ABSTRACT

Poverty Reduction in Africa
A Strategy and Action Programme for the African Development Bank

by

Donald Sherk, David Kingsbury, Philip Boyle, and Ines Girsback

July 1992

The African Development Bank requested A.I.D. assistance in formulating the Poverty Alleviation Strategy and Action Programme mandated in the ADF-VI Lending Policy statement, which committed the Bank to make poverty alleviation the main aim of Fund development activities in borrowing countries. This report identifies the characteristics of poverty in Africa, describes current ADB efforts in alleviating poverty, proposes key elements of an integrated strategy to alleviate poverty, discusses poverty reduction indicators and their uses, suggests an action program for implementing the strategy, and identifies manpower and financial requirements.

The report finds that as much as 84 percent of the Bank's lending, after structural adjustment loans, can be focused on key poverty-related sectors. It recommends that in addition to agriculture (40 percent) and health (25 percent), all sectors should receive some poverty-targeted lending. It also recommends continued support to country macroeconomic policy reform to maintain an appropriate environment for poverty-focused operations.

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PN-ABN-682

Poverty Reduction in Africa:

A Strategy and Action Programme for the African Development Bank

Prepared for the African Development Bank with assistance from the U.S. Agency for International Development under the Consulting Assistance for Economic Reform Project, Contract No. PDC-0095-Z-08-9038-00.

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PREFACE

The commitment of the African Development Bank Group (ADB) to make poverty alleviation the "main aim of Fund development activities in borrowing countries" should be recognized for what it is — a major commitment to change.[1] The magnitude of change will be profound for Bank staff, the regional member countries, and the donors. The recommendations contained in the following report, and to be summarized in a forthcoming Board of Governors' paper, will entail major changes in Bank policies, procedures, and personnel; alter the relationship between the borrowers and the Bank; and necessitate stronger donor country support for the ADB than heretofore. To be successful, the three parties — the Bank, the borrowers, and the donors — will need to see this commitment as a joint one in which they all have equal responsibility for ensuring success. It is hoped that recognition of this joint responsibility can be underscored at the forthcoming Mid-Term Review of ADF-VI and also at the next annual meeting of the Bank Group's Board of Governors.

To assist in the formulation of the Poverty Alleviation Strategy and Action Programme mandated in the ADF-VI Lending Policy statement, the Bank drew on the expertise of Development Alternatives, Inc. (DAI). The authors of this report are Donald Sherk, a DAI vice president, who served as team leader and coordinated the study effort; David Kingsbury, a DAI macroeconomist; Philip Boyle, a DAI consultant; and Ines Girsback, an economist with Environmental Strategies International.

The authors wish to thank the staff and management of the African Development Bank for the support shown to the team over the duration of the study. Special thanks go to Delphin Rwegasira, Director of the Development Research and Policy Department; and to A. London, L. Deng, G. Kariisa, and the other members of the Poverty Alleviation Task Force. We were particularly grateful for the generous giving of their time by the 60 Bank staff members who met with the team during our two stays in Abidjan. Their numerous insights were invaluable in helping us identify potential areas where Bank operations could most effectively address poverty issues. This acknowledgment would not be complete if we failed to mention the outstanding cooperation and support we received from Michael Msuya. If our report has merit, much of its success should be attributed to Mr. Msuya. Finally, we wish to thank Dowd Walker of DAI, whose administrative and logistical support was essential for the timely completion of the report.

Although the report benefitted greatly from the insights provided by Bank staff, the opinions expressed are those of the authors, and do not in any way reflect official Bank policy. Any errors and omissions are also the responsibility of the authors.

[1] ADF VI Lending Policy, 2.1 Objectives and Scope of ADF VI Operations, African Development Fund, October 28, 1991.

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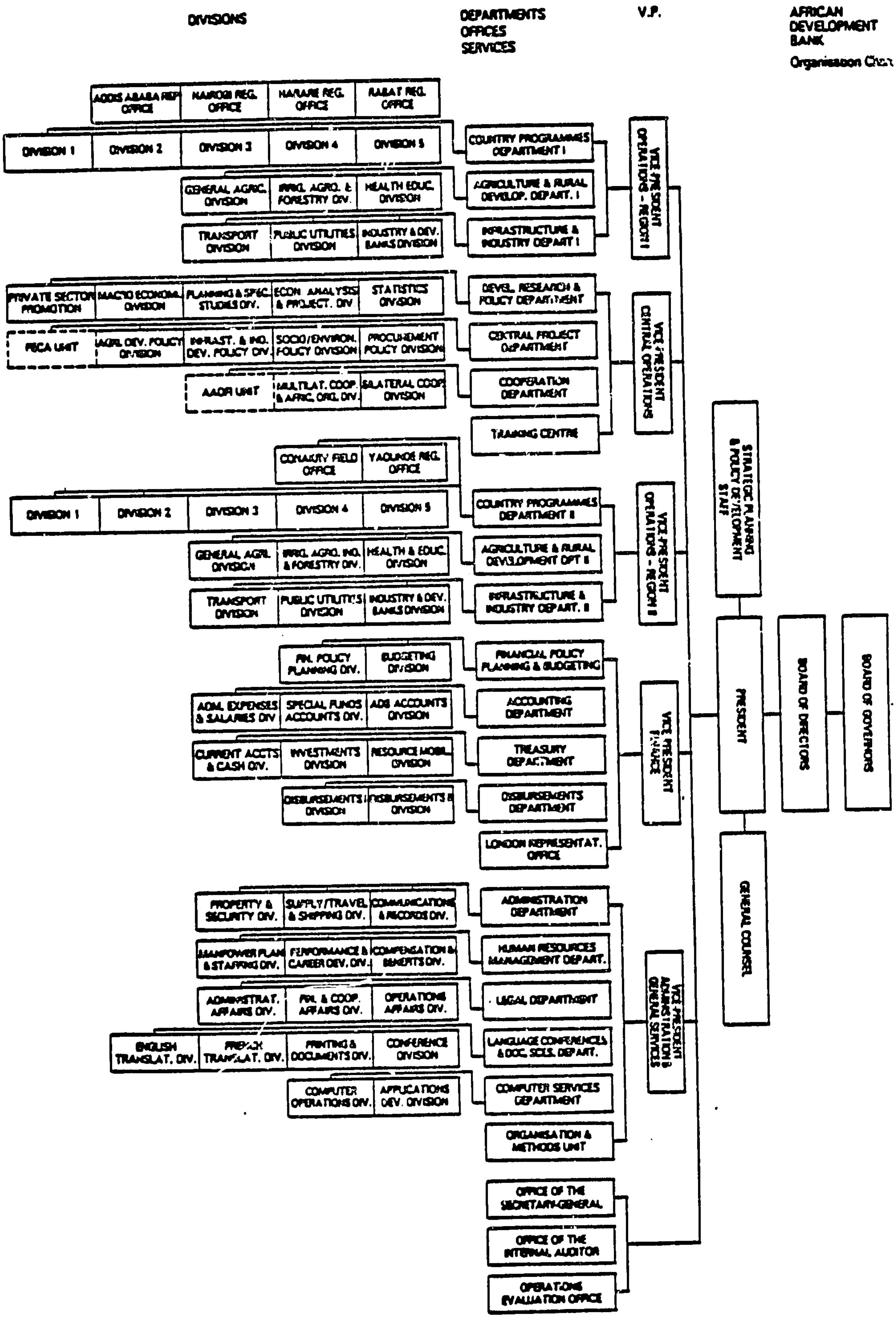
LIST OF ABBREVIATIONS

ADB	African Development Bank
ADF	African Development Fund
BUA	Bank Units of Account
CEAO	West African Economic Community
CEPR	Central Projects Department
CSP	Country Strategy Paper
DAC	Development Assistance Committee
DANIDA	Danish International Development Agency
DFC	Development Financing Company
EIA	Environmental Impact Assessment
EPCP	Economic Prospects and Country Programming
ESAL	Economic Structural Adjustment Loan
ESAP	Economic Structural Adjustment Program
FAO	Food and Agriculture Organization of the United Nations
FUA	Fund Units of Account
FYOP	Five Year Operational Plan
GDP	Gross Domestic Product
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
ILO	International Labour Organization
IMF	International Monetary Fund
KFAED	Kuweiti Fund for Arab Economic Development
MIS	Management Information System
MPDE	Methodology for Project Design and Evaluation
NARD	Agriculture and Rural Development Department - North Region
NCPR	Country Programme Department - North Region
NGO	Nongovernmental Organization
NISI	Infrastructure and Industry Department - North Region
NORAD	Norwegian Agency for International Development
NTF	Nigerian Trust Fund
ODA	Overseas Development Administration (United Kingdom)
OECD	Organization for Economic Cooperation and Development
OPEV	Operations Evaluation Office
PB	Project Brief
PCR	Project Completion Report
PHC	Primary Health Care
POC	Programme Objective Category
PPAR	Project Performance Audit Report
PPF	Pre-Project Facility
PSDU	Private Sector Development Unit
RER	Real Exchange Rate
RMC	Regional Member Country
SAL	Structural Adjustment Loan
SAR	Staff Appraisal Report
SARD	Agriculture and Rural Development Department - South Region
SCPR	Country Programme Department - South Region

SDA	Social Dimensions of Adjustment
SDF	Social Development Fund
SECAL	Sectoral Adjustment Loan
SIDA	Swedish International Development Authority
SISI	Infrastructure and Industry Department - South Region
SME	Small- and Medium-scale Enterprise
SPA	Special Programme of Assistance (Africa)
STD	Sexual Transmitted Disease
TAF	Technical Assistance Fund
TOR	Terms of Reference
UA	Units of Account
UGC	General Union of Cooperatives (Mozambique)
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development
WB	World Bank
WHO	World Health Organization
WID	Women in Development

Figure 1

ORGANIZATION CHART OF THE AFRICAN DEVELOPMENT BANK



EXECUTIVE SUMMARY

Elements of An Integrated Strategy for Poverty Alleviation

The ADF-VI Lending Policy (October 1991) establishes the framework for a new African Development Bank (ADB) strategy for poverty alleviation. New lending priorities of up to 40 percent for agriculture and 25 percent for health and education mean that as much as 65 percent of total lending and 84 percent of lending after structural adjustment loans can be focused on key poverty-related sectors. All sectors, however, should receive some poverty-targeted lending. Continued support to country macroeconomic policy reform will maintain an appropriate environment for poverty-focused operations.

The Bank strategy for poverty alleviation is integrated in five ways: multilevel integration of interventions, interdisciplinary analysis in programming and project design, intersectoral integration of interventions, divisional coordination within the Bank, and donor coordination with respect to country strategies.[1]

The Bank will continue to assist borrowers at both the macro-policy level and in individual sectors, while recognizing the interdependence of interventions at the two levels. Interventions at the macro level will focus on maintaining stability in monetary, credit, fiscal, and exchange rate policies and on encouraging investment in human capital and physical infrastructure development.

The **agriculture and rural development** sectors will focus on increasing food security for the poor through greater food availability and higher household purchasing power, and development of technologies for labor-intensive agricultural production. The **irrigation, agro-industry, and forestry** sectors should stress interventions in irrigation projects with large numbers of direct beneficiaries, employment generation in agro-industry through selection of projects with high labor intensity, and popular participation and investment in forestry projects.

In **health** care, the objective should be to assist African countries to achieve, by 2020, universal access to primary health care services, reduction of maternal mortality rates by 50 percent, and attainment of a life expectancy at birth of at least 65 years. In **population** activities, interventions should assist countries toward the goal of reducing total fertility by 50 percent in Africa by the year 2020. In **nutrition** activities, Bank strategy should strive to provide countries with the information and technologies necessary to decrease child and infant malnutrition rates.

In the **education** sector, the Bank will assist countries to provide basic education for all children by 2020 and, in the short run, to significantly reduce adult illiteracy, especially for women. Primary education and adult literacy drives should be accompanied by increased vocational and technical relevance of both formal and nonformal education programs to raise general productivity and skills of the workforce.

[1] The African Development Bank Group comprises three lending windows: the African Development Bank (ADB), which lends on commercial terms; the African Development Fund (ADF), which lends concessionally; and the Nigeria Trust Fund (NTF). As used in this report, the term "Bank" signifies the combined resources of these three loan windows. This term and the term "Bank Group" are used interchangeably throughout the document. When ADB or ADF are used solely, reference is to the specific loan window.

Bank poverty reduction interventions in the **transportation** sector should focus on labor-intensive public works, especially rural road construction. This will require increased local cost financing by the Bank Group. Many project interventions in the **public utilities** sector can have important poverty reduction components or impact. This is true particularly for potable water supply in rural and urban areas, access to which is considered a key poverty-related indicator. Construction of water points and supply should involve labor-intensive participation of the local population, the creation of water user and maintenance associations, and some degree of cost recovery for water supply. Sewerage and sanitation projects should also be targeted to the poorest zones of cities or peri-urban areas.

Interventions in the **industry and development bank** sectors should be oriented toward industrial projects promising substantial employment creation and toward capitalizing development finance institutions that on-lend to labor-intensive micro- and small-scale enterprises. Emphasis should be on Developing Financing Institution on-lending to sectors or geographic areas with high unemployment.

Poverty Targeting and Beneficiary Participation

To identify the location and condition of the poor, a **poverty profile** and **poverty assessment** should be developed for each borrowing country before the Fourth Five Year Operational Programme (1997-2001). The profile is a complete description of the poor, including poverty types, geographic distribution, sources of income, consumption patterns, and poverty-related social indicators. The assessment supplements the poverty profile with detailed information on country policies affecting the causes and types of poverty, public expenditures and institutions providing infrastructure and basic social services, and existence or need for a social safety net. The poverty profile and assessment will normally be revised together every three years and constitute a key chapter of each country's Economic Prospects and Country Programmes (EPCP) document.

Poverty targeting will be of three types: geographic focus, selection by objective indicators, and self-selection by the beneficiaries themselves. Projects will be counted as poverty-reducing if they contain a specific mechanism for targeting the poor or if the proportion of the poor among project beneficiaries is significantly larger than their proportion in the national population.

Beneficiary participation should be part of poverty reduction operations. This will necessitate a **beneficiary** assessment during project design and local involvement during implementation and evaluation. The beneficiary assessment is project-specific and provides a complete description of the target population, including the means by which representatives of this population can be involved in design, implementation, and post-evaluation activities.

Use of local resources should be stressed in poverty-focused lending. Extensive involvement of local labor in implementation should be encouraged through emphasis on projects that employ labor-intensive techniques or promise significant employment gains, and that involve as many backward and forward employment and income linkages as possible. Training, skills development, and creation of lasting beneficiary associations should also be objectives of project interventions.

Regional Member Country Responsibilities and Donor Coordination

Regional member countries (RMCs) need clear guidelines from the Bank concerning the types of projects to propose for pipeline consideration. Country development planning and finance ministries will be responsible for orienting a majority of new project proposals to agriculture and the social sectors and for targeting these projects and components of many others on poor regions or populations. Whenever possible, poverty alleviation operations addressing basic needs, employment and income creation, training and skills development, and beneficiary participation should be identified in all loan proposals.

Regional member country line ministries will need to provide training for project managers and ministry staff that reflects the need for increased poverty focus and involvement of beneficiaries in Bank projects. To facilitate this process, the Bank Group should consider the use of a **Pre-Project Facility** (PPF) included in loans, in addition to grant aid from the Technical Assistance Fund (TAF). The Bank should continue to strengthen national statistical capacities to improve data collection systems and analyses.

Nongovernmental organizations (NGOs) should be used more extensively by governments to design and implement poverty-focused projects. This will require Bank-approved registration of NGOs to ensure managerial and financial competence and the building of stronger institutional linkages between governments and NGOs.

Donor coordination of poverty reduction activities is crucial to the success of Bank activities. Donors should share information and integrate their actions by focusing on specific geographic regions or on the same beneficiary populations, although integrated interventions should continue to reflect each donor's comparative advantage and particular experience. Donor organizations should establish a common poverty alleviation strategy in each African country and urge governments to formulate a country poverty strategy. The ADB, as the leading pan-African development institution, should play a lead role in communication between regional member governments and donor agencies.

Poverty Indicators

Country policy performance indicators will be tracked in Economic Prospects and Country Programming (EPCP) documents and considered in performance allocations in Country Strategy Papers (CSP). They will serve to demonstrate a government's willingness to pursue broad poverty alleviation policy measures. The indicators will monitor exchange rate distortion, inflation, consumer price controls, and amount and share of public investment in basic health and education.

Poverty-related social indicators constitute the principal means by which the ADB will select and orient poverty-related projects or project components and track the medium- and long-term impacts of these interventions in regional member countries. These indicators will monitor real GDP per capita, incidence of poverty, the real wage rate, child malnutrition, total fertility rate, child mortality, child immunization rates, maternal mortality, access to clean water, access to basic education, and adult literacy.

Project indicators are of two types: process indicators, which are measures indicating progress toward meeting a project's poverty objectives; and outcome indicators, which measure the degree to which basic social indicators change over time resulting from poverty operations targeted on a specific geographic area or a particular beneficiary population. These indicators should be included in the Methodology for Project Design and Evaluation (MPDE) and be linked logically to those poverty-related social indicators that served as the basis for project selection.

Major Elements of a Bank Group Action Programme for Poverty Alleviation

Table 1 at the end of the Executive Summary identifies the most important operational recommendations for implementing a Bank Group Poverty Alleviation Action Programme. These recommendations are in the general areas of country programming, the stages of the project cycle, and staffing and training needs.

Operational Implications for Country Programming

Although Bank operations should support each country's poverty alleviation strategy, not every operation must have a poverty reduction component. However, because poverty issues are becoming a central theme of policy dialogue, a government's commitment to poverty reduction should be reflected in both the volume and composition of lending. Government policy performance indicators will be tracked by the country economists of NCPR/SCPR-5, who will take governmental policy efforts into account when revising lending volume recommendations in the annual Country Strategy Paper.

Reinforcing the country programming process to reflect new focus on poverty issues begins with the need for country-specific poverty assessments. This assessment, which includes a poverty profile, should be included in each borrowing country's next Economic Prospects and Country Programmes document, normally updated every three years. By the beginning of the Fourth Five Year Operational Programme in 1997 (FYOP.4), it is expected that most regional member countries will have updated EPCPs containing a poverty assessment. Country Strategy Papers following the new wave of poverty-sensitive EPCPs will need to reflect the poverty assessment and update it wherever possible.

Project Cycle

All proposed projects will require internal Bank review regarding their intended contribution to poverty reduction. Screening begins at the identification stage. Projects will be grouped into two categories: Category I projects, which have a strong poverty reduction focus; and Category II projects having a more general impact. Beginning with the **Project Brief**, screening will, with increasing sophistication, address poverty alleviation issues in the feasibility, preparation, and appraisal documents. Poverty reduction review will determine whether the project adequately addresses issues such as identification of the poor beneficiaries, targeting strategies, participatory approaches, labor-intensive public works, safety nets, relation to other donor activities, and monitoring of poverty-related project indicators. Prefeasibility and feasibility studies need to include specific guidelines on the definition and measurement of target groups. These studies may be financed by means of a loan-funded Pre-Project Facility.

Future focus on poverty-oriented, targeted interventions will require a shift of emphasis from the appraisal stage to the identification and preparation stages of project design. More time will be spent on identifying and targeting poor beneficiaries and in specifying relevant outcome indicators. The Bank should consider the use of pilot projects in refining future poverty reduction operations.

The Project Brief should be modified in the future to include short sections on lessons learned from prior implementation of similar projects, description of beneficiaries and their participation, and unresolved issues to be addressed during project preparation. **Project preparation** can proceed once the new project is formally accepted into the pipeline. Various poverty-related criteria must be considered at this stage — principally, explicit linkage of project objectives to the sectoral poverty reduction priorities in EPCPs and CSPs; increased identification, targeting, and evidence of participation of poor beneficiaries in prefeasibility, feasibility, or other preparation documents; and identification and inclusion in the project logframe (MPDE) of relevant project-level indicators, including those measuring outcomes and impacts of major poverty reduction operations.

The **Appraisal Report** must be consistent with the poverty alleviation criteria followed in project preparation. Greater attention should be paid by the Bank to social benefit analysis, in addition to traditional cost-benefit analysis or calculation of internal rates of return. Appraisal documents should also include treatment of lessons learned from preceding or similar projects as reported in Project Completion Reports (PCRs) and Project Performance Audit Reports (PPARs).

Appraisal missions should be lengthened and normally include one or more local or expatriate consultants. Increased budgetary resources will be necessary to accommodate these recommendations. To the extent possible, both appraisal and supervision missions should involve Bank program and project department or division heads.

During **project implementation**, frequency and comprehensiveness of communication between the Bank and implementing governments must be improved. It is advisable to expand the Bank's internal management information systems to help staff track project cycle efforts in respect to the program of targeted interventions and human resource development. Regional offices should play a more important role in project implementation, supervision, and donor coordination. Their number should be expanded to permit adequate coverage of all borrowing countries. Increasing the size of staff and expanding its technical specialties can render regional offices capable of monitoring the progress of projects within its group of countries. This will require additional budgetary resources, depending on the level and quality of coverage chosen.

Project supervision in the future should stress enhanced monitoring of progress toward key poverty reduction objectives as specified in the MPDE. The project supervision summary should be prepared every six months and include specific sections on beneficiary participation and project progress toward poverty objectives as revealed by quarterly progress reports.

Following project implementation, the **Project Completion Report** (PCR) should assess the status of project-level indicators. During **post-evaluation**, the PCR should attempt to link project poverty reduction outcomes to country poverty-related social indicators. Periodically, the Operations Evaluation Office (OPEV) should again evaluate groups of projects 3-5 years after completion to analyze the Bank's experience in addressing key aspects of poverty. The Bank should design seminars and training programs to transfer lessons learned from PPARs and special follow-up studies to both program and project department staff.

Staffing, Training, and Tracking Needs

The implementation of the Poverty Alleviation Action Programme will require increased cost and enhanced human resources. To make Bank operations more responsive to poverty reduction, Bank headquarters staff should be increased by at least 18 full-time technical positions. This means that about 12 percent of new positions projected during FYOP.3 should be earmarked for poverty reduction.

New staff will be placed in both program and project divisions of the North and South Operations. The number of staff should be increased by eight in each region and will reflect the need for more social scientists, rural agricultural development specialists, and human resources experts. The performance of the Central Projects Department will be strengthened by two social policy advisors.

Additional training courses should be developed to sensitize all Bank staff to the operational needs of integrating a poverty reduction focus into future lending. Moreover, the scope of existing courses should be expanded to incorporate poverty issues. Short courses can address such topics as incorporating poverty reduction issues in policy/project design, developing social action programmes, designing targeted interventions, and using procurement guidelines for labor-intensive public works.

The project portfolio database should be updated to reflect a new system of Program Objective Categories (POCs), which facilitate the tracking of operations by primary and secondary objectives. This programmatic approach provides the Bank with the means to report on types and magnitude of Bank lending for poverty alleviation. The system will track reasonably detailed information on areas considered to have significant impact on poverty reduction, such as SALs and SECALS, targeted project interventions, subsectors within agriculture, human resource development, financial intermediation, environment, and basic infrastructure.

Financial Resource Requirements

The approximate annual increase needed to implement the program is in the range of UA 11 million annually for the remainder of ADF-VI and the duration of ADF-VII. Increased resources are needed for enhancing EPCP preparation; short-term training of Bank staff and selected RMC officials; and studies related to project identification and design, poverty assessments, and other studies serving as input into country programming. No new resources are required for permanent staff recruitment because the decision has already been made within the context of FYOP.3 to target resources to additional recruitment of social scientists.

It is recommended that 5 enhanced EPCPs be prepared in 1993, and 10 in each year thereafter. Cost figures and timing will obviously be modified later, based on scheduled timing of EPCPs and the particular analytic needs of each EPCP. Two in-house training workshops are recommended for Bank staff in 1993, with refresher workshops two years later. Regional workshops for RMC officials would begin in 1993, and average five each year.

A net increase of 10 percent should be allocated to TAF for support to poverty-focused studies. This amounts to approximately UA 8.8 million.

Exact figures will require more analysis, but the general recommendation contained in this report is that there needs to be an increase in resources explicitly devoted to improved and more proactive poverty-focused project preparation, and initiation of poverty assessments and poverty profiles.

TABLE 1

TABLE 1

AN INTEGRATED ACTION PROGRAMME FOR POVERTY ALLEVIATION: SUMMARY OF KEY RECOMMENDATIONS

GENERAL AREA	RECOMMENDATIONS	ENTITY RESPONSIBLE
Country Programming	1. Increase manpower and time devoted to EPCP preparation to reflect multidisciplinary nature of poverty and central role of EPCP in poverty strategy formulation. 2. Incorporate poverty-related social indicators and country policy performance indicators into EPCPs and CSPs. 3. Participate in poverty assessments and poverty profiles with World Bank and other donors to generate information for poverty-focused country programming and more effective project targeting. 4. Explore the possibility of using TAF money for the preparation of EPCPs as they contribute to the identification of new projects.	Central Projects for revision of Operations Manual Country Programming Section
Project Identification and Preparation (i.e. Design)	1. Adopt a poverty focus classification system for categorizing project types to be designed with a strong poverty alleviation focus (versus a more general focus). A key point is that not all Bank Group projects need have a poverty focus. 2. Revise Project Identification and Preparation Sections of the Operations Manual to more fully address the following issues during project design: • Targeting strategies; • Participatory approaches; • Labor-intensive public works; • Identification of poverty-related project-level indicators and appropriate monitoring systems.	Central Projects for revision of Project Identification and Preparation sections of the Operations Manual
	3. Study feasibility of creating a Pre-Project Facility (PPF) for improving project design. 4. Amend Articles of Agreement to allow greater flexibility in local cost financing to encourage design of projects with greater local value added.	Central Projects to manage feasibility studies: Board of Directors for eventual approval

TABLE 1 -- Continued

GENERAL AREA	RECOMMENDATIONS	ENTITY RESPONSIBLE
Project Briefs	1. Expand Origin of Project Ideas Section and ensure consistency with poverty alleviation actions as outlined in the Poverty Assessments, Poverty-Oriented EPCPs, and CSPs. 2. Rationale for Bank Group support: Incorporate how poverty alleviation objectives are being addressed in the dialogue with the country and donors, what the thrust of policies/projects are to achieve these objectives, and their priorities. 3. Broaden the scope of the Unresolved Issues Section to integrate constraints related to achieving poverty reduction objectives at all levels: technical, financial, institutional, environmental, and policy. 4. Add on Section on Beneficiaries and identify preliminary project-impact indicators to be included in logframe.	NARD/SARD NISI/SISI CEPR pol div
Staff Appraisal Report Loan Agreement	1. Incorporate poverty-related social indicators in SARs for all policy-based lending: SALs, SECALs. 2. Depending on poverty-focus classification (i.e. Category I or II), incorporate section assessing appropriateness of poverty alleviation strategy contained in project design. 3. Incorporate MPDE (logframe) in all project-based lending operations. 4. Perform social as well as economic analysis of investments. 5. Review institutional arrangements to support poverty reduction activities. 6. Integrate lessons learned from past implementation experience.	NCPR or SCPR NARD/SARD NISI/SISI Projects Department

GENERAL AREA	RECOMMENDATIONS	ENTITY RESPONSIBLE
Supervision Reports	1. Quantify beneficiaries in the Basic Information Section (Part I, Item G) whenever possible, else qualify. 2. Ensure in ADB Supervision Section (Part III, Item E) that Borrower's Quarterly Progress Reports addresses poverty reduction concerns. 3. Make special provisions in the Project Performance Section (Part IV, Item E), that impact of project on poverty reduction be included, and that alternative scenarios are being considered to reduce poverty. 4. Addressing poverty reduction throughout the various subheadings of the Project Summary and Assessment sheet will be a top priority for each project officer.	NARD/SARD NISI/SISI Projects Department
Project Completion Reports (PCRs)	1. Enforce compliance with completing a PCR for each project. 2. Shorten the time-table for the preparation of PCRs and improve monitoring system. 3. Evaluate project-impact indicators and explain gaps, and include a section on project's impact on poverty.	CEPR
Project Performance Audit Reports (PPARs)	1. Quality will largely depend on the timely processing of the PCRs. 2. Develop a poverty impact analysis study in order to design training course on the "Bank's experience in addressing poverty alleviation."	OPEV

TABLE 1 -- Continued

GENERAL AREA	RECOMMENDATIONS	ENTITY RESPONSIBLE
Human Resources	Diversify staff skills through recruitment of social scientists: 2 Social Policy Advisors: CEPR-3 4 Social Scientists: 2 each in NCPR/SCPR-5 2 Agriculture/Rural Development Specialists: 1 each in NARD/SARD-1 4 Social Scientists: 1 each in NARD/SARD-2 and NISI/SISI-1 or 3 2 Social Policy Analysts: 1 each in NARD/SARD-3 2 Health Specialists: 1 each in NARD/SARD-3 2 Education/Labor Market Specialists: 1 each in NARD/SARD-3 ---------------- 18 Total	Human Resources Management Department to recruit
Training	Training of Bank Staff, key RMC officials and Local Project Managers: - Incorporating Poverty Alleviation Issues in Country Programming, Project Design, and strategies for linking the two; - Designing Targeted Interventions; and - Using Procurement Guidelines.	Social Policy and Environment Division, Training Centre
Management Information Systems	1. Update databases to include Targeted Interventions and Human Resources Programme Objectives Categories. 2. Develop database on "Lessons from Past Project Experience" to influence future project design. 3. Develop on-line database system on Operational Directives to improve rapid access to latest information, and to allow for key word searching.	Organization and Methods Unit, OPEV

TABLE 1 -- Continued

GENERAL AREA	RECOMMENDATIONS	ENTITY RESPONSIBLE
Financial Implications	1. Allocate approximately UA 11 million annually for the remainder of ADF-VI and the duration of ADF-VII to implement the programme in the areas of: - enhanced EPCP preparation; - short-term training of Bank staff and selected RMC officials; and - studies related to project identification and design, poverty assessments, and other studies serving as input into country programming.	Board of Directors
	2. Allocate funds for feasibility study of a Pre-Project Facility (PPF) for improving project design.	
	3. Amend Articles of Agreement to allow greater flexibility in local cost financing to encourage design of projects with greater local value added.	Studies overseen by Central Projects for eventual Board of Directors Approval
	4. Explore the possibility of using TAF money for the preparation of EPCPs.	

1. INTRODUCTION

1.1. Statement of the Problem and Its Institutional Context

Poverty in Africa is widespread — one person in two is poor and one person in three is extremely poor. Poverty is also growing, and its alleviation represents the greatest challenge confronting the African Development Bank (ADB) and its member countries for the foreseeable future.

The African Development Bank was created with the express purpose of improving the well-being of Africa and its people. It has followed this course over its 30-year history in its emergence as the principal pan-African development finance institution. Concern for addressing the needs of the continent's poor has taken on pronounced importance in Bank Group activities with the creation, in 1973, of the Bank's concessional loan window, the African Development Fund (ADF).[1]

Of all the Bank Group actions through its lending, technical assistance, and institution-building activities, none has been more clearly devoted to alleviating poverty on the continent than the ADF, which had as its mandate the improved well-being of disadvantaged populations in the lowest income countries.

The priority given to poverty alleviation is reflected in the successive replenishments of the African Development Fund, culminating in the policies and pronouncements adopted in association with ADF VI. Under its revised lending policy, "poverty alleviation shall be the main aim of Fund development activities in borrowing countries."[2]

The strategy called for in the ADF VI Lending Policy is an approach cutting across all areas of Fund operations in its borrowing countries and one which is intersectoral in design and implementation. Encompassed in the overall Fund approach to poverty alleviation are the following types of operations:

- Meeting the basic needs of the poorest sections of the population in low-income countries;
- Supporting human resource development, including the participation of women in development;
- Fostering employment creation and increased incomes;
- Eliciting or promoting the direct involvement of the ultimate beneficiaries, including women, in the design and implementation of projects and programmes;

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[1] The African Development Bank Group comprises three lending windows: the African Development Bank, which lends on commercial terms; the African Development Fund (ADF), which lends concessionally; and the Nigeria Trust Fund (NTF). As used in this report, the term "Bank" signifies the combined resources of these three loan windows. This term and the term "Bank Group" are used interchangeably throughout the document. When ADB or ADF are used solely, reference is to the specific loan window.

[2] ADF VI Lending Policy, 2.1 Objectives and Scope of ADF VI Operations, October 28, 1991.

- Contributing to the improvement of the environment;
- Promoting greater regional and subregional cooperation, including encouraging the financing of multinational projects and programmes; and
- Promoting economic policies that ensure the most efficient allocation of resources including market-based incentive systems and appropriate pricing policies.

To enable the Fund to effectively target its lending to achieve poverty alleviation and to reinforce its commitment to this objective, the Bank has established a Poverty Alleviation Task Force to study the issue of poverty alleviation in Africa, to formulate a Bank Group Action Programme for Poverty Alleviation, and to define and propose a set of quantitative indicators that would facilitate the monitoring and assessment of progress made toward these goals.

1.2. Study Outline and Objectives

The Bank's Poverty Alleviation Task Force has commissioned the following report, which is intended to study the problem of poverty in Africa, to propose the key elements of a Bank-wide "Integrated Poverty Alleviation Action Plan," to define an appropriate set of poverty reduction indicators for measuring the operational performance of the Bank Group, and to equip the Bank with a set of systematic procedures and methods to operationalize the Action Programme.

The report begins with an Executive Summary and this introductory chapter. These are followed by Chapter Two, Characteristics of Poverty in Africa, which describes the nature and causes of African poverty and attempts to define the poor. Chapter Three, Current Bank Group Efforts in Poverty Alleviation, looks at past and current poverty alleviation efforts of the Bank and their shortcomings. Chapter Four, A Bank Group Strategy for Poverty Alleviation, describes the elements of a proposed strategy sector by sector and treats several cross-sectoral issues; Chapter Five, Poverty Indicators and Their Uses, describes a broad set of poverty indicators for use by the Bank at the country, sector, and project level. Chapter Six, A Bank Group Action Programme, is keyed to the Bank's current country programming and project development cycles. Chapter Seven, Manpower and Financial Requirements of the Action Programme, is an attempt to estimate the additional resource costs for the Bank to effectively implement the action plan, and Chapter Eight includes conclusions and recommendations. The report also contains an annex with a list of the people interviewed during the study.

2. CHARACTERISTICS OF POVERTY IN AFRICA

2.1. Definition and Causes of African Poverty

2.1.1. What Is Poverty?

Poverty is the state of deprivation of fundamental human needs and expectations. Among these are the desire for sufficient food and water, adequate shelter, good health, long life, knowledge, and the capacity to provide materially for oneself and one's family through productive endeavor. Poverty is, thus, far more than lack of income, although that is how it is typically measured. It is rather the absence of basic human progress, without which the concept of social and economic development becomes a mockery.

Poverty may be defined relatively and absolutely. Relative poverty refers to comparative measures of deprivation between groups within one country or cross-nationally. Absolute poverty attempts to define a minimum standard of material acquisition below which one is poor anywhere in the world. The absolute poverty line is normally that income required to secure a basic nutritional intake (2,250 calories per day) and other necessities (Lipton, 1988). The World Bank has estimated this consumption-based poverty line to lie between $275 and $370 per person per year, according to country context (World Bank, 1990a).[1]

The absolute poverty line in each country should be estimated by calculating the cost of a basket of essential goods and adjusting it to reflect real purchasing power with respect to other countries. The number of poor households in a country can then be expressed as a proportion of total population. This headcount index, however, fails to indicate the degree to which the poor fall below the poverty line. The poverty gap measures the income necessary to bring the poor up to the poverty line. Nevertheless, both the headcount and the poverty gap calculation fail to indicate the distribution of inequality among the poor.

Poverty lines adjusted for purchasing power are thus gross measures of the number of poor in a country. Country-specific poverty lines can only be a start in understanding the characteristics and composition of poverty, with more detailed analysis necessary for targeting programmes of poverty reduction.

