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Author(s): Pamela Blackmon

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REFLECTION, EVALUATION, INTEGRATION

Rethinking Poverty through the Eyes of the International Monetary Fund and the World Bank[1]

PAMELA BLACKMON
Department of Political Science, Valparaiso University

This essay investigates factors that caused shifts in the policies of the International Monetary Fund (IMF) and the World Bank which culminated in new frameworks for poverty alleviating initiatives. The introduction of the Heavily Indebted Poor Countries Initiative (HIPC) in 1996 as well as the subsequent broadening and expanding of this program into the Enhanced HIPC Initiative coupled with the implementation of the Poverty Reduction Strategy Papers in 1999, were some of the strongest initiatives to date by the institutions to address poverty in the poorest countries. Institutional characteristics of the IMF and the World Bank are found to be an important explanatory factor for their differing approaches to alleviating and understanding poverty. The World Bank has evolved to be able to address poverty as a societal and developmental issue, as a result of the formation of programs to include input from the poor themselves. The IMF has been slower in this evolutionary process and is still more likely to focus on macroeconomic issues that affect the poor such as high inflation and slower economic growth.

Don't ask me what poverty is because you have met it outside my house. Look at the house and count the number of holes. Look at the utensils and the clothes I am wearing. Look at everything and write what you see. What you see is poverty.
Poor man, Kenya 1997 (quoted in Narayan, Patel, Schafft, Rademacher, and Koch-Schulte 2000:30)

What we as a development community can do is help countries—by providing financing, yes; but even more important, by providing knowledge and lessons learned about the challenges and how to address them...
James D. Wolfensohn, President, The World Bank, 1995–2005 (quoted in World Bank 2001:1)

There is an increasing awareness in the international community about how poverty is crippling the development of the poorest countries. It has also become

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clear that it would be almost impossible for these countries to make progress in alleviating poverty levels while they have such high debt obligations. Improving social policies by using resources toward programs for health and education cannot be done effectively when these resources are being diverted in order to repay debt obligations (Andrews, Boote, Rizavi, and Singh 1999).

The statement in October 2004 by Gordon Brown (as the former Chancellor of the Exchequer in Britain) that the UK would pay 10% of the debt of the poorest countries from his country's own funds was positively received and supported by the US and other European countries (Becker 2004:C5). In September 2005, all of the finance ministers of the Group of 8 (G-8) countries agreed to provide resources to the World Bank's International Development Association (IDA) in order to supplement debt relief for the Heavily Indebted Poor Countries (HIPC) (International Development Association 2005).[2] Jeffrey Sachs (2005:280) policies for poverty reduction also included debt cancellation for the HIPCs, in addition to trade reforms and increases in the use of science and technology in economic development policies.

Throughout most of their history, the International Financial Institutions (IFIs) have focused more on the economic growth of states, without the necessary attention to the progress of the citizens in those states. However, their focus on addressing poverty alleviation as an important aspect of economic development has increased recently for at least two reasons. First, increases in trade and the further integration of markets have affected the living standards of the population, which then necessarily affects the macroeconomic position of the institutions' member states. Second, one of the strongest criticisms of the IFIs, which are usually centered around the International Monetary Fund (IMF) and the World Bank, are that through their economic policies, they have actually worsened the poverty situation for many people in the developing countries, if not the world (Chossukovsky 1997; Wade 2004).

Previous studies have found, for example, that adjustment policies advocated by the IMF and the World Bank during the 1980s worsened the poverty levels in many countries in sub-Saharan Africa and Latin America (Stewart 1995; Huber 2005; Woods 2006). These are extremely important issues because the IMF and the World Bank are two of the institutions most involved in economic development and in providing assistance and financial support to those countries most in need. The way in which they view the alleviation of poverty has far reaching implications as to how states deal with economic issues involved in poverty and development. Therefore, scholars have focused on the role of the World Bank in reducing poverty levels (Cammack 2004) as well as on the increasing role of the IMF in engaging in civil society (O'Brien, Marie Goetz, Aart Scholte, and Williams 2000; Thirkell-White 2004). Sigrun I. Skogly (1993:754) points out that, "the success of economic development cannot be measured purely on the basis of economic factors, but necessarily must be seen in relation to non-economic factors."

One of the purposes of this paper is to investigate important conceptual and institutional differences between the World Bank and the IMF that become important when they address issues of poverty and inequality. As noted by Catherine Weaver and Ralf J. Leiteritz (2005) it is difficult to pinpoint how organizations change their behavior using conventional international relations theories. They find that changes in the World Bank's structure were the result of changes in the interests and norms in the organization of the Bank. Additional research on institutional differences between the organizations has found that the Bank has become more open to non-governmental organizations (NGOs) and civil society groups, while the Fund has remained "insulated" (Woods

[2]All acronyms and abbreviations are listed in the appendix.

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2006:8–9; 171–172). For example, programs supported by the Bank that involve individuals and groups in poverty programs, such as the "Voices of the Poor" project, and the Participatory Poverty Assessments (PPAs) are different than programs supported by the IMF, that rely predominately upon states (Thacker 2006). There is also evidence to indicate that the Bank engaged in "an important restructuring process" in the latter part of the 1990s to include a greater focus on participation and social development (O'Brien et al. 2000:63). World Bank publications that address poverty alleviation are also more likely to include developmental and societal concerns as they relate to poverty, than are IMF publications. When the IMF addresses issues of poverty alleviation, the documents and publications will most likely involve macroeconomic issues that affect the poor such as high inflation and slower economic growth (Landell-Mills 1988; International Monetary Fund 2001). Bank personnel are also more likely to include contributions from stakeholders such as NGOs and input from the poor themselves, while the IMF has been unreceptive to a dialogue with social movements due to its "institutional culture" (O'Brien et al. 2000:160).[3] This "institutional culture" can be attributed to the fact that Fund officials regularly deal with governmental officials involved with the central bank and economic and finance ministries, thereby reinforcing the focus on economic principles (Woods 2003). The Bank seems to have evolved to be able to address and understand poverty as a societal and developmental issue, while the Fund seems to continue to focus on poverty as a macroeconomic issue.

The paper will begin with a brief overview of the different mandates and functions of the IMF and the World Bank, which is important because they were established as independent organizations, a fact that will shed some light on their differing approaches to poverty alleviation. This information will also include a review of official documents and speeches published by the institutions that best represent substantial event changes during the 1980s, and institutional changes that were most evident during the 1990s, which document the institutions' changing approaches to assessing poverty. The next section will compare the specific programs that each institution has developed under the Comprehensive Development Framework (CDF) to alleviate the poverty and the indebtedness of the poorest countries. James Wolfensohn's advancement of these policies during his tenure as president of the World Bank from 1995 to 2005 will also be highlighted. The third section provides evaluations of the early Poverty Reduction Strategy (PRS) process which includes assessing the performance of the Bank and Fund staff, as well as whether NGO and other civil society groups felt that they were adequately involved in the formation of the Poverty Reduction Strategy Papers (PRSPs). The final section will include some preliminary assessments as to whether countries that have prepared PRSPs have seen decreases in their poverty levels in addition to a case study of Mozambique's progress under the PRS process.

