2004

PARTNERSHIPS IN DEVELOPMENT

PROGRESS IN THE FIGHT AGAINST POVERTY

THE WORLD BANK GROUP

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A FREE PUBLICATION

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PART 6

TACKLING THE UNFINISHED AGENDA

As illustrated in this report, the World Bank and the international community are adapting their approach to fighting poverty in light of experience. We have united behind the Millennium Development Goals, which provide a clear framework to track progress toward the reduction of income and nonincome poverty. We are helping countries implement their national strategies with project finance and technical assistance that support investments and policy reforms across a broad range of sectors. We have adopted a way of working that places the country in the driver's seat. And we are working to coordinate our assistance to developing countries and align it with the implementation of country-owned development strategies.

Nonetheless, to get results on the scale necessary to reach the Millennium Development Goals by 2015, more needs to be done by developing countries, developed countries, and by the development agencies. The priorities for action by these three groups are complementary and mutually reinforcing. Better strategies and policies in developing countries will in turn raise the effectiveness of aid and encourage developed countries to contribute more resources for development. Increasing and improving aid to developing countries will create incentives for them to pursue needed reforms. Similarly, improving how development agencies measure and monitor results will also help enhance the effectiveness of aid and provide incentives for increased flows.

More effective poverty reduction strategies in developing countries

Developing countries must continue to build and implement effective strategies for poverty reduction based on policy reforms and public actions that promote stronger economic growth and enhance the ability of poor people to improve their lives. Expanded opportunities for the poor depend on rapid, sustained, and broadly shared economic growth. The future reform agenda for developing countries, therefore, needs to contain actions to increase the volume and efficiency of private investment and to strengthen governance and the quality of public sector decision making. It also requires measures to bring poor people into the mainstream of economic life, where they can contribute to and benefit from growth. Effective delivery of public services—such as education and health—is vital to increasing the ability of poor people to participate in a growing economy. Developing countries will need to continue to expand access, improve quality, and enhance accountability in service delivery.

Poverty reduction strategies also offer the promise of giving poor people more say over the decisions that shape their lives. The early experience with participatory processes in PRSs has been positive, but major challenges remain. Many of the participatory initiatives undertaken were ad hoc and disconnected from traditional political and public accountability institutions. Empowering the poor on a more sustained basis will need further efforts to integrate PRSs into national decisionmaking processes, to strengthen national and local accountability mechanisms, and to enhance the capacity of the poor to participate meaningfully in public decisionmaking.

Poor people and poor countries are also least able to deal with the shocks arising from changed natural, social or economic conditions. Effective PRSs must therefore increase the capacity of the poor to cope with conflict, natural disasters, and economic shocks. As these strategies evolve, innovative approaches to social protection will be needed to address natural and economic crises, and improved environmental and economic policies will need to be designed to mitigate economy-wide risks. Further efforts will also be needed to adapt PRSs, including their participatory processes, to countries emerging from conflict.

More aid and improved market access in developed countries

Developed countries need to do their part as well. They need to increase access of poorer countries to their markets and to deliver more and better aid. We now know how to use development assistance more effectively, and yet the level of aid has never been lower.

Research shows that the developing countries could productively use at least twice the $16 billion a year in increased financial support that has been pledged by the rich nations up to 2006. In the longer term, as developing countries deepen their policy reforms and enhance their absorptive capacity, a doubling of current aid levels could be productively used to accelerate progress toward the Millennium Development Goals. Not only is more aid needed, but also better aid, a greater proportion of which is in cash, and which is more predictable, better aligned with country priorities, and more harmonized with country processes.

The country examples provided in this report underscore the importance of aid in helping countries undertake key investments—in schools, mobile health units, microfinance, and public institutions—to accelerate progress toward the Millennium Development Goals. But the examples also underscore how more aid is needed, if Bolivia is to cut child mortality by two thirds by 2015, if Niger is to reach 100 percent primary school enrollment, and if membership in the World Trade Organization is to create more jobs for Cambodians.

Better access to industrial country markets is also crucial for enhancing the prospects of developing countries to meet the Millennium Development Goals. Successful completion of the Doha Round is, therefore, a high priority along with continued trade reforms in developing countries, including those aimed at addressing behind-the-border issues, which will allow them to benefit from improved market access. Trade and aid are complementary—greater market access will help make aid more productive, and aid can help in addressing behind-the-border issues in developing countries.

Measuring and monitoring results for better outcomes

Getting better results across the many dimensions of poverty reduction requires a continuous cycle of learning by countries and development agencies like the World Bank. Lessons about what works need to be quickly reflected in scaled-up efforts and increased resources for development. We have adopted an agenda to strengthen the focus on results, by increasing country capacity to monitor and manage development processes and by linking our support more explicitly to country priorities.