2.1.2. The Nature of African Poverty

Africa is among the poorest regions of the world, and the number of poor is increasing rapidly. The number of persons with less than $370 income per year increased by about two-thirds between 1970 and 1985 and is expected to increase from 180 million in 1985 (47 percent of the population) to 265 million by the year 2000.

[1] It should be noted that the process of defining and measuring absolute poverty lines and using them for comparing poverty across countries is fraught with technical, cultural, and philosophical problems. As such, discussion of absolute poverty is only a starting point in addressing the characteristics and causes of poverty.

If current trends continue, the African poor, constituting 16 percent of the world's destitute in 1985, will comprise 30 percent of the total by the year 2000 (Lele and Adu-Nyako, 1991). Other estimates of African poverty are worse and probably reflect an unrealistically high absolute poverty level. The ILO, for example, estimates that the number of absolute poor in Africa had already reached 270 million by 1985, about half the total population; by 1995 this number is expected to reach nearly 400 million (UNDP, 1990).

Poverty in Africa is still primarily a rural phenomenon, despite the increasing presence of slums around rapidly growing cities. Reflecting the generally dismal conditions of rural life, urbanization has been rapidly increasing throughout Africa and has been growing faster than in other regions of the world. From an urban population of 14 percent in 1965, the towns and cities of Africa expanded to 28 percent of the total population in 1985 and continued to grow at over 6 percent per year throughout the 1980s. Migration to cities has tended to be primarily a male phenomenon, leading to heightened impoverishment of rural areas and rapidly growing number of female-headed rural families, especially in Southern and Eastern Africa.

Although varying from country to country, the overall population growth rate for Africa is about 3.1 percent a year, while per capita agricultural production has declined for more than a decade. In some countries, population doubled between 1965 and 1987. During the same period real GNP per capita declined from $400 to $330 (excluding Nigeria).

From 1970 to 1985, agricultural production rose on average only 1.4 percent per year, half the population growth rate. In spite of rising food imports, malnutrition has become endemic in many countries.

Malnutrition and low income contribute strongly to the short life expectancy of Africans, currently about 54 years compared to 62 for all developing countries. The child mortality rate of 196 per 1,000 is second only to India (200) among the regions of the world. Primary school enrollments are the lowest in the world, averaging 56 percent, and are strongly linked to high infant and child mortality and morbidity rates.

The lack of reliable data makes detailed accounting of the poor impossible at present. Few countries can do more than estimate the number of absolute poor and their location. However, for countries with good data, the pattern of severely worsening poverty in Africa holds across the continent (World Bank, 1990a). In Tanzania, real rural living standards fell at an average annual rate of 2.5 percent between 1969 and 1983. Real urban wages declined by 65 percent during the same period, and real private consumption per person has dropped 43 percent since 1973. In Nigeria, consumption fell by 7 percent a year during the early 1980s and living standards were lower in the mid-1980s than in the 1950s. In Ghana, nearly 60 percent of the population in 1985 lived on less than $370 per year, while in Botswana this figure was almost 50 percent, in spite of a near 9 percent a year economic growth rate since 1965. In contrast, Morocco counted only 34 percent of its population below the poverty line in 1984, down from 43 percent in 1970 (World Bank, 1990a).

2.1.3. Causes of African Poverty

The origins of widespread poverty in Africa are rooted in the economic dislocation and political balkanization brought on by European colonialism. Since the end of colonialism, the following factors have limited African progress in achieving broad-based economic development, and have resulted in stagnant growth and declining per capita incomes (Dumont and Mottin, 1980):

- **Persistence in following inappropriate development models** based on an emphasis on capital-intensive, industrial sector investment at the expense of labor-intensive agricultural-led growth. This has resulted in neglect of rural areas in favor of urban zones, and a massive rural-to-urban exodus;

- **Overemphasis on public sector interventions** in economic activities more efficiently performed by the private sector. Not only has this hindered private sector development, but it has also retarded development of public capacity to work effectively in areas that are appropriate for government intervention (such as the legal system, education, health, and agricultural research);

- **Failure to recognize the informal sector** as a legitimate engine of economic growth. Although several governments have become more enlightened in recent years, many are still more concerned with policing informal sector participants than in seeking strategies for assisting them to improve the performance of their enterprises;

- **Over-reliance on projects, donors, and foreign assistance** that has resulted in too many poorly conceived and supervised projects, bloated recurrent costs, and inconsistent development strategies as governments depend more on outsiders than their own citizens to make crucial public policy and investment decisions;

- **Neglect of subsistence food crops** through lack of research and extension of appropriate production and processing technologies;

- **Unfavorable trends in the terms of trade** as many African agricultural and mineral exports have declined in price at the same time that import costs have risen, most notably for oil; and

- **Insufficient concern with environmental degradation** as population growth combined with expansion of areas cleared for agriculture and fuelwood gathering have imperiled sustainable development.

Historical poverty in Africa has been perpetuated in recent years by slow economic growth coupled with rapid population increases. African GDP growth slowed during the 1980s to 0.3 percent during the period 1980-1986 and even declined by 1.1 percent in 1987. Since 1988 growth rates have turned positive again but remain modest.

Much of the stagnation in economic growth revolved around the inability of agriculture to outperform population increase, itself primarily a reflection of low productivity and poor national policies. Exports, which could have spurred real growth, were hindered in most countries by overvalued exchange rates, lack of price incentives to producers, and export taxes. Poor governmental agriculture policies, in fact, seem to have been as important in promoting agricultural decline in Africa as the general reversal of commodity terms of trade during the 1970s and their stagnation in the 1980s. This trend has been compounded by competition from Asian and Latin American countries, whose share of agricultural exports has expanded rapidly in the last decade.

Slow growth of export-oriented agriculture has been accompanied by a similar stagnation of smallholder food crop production and productivity since the 1960s. This neglect of smallholder agricultural development has operated in favor of import-substituting industrialization. Although some countries were successful in promoting exports for national growth (for example, Côte d'Ivoire, Cameroon, and Kenya), most were not. In general, exploitation of natural forest or mineral resources and capital-intensive, protected infant industries created pockets of prosperity, yet bypassed the bulk of the population.

In retrospect, it appears that African countries would have been far more successful at reducing poverty and stimulating economic growth had they focused on attaining an appropriate policy environment and stimulating investment in smallholder agriculture and health and education, while developing carefully their comparative advantage in higher-value export crops. A broad-based, small-farm approach could have stimulated family savings and on-farm investment leading to increased food crop productivity and diversification into specialized export crops. This could have produced in many countries an economic transformation to postsubsistence agriculture, while at the same time guaranteeing increased food self-reliance.

Social services and infrastructure investment spurred by the apparent commodity export boom of the early 1970s, was replaced by the mid-1980s by enormous debt service obligations and macroeconomic adjustment programmes. This debt burden has increased significantly since the mid-1970s; by 1987, debt outstanding was nearly $129 billion, up from only $20 billion in 1975. By 1986, debt service represented about 45 percent of African export earnings, effectively stifling much potential for renewed economic growth.

In many countries, salaries now constitute an unacceptably high share of government expenditures (70-85 percent), while essential investment has dwindled to less than replacement levels. Social indicators in many countries of Africa have stagnated or even declined (except for immunization rates in some countries) during the 1980s, and subsidized services remain untargeted on the poor and tend to be disproportionately captured by the wealthier classes. Primary education, sanitation and potable water services, and basic health care have not been provided by African governments at levels sufficient to match population growth, because of the crowding-out effect of salary expenditures for oversized parastatal and government bureaucracies, urban social services and infrastructure, and more recently debt service obligations.

2.2. Who Are the Poor?

Comparatively speaking, most African populations are poor by world standards. Moreover, the United Nations Development Programme (UNDP) distinguishes various categories of poor: the chronic poor at the margin of society, constantly suffering from deprivation; the borderline poor, who are occasionally poor during the year because of employment insecurity; and the newly poor, victims of budgetary austerity under structural adjustment (UNDP, 1990). These distinctions are important in the targeting of poverty reduction actions within the context of an overall poverty reduction strategy for the African Development Bank.

The concern here is to identify the absolute poor, that is that portion of the population in various countries with income per person too low to afford 2,250 calories per day or basic nutritional needs (Lipton, 1988). Although varying substantially from country to country, a generally accepted per capita income level for assuring nutritional adequacy is about $370 — adjusted for purchasing power parity. This line is, of course, arbitrary and represents a proxy indicator for serious material deprivation.

The identification of an even lower level of poverty based on an annual income of $275 per capita defines the extremely poor, or "ultra-poor." Both levels define poverty in absolute terms compared to relative income levels based on country income or consumption deciles or quintiles. Distinguishing between two poverty lines for poor and extremely (or ultra) poor can be useful in ranking potential projects for their likely contribution to poverty reduction.

According to the *World Development Report* for 1990 (World Bank, 1990a), about 47 percent of the population in most African countries is poor (30 percent extremely poor). This proportion shrinks to 30-35 percent (15-20 percent extremely poor) in North Africa (World Bank, 1990b). On the other hand, this percentage rises above 60 percent for Mozambique, Ethiopia, and the Sudan.

Poverty is more than dietary deficiency (see Box 2-1) and includes lack of access to minimal health and education services, potable water, family planning information, agricultural extension, and roads and transportation. Absolute poverty is consequently primarily a rural phenomenon, low incomes resulting from inadequate economic, educational, and health opportunities that tend to perpetuate such fundamental deprivation and powerlessness. In much of Africa, about 90 percent of absolutely poor households are rural and often headed by females, because the best alternative for many is urban migration by adult males. Urban poor households comprise about 10 percent of the total in Africa, but this proportion varies considerably by country (Green, 1991). Because 75 to 80 percent of African households are rural, this translates to an absolute poverty level of 37 percent in rural areas and 18 percent in urban zones (Green, 1991). In North Africa, absolute poverty proportions for rural and urban households are about half those for the rest of Africa.

Rural poor households tend to possess inadequate and not very productive land. In addition, they lack external sources of income, such as remittances from family members abroad or in urban areas. In much of Africa, a high proportion of such families are female-headed. Such families cultivate relatively limited amounts of cash crops and are often obliged to sell much of their food crop immediately after harvest to repay debts incurred during the lean season and to meet other cash outlays.

Female-headed households suffer from labor, land, and capital constraints, while income from artisanal and off-farm labor is hampered by smaller family size and women's dual workload (domestic and productive). Children particularly suffer nutritional, educational, and health care deprivation in these families. Obviously war, drought, and famine compound these difficulties to the point of substantial survival risk. The impact of AIDS on women, furthermore, is particularly severe, since they must care for themselves and other sick family members, while continuing to perform domestic chores and raise food crops. Safeguarding women's health can generate enormous social and economic benefits in Africa in the future.

Urban poverty in Africa is growing as rural development fails to materialize and living standards worsen in the face of a rapidly growing population, itself in part an attempted adaptation to economic and social deprivation. Urban squatter and slum settlements are burgeoning in Africa, and conditions for new immigrants have worsened during the years of subsidy removal under structural adjustment. Urban poor households tend to have but one income source, do not have access to formal sector employment, and are often female-headed, although less so than in rural areas (except for North Africa, where the reverse is true).

The high concentration and greater visibility of petty income-generating activities in urban areas have tended to render these virtually synonymous with the informal private sector. About 75 percent of new entrants into the labor force between 1980 and 1985 in Africa were in the informal sector (UNDP, 1990). This sector, however, can include many rural artisanal and off-farm income activities, as well as more important urban-based construction, transportation, and marketing firms.

BOX 2-1

CHANGING CHARACTERISTICS OF POVERTY IN AFRICA

Between 1970 and 1990 the characteristics of the poor in Africa have shifted and they are now increasingly:

More Likely to be:	Less Likely to be:
Female-headed households	Male-headed households
Women and children	Male adults
Living in resource-poor areas	Living in well-endowed areas
Urban or peri-urban	Rural
Refugees, displaced, or migrants	Settled
Unemployed	Underemployed

Source: Adapted from Lipton and Maxwell (1992).

Such firms, now commonly termed microenterprises, range in size from the entrepreneur alone to up to 10 or more employees. Organized extra-legally around family labor, microenterprises represent a rapidly growing adaptation to lack of formal economic opportunity. Cash flow from the microenterprise is normally commingled with other entrepreneurial sources of family income. In many places, the household can often be understood more properly as "a collection of individual survival strategies" (Schmink, 1984).

Women face particularly difficult conditions as single heads of families, because they often cannot inherit or own land, thus eliminating land as production loan collateral, while they suffer from labor shortage on their husbands' plots and must supplement homestead income by renting their labor to neighboring farms. Their productivity is further constrained by the fact that extension agents, usually male, generally have little contact with women farmers. Finally, educational levels of rural African women are low, adult females having a literacy rate of about 60 percent that of males.

Primary education of girls is highly correlated with the quality of child care and the lowering of fertility and population growth rates. The extremely poor access by girls to basic education services, particularly in rural areas of Africa, feeds a cycle of ignorance leading to unacceptable infant and child mortality rates, inadequate nutrition of family members, low labor productivity, and continued high fertility and increasing household size on a fixed, often deteriorating, resource base.

The reliance on family or hired labor to generate value added in farm production — nearly 80 percent of total value added in African smallholder agriculture — testifies to the low level of capitalization of agriculture and reinforces the desire for large family size. Fertility is in consequence highest in rural areas. This in large part explains that, while population increased in much of Africa by 100 percent between 1965 and 1987, real GDP per capita declined by about 18 percent.

African fertility has remained basically unchanged at 6.6 live births for the last 25 years (World Bank, 1990c). Fertility may, in fact, have risen in recent years, testimony to the need for children in subsistence agriculture, where children's labor is the only asset easily obtainable.

2.3. Structural Adjustment and Poverty

By the mid-1980s, economic growth in most countries of Africa had stalled or turned negative, and structural adjustment programmes were launched to address macroeconomic imbalances caused by declining commodity prices, rapidly increasing debt burdens, and untenable domestic fiscal and monetary policies. The economic structure erected after independence to promote national sovereignty and to provide for the needs of newly enfranchised populations no longer functioned adequately to ensure national development. In fact, a bureaucratic and leadership elite, including a co-opted portion of formal sector skilled labor (unionized), had increasingly separated themselves from the bulk of the population, which remained underdeveloped economically and educationally, and in their access to basic social services.

During the 1980s, thus, the absolute and relative number of poor increased steadily, and their degree of poverty, measured by income per capita, intensified. The poor reacted to decreasing economic opportunities in part by increasing the number of children, aided by the success of vaccination campaigns in reducing infant and child mortality.

Structur.. adjustment initially stressed stabilization and demand management, while relying on price policy to stimulate factor shifts to higher-value uses. Although demand management could be enacted rapidly through fiscal and monetary policy, supply-side measures, such as devaluation, trade deregulation, and price liberalization, worked more slowly than had been expected. This was because most African countries did not have the productive, marketing, infrastructural, and institutional organization required for rapid adaptation to price signals and new productive opportunities.

Governmental cuts in social services and investment in necessary infrastructure repair or construction fell heavily on the poor in those countries where such services were not already biased toward higher-income, urban households, but it is generally felt that the situation today would be worse without adjustment programmes in place. Some believe that real negative impacts of economic policy reform on the poor during the 1980s were minimal (Sahn, 1991). Although the distributional impacts of adjustment policies are not yet fully understood, it is clear that there has been inadequate poverty-targeting focus in government expenditures in the health, education, and agriculture sectors under adjustment, even where these budgets have kept their traditional levels. The bias on the provision of services to the urban middle and upper classes continues to the present, notwithstanding recent compensatory efforts by donors and governments under the Social Dimensions of Adjustment project (UNDP/ADB Group/World Bank).

2.4. Why the Concern with Poverty?

The existence of well over one-third of the total population of Africa in a state of economic and social deprivation so severe that they cannot always meet their basic nutritional needs is unacceptable to African governments and to the multilateral and bilateral donor banks and agencies. Moreover, the problem includes deprivation other than mere income, extending to adequate preventative (potable water, immunization) and curative health care, access to basic education (literacy and numeracy at a minimum), basic technologies for increasing productivity and yields in agriculture, and deregulation policies for individual enterprises of all types. Such deprivation, furthermore, may affect far more than the absolute poor, although for them it tends to create a downward spiral of increasing marginalization.

The exclusion of this population from adequate nutritional levels condemns them to short life expectancy and high infant and child mortality rates. It also excludes them from joining in the process of national economic development. In many places in Africa, the informal sector is estimated to represent up to 60 percent of total economic product, yet it is constrained by repressive policies and lack of organizational opportunity. Although informal sector activity is not synonymous with absolute poverty, it is a by-product of formal sector rigidity, resulting in continued division of a constant or contracting economic base, rather than renewed growth.

The concern to incorporate the poor in African economies makes both social and economic sense; future socioeconomic progress in Africa cannot continue to the exclusion of increasing segments of its population. The multiplier effects of increasing the skills, health, productivity, and ultimate production of the absolute and relative poor should alone be sufficient to relaunch self-sustaining, economic growth in Africa.

Beyond the concern to spur renewed growth, the elimination of absolute and relative deprivation will alter the vicious cycle under way in Africa of population growth, increasing poverty, and environmental damage. The African population is now doubling every 22 years; it has quintupled since the beginning of the century (McNamara, 1990). Population growth, rather than an accident of poverty, is increasingly seen as an attempt by the poor to increase their survival opportunities, particularly those families with few or no other assets than their labor. Short-term survival strategies of the increasingly impoverished rural populations of Africa are leading inexorably to long-term or permanent environmental damage, particularly evident in the deforestation of many regions, resulting in the erosion of topsoil and an inevitable fall in productivity in the absence of purchasing power for chemical inputs. The problems of smallholder agricultural productivity, rapid population growth, poverty, and environmental destruction are linked and require an integrated package of remedial measures for solution.

Women are at the nexus of the population, agriculture, and environmental crises in Africa, since they produce from 60 to 80 percent of food crops, gather the fuelwood, and produce, care for, and educate children. In some regions of high male outmigration, female-headed households may comprise 50 percent or more of total rural households (World Bank, 1990c). In spite of their crucial role in household provisioning and management, women have been neglected in human resource development; this is particularly evident in low levels of educational achievement in most areas and lack of access to agricultural extension services, which have tended to focus on male-managed cash crops. Women and their children constitute a disproportionate share of the absolute poor in Africa.

2.5. Why So Little Progress in Poverty Alleviation?

The alleviation of poverty has remained intractable in spite of numerous efforts to address the problem. According to Lipton and Maxwell (1992), development models and donor approaches have over the years emphasized:

- Growth through industrialization in the 1950s;
- Agricultural intensification to fuel growth coupled with human capital development in the 1960s;
- Redistribution with growth in the 1970s;
- Structural adjustment, shrinking the state, and private sector development in the 1980s; and
- Poverty reduction with growth in the 1990s.

In cyclical manner, paradigms of development have alternated, while poverty has continued to deepen. From the community development schemes of the 1950s and early 1960s through the trickle-down approach of the 1960s and early 1970s, to the basic needs and integrated rural development projects of the 1970s and early 1980s, poverty continued to widen and deepen, and eventually growth itself stalled in Africa. The stabilization and demand management measures taken by the heavily indebted countries may have halted the downward slide, but it also accentuated the increasing poverty of the African masses.

The role of the multilateral banks, particularly of the African Development Bank, has traditionally been to capitalize national growth efforts, assuming that countries understood the best uses of such investment capital. Up to the present this has meant allowing regional member countries the luxury of defining growth and development for themselves.

It now appears that for many countries, capital-intensive, import-substitution strategies favoring urban industry and specialized export crops in rural areas may have operated to exclude large numbers of traditional subsistence farmers and their families, whose agricultural practices, productivity, and marketing linkages were largely ignored by government investment schemes and policy formulation. In virtually all African countries, macroeconomic policy came to favor urban-based industry and a small, virtually all African countries, macroeconomic policy came to favor urban-based industry and a small, privileged formal sector labor force, whose unions, while apparently in opposition to management, in fact had been largely co-opted into an increasingly isolated national economic structure.

The trickle-down paradigm of national economic growth has been paralleled over the years by a top-down governmental power and technocratic structure, which sees the peasantry and the urban poor as wards to be informed of appropriate roles and tasks in the process of national development. There has been a concomitant lack of popular participation in the provision and maintenance of public services. This is a common and widespread phenomenon in Africa and results in an apparently passive, even apathetic, population. Without effective dialogue between the population and governmental agencies, the "needs" of the poor will continue to be defined by the rich.

Flowing directly from the general absence of democratic institutions and processes and closely related to the growth of inefficient, overstaffed bureaucracies is the issue of governance. It is increasingly apparent that lack of good governance has had a powerful braking effect on national economic development and on programmes to assist the increasingly visible poor.

Governance signifies the management of the affairs of state, not the actual processes of democracy. The latter requires an educated populace imbued with the values and practices of democratic interaction and choice. Governance implies an efficient, honest civil service capable and willing to administer the laws and regulations of society. Building democracy may take a generation in Africa, while improving governance in an open and transparent manner should have powerful impacts on national development in the short term.

The burgeoning of the administrative apparatus in most African countries occurred in parallel with diminishing budgetary resources, leading in many cases to disporportionate allocation of resources to salaries when compared with resources going to investment and purchase of materials. Policies of guaranteeing governmental positions to graduates of high schools and universities, now generally curtailed, swelled the ranks of the resource-starved civil service. Technical capacities, however, failed to improve because of the lack of continued technical training and experience in the field.

Compounding the problem, donor projects began to co-opt the best of these civil servants, providing resources tied to specific, time-constrained endeavors and removing these resources at will. Eventually the classic dependency of many ministries on donor resources spread to much of the continent. Donors agencies eventually became part of the bureaucratic inability to channel resources to raise the standard of living of the poor.

Other factors constraining attempts to reduce poverty in Africa include rule by military elites; ethnic strife; civil wars; economic, political, and increasingly financial dependence on former colonial powers (and allied institutions); sometimes self-serving foreign technical and financial assistance; and lack of regional political or economic integration. All have contributed to braking growth and limiting human development.

Lack of progress in the struggle to reduce poverty comes from more than faulty development models, governmental policies, self-serving national and donor bureaucracies, and lack of popular participation in development efforts. It stems also from lack of consensus on what constitutes the dimensions of poverty and how these are related. Any strategy to reduce poverty must first define its salient characteristics and fundamental causes.

On the other hand, designing appropriate interventions to address the causes and symptoms of poverty is a difficult art in itself. There is no clear-cut approach to poverty reduction, but it seems obvious from past history that any such approach must combine the best from past strategies in an integrated, multisectoral approach and target both the short- and longer-term causes of human deprivation, focusing on salient relationships or nexuses to achieve greatest cost efficiency. Many of these nexuses are already evident: one of the best known is the multiplier effect on household income, children's early education, fertility, and population growth of focusing resources on the basic education of girls.

The African Development Bank has already begun to shift its loan portfolio and lending criteria toward a more bottom-up approach to the social and economic development of the populations of the regional member countries. The ADF-VI Lending Policy, adopted by the Board of Directors in October 1991, stipulates a three-dimensional approach to poverty alleviation: continued support to macroeconomic policy reform; interventions to raise the productivity of the poor, particularly in agriculture and food production; and investment in the provision of basic health care and primary education, including targeted safety net measures to counter the short-term effects of governmental budgetary austerity under stabilization and structural adjustment.

This strategy for poverty reduction, the latter now defined as "the main aim of Fund development activities in borrowing countries," is to cross-cut sectors and include population programmes and promotion of income-generating opportunities. It is expected to combine various sectoral approaches into an integrated country-specific strategy.

3. CURRENT BANK GROUP EFFORTS IN POVERTY ALLEVIATION

3.1. Background and Bank Group Problems in Reaching the Poor

3.1.1. Background

During the 1970s and early 1980s, external financial flows to Africa increased significantly, particularly to low income African countries, reflecting continued confidence on the part of export credit institutions and commercial banks in the growth potential of African economies. As African economies suffered economic setbacks, particularly in the 1980s, investors became less willing to commit their resources. The result has been severely reduced growth in Africa at a time of continued high population increase.

Both multilateral and bilateral donors have increased foreign assistance during the last decade to compensate for lack of private investment. Addressing poverty alleviation has become a central theme of discussion between the donor community and the Bank Group, as well as an important dimension of policy dialogue between the Bank and governments of its borrowing countries. Although ". . . Africa's share of world-wide official development assistance doubled over the past 15 years to 36 percent of the total, its people only comprise 12 percent of the population in developing countries. At $15 billion per annum, net official development assistance accounts for 12.5 percent of the region's GDP."[1]

If properly used, these resource flows could be expected to have significant impact on the development process. In spite of such large contributions of foreign assistance, however, many projects and programmes have not reached the poor. A combination of internal and external factors have contributed to the relatively low sustainability of many of these efforts.

3.1.2. Bank Group Problems in Reaching the Poor

Detailed information from project evaluations is needed to assess the Bank Group experience in reducing poverty. Such information can be found in an Operations Evaluation Office (OPEV) analysis of projects undertaken during the 1980s in water supply, women in development, rural development, and health and education.

According to the OPEV study, the most serious project implementation problems generally originate at the design stage. Inadequate preparation, especially the lack of detailed feasibility analysis prior to appraisal, has led to numerous implementation problems with resulting delays, cost increases, and reduced benefits. In agriculture, for example, there have been instances where farm machinery has been inappropriate to the farming systems of project areas. Experience also shows that some agricultural projects have been designed based on outdated or unreliable agronomic information (for example, Afgoi-Mordile in Somalia).

[1] Statement by Babacar Ndiaye, President of the African Development Bank, at the London Conference "Africa in 2000," held in January 1992.

Insufficient attention paid to project institutions and beneficiaries also explains why some project benefits were not sustainable. Inadequate institutional capacity in project implementation is due less to lack of funds than to inefficient use of funds. One of the underlying causes of such institutional inadequacy is that technical assistance to African governments has sometimes been used less as a technology transfer mechanism than as a simple substitute for scarce local manpower. Consequently, aid has contributed less than it should to institution building in recipient countries.

Another common cause of implementation problems is that the Bank, as well as other donors and borrowers, has too often neglected sociocultural and political factors in project areas and has not been sufficiently aware of the important role that the poor themselves can and should play in initiatives designed to assist them. Experience shows conclusively that attention to the organization of beneficiaries in agricultural projects has contributed to the attainment of objectives. For example, a rice development project in Madagascar included a farmers' association subcomponent to ensure financial and environmental sustainability.

Because no baseline indicators have been formulated during project design, it has usually been difficult to monitor the impact of poverty-oriented projects over time. For example, although transportation projects have improved mobility of goods and passengers, volume of regional trade, creation of job opportunities, and access to social services, the specific impact on the poor has often not been analyzed. There is need to improve the collection of socioeconomic data and to employ relevant information to increase efficiency in the planning and management of projects and programmes.

One lesson that stands out is that success or failure in lending programmes depends on actions of both the Bank and recipient countries. Commitment of the government to help the poor is critical to achieving the project's objectives and priorities. For example, in the public utility sector a combination of insufficient support by the borrowers and lack of economic and social analysis by the Bank has resulted in the development of electricity and water supply projects inadequately adapted to local needs (Mauritius Port Louis Sewerage project and Lesotho Maseru Water Supply project).

3.2. Recent Poverty Alleviation Efforts

3.2.1. The ADF-V and ADF-VI Mandates

It was at the negotiations for the fifth replenishment of the African Development Fund (ADF-V - 1988-90) that the issue of poverty alleviation drew increased interest. The Bank recognized that underlying goals for practically all assistance should be "meeting the primary needs of the poorest sections of the population in low-income countries; fostering employment creation and increased incomes"; as well as "eliciting or promoting the direct involvement of the ultimate beneficiaries, including women, in the design and implementation of projects and programmes." It was also agreed that a set of indicators would be developed to monitor quantitatively the progress of the poor over time. Although some first steps were taken to address poverty reduction issues through reallocation of funds in the lending portfolio in favor of the social sectors, it has been difficult to track the intrasectoral distribution.[2] Focus also shifted towards addressing women's concerns in project design. Although traditionally the concern of general development projects, a shift in approach is being adopted whereby women-specific projects are being prepared. Presently, 11 such projects are under preparation. In spite of these initial

[2] ADB, "Towards an ADF Strategy on Poverty Alleviation," August 1991.

efforts, adequate monitoring and evaluation methodologies and techniques have still not been adopted by the Bank Group to identify the vulnerable groups or measure the impact of these new interventions on the poor.

The recently approved ADF-VI Lending Policy for 1991-1993, re-emphasized the need for placing poverty alleviation concerns in the center of all development activities in the borrowing countries. ADF-VI pursues the original poverty reduction objectives initiated under ADF-V, including the development of a set of key monitoring indicators, but broadens its scope to include two additional poverty reduction actions aimed at:

- Supporting human resource development, including the participation of women; and
- Contributing to the improvement of the environment.

3.2.2. Efforts at Donor Coordination

The proliferation of structural adjustment programmes in the 1980s in Africa was accompanied by a growing concern among African governments and the donor community regarding the effect of these programmes on the poor. The supply response to structural adjustment policy reforms and the participation of the poor in that response were issues of particular concern. It was recognized that the linkages between policy reform and the living conditions of households are complex. A better methodological and empirical understanding of macro-micro linkages and group-specific welfare consequences of adjustment processes were deemed necessary. It was hoped that this would lead to insights on how to design a new generation of adjustment programmes that would explicitly incorporate social dimensions and poverty alleviation concerns.

Because of Bank recognition of the importance of coordinating actions with other agencies in addressing social issues, the African Development Bank joined the World Bank and the United Nations Development Programme to launch the Social Dimensions of Adjustment (SDA) Programme in May 1988. The World Bank was designated as the executing agency for the programme. To date, all SPA countries, as well as Egypt, have formally joined the programme, and several official requests are currently pending. The Bank Group participates in SDA activities in 13 countries and has contributed US$2.5 million, including the secondment of a Senior Economist to the World Bank, to the total programme cost of US$20 million.[3] Other co-financiers are IDA, IBRD, and Germany.

The SDA programme currently provides support to participating countries in four areas. First are activities designed to make macroeconomic and sector policy management more sensitive to the needs of poor and vulnerable groups. Poverty issues, for example, have been directly integrated in the design of the Zimbabwe SAL (Box 3-1) and Equatorial Guinea SAL III. Second, social action programmes and social funds have been implemented to mitigate the adverse impacts of policy-based lending on the poor (in Somalia, Cameroon, Zambia, and Central African Republic). Box 3-2 provides an example of joint donor coordination in such a programme in Somalia. Third, programmes have been implemented to strengthen national statistical systems in the identification of targeted population groups through the development and implementation of household surveys (for example, in The Gambia and Mauritania). Finally, activities have been undertaken and are under discussion to support institutional development and

[3] The 13 countries are Burkina Faso, Cameroon, Central African Republic, Guinea, The Gambia, Madagascar, Malawi, Mauritania, Sao Tome, Somalia, Tanzania, Zambia, and Zimbabwe.

BOX 3-1

ZIMBABWE — RECENT BANK EXPERIENCE IN STRUCTURAL ADJUSTMENT PROGRAMMES WITH A SOCIAL DIMENSION

Economic Structural Adjustment Program (ESAP) and Social Dimensions of Adjustment (SDA) Program. The proposed 125 million UA ADB adjustment loan and 5 million UA ADF loan are intended to support the efforts of the government in implementing the macroeconomic reforms and restructuring measures to enable the economy to attain the required 5 percent level of real growth and become self-sustaining. The proposed ESAL will be in the form of quick disbursing funds to enable the country to expand capacity utilization and production of tradeable goods, which in turn will improve the country's balance of payments position. The SDA component has been directly incorporated into the ESAL to mitigate the potentially adverse effects of the ESAP on the vulnerable sections of the community, particularly the poor in both rural and urban areas.

Poverty Impact: The SDA component consists of a Social Development Fund (SDF), which was established by the government to support social welfare measures, and employment and income generating activities. The SDF will finance a variety of actions such as the provision of training and skills development of the poor and vulnerable, credit to small-scale enterprises in employment and income generating undertakings, food subsidy for the poor, and free education and health facilities for those below the income threshold of Z$400 per month. The SDA component also includes a survey subcomponent to help identify who the poor are, why they are poor, and where they are concentrated; and design a poverty assessment and monitoring system.

BOX 3-2

LEARNING FROM THE SOMALIA SOCIAL ACTION PROGRAMME DESIGN

The Somalia programme is a good example of the potential benefits of joint collaboration between donors (IDA, the Swedish International Development Agency, ADF) and local NGOs.

The programme, is a component of the Second Agricultural Sector Adjustment Program and also an integral part of the national poverty reduction strategy, and was established with an initial $2.7 million financed by the World Bank. Sweden will provide an additional $1.0 million to support the program. In May 1990, Bank staff appraised the SDA component and plans to finance activities related to institutional strengthening in data collection and selected policy studies. Although the initial program was shown to be successful in assisting NGOs in their efforts to meet the needs of target groups at the community level, activities were brought to a halt because of political upheaval.

Poverty Impact: By financing small, targeted projects proposed and implemented by NGOs and community organizations, the Social Action Program seeks to ease the short-term burden placed on the poor by the removal of subsidies, cost-of-living increases, and the layoffs caused by the break-up of parastatal corporations. At the end of 1990, some 40 small project proposals (not exceeding the ceiling of $50,000) had been received. The four completed projects included a program for training women tailors, the rehabilitation of the gates of an irrigation canal, and the drilling of a well at a hospital in Mogadishu. The six projects in the pipeline involved other multidimensional components. The funding was arranged through a Social Action Fund, which had access to a special account in the Central Bank of Somalia. It was envisaged that other donors would contribute to the Fund at a later stage and that it would be a revolving fund based on partial cost recovery.

training (for example, in Burkina Faso, Malawi, Sao Tome, and Chad). On most occasions, however, SDA activities involve multidimensional interventions blending these four priorities and require, to the greatest extent possible, the participation of nongovernmental and community organizations in the design and implementation of subprojects (see Table 3-1).

Since late 1990, the Bank has also organized jointly with the World Bank a series of seminars focusing on poverty. In these seminars, Bank staff have been instructed in the preparation of projects that address the issue of beneficiaries and social dimensions in future project design. The latest in the series, entitled "Economics of Poverty," was held in July 1992 at Bank headquarters in Abidjan.

In health, the Bank has collaborated with other donors in launching the Bamako Initiative, which promotes affordable, accessible, and decentralized health care services with increased community participation, and interagency collaboration on a country and worldwide basis in statistics and social indicators.

In agriculture, a cooperation agreement has been signed between the Bank Group and the United Nations Food and Agricultural Organization (FAO), which supports the Bank's commitment to improving lending operations to agriculture.

3.3. Volume and Composition of Current Efforts

The African Development Bank Group has three lending windows with which it can direct resources to poverty alleviation. The African Development Bank mobilizes nonconcessional funds to finance activities predominantly in the countries classified as high and medium per capita income, whereas the African Development Fund directs concessional resources to low income countries. Over the past decade, ADF commitments to the 33 poorest African countries — those with per capita income below $510 in 1989 — increased slightly from 80 percent of the total ADF-II Programme (1979-81) to 90 percent in the ADF-VI Programme (1991-93). The Nigerian Trust Fund (NTF), created in 1976, rounds out the African Development Bank Group.

In order to ensure that the policies set forth during window replenishment negotiations are adhered to, and that appropriate levels of management and financial resources necessary to implement guidelines are marshalled, the Bank Group formulates a Five Year Operational Plan (FYOP). The Bank is currently in its third FYOP which covers the period 1992 to 1996.

TABLE 3-1

ADF/TAF SUPPORT TO SOCIAL DIMENSIONS OF ADJUSTMENT PROGRAMME *

Country	US$ Million		Approval Year	Activity
	Commitment	Approved		
Burkina Faso	1.0		1992	Institutional Strengthening
Cameroon	16.0		1990	Social Action Programme Employment Fund
C.A.R.	4.0	2.2	1991	Social Fund & Training
Guinea	1.9			Social Fund cum SAL III Institutional Strengthening
The Gambia	2.6	2.6 TAF	1988	Survey Institutional Strengthening
Madagascar	1.9	1.9	1991	Social Action Institutional Strengthening
Malawi	1.8			Institutional Strengthening
Mauritania	0.8			Survey Institutional Strengthening
Sao Tome **	1.0			Social Fund & Training
Somalia ***	3.8			Social Fund cum WB Agr Sect Adj Loan
Tanzania	2.0			Social Action Programme
Zambia	1.5			Employment Fund
Zimbabwe	6.0	6.0	1991	Social Fund cum SAL Training
Total	44.3	12.7		

* Output is based on interviews with the ADB coordinator for SDA activities.