Mandates of the IMF and the World Bank

While both institutions were created during the Bretton Woods Conference in 1944, and were then later formalized as specialized agencies within the United Nations system, they were designed to be unique institutions with only some degree of overlap in their responsibilities.[4] The IMF was originally designed to

[3]For additional information on the relationships between the IMF and civil society groups, see Jan Scholte (1999).

[4]One example of this relationship is that a prospective member state must first join the IMF before receiving assistance from the Bank. Usually Bank approval for loans is done in conjunction with an IMF economic program. For additional information on the ways in which the institutions were originally designed as independent agencies, see Richard Feinberg (1988).

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ensure fixed exchange rates in the international monetary system, and to provide financial assistance to countries experiencing balance of payments problems. The purpose of the Bank was to provide financing for reconstruction projects, primarily to assist the European states devastated after World War II. Therefore, the Fund has always served as more of a monetary institution and the Bank has served as more of a development institution. The role of each institution has also been enhanced and changed beyond that of their original mandates. This is an important point because it indicates that the institutions have shown that they have the capacity to evolve when events warrant such a change.

For example, the fixed exchange rate system ended in 1971, and the Fund has become more involved in the macroeconomic policies of its member states now that the international monetary system has a flexible exchange rate system. In fact, states are even more vulnerable under the current monetary system when there are drastic changes in the value of their currencies, as well as that of foreign currencies. This vulnerability became evident during the financial crisis in Mexico in the mid-1990s, and even more so when the Asian financial crisis in the late 1990s affected so many countries. During this crisis (1997–1998) the IMF provided loans in excess of $36 billion to support stabilization policies and structural reforms in Indonesia, Thailand and Korea (International Monetary Fund (2001:32). The Bank now rarely supports projects in developed countries and is primarily involved in assisting developing countries, as is the IMF. At the Bank, one of the institutions that carries out this type of assistance is through the IDA, established in 1960 to provide interest free loans to the poorest countries (Eichengreen and Kenen 1994). These are both indicators that the institutions have been able to adapt and change beyond their original mandates.[5] However, one notable difference between the ability of the institutions to adapt to changes in the international economic environment is how they have each conceptualized and dealt with the issue of poverty and how it impacts economic development.

Changes in Defining Poverty and Economic Development

Poverty

Both the conceptual and actual definitions of poverty have changed as the level of understanding of the factors contributing to poverty has changed. In the 1970s, the Bank's definition of absolute poverty was "based on the arbitrary criterion of an annual per capita income equivalent to $50 or less" and relative poverty included the population with income above $50 and below one-third of the national average of the country [International Bank for Reconstruction and Development (IBRD) (1975):4]. There was also a focus on the fact that the majority of the poor were in the developing countries, living in rural areas and that the predominant area of work was in the agricultural sector. The establishment of the IDA to provide interest free loans to the poorest countries through the contributions of donor states would also play an important role in supporting economic growth and alleviating poverty (World Bank 2001:18, 2002a). In fact, the debt relief for the HIPCs is to be carried out through the replenishment of resources of the IDA by voluntary contributions of donor states, including the G-8 members. This would ensure that resources would be available for use by future countries from the IDA after debt cancellation (Becker 2004; International Development Association 2005). The staff of the IDA along with the staff of the IMF is also responsible for assessing progress made in each country's PRSP in their Joint Staff Assessment (JSA) reports.

[5]For more detailed information as to how the influence of the Fund has grown, see A. D. Crockett (1992); for a comparative analysis of changes in both institutions, see Anne Krueger (1998).

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One of the more important changes in the actual definition of poverty was the recognition that the measurement of income per capita simply by converting the currency used in one country into a common currency by using official exchange rates does not adequately capture the extent of poverty that is present within a country (Kravis 1986). A more accurate way to measure differences in income levels between countries is to use Purchasing Power Parities (PPP) instead of exchange rates to compare a "basket" of goods and services purchased in the domestic market using that country's currency, with the same amount of goods and services that could be bought for $1 in the USA (World Bank 1993:296–297; Meier 1995:19).[6] Therefore, since 1991, the World Bank has defined international poverty levels as the percent of a population of a country living below $2 a day, and extreme poverty as the percent living below $1 a day (in PPP terms). The Human Development Reports (HDRs) used PP exchange rates with the first HDR in 1990, and began to more systematically use PPP rates of exchange with the 2001 HDR, including data based on the Penn World Tables (United Nations Development Program 2001–2006:133,135). The definition of poverty has also expanded to include other conceptual measures of poverty such as low achievements in health and education beginning with the 1990 World Development Report (World Bank 2000/2001:15).

Economic Development

The field of development economics began in the 1950s to determine how the "newly independent countries" later to be termed the developing countries, should proceed in economic development to have the same level of success as the developed countries (Meier 1995:86). Therefore, these early economists focused on ways to achieve economic growth in these countries, specifically by increasing the Gross National Product of the developing countries (Sen 1988:12).[7] Economic development was believed to occur by means of economic growth. This distinction is important because many development economists would alter their conceptual understandings about economic development during the mid-1970s.

Robert McNamara as President of the World Bank from 1968 to 1981 played an important role in this change through his emphasis on how social factors impact development, as well as the need to address the problem of severe poverty in countries that were paradoxically showing overall economic growth (van de Laar 1980; Sanford 1988; Abbott and Snidal 1998).[8] In an address to the Board of Governors on September 24, 1973, he explained that changes in the Bank would include:

> (a) far greater emphasis on policies and projects which will begin to attack the problems of absolute poverty, and far greater emphasis on assistance designed to increase the productivity of that approximately 40% of the population of our developing member countries who have neither been able to contribute significantly to national economic growth, nor to share equitably in economic progress (McNamara 1973:9–10).

As evidence of this commitment, the Bank Group (including the IBRD, IDA and the International Finance Corporation) greatly increased their financial commitments to developing countries from $10.6 million during 1946–1968

[6]The Penn World Table project which culminated in this recalculation of income per capita was largely completed in R. Summers and A. Heston (1991).

[7]For a general overview of the early field of development economics, see, W. A. Lewis (1955), R. Nurske (1953), and Albert Hirschman (1958).

[8]Aart van de Laar's (1980) work is a comprehensive analysis of McNamara's developmental projects to address poverty while he was president of the Bank.

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(the entirety of the Bank's operating years) to $13.4 million for only 4 years 1969–1973 (McNamara 1973:2–3). McNamara also re-focused the Bank's efforts to address poverty in the developing countries, and he brought in development economists, such as Hollis Chenery, who argued for a "broader view" of economic growth (away from the neoclassical model) to include structural changes in the reallocation of resources in order for economic growth to occur in developing countries (Chenery 1971; Chenery, Robinson, and Syrquin 1975).

While it is fair to say that both institutions were rather late in focusing on the impacts of poverty and levels of inequality in their member states, the Bank has had a mandate to address poverty from its beginning as an institution. The Bank's mission statement begins with "Our dream is a world free of poverty" which is also written on the wall at the Bank's headquarters in Washington, D.C. The main purposes of the IMF as defined in Article I of the IMF's Articles of Agreement are:

> to promote international monetary cooperation;
>
> to facilitate the expansion and balanced growth of international trade, and to contribute to the promotion and maintenance of high levels of employment and real income;
>
> to promote exchange stability;
>
> to give confidence to members by making the general resources of the Fund temporarily available to them under adequate safeguards (Paul R. Masson and Michael Mussa 1995:1).

