

World Development Report 2000/1

Attacking Poverty

Approach and Outline

September 2, 1999

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Annex : Basrabai, Meeraiben and the Master of Mohadi

1. Introduction and Summary

“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 my utensils and the clothes I am wearing. Look at everything and write what you see. What you see is poverty.”

- Kenya, 1997.

“Poverty is humiliation, the sense of being dependent on them, and of being forced to accept rudeness, insults and indifference when we seek help.”

- Latvia, 1998.

“At first I was afraid of everyone and everything : my husband, the village sarpanch, the police. Today I fear no one. I have my own bank account, I am the leader of my village’s savings group... I tell my sisters about our movement. And we have our own 40,000 strong union in the district.”

- India, 1997.

Poverty is about people, the human beings behind the statistics. Talking to poor people, as we are doing in preparation for this WDR,¹ shows the many faces of poverty. Poverty is low income and low human development, but it is more than this. It is vulnerability. And it is powerlessness. But talking to the poor also reveals what can be achieved when policies and interventions work together with the poor to increase material well being and human development, to reduce vulnerability and to increase accountability to the poor. As Bashiranbibi, an agricultural laborer and member of the Self Employed Women’s Association (SEWA) in India says above, “Today I fear no one.”²

Poverty amidst plenty is an affront to universal values. There are many dimensions to poverty, but unacceptably low levels of living are widespread. The world has the wherewithal to attack poverty vigorously. This Report proposes a framework for poverty reduction based on recent development experience and the prospects for the coming decade. The experience of poverty reduction in the last fifteen years is remarkably diverse. Spectacular successes are found side by side with spectacular failures, at the level of countries, communities, households and individuals. This diversity allows us to draw useful lessons on what distinguishes success from failure, but it also warns us against simplistic universal policies and interventions. At the same time, while current global trends present opportunities for poverty reduction, they also pose risks of growing inequalities, marginalization of large numbers, and social explosions. Accessing the opportunities for poverty reduction, while managing the risks which these very same opportunities bring, will be the policy challenge of the next decade.

¹ See <http://www.worldbank.org/poverty/conspoor/index.htm> Most of the quotes used in this paper come from that exercise.

² See <http://www.sewa.org>

Based on the voices of the poor themselves, and on an assessment of the recent experience of poverty reduction, this Report conceptualizes an attack on poverty as moving simultaneously on three intimately related fronts—Empowerment, Security and Opportunity. By Empowerment we mean addressing directly a range of interconnected inequalities—economic, social, institutional—which disadvantage the poor and which prevent them from having influence over policies and interventions which in turn influence their lives. By Security we mean addressing the issues of risk and vulnerability, at the micro and the macro levels, so that reversals and risks of reversals do not trap households and nations into poverty. By Opportunity we mean sustainable economic expansion and human development in which the poor participate fully, to provide the material basis for poverty reduction. And we envision the attack as taking place at all levels – local, national and international.

It should be emphasized that we do not see a hierarchy in the trilogy of Empowerment, Security and Opportunity, nor do we see compartmentalization. One without the others does not make sense, one before the others does not make sense.³ And while some policies and interventions may be particularly relevant to one or other of these fronts, in general they will cut across them, and there will be multiple linkages. Moreover, the full range of actors will be involved—the private sector, the state, civil society, the international community and, most important of all, the poor themselves. However, we believe that the framework of Empowerment, Security and Opportunity provides an optic through which to view, and a structure through which to assess, comprehensive policy and intervention packages for development and poverty reduction.

This paper presents our approach to WDR 2000/1, and a chapter outline. It begins with an account of the distinctive features of the 1990s in terms of events and of the evolution of ideas, and looks ahead to the prospects for the coming decade. It then poses the challenge of this WDR—to develop a framework around themes which resonate in the many different regions of the world, and in the many sectors in which development activity takes place. A Chapter outline built around this framework is presented. The paper then discusses the evolution of this framework from the strategy put forward in the 1990 and links the approach to the Comprehensive Development Framework. Finally, it provides a brief account of the open and continuous consultation process which has been followed, and which will be followed, in the preparation of this WDR.

³ This paraphrases Ela Bhatt, founder of SEWA.

2. The Context: 1990 versus 2000

2.1 Looking Back From 1990: The 1970s and the 1980s

WDR 2000/1 is the World Development Report's decadal stock taking of the World Bank's overarching objective and central mission—Poverty Reduction. The last such stock take was in WDR 1990. When the team began their work for that Report in 1989, they quite naturally looked back at the experience of the 1970s and 1980s in poverty reduction. Taking 1965 and 1985 as their benchmark years, and taking both income and non-income dimensions of well being, they concluded that average per capita consumption in developing countries had increased from 590 to 985 (in 1985 PPP dollars), life expectancy had increased from 51 years to 62 years, and the primary school net enrollment rate had increased from 73 percent to 84 percent. However, despite these general improvements, the poverty situation in 1985 was unacceptable. The Report developed the now famous dollar-a-day poverty line (in 1985 PPP dollars) and estimated that in 1985 there were 1.1 billion people in the world living under this line. And underlying the averages on life expectancy and primary enrollments were large variations—life expectancy in Sub-Saharan Africa, for example, was a shocking 50 years.

Although there had been a general improvement in living standards in the 1970s and 1980s, some countries had done much better than others. This led to a central comparison which drove the analysis in the Report—the excellent performance of a clutch of East Asian economies, in which income and non-income indicators of poverty had improved dramatically, and the less than stellar performance of economies in Latin America, Africa and South Asia, where poverty indicators had improved little, if at all. The “Brazil versus Indonesia” comparison was made, literally and figuratively. The question was asked—what did Indonesia do differently from Brazil, in the 1970s and 1980s, to achieve a better performance on income and non-income poverty? The answer was given in terms of labor intensive growth and wide provision of social services. Hence the two part strategy advanced in the Report (in addition, these two components were to be complemented by targeted safety nets). The 1990 report projected that if this strategy was followed, and if certain other assumptions were met, then the global incidence of poverty would fall from 33 percent in 1985 to 18 percent in 2000, and the numbers in poverty would fall from 1.1 billion in 1985 to 825 million in 2000. At the same time, the under five mortality rate would fall from 102 in 1985 to 67 in 2000, and the net primary enrollment rate would rise from 84 percent to 91 percent.⁴

2.2 The 1990s: Events and Trends

A decade has passed, and the Year 2000 is upon us. What happened in the 1990s? Everyone will have their own key set of events which characterize this decade. Here are some developments which are relevant for the stock take in WDR 2000/1.

⁴ World Development Report (1990), Tables 9.1 and 9.2

- The brute facts of income poverty have not been kind in the aggregate.⁵ Between 1987 and 1993 alone, the number of people living on under a dollar a day (in 1985 PPP dollars), rose from 1.2 to 1.3 billion (although the percentage of poor fell slightly, from 30.1 percent to 29.4 percent). Poverty increased in Eastern Europe, Latin America, the Middle East, South Asia and Sub-Saharan Africa. The one bright spot was East Asia, where poverty continued to fall. But the crisis since then is known to have reversed gains in the 1990s in countries such as Indonesia. Social indicators such as life expectancy, infant mortality and primary enrollment have continued their improvement at the aggregate global level, but with significant regional variations.
- Another global trend of the 1990s is that on average the gap between rich and poor countries continues to widen.⁶ With some exceptions, the world seems increasingly to be divided into clusters of countries the worst of which seem to be caught in a “national poverty trap”.⁷ To what extent is this a trap of their own making, and to what extent is it determined by global forces beyond their control? The prospects for Sub-Saharan Africa, after two decades of adjustment, deserve serious attention.
- As striking as the global trends, however, are the huge variations in performance which they hide. During the 1990s, China’s spectacular reduction in poverty became increasingly clear. For example, the numbers of rural poor fell from 280 million in 1990 to 125 million in 1997—perhaps the most spectacular poverty reduction trend in the history of the world.⁸ The contrast with the collapse in Russia, with falling income, rising inequality, rising poverty and falling human development, is clear for all to see.⁹ China’s cautious and measured road to market reform, starting with agriculture and small and medium enterprises, versus Russia’s rush into liberalization without building adequate institutions first, must surely have implications for poverty reduction strategies. China was not the only country to show significant reductions in poverty in the 1990s. Uganda and (before the East Asia crisis) Vietnam are examples of countries that also achieved remarkable performance. How did they do it? At the same time, countries such as South Africa experienced an increase in poverty. Why? And how are these different outcomes related to the implementation, or otherwise, of the strategy recommended in WDR 1990?
- Alongside changes in income poverty, changes in relative inequality were another feature of the 1990s. Sharply increased inequality in Russia has already been mentioned. But even in China, where poverty declined dramatically, the gap between rich and poor grew significantly. Countries such as Malaysia, which had demonstrated reduction in inequality (interpersonal and interethnic) in the 1970s and

⁵ World Bank, Poverty Update: Trends in Poverty, June 1999. Note that these figures may need to be revised when the latest figures are released in the Fall of 1999.