** SDA component is currently under discussion

*** SDA activities suspended until the political situation is resolved

3.3.1. Regional Member Country Allocations

The volume of Bank lending to regional member countries has until now been largely determined by a country's population size and national income level. The Bank Group is, however, currently developing performance criteria for determining country ADF allocation of resources. These criteria will reflect a country's macroeconomic performance and are expected to take into account relative poverty as measured by the level of per capita gross national product. During 1987-1991, country allocation indicative targets were set so that 30 percent of ADB resources and 90 percent of ADF resources would be allocated to Category A — the poorest countries. In addition, Category A countries benefitted from 60 percent of the allocated NTF resources (Table 3-2).[4] The actual amounts for the poorest countries between 1987-1990, however, were substantially below the ADB estimates, fell slightly short of the ADF projections, and exceeded the NTF expectations. The FYOP.2, which was formulated in the context of the serious economic crisis in which Africa found itself in the mid-1980s, explicitly called for a concerted effort to bring about recovery and growth. Increased resource transfers would contribute to improving the investment rate and directing funds towards the priority sectors — particularly agriculture, including rural development and social sectors — was reemphasized.

TABLE 3-2

COUNTRY ALLOCATION OF RESOURCES, 1987-90 *
(IN PERCENTAGE)

Classification	Target			Actual		
	ADB	ADF	NTF	ADB	ADF	NTF
"A" Countries **	30.0	89.5	60.0	19.6	87.1	85.0
"B" Countries	50.0	10.2	30.0	50.5	9.2	13.3
"C" Countries	20.0	0.3	10.0	28.4	0.3	1.7
Multinational	-	-	-	1.5	3.5	-
Total	100.0	100.0	100.0	100.0	100.0	100.0

* Respective country shares of ADF allocations for project and program lending and for technical assistance (including institution building). Under FYOP.3, there will be no country classification targets for ADB, ADF and NTF targets remain largely unchanged with 90 and 80 percent of resources allocated to A countries, respectively.

** Classification of countries into three groups is based on per capita GNP income: A less than US$510; B between US$511 and US$990; C greater than US$990.

[4] For more details on country classification please refer to Table 3-3.

TABLE 3-3

REGIONAL MEMBER COUNTRIES CLASSIFICATION BY
PER CAPITA GNP AND CATEGORY
(1989 DATA)

Country	GNP per Capita
Category A: GNP per Capita less than US$510:	
Benin	380
Burkina Faso	310
Burundi	220
Central African Republic	390
Chad	190
Comoros	460
Djibouti	270 *
Equatorial Guinea	430
Ethiopia	120
Gambia	230
Ghana	380
Guinea	430
Guinea-Bissau	180
Kenya	380
Lesotho	470
Liberia	450 *
Madagascar	230
Malawi	180
Mali	260
Mauritania	490
Mozambique	80
Niger	290
Nigeria	250
Rwanda	310
Sao Tome and Principe	360
Sierra Leone	200
Somalia	170
Sudan	340 *
Tanzania	120
Togo	390
Uganda	250
Zaire	260
Zambia	390

Table 3-3 continued

Country	GNP per Capita
Category B: GNP per Capita between US$511-US$990:	
Angola	620
Cape Verde	760
Congo	930
Côte d'Ivoire	790
Egypt	630
Morocco	900
Senegal	650
Swaziland	900
Namibia	989 **
Zimbabwe	640
Category C: GNP per Capita above US$990 or have renounced rights to benefit from ADF financing:	
Algeria	2170
Botswana	1733 ***
Cameroon	1010
Gabon	2770
Libya	4854 ***
Mauritius	1950
Seychelles	4170
Tunisia	1260

Source: The World Bank Atlas 1990 except figures marked with an asterisk (*) which were communicated separately from the World Bank.

** The figures for Namibia are still tentative; for this exercise a notional figure of US$989 has been used.

*** Bank estimates.

Although indicative targets are set for the Bank Group at the time of five-year plan formulation, the three-year rolling "Indicative Lending Programme" paves the way for the activities of the African Development Fund. Under ADF-VI, country allocations specifically reflect performance on short- and medium-term economic management, as well as governments' efforts to improve the level of education, health, nutrition, food security, family planning, water supply, housing, labor market reform, and efficient employment generation. However, current ADF country allocation criteria are only a benchmark to assist the Fund in the distribution of concessional funds in a uniform fashion and their use has limitations. Poor countries like Sao Tome and Principe, Guinea Bissau, or Equatorial Guinea receive relatively small proportions of assistance, whereas Nigeria, Ethiopia, Mozambique, and Zaire absorb large amounts of ADF funds, regardless of poverty alleviation efforts. Zambia is an example of a country that has already exhausted all its ADF-VI allocation.

It seems clear that in some instances ADF-VI directives conflict with appropriate resource allocation and that other types of indicators should be used to quantify country performance criteria. It is largely for this reason that a country's efforts in incorporating poverty reduction measures into its national policies, public expenditures, and institutional objectives need to be taken into account during the resource allocation exercise. In addition, the existing eligibility criteria for additional allocation (20-25 percent) based on good performance could be expanded to support a borrowing country's commitment to poverty reduction. Serious attempts to improve country poverty reduction performance can form part of the basis for requesting policy-based lending in support of national reform and adjustment.

3.3.2. Sectoral Allocations

Current Bank operations reflect an increased effort to remove the two basic constraints facing the poor:

- Those that concern their human resource endowment — health, family planning, nutrition, and education; and
- Those that concern the external environment in which they work — their access to and control over assets, resources, inputs, and services that determine the productivity of their work and strengthen their own control over the fruits of their labor.

The Bank has for some time been committed to increasing its lending for sectors widely considered to offer the most direct benefits to the poor, notably agriculture, education, and health. However, agriculture's share of ADF approvals decreased from 30 percent under ADF-III to 27 percent under ADF-V, slightly increased for education from 9 to 10 percent, and remained constant for health (Table 3-4). Allocations to the transportation and public utility sectors declined significantly in favor of multisectoral loans.

TABLE 3-4

SECTORAL DISTRIBUTION OF ADF LOAN AND GRANT APPROVALS, 1982-90
(IN PERCENT, 3-YEAR AVERAGE)

Sector	ADF-III 1982-84	ADF-IV 1985-87	ADF-V 1988-90
Agriculture	30.5	35.5	27.0
Industry	3.6	.8	5.0
Transport	25.3	14.0	20.1
Public Utility	19.5	20.8	11.7
Development Banks	2.5	8.5	2.5
Education	9.0	8.9	10.4
Health	6.8	5.3	6.9
Multi-sectoral	2.7	6.1	16.4
Total	100.0	100.0	100.0
Total Approval - in FUA '000 (3 years)	1,091,080	1,543,233	2,250,010

Source: African Bank Compendium of Statistics, 1991

Admittedly, sectoral allocation data give only a rough indication of the Bank's effectiveness in reaching the poor. Syntheses of the types of detailed analyses contained in individual evaluation reports are necessary to determine more accurately the impact of lending operations on poverty reduction.[5]

The Bank is now taking an active stand in addressing poverty issues in its current portfolio. Table 3-5 rates the most recent and planned Bank interventions through June 1992 according to whether they contained no, brief, or significant mention of poverty issues, actions, and recommendations. The large majority of projects approved since early 1992 are either in agriculture or the social sectors and support the ADF-VI poverty reduction objectives: fostering employment creation and increased income (for example, Emergency Recovery and Reconstruction Project in Ethiopia); supporting human resource development (the integrated Human Resource Project in Cote d'Ivoire focusing on health, population, family planning, education, training, and employment); and promoting the direct involvement of the ultimate beneficiaries (see Box 3-3 on the Green Zones Women-in-Development Project in Mozambique). The combined allocation targets for Fund operations affecting agriculture and social sectors have been raised from about 50 percent under ADF-V to 60-65 percent of total commitments under ADF-VI (Table 3-6). No indicative figures have been set for the other sectors.

3.3.3. Policy-Based Lending

In the past, the Bank Group has primarily operated as a project lending institution. However, without an adequate policy framework, projects explicitly intended to reduce poverty were often undermined by sectoral and macroeconomic policies, such as price policies in the agricultural sector and social policies benefiting the urban population. Consequently, it has been recognized that adjustment operations may be appropriate vehicles to establish the foundation for sustainable growth, as well as to ensure the consistency of country policies with long-term reduction of poverty.

The allocation of resources between policy-based and project lending follows the general guidelines set for ADB and ADF. During the mid-1980s, 20 percent of both ADB and ADF resources were allocated to policy-based lending. Between 1987 and 1990, these figures were revised upward to 25 percent and 22.5 percent, respectively, to meet the increased demand for short-term balance of payment support and for complementary sectoral investments (Table 3-7). During ADF-VI, policy-based lending is not expected to exceed 22.5 percent of the total three-year replenishment resources.

Opinions diverge about the success of past adjustment programmes, but Table 3-8 clearly demonstrates the Bank's increased attention to macroeconomic and sectoral lending operations, which are designed to generate economic growth, while at the same time promoting human resource development. Since 1990, emphasis has been placed on agricultural sector and macroeconomic adjustment incorporating the social dimensions. It should be noted that in certain circumstances where adjustment programmes are already in place, compensatory programmes have been designed to deal with short-run, transitional impacts of adjustment operations on the poor. It is in this context that the SDA activities originated.

[5] The 1989 OPEV report is a model of the kinds of analyses that should be done periodically by Bank staff.

TABLE 3-5

1992 LENDING PROGRAMME AND POVERTY SENSITIVITY
APPROVALS FROM MARCH - JUNE 1992

Country and Project	Sec-tor	Source of Financing			Poverty Focus	
		ADB	ADF	TAF	Class	RT
Mozambique: Green Zones WID in Maputo	SO		5.11		2	F
Ethiopia: Basic Education & VET	SO		16.00		2	F
Ethiopia: Emergency Recovery & Reconstruction	AG		52.00		2	F
Gabon: Study on Livestock Development	AG			0.98	2	E
Multiregion: Onchocerciasis Control	SO			1.95	2	F
Benin: Cotonou Access & Transit Roads	IN	13.00			0	A
Equatorial Guinea: Structural Adjustment	MN	9.00			2	F
Madagascar: Fertilizer Production	IN		6.20	1.00	0	X
Malawi: Blantyre Water Supply & Sanitation Study	AG			1.00	2	E
Nigeria: Institution Strengthening to NACB	SO		5.00		2	F
RCI: Human Resources	SO	50.00	8.00		2	F
Angola: Education II	SO	20.00	16.00		2	F
Burkina Faso: SDA Institutional Capacity	SO			0.75	2	F

CLASS	Rating (RT)	Description
0	X	No mention of poverty issues
	A	Brief mention of poverty issues
1	B	Limited discussion, but no recommendation
	C	Significant discussion, but no recommendation
	D	General Policy recommendations, but no significant
2	E	Project-specific, but marginal actions/conditions
	F	Project-specific, and significant actions/conditions

BOX 3-3

SOME RECENT BANK PROJECTS ADDRESSING POVERTY ALLEVIATION

<u>Mozambique</u>: **Green Zones Women Cooperative in Maputo.** This FUA 5.1 million project aims to strengthen the capacity of the General Union of Cooperatives (UGC) to increase the productivity, income-earning potential, welfare, and social status of its 6,000 female members. The project focuses on women's access to land and credit, agricultural extension training, and transportation to improve their production of poultry broiler meat and vegetables. Potential land tenure conflicts were resolved prior to project design through government allocation of land to the women beneficiaries.

Poverty Impact: This project is of great importance for food security because it will have a major impact on the diet of a population vulnerable to periodic food price increases. Also, most of the returns from the many activities carried out by the UGC are invested in social programmes like schools and health facilities that benefit the entire local population.

<u>Mauritania</u>: **Rural Water Supply.** This FUA 8.4 million project intends to meet the water-supply needs of 218,000 people through establishment of 220 water points with pumping equipment in the south-east region. The project is developed in the context of the Second West African Economic Community water supply program and will be implemented in tandem with a pastoral water supply component financed by the Kuwaiti Fund for Arab Economic Development (KFAED).

Poverty Impact: This project should provide adequate water supply for the human and animal populations vulnerable to droughts. The program requires significant community participation, both technical and financial, which will be a selection criterion in the identification of borehole sites. Easier access to safe water will improve the pastoral region health conditions, and relieve heavy time constraints on women.

TABLE 3-6

PROPOSED SECTORAL ALLOCATION OF LENDING PROGRAMME, 1992-96
(IN PERCENTAGE)

Sector	Targets		
	ADB	ADF	NTF *
Agriculture	25-30	35-40	25.5
Industry	25-28	5-7	-
Transport	17-21	20-22	35.7
Public Utility	20-22	12-14	29.5
Social	5-7	20-25	9.3

* In the case of NTF funds the sectoral focus remains largely unchanged as compared to FYOP.2.

TABLE 3-7

LENDING INSTRUMENT ALLOCATION, 1987-90
(IN PERCENTAGE)

Instrument	Targets			Actual		
	ADB	ADF	NTF	ADB	ADF	NTF
Policy-based	20.0	20.0	-	25.0	22.5	-
Project-based	80.0	80.0	100.0	75.0	77.5	100.0
Total	100.0	100.0	100.0	100.0	100.0	100.0

TABLE 3-8

THE ADB STRUCTURAL ADJUSTMENT LENDING PROGRAMME
(IN UA MILLION)

COUNTRY	PROJECT	AMOUNT (UA million)	YEAR
MOROCCO	Agric. Sector Adjustment Programme	117.00	1987
NIGERIA	Export Stimulation Loan	180.00	1987
CONGO	Structural Adjustment Programme	40.00	1987
MAURITIUS	Industrial Sector Requirements	30.00	1987
TUNISIA	Industrial Sector Structural Adjustment	80.00	1987
ZAIRE	Petroleum Sector Programme	80.00	1988
GABON	Structural Adjustment Programme	45.00	1988
GHANA	Industrial Sector Programme	50.00	1988
COTE D'IVOIRE	Energy Sector Adjustment Programme	120.00	1988
MOROCCO	Structural Adjustment Programme	100.00	1989
TUNISIA	Structural Adjustment Programme	75.00	1989
KENYA	Industrial Sector Adjustment	30.00	1989
CAMEROON	Structural Adjustment Programme	100.00	1989
COTE D'IVOIRE	Agric. Sector Adjustment	115.00	1990
CAMEROON	Social Dimensions of Adjustment	9.44	1990
ZIMBABWE	Industrial Rehabilitation	100.00	1990
ALGERIA	Economic Reform Support	150.00	1990
KENYA	Agric. Sector Adjustment	12.00	1991
EGYPT	Structural Adjustment Programme	100.00	1991
TUNISIA	Agric. Sector Adjustment	90.00	1991
MOROCCO	Restructuring of Public Enterprise	75.00	1991
ZIMBABWE	Structural and Social Dimensions of Adjustment	125.00	1991
	TOTAL: 1987-1991	1823.44	

Source: ADB, Central Projects Department, 1992.

Total ADB/ADF support for adjustment programmes amounted to UA 1.8 billion during the 1987-1991 FYOP.2 period. During the FYOP.3 period (1992-1996), policy-based lending operations are estimated to represent a maximum of 20 percent of total ADB commitments and 22.5 percent of total ADF commitments, based on the assumption that the level of overall commitments will be sufficient to keep the reform process going (Table 3-9).

TABLE 3-9

PROPOSED LENDING INSTRUMENT ALLOCATION, 1992-96
(IN PERCENTAGE)

Instrument	Targets		
	ADB	ADF	NTF
Policy-based	17-20	20-22.5	0
Project-based *	76-87	63-74	100

* Project-based lending will be broken down into public and private investment. Up to 35 percent of ADB resources and 20 percent of ADF resources, respectively, will be allocated to the private sector.

3.3.4. Technical Assistance Fund

To facilitate the implementation of the policy-based and project lending operations, the Bank Group has introduced the ADF Technical Assistance Fund (TAF) with the objective of strengthening local capacity in project and programme preparation. TAF represents a maximum of 10 percent of ADF-VI funds, and the bulk of TAF resources will be channeled to the financing of project-cycle activities, particularly those related to project development. As poverty reduction types of operations tend to require in-depth analysis of target beneficiary groups, it is important that sufficient funds be allocated for this exercise. Procedures for the use of TAF have been included in the ADF-VI Lending Policy.

3.4. Constraints and New Approaches

3.4.1. Constraints

Although the efforts described above are a clear indication that the Bank is committed to designing and implementing poverty reduction operations, the Bank faces four major constraints:

- Operational, such as insufficient institutional guidelines and lack of poverty indicators;
- Financial — poverty-oriented policies and programmes tend to be more time-consuming and costly than traditional operations;

- Human resources — for example, lack of adequate skills-mix; and
- Political — for example, lack of sincere commitment on the part of some RMCs to poverty alleviation as an important public policy goal.

Operational constraints: The Bank Group has taken preliminary steps to incorporate poverty concerns into its operational guidelines. Poverty reduction issues, including the establishment of nationally defined social goals, where appropriate, are already being treated in policy dialogue with RMCs and are discussed in new, enhanced EPCP documents. Health, education, and water supply and sanitation appraisal reports include a detailed list of indicators to monitor progress over time. However, in spite of these efforts, the Bank needs to update most operational guidelines and develop new tools to adequately integrate poverty concerns into policy- and project-based lending. As a first step, it is necessary that the Bank undertake poverty assessments and poverty profiles as recommended in this report (see Chapters Four and Six).

Although poverty-focused projects share with other Bank projects the same problems of short appraisal time, implementation delays, logistical blockages, and cost overruns, their management intensity may be high, because they are often relatively small but with no commensurate reduction in design, supervision, or evaluation requirements. In spite of this limitation, specific targeted projects — for example, to small farmers and women — have great potential to generate higher financial and economic returns on investment. All elements of the Bank Group — including RMCs, nonregionals, and Bank management — must squarely face the fact that the overriding urge to meet lending targets, sometimes at the expense of adequate project design, should be resisted.[6] The overriding concern should become designing and implementing projects and programmes that have a lasting positive impact on the well-being of the poor, even if they wind up being more time-consuming.

Financial constraints: Developing poverty-focused EPCPs, poverty assessments, and poverty profiles tends to be a costly and staff-intensive exercise. This will require some additional financial resources, as well as increased Bank staff time. Because such efforts are human-capital-intensive, and other donors are also very interested in increasing the poverty focus of their project and programme activities, the Bank Group may want to consider joining with other agencies (World Bank, UNDP, World Food Programme, bilaterals) to develop poverty assessments and profiles and to the extent possible use work already being done by local institutions. In addition to economizing Bank Group resources, use of local resources can help build local institutional capacity as well as make governments more receptive to the data and analyses presented. The importance of government ownership and public acceptance cannot be underestimated in effectively implementing a poverty reduction strategy.

Human resource constraints: Lack of an adequate skills mix within the Bank may slow down the implementation of poverty reduction operations. However, interdisciplinary approaches to the development of poverty assessments and poverty-sensitive EPCPs can be a first step in addressing this issue. In addition, training and seminars on poverty-related concerns would be an effective way to sensitize the Bank's staff. Whenever the skills mix is still insufficient, the use of specialized consultants should be considered. Finally, the involvement of the regional offices in project design and supervision can certainly be strengthened with interdisciplinary staff.

[6] This is a problem of all multilateral and bilateral development agencies, not just the ADB.

Political constraints: Past experience shows fairly clearly that RMCs vary in their commitment to alleviating poverty among their populations. Continued lending needs to be carefully re-examined if it appears that developing country governments are not serious about reducing poverty. Complementary investment programmes linked to projects need to be thought through in the policy dialogue between the Bank and a government. For example, it is critical that loans for basic rural transport infrastructure be designed in the context of the benefits accruing to agriculture and to social services (health, education, and water supply). Cross-cutting issues such as training of local staff, establishment of regular preventive maintenance programmes for a project's physical infrastructure, and provision of an adequate recurrent cost budget to sustain project benefits have been neglected in several Bank projects.

3.4.2. New Approaches

To address some of these constraints, the Bank has begun to take institutional measures to improve the implementation of poverty reduction strategies:

- Strengthening the social policy subunit of the Environment and Social Policy Division within the Central Projects Department. The Division's new responsibilities will include designing social policy guidelines aiming to improve a country's economic growth coupled with human development and safety nets, as well as coordinating implementation of the ADF/TAF components of the SDA programme.

- The Bank Group has recently been successful in implementing multidisciplinary approaches in other areas, such as women in development and environment; and

- The Bank Group has made recent efforts to clarify or develop guidelines in multiple areas to assist staff members in designing operations focused on poverty alleviation. Policy guidelines have recently been completed for women in development, environment, water supply and sanitation, and Bank Group interinstitutional cooperation and aid coordination, including the involvement of NGOs. Education and health policies are also currently being revised. New guidelines are in preparation for population and are planned for the management of technical assistance operations.

4. A BANK GROUP STRATEGY FOR POVERTY ALLEVIATION

Since its inception, the African Development Bank has lent resources to the nations of the poorest continent in the world. With the creation of the African Development Fund in 1973, additional emphasis was placed on transferring resources to the poorest African nations. However, in many countries, there has been a tendency for resources to be disproportionately captured by the relatively wealthy, at the expense of the relatively poor. This is as much a problem of external resource flows as of domestic resource allocation. It has been an important factor contributing to growing income disparities in many African countries.

Clearly, a more direct approach to attacking poverty is warranted. This involves recognizing that traditional approaches to country programming and the project cycle have severe limitations in their effectiveness to channel resources to the poor. One then must integrate new tactics and strategies into Bank Group programming at the national, sectoral, and project levels that take explicit account of ways to focus more closely on the poor. This chapter identifies and elaborates on key elements of such a poverty alleviation strategy.

4.1. Key Elements of an Integrated Strategy

The action programme consists of an integrated package of assistance measures and institutional linkages designed to alleviate absolute poverty in Africa. Integration is of several types:

- Multilevel integration of interventions at the macro, sectoral, and project (micro) levels of economic activity;
- Multisectoral interventions, involving project components or targeted stand-alone interventions in all sectors, but focusing on agriculture, health, education, transport, water supply, and credit lines to microenterprise;
- Interdisciplinary analysis, involving specialists from both the economic and social sciences in country programming and throughout the project cycle;
- Divisional coordination, implying close collaboration of policy divisions within the Central Projects Department and between CEPR and the country programme economists' divisions; and
- Donor coordination of poverty alleviation efforts, emphasizing ADB Group leadership in establishing a common donor strategy in each RMC.

4.1.1. Multilevel Integration

Economic growth through macroeconomic and sectoral policy reform continues to be a key objective of Bank lending. Without sustainable national growth, poverty reduction efforts will be quickly undermined. To be sustainable, economic growth must involve environmental protection and human resource development. To be broad-based, growth must be labor-intensive, generating full-time employment and increased personal incomes, where now there is unemployment or chronic underemployment, particularly among youth. Reforms in the following areas are considered most important for launching broad-based, sustainable economic growth in RMCs: exchange rate policy; monetary and credit policies; fiscal policies; public expenditure policies; price controls; regulatory policies; industrial and business regulations; human capital investment; physical infrastructure investment; and financial capital, land, and environmental policies. These are discussed in section 4.2.

Macroeconomic and sectoral policy reforms form the backdrop to the numerous **project-level interventions** constituting the bulk of Bank actions in member countries. These interventions complement and are made viable by an appropriate policy environment. They represent the means by which the needs of the poor can be targeted more directly. To be more effective than in the past, projects should be sectorally integrated.

4.1.2. Multisectoral, Project-level Interventions

Projects focused on poverty reduction may have specific antipoverty components or be targeted, stand-alone interventions. The failure of most integrated rural development projects in the 1970s and 1980s, which was due to their administrative complexity and lack of clear and limited objectives, cautions against designing projects with a single implementation unit and a myriad of subcomponents.[1] Although recognizing that alleviating poverty requires addressing a series of constraints that cross sectoral boundaries, projects need to be administratively simple and have well-defined objectives.

Rather than encouraging comprehensive integrated projects, the Bank Group should promote complementarity of sectoral project interventions focused on the same beneficiary population. This will often mean targeting a specific geographic area known to be particularly deprived or where the proportion of the poor among the general population is well above the national average, and implementing projects in a "parallel fashion" (in other words, a research and extension project with the ministry of agriculture, a roads project with the transport ministry, a nutrition project with the health ministry, and so forth). Specific beneficiary populations may also be targeted by gender, family type (such as female-headed), economic activity, or self-selected by beneficiary willingness to accept low wage employment. In this way, future projects should be justified in part by their fit with other poverty-focused actions, whether by the Bank Group or other donors. This underscores the importance of building RMC development planning capacity and of coordinating donor investments. The ADB Group, because it is the pan-African donor organization, can play the role of broker between African governments and donor agencies.

Poverty-focused projects may occur in all sectors, but will predominate in agriculture, health, education, transport, water supply, and credit lines to microenterprise. The challenge for planners is to achieve significant intersectoral impact on a specified beneficiary population through effective coordination and sequencing of projects.

Beneficiary populations will not all require the same mix of sectoral interventions. Clearly, needs will vary by location and the unique traits of poverty found there. Through donor coordination and donor-RMC dialogue, packages of programme and project measures tailored to specific regions or beneficiary populations should be devised and sequenced appropriately. Each project may be free-standing, but mutually reinforcing interactions should be maximized to reduce poverty. Thus, water supply, sanitation, and preventive health interventions could occur in tandem, while agricultural productivity, market development, and transport infrastructure and services projects can be implemented in a coordinated fashion. Further, agricultural credit lines may be accompanied by nonagricultural

[1] There may be rare exceptions, such as countries demonstrating substantial institutional capacity and a track record of past success (for example, the Tunisian Integrated Rural Development project).

microenterprise loans for off-farm or cottage industries. Lines of credit for on- and off-farm production can be leveraged by the provision of roads and market infrastructure. Labor-intensive public works can interact with credit lines to influence the level of individual investment in rural areas leading to sustained increases in production and productivity.

The crucial importance to poverty reduction of **cross-sectoral issues** is recognized in the ADF-VI lending policy statement. These issues include women in development, environmental protection, private sector development, and the use of NGOs. WID and environmental impact assessments are already policy mandates for certain categories of projects and link closely to poverty issues. The interplay of gender, environment, and poverty is well documented and requires particularly close collaboration between specialists within the Bank.

Box 4-1 illustrates how various poverty reduction concerns can be built into single projects, while at the same time maintaining relatively simple and straightforward project design. These issues are discussed in greater detail in section 4.4.

4.1.3. Interdisciplinary Programme and Project Analysis

Multisectoral integration of project interventions focused on the same beneficiary population will require interdisciplinary analysis in country programming and throughout the project cycle. Effective identification of beneficiary populations and their inclusion in project planning and implementation will require specialists from the social sciences as well as economists. Specialists employed by NGOs can also assist in identifying the location and characteristics of the poor and may serve to organize project beneficiaries to express their needs more effectively.

The importance of identifying, targeting, and involving the poor in project interventions is discussed in detail in section 4.5. Operational implications of the use of interdisciplinary analysis in programming and the project cycle are covered in Chapter Six.

4.1.4. Divisional Coordination Within the Bank

An integrated poverty reduction plan will involve close collaboration of policy divisions within the Central Projects Department and between CEPR and the country programme and technical project divisions. At the programmatic level, CEPR policy divisions and the NCPR and SCPR economists' divisions will need to develop closer coordination at the EPCP stage and during updates of the Country Strategy Paper (CSP). The participation of technical staff from NARD and SARD is also highly recommended, because a majority of projects directly targeting the poor will fall in their divisions.

The EPCP will draw upon the poverty assessment for each country, set sectoral poverty reduction emphases and targets, and report on changes in basic poverty indicators. The CSP will analyze country policy and poverty reduction performance in formulating recommendations for country funding allocations. To strengthen EPCP and CSP quality and usefulness, addition of professional staff with a wider mix of specialties is recommended for CEPR 1-3, NARD/SARD 1-3, NISI/SISI 1-3, and NCPR/SCPR 5.

BOX 4-1

INTEGRATING POVERTY REDUCTION OPERATIONS

Many Bank-funded development projects — including health, education, rural development, agriculture, and transportation infrastructure — can combine cross-cutting poverty-reduction operations in future activities. The building of community-selected feeder roads and rural market infrastructure by means of labor-intensive public works programs, while training villagers or lineage groups to maintain the roads, storage facilities, and marketplaces, is an example of such an integrated approach to poverty reduction. A second example is the use of local organizations and local labor to select and construct health, potable water, sanitation, and education facilities, while training existing or new user groups in cost recovery and facility maintenance.

A poverty reduction focus in project cycle activities will require enhanced coordination between the relevant north and south project divisions, CEPR policy divisions, and country loan officers. Project design must fit with programme goals, have monitorable project-level indicators logically linked to country-level indicators, and be supervised by both project and programme divisions for progress toward social as well as technical outputs. Interdivisional coordination and future staffing needs are discussed in more detail in Chapters Six and Seven.

4.1.5. Donor Coordination

Given the scope of the problem, an integrated poverty alleviation strategy must rely on effective donor collaboration through (1) sharing of concepts and knowledge regarding poverty and efforts to reduce it, and (2) establishment of a common donor strategy in each RMC.

The development of concepts, knowledge, and measures in the struggle to reduce African poverty will need to be a multidonor effort in which the multilateral banks play a prominent role. Neither the UNDP nor other United Nations agencies seem prepared to lead in this endeavor, although all are indispensable to an integrated approach. Bilateral donors, currently reassessing their poverty approach, will justifiably draw greatly upon the pioneering work of UNICEF, UNDP, and the World Bank. The African Development Bank can use its position as a uniquely African institution to develop or adapt concepts for use in RMCs.

The ADB should play a lead role in coordinating the development of the state of knowledge on poverty in Africa and in the creation of global and country-specific strategies to alleviate it. The Bank should avoid duplicating the efforts of other multilateral or bilateral agencies; rather, it should take the lead in defining the African perspective toward poverty reduction on the continent. Operational implications for the Bank Group of donor coordination are discussed in Chapter Six.

4.2. Macro-Policy Elements

Table 4-1 presents the major macro-policy factors that have an impact on the poor. These policies are divided into two general categories: those that affect economic growth patterns and the demand for
labor, and those that have an impact on asset accumulation of the poor. Assets are broadly defined to include physical, financial, and human capital.

4.2.1. Policies Affecting Growth Patterns and Labor Demand

Exchange Rate Policy. Exchange rate policy is one of the most powerful tools that governments have at their disposal to influence economic incentives.[2] Devaluation of currencies that have become seriously overvalued constitutes a major component of economic reform programs in many countries and the Bank Group needs to remain at the forefront of the policy dialogue process with RMCs about the nature and timing of reforms to be taken.

In broad terms, devaluation makes foreign exchange dearer, therefore encouraging production for export while discouraging demand for imported capital and consumer goods. Because imported capital goods become more expensive relative to local labor, demand for labor rises. This can have a positive impact on the poor in formal and informal sector industries and in the production of agricultural export crops. This presupposes that markets are reasonably competitive and that other elements of the policy environment are conducive to the expansion of productive investments. On the other hand, the poor may be hurt by higher prices of imported manufactured goods and food items caused by devaluation. However, such negative effects may be mitigated or completely absent if official prices and black market prices significantly diverge. When such divergences occur, the official exchange rate and official prices often no longer have any bearing on the prices at which goods are actually bought and sold.

The distributional impact of changes in exchange rate policy on the poor varies from country to country, and may be different in the long- and short-term. To have a notion of these impacts, it is necessary to have detailed information on the bundle of goods and services consumed and produced by the poor, actual prices paid and received, and the capacity to adjust their employment and consumption patterns to shifting sets of incentives. One fundamental point deserves to be emphasized: because the most abundant economic factor of production possessed by the poor is their labor, and market-oriented exchange rate policies favor labor over capital in the developing country context, market-based exchange rate policies are more pro-poor than maintenance of overvalued rates in the long-run.

If the official exchange rate remains seriously overvalued, governments must eventually resort to some type of foreign exchange rationing system for firms wishing to purchase imports. In essence, overvaluation creates an artificial shortage of foreign exchange, requiring that it be allocated administratively by finance ministry and central bank officials. Inevitably, such systems are inefficient and opportunities for corruption and nepotism arise. The impact on the poor is not straightforward as direct impacts are felt on the formal sector, and the poor primarily operate in the informal sector in Africa. However, indirect effects may include increased vulnerability to sharp periodic price rises because allocation of foreign exchange by bureaucratic fiat often results in shortages of basic commodities such as soap, cooking oil, sugar, and spare parts. Long-run effects are the same as for overvaluation —

[2] A notable exception are the 13 CFA franc zone countries.

TABLE 4-1

POLICY FRAMEWORK FOR POVERTY ALLEVIATION

Policies Affecting Growth Patterns and Labor Demand		
<u>Macroeconomic Management</u> Exchange Rate Policy Trade and Tariff Policies Monetary and Credit Policy Fiscal Policy Price Controls	<u>Regulatory Policies</u> Labor Market Regulation Industrial Regulation Trade Regulation Informal Taxation	
Policies Affecting Asset Accumulation		
<u>Human Capital Investment</u> Health, Nutrition, and Family Planning Education Agricultural Research and Extension	<u>Physical Infrastructure Investment</u> Water and Sanitation Transportation Housing	<u>Financial Capital, Land, and Environmental Policies</u> Financial Regulations for Borrowing Access to Capital Land Tenure

Sources: Adapted from The World Bank, *Poverty Handbook* (1991), and, Heller et al., "The Implications of Fund-Supported Adjustment Programs for Poverty: Experiences in Selected Countries," International Monetary Fund Occasional Paper 58, Washington, May 1988.

gradual erosion of a country's competitiveness in international markets as the cost of doing business increases, a bias towards imported capital and away from use of local labor, and stagnation of economic growth. Moving from highly overvalued exchange rates, with foreign exchange allocations determined by a heavy government bureaucratic apparatus, to a more market-based system is among the most difficult and complex challenges that African governments face.[3] Shock therapy, of the variety attempted in Zambia and Uganda in the mid-1980s, has had disappointing results. More gradual approaches, such as introduction of open general import licensing (OGILs) systems accompanied by phased devaluation (Tanzania, Malawi, Zimbabwe, and others), hold greater promise in terms of political palatability and will continue to be encouraged in dialogue between the Bank and RMCs and in policy-based lending operations.

Monetary and Credit Policies. Monetary and credit policies determine the supply of domestic credit that the banking system has to offer to the public and private sector for investment purposes. A major aim is to stabilize domestic prices, reduce external imbalances, and thus create a favorable investment climate conducive to economic growth. Reining in inflation is crucial to the well-being of the poor, as they generally have fewer opportunities to hedge against inflation than do the wealthy. Tight credit policies often involve placing ceilings on access of the public sector to credit. Although this may be painful for some socioeconomic groups in African countries, it is generally not the poor who are hurt by cuts in public expenditures as much as the better-off. This is because poor people's access to public services has generally been extremely limited compared to that of wealthier groups. Failure to control the money supply and public expenditure may have disastrous effects on the poor as recent unfortunate experience in Zaire illustrates.

Fiscal Policies. Fiscal policies encompass the range of policies related to raising public revenues (taxes) and determining the nature and levels of public expenditures. The effects of taxes on the poor obviously relate to the array of goods taxed and how important they are in the consumption and production bundles of the poor, their progressiveness, and whether they are actually collected. In many countries, informal taxation has a greater impact on the poor than do official taxes.[4]

Public Expenditure Policies. The most important public expenditure policies for the poor concern subsidies on consumer goods and social sector spending — health, education, and sanitation.[5] Food subsidies may be important for assisting African urban consumers to maintain their standard of living. However, there are often substantial leakages as it is difficult to narrowly target the poor. Such subsidies rarely reach rural areas, where the majority of Africa's poor reside. Some countries have attempted to move from general consumer subsidies to more narrowly targeting the poor through coupon and food stamp systems.