Although not explicitly listed in its responsibilities, the IMF has more recently explained that it can reduce poverty indirectly through its mandate with the statement that:

> The IMF is a monetary, not a development, institution, but it has an important role to play in reducing poverty in its member countries: sustainable economic growth, which is essential for cutting poverty, requires sound macroeconomic policies, and these are at the heart of the IMF's mandate (International Monetary Fund 2001:46).

The strategy for how the Bank, as a development agency would deal with poverty has also changed somewhat. As noted in an IMF World Bank joint publication:

> In the 1980s, the Bank's poverty reduction objectives were often overshadowed by the focus on economic adjustment to achieve macroeconomic stability and structural change as foundations for long-term growth. Toward the end of the decade, however, the Bank and other development agencies began to act to mitigate the consequences of economic and structural adjustment for the poor (Robb 2002:2).

Institutional Changes

So what were the events during the 1980s that changed the focus of the Bank, and in some ways, the IMF? First, it has been suggested that the shift to conservative leadership in the USA under President Ronald Reagan and in the UK under Margaret Thatcher brought about the era of "free market ideology" and that this ideological shift greatly influenced the focus of the institutions (Sachs 2005:81,82). Joseph Stiglitz (2002:13) has asserted that there was a "purge" at

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the Bank under this new leadership to oust a distinguished group of development economists, including Hollis Chenery, who as mentioned previously, had joined the Bank during the leadership of Robert McNamara.[9] Second, the Latin American debt crisis during the 1980s required the highest level of assistance that the institutions had been required to provide since their inception. This also resulted in a great deal of focus on the structural policies advocated by the institutions to improve the economies of these countries. However, at the time and as indicated in the previous quotation, the issue of poverty was not at the forefront of their policy agendas, and it was not until later in the decade that the increase in poverty levels was documented. Since prior to the structural adjustment programs poverty levels had been decreasing, the blame for the increase in poverty was attributed to the lack of attention on social issues such as poverty. The Bank eventually recognized this problem, but not until the 1990s, with the statement that, "When structural adjustment issues came to the fore little attention was paid to the effects on the poor" (World Bank 1990:103).

The third event was the end of the Soviet Union and the unprecedented transition of 15 formerly centrally planned economies to market-based economies. These countries would also rely heavily on advice from the IMF, the World Bank, and the European Bank for Reconstruction and Development. The beginning stages of these reform programs focused less on issues of poverty and inequality and more on macroeconomic issues such as stabilization, liberalization of prices and privatization.[10] For example, an IMF publication that reviewed the progress in these countries from 1991 to 1995, did not specifically address the issue of poverty or inequality as an issue "in the design and implementation of Fund-supported financial programs" (Citrin 1995:1). Instead, macroeconomic stabilization issues, including combating excessively high inflation through tighter fiscal and monetary policies were noted as important components of the reform process. Literature from the IMF often explains that policies designed to reduce inflation will result in lowering poverty levels. A pamphlet titled, "The IMF and the Poor" asserts that a focus on issues such as "macroeconomic stability" will "directly benefit the poor" through policies of low inflation which are necessary for higher economic growth (International Monetary Fund 1998:2).[11] This is one example of how institutionally, the IMF views poverty and how it should be alleviated, differently than the Bank.

While the World Bank recognized that poverty and inequality were increasing in the transition economies, an early publication on the progress to date in the transition economies indicated that it was difficult to accurately document increases in poverty and inequality in these economies because, "(they) pose additional major measurement problems" (World Bank 1996:67). This publication also explained that the economies that had proceeded the fastest with reforms had been able to "stabilize" their poverty rates, concluding that, "the key to containing and reducing poverty, therefore, is resumed growth" (World Bank 1996:67). A follow-up publication assessing the transition economies after the first 10 years came to a very different and more sobering conclusion about the increases in poverty levels, noting that poverty had "increased sharply during the decade" in the transition economies (World Bank 2002:6). In fact, the percentage of the population living on less than $1 a day in Eastern Europe

[9]The controversy surrounding Paul Wolfowitz's leadership as President of the Bank seems to indicate that the Bank staff may be reluctant to have their programs compromised again as a result of US administration directives. For background information, see, The Economist (2007:69–70).

[10]While it is accurate to state that social policies were not emphasized to the same degree of macroeconomic issues, economists did include social reform policies such as the creation of a social safety net, as is noted in Stanley Fischer and Alan Gelb (1992).

[11]William Easterly and Stanley Fischer (2000) confirmed that high inflation increases poverty and also found that the poor are more likely than the non-poor to state that inflation is a top concern for them.

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and Central Asia had gone from 1.5% in 1990, to 5.1% in 1998 (World Bank 2002b:8). An IMF publication that documented progress in the transition economies after 10 years explained that even though, "the transition process had a major impact on poverty and income inequality...a full assessment was complicated by data weaknesses" (International Monetary Fund 2000:100).

This concern about whether poverty levels could accurately be "measured" or compared from the Soviet to the post-Soviet era is likely one reason that action was not taken sooner to address the increases in poverty and inequality in the former Soviet states (Orenstein and Hass 2005:145). Measurement problems aside, this was irrefutable evidence to many that a focus on social programs had once again been neglected by the financial institutions. Both of these events, including the increased scrutiny on the institutions due to the realization that their policies could affect the lives of so many people, (in these cases for the worse) can in part be attributed to the subsequent focus on social policies at the Bank, and to a lesser degree, at the IMF. While some of these changes were probably inevitable, many of the programs that focus on the societal impacts of poverty reduction were also developed during James Wolfensohn's tenure as president of the World Bank. The following section will document the new programs and policies undertaken by both institutions as a result of increases in poverty levels.

A Shift in the Focus on Poverty

In 1989, a joint World Bank/IMF publication titled, "Strengthening Efforts to Reduce Poverty" addressed the worsening poverty situation in most of the developing countries during the 1980s, which was exacerbated by slower economic growth due to the recession. This publication explained that as a result, "the Bank (was) making its practices in some areas more flexible and responsive to the needs of borrowers" (World Bank 1989:13). While this section still referred to loans and programs only with governments, this "flexibility" was likely the beginning of a shift in Bank policy to be able to provide loans through organizations to individuals. The IMF also developed two new facilities in the late 1980s to assist the poor; the Structural Adjustment Facility (SAF) in March 1986, and the Enhanced Structural Adjustment Facility (ESAF) in December 1987, although these facilities would be provided only to the governments of member states (Landell-Mills 1988). These facilities were designed specifically for the IMF's poorest member states in order to make additional resources available for low-income countries as a result of extreme balance of payments problems. They would have lower interest rates than other IMF facilities, a longer grace period, and would allow the country to borrow up to a higher percentage of the country's quota. Essentially, the SAF and ESAF could be considered as a subsequent development to the Bank's IDA. The IMF's facilities provided "concessional lending"; countries agreed to follow programs based on Policy Framework papers, and these facilities were based on the premise that these countries would require financing assistance on better than market terms (Landell-Mills 1988: 1–3). The IDA also provided "concessional resources"; countries agreed to follow reform programs through Country Assistance Strategies, and assistance under IDA programs was interest free, based on the recognition that the countries were "too poor to borrow at commercial rates" (World Bank 2001:18; Gwin 2002).