⁶ R. Kanbur and N. Lustig (1999), “Why is Inequality Back on the Agenda?”, Annual Bank Conference on Development Economics, 1999.

⁷ D. Quah, “Some dynamics of global inequality and growth”, London School of Economics, 1999.

⁸ World Bank, Poverty Update: Trends in Poverty, June 1999.

⁹ B. Milanovic, Income Inequality and Poverty during the Transition from Planned to Market Economy, World Bank Regional and Sectoral Study, 1998-2.

1980s, showed increases in inequality in the 1990s. The same was true for some other East Asian economies as well—and well before the crisis.¹⁰ In Latin American economies, skilled and unskilled wage differentials began to widen after opening up, contrary to the theory and the experience which underpinned the policy recommendations of the 1980s and 1990s.¹¹ What explains these trends in inequality? How are these trends in inequality within nations related to changes in technology? And is this a trend set to continue into the next decade?

- Moving from the facts on poverty and inequality to other global trends, the 1990s saw the continuation of the trend towards market liberalization. The fall of the Berlin Wall in 1989 was symbolic of a world wide movement towards rolling back the state, freeing markets and global integration. Country after country adopted, although sometimes more in rhetoric than in reality, many of the recommendations of the Bretton Woods Institutions on market oriented development.
- Globalization, a world increasingly closely knit together through capital flows, trade and technology, was not a phenomenon of note in 1990. In the mindset of 1990 the central issue was how to get private capital to start flowing to developing countries. Since then, the Latin American and East Asian crises have raised the issue of volatility of flows and the impact of international shocks. The star performers of WDR 1990 in East Asia suffered severe reversals as a result of the crisis. In Indonesia, for example, it is estimated a decade's worth of progress might have been wiped out in one shot. Avoidance and management of such crises must clearly be part of any strategy for poverty reduction in the first decades of the next century, since these are expected to be a feature of the globalized world. Transmission of crises and other global externalities will be very much part of the context for poverty reduction in the coming decades.
- Demographic and environmental trends in the 1990s have bequeathed a different set of "initial conditions" for the year 2000 than were present in 1990. Population growth has slowed, but not sufficiently to prevent significant increases in population putting ever increasing pressure on environmental resources, especially in the poorest parts of the world. CO2 emissions were higher in the 1990s than in the 1980s, forest cover has been greatly degraded, and water availability is emerging as a key problem.¹² Despite slower population growth, another 2 billion people are likely to be added to the world in the next 25 years, and differential patterns and timings of the demographic transition are leading to new issues. At the same time, the AIDS/HIV epidemic is with us in full force, unlike 10 years ago. Since 1990 many countries in Africa have experienced decrease in life expectancy of 3 years or more as a result of AIDS/HIV.
- Alongside the economic trends of the 1990s, there have been major changes in the nature and structure of governance in many developing countries. Countries of the

¹⁰ V. Ahuja et al., *Everybody's Miracle?*, Revisiting Poverty and Inequality in East Asia, World Bank.

¹¹ See R. Kanbur and N. Lustig (1999), "Why is Inequality Back on the Agenda?", Annual Bank Conference on Development Economics, 1999.

¹² See "Development in the Balance: Growth, Equity and Sustainability", World Bank Institute, August, 1999.

former Soviet bloc have largely adopted parliamentary forms of government. In Latin America and Africa, democratic forms of government have been increasingly favored by the populations, and there has been a global movement towards emphasizing transparency, rule of law, and human rights. At the same time, the world over there has been a resurgence of civil society in a variety of forms.

- Unfortunately, however, another trend of the 1990s is that an increasing number of countries have become mired in civil war and social unrest, driven in many cases by ethnic conflict. Poverty reduction in these countries cannot even begin until peace is established, and the transition from reconciliation to reconstruction to development is one which will have to be managed carefully. And policy making must draw lessons from why these countries fell into civil war in the first place, so as to avoid such an outcome in the future.
- Finally, the 1990s gave us a decade more of experience on the effectiveness of development assistance in poverty reduction. The assessments of the last few years have raised serious questions on the nature of development cooperation.¹³ Aid levels fell in the 1990s, even as the debt problems of the Heavily Indebted Poor Countries grew and captured the public imagination. A consensus has begun to develop around International Development Targets as benchmarks for guiding development cooperation, but the role of the international community in general, and the role of the World Bank in particular, has come in for careful scrutiny. This is one more feature of 2000 compared to 1990 which forms the background and context for WDR 2000/1.

2.3 The 1990s: Ideas and Analysis

Clearly, the 1990s were an eventful decade, and leave us a legacy to be reckoned with as we grapple with poverty reduction strategies for the next decade. But the world of ideas and analysis has not stood still either—driven partly by these very same events, and partly by its own logic. The result is that there have been substantial changes in perspectives and frameworks compared to the benchmark of the 1980s.

- Undoubtedly one of the great debates of the 1990s (and the late 1980s) has been around the whole issue of market liberalization. This has manifested itself in discussions on the general stance of development strategy, as well as in specific debates—for example, on trade liberalization, capital account openness, financial sector liberalization, deregulation of industry and of FDI, privatization of state owned enterprises, factor market deregulation, etc.. It has been argued that the 1980s saw the triumph of the idea of markets and the demise of the earlier “statist” models of development. But the extreme version of market liberalization was vigorously contested, and increasingly so in the 1990s as the results of liberalizations began to come in. It would be fair to say that mainstream opinion is now much more cautious about liberalization, arguing that for a market based economy to work efficiently and

¹³ See *Assessing Aid; What Works, What Doesn't and Why?*, World Bank, 1998. Also, R. Kanbur, T. Sandler and K. Morrison, *The Future of Development Assistance*, Policy Essay 25, Overseas Development Council, 1999.

equitably an appropriate institutional structure is a pre-requisite.¹⁴ This also leads to a cautious stance on universal prescriptions, and encourages the development of specific strategies of liberalization, suited to local conditions. It should be emphasized that the new perspective does not in any sense entail a return to “the bad old days” of inefficient state dinosaurs. The new perspective is neither state nor market fundamentalist—rather, it poses the more difficult question of how to combine these two, and the newly emerging civil society sector, in achieving the goals of poverty reduction.¹⁵

- Related to the above change of perspective is the recognition of the central role that institutions play in economies and societies, recognized in mainstream economics by the award of the Nobel Prize to Ronald Coase and Douglass North. The explosion of theoretical and empirical work on social capital, untidy as the terrain may still be, is also a recognition that we need to go beyond narrowly economic analysis of markets. In fact, in a world of imperfect information, for markets to perform their economic function efficiently social arrangements are needed as complements. This perspective had started to develop in the 1980s, but it crystallized over the course of the 1990s.
- Once the simple model of a market economy is abandoned in favor of frameworks which incorporate central features of the real world such as imperfect information, institutions and social norms, there is another consequence with major implications for how policy is conceptualized. This is that the separation of efficiency from equity, or of growth from distribution, is no longer legitimate. This literature started to develop in the 1980s, but came to fruition in the 1990s. For example, some of the work on “endogenous growth” has reversed the focus of causality between growth and distribution. The discussion of the 1970s and 1980s focussed on the causality from growth to inequality (the 1980 WDR argued that growth was generally accompanied by increasing inequality, while the 1990 WDR argued that there was no such relationship). But in the 1990s theory and evidence emerged which supported, subject to the usual empirical controversies, the causality from greater equity to higher growth.¹⁶ This puts policies such as land reform in a very different perspective.
- One of the mechanisms through which greater inequality is argued to impede growth is the political economy of policy choice. Great inequality, it is argued, creates great divergences in interests and this prevents the adoption of socially efficient policies. The 1990s saw a veritable explosion of work in this area, which highlighted the intimate interconnections between political and economic processes. Linked to the blossoming of the political economy analysis, and also linked to the resurgence of civil society and democratic forms of government, was the development of the analysis of the impact of voice and participation on efficiency and equity. For example, in a type of analysis that was not available in the 1980s, it was shown in the

¹⁴ See Joseph Stiglitz, “More Instruments and Broader Goals: Moving Toward the Post-Washington Consensus, WIDER Annual Lecture, 1998.