[3] For an overview of some of these problems as they relate to Sub-Saharan Africa, see Ngila Mwase, "Foreign Exchange Management and Allocation Systems in Developing Countries: Lessons of the African Experience," *African Development Review*, June 1990.

[4] Common examples of informal taxation include soliciting of money from truckers at road barriers, collection of pseudo-taxes from market women, payment of supplemental fees to doctors and nurses for health care provision, and payment of kickbacks to cooperative officials or parastatal extension agents in return for being placed high on lists for agricultural produce purchase or input provision.

[5] Social sector spending will be addressed in greater detail in the discussion of investment in human capital.

Assessing the geographic composition of expenditures is also critical if substantial regional disparities exist in wealth and resource endowments. For example, if the bulk of transport investment funds are devoted to urban roads and capital-intensive maintenance, or most agricultural projects are designed primarily to benefit farmers in the wealthiest or most politically influential regions, the effectiveness of these expenditures in reaching the poor may be called into question.

Price Controls. Proponents of price controls often justify their imposition as a way of safeguarding the urban poor. However, they are hard to enforce due to the limited capacity of African governments to administer them consistently. More often than not, they result in higher prices to the poor as controls create shortages, greater uncertainty for marketing agents, and increased opportunities for informal taxation. Formal sector workers may gain access to controlled goods through government shops or agreements with their employers, but the poor are usually forced to buy on the black market at prices that are higher than they would have been in the absence of controls.[6] As for the rural poor, control of farm prices has an adverse effect on many small farmers who depend on crop sales as a principal source of income.

Regulatory Policies. Regulatory policies pertaining to labor markets and the conducting of formal sector businesses influence the degree to which the poor participate in the formal sector and affect incentives for formal sector expansion. Minimum wage laws and legislation restricting employers' ability to hire and fire workers are often well intentioned, but may actually serve to restrict the poor's access to formal sector employment. By raising wages and benefits above their market-clearing levels and restricting employers, labor regulations may result in reduced demand for labor. Because most informal sector industries are labor-intensive, a preponderance of labor legislation impedes their ability to shift into the formal sector. Although some regulation is always necessary to control abuses, a balance needs to be struck between fairness and limiting access of the poor to more lucrative formal sector jobs.

Industrial and Business Regulations. The nature and extent of industrial and business regulations have greatest impact on the poor in the way they affect informal sector activity. The potential benefits of shifting from the informal to the formal sector can be substantial (access to commercial credit and economies of scale in production, for example). Unfortunately, in many African countries, potential benefits are outweighed by serious disadvantages that come with increased visibility. A plethora of regulations on product and workplace quality, business registration and licensing procedures, employment conditions, and the like discourage small businesses from expanding into the formal sector. In addition, greater visibility makes such businesses easy targets for taxation, official and otherwise. Because Africa's poor operate mainly in the informal sector, inhibiting their ability to participate in formal activity restricts their income-earning opportunities.

4.2.2. Policies Affecting Asset Accumulation

This category includes policies that have an impact on human capital formation, physical infrastructure investment, and access by the poor to financial capital and land.

Human Capital Investment. Governments have a central role to play in orienting public expenditures toward those endeavors that improve the value of human capital. Although there are moral justifications for this involving the nature of equitable societies, there are also economic justifications for

[6] This happens because the imposition of official controls increases the risk of doing business (goods may be seized, bribes may be required, and so on). This raises marketing costs, which are then passed on to consumers.

such investments. In the long run, strategies that raise educational and health levels in the workforce, and therefore productivity, have far greater potential to promote growth and reduce poverty than do laws mandating minimum wage levels.

The potential impact on the poor of government social service expenditure reductions depends on the equity and efficiency of those expenditures. In other words, it is necessary to examine the allocation of resources within the social sectors. Often, social service expenditures have been targeted to activities that disproportionately benefit the relatively better off. Devoting significant resources to higher education at the expense of primary education, and curative care at urban hospitals at the expense of preventive care at rural clinics are examples. In such cases, the impact of social sector expenditures on the poor are limited. Expenditures need to be more effectively targeted to services where the poor are the most common clientele.

How efficiently social sector services are delivered is also critically important in assessing impact on the poor. Although social expenditure levels fell in Latin America and the Caribbean during the 1980s, there has been little discernible deterioration in social indicators (Berg and Hunter, 1992). In Africa, there does not appear to be any significant correlation between expenditures and social indicators (Sahn, 1991). One possible explanation for these paradoxes may be efficiency. Social service delivery may have improved in Latin America as increasingly scarce funds were spent more wisely. In Africa, social service delivery systems are still weak. In many countries, this has limited access of the poor to social services to such an extent that altering funding levels has had only a small effect on the well-being of the poor.

In the African context, investment in agricultural research and extension is critical to asset accumulation of the poor. This is because most of Africa's poor reside in rural areas and are dependent on agriculture as the main source of income. What types of agricultural research and extension are most appropriate for addressing poor people's needs are discussed in section 4.3.

Physical Infrastructure Investment. Public investment in physical infrastructure (water and sanitation, transportation, and housing) is also important for increasing the quality of life and economic viability of other developmental efforts. Two important caveats are in order. First, public interventions should not displace private initiatives in these areas, but should concentrate on areas where the private sector is generally unable to respond — on, for example, investments with a public good aspect to them. Second, to the greatest extent possible, provision of physical infrastructure should be done using labor-based construction and maintenance techniques in countries with serious unemployment or underemployment.

Financial Capital, Land, and Environmental Policies. Finally, certain policies define the parameters of access by the poor to financial capital, land, and how it may be used. These include financial regulations for borrowing and land tenure rules (both traditional and formal). Other things being equal, laws should promote equal access to land and capital. However, in situations where other things are not equal (where the legal system can be manipulated toward extralegal ends, and traditional land allocation systems are openly discriminatory), additional safeguards may be necessary.

4.3. Sectoral Issues

This section presents a broad discussion of poverty alleviation issues that are unique to each sector. The sectoral presentations follow the operational structure of the Bank.

4.3.1. General Agriculture and Rural Development

Agriculture has traditionally been the most important sector for ADF and ADB lending. As stated in Chapter Three, from ADF III through ADF-V, lending to agriculture averaged 31 percent of total ADF lending. As the bulk of the African poor reside in rural areas, this is appropriate.

There is a vast literature describing the potential poverty-reducing potential of agricultural development in Africa. The backbone of most African economies is agriculture. For these countries, general economic growth must be predicated on agricultural growth. Agricultural development is an important instrument for alleviating poverty for the following reasons:

Increased Food Security. Increasing food security through agricultural development should be a key element of the Bank Group's poverty alleviation strategy. Reducing the food insecurity of the vulnerable is a matter of increasing food availability and food access. Greater food availability may be accomplished through investments whose objectives include increasing the volume of production, the productivity of farmers, and the cost-effectiveness of marketing systems. Increasing food access concerns raising incomes to levels sufficient to ensure that vulnerable groups have greater access to purchased or own-produced food. Depending on the unique attributes of a given rural population, food access may be best accomplished through a combination of food and cash crop development.

Urban Food Prices. As economies develop, it is normal for the urban proportion of the population to rise relative to the rural proportion. For urban workers and the urban poor, staple food products are the most important element in their household budgets. Historically, maintaining cheap food prices for urban consumers has been a high priority of many African governments. Unfortunately, this was attempted mainly through policies that harmed the agricultural sector (artificially low producer prices, extensive market controls, the preponderance of inefficient marketing boards), contributed to massive public deficits, used up scarce foreign exchange to finance large import bills, and ultimately led to higher urban food prices and losses in urban and rural purchasing power.

Achieving low food prices should be a priority for African governments. However, this can only be accomplished in a sustainable fashion through the effective development and diffusion of improved agricultural technologies, public investment in market infrastructure (roads, market installations, information services), and offering appropriate policy-level incentives to farmers, marketing agents, and consumers. Investments that seek to reinvigorate the agricultural sector and rural areas need to be designed in a national policy context that encourages agriculture, rather than one that taxes it. In addition, governments should work in partnership with the private sector in market development, rather than seeking to displace private sector activity.

Backward and Forward Linkages. The multiplier effects of agricultural development on other parts of developing national economies tend to be much greater than those of other sectors (Mellor, 1973). Effective agricultural development stimulates demand for inputs such as fertilizer, seed, and equipment (backward linkages). To the extent that these can be manufactured and distributed using local labor and materials, multiplier effects are created. As farm incomes rise, so too does farm family demand for a wide array of consumer goods. Once again, the higher the local content of the consumer goods demanded, the greater the potential multiplier effects of agricultural development. Interestingly, researchers in the state of Sokoto in northern Nigeria found that the multiplier effects of increased agricultural incomes were greater for poor farm families than for wealthier families (Hazell and Roell, 1983). This was because the local content proportion of goods demanded by the poor was higher than for richer families, who had a greater tendency to buy imported consumer goods when their incomes rose.

Links to Health and Education. In rural areas, agricultural development and improved access to health and education are mutually reinforcing. As agriculture is the lifeblood of any rural economy, raising agricultural incomes raises the demand for health and education services. In the long run, these services in turn raise the productivity of the agricultural work force. Because workers are healthier, fewer days are missed due to sickness. Better educated farmers are more apt to adopt improved technologies, which also raises productivity.

Focusing Agricultural Development on the Poor. Focusing agricultural development more closely on poverty alleviation implies greater attention to three factors:

Choice of technology: Most agricultural research and extension to date has been insufficiently focused on the technology needs of the poor (Lipton and Maxwell, 1992). Borrowing too much from western models, the emphasis has often been on development of labor-saving technology. This makes little sense in those areas where labor is the abundant resource. Even where labor is the scarce resource (female-headed households, areas with substantial out-migration, under-populated areas, for example), technologies and diffusion methods have often been inappropriate, either because they fail to take other farm-level constraints into account (such as lack of credit, complex patterns of labor bottlenecks, and postharvest problems), or because they fail to effectively target messages to women farmers.

Choice of crops: Over the years, the emphasis of investment in crop programs has shifted between food and cash crops. Until recently, the food crop/cash crop issue has been an either/or type of debate. It is true that preindependence and early postindependence Africa paid too little attention to the need for investment in food crops, but the reaction may have been too severe. The traditional argument that cash crop production leads to malnutrition and destitution has been overstated. There is growing empirical evidence that careful investment in cash crop production can be a useful means of alleviating poverty, but effects will vary on a case-by-case basis (von Braun and Kennedy, 1986). Detailed knowledge of farming systems and household food security strategies is key to determining the appropriate mix of incentives to offer to different crops.

Choice of region: As Lipton and Maxwell point out, inadequate attention has been paid to appropriate strategies for the sustainable development of agriculture in marginal areas. This issue is of course closely linked to the above issues of technology and crop choice. For much of Africa, greater emphasis will be needed on investment in development and diffusion of drought-resistant millet and sorghum varieties. In such marginal areas, it is even more critical to understand household food security strategies. It is often the case that nonfarm sources of income are very important as coping mechanisms in such regions. Activities that increase nonfarm income may be an important element of development strategies in marginal rural areas.

4.3.2. Irrigation, Agro-industry, Forestry

There is considerable scope for the Irrigation, Agro-industry, and Forestry divisions (NARD-2 and SARD-2) of the regional Agriculture and Rural Development Departments to increase the poverty focus of their projects. **Irrigation** activities normally concern schemes with large numbers of direct beneficiaries. It is rare, however, that baseline data are collected on beneficiaries (Diama dam in Senegal is a notable exception), that socioeconomic impacts are addressed, or that beneficiary participation is solicited, in spite of a clearly delineated affected population. Moreover, the switch from dryland to irrigated agriculture should have substantial and measurable income and employment impacts, verifiable through small surveys or panel group interviews.

Agro-industry activities generally involve substantial employment impacts. The Bank should strive in project selection to promote labor-intensive firms, which can replace expensive capital equipment by inexpensive local labor. This should be particularly effective in agro-industries located in rural areas, where important income and employment creation impact can be achieved. The multiplier effects of such income, even if only seasonal, can be substantial in depressed rural areas, compared to urban or peri-urban zones.

Although the beneficiary population cannot be identified with precision in advance of project implementation, it can be estimated. Moreover, a survey of employees can include questions on previous status and economic situation, in order to calculate the gains for the workers, their families, and the community or even region. None of this impact assessment needs substantial investment of time or money, but can be done through rapid appraisal, using small samples and short questionnaires. In most member countries, impact information should be provided by the implementing ministry; loan approval should be made conditional on assurance of adequate capacity to conduct impact appraisal. Where capacity to provide capable personnel is lacking, technical assistance grants may be made by the Bank.

Forestry projects often involve close coordination with traditional economic activities of the local population. Increasingly, the active participation and organization of this population is necessary to ensure success, given the widespread impact of most forestry schemes. Whether the project deals with conservation of traditional forest, introduction of new species for cropping, or a combination of the two, the surrounding population must be involved or the scheme will ultimately founder. The Bank must ensure that the beneficiary population is defined, consulted, and employed in forestry projects. An assessment of employment and income impact can be conducted through small surveys or interviews with focus groups.

Linkage of impact evaluation to a set of income, employment, skills development, and local participation indicators, identified at the project design stage, will be necessary to ensure focus on meaningful variables. Such indicators, however, cannot be identified in advance for the full range of projects in irrigation, agro-industry, and forestry. Indicators should include measures of employment creation, income effects per person and in the aggregate, training and skills development, and participation of beneficiaries in project design and implementation.

The issue of how to promote participation of beneficiaries in the project cycle should be carefully addressed. Irrigation and forestry projects can most easily identify beneficiaries, and the substantial nature of project impact on local populations requires that they be consulted in design and implementation. Agro-industry projects are less linked to clearly demarcated populations and externalities, but employees can be easily identified and polled during construction and start-up phases.

4.3.3. Health and Education

Poverty reduction has traditionally been a central objective of health and education interventions. Public investment in human capital formation is crucial, if the poor are to respond more effectively as healthy, educated, informed individuals to the constraints and opportunities facing them. For example, there is substantial evidence of high economic pay-offs to primary schooling through gains in agricultural productivity and, especially for girls, through fertility control and improved health and nutrition of children.

African social welfare and human resource development indicators lag behind those of the rest of the world. Most countries in Africa endorse the Alma Alta declaration on primary health care supporting the goal of "health for all," and adhere to the goal of "universal primary education."

However, low quality, high cost, and sparse availability of these services have prevented the poor from using them effectively. Also, the high opportunity cost of child labor (particularly in rural areas), the undervaluation of female children, as well as the low value associated with education because of the lack of employment opportunity are key factors explaining limited success in improving social indicators in Africa. Immunization rates, under-five mortality, child malnutrition, access to safe water, maternal mortality, total fertility rate, gender-specific net primary enrollment, and adult illiteracy rates have been selected as the key social indicators for evaluating the social status of a country.

To improve the welfare of the poor in Africa and, in so doing, increase their long-term productive capacity, it is recommended that the Bank adjust its work programme in the social sectors to support the following multidimensional objectives.

Regarding **population** issues, the Bank should assist countries toward the goal of reducing fertility by half by the year 2020 in Africa, and increase the understanding of social, cultural, and economic determinants of fertility in Africa. To reach the first goal, at least 30 countries need to have well-established programs as early as 2000 to address the unmet need for family planning techniques, while at the same time stimulating further demand. Specific actions need to be developed simultaneously at various levels, which would aim at strengthening both political and public understanding of population issues and commitment to population programs, while promoting a process of involving people in programme implementation. There is also need for developing country-specific population action agendas and for involving Africans in the design and implementation phases of these plans by creating or strengthening local population advisory committees. These committees should include village representatives and play an important role in mobilizing local resources to promote and implement population programs.

Related to the second goal, knowledge of modern contraceptive methods and use of modern family planning services is low — the contraceptive prevalence rate fluctuates anywhere between 0 to 10 percent in most countries, and Sexually Transmitted Diseases (STDs) and HIV infections are widely prevalent. Moreover, the harmful traditional practices of circumcision for both boys and girls (usually performed with unsterilized blades and knives), the use of unsterilized needles and syringes in clinics and hospitals, and the increase in casual sexual contact, particularly in the cities, are other factors contributing to the accelerating spread of HIV infection.

To reduce the fertility rate and the transmission of the AIDS virus and STDs, African governments should develop medium- to long-term action plans on information, education, and communication activities to inform the rural and urban populations of the benefits of using contraceptive methods and practicing safe sex. In addition, studies and rapid assessments should be undertaken to evaluate the economic impact of adult mortality from AIDS and other causes. The findings of these studies will help create methodologies for analyzing the impact of pandemic diseases and guiding decisions regarding allocation of resources within the health sector. High priority should be given to women's issues in health projects and programs, as their risk of disease is increased when they undergo certain physiological conditions such as pregnancy, labor and childbirth, and breastfeeding.

In the area of **health care**, the Bank should assist African countries in attaining a life expectancy at birth of at least 65 years by the year 2020 and provide primary health care for all and reduce maternal deaths by at least half by the year 2020.[7] The present low life expectancy rate in Africa is the result of a mixture of factors, but can be attributed predominantly to the limited access of the poor to basic health services. The rural areas have been particularly affected by a shortage of basic village health posts and

[7] Target set by the Safe Motherhood Initiative.

a concentration of health care resources in the urban areas. Women tend to marry young and are expected to bear many children, while most deliveries occur without medical attendance. Programs and projects in the health sector should focus on promoting preventive health care services (vaccination programs, pre-natal care, drug supply and distribution networks, and water supply and sanitation programs) as opposed to expensive curative services.

Consideration should be given to increasing the number of "waiting homes" and out-patient services, focusing on providing maternal as well as standard medical care in rural areas to improve access to low-cost primary health care services. Options should be explored to increase the role of the private sector and NGOs in health service delivery and to promote the participation of villages in managing and financing health posts and medicines to encourage programme and project sustainability.

Regarding **nutrition**, the Bank should provide countries with the tools to decrease malnutrition rates. Malnutrition and low income contribute strongly to the short life expectancy of Africans. Certain traditional practices restrict women's intake of nutritional foods. In addition, lack of nutrition education has limited the capacity of the poor to diversify their diets. It is recommended that a nutrition strategy be developed for Africa to be included in the multisectoral interventions linking assistance activities in the agricultural, population, health, and education sectors in the context of ongoing structural adjustment programs. At the same time, efforts should be undertaken by the ADB to improve donor coordination at the regional and country level, in order to facilitate the sharing of lessons learned.

With respect to **primary and secondary education**, the Bank should join with other donors to ensure that basic education is available to all children by the year 2000.[8] Illiteracy rates are highest among the poor and especially women. These high rates are caused by lack of schools in remote areas, need for child labor during peak agricultural periods, and customary beliefs that young girls belong in the house to help the mother with the daily chores and that married girls should remain home to care for their children and husband. Estimates of the social returns from investing in education, however, indicate that the strongest case for public support of education in low income countries is at the primary level, where investments meet the goals of promoting equity as well as raising economic productivity. Average social returns on investment in education at the primary level are estimated to be 26 percent in Africa.

Increased investment in primary education can accelerate growth in at least two ways: educated farmers achieve higher productivity levels than those who have not gone to school; and a mother's education enhances the probability of child survival, the family's health and nutrition, her income earning opportunities, and her knowledge of family planning methods resulting in reduced fertility.

In spite of governmental budgetary cut-backs, concerted efforts should be made to make basic education a top priority in national development plans and programs. Special attention should be given to intrasectoral allocation of resources in favor of nonsalary recurrent inputs, such as facility maintenance, textbooks, and other teaching materials. In addition, local communities should involve themselves in the management of schools to achieve cost savings. The success of such efforts has been enhanced in many African countries where community-based NGOs and women as lead managers were used in implementing programs.

Concerning **vocational and informal training, and labor market needs**, the Bank should assist RMCs in revising curriculum to better meet labor market needs. Although most of the poor have little

[8] Target set at the World Summit on "The State of the World's Children," organized by UNICEF in January 1991.

access to primary or higher education, it is essential that the linkages between education and employment opportunities be improved to address the serious problems of African unemployment and underemployment. Moreover, programs should be developed where teenage dropouts, especially girls, can learn about issues of particular concern. For example, the programme could include general adult education, family life counseling, vocational training in tailoring and handicrafts, and food preparation for market sales. Experience in Ghana, for example, has indicated that economic independence for women quickly translates into community health and education gains. To improve the professional skills of unemployed youth, short-term vocational training programs can be developed to provide them with an opportunity for reinsertion in labor-intensive public works. Governments as well as local communities should contribute to empowering specific target groups, which can be identified through small-scale surveys or interviews with focus groups.

4.3.4. Transportation

Bank Group investments in the transport sector include activities in rural and interurban road construction and maintenance, railway development, and port rehabilitation. Although railway investments may open up access of poor regions to the rest of the country, and port rehabilitation has beneficial effects on national economies, their impact is more general than projects with a direct effect on poverty reduction. The one transport area that should have a strong poverty focus whenever feasible is rural roads — both in choice of technology for road construction and maintenance, and in the geographical choice of where investments are made. In addition, a fresh look should be taken at investing in alternative modes of transport to trucking (bicycles and river transport).

Choice of Technology. To the greatest extent possible, labor-intensive technologies should be used for rural road construction and maintenance. Although "hot spots" on certain road segments may require heavy machinery, a greater proportion of African rural roads can be effectively maintained with technically sound labor-intensive methods than is currently the case.

Constraints to more widespread use of labor-intensive techniques are more organizational and administrative than technical, and include:[9]

- Political leaders are less interested in labor-intensive projects compared with more prestigious capital-intensive projects;
- Technical and administrative personnel within executing agencies lack experience with labor-intensive methods;
- Labor-based methods are usually not included in the educational curricula of civil engineers;
- Design and contract documents often favor the use of capital-intensive methods and imported materials;
- Donor-supported projects (including those of the Bank Group) often lack administrative flexibility to finance local currency costs;

[9] This list of constraints is adapted from E. Vang Nielsen, "Labour-Based Construction: An Introductory Paper," African Development Bank, Agriculture and Rural Development Department South, General Agriculture Division, 1991.

- Large contracts are carried out by large contractors who tend to use more capital-intensive techniques than do small contractors;

- Labor-based methods are management intensive; and

- Increased opportunity for "representative fee" abuse.

If these constraints can be overcome, the benefits related to using labor-intensive construction techniques are numerous. Because one key strategy for reducing poverty is to increase the demand for labor, a labor-based approach to road work contributes to this.[10] Those employed receive direct benefits in higher incomes. Indirect multiplier effects on the rural economy of this increased purchasing power may also be substantial. Development of relatively small-scale private sector activity is encouraged through the hiring of small contractors who are better positioned to use labor-intensive techniques than large contractors. Labor-intensive techniques are generally more cost-effective than capital-intensive techniques, both in foreign exchange savings and in overall cost. The ILO and World Bank (1990) estimate that, on average, labor-intensive techniques result in overall costs that are 15 percent lower and 40-50 percent cheaper in terms of foreign exchange, and use three times as much labor. All these factors contribute to greater long-term sustainability than is usually the case with capital and import-intensive projects. Box 4-2 provides an example of a Bank project in Madagascar that has introduced a labor-intensive orientation to rural road rehabilitation and irrigation infrastructure creation.

Geographical Targeting of Rural Roads Projects. Lipton and Maxwell (1992) state that the rural poor in the 1990s are more likely to inhabit remote, poorly endowed areas. This makes them marginal for farming. Traditional cost-benefit analyses tend to rank road projects in these areas lower than in zones with better natural resource endowments. However, this is not a valid reason to give up on most of these areas. Low-cost (labor-intensive) roads projects should be an integral part of larger regional strategies to develop these areas in sustainable ways that address the needs of the poor. Efforts should be made so that transport projects dovetail better with agricultural research and extension activities that actually address the technological needs of small-scale male and female farmers. Greater farm-level productivity must go hand-in-hand with lower marketing costs if road projects are to be viable in these areas.

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[10] This assumes that the laborers used would have been unemployed or underemployed in the absence of the road project. Special care should be taken not to displace labor engaged in other productive activities such as agricultural production.

BOX 4-2

USE OF LABOR-INTENSIVE CIVIL WORKS TECHNIQUES IN MADAGASCAR: RURAL ROADS AND IRRIGATION

With UNDP co-financing, ADF and TAF funds are being used to assist the Government of Madagascar in the introduction of high intensity labor force (HILF) techniques to rehabilitate and extend 1,175 hectares of irrigated rice perimeters and maintain 600 kilometers of rural feeder roads in the Toliary region. Estimates are that the civil works component of this project will provide 27,000 man-days of employment annually to the target population. Contracts will be let to small local firms, further stimulating the regional economy and aiding in private sector development.

ADF moneys are being used to finance 73 percent of the local costs, an unusually high percentage, but one that project appraisers justified by stating: "The HILF technique used for its implementation ensures a maximum utilization of local resources thereby leading to a reduced share of foreign exchange."

Source: ADB/ADF, "Appraisal Report — Madagascar: Proposal for a Loan and a Grant for the Financing of the Social Action and Institutional Support Project Under Structural Adjustment, February 1991.

It should be recognized that difficult decisions will be required on the part of RMCs and donors: some poorly endowed regions have little chance of ever becoming economically viable, and outmigration is the only realistic (but imperfect) answer. It is preferable to key on poor, but potentially viable, regions rather than divert funds to wasteful investments with little chance of succeeding.

Mode of Transport. Most transport projects, as well as credit programs, have focused solely on truck transport. Although trucking is justifiably the linchpin of nearly all African transport systems, little attention has been paid to the potential for developing alternative low-cost means of transport such as bicycles, carts, and (where possible) boat and river transport. In many countries, transport costs from the farm to initial rural assembly markets are exorbitant. Increasing the availability of bicycles and carts and improving repair capacity could substantially lower marketing margins for agricultural produce. This would benefit the rural poor in terms of higher producer prices for their marketed agricultural surpluses and increased employment as either owners of these means of transport or as offerors of repair services. The urban poor would benefit from lower food prices.

Despite the fact that per kilometer overall costs, foreign exchange costs, and infrastructure maintenance costs for shipping goods are much lower for river than for road transport, and despite a long pre-Independence tradition of river transport of goods and people, promotion of river transport has been de-emphasized in many African countries.

4.3.5. Public Utilities

Many of the project activities carried out in this sector, such as potable water supply, sewerage, electricity, and telecommunications, can have important poverty reduction components or implications. One of the most powerful tools for addressing poverty in this sector is targeting rural areas in general, and deprived areas in particular. This is most true for access to potable water, selected as one of the basic poverty-related social indicators for monitoring by the Bank. Population access to clean water can be addressed directly by targeted interventions to and within countries.

Sewerage projects concern primarily urban and peri-urban areas, and their health impacts are nearly as substantial as providing water sources. Targeting sewer systems to particularly overpopulated or previously neglected sections of cities can have measurable health impacts even in the short term.

Rural electrification can have important impacts in rural areas, although it must remain cost-effective. The urbanizing effect of extending electricity to small rural centers will be considerable and can have substantial economic impacts on the local community as businesses and population follow electrical supply. Telecommunications provision is obviously less clearly related to poverty reduction, but this need not be a problem for selection of viable country projects. Obviously, the creation of such communications infrastructure benefits the population, but it does not lend itself directly to targeting for poverty alleviation.

As in other sectors of Bank operation, a focus on poverty reduction will require attention to beneficiary impacts and participation by the poor in project design and implementation. Far from being a purely engineering project, as presently conceived in the Bank, rural water supply can be easily linked to the needs of surrounding populations, who should be consulted in the selection and maintenance of water supply sites. The linkage of new water user associations to water supply projects is increasingly common, and national policies are being developed in some countries (for example, Tunisia). Indicators to be monitored in rural water supply and sewerage projects are the proximate employment and income impacts from labor-intensive public works, training and organization of the local population, and beneficiary participation. Short-term health care impacts of such installation can be monitored as part of the project logframe; longer-term benefits can be verified through special return studies after project completion.

4.3.6. Industry and Development Banks

The question of how to bring a poverty reduction focus to the work of the industry and development bank divisions of the Bank parallels that of the integration of gender issues. A recent workshop introduced personnel from these divisions to gender analysis (February 1992). Guidelines developed by the Women In Development Unit for integrating gender issues provide a model for the integration of attention to poverty. Because of close linkages between poverty and gender issues in Africa, both analyses should be undertaken together by the same project designers. Above all, they must not be seen as two separate layers of extraneous analysis in the process of project preparation, appraisal, and evaluation, but part and parcel of the same process of identifying beneficiary participation and impact.

Industrial projects and development bank credit lines represent 65 percent of total projected NISI/SISI 3 interventions and 90 percent of total indicative financing for 1992. Although industrial project loans favor large-scale enterprises and mining projects, generally implemented by parastatal or mixed public-private enterprises, current Industrial Sector Policy guidelines point to a trend toward financing private sector enterprises, including SMEs, and the rehabilitation of large-scale, resource-based productive enterprises. This orientation will encourage much new private-sector employment. Care should be taken to promote labor-intensive enterprises to create jobs and income generation for the poor.

The lines of credit to Development Finance Institutions are destined to finance private, particularly small and medium, enterprises through on-lending of resources. These function in the same way as the credit lines to agricultural development banks in several countries. The Bank often grants a free loan size limit to the DFIs; but loans falling under the limit requiring no Bank approval. This is designed to encourage lending to SMEs, but loans made by DFIs tend to remain large, ranging from UA 50,000 to UA 8,000,000. These funds are clearly not lent to the poor, who are confined as entrepreneurs to informal sector microenterprise or comprise the unskilled labor force in agriculture, services, and industry.

Project preparation and appraisal should estimate the degree of labor intensity in the promotion of industrial projects, selecting those with high potential for income generation and job creation among the chronically unemployed. Evidence of labor-intensive activities in backward and forward linkages to the industrial project is also important in the choice of future projects. Wherever possible, projects should be located in poorer regions and be accompanied by social sector projects in an integrated package for poverty reduction. Care should be taken to ensure local participation in project appraisal, where possible, and gender equality of employment opportunity. Any potential negative health impacts to employees or through externalities to the wider area must be investigated.

Applications from DFIs for lines of credit to the Bank should be screened for attention to the size of projected loans, the financing arrangements planned for the SMEs (including description by sector of typical firms), and the labor intensity (where possible, gender composition) of recipient firms (number of employees compared to gross profits).

Priority should be given to DFIs attempting to lend to the smaller, labor-creating enterprises. Emphasis should be on DFIs lending to sectors with high unemployment, particularly female. Targets should be set within NISI/SISI 3 to reach an increasing proportion of such enterprises. Ultimately, it is hoped that informal sector microenterprises can be reached through appropriately specialized DFIs. This is a longer-term objective in the poverty reduction strategy.

4.4. Cross-Sectoral Issues

Several issues cut across sectors in their implications for poverty reduction. These include women in development, the environment, private sector development, and the role of nongovernmental organizations in reaching grassroots groups.

4.4.1. Women in Development

Since 1990, the ADB Group has defined a policy to integrate women fully into all programme and project activities and has created a WID Unit within the Central Projects Department. The WID Unit has been institutionalized as a permanent structure of the Bank Group.

The main thrust of the WID policy mandate has been to provide a framework for the incorporation of gender concerns and needs into regular Bank operations. A correlative task of the unit has been to identify and assess the major constraints inhibiting women from fully participating in national development efforts. To these ends, the WID Unit conducts reviews of project documents, participates in operational missions, influences terms of reference for consultants, sponsors or conducts training for technical staff, and maintains a WID data bank. Currently, the unit is in the final stages of developing guidelines for gender screening of projects, including the potential for gender impact studies (GIS), and for the preparation of EPCPs. To fill serious data gaps in most member countries, the WID Unit has begun a process of systematic preparation of country monographs. This will respond to the need to inform project preparation efforts and to identify women's needs, priorities, and constraints in member countries in defining country-specific WID strategies.

Guidelines for gender screening propose three categories of gender relevance in projects. Category A are WID-specific projects, or projects whose primary beneficiaries are women. These will require conducting a gender impact study prior or during appraisal. Presumably, those issues identified in the GIS will be evaluated after project completion. Category B projects, although not primarily targeted at women, may still require a GIS, because of their focus on identifiable beneficiaries. Most agricultural, fisheries, livestock, and social sector projects fall into this category. Finally, Category C projects are those deemed to have only indirect benefits to identifiable groups, and where impact on women's lives and livelihood is tangential or difficult to dissociate from general population impact. No detailed gender analysis will be required in project appraisal.

If successfully implemented, the institutionalization of WID, as described in the formal WID Action Plan and related documents, will require pervasive changes in Bank Group operations. First, considerable additional information on beneficiaries will need to be collected, in order to analyze gender issues in programs and projects. This means that the quantity and quality of project preparation and appraisal analysis will require substantial expansion. Second, background and planning documents, including sector master plans and country EPCPs, will have to give serious attention to social and gender issues to meet current guidelines. All of this will increase present personnel workloads and lead inevitably to justification for increased manpower.

Carrying out the WID mandate will often involve a new orientation to project design, as opposed to simply adding a WID component to standard types of projects. This means that gender issues need to permeate all aspects of those project-types whose primary impacts are on women and children. Box 4-3 provides an example of one such project, a rural water project where women are encouraged to take on the maintenance of communal water sources.

The adoption of a poverty focus in Bank operations must not be construed as adding an additional layer of analysis, documentation, and evaluation to other Bank policy requirements. A poverty reduction focus can and should be closely linked to activities carried out by the WID and Environment and Social Policy divisions of CEPR. Moreover, these CEPR divisions should have the mandate to extend their programme and project review activities to include poverty targeting, because their present or projected activities are inextricably linked to such an approach. This is true for the WID Unit (CEPR-5), because it focuses on separating out gender differences in beneficiary populations and because women are a disproportionate share of the poor in African countries. It is true for the Environment and Social Policy Division (CEPR-3) because of the linkage of environmental degradation to socioeconomic indicators of poverty and because of to the explicit poverty-focused assessment, survey, and safety net activities of the social policy group. The director of the Central Projects Department should ensure appropriate sharing of responsibilities between these and other relevant policy divisions (agriculture and infrastructure/industry) in the department.

BOX 4-3

GUINEA-BISSAU: WOMEN AND RURAL WATER SUPPLY SYSTEMS

Although women are responsible for fetching water, they have played little role in the maintenance of water supply systems. Within the framework of the United Nations Declaration on the Water Decade (1981-1990), the Ministry of Hydraulics has introduced a two-phase servicing program in rural areas to increase access to potable water: preventive maintenance is performed by the women of the village, and repairs are done by the local male mechanics. The program requires significant community participation in both technical and financial terms. There is also a pilot program under way to train female maintenance technicians. This program is the first attempt in Guinea-Bissau to improve women's control over their daily time-consuming water collection chores and to educate the local people about the value of using clean water. Results have been positive and pumps are operating free of problems for a longer period of time.

4.4.2. Environment

Like women in development, environmental protection constitutes a cross-cutting issue to be addressed in project design, implementation, and evaluation. The Bank Group Environmental Policy Paper, adopted in 1990, mandates the use of an environmental assessment system throughout the project cycle. During project identification, an initial environmental examination determines whether an environmental impact assessment (EIA) needs be conducted as part of project appraisal and whether mitigation measures should be built into the upcoming project.

Projects are categorized during the initial examination into four categories. Category I consists of projects with the potential for significant negative environmental impact, requiring field review and normally an EIA. Category II is comprised of projects with limited environmental impact whose negative effects can be resolved through mitigation measures and project design modifications. Category III consists of projects without adverse environmental impact, obviating the need for further environmental review. Finally, Category IV involves those projects with beneficial environmental impacts.

