projects, and fewer Operational Directives to influence their design. The Bank's Operational Directive on Poverty does call for a separate index for judging the success of each project in reducing poverty. But there is no indication yet that the Bank takes that as its main criterion.

Popular participation

To find out whether poverty is being reduced, it is vital to ask the poor – the supposed beneficiaries – what they think. That is one way to take into account the true meaning of poverty for poor men and women.

The Bank has become increasingly aware that projects work better when people are involved in choosing what is needed and in designing how to achieve it. There has been a 'learning process' within the Bank on popular participation for some years. Yet the lessons are not taken seriously enough. Popular participation remains an optional extra – something the Bank does not insist upon (through an Operational Directive), but only encourages, through circulating stories of good practice.

Nor is it always respected. The Bihar Plateau Development project in India is included on the 1993 list of poverty-targeted initiatives; yet engineers and the State government are refusing to accept the recommendations of local people on the design of small-scale irrigation systems. Another project on the list, Sao Paulo Water Quality and Pollution Control in Brazil, includes a proposed dam which would affect a small indigenous community; local people tell Christian Aid that they have not been properly consulted, and the Bank seems to be concerned only with what the State government will decide.

Above all, the Bank needs to be more realistic about popular participation, as about health. Mr Preston, the Bank's President, has said that it will become the norm in Bank projects for beneficiaries to be involved in design. At one level that is very welcome. But can it really have been thought through? Popular participation is not easy.[8] It does not mean people's involvement in implementing (even financing) programmes that outsiders have planned. It involves some kind of community decision-making. Within that community, it is important to recognise conflicting interests – and back the poor and the powerless whose interests are likely not to be well-represented. For example, a 'community' benefit may in fact be paid for by an additional workload on women.

Physical goals cannot be fixed in advance: projects need to be seen as a process, not implementing a blueprint. All this requires care, attention, appropriate skills, and enough time.[9] If Mr Preston's instruction is to be implemented, the Bank will have to change quite radically. The Bank's Country Poverty Assessments offer an opportunity, provided that they are taken seriously in guiding the crucial Policy Framework Papers. At present they are seen as a one-off document, drawn up by a

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visiting Bank Mission and its consultants. The Bank is trying out participatory methods in a few countries, though it is rather lukewarm about them.[10] But the Poverty Assessment should be a major chance to stimulate a widespread debate in a country, involving civil society generally, and not just the government.

The role of NGOs

In its quest for poverty reduction, the Bank has rapidly increased the role of NGOs in its projects. Often the NGO is seen as an alternative to the State – a better implementer, reaching closer to the poor, or more efficient. In some places this is so. The Bolivia Social Fund is a well-known example of a programme that, through NGOs, reached further and faster than previous government schemes. Yet Bolivian NGOs themselves are now pointing out that it did not reach the remoter parts of the country, or find ways to avoid the constraints of the class structure. NGOs have real constraints – their reach is limited, and replication is difficult. The very term 'non-governmental organisation' covers a wide variety of animal, from the symbiotic to the predatory. Some NGOs are more accountable to their beneficiaries than others, but there is no requirement that they should be.

The State, by contrast, is supposed both to be accountable, and to reach everywhere. States often fail, on both counts. But perhaps the best role for NGOs is not to supplant the State, but to inter-act with it, precisely to prevent failure. This may mean seeking to influence State policies, or improve their implementation. It may mean organising social pressure on the State, sometimes with quite a fight, so that its officials cannot get away with neglecting their duties. Either way, there are successes to point to. Of course such interaction is not possible in the face of a rapacious or completely ineffectual regime. But overall, it is a more practical and, in the end, a more democratic goal than imagining that NGOs can, or should seek to, replace the State.

Conclusion

The struggle against poverty involves respecting culture and not just income; judging success through the eyes of the poor; allowing flexibility and long time-horizons; building up the 'political' influence of the poor. These are not easy tasks for a bank, which by definition must look to its rate of return and the security of its investments. Can the World Bank cease to be a bank? In the end, poor people need a development agency in which they have some say.

Notes

1 This article is based on a talk given at a seminar on 'The World Bank and Poverty Reduction', co-sponsored by the World Bank and the All-Party Parliamentary Group on Overseas Development, held in London on 25 October 1993.

2 Though clearly not enough: above all, poverty cannot be solved just at a national level: international issues of trade, debt, and tax need to be addressed.

3 The 1993 UNDP *Human Development Report* offers some thoughts on this.

4 In various structural adjustment programmes, the Bank has included targets for maintaining or increasing primary (and generally only primary) health-care or education spending. Less often are they a condition for disbursing the loan.

5 SCF: 'Investing in Health – World Development Report 1993: the SCF Perspective', London, July 1993.

6 See 1993 Annual Report of the World Bank.

7 For example, the finding that 35 per cent of projects 'failed' means that 35 per cent failed to yield a 10 per cent real rate of

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return. The old supervision system had 11 criteria, in addition to measuring whether the project relieved poverty.

8 Lest it be thought that Christian Aid speaks from a holier-than-thou position, it is worth recording that a recent review of some Zambian projects concluded that there had been a reasonable degree of popular participation, except where churches had been involved; in those cases, local people assumed that the church owned and would run the project. Popular participation is not easy.

9 The Oxfam-Bangladesh review of the Bangladesh Flood Action Plan is an excellent case-study of the sensitivities necessary, and draws some general lessons.

10 'While central data gathering and dialogue with government remain the essential elements of the Poverty Assessments, these can be complemented with a modest participatory research exercise ... The findings would refocus, elaborate or validate conclusions drawn from the conventional poverty assessment." World Bank HRO Dissemination Notes No 13, 13 September 1993 (my emphases).

The author

Paul Spray is Head of Policy, Campaigns and Information at Christian Aid. His address for correspondence is Christian Aid, PO Box 100, London SE1 7RT. Tel +44 (0171)620 4444; Fax +44 (0171) 620 0719.

Emergency Social Funds: the experience of Bolivia and Peru[1]

Christine Whitehead

Introduction

Emergency Social Funds (ESFs) are designed to relieve the immediate impact of Structural Adjustment Programmes (SAPs) on the poorest and most vulnerable sectors. SAP packages covering macro-economic policies, liberalisation of trade, and encouragement of private enterprise are being implemented, often at the insistence of multilateral agencies like the IMF, in many developing countries, and now also in Eastern Europe.

The multilateral agencies agree that adjustment hurts. It affects the existing poor, already victims of unjust social and economic structures and policies; and it gives rise to a 'new poor': people reduced to poverty as a result of the economic reforms. The effect of SAPs in a country like Peru is cataclysmic; for instance, the number of people in poverty increased from 7 to 12 million overnight in August 1990, when the Fujimori government introduced the first economic measures.

The World Bank and IMF consider that the increase in poverty is temporary, lasting only until the benefits of the economic changes reach the poor. ESFs have been conceived as a palliative to help the poor during the immediate aftermath of structural adjustment measures, until the longer-term benefits reach them.

ESFs are a way of trying to ensure an income for the poorest sectors through infrastructureal and income-generating schemes, and feeding and nutrition programmes. Their aim is to alleviate poverty, partly on humanitarian grounds, but also on the grounds of political expediency: they are designed to reduce the potential political unrest ensuing from adjustment, and so to ensure acceptance of economic reform.

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