However, the much earlier establishment of the IDA in 1960 compared to the establishment of the IMF's Facilities in 1986 and 1987 is an indication that the Bank had been addressing issues of poverty in the developing countries earlier, and therefore, may have made more progress in defining and assessing indicators of poverty than the IMF. As explained previously, the definitions of poverty have been evolving and there appear to be differences between the institutions

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in their abilities to assess poverty as well. This is evident in a publication by the Bank that focuses on the progress in poverty reduction and noted that:

> During fiscal 1994, 43% of IDA investment lending was specifically targeted to the poor, three-quarters of adjustment lending was directly poverty-focused, and much of the remaining lending aimed at increasing the productivity and economic opportunities of the poor (World Bank 1995:ix).

Also during 1994, the Bank began to use PPAs as a "method to include poor people in the analysis of poverty with the objective of influencing policy" (Robb 2002: xxvi). Although at the beginning of this program, the Bank noted that there was too much focus on research without the necessary attention to actual policymaking; more recent PPAs were explained to be more successful through the use of participatory research methods. These included visual (mapping, diagrams) as well as verbal (discussion groups and open-ended interviews) techniques to better understand issues that more directly affect the poor such as, a lack of protection from violence (which has restricted women's access to work outside the home), government corruption and a lack of trust of the police (Robb 2002: xxvii–xxix).

The IMF reviewed the social dimensions of its policy in a 1995 publication noting that, "(s)ince the second half of the 1970s, the importance of social issues for sustainable economic and social development has become increasingly evident" (International Monetary Fund 1995:1). Also addressed was the increasing collaboration with other agencies including the World Bank and United Nations agencies on social issues, and the key points found to have "particular relevance for social development" were that:

> *Economic growth* is required for sustainable social development.
>
> *Controlling inflation* can prevent or mitigate real income losses, against which the poor are least protected since their income is often fixed in nominal terms and they tend to hold much of their assets in the form of currency.
>
> By *promoting the agricultural sector*, which employs most of the poor, many developing countries can achieve a lasting reduction in poverty (International Monetary Fund 1995:6–7, emphasis in original).

There were two trends that would become evident by substantial program changes in both institutions during the mid and late 1990s. First, there is a more pronounced focus by both institutions to address poverty levels as they relate to the overall goals of each institution. This shift is first evident at the Bank with the establishment of the IDA in 1960, and the early influence of McNamara's policies that were focused on poverty and economic development. This shift is most discernable at the Fund with the implementation of the SAF and ESAF facilities after the crises of the 1980s when poverty levels, which had been decreasing, rose markedly in many countries that had relied on advice and support from the institutions. Second, there also seems to be a greater emphasis on the institutions to work together. A chronology of these trends as seen in the development of poverty-related programs implemented by the institutions are presented in Table 1. Therefore, when Wolfensohn became president of the World Bank in June 1995, he worked to enhance these two trends.

In light of the discussion of the influence of the Presidents of the World Bank, and an absence of a discussion of the influence of the Managing Directors of the IMF, it is necessary to point out some of the differences in the mandates of each position. Each leader is chosen for a five-year renewable term based on an

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TABLE 1. Chronology of World Bank and International Monetary Fund (IMF) Poverty-Related Programs

Year	World Bank	IMF
1960s	International Development Association, 1960 Robert McNamara, President, 1968–1981	
1980s		Structural Adjustment Facility, 1986; Enhanced Structural Adjustment Facility (ESAF), 1987
1990s	Participatory Poverty Assessments (PPA), 1994 James D. Wolfensohn, President, 1995–2005	
	Heavily Indebted Poor Countries Initiative (HIPC), 1996	HIPC 1996
	Voices of the Poor 1999; built on previous PPAs	
		ESAF replaced by Poverty Reduction and Growth Facility, September 1999
	Enhanced Heavily Indebted Poor Countries Initiative (EHIPC), September 1999	EHIPC
	Poverty Reduction Strategy Papers (PRSPs), November 1999	PRSPs

understood "agreement" that the President of the Bank would be a US national, while the Managing Director of the IMF would be chosen from a European country.[12] However, the positions differ in their control over the every day operations of each institution which explains why the President of the Bank may have more influence in setting policy than the Managing Director of the IMF. For example, the Executive Board of the IMF meets three times per week and is in charge of daily decision making at the IMF.[13] The Executive Board also chooses the Managing Director who serves as chair of the Board and "is the chief of the IMF staff and conducts the business of the IMF *under the direction of the Executive Board*" (International Monetary Fund 2001:15 emphasis added).

The duties of the Bank president are characterized somewhat differently. While the President of the Bank also chairs the meetings of its Executive Board, the President "...is responsible for overall management of the World Bank" (World Bank 2001:23). A more recent description of the responsibilities of the President of the Bank states that, "(t)he World Bank operates day-to-day under the leadership and direction of the president, management and senior staff, and the vice presidents in charge of regions, sectors, networks, and functions."[14] It appears that the President of the Bank is not as beholden to the Executive Board (and by extension the larger shareholding states) as is the Managing Director of the IMF. Therefore, the President of the Bank may have a larger and more independent role in defining the agenda for the Bank than does the Managing Director of the IMF. This difference in agenda setting explains why it was Bank Presidents instead of IMF Managing Directors that were so instrumental in facilitating changes in the definitions of economic development and poverty.

[12]There have been nine Managing Directors since the beginning of the IMF in 1946. Four of the nine have been from France including the most recently appointed Director, Dominique Strauss-Kahn. Available at http://www.imf.org/external/np/exr/chron/mds.asp (accessed January 4, 2008).

[13]The Executive Board is the body in which the largest shareholders have the highest percentages of voting power. The five largest shareholders are, respectively, the USA, Japan, Germany France, and the UK.

[14]One other difference is that the Executive Directors of the Bank only meet twice a week. Available at http://go.worldbank.org/VA8RR1BN41 (accessed January 5, 2008). For additional information on the governance structures of the IMF and the Bank, see Ngaire Woods (2006).

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The organizational structure of the Bank additionally appears to allow for greater decision making on the part of the President of the Bank, and a more important role for senior staff at the Bank compared to the IMF.

Poverty Reduction Strategy Papers and the Poverty Reduction and Growth Facility

In James Wolfensohn's second speech to the Board of Governors at the Annual Meetings of the IMF and the Bank on October 1, 1996, he first discussed the concept of a "new paradigm" that was needed at the Bank (World Bank 2005a:51). Wolfensohn stated that part of this new paradigm would encompass a strategy for "a broader more integrated approach to development" including reducing poverty. He explained that poverty reduction:

> ...clearly involves the interplay of a number of issues: macroeconomic policy, private sector development, environmental sustainability, and investments in human capital—especially girls' education and early childhood development (World Bank 2005a:51).

In a later speech to the Bank, Wolfensohn outlined how this approach should be formulated as part of a CDF. In this speech he discussed the fact that addressing issues of societal development would require "a more inclusive picture of development" and would therefore have to include the IMF and the Bank in this framework (World Bank 2005a:132).