The close link between poverty and environmental degradation, characterized by soil depletion, erosion, and deforestation from unsustainable subsistence practices, is well established. Lack of economic opportunity feeds population growth and declining agricultural productivity on a fixed resource base, eventually launching a downward decline toward permanent ecological damage. Ultimately, lack of opportunity and chronic food shortage drive excess population toward the cities, where overcrowding soon overtaxes government services and results in sanitation and health problems.

An environmental strategy for the Bank is thus closely linked to a poverty reduction strategy; one cannot exist without the other. Many of the actions launched to support labor-intensive growth strategies should focus on public works designed to restore or to protect damaged ecological zones, including peri-urban areas. Screening of proposed projects for environmental impact, both positive and negative, should include attention to the human dimension of potential impact. In the case of potential negative impact, where an EIA is required, the role of the local population in compounding or mitigating such impact should be examined. Means can usually be found to involve the local population in projects with environmental impact. Such involvement can not only mitigate such impact, but can constitute a serious poverty reduction component in what might normally be a purely technical effort.

4.4.3. Private Sector Development

Currently, private sector development activities within the Bank are largely the purview of the Private Sector Development Unit (PSDU). This unit, as presently conceived, does not target small and medium private enterprises, let alone the microenterprises constituting the bulk of survival strategies of the off-farm poor. Although it envisages eventual support to Development Finance Institutions capable of on-lending to microenterprises, its present mandate does not stress such poverty targeting.

Nevertheless, we recommend that the PSDU develop the capacity to lend to NGOs specialized in extending revolving credit lines to poor populations. Programs such as that of the Grameen Bank in Bangladesh have been successfully initiated in several African countries. Box 4.4 presents brief descriptions of recent credit and savings schemes in Africa. Because many of the most active microentrepreneurs in Africa are women, the launching of such country schemes should include the WID Unit and its resources.

4.4.4. Involvement of Nongovernmental Organizations

The use of NGOs to implement poverty reduction actions will be increasingly common in regional member countries in the future. Evidence from around the world and from many African countries documents the general effectiveness of these organizations in channeling resources in cost-effective ways to local populations.

NGOs often play the role of intermediaries between local populations and government agencies responsible for implementing development efforts funded by the Bank. Poverty targeting is the particular province of the NGO, which can implement small projects and can also identify and document human needs within its area of activity. NGOs tend to see development in quality-of-life terms, not simply as a by-product of economic growth.

One of the key successes of NGOs in recent years has been the development of strategies to extend credit to the poor, particularly women. NGOs often mobilize part of such lending from the savings of local populations. Extension of credit at market rates, coupled with collective responsibility of small groups of beneficiaries, has proven itself successful in African contexts and should be included in future ADB Group poverty reduction activities. Such an activity requires much organization and groundwork and should not be appended to other projects as was done in integrated rural development schemes in the past.

Box 4-4

RECENT AFRICAN EXPERIENCE WITH GRAMEEN-STYLE SAVING AND CREDIT PROGRAMS

In recent years, several African initiatives have replicated the Grameen Bank. The most dynamic of these efforts has been the People's Bank of Nigeria (PBN). Started with government support, in its three years of operation the PBN has established 175 branches that reach 824 villages. The PBN offers savings as well as credit services, and provides its depositors with competitive savings rates. Although drawing on the Grameen Bank model, several adaptations have been used. Groups are larger than those in the Grameen system (7-10 members per group at PBN compared with 5 members per group at the Grameen Bank). The PBN benefits from government support, with branch office facilities provided by government agencies. The PBN is presently in the process of establishing a commercial bank to open up access to local capital markets and diversify the financial services it can provide to its clientele.

In Kenya, PRIDE (Promotion of Rural Initiatives and Development Enterprises, Ltd) began introducing the Grameen Bank lending methodology in 1989. As of April 1991, PRIDE services extended to 1,600 participants who had borrowed $420,000 and saved $64,000. On the basis of the PRIDE experience, the Kenya Rural Enterprise Program (KREP), an umbrella organization that provides technical and financial support to local NGOs, has sought to disseminate the peer group lending approach among the different local NGOS they finance. In addition to PRIDE, three other local Kenyan NGOs now operate Grameen-like credit operations. These local NGOs had previously operated credit and technical assistance programs using diverse methodologies. KREP intends to promote the peer group lending approach among numerous other NGOs that have pursued other credit methods with less success.

The Women's World Banking affiliate in Ghana (WWBG) is an example of a program that builds on traditional rotating savings practices. WWBG uses *susu* groups to mobilize savings of market women by providing a safe savings facility. Savings are collected from the women and then deposited in a local commercial bank. WWBG splits the interest earnings on the savings account with the women. The saving balances serve as compensatory balance for the WWBG lending programs. The WWBG operations remain small, with approximately 100 savers organized and 60 loans made by mid-1991.

Source: Excerpted from Shari Berenback and Diego Guzman, "The Solidarity Group Experience Worldwide," prepared for USAID under the GEMINI Project by Development Alternatives, Inc., June 1992.

A further advantage of the use of NGOs is that they tend to promote community and other self-help organizations, a key component of the growth of popular participation in development efforts. The value of empowering poor populations to articulate their needs cannot be underestimated. Government officials, who often talk now in place of local populations, will come to realize the importance of meaningful dialogue with future project beneficiaries, if only because such projects are obviously more successful.

Employing NGOs in targeting poor segments of the population reflects their comparative advantage. Efforts to interest member governments in the development and registration of NGOs should be made in the future. Registration of NGOs is important to ensure that they have appropriate financial and accounting systems and have the ability to monitor indicators of performance toward project objectives.

4.5. Project-Level Issues

4.5.1. Project Categories

It is recommended that Bank staff use project-level indicators for monitoring and evaluating the impacts of Bank Group investments on reducing poverty of intended poor beneficiaries. Some project types will have a very strong poverty focus; others, although still addressing the needs of the poor, will have a more general impact on the population. A typology of poverty-oriented projects is discussed in detail in Chapter Six. Operational implications for Bank project cycle activities are also examined in that chapter.

4.5.2. Targeting the Poor

Defining and monitoring the major dimensions of human deprivation in African countries presupposes methodologies for identifying and evaluating the quality of life of poor populations. The ability to locate the poor and to measure the dimensions of their poverty varies greatly from one RMC to another. Once located and measured, it is often even more difficult to tailor interventions to reach poor populations cost-effectively.

The Poverty Profile: Identifying the Poor. The fundamental tool for identifying and assessing the living conditions of the poor is the poverty profile. Termed a "snapshot of the poor" by the World Bank, the profile is far from trivial. It is intended to be a complete summary of the state of knowledge on the poor in a given country and is constructed from a variety of information sources. It includes sources of income, consumption patterns, economic activities, and living conditions of poor populations.

Data on these topics may already be available in a variety of primary and secondary forms. Construction of an absolute poverty line, below which individuals and households are deemed poor, will be based on estimates of income necessary to secure a minimal nutritional basket of foods. Only where sufficient data do not exist should surveys be conducted to draw up initial estimates of the number and types of poor populations. These surveys should be small-scale, rapid overviews of the location and characteristics of the poor. Over time, in-depth surveys and topical studies can be undertaken to improve the quality of the profile.

There are various ways in which the poor can be approximately identified and located in the absence of household census, national consumption, demographic health, or other survey data (for example, The World Bank Living Standards, Integrated, Priority, and Community surveys). At the grossest level, Bank and country officials can rank rural regions and urban neighborhoods by means of checklists of public utility and basic services provision; type, number, and state of transportation routes; quality and quantity of goods in local markets, especially foodstuffs; type and quantity of goods for sale by itinerant or street vendors; quality of housing materials; and official or unofficial reports from local governmental or nongovernmental employees.

Successful ranking of this type depends on drawing up simple but thorough checklists of items or services deemed to define poverty in particular country contexts. Rural checklists, moreover, may differ significantly from urban lists. Among the most important data to be collected is information on food security, quality of shelter, income sources and security, disease prevalence, and population access to potable water, curative health services, and primary education. Where local administrative, education, and health service employees are present, they represent valuable sources of additional information on household size and characteristics. The level of male outmigration and female-headed families, for example, can often be estimated in this way.

In time a country's poverty profile will include one or more absolute poverty lines: one indicating income necessary to purchase a minimal annual caloric intake; the other situating the ultra-poor, who find themselves chronically malnourished and deprived of basic social needs. Accurately calculating the number of households below these lines and their location will require fairly sophisticated household revenue or consumption surveys. Few of these exist yet for countries in Africa, although the World Bank Living Standards, Integrated, and Priority Surveys are expected to fill this gap in Africa within a few years. World Bank Community Surveys will supplement household data by focusing on neighborhood, local area, or regional facilities and services available to all households, including basic infrastructure and markets. Data from these activities will be useful for Bank Group efforts to identify and target interventions for poor populations.

The Poverty Assessment: Toward a Country Poverty Strategy. The country poverty assessment takes the profile one step further, analyzing the relation between the state of poverty in a country and public policies, expenditures, and institutions. Poverty assessments will necessitate an examination of governmental policies and actions with respect to the known condition and location of the poor, as established by the preceding poverty profile. It will be most useful for evaluating the incentive and regulatory framework, the composition and institutional effectiveness of public expenditures, and the condition and scope of governmental safety nets.

Poverty assessments for African countries are currently being developed by the World Bank; complete assessment of all countries is expected to take about three years. The ADB Group should participate in selected assessments with the World Bank, where it has particular comparative advantage or a special interest (such as an important country loan portfolio and the presence or proximity of a regional office). Certainly the Bank Group can draw upon these comprehensive documents to develop poverty assessments of its own for use in country programming.

Targeting Poverty Reduction Actions. African countries will eventually address the issue of targeting the poor based on the poverty profile and assessment. While waiting for these to be developed country by country over the next few years, rapid reconnaissance techniques of identifying the poor can be employed. When possible, the Bank Group should take a strong role in developing country poverty profiles and assessments, because, as the African development institution, it can better represent African sociopolitical and cultural points of view than can outside agencies.

In some cases, a country poverty reduction strategy will be drawn up between donors and governments proposing a wide range of actions congruent with basic donor poverty reduction strategies. Simultaneous action at the macro, sectoral, and project levels should be proposed. Short-term emergency or safety net actions may accompany medium-term projects. Although ideal, the country strategy may not be realistically achievable in many countries; even in its absence, the Bank Group and other donors should proceed to coordinate and integrate their strategies by focusing resources on the same beneficiary populations.

Targeting of macro and sectoral policy reform is country-wide, although rough estimates of differential socioeconomic impact within and between regions is generally possible. Data from the SDA Priority Survey should allow some tracking of impact, although causality often remains questionable. Sector policy reform can target more precisely, although it cannot normally target only the poor. Price, regulatory, and public expenditure policies, nevertheless, remain effective means to transfer income and services broadly within countries.

Targeting the poor through focused public expenditures on discrete groups requires substantial administrative efficiency. This in turn necessitates institutional sophistication and well-trained personnel. Where bounded target groups can be identified, such as seasonally unemployed youth or rural populations without potable water, and institutional capacity is ensured, targeted income-generating, training, or social service activities can be envisaged by governments. Such a situation is not common in Africa, however. Even in North Africa, knowledge of who the poor are and what their needs are is not yet well developed. Moreover, the administrative complexity and potential corruption involved in targeting subsidies or other services to the poor remain daunting.

Project-level Targeting. Three project-level targeting mechanisms are proposed: geographic focus, objective characteristics, and self-selection by the beneficiaries themselves. Specific geographic focus of several sectoral projects — always accompanied by appropriate macro and sectoral price and regulatory reforms — should form the core of Bank poverty targeting efforts in the future. Once regions, zones, localities, or neighborhoods have been selected as most poor, representatives of these areas should be consulted for their needs and for further identification of the most destitute. Needs will vary from safety net actions focused on emergency or short-term situations to longer-term employment creation and social service provision. Household needs will vary by size, composition, and sex of family head, while women's productive capacity often benefits greatly from expanded local social services, because they usually shoulder this burden when service cuts are made under budgetary austerity.

Objective characteristics will be based on census or household consumption survey data or may be grossly estimated by rapid reconnaissance surveys of regions, neighborhoods, or localities. Targeting can also be based on demographic characteristics, such as age or sex of household head. In this way, children under the age of five, unemployed teenage youth, the aged, and female household heads can be pinpointed. In the absence of census data, local officials or organizations can be responsible for proposing lists of targeted individuals or households, subject to careful investigation by implementing ministry and donors.

Self-selection techniques can also be used to target the poor by designing poverty reduction activities likely to attract only the most destitute. Inferior foodstuffs, low-cost housing, and particular types of low-wage or low-status jobs can discourage leakage of benefits to the non-poor. Labor-intensive growth focusing on the creation of numerous, relatively low-wage jobs should underlie future Bank Group actions in most member countries. Rural public works schemes are particularly useful to channel income quickly to those most in need of jobs and income, although they are not often sustainable. They can, however, be a part of an integrated package of measures focused on discrete geographic areas.

4.5.3. Beneficiary Participation

The Bank strategy to involve poor beneficiaries in its poverty reduction efforts has three basic objectives: efficiency, equity, and empowerment. Projects having beneficiary participation will work better and employ resources more cost effectively than top-down approaches. Equity is promoted through the involvement of the population, not just local governmental officials. Empowerment, on the other hand, may appear undesirable to many governments concerned with maintaining tight political control. Nevertheless, increased democratization of African populations appears increasingly linked to realistic scenarios of poverty reduction and sustained economic growth.

ADF-VI lending policy requires that poverty reduction efforts include "eliciting or promoting the direct involvement of the ultimate beneficiaries, including women, in the design and implementation of projects and programs." Since the policy also stipulates that lending for agriculture, food production, and the social sectors (health and education) should comprise up to 60-65 percent of ADF-VI funds (nearly all funds after policy-based operations), the issue of beneficiary involvement in projects largely concerns subsistence agriculture and primary health and education. This should not preclude attempts to involve local populations in other types of projects, such as transportation, potable water supply, public utility provision, and credit to development finance companies specializing in small-scale enterprise. Interventions in these areas can and should have a poverty focus in the future.

Not involving project beneficiaries can substantially reduce the effectiveness and sustainability of project outcomes. This is particularly true when targeting focuses on specific groups of people. To the extent that beneficiaries can be identified geographically or socioeconomically, they should be consulted in project design and involved during implementation.

The Bank Group is, however, constrained by the fact that it must work directly with borrowing member governments. This tends to encourage the maintenance of governmental and bureaucratic paternalism, detrimental to the building of self-reliance and participation at the local level. This paternalism presumes that the poor are largely incapable of fending for themselves without governmental assistance. Promoting effective popular participation can alter this attitude over time.

Projects or project components targeted on the poor should undertake beneficiary assessments designed not only to describe the basic characteristics and condition of the target population, but also to investigate their needs and poll their opinions about possible project actions. This is particularly true when introducing cost recovery or organizational innovations in regions, communities, or neighborhoods. Ideally, populations should themselves organize to express their needs to governmental officials for donor consideration; this, however, is still rarely the case in Africa. Box 4-5 presents an example of a beneficiary assessment that was carried out in a health and family planning project in Ethiopia. It shows that such assessments can be cost-effective by increasing the likelihood that project interventions will respect the social and cultural norms of intended beneficiaries.

Local Organizations. African countries have traditional forms of social and political organization, most of which have been preserved at the local level. Government administration normally co-opts local chieftains and lineage heads, incorporating them in the chain of command. Unfortunately, there is little bottom-up information flow, although traditional village or lineage councils can often be empowered to fill this role. When such councils are consulted by government officials, it is usually to use them to implement decisions already made in the capital.

African populations are also organized in a variety of traditional, voluntary groups based not on kinship but on neighborhood and mutual aid, including economic assistance. They also demonstrate the capacity to organize innovatively into nontraditional local organizations for specific purposes. Local organizations should be consulted in the process of project design for their suitability in assisting the process of implementation and evaluation. Only when appropriate local institutions and organizations do not exist should project management units create new social forms to facilitate project implementation.

Experience has shown that the most useful local organizations for project success have the following characteristics: informal modes of operation, decision making based on shared executive and general assembly participation, linkages both horizontally and vertically with similar organizations, face-to-face interaction of members, linkage to government agencies that preserves autonomy, and active participation by the members themselves or by people acting as intermediaries between government officials and local populations (Uphoff, 1985).

BOX 4-5

BENEFICIARY ASSESSMENT IN ETHIOPIA: POPULATION AND PUBLIC HEALTH PROJECT

A beneficiary assessment was done in Ethiopia as part of a World Bank-funded population and public health project covering the central provinces of the country. People in this area belonged to four primary ethnic groups (Oromo, Amhara, Kambata, and Hadia). The assessment was conducted by a combination of conversational interviews and participant observation. The interviewing was done with a representative sample drawn from 10 villages in each of the four ethnic populations. The average village had about 50 households; 5 households were interviewed from each village, doubling the number for the Oromo tribe which comprises by far the largest group.

Participant observers spent 2-3 weeks living in three villages in each of the four ethnic areas to gain an understanding of the sociocultural context as a complement to the household interviews. They observed that pregnant women almost never visited health centers during their time of pregnancy. In-depth discussions held with men and women in the community in which they lived revealed that the major reason for this low visitation rate lay in the cultural belief that it was considered weak and improper for women to admit any pain or discomfort. This information, which was new to the public health officials in Addis Ababa, was considered useful to orient health education among rural communities.

Source: Lawrence F. Salmen, "Beneficiary Assessment: An Approach Described," Working Paper No. 1 of the Poverty and Social Policy Division of the World Bank, February 1992.

Increasingly, NGOs are stepping in to serve as community organizers and to fulfill linking functions between government technical ministries and local populations. This is far more the case in low-income Africa than in North African countries; north of the Sahara, the NGO sector and NGO-government relations are much less developed. The Bank Group should accelerate the process it has recently begun to promote ways to use regional member country NGOs in reaching poor populations.

Project Cycle Involvement of Beneficiaries. The project cycle should begin with an examination of the beneficiary population during the identification phase. This population must then be approached for its reaction to initial ideas. This will occur most extensively during the process of project preparation. Opinions of leaders and followers alike should be solicited in focus or key informant groups, including beneficiary appraisal of all aspects of the future project. Even the technical feasibility of interventions should be open to discussion. Time spent consulting the beneficiary population at this stage and during appraisal can be cost-effective over the life of project.

Communication with beneficiaries during appraisal should move to envisage how they may be effectively involved in project implementation. If traditional or nontraditional local organizations can be co-opted, this should be determined early on. If this is not possible, new project implementation structures may be worked out with representatives of the population concerned. Care must be exercised to avoid capture of the project by local elites.

Local participation should include a clear measure of involvement and self-reliance on the part of beneficiaries. Government officials should ask how the local beneficiaries intend to participate in project implementation. Some commitment to involve local resources goes hand in hand with a collaborative approach to development; local groups will involve themselves far more in the project process if they volunteer to invest time, materials, and money. If local populations remain reluctant to invest of themselves in a future project, government and Bank designers should reconsider the validity of the proposal.

Project monitoring systems should propose systematic consultation with beneficiary representatives. Unannounced visits to project areas for discussions with randomly selected individuals may also be useful. Beneficiaries should be questioned during supervision visits by Bank staff on the success of interventions and how faulty design may be modified before project completion. They should be consulted again in the Project Performance Audit Report.

4.5.4. Use of Local Resources[11]

A key element of any poverty reduction strategy is to increase the demand for labor and the products of poor people's labor — in other words, to raise local value added. This may take the form of direct hiring of local labor in place of imports of heavy construction equipment; and procurement of locally manufactured furniture, tools, and other project supplies, as opposed to importing them.

Donor agencies are often politically and administratively constrained from increasing the local labor and commodity content of their projects. Although recognizing that this constraint exists, efforts are required to increase the local content of development projects to the greatest degree possible. As foreign exchange is a scarce commodity, it should be combined with local labor and capital as efficiently as possible.

Activities with the potential to incorporate labor-intensive techniques run the gamut of civil works projects, and include feeder road construction and maintenance, paving (stone or concrete blocks), sewer construction and rehabilitation, water projects, drainage and irrigation, small dam construction, land reclamation, building construction, and provision of construction equipment and materials. As all these project types possess the potential to be poverty focused by increasing demand for labor, they should be designed and appraised with these considerations explicitly addressed. A checklist of questions for use in guiding project design, appraisal, and evaluation is presented and discussed in Chapter Five.

Of special concern is determination of the wage rate and effects on local labor supply. To increase the poverty-alleviation focus of these projects, the wage level for unskilled labor should be set sufficiently low so that better-off elements of the population de-select themselves from participating. This results in the project being self-targeting in that the likelihood that poor people will capture most of the wage benefits is increased. If the wage is set too high, relatively wealthier people will probably be successful in capturing more benefits as they have greater ability to exert political pressure during the hiring process. To the greatest extent possible, efforts need to be made to ensure that labor-intensive projects do not directly compete for labor during critical bottleneck periods of the agricultural season. In many instances, this is not a serious issue as road maintenance and construction activities normally take place during the dry season. However, in some cases, projects may have to temporarily suspend or cut

[11] Much of the material in this section is adapted from E. Vang Nielsen, "Labour-Based Construction: An Introductory Paper," African Development Bank, Agriculture and Rural Development Department South, General Agriculture Division, 1991.

back on activities if there are significant conflicts with the cropping calendar. Social scientists need to play a major role in designing these projects so that the social implications of wage level choice and social and gender issues regarding who participates in construction and wage labor receive adequate attention.

5. POVERTY REDUCTION INDICATORS AND THEIR USES

To assess a country's progress in reducing poverty and the contribution of individual investments to poverty alleviation, it is necessary to identify and monitor the progress of a set of indicators. Ideally, these should reflect major factors that have a bearing on the well-being of the poor, be as objective as possible, and be cost-effective to collect and to report on.

This chapter begins by outlining types of indicators (in terms of what they purport to measure) and potential uses of indicators. The limitations of indicators are then discussed. Finally, a set of indicators are proposed for assisting the Bank Group to monitor country progress towards achieving poverty reduction, and to improve the poverty focus of project cycle activities.

5.1. Types of Indicators and Their Uses

For this report, it is useful to identify two categories of indicators — process and outcome (or output) indicators.[1] With regard to poverty alleviation, **process indicators** attempt to measure the extent to which a process is being followed that one could reasonably expect to lead to the improved well-being of poor people. This is done without directly measuring improvements in well-being. **Outcome indicators** directly measure changes in well-being.

For example, if the overall goal of a social policy or a specific project investment is to increase child survival, one might propose trends in vaccination coverage as a process indicator. This is because vaccinations are commonly considered an important element in reducing the risk of children's susceptibility to life-threatening diseases. However, raising vaccination rates is not an end in itself, but rather a means of achieving the objective of improved child survival. Reduction in the 0-5 year mortality rate directly measures child survival status and is therefore considered an outcome indicator.

The importance of beneficiary participation was discussed in the previous chapter. Examples of how participation can be used as a process indicator are included in section 5.3.3 of this chapter.

On the economic side of poverty reduction, a direct outcome measure would be changes in numbers of people below a designated poverty line. This would be determined by measuring changes in incomes through statistical surveys at the household level. However, implementing such surveys on a continuous basis is very expensive and management intensive, and therefore not practical for the majority of African countries. A more practical approach is to identify and monitor process indicators that seek to assess a government's commitment to macro policies and social sector investments consistent with broad-based growth.

An institution such as the African Development Bank may have several different reasons for using indicators related to poverty. These are discussed below:

- **Descriptive information:** Bank staff are responsible for drafting several reports that serve as input into country programming and project cycle activities. Examples include Economic Prospects and Country Programming papers, Country Strategy Papers, Appraisal Reports,

[1] The terms "output" and "outcome" may be used interchangeably.

Project Completion Reports, and Project Performance Audit Reports. A carefully considered set of indicators can assist staff in preparing more thorough and technically sound documents that assess the state of poverty in a country and identify potential strategies for alleviating it.

- **Adjusting lending levels to RMCs:** Currently, Bank staff identify indicative lending targets to member countries for ADF allocations. These may be adjusted up or down by as much as 25 percent based on country performance. Indicators that gauge a government's willingness to pursue poverty reducing measures could serve as partial input into this decision-making process.

- **Targeting projects within RMCs:** Having an approximate idea of who the poor are and where they are located is essential for designing, implementing, and evaluating projects that seek to improve the lot of the poor. As an initial step, the Bank can develop national-level indicators and use them as benchmarks against which to compare indicators collected at the subnational level. This would improve the Bank's ability to geographically target its interventions with a poverty focus.

- **Evaluating project impact:** Well-designed projects require clear objectives that allow one to monitor progress and correct problems at the implementation stage and assess success or failure upon project completion. Although realizing that every project is unique, it should be possible to develop reasonably uniform sets of indicators by project-type for assessing effects on poverty alleviation.

These four potential uses of indicators imply different sets of indicators for the various Bank operations. The inventory of recommended indicators developed in Section 5.3 will include discussion of their most appropriate uses.

5.2. Conceptual Issues and Limitations of Indicators[2]

Before proceeding to an identification of indicators, it is important to be clear on what one wishes to measure and not measure. Several conceptual issues need to be examined and a frank discussion of the limitations of indicators is required.

Focus on Level of Performance or Change in Level of Performance. If the Bank Group wishes to incorporate change into its assessments, it will need to develop an approach to working with rates of change. Measures of rates of change are difficult to compare among countries because rates of change from noncomparable baseline situations may lead to unwarranted conclusions about relative performance. Change can be measured in absolute terms or relative to current poverty reduction needs of the country. The latter is more subjective but may compensate for the bias against strong and steady performers. Both level of performance and change in performance should be accounted for in a formal way if they are to be used for lending decisions. A ranking based on level of performance alone principally rewards past performance at the expense of significant current poverty alleviation efforts. But rankings based on change alone penalize countries that have made difficult policy decisions in the past.

[2] This section and section 5.3.1. on Country Policy Performance Indicators draw heavily from Berg et al.. 1991.

Indicators Offer Only a Partial Explanation. Any collection of indicators is subject to the criticism that it offers only a partial picture of performance within a given area. When confronted with the choices that another group has made, anyone will see gaps and failures. In addition, the lack of adequate data on issues of potential direct relevance to assessing poverty reduction performance — for instance, statistically valid measures of changes in income level — forces one to choose other, less precise indicators for which data are available.

Difficulty of Disentangling Policy and Project Performance From Other Sources of Change. Country performance in alleviating poverty may be influenced positively or negatively by events completely unrelated to government policies. Favorable (unfavorable) world price movements for a country's principal export commodity may result in higher (lower) revenues reverting to the public coffer. Two governments may be equally committed to increased investment in basic social services. However, it will be easier for the government with higher export revenues than for the less fortunate one to commit additional resources to human capital investment. Another obvious example has to do with the vagaries of rainfall. Alternating years of favorable rainfall and drought may be responsible for substantial variations in agricultural production and income from one year to the next. Such changes dwarf the short-run effects of policy change and project investments.

Field Data are of Uncertain Quality and Comparability. It is beyond the scope of this paper to comment on the vast literature that has been assembled on data problems in Africa. It suffices to say that certain categories of data are notoriously difficult to measure in a statistically valid way (agricultural production, income, etc.) while other types present fewer problems. An effort has been made to rely as much as possible on relatively more reliable indicators, but this is not always possible. Rather than focus too much on the precision of measures, the Bank should establish broad ranges for scoring the performance of each indicator.

Annual Changes of Some Indicators are not Likely to Be Significant. Particularly with regard to social indicators related to the well-being of the poor, change will be irregular and incremental. This is because performance levels for many of these are deeply rooted in custom or lags may occur between the time of an investment and when results become observable. On the other hand, certain of the economic growth and government expenditure indicators are likely to fluctuate.

Performance Versus Needs. Previous ADF allocation exercises have been based almost exclusively on needs, relying primarily on population size and GDP per capita for apportioning concessionary loans. Countries can, of course, be placed under sanctions if they fall into arrears with the Bank. However, this "performance" measure is much narrower than measures that seek to evaluate macroeconomic performance or the degree of government commitment to reducing poverty. Unfortunately, needs and performance do not always coincide. They do coincide in poor countries making a concerted effort to reduce poverty. They do not coincide in poor countries where their governments persist in pursuing inappropriate policies and investments. Unfortunately, while the needs of the poor may be especially acute in such countries, the probability of Bank Group lending having a favorable impact is low. In cases where needs and performance do not coincide, a careful balance should be struck between allocating funds to RMCs based on performance and needs.

Objective Versus Subjective Information. The use of qualitative data (from, say, beneficiary assessments) results in several advantages: the ability to draw on the experience and observations of informed persons, the use of informed estimates for items when no objective quantitative data exist, and the ability to more closely characterize conditions in a core area rather than relying on what may be more distant proxies.

The use of subjective information may also result in significant costs as it is almost inevitable that personal biases will be introduced. Nevertheless, there is considerable scope for trusting poor people's opinions on whether a project has had meaningful effects on their lives.

5.3. Inventory of Key Indicators

The poverty indicators developed in this section reflect several concerns. First, one must be guided by a conceptual framework that incorporates an understanding of the nature of African poverty and the tools that the Bank and RMCs have at their potential disposal for remedying it. Chapter two described the nature of African poverty and Chapter Four outlined the policies and investments that governments can use to address poverty with the assistance of the Bank Group and other development agencies. Second, the indicators must respond to Bank Group and RMC needs at each relevant stage of the country programming and project cycles. As stated in section 5.1, there are at least four potential uses for poverty indicators in the context of Bank operations. Third, data collection and analysis should not be overly labor intensive. Given Bank Group staffing constraints and weak databases in most RMCs, indicators must be practical and workable. Fourth, no indicator system approaches perfection in capturing all the elements needed to assess the state of poverty and progress in alleviating it. While recognizing their limitations, the indicators chosen must be "reasonably" valid in measuring what they purport to measure.

In light of the needs and potential uses of poverty indicators by Bank staff, three sets of indicators are proposed:

- **Country Policy Performance Indicators:** To be used for assessing a government's willingness to pursue poverty reducing measures. These may serve as partial input into the decision-making process related to adjusting ADF indicative lending targets;

- **Poverty-Related Social Indicators:** To be used as descriptive information for preparing more thorough and technically sound EPCPs, CSPs, Appraisal Reports, PCRs, and PPARs. If also collected at subnational levels, such information would improve the Bank's ability to geographically target its interventions with a poverty focus; and

- **Project Impact Indicators:** To be used for monitoring and evaluating the impact of Bank Group investments on reducing poverty in project zones on intended poor beneficiaries.

5.3.1. Country Policy Performance Indicators

Chapter Four discussed the relevance of a proper policy environment to broad-based economic growth and poverty reduction. Such an environment also increases the probability that project interventions will succeed. Indicators in four macro policy areas are proposed: exchange rate distortion, inflation, consumer price controls, and investment in human capital formation. Although there are numerous important measures of macroeconomic performance, an effort has been made to capture those with the greatest relevance to the well-being of the poor. These are summarized in Table 5-1 and examined below.

TABLE 5-1

POVERTY ALLEVIATION INDICATORS: COUNTRY POLICY PERFORMANCE INDICATORS

General Area	Specific Measure(s)	Poverty Relevance
Exchange Rate Distortion	Average percentage differential between market and official exchange rates for previous year.	Labor is the poor's most important factor of production. Overvalued official exchange rates in labor abundant, capital scarce African countries penalizes use of local labor and favors imported capital.
Inflation	GDP Deflator OR Changes in lower income consumer price index (CPI)	Changes in cost of living for the poor for assessing potential vulnerability to price changes. Controlling inflation is crucial to the well-being of the poor as they generally have limited opportunities to hedge against inflation.
Consumer Price Controls	Number of goods for which price controls exist OR Weighted sum of goods in the CPI market baskets subject to price controls (goods are weighted by their share in the market baskets) OR Average percentage difference between uncontrolled and controlled prices for the 3-4 most significant goods subject to controls (for numerator, use absolute value of difference; for denominator, use uncontrolled price)	Price controls usually result in higher prices to the poor as they create shortages, greater uncertainty for marketing agents, and increased opportunities for informal taxation.
Human Capital Investment	Share of government expenditure on social services (health and education sectors) as a percentage of GDP OR Share of government expenditure on primary health care as a percentage of total government expenditure on the health sector AND Share of government expenditure on primary education as a percentage of total government expenditure on education AND Share of government expenditure on military and security as a percentage of total government expenditure on social services	Proxies for government commitment to poverty alleviation and progressiveness of public expenditure.

Exchange Rate Distortion

Indicator #1: (For non-CFA countries only). **Average percentage differential between market and official exchange rates for previous year.** Then estimate the proportion of transactions at the official rate (if possible). When past policy performance has been unstable, annual average of past year is used. Current point estimate is used where there has been a recent shift to a credible and stable policy.

Indicator #2: (For CFA countries and others where data exist). **Average percentage differential between real exchange rate (RER) and official exchange rates for previous year**, where the RER is defined as:

$$RER = \frac{OER/CPI_{DOM}}{\$1/WPI_{US}}$$

with: OER = official nominal exchange rate expressed in units of local currency per U.S. dollar;
CPI_{DOM} = domestic consumer price index (used as deflator);
WPI_{US} = U.S. wholesale price index (used as deflator for dollars, proxy for world prices, although more sophisticated indices can use weighted average of WPIs of the country's trading partners).

Data Sources: Market exchange rates are usually readily available from street money-changers or bankers where secondary foreign exchange markets are permitted. Interviews with local businesses can be used to substantiate rates. Some measure of the share of trade executed at the parallel market rate would be valuable but is difficult to obtain. Real exchange rates are more valid measures of the market value of foreign exchange (and are the only option in CFA countries), but there are often conceptual and data problems in estimating them exactly. Domestic CPIs and nominal exchange rates are usually available from national statistics offices or the IMF International Financial Statistics. U.S. or other international price indices and nominal exchange rates are also available in the IMF International Financial Statistics series.

Poverty Relevance: The ratio of market or real rates to official nominal exchange rates is a proxy for distortions in the price of foreign exchange that are introduced by artificially maintained exchange rates. Distorted rates promote misallocation of resources by changing relative prices of imports and exports, of tradeables versus non-tradeables, and of factors of production (labor and capital). Labor is the most important factor of production that the poor possess. An overvalued official exchange rate in labor-abundant, capital-scarce countries (the situation in nearly all African countries) systematically penalizes use of local labor and favors imported capital. Redressing this situation is of fundamental importance if the poor are to gradually take a greater role in the formal economy.

Inflation

Indicator: Current annual estimated percentage change in GDP deflator. Percentage deviation of most recent GDP deflator growth rate from announced target. Deviation is measured as the ratio of the most recent rate to the predicted rate multiplied by 100.

Data Sources: The GDP deflator is widely available. Inflation targets generally come either from recent World Bank/IMF documents or the government planning agency. Do not use targets set more than one and one-half years in advance. The GDP deflator is chosen because it is the most broadly based measure, showing annual price movements for all goods and services produced in the economy.

Poverty Relevance: The ability to hit inflation targets gauges the quality of macroeconomic management by the government. High or unanticipated levels of inflation are disruptive to economic activity because they introduce uncertainty and risk under which effective planning by businesses and households is difficult. Reining in inflation is crucial to the well-being of the poor as they generally have fewer opportunities to hedge against inflation than do the wealthy. There is often a lag in wage adjustments or in adjustments of prices of products sold by the poor relative to goods purchased by the poor. This increases vulnerability of the poor to sharp and unpredictable income shortfalls.

Consumer Price Controls

Several different indicators could be used here. The simplest indicator in terms of data collection and analysis time also reveals the least amount of information while the most labor-intensive one gives the most accurate measure of the extent of price controls. Three are proposed from least to most labor intensive. Which one is used will vary from country to country as a function of data availability.

Indicator #1: Number of goods for which price controls exist.

Indicator #2: Weighted sum of goods in the consumer price index (CPI) market baskets subject to price controls. Goods are weighted by their share in the market baskets.

Indicator #3: Average percentage difference between uncontrolled and controlled prices for the 3-4 most significant goods subject to controls. For numerator use absolute value of difference. For denominator use uncontrolled price. Weight each controlled good's shares in the CPI and the WPI. Use border prices for uncontrolled prices of tradeables, parallel market prices for uncontrolled prices of nontradeables.