¹⁵ This is the position advanced in WDR 1997 on the State in a Changing World.

¹⁶ See for example, R. Benabou, “Inequality and Growth”, in B. Bernanke and J. Rotemberg (eds.) NBER Macroeconomics Annual, 11, MIT Press.

1990s that economic rates of return to World Bank projects were statistically significantly associated with the degree of participation of beneficiaries in the design and implementation of projects.¹⁷ The analysis of decentralization also moved apace in the 1990s. At the more macro level, a number of indicators such as transparency, accountability and rule of law were shown to be closely associated with growth and with good outcomes on poverty.¹⁸

- The discussion of political economy and governance highlights another major change of the 1990s—the extent to which the nature of the discourse has shifted in international agencies. The issue of corruption, for example, was taboo ten years ago, but now it is openly discussed as a key factor in determining growth and poverty reduction.¹⁹ The role of civil society in monitoring and in holding accountable the polity follows naturally out of this discourse, as does the fact that it is very much in the private sector’s interests to have a government and a state which functions well to provide a framework for growth with equity.
- The 1990s also saw significant improvement in the availability of micro-level data of different types for developing countries, which has led to a far better documentation and understanding of poor people’s circumstances. The 1990 WDR could find hardly any household survey data on Africa to work from. While this is still unfortunately true for many countries, the situation is now greatly improved—for example, analysis has just been completed on a sequence of household surveys for Uganda between 1992 and 1997, providing a detailed look at the patterns of change in poverty in that country, a type of analysis that would have been unthinkable a decade ago.²⁰ At the same time, the Demographic and Health Survey system is delivering high quality data on health outcomes for a range of countries—one finding is the huge disparity in health outcomes within countries, emphasizing again the inequality dimension. Quite remarkably, the 1990s has seen greatly increased availability of panel data for developing countries, including those in Africa. Issues which could only be treated empirically for a small number of developed countries—spells in poverty or year to year vulnerability—can and have been analyzed for a growing number of developing countries. While the response of households to risk, and the role of risk in perpetuating poverty, has been a staple of development economics, the 1990s saw a resurgence of interest based on empirical analysis of panel data. For example, work on a Zimbabwe panel covering a period of almost 15 years shows not only how drought adversely affects child growth, but also how these adverse effects are not fully overcome in good years. There is irreversibility, stressing the importance of

¹⁷ J. Isham, D. Narayan and L. Pritchett, “Does Participation Improve Performance? Empirical Evidence from Project Data”, Policy Research Working Paper No. 1357, World Bank, 1994.

¹⁸ D. Rodrik, “Where Did All the Growth Go: External Shocks, Social conflict and Growth Collapse”, *Journal of Economic Growth*, 1999.

¹⁹ See, for example, V. Tanzi, “Corruption Around the World: Causes, Consequences, Scope and Cures”, International Monetary Fund, WP/98/63

²⁰ S. Appleton, “Change in Poverty in Uganda, 1992-1997”, Centre for the Study of African Economies, Oxford, 1999.

mitigating the risks, or helping to develop and strengthen community, market and state instruments to cope with them.²¹

- Another aspect of micro level household analysis in economics has been the forging ahead of theoretical and empirical work on intrahousehold allocation and gender bias. Amartya Sen's insights from the 1980s are being mainstreamed. Although most of the available data is only at the household level, effort has gone into testing the intrahousehold implications, and much use was made of novel data sets which allowed direct insight into intrahousehold issues. On the strength of this work one group of authors argued that it was time to "shift the burden of proof" to those who would argue that intrahousehold allocation and potential gender bias was not a phenomenon worthy of policy and analytical attention.²² This perspective links directly to extra-household features of society and economy which perpetuate gender bias and inequality—such as (formal and informal) discrimination in access to land and credit.
- Much of the initial and ongoing insight into gender bias was generated not by standard quantitative techniques based on household survey data, but by qualitative information generated by participative methods.²³ These techniques became increasingly common in mainstream poverty analysis in the 1990s—at the very least supplementing and complementing standard quantitative analysis but much of the time providing fundamental insights which could not be provided by standard household survey methods (for example, on domestic violence, treatment by government institutions, etc.). More recently, work has begun on integrating the strengths of the qualitative and quantitative techniques to provide the best possible basis for poverty reduction strategies.
- Finally, as a result of all the above developments, a view has emerged which sees poverty reduction and development not in a narrow economic perspective, let alone a narrow macroeconomic perspective, but in a broader framework which integrates the economic and the non-economic, the micro and the macro, the state and the market and civil society. It recognizes that a comprehensive approach is needed, and no single sector can be dominant. This framework also eschews universal prescriptions in favor of local adaptation and participative decision making, while learning from a range of experiences. It has strong implications, in particular, for how international agencies such as the World Bank should conduct themselves if their mission is indeed to achieve poverty reduction.²⁴

²¹ See J. Hoddinott and B. Kinsey, "Child Growth in the Time of Drought", International Food Policy Research Institute, 1998.

²² H. Alderman et al.; "Unitary versus collective Models of the Household: Is It Time To Shift the Burden of Proof?", World Bank Research Observer, 1995.

²³ R. Chambers, "Whose Reality Counts?", Institute of Development Studies, 1995.

²⁴ World Bank, A Proposal for a Comprehensive Development Framework, 1999.

3. An approach to WDR 2000/1

3.1 *The Voices of the Poor*

Given the events and trends of the 1990s, and the evolution of ideas and analysis during this period, as well as prospects for the coming decades, WDR 2000/1 will perform to be a very different Report from WDR 1990. But this still leaves open the question of what issues and themes, from the range of these covered above, should be emphasized and highlighted. Our approach is to seek guidance on this by directly talking to the poor themselves.

The results of the Consultations with the Poor exercise, covering around 200 communities in 23 countries, which is being conducted as part of the preparation for WDR 2000/1, are still being collated and summarized. But several key cross-cutting findings emerge from the voices of the poor. The poor have a wide range of concerns – their view of poverty is certainly a comprehensive one:

“Our problems are lack of jobs and money, high prices of food, clothes and health care, and lack of shops. Besides, we don’t have training manuals, there is no high school, no public baths. And, most important, there is no drinking water. We have to buy it and then keep it for a long time, so it gets bad, but we still use it.”

Kyrgyz Republic, 1999.

The above quote also captures several other points that emerge from the voices of the poor. Despite the wide range of problems they face, the poor do have priorities—they themselves have the capacity to weigh up alternatives and come to decisions on what would improve their living conditions most given constrained resources. But, of course, these priorities vary from place to place, depending on the local realities. If it is drought in one place, it is floods in another; a school in one place versus a health clinic in another; roads to the nearest market in one versus building a local market in another; or water supply, as in the village above. Thus universal sectoral prescriptions are unlikely to be appropriate—local realities and conditions matter.

However, the voices of the poor exercise reveals key commonalities across regions, across communities, and across sectoral priorities. No matter whether it is schools, or health clinics, or flood control or drought relief which is the immediate concern, there seem to be three fundamental points which recur, and which underly all the other concerns. First, is the issue of voicelessness, powerlessness and exclusion—the inability to have access to and influence over decisions which in turn influence their lives:

“They always claim that they are acting by the book, but we know who is writing the book...It’s the mayor who makes the decisions. If he doesn’t like somebody, there is no social assistance for them...”

Bulgaria, 1999.

This voicelessness and powerlessness is closely linked to inequality in the economic social and institutional arenas. The institutions of the state appear to be failing the poor. And among the poor, women and ethnic minorities appear to be most voiceless, powerless and excluded.

The second cross-cutting theme which emerges from the voices of the poor is the issue of risk and vulnerability. Whether emanating from the vagaries of agriculture, or from health catastrophes, or from the risk of unemployment in the formal labor market, vulnerability is an ever present feature of poor people's lives:

“We face a calamity when my husband gets ill. Our life comes to a halt until he recovers and goes back to work.”

Egypt, 1999.

The third theme, which is present across the different regions, should come as no surprise. This is the basic issue of income earning opportunities, expressed as “low prices from traders for agricultural output” in some places, or “lack of assets” in others, or “jobs and wages” in yet others. For example:

“We get some K5.00 to buy maize for one day's consumption, when it is finished we go again...The problem is that these boat owners know we are starving...we would accept any little wages they would offer to us because they know we are desperate.”

Malawi, 1999.