The programs that were implemented under the Comprehensive Development Framework (CDF) would again represent a different approach to poverty at the Bank and at the Fund, and would directly involve countries in poverty reduction. There were also many external factors that seemed to be influencing the institutions to focus on policies centered on country ownership as well as their necessity to work together. First, it was believed that one of the main problems with the previous programs designed by the IMF and the Bank were that they lacked adequate country participation in them and that therefore, countries did not feel that they were invested in their success (Stewart and Wang 2006). In other words, the programs were perceived by some member states as top-down initiatives rather than bottom-up, or local initiatives. Many NGOs had also supported a more participatory approach to include the countries in the formation of the programs concluding that greater country ownership would lead to better policies. Second, policies of country ownership were presumed to lead to a reduction in the criticisms of the policies of the Bank and the IMF and to allow for countries to take more responsibility if poverty levels and other social indicators did not improve. A need to answer these critics was especially the case after many instances of attacks against "international bureaucrats" including demonstrations and rioting during the 1999 World Trade Organization meeting in Seattle, as well as demonstrations at most annual meetings of the IMF and the World Bank (Stiglitz 2002:3). The prevalent viewpoint by most observers (and certainly the demonstrators mentioned above) that the institutions have the same mandates and goals also led to a push for them to coordinate this new policy framework; even though the IMF may have needed a stronger "push." Stiglitz (2002:50) provides one account of the decision for the institutions to work together:

> As much as it might like, the IMF, in its public rhetoric at least, could not be completely oblivious to the widespread demands for greater participation by the poor countries in the formulation of development strategies and for greater attention to be paid to poverty. As a result, the IMF and the World Bank have agreed to conduct "participatory" poverty assessments in which client countries joint the two institutions in measuring the size of the problem as a first step.

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Joshua W. Busby (2007:271) also found that the "broader societal appeal" of debt relief for the poorest countries promoted by the Jubilee 2000 campaign (begun in April 1996) was an important factor in garnering support for these initiatives in the US and the UK, which further increased their support among the institutions.

The first program put forth in 1996 was the HIPC Initiative, which was designed to reduce the debt of poor countries through debt relief, thereby allowing countries to be able to spend less money on servicing their debt and more money on social expenditures.[15] The second program built upon the positive reaction to the HIPC Initiative and linked it to one of the strongest direct country involvement initiatives to date in alleviating poverty; the PRSPs Initiative. The purpose of the PRSP was to re-direct resources that had previously gone to servicing a country's debt and to use them toward specific poverty reduction programs primarily aimed at social services such as health care and education (Gupta, Clemens, Teresa Guin-Siu, and Leruth 2004).

The papers were linked to the HIPC in that countries would now have to prepare PRSPs in order to have access to the HIPC debt relief. Other low-income countries would also now be required to complete PRSPs in order to continue to receive concessional lending from the Fund and the Bank. This process could begin with the preparation of an initial PRSP document, the Interim PRSP, based on the belief that countries would need assistance early in the process to be able to have the resources to devote to poverty reduction. However, subsequent documents including the PRSP, Annual Progress Reports, and PRSP Preparation Status Reports would have to be endorsed by the Boards of the Fund and the Bank, based on a JSA by staff from the Fund and the Bank, in order for the countries to continue to have access to the resources (World Bank, Operations Evaluation Department 2004).

These papers would be different than other programs implemented by the IMF and the Bank because they would be country-owned, not written by Bank or Fund staff, and would involve "national stakeholders" in the drafting of the policy. These groups would include members of the government, but would also include civil society groups, and other developmental groups (Gupta et al. 2004). This shift in focus was also the result of many NGOs that had stressed that measures taken toward debt relief also needed a focus on poverty reduction. Examples of some of the measures that were outlined in the PRSPs to increase the availability of health care for the poor included: making generic drugs more affordable and improving their distribution; increasing the number of health workers; and establishing minimum healthcare services to cover prenatal care, primary care and vaccinations (Gupta et al. 2004:29).

The IMF would be involved in the PRSP, as explained above, and the Poverty Reduction and Growth Facility (PRGF) would now replace the prior concessional lending under the ESAF. The decision to create this new facility was the result of over 2 years of review and policy discussion at the IMF about the overall effectiveness of the ESAF (Gupta, Plant, Clements, Dorsey, Baldacci, Inchauste, Tareq, and Thacker 2002).[16] It was also a change by the Fund to make country-owned poverty reduction a comprehensive strategy for IMF concessional debt relief for

[15]Wolfensohn credited this program to his predecessor, Lewis Preston, who passed away shortly before Wolfensohn was nominated to be President of the Bank (World Bank, 2005a:80). While many countries qualified for debt relief under the HIPC Initiative, debt relief had only been distributed to seven countries by 1999, for a total of $6 billion; therefore, the initiative was broadened to be able to support additional countries and to be able to provide relief earlier, see, International Monetary Fund (2001).

[16]For additional information, see, "Box 1. Evolution from the ESAF to the PRGF"; where this decision was explained to have been the result of discussions between the Executive Board and the Interim Committee of the Board of Governors in September 1999 to "transform" the ESAF to the PRGF, and to link this facility to the PRSPs (Gupta et al. 2002:2).

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low-income countries (International Monetary Fund 2001:47). Problems identified with ESAF supported programs included a lack of national ownership, and weaknesses in the social policy part of the programs, which ostensibly, the new policies under the CDF were designed to fix (International Monetary Fund, Independent Evaluation Office 2004:14, 15).

Evaluations of the Poverty Reduction Strategy Initiative

The following section will evaluate the success of the programs under the new PRS Initiative through the use of varied publications that assess the performance of IMF and Bank officials as well as results from other studies that have analyzed whether the PRSPs have been more effective than previous IFI policies. These documents include an independent evaluation produced by the World Bank, Operations Evaluation Department (2004), an independent evaluation produced by the International Monetary Fund, Independent Evaluation Office (2004), and one joint published account from both of the institutions' evaluation departments (World Bank Operations Evaluation Department, International Monetary Fund Independent Evaluation Office 2005).[17] In fact, this most recent joint published analysis of the PRSP process includes specific findings based on the results of the programs for ten case study countries covering "a variety of country situations and states of PRSP and PRGF implementation" although all of the countries chosen had completed PRSPs by the end of 2002, and many were among the first to have reached the completion point for debt relief (Mozambique, Nicaragua, Tanzania, and Mauritania (World Bank Operations Evaluation Department, International Monetary Fund Independent Evaluation Office 2005:3–4). Finally, an additional document produced by the staffs of the Bank and the IMF assessed the ways in which the implementation of the PRS Initiative could be improved (World Bank, the International Monetary Fund 2004).

This section will also include the findings from other non-IFI-affiliated country studies that have analyzed the PRSP process to determine whether these poverty reduction programs, with a greater focus on country ownership, have been more effective than previous IFI policies. The assessment of the programs from these publications and country studies will then be followed by data on poverty levels for the specific countries reviewed in the publications, as well as a case study of Mozambique's participation in this process.