Data Sources: CPI composition as well as some listing of price-controlled goods (and their official and parallel market prices) can usually be obtained from finance ministries or national statistics agencies. These indicators are not meant to entail a major research effort, although, depending on data availability, a fair amount of work might be needed to calculate the third indicator. The second indicator, which measures the breadth of controls in product markets, is a proxy for the openness of product markets, while the third focuses on the depth of distortions. In the absence of parallel market price data or reliable CPI weights for commodity baskets, the first indicator may still be reasonably useful for the simple reason that when governments decide to control consumer prices, they tend to do it for important goods rather than trivial ones (staple foods and fuel, not luxury goods or otherwise obscure items).

Poverty Relevance: Governments often impose controls with justifications of ensuring "orderly" and "fair" markets and to protect the poor. Although correcting market failures may be an appropriate role for governments in some cases, often interventions are mismanaged and introduce new hardships. They often result in higher prices to the poor because controls create shortages, greater uncertainty for marketing agents, and increased opportunities for informal taxation. Formal sector workers may gain access to controlled goods through government shops or agreements with their employers, but the poor are usually forced to buy on the parallel market at prices higher than what they would have been in the absence of controls.

Investment in Human Capital Formation

As with price controls, several indicators are proposed that reflect differing levels of the trade-off between the cost of collecting and analyzing data and the reliability of the indicator as a measure of public commitment to alleviating poverty. Indicator #1 is the simplest (and least complete) indicator, serving as a proxy for the degree of government commitment to the social sectors. Indicators #2 and #3 require more time and effort, but provide a better sense of the progressiveness of public expenditure in the social sectors by taking intrasectoral resource allocation into account. Indicator #4 is easy to measure but sensitive and rather unconventional.

Indicator #1: Share of government expenditure on social services (health and education sectors) as a percentage of GDP.

Indicator #2: Share of government expenditure on primary health care as a percentage of total government expenditure on the health sector.

Indicator #3: Share of government expenditure on primary education as a percentage of total government expenditure on education.

Indicator #4: Share of government expenditure on military and security as a percentage of total government expenditure on social services.

Data Sources: Historical data on government expenditure by sector are available in the International Monetary Fund's *Government Finance Statistics Yearbook*. UNESCO publishes intrasectoral shares to education in its *Statistical Yearbook* and other publications related to education statistics. There is no standard international reference for intrasectoral shares for health. To obtain up-to-date data on intrasectoral expenditures on health and education, best sources are the agencies involved in social sector budgeting — finance, health, and education ministries.

Obviously, indicators #1 through #3 leave much to be desired because they do not measure the quality of educational services and health care delivery. These issues can only be meaningfully addressed in sector assessments and project monitoring and evaluation.

Poverty Relevance: Studies show that the greatest returns to education come from primary education and basic literacy and numeracy. In addition to education, adequate health status is a necessary condition for having a productive workforce. Tangible benefits include greater probability to adopt and use improved agricultural technologies and a more attractive investment climate. For example, four years of primary education is associated with increases of 8 percent in farm output.[3] Intangible benefits include general improvements in the quality of life as physical, emotional, and psychological needs are addressed more effectively. Primary education and preventive health care services are more apt to be used by the poor than are higher education and curative health care. Although not ignoring the need for public involvement in these domains, progressive, broad-based, and cost-effective investment in human capital formation requires that primary health and education be given top priority. Over time, and if taking place in a context of sustained economic growth, these direct investments will have the most profound effects on poverty alleviation.

[3] The African Development Bank, "Education Sector Policy Paper," January 1986.

With regard to a government's commitment to human capital formation, it is also instructive to examine those expenditures **not** related to social services. Therefore, a fourth indicator is proposed related to military expenditure. Up until very recently, this subject was taboo in the development literature and policy dialogue. However, within the last two years, with the end of the Cold War and the breeze of democratization that has swept across many African countries, there has been a sea change in attitudes about what can be openly discussed. Examining the full range of government expenditures is no longer forbidden and the African Development Bank is perhaps better placed than any other multilateral donor organization to broach this sensitive subject with the RMCs. This indicator, like all proxies, can be misleading if used mechanically: it needs to be supplemented with more detailed analyses.

5.3.2. Poverty-Related Social Indicators

This section identifies indicators that can be used as descriptive information for preparing more EPCPs, CSPs, Appraisal Reports, PCRs, and PPARs. If also collected at subnational levels, such information would improve the Bank's ability to geographically target its interventions with a poverty focus. The indicators are in the broad categories of economic status, health and nutrition status, and access to social services. They are summarized in Table 5-2 and discussed below.

Economic Status

Indicator #1: Trend in real GDP per capita growth rate, adjusted for purchasing power parity of the currency. Should this prove not to be practicable, then the nominal figure adjusted for inflation with the CPI may be used.

Data Sources: Nominal GDP figures and CPIs for use in deflating are generally available at national statistical offices as well as in many other international statistical references. Calculating purchasing power parity involves analysis of trade data with major trading partners and may be calculated by national statistical offices, ministries of finance, central banks, the IMF, or the World Bank.

Poverty Relevance: This is the fundamental measure of average wealth of the inhabitants of a country. It is, however, subject to many weaknesses. It can conceal great geographic and class disparity within national populations, and it fails to count nontradeable goods and services and transactions in the informal sector, which can be considerable. Exchange rate anomalies, tariffs, and various taxes further distort this income indicator. Nevertheless, it is the starting point for determining whether current efforts at poverty reduction are sustainable on a national basis.

Indicator #2: Percentage of urban and rural population below the absolute poverty line. The absolute poverty line is based on the cost of that consumption basket necessary to sustain a minimum standard of living, normally the food required for a minimal caloric intake.

TABLE 5-2

POVERTY ALLEVIATION INDICATORS: POVERTY-RELATED SOCIAL INDICATORS

General Area	Specific Measure(s)	Poverty Relevance
Real GDP Per Capita	Overall GDP adjusted for inflation using the GDP deflator or CPI	Fundamental measure of average wealth of the inhabitants of a country
Incidence of Poverty	Percentage of urban and rural population below the absolute poverty line (as measured by the cost of the consumption basket necessary to sustain a minimal caloric intake)	Measure of the incidence of poverty in a population
Real Wage Rates	Trend in the urban and rural private sector real wage rate for unskilled labor (expressed as an index with the base year as 100)	Most direct indication of evolution of the poor's purchasing power. In addition, provides an indication of potential short-run multiplier effects of public interventions that seek to raise wages and employment.
Urban and Rural Child Malnutrition	Percentage of children one to four years old weighing or measuring two standard deviations below the reference median World Health Organization standards	Inadequate weight for age indicates wasting which is sensitive to short-term nutritional inadequacy. Stunting (i.e. below average height for age) indicates chronic nutritional deprivation.
Total Fertility Rate	The number of children a woman can be expected to bear over the period of her childbearing years, according to prevailing age-specific fertility rates	A well-documented inverse relationship exists between total fertility and women's and children's health, education, and income status.
Child Mortality (0-5 Years)	Percentage of 0-5 year-old deaths in total population of 0-5 year-olds	Viewed by many as the most complete overall indicator of child health status. Sensitive to changes in well-being of the poor, as changes in indicator has greatest impact on the poor.
Access of Children to Health Services	Immunization rates: percentage of children vaccinated by 12 months of age	Trends in yearly coverage serve as a good proxy for changes in short-term access to health services for the poor.
Access of Women to Health Services	Maternal mortality rates: Stated in terms of deaths per 100,000 live births (most national statistics based only on hospital and clinic data, but some also incorporate deaths at home)	Indicator of poor women's access to basic health services, as principal cause of maternal death is complications at unattended childbirth.
Urban and Rural Access to Safe Water	Urban: percentage of population within 200 meters of a public fountain or standpost Rural: percentage of population who do not have to spend a "disproportionate" amount of time fetching water	Access to safe water highly correlated with incidence of water-borne diseases
Access to Education	Net primary school enrollment rate (male and female): the proportion of the relevant age group attending primary school, less grade repeaters and over-age students	Sensitive to changes in well-being of the poor, as net expansion in access generally concentrated to the poor (reflecting the fact that they are last in line). Importance of girls' education lies in linkages to smaller, healthier families and increased productivity and income streams.
Level of Education	Adult male and female literacy rates: percentage of men and women in the adult population who can read at a minimum level roughly equivalent to six years of primary schooling	Highly correlated with several other social status indicators, as well as potential for responding to development initiatives in agriculture and other income-earning opportunities. Especially important for women in the areas of health, nutrition, and family planning.

Data Sources: It is recognized that the data necessary for reliable measurement of the poverty line and population percentages below it are currently unavailable in many African countries. Nevertheless, efforts need to be made to collect and analyze the requisite data. Data sources include national censuses and consumption surveys from which estimates of the number of urban and rural poor can be derived. In addition, price data collection by national statistical agencies combined with ministry of health and WHO/FAO estimates of caloric requirements can provide data on how the cost of maintaining minimum intake may be changing.[4]

Poverty Relevance: Analysis of data necessary for constructing a poverty line and estimating the geographic and socioeconomic determinants of poverty has the potential to greatly improve the design of poverty-focused projects and policies. If such analyses are properly incorporated into project design, the result is more accurate targeting of interventions, both by where interventions are placed and in the types of interventions chosen.

Indicator #3: Trend in the urban and rural private sector real wage rate for unskilled labor (best expressed as an index with the base year as 100).

Data Sources: It is recognized that the data necessary for reliable measurement of wage rate indices are currently unavailable in many African countries. Often, available data only cover the formal sector, and may simply be a reporting of the official legal minimum wage. Where such data exist, sources include national statistical office publications, and employment studies and labor market surveys by the ILO, the World Bank, or other donor agencies.

Poverty Relevance: If reliable data are available, this is the most direct indication of how the poor's purchasing power is evolving as a function of demand for their most important factor of production — labor. In addition, because the propensity of the poor to consume is much higher than for the rich (who allocate a greater portion of income to savings), the short-run multiplier effect of a rise in real wages is higher for the poor than for the rich. However, caution should be used in attributing causality to changes in real wage levels because data are often notoriously unreliable, and changes are often a function of many simultaneously occurring factors such as labor market rigidities, exchange rate developments, and external shocks to the trade regime.

Health and Nutrition Status

Indicator #1: Urban and rural child malnutrition as defined by the percentage of children one to four years old found to weigh or measure two standard deviations below the reference median World Health Organization standards.

Data Sources: Nutritional data are collected normally by national health ministries, and are compiled from reports sent by health centers and clinics. Other data sources are repeat surveys of the national population or of particular strata or regions. Blends of survey and national agency data are also employed.

Poverty Relevance: Inadequate weight for age indicates wasting, an indicator sensitive to short-term nutritional inadequacy. Stunting, or less than average height for age, indicates chronic deprivation.

[4] Many countries currently have Food and Early Warning Systems programs that can provide price data on a continuous basis.

Region-specific and urban-rural indicators are valuable for programming resources. In several African countries, comparative data show that rates of malnutrition are on average 50 percent higher in rural than in urban areas.

Indicator #2: The total fertility rate, as represented by the average number of children a woman can be expected to bear over the period of her childbearing years according to the prevailing age-specific fertility rates.

Data Sources: These data may be collected by national health ministries, or as part of periodic national censuses. Internationally, they appear in the World Bank's *Social Indicators* report and the United Nations *Human Development Report*.

Poverty Relevance: The inverse relationship between total fertility and women's and children's health, education, and income status has been convincingly demonstrated. The aggregate rate for each country will permit comparison between RMCs. Within countries, regional differences in fertility may be important for targeting project resources.

Indicator #3: Under-five mortality rate, measured as the number of deaths of 0-5-year-olds as a proportion of the total population of 0-5-year-olds.

Data Sources: These data are collected routinely by national health ministries, and are compiled from reports sent by hospitals and clinics. They also appear in the World Bank's *World Development Report* and *Social Indicator* report, the United Nations annual *Human Development Report*, and in a number of other United Nations agencies' publications.

Poverty Relevance: This is one of the best indicators of changes in health status. It is far more sensitive to short-run economic and environmental changes than is life expectancy, which it tends to influence heavily. Although giving a broad picture of the health status of children, critical rate of change information is, however, often lost, because of attempts to fill gaps in data series.

Access to Social Services

Indicator #1: Child immunization rates, the percentage of children vaccinated by 12 months of age.

Data Sources: These data are collected routinely by national health ministries, and are compiled from reports sent by health centers and clinics. They also appear in the World Bank's *World Development Report* and *Social Indicators* report, the United Nations annual *Human Development Report*, and in a number of other United Nations agencies' publications.

Poverty Relevance: Vaccination is an essential component of primary health care. Trends in yearly vaccination coverage are a good indicator of short-run changes in access of the population to primary health services, and is a leading factor contributing to changes in under-five mortality. This is especially so for the poor, as, at the margin, they are most affected by fluctuations in coverage rates.

Indicator #2: Urban and rural maternal mortality rates, stated in terms of deaths per 100,000 live births.

Data Sources: These data are collected by many national health ministries, and are compiled from reports sent by health centers and clinics. Most national statistics are based on only hospital and clinic data, but some also incorporate deaths at home. In cases where official statistics are based on only clinic and hospital data, they should be supplemented by field surveys because most deaths at delivery occur at home, not at clinics. Therefore, reliance on clinic data alone leads to a serious downward estimation bias.

Poverty Relevance: This is an excellent proxy for women's access to primary health care. Of all indicators, it is the one showing the greatest North-South gap. Within countries, the disparity between assistance at birth by trained health personnel is enormous between the rich and the poor, and between urban and rural areas. Targeting of project resources can be assisted by geographic data on mortality rates.

Indicator #3: Percentage of urban and rural population with access to potable water:

Urban: percentage of population within 200 meters of a public fountain or standpost;

Rural: percentage of population who do not have to spend a "disproportionate" amount of time fetching water.

Data Sources: These data are collected by those agencies responsible for provision of water to the population. Often, different ministries are responsible for urban and rural areas, and the definition varies between rural and urban areas. There is no standard internationally accepted definition of what exactly constitutes "access," especially for rural areas: this will vary from country to country in terms of distance from a water source and carrying capacity of different types of water sources. Care must be taken to inquire about the exact definition and procedures used in estimating the indicator.

Poverty Relevance: Access to clean water is a powerful determinant of health status. Many of the major, debilitating diseases in Africa are water-borne; diarrhea is a major killer of small children, but many parasites simply weaken adults, reducing their ability to provide for their families. Tracking the access of urban and rural populations to potable water can serve as a proxy for gauging both government attempts to provide basic health and sanitation infrastructure and the overall level of health of the population. It is important to track both rural and urban access, because rural access is usually less than half that in cities and towns.

Indicator #4: Adult male and female literacy rates, the percentage of males and females who can read at a minimum level roughly equivalent to six years of primary schooling.

Data Sources: These data may be obtained from national statistical agencies through censuses they have carried out. The array of international references cited above for health and nutrition also contain them, as well as the UNESCO *Statistical Yearbook*.

)verty Relevance: Adult literacy rates are important indicators of a population's ability to reach beyond the local community and to learn from and influence the wider world. Among other benefits, literacy permits individuals and communities to take a more active role in local government and development projects. The importance of female literacy, often lagging behind that of males, is linked to lower infant mortality, better family nutrition, reduced fertility, and lower population growth rates. Female illiteracy also constrains female labor productivity and the concomitant full incorporation of women into the national workforce.

Indicator #5: Net primary male and female enrollment rates, the proportion of the relevant age group attending primary school, less grade repeaters and over-age students.

Data Sources: National ministries of education and finance are usual sources of such data, but NGOs may also possess useful information.

Poverty Relevance: The importance of girls' education lies in its linkages to smaller, healthier families and increased productivity and income streams from greater confidence and job skills. Bank Group education sector reviews and project designs should also include attention to related indicators, such as student-teacher ratios, drop-out rates, number of students per school and classroom, and completion rates. Obviously, the issue of quality of educational services offered should also be assessed.

5.3.3. Project-Level Indicators

This section outlines a general approach to design of indicators and project monitoring of poverty-focused projects. A checklist of questions is identified to assist project design, supervision, appraisal, and evaluation teams in ensuring that the most important poverty-related questions have been addressed. Examples are also given of relevant indicators that are congruent with general poverty reduction objectives cited in the ADF-VI Lending Policy statement. The report does not propose lists of specific indicators at the project level for several reasons. First, the Bank undertakes numerous types of projects across several different sectors. Each of these will have different monitoring needs with regard to poverty impact. Second, data availability, the capacity to collect and analyze data, and costs of data collection and analysis will vary on a case-by-case basis.

How might poverty-focused indicators differ from more conventional indicators? First, they must be more tightly focused on the extent to which needs of the poor are being met. Poor people's needs in health care, education, agricultural technologies, sanitation, and so on may be different from those of the general population. Such differences must be identified during project design and addressed during implementation. Second, the degree to which poor people participate in projects should be measured. The poor often fail to participate in development projects. One reason is that they may lack the resources to participate if participation requires putting up a cash or in-kind contribution. Another is that their margin of error for undertaking risky endeavors is much narrower than for relatively better-off people. Perhaps the most important reason is that they are rarely allowed to have a meaningful say in deciding how projects are to be designed and implemented. As such, projects do not address their needs and interest wanes. Development "experts" assume they know what is best for the poor and often lack the inclination to seek feedback from the supposed "beneficiaries."

Box 5-1 presents a checklist of issues that should be addressed during the design, appraisal, and implementation of poverty-focused projects. Some of these factors (such as clarity of objectives, responsibilities of different agencies, evidence of feedback mechanisms, and evaluation schedule) are elements of any good project design. However, several others are important additions for adding a poverty focus to projects. These have been discussed at length in Chapter Four and include targeting, beneficiary participation, and use of local resources.

The degree to which poor people participate in projects should be monitored carefully. Tracking the extent to which beneficiaries are consulted or involved in project decision making at the design and implementation stages are good candidates for process indicators. Illustrative examples include number of meetings held between project staff and target populations, sums of money collected for anti-malarial drug purchases (*cotisations* in French), and number of irrigation groups or village sanitation committees

BOX 5-1

POVERTY-FOCUSED PROJECTS: DESIGN AND IMPLEMENTATION ISSUES

Design Issues:

- Is there a clear and practical strategy for targeting benefits to the poor?
- Is there evidence that the project beneficiaries have participated in the design of the project?
- Have monitoring and evaluation objectives and requirements with regard to impacts on the poor been clearly identified in the MPDE?
- What are the key poverty-related parameters that need to be monitored and evaluated regularly?
- Are firm benchmarks and monitorable indicators for measuring progress in reducing poverty identified?
- Are baseline studies proposed and do these have an adequate poverty focus?
- Does the monitoring system provide continuing feedback on implementation and communicate relevant information to the concerned implementing agencies?
- Are there mechanisms for monitoring flows of benefits to different income groups?
- Are benefit flows monitored by gender?
- Does the monitoring system specify the data to be collected, frequency and timing of collection, by whom, method of analysis, and how information is to de diffused and acted upon?
- Has the number of evaluations (interim and post), their timing, and who will do them been identified?
- Can the system identify actual or potential successes and problems, and is it sensitive enough to be able to detect shifts in needs at the grassroots?
- Is the system flexible enough to allow evolution of objectives so that they remain relevant to the information needs of a changing environment?
- Is the proposed monitoring and evaluation system cost-effective?
- Are training components in participatory strategies included for project agents?

Implementation Issues:

- Is there evidence that the project beneficiaries have been regularly consulted during implementation?
- Is there evidence that project staff have solicited opinions from targeted groups on project progress and acted upon any of their recommendations?
- Has the monitoring unit made effective use of secondary data sources (such as health clinic data and existing surveys)?
- Do written outputs of the monitoring unit treat problems of the poor and progress made in alleviating them?
- Have training sessions in participatory strategies been run for project agents?

Source: Adapted from The World Bank, *Poverty Handbook* (1991).

formed.[5] These indicate that a process is in place whereby more effective beneficiary participation can occur. Measurable outcomes flowing from these processes may include greater irrigation perimeter profitability due to more efficient water use, lower incidence of water-borne disease due to greater access to safe drinking water, and reduced incidence of malaria due to increased availability of malaria prophylactics. The implicit assumption here is that more effective participation increases the interest of targeted populations in projects, and therefore leads to improved performance. Moreover, such process indicators are not only things to be measured, but may also be responsible for facilitating the introduction of a style of project management more conducive to meaningful development.

As mentioned in Chapter Four, there is a wide array of project types with the potential to incorporate labor-intensive techniques. However, the decision to undertake labor-intensive activities and the exact nature of how it is to be achieved must be determined on a case-by-case basis. A checklist of questions that should be used to guide project design, appraisal, and evaluation for relevant projects is presented in Box 5-2 and should be followed by a multidisciplinary team comprised of (at a minimum) a civil engineer, an economist, and a social scientist.

In at least one sector, the Bank has already initiated efforts at identifying specific indicators. The water supply and sanitation guidelines for project preparation and appraisal contain a series of sector-specific indicators that can be used for purposes of properly targeting interventions and tracking effects of investments on incidence of water-borne diseases, as well as the efficiency and adequacy with which safe water is delivered to beneficiaries.[6] Box 5-3 provides examples of sector-specific indicators from water and sanitation that are currently being used in various stages of the project cycle.

5.4. Monitoring and Reporting Issues

Adding a poverty focus to project monitoring increases the complexity of the task for several reasons. First, distributional impacts take on more importance, implying greater disaggregation in tracking benefit flows to project participants. Second, for many project types, raising incomes is a prime objective and this is notoriously difficult to measure accurately. Third, while it takes a concerted effort to reach the poor in implementing projects, it also requires additional effort to monitor project impact on them. This is because the poor tend to be less vocal and visible than wealthier elements of the population. They are less apt to be in frequent contact with extension agents and often fail to attend village meetings. Fourth, it is a major challenge to develop appropriate monitoring systems for aggregating inputs and outcomes if the Bank is to report on the impact of its lending programme in alleviating poverty. Although most donors speak the rhetoric of poverty alleviation, few have systems in place to monitor what efforts they are actually making and what the results have been.

All of these factors need to be considered in designing field surveys that seek to measure the distributional impact of poverty-focused projects. If quantitative survey instruments are intended to be statistically valid, larger sample sizes will generally be required to obtain sufficiently large populations from different socioeconomic groups. This often implies higher monitoring costs, both in funding and management time.

[5] Care must be taken to verify that such participation is not imposed, and that government officials do not form the groups versus villagers themselves choosing with whom they will work.

[6] ADB/ADF, *Guidelines for Project Preparation and Appraisal in the Water Supply and Sanitation Sector*, March 1991.

BOX 5-2

CHECKLIST FOR ASSESSING APPROPRIATENESS OF LABOR-INTENSIVE TECHNIQUES IN CIVIL WORKS PROJECTS

- Is the RMC government willing to use labor-intensive techniques?
- Are the project and site conditions technically suitable for using labor-intensive techniques?
- Is sufficient labor available (skilled and unskilled) in the zone of intervention?
- For rural projects, does use of labor-intensive techniques risk displacing labor during critical periods in the agricultural season?
- Are qualified and experienced small-scale private sector contractors available in the zone of intervention?
- Does the overseeing government agency have the capacity to manage the effort?
- Is the proposed wage rate for unskilled labor sufficiently low to enable self-targeting of poorer elements of the population?
- What are potential cost savings of using the labor-intensive approach compared to more capital-intensive traditional approaches?
- Is it feasible to use a greater portion of local materials?

Source: Adapted from: E. Vang Nielsen, "Labour-Based Construction: An Introductory Paper," African Development Bank, Agriculture and Rural Development Department South, General Agriculture Division, 1991.

BOX 5-3

WATER AND SANITATION SECTOR PROJECT INDICATORS

<u>Basic Water Resource Indicators</u>

Average annual rainfall in different regions of the country, by season

Geographic zones or seasons with significant water scarcity

General water quality of surface and groundwater sources indicated by total dissolved solids, turbidity, and bacteriological quality

<u>Demand, Service Level, and Coverage Indicators</u>

Current consumption, as indicated by service provided — water delivered, not just produced

Analysis of actual or effective demand on recent projects, as compared to projections of demand while planning those projects

Assessment of service level actually achieved in improved water supply, sanitation, and drainage systems — for example for water in:

> Urban areas: quantity, availability (hrs/day), pressure, dissolved solids, turbidity, bacteriological count, and other water quality parameters; and
>
> Rural areas: people per hand pump, or stand post; average travel distance or time.

Current coverage in urban and rural areas for water supply, sanitation, and drainage (population served with improved systems and percentage of population served).

Source: Adapted from: ADB/ADF, *Guidelines for Project Preparation and Appraisal in the Water Supply and Sanitation Sector*, March 1991.

Thoughtful and creative use of qualitative survey instruments holds special promise for gaining timely and relevant feedback on project impact. They can also be incorporated into project design. Social scientists have developed the "beneficiary assessment" as a key tool for eliciting opinions and attitudes of people toward many development issues.[7] Subjects covered range from traditional attitudes towards health and sickness to opinions about agricultural labor constraints and deforestation.

At the earliest possible opportunity, Bank staff should communicate to RMCs and those organizations frequently called upon to design Bank-funded projects (the FAO Investment Centre, WHO,

[7] For an overview, see Lawrence F. Salmen. "Beneficiary Assessment: An Approach Described," Working Paper No. 1 of the Poverty and Social Policy Division of the World Bank, February 1992.

in-country consultants, and so on) that these issues need to be addressed more fully, so that a greater poverty focus can be achieved.

If the Bank is to institute a poverty reduction strategy, Bank staff must be able to report periodically on what resources (such as lending levels) are being devoted to the effort, and give approximate indications on impact. This means that centrally located databases should be developed for monitoring inputs and outcomes.[8] These can then be used for periodic reports to the Executive Board, in midterm ADF reviews, and as inputs into sectoral strategy formulation.

5.4.1. Monitoring Aggregate Inputs for Poverty Alleviation

Although careful design is required, monitoring and aggregating inputs is more straightforward than doing the same for impacts. Inputs are fairly homogenous and easily aggregated. They are essentially limited to funding for commodity procurement, technical assistance, training, recurrent costs, and general budget support (in the case of structural and sectoral adjustment lending). Assuming that project documents are reasonably detailed and accounting systems are in place, they are also relatively easy to track. Aggregating them for Bank Group purposes means identifying relevant categories by project element and establishing a computerized management information system (MIS) for tabulation and reporting. Table 5-3 provides a first iteration of classifications for calculating lending levels to different Bank operations, poverty included.

Of the eight programme objective categories (POCs), the most relevant to poverty reduction efforts are targeted interventions and human resources (as an illustration, a sample two-letter codification has been introduced to distinguish the various categories). This categorization facilitates the tracking of multidimensional operations by "primary" and "secondary" objectives. For example, a project with the primary objective of Food Security (FS) can have secondary objectives such as Women-in-Development (WD), Health (HE) and Education (ED). This method of coding has its limitations since each operation can have only one primary objective, and some projects with important poverty reducing effects might be excluded — for example, in the infrastructure area. To determine whether a lending operation can be characterized as "targeted," it is recommended that one of the following two criteria be met:

- The project includes a specific mechanism for targeting the poor; or
- When no such mechanism is available, the proportion of the poor among the beneficiaries of a project is significantly larger than their proportion in the overall population.

This programmatic approach provides the Bank with a rough idea of the magnitude of Bank lending for poverty reduction. Individual project officers would be responsible for monitoring their projects and, whenever in doubt about the type of classification, they should consult with the Bank unit in charge of the MIS. Moreover, to ensure that the targeted interventions are reaching the intended population groups, beneficiary assessments should be put in place. Experience has shown that where there is participation of the local people, more progress has been made in reducing poverty. The outcome

[8] It may be appropriate for one Bank department to monitor inputs (Organization and Methods Unit) while another monitors outcomes (OPEV). Obviously, the two units must closely coordinate their efforts to assure consistency between the databases.

TABLE 5-3

ILLUSTRATIVE PROGRAMME OBJECTIVE CATEGORIES (POC)

Adjustment and Debt	SA	SALs and SECALs
	TR	Trade
	DM	Debt Management
Targeted Interventions	TI	Targeted Interventions
	FS	Food Security
	IG	Income Generation
Agriculture	DR	Dryland Extension
	IR	Irrigated Extension
	AM	Agricultural Marketing
	AC	Agricultural Credit
	AR	Agricultural Research
	IN	Input Marketing and Supply
	AQ	Aquaculture
	AX	Agricultural Export Development
Human Resources Development	HE	Health, Nutrition
	PO	Population and Family Planning
	ED	Education
	WD	Women in Development
	TR	Training
Private and Public Sector Reform	PV	Private Sector Development
	PU	Public Sector Management
Financial Intermediation	LC	Lines of Credit (Devp't Banks)
	OC	Other Credit Programmes
Environment	EN	Environment
	FR	Forestry
	NF	Natural Resource Management
Basic Infrastructure	TR	Transport
	WA	Water Supply
	SW	Sewerage and Sanitation
	EL	Electrification
	TC	Telecommunications

of these assessments should be fed into the formulation of macro and sectoral policies to make them more responsive to the needs of the poor.

To conclude, as management information systems have been give special attention in FYOP.3, it is of utmost importance that the design of the corporate information systems projects, as well as database activities currently under development, be re-evaluated to ensure that adequate provisions have been made to monitor poverty alleviation efforts. Increased access to new technologies linked to external databases and computer facilities (for example, All-in-One at the World Bank) should contribute to streamlining collected statistical information on Africa, and promoting donor coordination in developing country poverty reduction strategies.

5.4.2. Monitoring Aggregate Poverty Alleviation Impacts

As stated in the previous section, it is more difficult to devise systems for monitoring the aggregate impact of Bank efforts aimed at poverty reduction than on tracking inputs. Impacts such as increased income, improved child nutrition, and distributional incidence of benefits may be very difficult to measure in the field, are more varied, and less amenable to aggregation. However, monitoring impact is far more important than merely determining how many resources were thrown at a problem.

Other sections of this paper discuss in detail strategies for measuring impact at the various stages in the project cycle and will not be repeated here. Instead, only those elements relevant for aggregation purposes are discussed.

First, many projects have monitoring plans that are nebulous and unrealistic. This is usually the case if the project itself is nebulous and unrealistic in its objectives. If one begins thinking about assessing impact only at the evaluation stage, then it is too late; realistic monitoring and evaluation systems must be in place from the project's inception. Seriously thinking out monitoring and evaluation systems is a critical element in effective project design because it forces people to clearly formulate project objectives and operational strategies. Therefore, the first step in ensuring that impacts can somehow be aggregated is to have explicit and objectively verifiable indicators in the Methodology for Project Design and Evaluation appearing in the project appraisal.

Second, substantial imagination and creativity will be required to identify meaningful aggregates for describing overall impact of Bank Group efforts in alleviating poverty. Any aggregate groupings should allow one to make statements with regard to the following subjects:

- Percentage of Bank Group projects containing a strategy for targeting poor beneficiaries;

- Percentage of Bank Group projects designed and implemented using a participatory approach;

- Number of poor beneficiaries targeted by Bank Group projects and the number of African countries in which such interventions have occurred;

- Number of poor people who have gained higher incomes as the result of Bank Group projects; and

- Number of projects resulting in improved nutritional status for poor children and approximate number of children positively affected; and

- Percentage increase in net primary school enrollment resulting from Bank Group education sector lending.

Systems need to be developed so that information used in formulating these types of statements can be easily retrieved from project documents. At the preparation stage, a section of the project brief should have several simple questions pertaining to the potential poverty focus of the project. This information can then be transferred to a central database so summary statements can be formulated on anticipated impacts of the Bank Group lending effort on poverty reduction. Any evaluations and audits should have a facesheet that reports on actual results against those anticipated at the appraisal stage. These too would be retrieved and entered into a consolidated database. OPEV and other relevant Bank units would then use these databases as inputs into the summary reports and assessments that they are called upon to make to the Executive Board.

It should be reiterated that this does not mean every project should have a "poverty reduction component." The tendency to force poverty reduction into perfectly legitimate projects whose impact on poverty is either minimal or very indirect (telecommunications, port rehabilitation, and so on) may be hard to resist if there is a sense that it will improve the probability of Executive Board approval. However, it should be resisted because such practices (whether in the area of poverty reduction, women in development, or the environment) trivialize the subject. To Bank staff and implementing RMC officials, the danger is that poverty alleviation may become just another empty "buzz word," more of a nuisance than an integral part of those projects that should have a poverty focus.

6. A BANK GROUP ACTION PROGRAMME

Chapter Four laid out the principal conceptual themes of a Bank Group poverty alleviation strategy. The purpose of this chapter is to discuss in concrete terms how these themes will be incorporated into the Bank's country programming exercises and project cycle activities.

6.1. Implications for Country Programming

In 1986/1987, the Bank introduced new country programming procedures. These include the Economic Prospects and Country Programming Paper, which is done every three years, and the Country Strategy Paper, which updates the EPCP on an annual basis. There are currently six stated rationales for Bank Group country programming:[1]

- To provide a critical review of a country's problems and prospects;
- To identify a framework for formulation and review of project pipelines;
- To act as a vehicle for policy dialogue;
- To serve as an instrument for aid coordination;
- To facilitate review of Bank Group experience with the RMC and lessons learned;
- To indicate the nature and intensity of economic sector work that should be undertaken by the Bank over the three-year period.

The purposes of the EPCP are to identify concrete objectives to be pursued over the planning period; priority sectors for lending and the lending instruments to be used; any special orientations that will receive priority (such as poverty reduction, women in development, the environment); and the types of projects to be funded, their financing requirements, and the nature of Bank participation.

The annual CSP seeks to update the EPCP, commenting on economic developments that may influence key assumptions formulated in the EPCP. It also serves as a review of the Bank Group's medium-term lending strategy for a given country, suggesting modifications if the need arises. Country risk exposure is a central concern.

Beginning in general terms with ADF-V, and more specifically in the ADF-VI Lending Policy, the Bank Group has begun to include country economic performance as one factor for determining ADF country allocations. Economic performance together with the standard measures of population and per capita GNP now determines the amount of an ADF replenishment that a country will receive. Additional allocation criteria established under ADF VI are (1) participation in an internationally endorsed stabilization or adjustment program, and in the Special Programme of Assistance for Africa; and (2) presence of a good performance track record and associated appropriate policy framework that obviates

[1] The African Development Bank, "Bank Guidance on Country Programming," Draft, 1992.

participation in such an adjustment program. Year-to-year ADF lending levels are adjusted according to the performance decision rules in Table 6-1 below:

TABLE 6-1

DECISION RULES FOR ADJUSTING ADF LENDING LEVELS

If policy performance is:	Then:
Satisfactory	Allocation based solely on population and income
Strong	Allocation increased by up to 25 percent more than the normal lending level
Less than adequate	Allocation decreased by up to 25 percent less than the normal lending level
Poor	Allocation cannot exceed 20 percent of the normal lending level

Source: The African Development Bank, "Bank Guidance on Country Programming," Draft, 1992.

Criteria to be incorporated into the CSP for determining whether performance has been satisfactory are currently being developed by Bank staff, but primarily concern macroeconomic performance. As discussed in Chapter Five, it is proposed that a set of poverty-related policy indicators in macroeconomic management and human capital investment also serve as input into this decision-making process.

Increasing the poverty focus of Bank Group activities implies a greater need for information and planning than would be the case for more traditional country programming exercises. Ideally, analysis should be broken down regionally, and even disaggregated by socioeconomic group and by gender. Although the Bank has made substantial progress in improving the quality of country programming, much remains to be done if EPCPs and CSPs are to become true strategy documents, as opposed to merely descriptive overviews of the economic situation in a given country. This implies that more time and manpower be devoted to these exercises. At present, EPCPs are prepared by two-person teams that spend two to three weeks in-country.[2] It appears to be the consensus of those who formulate EPCPs and those who review them that more time and additional disciplinary focuses are needed to transform them into true planning tools. When contrasted with the standard approaches of other multilateral and bilateral agencies (the World Bank and A.I.D., for example), the resources that the Bank Group devotes to country programming exercises seem very modest indeed.