It should be clear that these themes which emerge from the voices of the poor have echoes in what emerges from our discussion of the trends of the 1990s, and where the evolution of ideas and analysis in the 1990s has brought us to at the turn of the century. The issue of voice, participation and influence, and its effect not only on outcomes for the poor but also for the overall efficiency of projects and interventions, has come to the fore in recent years. Similarly, economic and social inequalities, many of which have been on the increase in the 1990s, may well have detrimental effects on overall efficiency and growth. And there is no question that overall economic expansion and growth which leads to increased income earning for the poor is a necessary, condition for poverty reduction—the experience of a China versus that of a Russia confirms that. At the same time, increased volatility in the global economy affects poor nations, and the poor in poor nations, adversely, while at the micro level the analysis of the 1990s has highlighted the importance of risk in poor people's lives, and its role in perpetuating poverty. This congruence between the voices of the poor and the evolution of events and ideas in the 1990s leads us to attempt a particular framework for WDR 2000/1, to which we now turn.

3.2 Attacking Poverty: Empowerment, Security, Opportunity

In light of the voices of the poor, the evolution of events and ideas in the 1990s, and the special challenge of a WDR on Poverty and Development to transcend

sectoral or regional specifics, we propose a framework for attacking poverty in the coming decade in terms of simultaneous movement on three closely interrelated fronts: Empowerment, Security and Opportunity.

By Empowerment we mean addressing economic, social and institutional inequalities which prevent the poor and disadvantaged groups from having access to and influence over policies and interventions which in turn influence their lives. Addressing these inequalities, across assets, gender, ethnic groups, etc., we will argue, is good not only for the poor but for efficiency, development and growth in society as a whole. A key focus is on state and non-state institutions (including in the latter civil society in its various forms) and their interactions, with each other and with economic and social inequalities.

By Security we mean addressing the risk and vulnerability which poor nations will increasingly face in the global economy, and which the poor in poor nations have always faced and which traps them into poverty. At the macro level this will require national and international action to mitigate risks and then to react to crises when they do occur, in a manner which protects the poorest. At the micro level this will require a whole range of interventions which enhance community level schemes, market based schemes and national level schemes where appropriate—the conditions will vary from place to place and a single blue-print is to be avoided.

By Opportunity we mean putting in place the conditions for human and physical investment, and sustainable economic expansion, in which the poor participate fully. There is no question that expanding economic opportunities is necessary for the poor to better themselves—their voices are very clear on this. And there is no question that the market versus state debate is a futile one from their perspective. What is needed is the right combination which will build up the assets of the poor and increase the rate of return to these assets. This combination will vary from place to place—what is clear is that extremes of reliance on one or the other will not work.

Two points of elaboration are necessary. First, we do not see there being a hierarchy among Empowerment, Security and Opportunity. One without the others does not make sense, one before the others does not make sense. All three are necessary components of an overall framework for poverty reduction, and they are closely interrelated. Without voice and influence over decisions, they will not be able to get policies of expansion in which they participate. But without income earning opportunities, a strong asset base or security against the vagaries of nature, any formal voice in the councils of decision making may be largely illusory in reality. Without adequate security, the gains of economic expansion may be reduced. Thus responses to risk may be safe but inefficient, further reducing expansion opportunities not only for the poor but also for the economy as a whole. On the other hand, strong increases in opportunity may help to build up the economic asset base and thus enhance security and empowerment vis-a-vis local institutions.

Second, the framework of Empowerment, Security and Opportunity clearly cuts across the more conventional sectoral framework of interventions. For

example, education affects all three dimensions, even as each of the three dimensions affects each of the others. Rural roads provide access to markets, which enhances opportunity as well as security, which in turn increases bargaining power of the poor in local institutions. A functioning legal system enhances investment and hence employment opportunities and thus supports overall economic expansion but, if designed and monitored appropriately, also provides security to the poor and empowers the poor vis-a-vis local power structures. A national strategy for environmental preservation helps in sustaining economic expansion, but protection of environmental assets enhances poor people's security, as well as guarding against certain types of natural disasters which are an increasing source of insecurity at the national level. One could of course go on with many other examples. Our trilogy of Empowerment, Security and Opportunity provides a framework and an optic through which to assess comprehensive strategies for development, as well as highlighting factors which have not received sufficient emphasis in strategy formulation so far.

3.3 Eschewing False Dichotomies

It should be clear by now that a very important part of the approach of WDR 2000/1 is to eschew a whole series of false dichotomies which we believe have not helped the discussion of poverty reduction. For example, we reject the dichotomy between growth and distribution. The analysis and experience of the last decade has confirmed that the two are intimately related. We fully agree that without sustainable economic growth there cannot be sustainable poverty reduction. The real questions concern how this growth is to be generated, and how to ensure that the poor participate in this growth. Large inequalities curtail the poverty reducing impact of economic growth. And evidence has been accumulating that economic and social inequalities in turn can adversely affect the prospects for growth.

We also reject the state versus market dichotomy which has bedeviled some of the discussion. There can be no question that the total central planning experiment of the former Soviet Union and Eastern Europe failed. At the same time, the results of the rush to liberalization in these economies has shown that a market economy needs institutions of the state to operate efficiently and equitably. As the voices of the poor make clear, at the ground level the grand ideological debates do not make sense. In many cases it is the institutions of the state which are stifling the poor. To quote SEWA, what is needed is "liberalizing for the poor", which often means removing controls which hamper small scale enterprises and the poor from unleashing their entrepreneurial energies.

"Open versus closed" is another dichotomy which is to be rejected. In reaction to the obvious problems of the statist and inward looking models of the 1960s and 1970s, and the success of East Asia with a more outward oriented approach, the 1980s saw the development of strong arguments in favor of trade liberalization and, most recently in the early 1990s, arguments in favor of liberalized external capital accounts. The experience of the 1980s and the 1990s, as well as recent interpretations of the East Asian success, emphasize the highly contingent nature of the beneficial impact of openness. The issue is not one of openness or not, but the pace at which openness is to be

approached and with what preconditions. This is particularly true of capital account liberalization, as the East Asian crisis amply demonstrated.

The division of the financial/economic realm from the social/institutional has also become increasingly untenable. It is recognized that both have to be looked at together. Linked to this is the false dichotomy between macro and micro. Both influence each other. Thus tariff reform to encourage exports will fail unless infrastructure issues are resolved. Cutting education budgets to meet overall macroeconomic fiscal targets is short sighted and will adversely affect future economic expansion. If in meeting macroeconomic targets through austerity, forces are unleashed which lead to ethnic or sectarian violence, this cannot be good for investment and growth in the medium term.

Eschewing such false dichotomies will be a characteristic of our approach to WDR 2000/1. We turn now to the proposed Chapter outline.

4. Proposed Chapter Outline

In developing the basic structure of the Report we have of course given center stage to Empowerment, Security and Opportunity. Our proposal is to divide the Report into five parts. The first part will set the stage by discussing concepts and measurement of poverty, lay out the basic facts and trends of the 1990s and then, on the basis of the voices of the poor and recent development experience, develop the basic themes of the Report. The next three parts will take up each of Empowerment, Security and Opportunity in turn. International factors will be present throughout the Report, in the stage setting opening part, as well under each of Empowerment, Security and Opportunity. However, we feel that there is need for a separate part on global and international dimensions which cannot easily be covered under the other headings—for example, global public goods, or the reform of international development cooperation. Each of the five parts of the Report has two chapters which take up the issues in detail. The overall structure is shown in the following Box. We turn now to a brief discussion of the Chapter contents.

Box 1 Structure of Report
Overview
Part I: A Framework
Chapter 1. The Nature and Extent of Poverty
Chapter 2. Attacking Poverty: Empowerment, Security and Opportunity
Part II: Empowerment
Chapter 3. Economy, Society and Poverty
Chapter 4. Institutions of the State and Poverty Reduction
Part III: Security
Chapter 5. Risk, Vulnerability and Safety Nets
Chapter 6. National Shocks
Part IV: Opportunity
Chapter 7. Assets and Location
Chapter 8. Economic Reform
Part V: International Dimensions
Chapter 9. Global Forces and Poverty
Chapter 10. International Development Cooperation

Overview

As in all WDR's the overview will summarize the approach, the analysis and the main conclusions of WDR 2000/1.

Part I: A Framework

Chapter 1. The Nature and Extent of Poverty

This chapter will start with the voices of the poor to begin a discussion of the nature and extent of poverty. These voices of the poor will inform our discussion throughout the Report. Based on what these voices are telling us, the first Chapter will move to a review and synthesis of recent debates on poverty in its many dimensions. It will discuss conceptual issues, including the question of values and norms, as well as empirical and data questions. The recent consensus on poverty indicators and international targets for poverty reduction will be reviewed.