To improve information on results, the Bank needs to work with countries and other external partners to improve measurement, by helping countries to put in place mechanisms for data collection, monitoring, and evaluation. Better reporting on development results will enable honest recognition of failure, provide lessons for future efforts, permit mid-course corrections where progress is lagging behind expectations, and promote effective scaling-up of successful initiatives.

Strengthening country strategies with better knowledge

To achieve better results at the country level will also require addressing the three broad areas central to poverty reduction—promoting opportunity, facilitating empowerment, and enhancing security. Filling the knowledge gaps in these three areas is key to scaling up efforts to reduce poverty.

Promoting opportunity. The international community has learned a lot about what is required to promote growth—for example, sound macroeconomic policies, efficient financial markets, and a good investment climate. In addition, we know that for growth to translate into strong gains for the poor, investments are needed in infrastructure and social services that benefit the poor.

Yet despite this knowledge, many low-income and conflict-affected countries struggle to find the right combination of institutions, policies, and investments to achieve the more rapid rates of growth necessary for sustained poverty reduction. The spotlight on Cambodia (page 40) underscores the challenge faced by many low-income countries in accelerating trade reforms, which simultaneously requires a strong investment climate, good trade institutions, a relatively well-educated population, and significant infrastructure, as well as high levels of financial support and private investment. Similarly, the spotlight on financial market development in Pakistan (page 42) shows the time required for many low-income countries to establish transparent and sustainable financial markets that reach the poor.

Many middle-income countries, on the other hand, have been more successful in crafting policies for faster growth but have encountered significant financial, institutional, and at times even political constraints in providing poor people with the services necessary to make an active contribution to and benefit from their country's growth.

Moving forward we need to learn more about how policies for growth and poverty reduction interact with one another. For example, if a country heavily invests in social services for poor people by raising taxes on the middle and upper classes, will this have a negative influence on growth, and if so, over what time period? Similarly, we need a better understanding of how policy outcomes and their distributional impact are affected by country conditions.

Often the critical question is not about the combination of policies or their sequencing, but rather about how changes are implemented. More needs to be done to understand how institutions work and how they can be improved. The Shanghai poverty conference, scheduled for May 2004, will focus on implementation factors that determine how successful policies, programs, and projects have contributed to achieving significant poverty reduction outcomes.

Facilitating empowerment. We also know that reducing poverty requires empowering poor people to increase their capacity to participate effectively in development. If the benefits of growth are to reach the poor and if their assets are to make an effective contribution to development, empowering and giving voice to poor people needs to be a critical priority in all countries.

National PRSs have created space for open policy dialogue, particularly in low-income countries. However, as highlighted by the spotlight on participation (pages 48–49), there is a need to broaden and deepen participation to include groups that are often marginalized and also to involve stakeholders more in program monitoring and budgeting. This will require that governments invest time and financial resources in managing such processes, and that they have the political will to remain open to addressing issues that emerge from participatory approaches.

In middle-income countries, addressing corruption and finding ways to enhance the accountability of governments at all levels may be the most important way of expanding the empowerment of poor people. As the Latvia experience shows (pages 46–47), this will involve difficult policy reforms and the long-term development of transparent institutions and a regulatory framework. In conflict-affected countries, expanding voice for poor people and other groups in society will need to go hand in hand with building political stability and stronger public institutions.

Enhancing security. Addressing vulnerability is a critical issue for growth and poverty reduction. In recent years, rising climatic instability, growing environmental problems, increasing instances of terrorism, HIV/AIDS, and commodity price shocks have increased the risks facing all countries. It is well known that poor people in developing countries are generally the least well placed to cope with risk.

More needs to be done to explore options for social protection and risk management in all countries building on the experience of Latin America (see spotlight on pages 52–53). It will be important to integrate risk into the broader development agenda by building the assets of poor people and mitigating the frequency and impact of crises—rather than simply helping poor people to cope better with crises as they occur. Low-income countries need to expand social protection arrangements, drawing on more market-based, community-driven mechanisms as well as on the private sector. Reducing vulnerability is clearly critical in conflict-affected countries. The challenge here is to learn more about how to move beyond the provision of assistance for rehabilitation and reconstruction to provide support for the longer-term development issues that are central to building a sustainable peace—yet that are very difficult to address in a fragile post-conflict situation.

In middle-income countries, social protection programs need to be strengthened to better address the needs of traditionally underserved groups. Yet, at the same time, governments will need to balance this spending with demands for all improved service delivery from the middle class, as we saw in the spotlight on Bolivia (pages 58–59). They also need to be better integrated into other sectoral programs (such as weather insurance for agriculture, better preventive health care for the poor, and health insurance for informal workers).

With only 11 years left until 2015, time is running out on reaching the Millennium Development Goals. The means to achieve them are within the grasp of developing and developed countries alike. We must act now if we are to build a more balanced world for the generations to come.