There are several reasons why it will be critical for country programming to be reinforced if the Bank Group is to achieve more effective targeting of resources to poverty alleviation.

[2] A macroeconomist and a loan officer from NCPR or SCPR.

First, those Bank staff who currently have the principal responsibility for EPCP and CSP preparation are understandably hesitant to make specific programming recommendations outside their areas of expertise. A poverty focus implies a multidisciplinary approach to programming and project identification.

Second, the integrated strategy outlined in Chapter Four calls for more detailed knowledge of regional characteristics of poverty. This implies a deeper level of analysis than is currently possible, given the limited time and manpower devoted to programming exercises. EPCP authors will be called upon to make recommendations on which regions within a country should receive relatively greater amounts of Bank resources and in which sectors, based on the poverty characteristics of those regions and an assessment of the potential to alleviate poverty.

Third, lending levels are to be adjusted based on data and analysis undertaken during CSP preparation. Because these are critical decisions with serious budgetary ramifications for the Bank and its RMCs, added care will be necessary to ensure that they are carried out fairly and that findings are accurate. If economic and social performance criteria are to be used as input into lending decisions, it is important that CSPs be based on solid analysis.

Fourth, in the past the Bank has been criticized (by both internal and external observers) for the quality of its project portfolio and its passive role in project selection. Increasing the poverty focus of Bank lending means that the Bank must take a more proactive role in the identification and design of projects -- and get away from the types of projects that are traditionally proposed by most RMC technical ministries. Setting the parameters of this proactive approach must be done at the country programming stage. The more that country programming documents serve as substantive road maps of Bank strategy in a given country, the greater the likelihood that this "lender of last resort" tendency will disappear.

To make EPCPs more viable planning tools, team composition needs to be expanded beyond a macroeconomist and a loan officer. Agricultural economists and social sector experts (anthropologists or sociologists) will be necessary in most cases. In addition, institutional analysts, demographers, public health experts, education experts, and women in development specialists may be required, depending on the specific needs of a given country. EPCP design teams may be made up of a combination of Bank staff, RMC officials, university professors or researchers, and local and expatriate consultants. Given current staff manpower constraints, strategic use of qualified consultants is probably the most cost-effective route at present for much of this work.

Poverty-focused country programming could easily overwhelm any single multilateral or bilateral organization. Fortunately, other donors currently share the Bank Group's concern with poverty alleviation and are devoting substantial resources to analyzing the country-specific characteristics of poverty. The Bank Group should make a concerted effort to coordinate its work with that of other like-minded donor agencies. At a minimum, this would involve consulting with in-country staff of these other organizations during missions devoted to country programming, sharing poverty-related documents, and integrating relevant findings into country programming and project design.

Ideally, Bank staff should coordinate their planning efforts with those of other donors. This could mean fielding joint teams in the preparation of poverty assessments, co-financing data collection and analysis efforts towards the establishment of national poverty profiles, and co-financing other relevant survey work in health, nutrition, family planning, education, and water and sanitation.

One promising area of collaboration is poverty assessments. In late 1991, the World Bank was mandated to complete poverty assessments for 32 African countries by 1995.[3] Largely based on secondary sources, these should provide useful and timely input into the nature and extent of poverty and its geographic concentration. Such assessments are often done within the context of adjustment programmes and also consider the distributional impacts of policy change. It would be highly desirable for Bank staff to participate in some of these assessments. Selection of specific countries for Bank staff participation can be done by finding out the timing of assessments and choosing countries where EPCP preparation is scheduled to take place shortly thereafter. The Bank Group might consider giving coordination on poverty assessments major attention at the next Poverty and Social Policy Advisory Committee meeting, to be held at the same time as the SPA meetings.

6.2. Implications for Project Cycle Activities

It is generally recognized that many project failures could have been avoided if more attention had been paid to project design. There is increasing need to involve the poor in the planning and implementation phases of project activities aimed at improving the human resource base and raising economic productivity. The participation of the poor often makes the difference between achieving and not achieving project objectives. As up to 35 percent of NTF and ADB and 65 percent of ADF funds are expected to be allocated to agriculture and the social sectors during the FYOP.3 period, special emphasis will be given to addressing operational issues related to these key sectors.

Discussion in this section follows the order presented in the project cycle diagram (Figure 6-1 below), detailing ways to improve project design and appraisal, implementation and supervision, and post-evaluation stages of poverty-focused projects.

6.2.1. Project Design

The project design phase of the project cycle comprises the identification, preparation, and various study activities that precede appraisal.

As Figure 6-1 shows, paying proper attention to poverty reduction starts with project identification. We propose that a screening mechanism be employed at this stage to separate projects into two categories:

Category I projects: those projects that have a strong poverty reduction focus; and

Category II projects: those projects with a more general development impact.

Screening will determine to what extent project design teams need to address issues such as targeting strategies, participatory approaches, labor intensity, and poverty-specific project indicators. Prefeasibility and feasibility studies need to include specific guidelines on the definition and measurement of target groups.

[3] World Bank, "Operational Directive 4.15: Poverty Reduction," December 31, 1991.

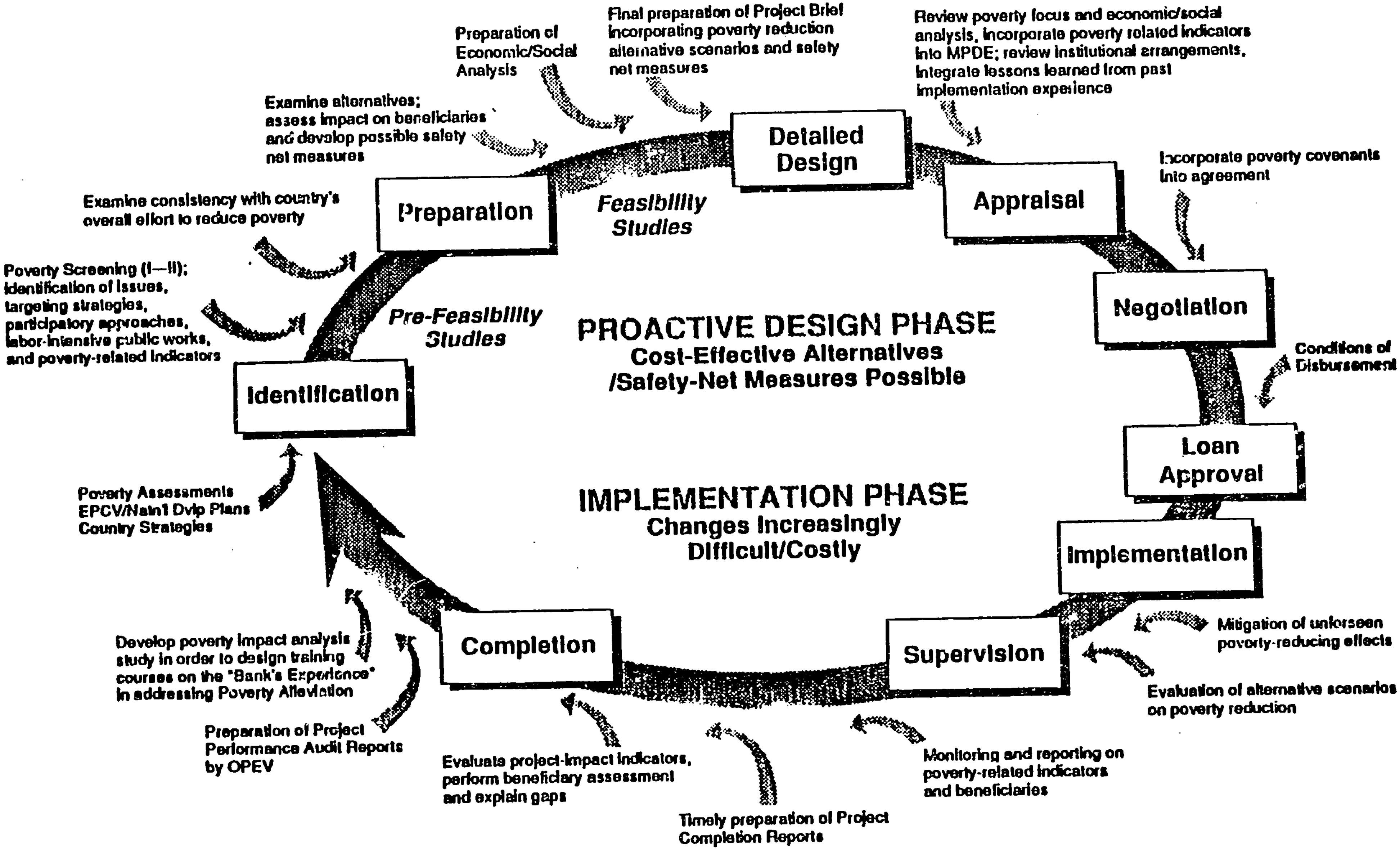

Figure 6.1

Poverty Reduction Review and the Project Cycle

Table 6-2 presents a typology of poverty-oriented projects. Although poverty reduction effects should be monitored for all projects, special attention needs to be paid to this issue in all Category I projects throughout the project cycle. This is because this group of projects has the greatest potential to alleviate poverty if designed and implemented appropriately. In addition, if designed inappropriately, they can do great damage to the poor. Examples include reclamation and new land development, river-basin development, irrigation, and dam construction.

The **Project Brief** is the first screening device and is prepared by the Bank from initial materials forwarded by the borrower prior to appraisal to determine whether to accept the project into the pipeline or multiyear lending programme. If acceptable to both the borrower and the Bank, poverty reduction conditions can be discussed with the borrower, some or all of which will need to be integrated into the loan agreement. The preliminary design may satisfy poverty conditions adequately for appraisal, or Bank review may reveal need for additional analyses before clearance can be given and negotiations undertaken. Such analyses involve examining more closely the project's potential impact on poverty reduction, identification of alternative actions to avoid negative impacts on the poor, and verifying that relevant conditions agreed on between the Bank and the borrower have been met.

As the PB is a key tool in determining whether a project passes from the identification stage to the preparation stage, it is essential that the recommendations discussed below related to appropriate project design be taken into account, in addition to the traditional criteria detailed in the Bank's *Operations Manual*. This would involve incorporating the following types of information into the Project Brief:

- A **lessons learned** section reporting on the Bank's previous implementation experience in the sector and country of potential relevance to the proposed project;

- A **beneficiaries** section that identifies the approximate number of people to be reached by the project, their socioeconomic status, how they are to benefit, and the nature of targeting mechanisms; and

- An **unresolved issues** section that identifies phased-approach design alternatives for addressing any potential technical, financial, institutional, environmental, and policy constraints that might be pertinent.

Once a project has been identified, detailed design work may proceed. The following discussion highlights key areas to which the Bank needs to devote particular attention to ensure that lending operations achieve a significant impact on the well-being of the poor.

Consistency with Priority Investment Programmes (PIPs). Projects should be designed within the context of overall sector strategies and PIPs, which support and complement macroeconomic reform programmes. This will require (1) reaching greater consensus with borrowing governments and the donor community (including NGOs) on the broad framework to develop long-term poverty reduction strategies prior to embarking on specific project and programme formulation; (2) integrating poverty reduction as the central objective of economic development strategies, including all structural adjustment programmes; (3) promoting the participation of the poor at all levels of the formulation of socioeconomic development strategies, programmes, and projects; and (4) strengthening the capacity of local institutions to achieve the goals outlined above. Within this context, every project should be consistent with the poverty reduction strategy and other economic development strategies, although not every Bank-financed project need have a specific poverty reduction component.

TABLE 6-2

PROJECT POVERTY FOCUS CLASSIFICATION

Category I	Category II
Agriculture and Rural Development	
Agricultural extension	Commercial logging
Agricultural research	
Reclamation and new land development	
River-basin development	
Irrigation and drainage	
Fisheries/aquaculture	
Reforestation/afforestation	
Land and soil management	
Industry and Infrastructure	
Dams and hydro-power	Mining
Urban and rural water and sanitation	Large-scale industrial development
Transportation (roads)	Large-scale power development
Small-scale industrial development	Transportation (railways)
Private sector development	Ports, harbors, coastal structures
Public facilities (health, education, housing, etc.)	Airports
Lines of credit	Tourism development
	Telecommunications development
Social Sectors	
Health programmes	
Family planning programmes	
Nutrition programmes	
Education programmes	

Note: Category I: Projects with a strong poverty alleviation focus; Category II: Projects with a more general impact.

Country circumstances, as analyzed in the EPCP and CSP, will determine when individual Bank-supported investment operations should focus more specifically on poverty reduction.

Greater Bank Engagement in the Design and Preparation Process. The Bank needs to increase its control of the process by which projects are identified and prepared to enter the multiyear lending programme. In theory, project preparation is carried out by the Bank in collaboration with the potential borrower. In reality, most projects are designed by other international and RMC institutions without adequate supervision and technical guidance from the Bank. At appraisal, which is done by the Bank, staff is usually not given enough time to identify fundamental design problems and errors. To the greatest extent possible, Bank staff should consult existing checklists on key issues derived from policy papers, EPCPs, PPARs, and position papers (women in development, environment, and so forth) to standardize project preparation. It is essential that the Bank provide clear and explicit poverty reduction guidelines incorporating the development of a list of monitorable indicators for each assessment and feasibility study, and closely supervise project preparation teams to bring projects into conformity with Bank Group poverty alleviation objectives. To meet the increasing demand for resources, the Bank Group could earmark a certain portion of the loan commitment as a Pre-Project Facility (discussed in greater detail below), increase the allocation to TAF, or use consultancy funds to improve the project preparatory phase and development of terms of reference for feasibility studies.

Involvement of Beneficiaries, NGOs, and Local Research Institutes. Projects should be targeted to specific population groups. Classification can be made by gender, age, ethnic characteristics, geographical location, or economic activity (for example, pastoral families, displaced groups of population from war or natural calamities, unemployed youths, laid-off civil servants, and illiterate males and females). Experience has shown that NGOs can provide a useful link between official planners and project beneficiaries, because of their proximity and first-hand knowledge of the needs and interests of the poor. The Bank should encourage project officers to involve NGOs as appropriate -- particularly grassroots and self-help groups among the poor, as well as local universities and private institutions that are dedicated to economic and social research.

Beneficiaries, NGOs, and local institutions should be involved in all phases of project design, from identification through implementation and evaluation. This type of collaboration reinforces local institutional capacity and promotes a greater sense of ownership on the part of beneficiaries.

Support for Institution Building through Technical Assistance. Developing sustainable institutional capacity to analyze, design, and implement programmes and policies is an essential part of the poverty reduction strategy. Hence, technical assistance is often an important project component. The objective is to promote staff training and skills acquisition as part of a broader institutional development strategy designed to promote sustainable development. Because decentralization and involvement of NGOs or beneficiaries can strain the professional and technical resources of lower levels of government and local organizations, it is critical that the Bank continue to give emphasis to skills transfer to urgently address long-term programme and project sustainability issues.

Integrated versus a Free-standing Approach. Individual country circumstances will determine the types of interventions best suited to reduce poverty. There is consensus on the need for more integrated, multisectoral, and interdisciplinary thinking in addressing poverty reduction issues, and poverty reduction interventions should involve the use of several sectoral or subsectoral projects focusing on the same geographic area or beneficiary population. Discussion in Chapter Four makes it clear that the Bank should avoid complicated multisectoral projects of the integrated rural development type.

The track record of large multisector programs for redressing the social costs of adjustment is not overly impressive (Kingsbury, 1992). Although it is important to identify ways to alleviate poverty during adjustment, careful attention needs to be paid to the identification of appropriate strategies for doing this within the overall adjustment framework. Well-coordinated ocial investment funds may be one mechanism for complementing policy lending with interventions having a significant impact on the poor, because they focus primarily on employment generation and access to social services. A series of pilot projects could be undertaken in selected countries to determine what works best in the African context. Special attention would be given to the way such funds can enhance popular participation and help develop better rapport between NGOs and governments.

Simplicity and Flexibility. As a rule of thumb, project design should be simple and flexible. The complexity of the sector as well as the local implementation capacity should strongly influence the number of components within a project (in agriculture, for example, one may want to focus on single areas such as research and extension). To overcome the institutional capacity constraints inherent in implementing multicomponent operations, the design should be modular, with daily administrative issues of each module delegated to the implementing agency. Under such a system, the operation would not be jeopardized if one of the modules ran into difficulties. In addition, geographical coverage should be limited to permit adequate supervision by Bank staff. Efforts should be made to make labor-saving technologies and training more accessible to women and the poor, to increase their productivity and efficiency. It is also important that project design provide opportunities for alternative measures to respond to changes in the physical, legal, institutional, financial, and political environment.

Creation of a Pre-Project Facility. The Bank should support the creation of a Pre-Project Facility. This would enable project officers to draw upon additional resources to expand the scope of work during the implementation phase without formal Board approval. Easier access to resources would serve as a catalyst to ensure that the main project objectives are met. Such a facility could be used to draw on consultants for specific issues of importance for identifying improved implementation strategies and monitoring economic and social effects of projects on beneficiaries.

Social Impact Analysis. While continuing to perform economic cost-benefit analysis, greater attention should be paid to assessing the potential social implications of projects. Beneficiary assessments, discussed in Chapter Four can be an important tool in conducting such analyses. Such analyses will be especially important for Category I projects.

Policy Conditionality. The Bank should continue to require that important policy reforms be implemented up-front to reduce the potential risks of project failure. For example, the Green Zones Women in Development project in Mozambique successfully addressed the land tenure regulation issues with the government prior to project design, in order to provide an incentive for good agricultural management. Women were allocated specific plots for their own use, thus reducing potential land tenure conflicts. In Sao Tome, labor legislation has been revised to provide an incentive for public estate servants to become private smallholders. In Ghana, reforms affecting the commodity marketing and distribution network of cocoa have led to improved income for the producing farmers, both poor and nonpoor.

Local Cost Financing. In instances where the potential is great for introducing labor-intensive construction and maintenance techniques, the Bank may wish to finance a larger proportion of local costs, contrary to its Articles of Agreement, which stipulate that the Bank normally lends only for foreign exchange costs. Care must be taken, however, to ensure that the borrower still contributes significant financial support. It is at the design phase of the project cycle that the scope for increasing the level of local value added (building materials, local technologies, and job skills, for example) needs to be explicitly addressed.

Origin of Project Ideas. Poverty profiles and poverty assessments are another source of information for identifying new projects with the potential to generate demand for labor, develop human capital, and improve safety nets. In addition, the Bank should continue its efforts to undertake regional studies to better understand key poverty issues such as female participation in African education, integration of nutrition into agricultural activities; AIDS resource allocation, and the role of microenterprises in private sector development. The results of these studies would be useful for developing future guidelines on how to design projects that incorporate the concerns of the poor as well as promote regional integration and cooperation.

6.2.2 Project Appraisal

Project Appraisal, along with project supervision, is one of the two major activities performed by Bank staff in the operational divisions. It is the one major design step that is under Bank control from start to finish, with the exception of policy-based projects where design efforts generally have been led by the World Bank. Much of what has been said above concerning improvement in project design and preparation applies to appraisal as well. However, greater gains in project quality will come from strengthening the standards for design and preparation than from appraisal. The appraisal effort is in fact a review and refinement of the analyses developed during the preparation stage: it can rarely correct deeply flawed project designs. Suggested measures for incorporating poverty alleviation measures at appraisal are listed below.

Format and Guidelines for Appraisal Reports. Appraisals should be consistent with poverty analyses contained in a country's EPCP and CSP. Because the appraisal is an internal Bank document that assists the Bank in determining whether to approve a loan or not, it is essential that the MPDE matrix linking project objectives with project inputs and outputs become a standard part of the appraisal document.[4] Project-level indicators are initially identified in the Project Brief, will vary depending on the country and sector, and will generally be concerned with assessing employment creation, income generation, training and skills building, beneficiary participation, and social sector outcomes in health, nutrition, education, and family planning infrastructure or service delivery. As the new *Operations Manual* guidelines will make clear, to the greatest extent possible, indicators need to be objectively verifiable, specific, and time-bound. Although the Bank has prepared format and guideline documents for preparation of appraisal reports in health, education, water supply and sanitation, and agricultural and rural development projects (initially prepared in 1983 and currently under revision), these manuals may need to be revised to reflect the new poverty reduction orientation.

Compliance with Project Completion and Post-Evaluation Recommendations. Appraisal reports for future projects should include a specific section on lessons learned from Project Completion Reports and from Project Performance Audit Reports relative to the Bank's experience in the country and sector. In new design efforts, specific provisions should be made to take stock of past weaknesses, characteristics of the sector, geographical location, institutional capacity building, project management needs, and counterpart funding. To encourage Bank staff compliance with this requirement, we recommend that the *Operations Manual* be revised.

[4] The MPDE matrix is expected to be included in the *Operations Manual* by the end of August 1992. Most technical Bank staff have already received extensive training in MPDE formulation and uses.

6.2.3. Project Implementation and Supervision

Improvement in project implementation is a key Bank Group objective that will need to be followed up by design of less administratively cumbersome projects, training and assistance, a marked increase in resources allocated for supervision, and intensive dialogue with borrowers. Although these principles are applicable for all projects, special attention needs to be given to Category I projects for poverty alleviation purposes. It will be necessary to monitor poverty-focused indicators and perform on-going impact analysis to ensure that projects are meeting their main poverty reduction objectives. Strengthening the implementation and supervision stages of the project cycle can be accomplished by greater involvement of Bank management, increasing the responsibilities of regional offices, improvement of project administration, and changing operational guidelines.

Involvement of Bank Management. At headquarters, senior management should become more involved in implementation issues. For example, division chiefs could participate in supervision missions and implementation discussions with government officials. It would be advisable to introduce some flexibility in the duration of supervision missions (currently a standard two weeks) to accommodate any special needs. To strengthen compliance with guidelines referring to a minimum of one supervision mission (ideally every six months) for each effective project per year, it might be advisable to limit the number of projects processed per person, and improve the monitoring of the Bank's mission schedules to identify projects in need of immediate supervision. The Bank should give more attention to achieving "results" and less on achieving "quantitative lending targets," and should explore ways that an incentive system could be built into the performance evaluation of staff members for good work in supervision.

Role of the Regional Offices. Regional office responsibilities should be expanded to become more closely involved in the implementation process. The regional office director should conduct quarterly implementation reviews of the core ministries, and routine supervision activities could be delegated to local staff members. Since the regional offices are generally understaffed, special consideration should be given to increasing the number and expand the skills-mix of current manpower to improve implementation. Regional representatives should systematically monitor macroeconomic and political developments and their impact on the implementation and development objectives of Bank projects as well as familiarize new officials with Bank operations and procedures. The regional office can play a key role in setting up a process of consensus-building on social policy issues by bringing donors and government officials together on a regular basis. The Bank should promote training for local staff and project managers to address poverty reduction concerns in project design.

Procurement, Accounting, and Disbursement Procedures. The administrative and consultancy budget for 1993 should earmark adequate resources for visits by specialists to deal with procurement problems that have a direct impact on the ability of projects to maximize returns to the poor. In the procurement of simple goods — such as school/hospital furniture, agricultural tools, school uniforms, text books, and street cleaning equipment — appropriate specifications may be used to promote small-scale, labor-intensive, local production methods. This can translate into additional job opportunities for the poor and development of small-scale enterprises.

Cumbersome government procedures, however, often cause delays in awards and slow disbursements. Since most procurement delays are rooted largely in government policies and procedures that fall outside the control of project implementing agencies, the Bank should address these issues at high government levels to simplify local procurement procedures (particularly in construction and rehabilitation) by encouraging the use of standard bidding documents. As rehabilitation of basic social infrastructure — primarily but not exclusively used by the poor — is an important component of poverty reduction projects, the impact of implementation delays are not only losses of income to the poor, but also a reduction of their access to social services.

The Bank should organize procurement seminars for its borrowers using project funds and ensure that project officers know Bank procurement guidelines.[5] If labor-intensive methods are to be used to reduce poverty, it is essential that procurement for civil engineering works be efficiently managed to make optimal use of allocated resources.

Format and Guidelines of the Supervision Summary. Increased attention to the poverty alleviation impact of projects should be evidenced during the preparation of Supervision Summaries every six months and during project supervision missions. An improved Supervision Summary would require the following changes in language under parts I, III and IV:

- Part I, which provides basic information on the project, should require beneficiaries to be quantified whenever possible or else should provide monitorable social indicators for gauging progress;
- Part III, containing specific information on Bank staff supervision, such as mission schedules and personnel involved in various stages of the project cycle, should provide project officers with an opportunity to flag whether the borrower's Quarterly Progress Report is consistent with overall poverty reduction strategies; and
- Part IV, describing the indicators and ratings of the project, could be expanded to include a paragraph on "likely contribution of the project to poverty reduction" under Item E.

6.2.4. Post-Evaluation

The purpose of post-evaluation reports is to improve the Bank's understanding of what works and what does not. Accumulating this type of information in a database system will help reorient future project preparation and appraisal to focus on areas critical to successful project implementation. Based on this retrospective analysis, the Bank should develop checklists for use by Bank staff, which will eventually evolve into more effective policies and procedures for future lending. Improvements are suggested in the following areas:

Project Completion Reports and Project Performance Audit Reports.[6] PCRs and PPARs are the Bank's vehicles for gathering information on past experience. PCRs focus on physical, administrative, and banking performance of the loan. PPARs are intended to provide a deeper analysis of the reasons for the level of performance observed and the impact of the project some time after Bank Group financing has ended, and are usually prepared after PCRs becomes available. It is important that PPARs include the indicators developed for the MPDE in the design stage to compare project results with

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[5] Because enforcing adherence to the *Operations Manual* is a main area of emphasis during FYOP.3, it might be worthwhile considering the development of an on-line database system to improve staff's access to the latest Operational Directives reflecting the new orientations of the Bank (women in development, environment, NGOs, and so on; and allow users to search by word, phrase, date, document number, and author to facilitate program and project design efforts.

[6] PPARs were formerly called Post-Evaluation Reports.

intended objectives. Projects should, moreover, be evaluated in terms of their multiple objectives. For example, in addition to short-term concerns related to physical implementation, more attention can be paid to review of progress in policy areas and in technical assistance, particularly training and institutional development, as well as to poverty reduction impact.

Because of the importance of learning from past successes and failures, it is strongly recommended that the Bank put more effort into ensuring that PCRs and PPARs are produced on time for all projects. This will enable OPEV to compile the information for specific studies, which will lead to improved formulation and implementation of Bank policies and programmes. Recently, OPEV has launched PPARs of policy-oriented operations. This will assist the Bank in improving the sequencing of structural and sectoral adjustment operations consistent with achieving sustainable economic growth while reducing poverty.

Information, Education, and Communication. To facilitate the incorporation of past experience in future EPCPs, CSPs, project designs, and appraisal reports, the Bank can implement seminars and training programmes based on lessons learned from evaluations. Topics could include incorporating poverty reduction issues in policy/project design, analyzing the social impact of Bank projects, and designing social action funds. Another method to diffuse new insights would be to institute routine distribution of lessons sections from supervision reports and PPARs. In the case of new topics, such as social action programmes or targeted interventions, experience from other continents (Asia and Latin America) can shed light on ways to design effective poverty reduction operations. Moreover, to promote participatory approaches among RMCs, donors, NGOs, and other institutions, it may be beneficial for the Bank to sponsor round tables and seminars on specific sector experience in poverty reduction, especially in agriculture and rural development, the social sectors, and women in development.

6.2.5. Recapitulation of Major Project-Cycle Implications

To successfully implement poverty reduction policies and programmes, it is essential that the volume and composition of lending operations be linked to country efforts to reduce poverty. Implementing targeted interventions will require a shift of focus from appraisal to the project preparation phase. More time will need to be spent on identifying beneficiaries and indicators, to increase the significance of monitoring the project from identification through implementation. One lesson learned from experience is that the simpler and smaller the project, the better its chances of reaching the poor. Developing pilot projects consistent with poverty-oriented sectoral and macroeconomic frameworks is often the best way to begin the design process. Targeted interventions require involvement of the beneficiaries, NGOs, and local institutions throughout the project cycle to increase the chances of project viability and sustainability. Beneficiary assessment can contribute to improving the understanding of a project or policy from the point of view of its intended beneficiaries. The Bank should put more emphasis on the supervision stage of the project cycle to improve the successful implementation of projects. Specifically, it is recommended that the Bank:

- Foster relationships with the donor community, NGOs, and other institutions to develop common country poverty reduction strategies;
- Involve beneficiaries at all levels of the project cycle and include a list of quantifiable indicators to monitor results over time;
- Incorporate technical assistance components into most poverty reduction projects to provide staff training and skills acquisition to promote sustainable development;

- Allocate more resources to the project design process, particularly the identification and preparation phases, to improve the quality of its portfolio;

- Ensure that past experience is incorporated into new project designs and that specific sections in the Project Brief and Appraisal Report be established to deal with these issues;

- Update Project Completion and Project Performance Audit Report guidelines to include a detailed description of whether the project achieved expected poverty objectives;

- Become more "results-oriented," involve managers in implementation and supervision work, and develop an adequate incentive system to reward staff for good supervision and completion work; and

- Expand the Bank's internal management information system to enable staff to track project cycle efforts in respect to the programme of targeted interventions and human resource development.

6.3. RMC Responsibilities and Policy Dialogue

RMCs will need to reflect the Bank's new orientation toward targeting poverty alleviation more directly than in the past. This will require clear guidelines from the Bank Group concerning the types of projects to propose for pipeline consideration. These guidelines should be similar to those used for environmental review in the Bank and will illustrate the types of projects most relevant for addressing poverty in various lending sectors. Bank staff should continue to stress to RMCs that, under ADF-VI, 40 percent of loan funds will be targeted to agriculture, particularly subsistence crops, while another 20-25 percent are reserved for health and education. Although every country will not have the same mix, Category A countries will tend to follow these proportions.

The remaining one-third of ADV-VI lending will be distributed across the other sectors, but wherever possible these projects should contain components directly targeting poor regions, poor populations, or aspects of poverty. Thus, in addition to geographic targeting, these Bank-funded activities should be justified in large part by their potential to address basic human needs, contribute to employment and income generation, develop job skills, and organize local beneficiary participation. Indicators of project progress toward these poverty reduction objectives should be included in the MPDE.

It would be highly desirable that RMC officials in appropriate ministries receive training in project identification, design, and poverty-focused policy and planning analysis. Although the Bank may finance short-term training and workshops, RMCs will be expected to make relevant personnel available and perhaps defray some associated costs such as travel to workshops. If such training is not provided, it is unlikely that Category A countries will be capable of achieving sufficient poverty focus in future project proposals, because they will require a substantial degree of beneficiary assessment and baseline data estimation.

The Bank should continue to encourage RMCs to develop linkages with NGOs, so that they may play a more prominent role in project implementation. In low-income Africa, many such organizations have been active for years, and their track record is considered good. In North Africa, however, it is difficult to find NGOs, and governmental linkages to these groups are largely undeveloped. Bank regional offices should be given a large role in dialogue with member governments concerning how to build NGO linkages and establish registration procedures.

Bank-RMC policy dialogue will take on an extremely important role if the Action Programme is to be successfully implemented. The Bank will, no doubt, face RMC officials who vary considerably in their enthusiasm for embracing poverty alleviation as the principal goal of the Bank's activity. In those cases where borrowing country officials are unwilling to adapt funding requests to the Bank's new orientation, the Bank may need to temporarily reduce that country's lending programme to underline its determination to carry through on the poverty alleviation mandate.

However, it would be preferable from all points of view -- the RMCs, the Bank and the donor countries alike -- for the poverty alleviation mandate to be elevated to the forefront of the policy dialogue process with each country, so that the mandate is implemented smoothly. Senior Bank management, assisted by the Executive Board, will need to place maximum importance on achieving this end. Moreover, donor country understanding of the difficulty of this endeavor will be required as well.

6.4. Nongovernmental Organizations

The African Development Bank adopted an NGO Policy in October 1990 and directed that management prepare procedures and mechanisms for implementing the policy directives. In February 1991 a seminar entitled "Role and Mobilization of NGOs in Africa's Economic Recovery and Development" was held in the Bank. NGOs recognized that "the ADB, as the leading African Development Finance Institution, has a major role in the promotion of participatory development in which NGOs have special expertise and experience in their complementary role in the public and private sectors of the economies of African countries."

Key recommendations of the seminar for the promotion, development, and strengthening of cooperation between the Bank Group and NGOs are included in the poverty reduction action programme:

- Informing the governments of regional member countries of the details of ADB Group-NGO collaboration;
- Ensuring a real partnership by organizing periodic meetings;
- Instituting appropriate financing and co-financing arrangements with other donor agencies;
- Active association of NGOs throughout the project cycle, particularly with regard to the involvement of local populations and environmental impact assessments;
- Ensuring NGO access to loanable funds for income-generating activities;
- Provision of Bank assistance for institution building to enhance the absorptive capacity of NGOs; and
- Institutionalization of the NGO Unit within the Bank.

The process of involving NGOs in Bank projects, although under way, has not progressed much beyond early 1991. Efforts to this end should be redoubled to put in place this element of an integrated poverty reduction strategy.

6.5. Donor Coordination

Great potential exists for increased donor collaboration at the programme and project levels. However, such collaboration will supplement Bank Group programming and project cycle activities, not replace them.

Coordination efforts among donors should address the need to assist countries to develop an integrated poverty reduction strategy to which donor agencies can subscribe. Sharing of data and information between donors is key to assisting regional member countries in their poverty alleviation strategies. Each country medium-term development plan or public investment programme should explicitly target resources to the poor. Training and capacity building of personnel in the planning, finance, and relevant line ministries should occur continuously through donor-funded technical assistance and workshops.

Poverty assessments of African countries, currently being developed by World Bank country departments, should be available to other donors and to the African Development Bank within the next three years. Consultative groups, round tables, and major donor coordination fora, such as the Development Assistance Committee (DAC) of the OECD, the United Nations Economic Commission for Africa, and the Special Programme of Assistance for Africa (SPA), should address themselves to coordination issues, such as information sharing and co-financing of poverty-targeted activities.

Because the involvement of bilateral donors in collaborative programmes is often difficult due to national rivalries, the multilateral banks should play a lead role in defining common strategies to improve cost-effectiveness. The Bank, representing as it does the African perspective, should be active in expressing this point of view in collaborative fora. This unique Bank perspective includes greater sensitivity to sequencing of reforms, sociopolitical realities, and the capacity of populations to respond to policy and project incentives.

Coordination between the Bank and other multilateral agencies will continue to be based on each agency's comparative advantage. The International Monetary Fund will focus on macro-economic policies for stabilization and demand management, while the World Bank and the ADB Group focus on macro and sectoral growth-inducing strategies and complementary project interventions. Both approaches have important implications for poor populations.

Cooperation with the United Nations Development Programme and the World Bank will relate primarily to programme and project development in member countries. The UNDP prepares human development profiles, while the World Bank is beginning to develop country poverty assessments, both of which will be indispensable in integrating a poverty focus into future Bank EPCPs and CSPs.

Project-related collaboration with other U.N. agencies should follow traditional specialties: UNICEF and FAO often prepare identification and feasibility documents in health, education, and agriculture. Other relevant development agencies are the United Nations Fund for Population Activities, World Health Organization, World Food Programme, International Fund for Agricultural Development, International Labor Organization, and UNESCO.

Bilateral linkages are important to encourage; the major forum for coordination is the Development Assistance Committee in Paris. Many of the smaller bilateral agencies specialize in particular aspects of poverty reduction, so that the Bank can link its integrated strategies with those of the smaller granting donors. USAID actively favors policy reform, private sector development, microenterprise credit, health, and agribusiness projects. Northern European donors, such as DANIDA, SIDA, NORAD, ODA, and FAC (French), increasingly tend to favor social sector or community development projects with high payoff for poverty reduction. Closer collaboration with such donors in country-specific contexts is highly recommended.

