



# OED REACH

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## The Effectiveness of the World Bank's Poverty Reduction Strategy An Evaluation

The OED report examines the Bank's progress in implementing the guidance associated with the WDR 1990 strategy, and assesses the continuing relevance of that strategy in light of recent changes within the Bank and in the global economic environment. The PREM progress report focuses on the status of poverty around the world and changes in the poverty focus of Bank activities in fiscal 1999. It also presents a forward-looking approach for the Bank's poverty work in the years ahead.

### Common Themes of Two Reports—WDR and OED

- Both reports note that progress in reducing income poverty has been slow in the 1990s, and that there are worrying signs of growing inequality across countries. While improvements in social indicators have been impressive in many countries, significant differences persist between households at the top and the bottom of the income distribution.
- The reports agree that Bank activities are more clearly focused on poverty reduction than they were in 1990: good poverty analysis informs country strategy formulation more than in the past and country assistance strategies are more focused on poverty reduction as their primary development objective.
- Improvement in the quality and availability of poverty data from both quantitative and qualitative sources is evident, but gaps persist.
- The composition of Bank lending has shifted during the decade, with more attention being paid to the human development sectors and poverty-focused operations.
- While there has been marked progress in the poverty focus of CASs, CAS policy frameworks have taken time to move beyond the policy generalities of the 1990 strategy to recommendations that are concrete and

tailor-made for specific country contexts. Safety nets have been given inadequate attention and there has been a lack of systematic attention to measuring and monitoring results.

### OED Report Findings

- Measuring and monitoring results has not matched the Bank's emphasis on increased lending for the human development sectors during the 1990s. Consequently, it is very difficult to assess what has been "bought" with these investments. In addition, the current system for monitoring the poverty-targeted focus of Bank lending—the PTI—is inadequate for assessing the contribution of Bank project lending to poverty and social outcomes. The PREM progress report also points to continuing weaknesses in the monitoring of poverty outcomes.
- A strategy of broad-based growth and equitable provision of social services remains highly relevant if combined with a focus on rural development and a system of well-designed safety nets. However, finding the right combination of policies to support long-term growth and ensure that the poor benefit directly is a more complex challenge than was envisaged in 1990. Nurturing policy reform and supporting pro-poor capacity in client countries is a demanding task that requires a long-term focus by the

Bank and its development partners. These themes are consistent with the messages of the CDF and the WDR 00/1.

## OED Recommendations

The PREM progress report outlines evolving activities for FY00 and beyond. The focus is on helping low-income countries develop nationally owned poverty strategies and to leverage Bank resources to deal with global challenges and disseminate global knowledge. In addition, the themes developed in the WDR 00/1—empowerment, security, and opportunity—will form the basis of an updated poverty reduction strategy for the Bank. The agenda is clearly much more complex. The way in which this agenda is operationalized and monitored will determine how effective the Bank will be in achieving its poverty reduction objective. The OED report provides recommendations aimed at supporting this process, including:

1. Reworking of the Operational Directive on Poverty Reduction through a broad-based consultative process including civil society, the private sector, and other donors. Management agrees with the need to update Bank strategy and operational guidelines, but has not yet decided on the most appropriate instrument to achieve this.

2. Identifying clear, monitorable benchmarks for assessing implementation progress and identifying strategic elements of the updated policy framework for periodic review.
3. Developing a strategic framework for generating evaluative data on poverty outcomes at the project and national level, and a set of criteria for identifying self-evaluation priorities.
4. Setting up a program of knowledge dissemination and training, inclusive of borrower staff, on implementing poverty reduction strategies and monitoring performance.
5. Committing to a results framework that systematically links sector-specific and intermediate objectives with progress indicators on poverty reduction through the Sector Strategy Papers.

### Interaction with Clients and Management

The OED report incorporates client views elicited through focus group discussions with government representatives and stakeholders in five countries. Bank staff views were obtained through a series of Groupware sessions. At various stages, report findings were discussed inside and outside the Bank, including discussions with the donor community. The report incorporates the formal, constructive comments received from management.