After setting the stage in this way, the Chapter will move to a review and discussion of the basic facts on poverty at the global, national, sub national, community, household and individual level. The gender dimension of poverty will be highlighted, as will other features such as ethnicity and poor regions within countries. Alongside this snapshot of poverty at the turn of the century, we will also look at the trends, focussing in particular on the trends in the 1990s. Our basic conclusion will be one of strong concern on the global aggregates, but highlighting the enormous diversity in performance at every level. The range of successes and failures in poverty reduction presents the possibility of learning from the differences, and the next Chapter takes the story further.

Chapter 2. Attacking Poverty: Empowerment, Security and Opportunity

The second Chapter will start with a forward look at global trends, and the prospects for poverty reduction. The conclusion will be that while the coming decade holds out extraordinary opportunities for poverty reduction, it also presents extraordinary risks of marginalization of large numbers of people, increasing inequalities, and social explosions—the prospect of ever increasing gaps between rich and poor countries is one aspect of these concerns. A framework for accessing opportunities while managing risks will then be developed on the basis of the voices of the poor, an analysis of successes and failures in poverty reduction in recent years, and a review of recent advances in the analysis of the causes of poverty, emphasizing the complex interactions between assets, markets and institutions.

It will be argued that successes in poverty reduction are themselves varied, and the importance of local realities and conditions stands out. But there are three common features which seem to cut across the successes, and these could provide a framework for a conceptualization and operationalization of poverty reduction. Success in poverty reduction requires empowering the poor by addressing inequalities which prevent them from influencing policies and interventions which affect their lives, and

which also impede overall growth and development. It requires addressing risk and vulnerability which characterize the realities of the lives of poor people, and of poor nations as well. And it requires sustained economic expansion and human development in the medium term in which the poor participate. The following three parts of the Report take up each of these components in detail.

Part II: Empowerment

Chapter 3. Economy, Society and Poverty

This Chapter will discuss the deep interactions between economic and non-economic factors in determining not only outcomes for the poor, but also for overall growth and development. Inequalities in assets, across gender and across ethnic groups will be among those investigated. It will be argued, for example, that reducing gender inequalities in education, health, and access to land and credit, will be beneficial not only for poor women, but for overall efficiency in the economy. Similarly, the role of ethnicity in explaining poverty, and in explaining the collapse of societies into civil war, will be investigated, and alternative policy options will be discussed.

A key feature of the way in which society and economy interact is through institutions, networks and associations. These are important throughout society, but particularly for poor people. This Chapter will focus primarily on non-state institutions and arrangements. It will introduce and review the recent discussion on social capital and its impact not only on poverty but on overall growth. It will be argued that support for associations and organizations of the poor is crucial in any poverty reduction strategy. This is particularly so because it is these institutions which can be used to ensure monitoring and accountability of state institutions, which are discussed in detail in the next Chapter.

Chapter 4. Institutions of the State and Poverty Reduction

Following on from the previous Chapter's focus on non-state institutions, this Chapter will take up the crucial question of state institutions and their role in promoting poverty reduction and growth. The Chapter will start with a review and synthesis of the literature of the 1990s on governance (in its many dimensions—transparency, accountability, legal structures, rule of law, civil service efficiency, etc.) and its impact on poverty and development. It will also review the politics and political economy of adopting and implementing a poverty reduction strategy by the state—how and why do some states end up pursuing poverty reduction, and others do not?

Implementation of poverty reduction strategies, once adopted, is crucial in explaining successes in poverty reduction. What features of state institutions in turn account for successful implementation of anti-poverty policies and interventions? The whole issue of decentralization will be examined in this context, as will the lessons learnt from delivery of basic social services such as education and health. The role of the private sector and civil society in providing balance and monitoring to state led strategies

and interventions will be a key aspect of this analysis and discussion, from which we will draw implications for types of support necessary for the institutions of the state to become pro-poor. One specific example is the role of new information technology in helping to ensure greater accountability. Finally, this Chapter will extend the domain of official institutions to the international arena and ask what it would take to make global institutions reflect better the voices of the poor.

Part III: Security

Chapter 5. Risk, Vulnerability and Safety Nets

This Chapter will begin by establishing the nature and extent of risk and vulnerability in poor people's lives by looking at different types of risk—employment, agricultural, health, etc.. It will argue that these risks can be substantial, and that the costs of these risks are greater for the poor. It will then look at the often ingenious methods, sometimes based on community mechanisms, which the poor use to mitigate and cope with these risks, and the role of assets (physical, human, environmental and social) in helping to smooth over the consequences of risk. However, it will also be argued that the coping mechanisms can have serious consequences for medium term growth as poor people choose safe but low yielding and inefficient options. There is therefore a strong case for policy and intervention on the security front.

Policy and interventions will be investigated on the basis of the lessons of experience. Experience cautions against grand schemes at the national level which the state does not have the capacity to implement. Rather, the approach should be a “modular” one, with schemes—community based, private sector driven, or state instituted—designed and implemented across sectors and regions as appropriate. For example, “micro social security” schemes which build on local and community initiatives are appropriate in some cases, while targeted food subsidy schemes through ration shops, separately or in conjunction, might be appropriate in others. At the same time as schemes to insure against risk, policy makers should also investigate schemes for old age and disability, once again based on local initiatives.

Chapter 6. National Shocks

The 1990s have brought to the fore risks and vulnerability at the national level. This is manifested in a range of quite different phenomena—macroeconomic crises as a result of global financial volatility, natural disasters (some of which are the result of global and national environmental trends), or civil wars which destroy normal existence and rule of law. This Chapter will document the prevalence of such phenomena and argue that they are likely to be with us in the decades to come. Moreover, their impact on the poor is usually devastating.

The policy response to these shocks is partly national and partly international, and varies depending on the type of shock. For macroeconomic shocks, the key is to have already in place a national system of safety nets which can be activated and

intensified when the crisis strikes. Some of these mechanisms will have been discussed in the previous Chapter, but at the macroeconomic level the issue is one of having sufficient contingency funds, and of having protocols and institutional mechanisms which protect public expenditure for the poor. However, at the national and particularly at the international level the central issue is how these crises can be avoided in the first place. For natural disasters, there is now some experience to suggest the types of preparedness that work best, and how to move rapidly to protect and compensate the poor when disasters strike. Finally, the Chapter will review the causes and consequences of civil war as a prime example of a shock which stops growth, development and poverty reduction.

Part IV: Opportunity

Chapter 7. Assets and Location

This Chapter begins our investigation of the requirements for sustainable economic expansion and human development in which the poor participate fully. We recognize that private sector and market oriented activity is a key factor in increasing income earning opportunities for the poor—their own voices tell us as much. But such activity may not emerge spontaneously. In some cases it requires liberalization of state controls which hold the poor back. In other cases it requires state intervention to encourage pro-poor market responses. The key is to build up the assets of the poor, and to increase the rate of return to these assets. These assets are private assets such as land, physical capital and human capital (education, health and family planning), as well as public goods such as infrastructure or environmental assets. Of course, even the build up of human capital may require public goods such as schools, but public-private-community partnerships should be investigated throughout.

Within the overall framework of an asset based approach to increasing income opportunities for the poor, the Chapter will investigate a number of sectoral issues, including land, credit, infrastructure, education, health, environment and rural/urban strategies. The focus will be on the interconnections between these, and the links not only to Opportunity but to Empowerment and to Security. Moreover, building on the findings of Part II, there will be a focus on the political economy of these strategies, and on implementation such that the poor really do benefit from policies and interventions.

Chapter 8. Economic Reform

This Chapter will take up some of the most contentious issues from the debates of the late 1980s and the 1990s, on macroeconomic market oriented liberalization which became the hallmark of the recommendations, and the conditionalities, of the World Bank. It will take a close look at the lessons of experience on the impact of these liberalizations on poverty and on growth and development. They include the issues of: fiscal deficit, monetary policy, trade liberalization, financial market liberalization, capital

account openness, openness to FDI, privatization, deregulation, and factor and product market deregulation.

Our stance will be one of pragmatism and case specificity—the voices of the poor tell us to eschew “state versus market” ideological debates, and to discover whatever works best in their particular circumstances. The Chapter will argue against universal prescriptions and will urge caution on rapid liberalizations where state and non-state institutions have not been prepared, and where as a result there is likelihood of detrimental effects on poverty, equity and efficiency.