First, the evaluations produced by both institutions' independent units (the World Bank's, Operations Evaluation Department (2004) and the International Monetary Fund's, Independent Evaluation Office (2004) concluded that the principles of the PRS Initiatives were not adequately designed to be adaptable to different country's needs. Specifically, the evaluation of the Bank's PRS process noted that, "the Initiative's *underlying principles* have been applied somewhat uniformly to widely varying situations" (World Bank, Operations Evaluation Department 2004:6, emphasis in original). The evaluation of the Fund's PRS Initiative also noted an "insufficient scope for treating different countries differently" (International Monetary Fund, Independent Evaluation Office 2004:5). Second, as might be expected, both evaluations found that the commitment to the PRSP was the strongest by the governmental agencies that were the most involved in the planning and that, "perceiv(ed) the greatest benefit from the process—for example, through increased resource allocations" according to the results of the stakeholders that were interviewed (International Monetary Fund, Independent Evaluation Office 2004:11).

[17]The OED and IEO are independent units that report to their respective institutions' Executive Boards (World Bank Operations Evaluation Department, International Monetary Fund Independent Evaluation Office 2005:1).

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While civil society groups responded positively that the PRS Initiative had increased the dialogue for their involvement, they did not feel that they directly influenced the strategy process. The groups noted that the government was primarily responsible for making decisions (International Monetary Fund, Independent Evaluation Office 2004:13–14; World Bank Operations Evaluation Department, International Monetary Fund Independent Evaluation Office 2005:31). This was also one of the findings of a study of the early PRSP processes in seven African countries (Booth 2003). Specifically, that responsibility for the PRSP was largely carried out through the Ministries of Finance in the countries and that the awareness of a PRSP was "limited to a few layers of officialdom in central government and to a limited range of non-governmental actors" (Booth 2003:141, 147; Evans and Ngalwea 2003:281–282). This is unfortunate, because part of the reasoning behind the PRS Initiative was the recognition by the financial institutions, as well as by NGOs, that civil society groups should be an important part of including the poor in a framework where they would be able to express their views.

An important distinction illustrated in the evaluations and the country studies were differences between how the staff of the IMF and the World Bank contributed to the PRS process. Evaluations of Bank staff in the PRS process noted that the staff were, "supportive and keenly interested, but largely gave room for country ownership and did not impose a Bank viewpoint" (World Bank, Operations Evaluation Department 2004:11). This was similar to the perceptions from within the countries, in that one of the more positive developments was that the IFIs were willing to step back from the development of the PRSPs to allow for national ownership (Booth 2003:148). Since this was a new strategy to involve the countries in the decision making process, this was a welcome development especially in light of the prevailing view to please the staff of the institutions since they would ultimately make recommendations as to whether countries would continue to qualify for debt relief through the HIPC. The Bank was also perceived "as opening the door, or increasing the voice, for NGOs in these case study countries" (World Bank, Operations Evaluation Department 2004:13). The efforts used by the Bank included:

> Actively promot(ing) participatory activities, funding participation advisers in countries with limited experience (for instance, Cambodia and Tajikistan), facilitating arrangements for dialogue (for example, Albania and Vietnam), or putting civil society contacts in its local offices (for instance, Mozambique) (World Bank, Operations Evaluation Department 2004:13).

However, a study on actor participation in the development of the PRSPs was critical of IMF staff involvement compared to Bank staff, and concluded that:

> The IMF seems scarcely to have been involved with participatory processes, except through the advisory role its Social Development Advisors have played, which has been critical in supporting governments in some countries (Mozambique). World Bank staff have adopted different roles in different countries. These range from direct intervention to mediating between governments and CSOs (civil society organization) to responding to invitations from CSOs to hold dialogues with them (McGee, Levene, and Hughes 2002:6).

The independent evaluation of the IMF staff noted that they did not participate actively in the policy debate for two reasons. First, the evaluation explained that, "there were shortcomings in the design of the initiative...including a lack of clarity about the role that the IMF should play" (International Monetary Fund, Independent Evaluation Office 2004:3). This in turn resulted in the problem

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that the IMF staff did not participate actively in the policy debates because, "IMF staff generally interpreted the emphasis on country ownership as implying that involvement on its part should be limited" (ibid). Furthermore, the results of the case studies indicated that while the staff were engaged in the process initially, that it "was typically limited to its traditional interlocutors (the ministry of finance and the central bank)"; although IMF staff did meet with a broader range of civil society groups and on a more regular basis (International Monetary Fund, Independent Evaluation Office 2004:68).

This latter conclusion is a positive development in that the lack of IMF staff to meet with civil society groups has always been a critique of the institution (O'Brien et al. 2000). The evaluation also noted positive results in Tanzania and Mozambique when the staff had engaged in a more interactive dialogue on policy (International Monetary Fund, Independent Evaluation Office 2004:68).[18] Finally, though some improvement was found in the implementation of the PRGF over the ESAF, the evaluators concluded that the expectations for the PRSP/PRGF may have been too ambitious without more substantive organizational changes in the IMF's relationship with low-income countries (International Monetary Fund, Independent Evaluation Office 2004:62–63). So, why were there such different assessments of Bank and Fund involvement on the PRS Initiatives, and what do these results have to do with how each of the institutions has evolved to deal with the issue of poverty?

An Analysis of World Bank and IMF Staff

First, there are important distinctions between the personnel of the Bank and the Fund that may explain differences in their abilities to adapt to these new country-driven strategies. Stiglitz (2002:24) for example, points out that while the Bank staff "make sure that a substantial fraction of its staff live permanently in the country they are trying to assist; the IMF generally has only a single 'resident representative,' whose powers are limited." He also critiqued the IMF staff for the same behavior, as did its own Independent Evaluation Office, for their penchant in dealing primarily with their traditional interlocutors. This leads to other important distinctions between the staff in the institutions; namely their professional training as well as the diversity in the geographical representation between developing and developed countries represented by the managerial and senior staff.

One hundred percent of the professional and managerial staff at the IMF are economists. This has been the case since at least 1980 and includes data for 2006 (International Monetary Fund, Annual Reports 2002, 2006, 2007:89: CD-Table 5.3). The Bank does not provide a breakdown of the training of their professional staff, but the information about the diversity of their developmental specialists explains that they include "economists, educators, environmental scientists, financial analysts, anthropologists, engineers, and many others."[19] Although both institutions primarily employ economists, the fact that the Bank recognizes the importance of different perspectives through the diversity of their staff in formulating policies for developing countries may have contributed to the ability of its staff to adapt more easily to the participatory methods of the PRSPs. The staffing differences between the IMF and the Bank become even clearer when comparing the percentages of managerial staff represented by developing countries in each institution (see Table 2).

[18]This was also noted in Rosemary McGee, Josh Levene, and Alexandra Hughes 2002:6.

[19]This information also notes that their developmental professionals are represented by "nearly every country in the world." Available at http://go.worldbank.org/4VAE13NALO (accessed January 5, 2008).

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TABLE 2. Managerial Staff Represented by Developing Countries in the IMF and the World Bank (in percent)*

Institution	2002/2003	2005	2006
IMF	30.9	30.7	29.6
World Bank	36	37	47

Sources: International Monetary Fund, Annual Reports (2002, 2006, 2007); World Bank, Annual Reports (2003, 2005, 2007).
IMF, International Monetary Fund.
*The IMF compiles tables that show the distribution of all of the IMF staff by developing and industrialized countries in percentages and raw numbers. The IMF defines Managerial Staff by salary structure and position titles that include: Division Chief, Deputy Division Chief; Division Chief, Advisor; Assistant Department Director, Senior Advisor, and Department Director (World Bank, Annual Reports 2003, 2005, 2007:88). The World Bank does not provide the same structured background of its Management and Senior Technical Positions; however where data were available on these percentages (beginning with the 2003 Annual Report) the Bank cited that "Staff from Part II countries account for...36% of management and senior technical positions" (World Bank, Annual Reports 2003, 2005, 2007). "Part II countries" refer to the developing countries that are members of the Bank.