Part V: International Dimensions

Chapter 9. Global Forces and Poverty

Global trends in technology and openness are altering fundamentally the context for poverty reduction. They are also bringing to the fore a whole series of cross-national issues, across developing countries themselves and across developing and developed countries, which have direct implications for the poor in poor countries. While international factors will be broached in Part I and in the other parts of the Report as they arise, this Chapter pulls together some of the issues on global trends and externalities which are not easily incorporated into the flow of other parts of the Report. These include, for example, global technological change in information technology and in biotechnology and their implications for unskilled workers and small scale farmers in poor countries. The growing gap between rich and poor countries, and the global forces leading to this trend, will be a central focus of this Chapter’s discussion.

The Chapter will then take up a number of cross-border issues in relations between developing and developed countries. These will include: international trade agreements, capital flows, labor standards, labor migration, developed country protectionism, and global environmental spillovers. The focus throughout will be the impact on the poorest, and on international arrangements which can best protect their interests, and ensure that their voice is heard at the highest levels.

Chapter 10. International Development Cooperation

The 1990s have seen major evaluations of the effectiveness of development assistance in reducing poverty. The results are disappointing. Even accepting that external official assistance must ultimately play quite a small part in poverty reduction and development in poor countries, recent analysis shows that the impact has been at best neutral where the conditions for aid effectiveness were not “right”. And yet aid has flowed into situations where these conditions were manifestly not satisfied. The situation has been made worse by the growing debt crisis in the poorest countries, which has again distorted policy choices and aid flows, as well as reduced its effectiveness—the Chapter will analyze the need for greatly increased debt relief efforts in this context.

This Chapter will argue that the central issue in international development cooperation is the institutional mechanism of aid delivery. Aid still responds to political or mercantile forces rather than an assessment of the recipient countries willingness and capacity to use it in the context of an overall strong poverty reduction strategy. And the mechanisms of aid delivery impose a heavy administrative burden on recipients. They proliferate monitoring and accounting mechanisms—one (or more) per donor. They reduce local responsibility, initiative and ownership. Aid should flow to recipients who have built a consensus on and have a sound program for poverty reduction. Since local realities matter, these programs should not be expected to be uniform. While in their dialogue donors might approach poverty reduction through the optic of Empowerment, Security and Opportunity, they should give recipients space to experiment and then assess with respect to outcomes. And, to the extent possible, donors should not insist on their own projects or programs, but rather support an overall program through a common pool of resources. The Chapter will conclude with implications for the World Bank's own actions.

5. A New Strategy?

The 1990 WDR became known for its “two part strategy” of “labor intensive growth” and “broad provision of basic social services”, complemented by targeted safety nets. It can reasonably be asked where WDR 2000/1 will stand in relation to this strategy, which has framed the World Bank’s thinking in the 1990s. This will of course require us to take stock of this strategy and its implementation, and various exercises are currently under way on this. At the same time, the World Bank is currently discussing, and implementing, a Comprehensive Development Framework (CDF), which rejects the false dichotomy between the economic and the social/institutional, rejects sectoral compartmentalization, and attempts to bring all actors in development into the picture. It is also reasonable to ask how WDR 2000/1 will relate to the CDF.

It should be clear that our proposed trilogy of Empowerment, Security, Opportunity, an optic through which to view and assess poverty reduction, is quite consistent with the 1990 strategy. Clearly, the objectives of increasing the earning power of unskilled labor, and increasing achievements on education and health are encompassed in our approach to poverty reduction. Our perspective cuts across the 1990 strategy, emphasizes certain features of that approach by putting them center stage, and introduces new considerations which were not present in the 1990 perspective. Thus for example, as discussed above, we see wide spread provision of health and education as contributing to each of Empowerment, Security and Opportunity. On the other hand, we put the issue of security on an equal footing with economic expansion, rather than treating it as a secondary issue, simply complementing the central features of a strategy based on labor intensive growth and social services. The major difference, of course, is that we put the issue of institutions, voice and participation on a par with more conventional economic issues. The difference can be illustrated as follows. The 1990 WDR, as discussed earlier, argued that poverty reduction had been fastest when (along with pursuing growth), countries had provided basic social services such as basic health and education. This is an entirely valid and valuable conclusion, but it left open the question of why some countries followed one policy and some followed another. It also left open the question of appropriate mechanisms for delivery of these services. What are the mechanisms to ensure that social expenditure approved at the national level actually flows through to the poor? And what are the mechanisms to ensure that policies and interventions can be tailored to local level needs and requirements, or changed as circumstances change? In many ways the success of those economies which reduce poverty might be said to lie in the mechanisms through which this objective was adopted, and then implemented. In any event, without such a discussion and such a component, any perspective on poverty reduction would be seriously incomplete.

The CDF is an approach which emphasizes the wide range of closely interconnected issues that have to be addressed simultaneously to achieve significant progress in poverty reduction and development. It also emphasizes the partnerships necessary between the government, the private sector, civil society and the international community. Its philosophy is one of the primacy of local realities and conditions in arriving at a strategy and in formulating and undertaking specific interventions. Broad based local ownership of the strategy is key to success in this perspective. The CDF

matrix is an evolving tool which can help encapsulate and crystallize these different factors. The elements of the CDF clearly reflect the evolution in development thinking that has taken place in the 1990s. But a question still remains—how is one to compare different proposals and different comprehensive packages within this framework? What analysis needs to be conducted to assess two different proposed matrices for a country, for example? And how should one approach diagnostic exercises even before the matrix is designed, without falling into the usual “sector by sector assessment” trap?

In one sense the answer to these questions is straightforward—simply work out the implications of each package for poverty. But this is easier said than done. In principle it would involve a complicated modeling exercise with all interactions taken into account. It would have to take into account current impacts as well as future uncertainties. Faced with such difficulties, we believe that the Empowerment, Security, Opportunity trilogy provides a perspective, an optic, through which to view, and to assess, different packages put forward in the context of the CDF. Our proposal is essentially that for any package, the following three questions be asked. First, what does this package do for addressing economic, social and institutional inequalities which hurt not only the poor but overall development and growth? Second, what does this package do to address issues of risk and vulnerability at the micro and at the macro level? Third, what does it do for sustainable human development and economic expansion in the medium term, an expansion in which the poor participate fully? Packages which score high on all three fronts should go forward for further consideration. These questions can also structure the search for new and different packages. The role of WDR 2000/1 will be to develop the perspective further, and present analysis and examples which illustrate what it means to ask and answer these three questions.

It is reasonable to ask whether the Empowerment, Security, Opportunity trilogy will simply be a “rearrangement of the furniture” relative to the perspective of 1990. What will the Bank recommend doing differently, and what might it do differently, as a result of WDR 2000/1? One answer to this question is that the Bank is already doing things differently. Its thinking and its operations already reflect the evolution of the 1990s, and current discussions and implementation of the CDF are an indication of this. WDR 2000/1 is one of many instruments which will help to crystallize these changes, and push them somewhat further. As an illustration of this, here are some tentative examples of how the Bank’s stance in 2000 might be different from its stance in 1990, recognizing that many of the changes are already under way.

- A much clearer and sharper view on the role of inequalities—of assets, across gender, across ethnic groups, etc.—in impeding poverty reduction and growth, and support for policies which address these.
- A clear stance on, and providing support for, making institutions of the state (local and national) pro-poor and accountable to the poor.
- Support for capacity building for organizations of the poor which are membership based and which work to ensure that the voice of the poor is heard in the formulation and implementation of policies and interventions.

- A strong recognition of the importance of risk and vulnerability in the lives of the poor, and the encouragement of analysis which clarifies further the nature and magnitude of its impacts on poverty and on efficiency and growth.
- Development of a “modular” approach to security, with different interventions—community, market and state—to address different issues and serve different sections of the population.
- An enhanced appreciation of the extent to which macro shocks—financial, natural disasters, etc.—are part of the reality of developing nations circumstances, and support for developing national and international responses to these.
- On economic policy reform (trade and capital account liberalization, financial markets liberalization, privatization, etc.), a clear recognition that universal prescriptions are unlikely to succeed, that local realities matter, and that the success of liberalization in reducing poverty is contingent upon institution building.
- On sectoral strategies, for example in education and health, a recognition of strong cross-sectoral linkages and cross-cutting impacts on empowerment, security and opportunity, as well as the central importance of holding service delivery accountable to the poor.
- A strong stance on the impact of global forces and global externalities on poor nations and the poor in poor nations, ensuring that the voice of poor nations are heard in discussions of global arrangements, and support for the provision of global public goods which benefit the poorest.
- A clear recognition that development assistance only succeeds when it supports broad based consensus on poverty reduction, and gearing the Bank’s own interventions along these lines.