While the IMF has members of its managerial staff represented by developing countries, the percentages have basically stayed the same for the years in which data was available from both institutions. This is in contrast to the staff of the Bank, that while only a few percentage points higher in 2002/2003 and 2005, jumped significantly in 2007 to represent roughly seventeen percent more of its managerial staff from developing countries (see Table 2). It should be noted that this data contributes to an explanation of the differences as to how the staff of the Bank and the IMF have interacted with countries regarding their PRSPs. Since it is developing countries that are implementing the PRSPs, it may be easier for staff from developing countries (rather than developed countries) to have a greater understanding of the different dimensions of poverty. Nancy Birdsall (2006:430) has in fact argued that increased representation of poor countries in the decision making processes of the institutions through voting power would make the institutions more effective since:

> Given their mission of reducing global poverty, it does seem that a first step toward better representation of the interests of the global poor in the global economic system would be to increase the influence and representation of the developing countries, where the world's poor are concentrated, in those two institutions.

Birdsall's statement about the importance of representation from the developing countries could also be applicable to the composition of the managerial staff in both institutions.

While there was a policy change at the Bank to initiate and develop a strategy for the PRS Initiative, at the Fund, the PRS Initiative was to be combined with the ESAF and re-named the PRGF. In fact, countries that previously had an ESAF "converted" this concessional facility into the PRGF that was now necessary in order to qualify for debt relief under the Enhanced HIPC Initiative. This explains one of the main conclusions of the evaluation of the Fund's progress; namely that there was "a lack of clarity about the role that the IMF should play" (International Monetary Fund, Independent Evaluation Office 2004:3). The Fund staff interpreted the PRS Initiative as an important and necessary change in accordance with the CDF, but they did not see how their role in providing country advice and assistance should change. Institutionally, the Fund was still focusing on poverty as an issue to be addressed at the macroeconomic level to "ensure" that targets outlined in the PRSPs would be achieved (World Bank

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Operations Evaluation Department, International Monetary Fund Independent Evaluation Office 2005:32). To quote from the independent evaluation of the Fund's progress:

> The case studies support the conclusion that there is somewhat greater openness to considering alternative policy courses and trade-offs, but only after immediate macrostabilization issues had been adequately addressed (for example Nicaragua and Mozambique). In contrast, when programs went substantially off track (for example in Guinea), the staff's focus was on traditional stabilization approaches that drew little from the broader PRS debate—with the important exception that significant attention was given to protecting priority expenditures (International Monetary Fund, Independent Evaluation Office 2004:69).

In contrast, the Bank had built on the results from the PPAs, which indicated that the involvement of civil society including NGOs was required to influence policy. Specifically, the PPAs found that, "in many countries, this inclusion (of other stakeholders) has led to the creation of partnerships between the Bank, government, and civil society with the objective of reducing poverty" (Robb 2002:5). The previous PPA research that had been conducted in Uganda and Rwanda was also attributed to the recognition that poverty was "multi-dimensional" in those countries PRSPs (McGee et al. 2002:16). Even though the IMF and the Bank work together on the PRSPs, it does appear from the independent evaluations of each institution and other studies on the PRSPs that there has been more of a policy and institutional change in addressing poverty at the Bank, compared to the IMF.

Initial Results of the PRS Initiative

The results of the initial assessments of poverty reduction are somewhat mixed, but most of the countries have shown decreases in poverty levels. For the countries that the Bank was noted as playing a more active role in dialogue and civil society issues, such as, Cambodia, Tajikistan, Albania, Vietnam, and Mozambique, poverty levels declined in four of the countries that had implemented early PRSPs (May 2000–June 2002); Tajikistan, Mozambique, Vietnam, and Albania (World Bank, the International Monetary Fund 2004:12). First, data on poverty levels for each of the previously mentioned countries will be presented. Then, Mozambique's experience with the PRS process will be reviewed. Mozambique presents an interesting case study because poverty levels declined markedly, and governmental authorities seemed to have enacted many of the policies of the PRS framework.

Tajikistan's percent of the population living below the poverty level declined from 83% in 2001, to 68% in 2003 (International Monetary Fund and International Development Association 2004:5). Vietnam's percent of the population living below the poverty line declined from 37.4% in 1998, to 28.9% in 2002 (World Bank 2005b:66). The government of Albania did not begin to officially measure poverty until 1991, however data show that 29.6% of Albanians were poor in 1998, and that the percent of the population living below the poverty line declined to 25.4% in 2002 (Republic of Albania, Ministry of Finance 2004:45). It is also very difficult to determine at such as early stage in the PRSP process whether the poverty reduction strategies themselves were responsible for the decreases in poverty levels. While Cambodia completed a later PRSP (between July 2002–June 2003), previous data on the percent of the population living below $1 a day increased from 34.1% in 1997 to 43% in 2004 (International Development Association and International Monetary Fund 2004:4–5).

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For the additional countries that the Fund was noted as being more engaged in an interactive dialogue, including Tanzania, Nicaragua, and Guinea; specific relevant data on poverty levels was available for Tanzania. Tanzania's percent of the population living below the poverty line declined from 38.6% in 1991, to 35.7% in 2000–2001 (World Bank 2005b:66). While Tanzania began an early PRSP (May 2000) and has already completed three annual progress reports, more time will be needed to determine if the poverty strategy can be correlated with a continued decrease in the level of poverty.

The data presented for Nicaragua showed slight increases in financing allocated for poverty-related spending. Nicaragua's second progress report indicated that it had increased its spending on poverty as a percent of Gross Domestic Product (GDP) from 9.1% in 2001, to 10% in 2002. In this report, Nicaragua also provided data to show that the country's total spending on poverty had increased from 361.8 million US dollars in 2001, to 401.1 million US dollars in 2002. In fact, 17.6% of the financing of poverty spending in 2002 was provided from the HIPC Relief initiative (Government of Nicaragua 2003:26).

Mozambique's PRS Process

Mozambique completed its first PRSP covering the years 2001–2005 (Action Plan for the Reduction of Absolute Poverty; referred to as PARPA, the Portuguese acronym for PRSP) in 2001 (Republic of Mozambique 2001). Mozambique's experience with the PRS initiative was very effective in reducing poverty. The percentage of the population in the country living below the poverty line declined from 69% in 1996/1997, to 54% in 2002–2003 (Republic of Mozambique 2005: 7). Indeed, the staff of the IMF and the IDA commented that the policies implemented under the PRSP (or PARPA) were successful since this drop in poverty was greater than the rate targeted for 2005, and they concluded that Mozambique should reach the poverty Millennium Development Goal of halving poverty by 2015 (International Monetary Fund and International Development Association 2005:2).