The WDR will present analysis and experience to flesh out these and other operational implications of the framework proposed.

6. A Note on the WDR 2000/1 Process

Increasingly, during the second half of the 1990s the WDR has come to be seen as much a process as a product. The final Report of course has its place as a key World Bank staff document. But the process of preparation has also been used as a vehicle for dialogue with external constituencies, and as a focal point of dialogue within the Bank itself.

Building on the advances of the previous few years, and with the encouragement of the President and the Chief Economist, WDR 2000/1 has moved the process to a new level. Our basic philosophy and stance has been one of open and continuous consultation. A few months ago we produced a First Cut Outline on which we had an informal technical seminar with the Board, extensive discussions within the Bank, and a series of consultations with constituencies outside the Bank.

The details of the external consultations are given on our website: <http://www.worldbank.org/poverty/wdrpoverty/index.htm>. We have had a series of regional meetings with civil society, analysts and policy makers. These have included region wide meetings in Johannesburg, Dakar, Dhaka, Buenos Aires and Kuala Lumpur, as well as in several Part I capitals. These were complemented with two electronic consultations, the outcomes from which can be found on the website. Box 2 gives a flavor of the sorts of issues which came up during these consultations.

A major type of consultation has been with the poor themselves. The Consultations with the Poor exercise has informed the team's thinking throughout the process so far, and will continue to do so. Box 3 presents an overview of the study. Finally, in perhaps the most direct form of activity, some members of the WDR team have been on village immersion programs and this has given us confidence that the themes we are developing and pursuing in the Report do indeed have resonance in poor people's lives. One of the reports of such an immersion is reproduced as an Annex to this paper.

The consultation process has been very useful indeed for the WDR. It has generated considerable enthusiasm and many inputs for the Report, and has provided very valuable feedback and insights. A wide range of Part I and Part II country institutions have become involved with the process as a result. In the months to come, we propose to continue this process of open and continuous consultation, with the Board, with Bank staff, and with external constituencies. Our intention is to produce a Rough First Draft by December 1999, and, like the First Cut Outline, to have an informal technical seminar with the Board to get their early feedback, extensive discussions with Bank staff, and a series of consultations with external constituencies, including an electronic conference. We will then revise the Rough First Draft for presentation to the Board in June/July 2000. After Board presentation, the dissemination of the published Report will be equally extensive, covering the constituencies we will have consulted during preparation.

Box 2 Issues raised in consultations

(From a report by the WDR Director to the Chief Economist.)

There are five big issues that have been raised in the consultations so far.

1. Growth

Economists, typically, have felt that “growth” has been underemphasized—more generally they have felt that economics itself has been given too much of a back seat.

On the other hand, non-economists have felt that “growth” is lurking in the background and is still “excessively” the basis of the strategy. Environmentalists, in particular, have stressed that it is not clear whether economic growth is environmentally sustainable globally, even if we design policies to attain “win-win” at the national level.

2. Empowerment

Non-economists have felt that the discussion is too wishy washy and does not face up to power and interests. It’s all very well to have women participate in design of projects, but national level policy making is still in the hands of an elite and in the hands of an international elite (see below).

Economists have felt that there is a great deal of overlap between empowerment and opportunity, since they (and others) typically think of education and health as “empowering” the poor.

3. International

At the moment international dimensions are treated in a separate section. There is concern that this makes international an add on — it should suffuse throughout the report, and be particularly present in the first section of the report, on causes.

Linking to empowerment, the role of international capital and international institutions in perpetuating poverty is emphasized strongly by NGOs. Linked to this is a call for an evaluation of the Bank’s own role and the impact of its own policy advice.

4. Policy Instruments and Recommendations

There is a general concern that specific policy instruments and specific policy recommendations do not come through the current outline. How would we do things differently in education or in health, for example? This relates to the fact that we have not taken a sectoral slice at the problem — which would more naturally lead into policy specifics.

5. Neglected or underemphasized areas

There are, of course, a number of areas that are felt not to be given sufficient emphasis. Among these are : Fertility and population, environment, gender and civil conflict.

These are the main issues, or criticisms, raised. I should say that there is generally broad support for the Empowerment, Security, Opportunity metaphor, for the emphasis being given to risk and vulnerability, and for the fact that we are going beyond a conventional economic discourse (but with disquiet among economists about what we will be able to say in the non-economic arena).

Box 3 Consultations with the Poor

A twenty-three country study, Consultations with the Poor is being undertaken to inform the World Development Report 2000/1. The study is led by the Poverty Group of the World Bank with advisory support from the Institute of Development Studies at the University of Sussex. Funding was provided by the U.K. Department for International Development, the Swedish International Development Agency, The World Bank, the MacArthur Foundation and many of the local research groups participating in the study.

Local research teams conducted the fieldwork for consultations, covering more than 200 poor urban and rural communities across the developing regions. Using participatory/qualitative study methods, the research explores poor men's and women's perceptions and experiences in four areas:

- well-being and trends over time (relating to perceptions of vulnerability, exclusion, risk, opportunity, and crime and conflict);
- priority problems and concerns;
- institutional and power relations (e.g. trust and confidence in and ratings of the effectiveness of different institutions, including governmental, NGO and market); and
- gender relations in the home and the community.

Also as part of this study, two secondary reviews have been prepared of participatory work by the Bank, other donors, NGOs and academics. A global synthesis of the study is being prepared. Further details are available at <http://www.worldbank.org/poverty/conspeer/index.htm>.

Annex

Back-to-Office Report: Basrabai, Meeraiben, and the Master of Mohadi

1. I am glad that I participated in the Exposure and Dialogue Program of SEWA and the German Institute for North South Dialogue, in Gujerat, India, July 17-27. It has been one of the most educational and moving experiences of my life.

Background

2. SEWA (Self Employed Women's Association) is a Trade Union dedicated to organizing women in the unorganized sector. Founded by Ela Bhatt in Ahmedabad in 1972, it now has over 200,000 women members, and has branches all over Gujerat. The SEWA model is now being replicated in many other Indian states. The basic philosophy of SEWA is to organize around economic and social issues, to struggle for the rights of the poor and to deliver services through group action at the same time. The key is organization. Indeed, our program was called "Empowerment Through Organizing."

3. There were ten outside participants in the program, including two from the WDR team (myself and Zainal Yusof), two German Members of Parliament (one from the ruling party and one from the opposition), and other representatives of aid agencies, including KFW and IFAD.

4. There were two parts to the program—first Exposure, and then Dialogue. In the Exposure part we were divided into five groups of two and, together with SEWA facilitators, spent several days in the home of a SEWA member. We experienced the daily routine of our host lady, worked with her, ate with her and her family, and slept and awoke in the same accommodation as her family. It is easy to be cynical about such experiences, since ultimately we get to come away and the host lady does not. But there is nothing like using the same toilet facilities to highlight the gap between what Moises Naim once referred to as our "G-4 culture", and the reality of the lives of the people we are ostensibly trying to help. There is nothing like walking three kilometers to fetch water and wood for cooking, to put into perspective the stress that all of us sometimes feel in our jobs here in Washington. And there is nothing quite so moving as the quiet dignity and resolve in the face of unimaginable adversity, to give motivation for our own work.

5. After Exposure, came Dialogue. First, the outside participants met among themselves to exchange and analyze experiences. We were then joined by our SEWA facilitators for a joint reflection. Interestingly, all of these facilitators, many with a lifetime of service to SEWA, had never themselves spent so much time experiencing the lives of their members. Finally, in a remarkable session, we were joined by our host ladies who gave their own perspectives on the process. Ela Bhatt also joined us for this final session.

Basrabai, Meeraiben, and the Master of Mohadi

6. My host lady was Basrabai in the (Muslim) village of Mohadi, Kutch district, 500 kilometers from Ahmedabad on the shores of the Arabian sea at the Pakistani border. Basrabai is the Sarpanch of the Panchayat—the chair of the local council. This the first time ever that a woman has held this position—one consequence of the recent constitutional amendment in India which reserved one third of the seats, and of the headships, at the Panchayat level for women.

7. There were two outsiders in my group—myself and Eve Crowley, Technical Adviser at IFAD. Our chief SEWA facilitator was Meerai Chatterjee, former General Secretary of SEWA, a woman remarkable in her quiet modesty, analytical sharpness, and committed toughness in dealing with the problems of SEWA members. She was referred to universally, in the local form of address, as Meeraiben.

8. As we arrived in the village after a long drive, crossing a road across a small sea inlet (impassable at high tide), the first building we saw was the primary school—a recently built concrete structure. We were told by Meeraiben that the school had served an important function. In last year's cyclone, the worst in living memory, as their straw huts were blown away the villagers took shelter in the only stable structure in the village—the concrete built school. The villagers main need was then expressed to the inevitable cyclone relief operation as the building of concrete structures instead of the straw huts for their homes. This had started, and there were about a dozen of these now in the village itself.

9. We arrived at Basrabai's house, a one room concrete structure next to a straw hut which was there before. After the usual greetings, almost the first topic of conversation was the school. Since it was a week day, we wondered if it would be possible to go and sit in on a class. Basrabai then informed us that the Master (the teacher) was not there, had not been there for a while, and in fact came once a month, if that. He seemed to be protected by the district level education officer, and could do pretty much what he wanted.

10. In fact, the Master came the next day, because word had got to him that the village had visitors. He came into Basrabai's house, and a conversation started about the school, and the children of the village. This was a shocking experience. Thinking the educated guests to be kindred spirits, he launched into a litany of his difficulties and the difficulties of teaching the village children. He referred to them as "jungle" (from the jungle), a put down instantly recognizable in India. This was too much for Meeraiben, the SEWA organizer, who responded by pointing out that his salary was 6,000 rupees per month (the Indian poverty line is around 11,500 rupees per year, I believe) in a secure job, and his job was at least to show up. The parents were anxious for their children to learn to read and write, even if school attendance meant that the boys could not help their fathers with fishing and the girls could not help their mothers fetch water and wood and work in the fields. The "Master of Mohadi" incident encapsulated for me the gap between macro level strategies and ground level realities in the poverty reduction discourse, a gap which was revealed again and again in the next few days.

11. That evening we were privileged to see Basrabai conduct the "Gramsabha" (village meeting), at which there were two main topics. First, was compensation for the cyclone—despite the announcement of relief schemes with great fanfare in the capital city in Ahmedabad, the local level delivery left much to be desired, and the local officials were non-responsive. SEWA organizers took down the names of those who had not yet received the compensation they were entitled to, and it was agreed that they and Basrabai would approach the local officials the following week. The second issue was fishing. The Government had imposed a fishing ban along the coast to protect fish stocks. The overfishing was being caused by the big trawlers, but the small fishermen seemed to be paying the price. In any event, the big trawlers fished anyway so long as they could make the right payments.

12. Right in the middle of the Gramsabha meeting, there was a commotion at the side. While trying to separate two fighting cows, Basrabai's brother had been seriously gored in the face. It was late at night, and the nearest doctor was in the next big settlement, 10 kilometers away. Without immediate treatment, the wound was bound to get infected. As it happened, our Jeep was there and the brother was taken to the doctor and brought back. The fragility and vulnerability of rural life was brought home to me in this incident. As Basrabai later recounted, if it had not been for our presence, and with luck the wound just missed the eye, she would have had to have been responsible for him for the rest of her life.

13. The women in Basrabai's village have done craft work for generations, and specialize in a particular type of embroidery and tie-dye. Demand for these products is very high, not only because of the international love affair with things Indian, but because the growing Indian middle class has also taken to rediscovering its roots. The problem is that the traders who come offer very low prices, and can get away with it because of the isolation of the women in their villages. The Government (of India and of Gujerat) have countless schemes to help and to purchase traditional crafts, but these are not very effective. SEWA is stepping in to organize the home based crafts workers and to provide them direct outlets to the high international prices. One piece of embroidery I looked at would fetch 150 rupees in the international market, but the traders would have offered around 20 rupees while the Government outlets would offer around 60 rupees. The lack of connection to markets and hence poor income earning opportunities, and the failure of government institutions to help, became a constant theme in our discussions with SEWA.

14. On our last day we went to Basrabai's field, an hour's walk from her house, where she was trying to grow millet. The riskiness of agriculture was there for us to see. The lack of rain (as a result of which we had been able to sleep in the open air under the stars) had left the ground hard and dry. If it didn't rain in the next few days, Basrabai informed us as she collected grass for her cattle, the crop would be lost, and with it the outlay she had made in having the field tilled by a hired tractor driver (this is how she had decided to invest some of the money she had made from the crafts activities). By the time we met her in Ahmedabad for the final session, it still had not rained.

Making Sense Of It All: The Demand Side of Pro-Poor Policies and Interventions

15. Back in Ahmedabad, all the participants tried to make sense of what they had experienced. Alongside the emotion of the experience (the quiet dignity of our host ladies, and the utter commitment of our SEWA facilitators, moved most of us to tears as we told our stories) we tried to analyze what we had seen and to relate it to the more conventional discourse on poverty reduction strategies. For my part, I tried to relate what I had seen to our proposed WDR themes of Empowerment, Security and Opportunity. As you might guess from what I have described of Mohadi village, these themes have considerable resonance in Basrabai's life. Expansion of income earning opportunities through craft work, driven by expanding national and international demand, has been very important for her in the last two or three years. But the insecurities of her life, the health risks and agricultural risks she and her family face, mean that any gains through other means are always very fragile. Finally, while her election as Sarpanch, through an explicit affirmative action policy, shows what can be achieved through state action, the local officials and state structures are not as yet accountable to her and to her village—far from it. Thus all three of our themes were present, but what also came out was the interrelationship between them and how one fed into another. Empowerment, Security and Opportunity—to paraphrase Ela Bhatt, one without the other does not make sense, one before the other does not make sense.

16. In fact, Basrabai, Meeraiben and the Master of Mohadi crystallized for me a line of argument I tried out at a PREM week panel the week before. It goes as follows. The focus of the Bank and other agencies might be characterized as tracing out the "Production Possibility Frontier" of pro-poor policies and interventions. We look across countries, regions within countries, communities within regions, and households within communities, to identify the determinants of poverty reduction. Thus, for example, in the 1990 WDR we compared the great performance of an Indonesia and the less than stellar performance of a Brazil, and asked—what distinguishes the two? The answer, roughly speaking, was outward oriented growth and wide spread provision of basic social services. We compare Kerala and Bihar in India (eg the work of Dreze and Sen, *Hunger and Public Action*, 1990), or at the very micro level with panel data sets, we compare those households who have escaped poverty and those who have not, and ask what distinguishes them (e.g. Grootaert and Kanbur, *Journal of Development Studies*, 1997).

17. This is of course a very valuable exercise, and much more can and should be done on it—for example, in WDR 2000/1 we are going to emphasize the role of policies and interventions on risk and vulnerability in explaining good performance on poverty reduction. But what it cannot do is to even begin to tell us how and why certain policies were chosen in one place and not in others. Thus, while it can trace out the production possibility (or transformation) frontier, it cannot tell us how points come to be chosen on this frontier. In other words, **the demand side of pro-poor policies and interventions**, is largely missing from our analysis. This is particularly true of very local level outcomes, which have a dynamic all of their own.

18. It is a tautology, but nevertheless a useful tautology, that in societies where the poor have access to and influence over decisions which affect their lives, at the macro

level and at the very micro level, pro-poor policies and interventions are more likely to be adopted and implemented. Surely, then, it must logically be part of an anti-poverty strategy to help develop structures and institutions which do indeed give poor people such access and influence. What stands out for me from the Mohadi and SEWA experience (and actually from a sheaf of more formal political economy papers), is the crucial role of **Organizations of the Poor**. By this I do not mean the usual NGOs which deliver services as intermediaries for governments or international agencies. I mean membership based organizations which articulate the demands of their members, which defend their rights, which monitor interventions, and which hold the polity accountable to the poor.

19. But such organizations do not just appear out of thin air. It has taken SEWA a quarter of a century to arrive at its current stage of influence over local and national policies and interventions. And, as I noted above, SEWA combines organizing with concrete programs economic programs of income generation and security. But international agencies could do worse than ask themselves how their own actions and interventions could support and help the development of Organizations of the Poor. Of course, a lot more thought and work needs to go into this. We will be developing this as a major theme in the Empowerment section of the WDR, and I very much hope that it will be adopted as part of any action plan on poverty reduction that Jim Wolfensohn might put forward in the months to come.

20. "Empowerment Through Organizing" was an extremely valuable immersion exercise for me. The Exposure to Basrabai, Meeraiben, and the Master of Mohadi, and then the Dialogue with my fellow participants, with SEWA, and with all of our host ladies, has given me confidence that we are proceeding along the right lines in the WDR. I would recommend to key Bank staff to participate in the Exposure and Dialogue Program. For my part, I have promised Basrabai that I will return in a year's time to present the WDR to her and to the village of Mohadi.