One of the problems with increases in spending on poverty-related programs is then being able to demonstrate that the increases benefited the poor. There are two indicators that seem to represent improvements in alleviating poverty in Mozambique, besides the overall decrease in the population living below the poverty line. First, the staff of the IMF and the IDA pointed to progress in the educational sector, specifically that compulsory fees ended for primary school likely contributed to the increase in primary school enrollment (International Monetary Fund and International Development Association 2005:7). Mozambique's primary school enrollment increased from 74% in 2000 to 95% in 2004 (World Bank 2005b). Another indicator that would be important in determining whether countries have increased spending on poverty-related programs as a result of debt forgiveness is the amount of money spent on health expenditure per capita in PPP US dollars. Mozambique's spending on health expenditure for this indicator has increased from $8 (PPP) in 1998 to $45 in 2003 (United Nations Development Program 2001–2006). While these are quantitative indicators of progress in alleviating poverty in Mozambique, it is also necessary to examine how the PARPA was formulated in order to assess the development of the PRS process.

An important component of the PARPA was that it conceptualized different definitions of poverty (including urban/rural and regional differences) and that it formed connections between policies promoting human development and economic growth. Priorities that were developed to promote human development as well as to create an environment for "broad-based growth" included: education, health, agriculture and rural development, basic infrastructure, good governance

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and macroeconomic and financial management (Republic of Mozambique 2001:3). Governmental officials also explained that these priorities were chosen based on discussions with members of the private sector and civil society members as well as from previous studies on poverty reduction (ibid).

The case study analysis of Mozambique completed by the Bank's OED and the IMF's IEO also noted that before the final PARPA was completed that it had gone through a:

> (t)hree-month consultation process that involved the participation of business associations, labor unions, religious bodies, NGOs, media, central and provincial government institutions, and donors. (World Bank Operations Evaluation Department, International Monetary Fund Independent Evaluation Office 2005:53)

Involving these other groups in the drafting of policy was an important component in the early design of the PRSPs, and was a significant departure from other programs implemented by the Bank and the IMF which had not generally involved these groups (Gupta et al. 2004). However, some of the representatives of the civil society and private sector groups felt that the PARPA paid too much attention to issues of macroeconomic stability and privatization, which they felt were stressed by the Bank and the IMF, even though the government of Mozambique claimed strong ownership of the policies in the PARPA (World Bank Operations Evaluation Department, International Monetary Fund Independent Evaluation Office 2005:53–54). One of the major conclusions of Frances Stewart and Michael Wang's (2006) analysis of country PRSPs was that in fact many PRSPs still overwhelmingly relied on macroeconomic connections to poverty, and that the documents were not new policies of country ownership. Therefore, while other stakeholders were involved in the consultation process of the PARPA there appears to be some discrepancy about the level of involvement of these groups as well as whether the government felt that it had "ownership" of its PARPA. However, the decreases in poverty levels, increases in primary school enrollment and increases in spending on health expenditure per capita in Mozambique should not be overlooked. After all, the primary purpose of the PRS Initiative is to allow for greater spending on poverty alleviating measures (through debt relief) in order to reduce poverty in the poorest countries. It is certainly fair to say that more should be done to perfect the country ownership process, but more attention should be paid to an analysis of improvements in indicators of poverty instead of debating the levels of country ownership.

Conclusions and Suggestions for Future Research

The IMF and the World Bank received greater attention concerning their roles in poverty reduction largely as a result of the vast increases in poverty levels during the 1980s and 1990s in the countries that they were the most involved: Latin America and sub-Saharan Africa, and the former Communist countries. While these events resulted in changes at both institutions regarding poverty and income inequality, this paper has shown that there are conceptual and institutional differences in the ways that the IMF and the Bank approach these issues. IMF publications that discuss poverty alleviation will most likely involve macroeconomic issues that affect the poor such as high inflation and slower economic growth. The IMF has not, as of yet, altered its understanding of poverty to be able to address the input of important stakeholders in the process such as civil society groups and NGOs.

One way in which the IMF could be more effective in formulating poverty alleviating policies would be by participating in a more interactive dialogue with non-traditional interlocutors (civil society groups, NGOs) as opposed to only

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engaging with finance ministers and members of the central bank. The IMF staff do not seem to be involved in the participatory process with these groups to assist with the formation of the PRSPs. A reason that this type of dialogue has not happened is likely due to the technical economic language that is used by economists, which non-economists find difficult to understand. The IMF should examine avenues in which to include formal participation by NGOs in policy dialogue that may actually enhance the Fund's objectives by providing more local support for its policies. This was one of the motivating factors behind the Bank's decision to have greater involvement with NGOs (O'Brien et al. 2000).

The World Bank's programs and publications that discuss poverty alleviation are more likely to include developmental and societal concerns as they related to poverty. The staff of the Bank is also more likely to see the necessity of including the contributions from the poor themselves as well as contributions from other nonstate actors including NGOs. These results can be attributed to the early emphasis at the Bank on issues and programs that were directly related to assessing poverty including the IDA, the PPA program and Voices of the Poor. The fact that more of the Bank's professional and managerial staff come from developing countries than the staff of the IMF, may also contribute to the different approaches to poverty. The developmental focus of the Bank has also resulted in a broader understanding of the concepts of poverty and development, as opposed to the monetary and financial focus of the Fund. As Stiglitz (2002:23) aptly stated, "one is devoted to eradicating poverty, one to maintaining global stability."

Despite these differences, the PRS Programs are an important step in the effort to address poverty by both institutions in two ways. First, the programs are recognition of the fact that an adequate assessment of poverty alleviation requires an acknowledgement of the situations of the people that are the most affected by poverty. Second, they are also an effective way to directly involve states in the decision making process of allocating funds for their social and economic development programs.

Future research should focus on whether the results of these programs lead to continued progress in alleviating poverty in the countries in which they are implemented. While this paper has cited many studies that have reviewed (and usually critiqued) the PRSPs there should be additional analysis as to whether poverty levels are decreasing in the countries that have implemented early PRSPs. Measuring poverty by analyzing decreases in the percentage of the population living in poverty is one indicator, but there are other measures that provide a broader scope as to whether changes in programs and policies are alleviating poverty. For the case study of Mozambique, monetary increases on health expenditure and increased access to primary education were examined in addition to more qualitative measures in the PARPA itself such as attention to differences between urban and rural poverty levels and connections between policies promoting human development and economic growth. A discussion about urban and rural poverty indicates recognition by governmental officials that there are differences between the urban and the rural poor. This is an important distinction because it would then be easier to formulate policies tailored to assisting citizens in those different regions. Therefore, future studies should also incorporate the perspectives of other fields such as anthropology and geography in order to broaden the scope of policies designed to alleviate poverty.

Appendix: Acronyms and Abbreviations

CDF, Comprehensive Development Framework; EHIPC, Enhanced Heavily Indebted Poor Countries; ESAF, Enhanced Structural Adjustment Facility; G-8, Group of 8; HIPC, Heavily Indebted Poor Countries; IDA, International

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Development Association; IEO, Independent Evaluation Office (International Monetary Fund); IFI, International Financial Institutions; IMF, International Monetary Fund; NGOs, Non-Governmental Organizations; OED, Operations Evaluation Department (World Bank); PARPA, Portuguese Acronym for PRSP, Mozambique; PPAs, Participatory Poverty Assessments; PPP, Purchasing Power Parity; PRS, Poverty Reduction Strategy; PRGF, Poverty Reduction and Growth Facility; PRSPs, Poverty Reduction Strategy Papers; SAF, Structural Adjustment Facility.

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