7. MANPOWER AND FINANCIAL REQUIREMENTS

7.1. Manpower Implications

7.1.1. Bank Staffing

Section 7.2 (human resource requirements) of the Third Five-year Operational Programme (FYOP.3), entitled "The African Development Bank Group in the 1990's: Operational Programme for the Period 1992-1996, and Beyond," identifies priority areas for future staffing as poverty alleviation, population, education, health, and the environment. Reference is made to the fact that the Bank Group "does not contain staff with the types of skills necessary to achieve the operational objectives in these priority areas." Furthermore, it is expected that "additional staff resources will have to be allocated to areas such as women in development, private sector, and economic integration, where programmes have already been initiated."

New personnel needs related specifically to the multidisciplinary and interdivisional nature of the poverty reduction action programme will require approximately 18 additional permanent professional staff and the substantial use of consultant services at key points of the project cycle. Table 7-1 presents a list of additional permanent staff recommended to facilitate implementation of the poverty alleviation strategy.

The positions identified in Table 7-1 respond to the increased emphasis on poverty reduction in Bank programming and enhanced project cycle activities outlined in this report and in Section 7.2 of the FYOP.3. These specialists will function primarily to integrate a poverty reduction focus throughout Bank activities, especially in agriculture, rural development, and the social sectors.

Two social policy analysts should be added to the staff of the Environment and Social Policy Division of Central Projects Department (CEPR-3). Currently the staff of five professionals consists primarily of environmentalists and more of these may be added in the future. Poverty analysis and targeting are key to the success of the poverty reduction action plan and new staff should have extensive social science background and field experience.

Senior social scientists (sociologists or anthropologists) should also be added to the country economists' divisions of the regional programme departments (NCPR-5, SCPR-5). These and other social scientists should also be familiar with gender issues in development. Because social science input into the writing of EPCPs and CSPs, one of the major tasks of these divisions, is crucial to the success of poverty reduction planning, at least 2 social scientists should be included among the 12-15 economists for each region. This would imply a 13 percent staff increase for SCPR-5 and a 17 percent increase for NCPR-5.

Increased emphasis on health and education in future Bank lending requires additional staff in NARD-3 and SARD-3. Current staffing in these divisions contains approximately equal numbers (3-4) of health experts, education specialists, and architects. It is recommended that three additional specialists be added to each division over the next 1-2 years: 1 social policy analyst, 1 health (nutrition or population) specialist, and 1 education/labor market specialist. This will increase the present staff of NARD-3 by 25 percent and SARD-3 by 33 percent.

TABLE 7-1

POVERTY ALLEVIATION ACTION PROGRAMME:
ADDITIONAL PERMANENT STAFF RECOMMENDATIONS

Staff Specialty	Location	Number
Social Policy Advisors	CEPR-3	2
Social Scientists (sociologists or anthropologists)	NCPR-5, SCPR-5	4
Agriculture/Rural Development Specialists	NARD-1, SARD-1	2
Social Scientists (sociologists or anthropologists)	NARD-2, SARD-2	2
Social Policy Analysts	NARD-3, SARD-3	2
Health Specialists (nutrition, population)	NARD-3, SARD-3	2
Education/Labor Market Specialists	NARD-3, SARD-3	2
Social Scientists (local participation and organization, micro-enterprise credit)	NISI-1 or 3, SISI-1 or 3,	2
TOTAL PERSONNEL		18

NARD-1 and SARD-1 should each add one anthropologist or rural sociologist to the present mix of agronomists, agricultural economists, civil engineers, veterinarians, and fisheries and livestock specialists. This will help bring a broader perspective to the rural development strategies of these divisions.

NARD-2 and SARD-2 should also each add one rural sociologist (or anthropologist) to their staff mix of agronomists, agricultural economists, irrigation engineers, and foresters. The social scientists should have social forestry experience or experience with land tenure problems in irrigation schemes.

Finally, NISI and SISI-1 or 3 should each receive one social scientist who can be called upon to advise all three divisions.

Because new staff requirements for poverty reduction and related mandates were already a part of FYOP.3, this report does not call for a net increase in staffing beyond FYOP.3 recommendations — rather that filling the types of positions recommended here be given top priority by the Bank through 1994.[1] The Bank has already taken some initial steps to fulfill the FYOP.3 recruiting mandate. The Human Resources Management Department is currently in the late stages of recruitment of three social scientists: one social policy analyst in the Social Policy and Environment Division of CEPR, one social economist in SARD, and one rural sociologist in NARD.[2] Therefore, in general terms, this report's

[1] See FYOP.3, Table 7.1.

[2] It has not yet been determined which divisions will receive these two staff positions within SARD and NARD.

recommendations are thoroughly consistent with FYOP.3 policy and 1992 recruitment efforts, the first year of FYOP.3.

7.1.2. Short-Term Training

Training of both Bank staff and member country governmental officials needs to be part of the action programme for poverty reduction. The heavy workload of Bank staff requires that personnel be given succinct, explicit instruction and guidelines for developing a poverty focus in future lending.

There are, unfortunately, a large number of such guidelines currently extant, leading to the danger of "guideline fatigue." For this reason, other guidelines and project screening devices, such as those developed for environmental and gender impact, should incorporate attention to poverty issues. The close relationship of environmental and WID issues to the development of an effective poverty reduction strategy cannot be stressed enough.

In like manner, training in impact assessment for Bank staff, currently planned by OPEV, should explicitly incorporate elements of the poverty reduction strategy. In particular, training concerning the use of the MPDE (logframe) in post-evaluation should focus on the inclusion of poverty-related indicators, such as activities to address basic human needs, employment and income creation, human resource development, and beneficiary participation.

Training content should include the development and use of poverty profiles and assessments and their incorporation in country programming, and the identification and screening of projects and project components likely to achieve poverty reduction objectives in both the short and longer terms.

Training in poverty reduction should stress simple guidelines for ranking projects and project components likely to be effective in addressing poverty in various country contexts. Training should also emphasize building the logical linkages between project interventions and the programmatic priorities and indicators identified in the country EPCPs and CSPs. Discussion of the types of checklists presented in Chapter Five for determining the poverty focus of projects should be key elements of such training sessions.

Poverty impact statements for projects — such as those developed for environmental and gender impact — are not necessary, if preparation and appraisal documents adequately treat poverty objectives. Training should cover methods for preparing beneficiary assessments during project preparation and appraisal. When a poverty focus is not relevant (for example, certain public utility, infrastructure, or industrial projects), appropriate justification for nonrelevance will be required in the appraisal document. Where poverty reduction is the focus of intervention, beneficiary identification and involvement should be clearly treated.

Training of Bank staff in poverty issues should include, at a minimum, all professional staff of CEPR 1-2, NARD, and SARD; directors and representative members of NCPR-5, SCPR-5, and COOP; and directors of NISI, SISI, and NCPR and SCPR divisions 1-4 (country loan officers). This core group of approximately 50 Bank staff would be responsible for spreading the guidelines and insights from training to other Bank staff in their divisions.

A special role in this training is reserved for directors and professional staff of CEPR-3 (Environmental and Social Policy), CEPR-5 (Women in Development), and OPEV (Operations Evaluation), because it is essential that they **integrate** their issues and impact guidelines and training programmes with those focused on poverty reduction. Rather than having them sit as audience through a poverty reduction training session, they should actively participate in preparation and delivery. By the same token, their own training programmes in the future should involve a presentation of wider poverty issues and the particular place that the environment, women in development, and beneficiary impact evaluation occupy in the overarching poverty reduction strategy.

7.2. Indicative Financial Implications

The most important financial implications of the proposed Action Programme for Poverty Alleviation are in new permanent staff recruitment, primarily in the social sciences; enhancing country programming capability by devoting more resources to EPCP preparation and relevant background studies; short-term training of Bank staff and selected RMC officials in strategies for better integrating a poverty focus into their activities; taking a more proactive role in project identification and design to ensure that they correspond more closely to future Bank Group guidelines on poverty reduction; and short-term studies on subjects of special pertinence to increasing the poverty reduction content of project cycle activities.

Discussion in this section is meant only to give a very rough approximation of action programme implementation costs and the timing of those costs through the remainder of ADF-VI and the three years of ADF-VII, and is based on limited analysis. More detailed analysis by financial and administrative experts within the Bank will be necessary. In addition, considerable discussion among Bank staff and between senior Bank officials and Executive Board members will be needed to reach a consensus on appropriate measures and financing levels.

7.2.1. Areas Needing Additional Financing

Permanent Staff Recruitment. The previous section discussed the need for greater Bank Group analytic capacity in the social sciences, primarily in the disciplines of sociology and anthropology. This report cites a requirement of 18 permanent staff in these areas. However, this will not imply a net increase in technical staff beyond what has already been proposed in FYOP.3. Moreover, of the 18 staff positions identified in this report, three are currently being recruited. Therefore, the number not yet recruited is 15. It is recommended that recruitment for these posts take top priority in 1993 and 1994.

Enhancing Country Programming Capability. Chapters Four and Five justified the need for greater resources to be devoted to country programming to enhance the role of the EPCP as a more effective strategy and planning document for addressing poverty in the RMCs. It is recommended that:

- EPCP teams be enlarged to reflect the need for multidisciplinary analysis of causes of poverty and strategies for its alleviation;

- Greater flexibility be allowed for the duration of EPCP missions to the field (from the current two weeks to as much as four weeks);

- To increase cost-effectiveness and lighten the potential burden on Bank staff, consideration be given to the idea of employing local consultants as team members; and

- The Bank explore the possibility of using TAF money for the preparation of EPCPs as they contribute to the identification of new projects.[3]

At present levels of effort, EPCPs cost approximately UA 75-80,000 to produce.[4] If one expands team size from the current two (an economist and a loan officer) to five (addition of a social scientist, an agriculturalist, and an engineer),[5] and lengthens missions from two weeks to three weeks, it is estimated that enhanced EPCPs will cost, on average, UA 190,000. However, there is scope for economizing if local consultants are used as team members. Using the illustrative recommended figure of UA 190,000, this represents a net average increase in resource requirements of UA 110,000 per EPCP.

Short-Term Training. Strengthening Bank staff and RMC capacity for formulating social policies, monitoring poverty indicators, and designing, implementing, and managing targeted interventions will be essential in ensuring that Bank Group efforts are sustainable. Providing training and organizing workshops and seminars on incorporating poverty reduction into country programming and project cycle activities is required to achieve this end. Two types of training programs are called for:

- Training of Bank technical staff in Abidjan in integration of poverty concerns into country programming and the project cycle; and

- Training RMC officials in the same subject matter, but at regional workshops.

In addition, relevant training programs should be incorporated into loan agreements for RMC implementing agencies. However, this category of expenditure is not costed out in this section, as it would only effect the composition of project activities — not overall lending levels.

Part of the TAF/ADF, as well as co-financing resources, could be earmarked for strengthening local capacities. The advantage of using TAF money in financing capacity-building efforts is that relatively large amount of resources can be mobilized without having to go through Board approval (the ceiling being UA 750,000). In addition, the NTF fund could set aside a certain portion to support regional training programs in the context of promoting greater cooperation and integration between African countries.

The approximate cost of an in-house training program of 50 core staff, using the Bank's existing training facilities, is between UA 150-200,000.[6] Two such programs (one in country programming and another in the project cycle) would therefore amount to UA 300-400,000. The estimated cost of a regional workshop is UA 20,000. This includes travel and per diem for two weeks for three Bank staff

[3] Currently only projects at the preparation phase benefit from TAF resources.

[4] Communications from interviews with Country Programmes Department staff.

[5] These added disciplines are only illustrative. In reality, disciplinary composition should vary as a function of the needs and circumstances of individual RMCs.

[6] Figures in this paragraph are derived from approximations supplied by officials of the Organization and Methods Unit, based on costs of similar past exercises. However, they remain illustrative.

(one week of preparation and a five-day workshop), per diem for roughly 30 RMC officials, and some incidental costs. RMCs would be expected to contribute airfare for their trainees. The cost of 10 workshops (five in country programming and five in the project cycle) would be UA 200,000.

Project Identification, Design, and Additional Studies. As mentioned elsewhere in this report, the Bank will need to take a more proactive role in project identification and design to ensure that projects submitted for pipeline consideration adequately address poverty reduction concerns. Initially, at least, this will require that project feasibility studies be more detailed in terms of targeting strategies, social impacts, strategies for use of labor-intensive techniques, development of quantitative indicators, and monitoring strategies. In many cases, beneficiary assessments should be carried out at this stage. Terms of reference drafted by Bank staff will have to explicitly reflect these concerns, especially for Category I projects.

TAF money could be used to improve the preparatory project phase and development of terms of reference for assessment and feasibility studies. At the same time, the Fund should pursue its objectives for increased use of lending for projects through financial intermediaries, the African Project Development Facility, and particularly NGOs to improve accessibility of the economic or social services they offer to the poor. Such types of activities are expected to involve relatively less staff time in processing investments and, thus, reduce processing costs. Considerations should also be given to explore co-financing opportunities (with other multilaterals, bilaterals, and recipients) to provide an adequate mix of projects, structural and sectoral adjustment programs, technical assistance, and institution-building operations.

To facilitate the adaptation of the project to political, institutional, financial, targeting, and technical circumstances, it would be desirable to create a **Pre-Project Facility**. This would enable project officers to draw upon additional resources during the implementation phase without Board approval. Easier access to resources would serve as a catalyst to ensure that project objectives were met.

Several studies may be necessary for improving project design and implementation. Some of these studies will be financed from project loans, while others will be supported from other sources — TAF being the most prominent. Comparative studies across countries in key areas of relevance to improved project and programme formulation are desirable, but cannot be financed through a loan to an individual RMC (the implications of population growth on regional economies, the economic impact of AIDS, evolution of regional labor markets, for example). Other studies (incorporating poverty reduction monitoring into the Bank's management information system) address Bank headquarters needs rather than those of RMCs. Certain other studies may be very important inputs into the country programming process, but not for specific projects (poverty assessments and profiles, inventories of local manufacturing capabilities to increase local value added in Bank-supported projects, and so forth).

Because the cost and nature of such studies will vary considerably from one situation to the next, no attempt is made here to identify the specific studies needed and estimate the actual net increase in funds required. Instead, an overall increase of 10 percent in TAF resources is recommended.

7.2.2. Indicative Levels and Timing of Additional Financing

Table 7-2 illustratively identifies the net resource requirements that will be necessary for the Bank to implement the Poverty Reduction Action Programme laid out in this report. Areas include enhancing EPCP preparation; short-term training of Bank staff and selected RMC officials; and studies related to project identification and design, poverty assessments, and other studies serving as input into country programming. New permanent staff recruitment is not included as a rubric because the decision has already been made within the context of FYOP.3 to target resources to increased recruitment of social scientists.

TABLE 7-2

BANK GROUP POVERTY REDUCTION ACTION PROGRAMME:
ILLUSTRATIVE NET RESOURCE REQUIREMENTS
(Total Estimated Net Annual Costs in UA*)

Activity	ADF-VI		ADF-VII					
	1993		1994		1995		1996	
	#	Cost	#	Cost	#	Cost	#	Cost
EPCP Preparation	5	565,000	10	1,130,000	10	1,130,000	10	1,130,000
Short-Term Training:								
Bank Staff	2	400,000	0	0	2	400,000	0	0
RMC Officials	5	100,000	5	100,000	5	100,000	5	100,000
Studies		8,790,000		8,790,000		8,790,000		8,790,000
TOTAL ANNUAL COST		9,855,000		10,020,000		10,420,000		10,020,000

* Based on an exchange rate of UA 1 = $US 1.37.

The approximate annual increase needed to implement the program is in the range of UA 11 million annually for the remainder of ADF-VI and the duration of ADF-VII.

It is recommended that five enhanced EPCPs be prepared in 1993, and 10 in each year thereafter. Cost figures and timing will obviously be modified later, based on scheduled timing of EPCPs and the particular analytic needs of each EPCP.

Two in-house training workshops are recommended for Bank staff in 1993, with refresher workshops two years later. Regional workshops for RMC officials would begin in 1993, and average five each year.

The increased study budget represents approximately a net 10 percent growth of the current ADF-VI allocation to TAF, over the maximum allowable amount that could have been allocated in 1991, based on ADF-VI loan and grant approvals in that year. In 1991, ADF loan and grant approvals totalled FUA 878.9 million. The ADF-VI lending policy states that no more than 10 percent of ADF funds shall be used for TAF activities (or 87.9 million in 1991). Therefore, based on 1991 figures, a net increase of 10 percent to TAF for poverty-focused studies would amount to approximately UA 8.8 million.

The exact figure will require more analysis, but the general recommendation contained in this report is that there needs to be an increase in resources explicitly devoted to improved and more proactive poverty-focused project preparation, and initiation of poverty assessments and poverty profiles.

8. CONCLUSIONS AND RECOMMENDATIONS

The African continent is among the poorest regions of the world and the number of poor is increasing rapidly. In Africa, the number of persons too poor to afford more than basic caloric intake increased by two-thirds between 1970 and 1985 and is expected to grow from 180 million in 1985 to 265 million in the year 2000.

The existence of 47 percent of the total population of Sub-Saharan Africa (up to 30 percent in North Africa) in a state of economic and social deprivation so severe that they cannot always meet their basic subsistence needs is unacceptable to African governments and to the multilateral and bilateral donor agencies. Such poverty involves more than low personal or family income; it includes deprivation of basic human needs such as clean water, primary health care, primary education, access to productive assets and inputs, and availability of family planning, agricultural extension, and transportation services.

8.1. An Integrated Strategy for Poverty Alleviation in Africa

The ADF-VI Lending Policy places high priority on formulation of a new Bank strategy for poverty alleviation. New lending priorities of up to 40 percent for agriculture and 25 percent for health and education mean that as much as 84 percent of lending after adjustment operations can be focused on these poverty-related sectors. The 16 percent remaining may also be targeted on poverty reduction in most sectors. Adjustment lending, now limited to 22.5 percent of total concessional resources, should be considered indispensable in providing a policy framework without which more targeted interventions are quickly undermined.

The Bank strategy for poverty alleviation is integrated in five ways:

- Multilevel integration of interventions at the macro, sectoral, and project (micro) levels;
- Interdisciplinary analysis in programming and project cycle activities;
- Intersectoral integration of project interventions, focusing separate sectoral projects on the same geographic area or beneficiary population;
- Divisional coordination within the Bank; and
- Donor coordination of poverty reduction efforts leading to a common donor strategy by country.

Multi-level integration concerns creating a macro and sectoral policy climate conducive to effective project-level lending, and then designing and implementing the types of investments that best address the needs of the poor.

Macro-level interventions will focus on maintaining stability in market-based monetary, credit, fiscal, and exchange rate policies and on encouraging investment in human capital and physical infrastructure development.

The agriculture and rural development sectors will focus on:

- Increasing food security for the poor through greater food availability and higher household purchasing power;
- Development of production, processing, and marketing technologies consistent with resource endowments of the poor;
- Maintaining affordable urban food prices through improved agricultural technologies and policy incentives to producers and marketing agents; and
- Generating economy-wide multiplier effects from agricultural development through backward and forward linkages to subsistence and cash crop production.

The irrigation, agro-industry, and forestry sectors should stress interventions that include:

- Irrigation projects with large numbers of direct beneficiaries;
- Employment generation in agro-industry through selection of projects with high labor intensity; and
- Popular participation and investment in forestry projects.

Appropriate **health** sector interventions are key to the poverty alleviation strategy, because of the influence of health on the basic physical well-being and fundamental productivity of the agricultural and industrial workforce.

- **Population** interventions should stress assisting countries towards the goal of reducing total fertility by half in Africa by 2020.
- In **health care**, the objective should be to assist African countries to achieve, by 2020, universal access to primary health care services, reduction of maternal mortality rates by 50 percent, and attainment of a life expectancy at birth of at least 65 years.
- In **nutrition** activities, the Bank strategy should strive to provide countries with the information and technologies necessary to decrease child and infant malnutrition rates.

Education is crucial for raising workforce productivity in agriculture and industry. The Bank will assist countries to provide basic education for all children by the year 2020 and, in the short run, to significantly reduce adult illiteracy, especially for women. Primary education and adult literacy drives should be accompanied by increased vocational and technical relevance of both formal and non-formal education programs to raise general productivity and skills of the workforce.

Bank Group poverty reduction interventions in the **transportation** sector should focus on labor-intensive public works, especially rural road construction. In many instances, this may require increased local cost financing by the Bank.

Many project interventions in the **public utilities** sector can have important poverty alleviation impact. This is most true for potable water supply in rural and urban areas, access to which is considered a key poverty-related indicator. Construction of water points and supply should involve labor-intensive participation of the local population, the creation of water user and maintenance associations, and some degree of cost recovery for water supply. Sewerage and sanitation projects should also be targeted to the poorest zones of cities or peri-urban areas.

Interventions in the **industry and development bank** sectors should be oriented toward industrial projects promising substantial employment creation and toward capitalizing development finance companies that on-lend to labor-intensive micro- and small-scale enterprises. Emphasis should be on DFI on-lending to sectors or geographic areas with high levels of unemployment.

Poverty Targeting and Beneficiary Participation

To identify the location and condition of the poor in RMCs, country-specific poverty profiles and poverty assessments should be developed as soon as possible. The profile is a complete description of the poor, including poverty types, geographic distribution, sources of income, consumption patterns, and poverty-related social indicators. The assessment supplements the poverty profile with detailed information on country policies affecting the causes and types of poverty, public expenditures and institutions providing infrastructure and basic social services, and existence or need for a social safety net. The poverty profile and assessment will normally be revised together every three years and constitute a key chapter of each country's EPCP.

Poverty **targeting** will be of three types: geographic focus, selection by objective indicators, and self-selection by the beneficiaries themselves. Projects will be counted as poverty reducing if they contain a specific mechanism for targeting the poor, or if the proportion of the poor among project beneficiaries is significantly larger than their proportion in the national population.

Beneficiary participation should be part of poverty reduction operations. This will necessitate a beneficiary assessment during project design and local involvement during implementation and evaluation. The beneficiary assessment is project-specific and provides a complete description of the target population, including the means by which representatives of this population can be involved in design, implementation, and post-evaluation activities.

Use of local resources should be stressed in poverty-focused lending. Extensive involvement of local labor in implementation should be encouraged through emphasis on projects that employ labor-intensive techniques or promise significant employment gains, and that involve as many backward and forward employment and income linkages as possible. Training, skills development, and creation of lasting beneficiary organizations should also be objectives of project interventions.

RMC Responsibilities and Donor Coordination

RMCs need clear guidelines from the Bank concerning the types of projects to propose for pipeline consideration. Country development planning and finance ministries will be responsible for orienting a majority of new project proposals to agriculture and the social sectors and for targeting these projects and the components of many others on poor regions or populations. Wherever possible, poverty reduction operations addressing basic needs, employment and income creation, training and skills development, and beneficiary participation should be identified in all loan proposals.

RMC line ministries will need to provide training of project managers and ministry staff to reflect the need for increased poverty focus and involvement of beneficiaries in Bank-supported projects. To facilitate this process, the Bank Group should consider the use of a Pre-Project Facility included in loans, in addition to grant aid from the Technical Assistance Fund. The Bank should continue to strengthen national statistical capacities to improve data collection systems and analyses.

Nongovernmental organizations should be used more extensively by governments to design and implement poverty-focused projects. This will require Bank-approved registration of NGOs to ensure managerial and financial competence and the building of stronger institutional linkages between governments and NGOs.

Donor coordination of poverty reduction activities is crucial to the success of Bank Group activities. Donors should share information and integrate their actions by focusing on specific geographic regions or the same beneficiary populations, although integrated interventions should continue to reflect each donor's comparative advantage and particular experience. Donor organizations should establish a common poverty alleviation strategy in each African country and urge governments to formulate a country poverty strategy. The Bank, as the pan-African development institution, should play a lead role in communication between RMC governments and donor agencies.

Poverty Indicators

Country policy performance indicators will be tracked in EPCPs and considered in performance allocations in CSPs. They will assess RMC willingness to pursue poverty alleviation policy measures. Indicators will be in the areas of exchange rate distortion, inflation, consumer price controls, and amount and share of public investment in basic health and education.

Poverty-related social indicators constitute the principal means by which the Bank Group will select and orient poverty-related projects or project components and track the medium- and long-term impacts of these interventions in regional member countries. Key indicators include real GDP per capita, population percentage below the poverty line, real wage rates, child malnutrition, total fertility rate, child mortality, child immunization rates, maternal mortality, access to clean water, access to basic education, and adult literacy.

Project-level indicators are of two types:

- **Poverty-related process indicators** are measures indicating progress toward meeting a project's poverty objectives. These objectives include poverty reduction operations that cross-cut most projects: meeting basic population needs, employment and income creation, training and skills development, and beneficiary participation; and

- **Poverty-related outcome indicators** measure the degree to which basic social indicators change over time resulting from poverty operations targeted on a specific geographic area or a particular beneficiary population.

8.2. Implementing the Strategy: An Action Programme

Volume and Composition of Lending

Although Bank operations should support each country's poverty alleviation strategy, not every operation must have a poverty reduction component. However, because poverty issues are becoming a central theme of policy dialogue, a government's commitment to poverty reduction should be reflected in both the volume and composition of lending. Government policy performance indicators will be tracked by the country economists of NCPR/SCPR-5, who will take governmental policy efforts into account when revising lending volume recommendations in the annual Country Strategy Paper.

An optimal balance of lending instruments needs to be considered more carefully, given increased emphasis on agriculture, social services, and basic infrastructure. The Bank's traditional criteria for allocating resources by country, lending instrument, and sector should be revised to become more responsive to the particular needs and poverty-alleviation commitment of each borrowing country. This will require monitoring of poverty-related social indicators by the country economists and social scientists (NCPR/SCPR-5) to adjust lending volumes by sector and region. The volume and composition of lending should also reflect the availability of financing from other donors for programs in the key poverty-alleviation sectors.

Country Programming

Reinforcing the country programming process to reflect new focus on poverty issues begins with the need for country-specific poverty assessments. This assessment, which includes a poverty profile, shall be included in each borrowing country's next EPCP, normally updated every three years. By the beginning of the Fourth Operational Programme in 1997 (FYOP.4), it is expected that most regional member countries will have updated EPCPs containing a poverty assessment. Country Strategy Papers following the new wave of poverty-sensitive EPCPs will need to reflect the poverty assessment and update it wherever possible. Effective integration of country poverty assessments into these program documents will require that:

- Collaboration occur with other donors in the development of poverty assessments, to make efficient use of scarce resources;

- Macro policies be analyzed in terms of their short-term impact on the poor and how they affect longer-term economic growth patterns, demand for labor, and productive asset accumulation (human capital investment, basic physical infrastructure, and financial capital, land, and environmental policies);

- Poverty-conscious restructuring of public expenditures be viewed as a means of reducing poverty. The Bank should join with other donors to provide incentive for RMCs to restructure their budgets, so that more resources are directed to services benefiting the poorest populations. Increased attention should be paid to reducing imbalances, both intersectoral (for example, military versus social spending) and intrasectoral allocations (for example, urban versus rural, primary versus tertiary, and salary versus nonsalary items).

- Sectoral policies be examined in the context of the overall poverty alleviation framework to develop complementary interventions aimed at raising the productivity and incomes of the poor. The focus of poverty reduction lending will need to shift towards overcoming the constraints the poor face in each sector; and

- Country policy performance and poverty-related social indicators be integrated into all standard EPCPs and CSPs to evaluate progress or decline over time.

Operational Implications for Country Programming. To integrate the new poverty-alleviation focus into country programming processes and documents, the Bank should:

- Adopt an interdisciplinary and interdivisional approach in its operations. This will require broadening staff specializations to include a greater number of social scientists and social policy analysts within the Bank and on field teams responsible for updating EPCPs and CSPs. Increased strategic use of consultants is probably the most cost-effective way of improving field team composition;

- Increase budgetary resources for enhanced EPCPs (the cost is expected to more than double to comply with the new requirements). It is recommended that TAF resources be used to supplement financing of EPCPs, because they contribute to the identification of new projects;[1] and

- Establish procedures by which country economists and social scientists in NCPR/SCPR-5 monitor country poverty-related indicators and maintain up-to-date poverty profiles for all RMCs for which data are available.

Operational Implications for Project Cycle Activities

The principal means by which the Bank will have a greater impact on poverty reduction will be through modification of its project cycle activities — namely changes in how projects are designed, implemented, and evaluated.

Project Review. All proposed projects will require internal Bank screening regarding their intended contribution to poverty reduction. This review begins at the identification stage. Projects will be grouped into two categories: those projects that have a strong poverty reduction focus (Category I) and those with more general impact (Category II). Beginning with the Project Brief, this review will address poverty alleviation issues in the feasibility, preparation, and appraisal documents. The poverty-alleviation review will determine whether the project adequately addresses issues such as identification of the poor beneficiaries, targeting strategies, participatory approaches, labor-intensive public works, safety nets, relation to other donor activities, and monitoring of poverty-related project indicators. Prefeasibility and feasibility studies need to include specific guidelines on the definition and measurement of target groups. These studies may be financed by means of a loan-funded Pre-Project Facility.

Future focus on poverty-oriented, targeted interventions will require a shift of emphasis from the appraisal stage to the identification and preparation stages of project design. More time will be spent on identifying and targeting poor beneficiaries and in specifying relevant outcome indicators.

[1] Currently only projects at the preparation phase benefit from TAF resources.

Targeted interventions, to be successful, will need to closely involve beneficiaries, NGOs, and local organizations throughout the project cycle. To gain experience in these domains, the Bank should consider the use of pilot projects in refining future poverty reduction operations. Experience reveals that smaller, simpler projects of the type successfully implemented by NGOs are most successful in reaching the poor.

Project Design. The Project Brief, prepared by Bank technical staff based on initial information supplied by the borrowing government, should be modified in future to include short sections on:

- Lessons learned from prior implementation of similar projects;
- Description of beneficiaries and their participation; and
- Unresolved issues to be addressed during project preparation.

Project preparation can proceed once the Project Brief is formally accepted into the pipeline. Various poverty-related criteria should be considered at this stage, notably:

- Consistency of the project with the country priority investment program and other relevant national and sectoral planning documents;
- Consensus between Bank, government, and other donors on the place of the project within an overall social policy framework or poverty alleviation strategy;
- Explicit linkage of project objectives to the sectoral poverty reduction priorities enunciated in EPCPs and CSPs;
- Increased clarity in identification, targeting, and evidence of participation of poor beneficiaries in prefeasibility, feasibility, or other preparation documents;
- Linkage of the project to the use of NGOs, local organizations and resources, and cost recovery mechanisms, and the degree to which local labor, local materials, and institution building and training can be provided through increased local-cost financing, or technical assistance funded by TAF or a Pre-Project Facility from loan monies;
- Linkage to major poverty reduction operations identified in ADF-VI policy: provision of basic social services and infrastructure, employment and income creation, human resource development, and beneficiary participation; and

- Identification and inclusion in the project logframe (MPDE) of relevant project-level indicators, including those measuring impact of major poverty reduction operations.

Appraisal. The appraisal report needs to be consistent with the poverty reduction criteria followed in project preparation. Greater attention should be paid by the Bank to social benefit analysis, in addition to traditional cost-benefit analysis or calculation of internal rates of return. Appraisal documents should also include treatment of lessons learned from preceding or similar projects as reported in Project Completion Reports and Post-Project Audit Reports. Relevant sections of the Bank *Operations Manual* should be updated to reflect this need.

Appraisal missions, now normally comprising the country loan officer and a Bank technical specialist, should be lengthened and customarily include one or more local or expatriate consultants. Increased budgetary resources will be necessary to accommodate these recommendations. To the extent possible, both appraisal and supervision missions should involve Bank program and project department or division heads.

Implementation and Supervision. During project implementation frequency and comprehensiveness of communication between the Bank and RMC implementing agencies' need improvement. It is advisable to expand the Bank's internal management information systems to help staff track project cycle efforts in targeted interventions and human resource development.

Project supervision in the future should stress enhanced monitoring of progress toward key poverty alleviation objectives as specified in the MPDE. The project supervision summary should be prepared every six months and include specific sections on beneficiary participation and project progress toward poverty objectives as revealed by quarterly progress reports.

Post-Evaluation. Following project implementation, the PCR should delineate the status of indicators identified in the MPDE. The PPAR should attempt to link project poverty reduction outcomes to country poverty-related social indicators. Periodically, OPEV should again evaluate groups of projects three to five years after completion to analyze the Bank's experience in addressing key aspects of poverty. The Bank should design seminars and training programs to transfer lessons-learned from PPARs and special follow-up studies to both program and project department staff.

8.3. Staffing and Training Implications

Staffing

The implementation of the poverty alleviation action program will require increased cost and enhanced human resources. To make Bank operations more responsive to poverty reduction, headquarters staff should be increased by at least 18 full-time technical positions. This means that about 12 percent of new positions projected during FYOP.3 should be earmarked to ensure a greater poverty reduction focus in lending operations.

New staff will be placed in both program and project divisions of the North and South Operations regions. The number of staff should be increased by eight in each region and will reflect the need for more social scientists, rural agricultural development specialists, and human resources experts. The performance of the Central Projects Department will be strengthened by two social policy advisors.

Training

Additional training courses should be developed to sensitize all Bank staff to the operational needs of integrating a poverty reduction focus into future lending. Moreover, the scope of existing courses should be expanded to incorporate poverty issues. Short courses can address such topics as incorporating poverty reduction issues in policy/project design, developing social action programs, designing targeted interventions, and using procurement guidelines for labor-intensive public works.

Management Information System Requirements

The project portfolio database should be updated to reflect a new system of **Program Objective Categories**, which facilitate the tracking of operations by "primary" and "secondary" objectives. This programmatic approach provides the Bank with the means to report on types and magnitude of Bank lending for poverty alleviation. The system will track reasonably detailed information on areas considered to have significant impact on poverty reduction, such as SALs and SECALS, targeted project interventions, subsectors within agriculture, human resource development, financial intermediation, environment, and basic infrastructure.

8.4. Financial Implications

The approximate annual increase needed to implement the program is in the range of UA 11 million annually for the remainder of ADF-VI and the duration of ADF-VII. Increased resources are needed for enhancing EPCP preparation; short-term training of Bank staff and selected RMC officials; and studies related to project identification and design, poverty assessments, and other studies serving as input into country programming. No new resources are required for permanent staff recruitment because the decision has already been made within the context of FYOP.3 to target resources to additional recruitment of social scientists.

It is recommended that five enhanced EPCPs be prepared in 1993, and 10 in each year thereafter. Cost figures and timing will obviously be modified later, based on scheduled timing of EPCPs and the particular analytic needs of each EPCP.

Two in-house training workshops are recommended for Bank staff in 1993, with refresher workshops two years later. Regional workshops for RMC officials would begin in 1993, and average five each year.

A net increase of 10 percent should be allocated to TAF for support to poverty-focused studies. This amounts to approximately UA 8.8 million.

Exact figures will req more analysis, but the general recommendation contained in this report is that there needs to be an increase in resources explicitly devoted to improved and more proactive poverty-focused project preparation, and initiation of poverty assessments and poverty profiles.

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ANNEX A

PERSONS INTERVIEWED

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ANNEX A: PERSONS INTERVIEWED

African Development Bank:

Person Interviewed	Position, Department, and Division
David Akroyd	Principal Agricultural Economist Operations Evaluation Office
K. Apetey	Director, Infrastructure and Industry Department South
Abdul Rahman Awl	Chief, Private Sector Development Unit
Douglas Barnett	Loan Programme Coordinator, Central Projects Department
Abdrahman D. Beileh	Financial Analyst, Agriculture and Rural Development Department South, General Agriculture Division
Marcel Belanger	Executive Director, Canada
S. Bhoojedhur	Central Projects Department??
Raafat M. Bishai	Deputy Director, Operations Evaluation Office
David Bloomgarten	Assistant to the United States Executive Director
M.B.I. Bouabdalli	Division Chief, Country Programmes Department South, Division ??
M.A.H. Chalobah	Deputy Director, Disbursements Department
K. Christensen	Executive Director, Nordic States
Russell Cressman	Education Specialist, Agriculture and Rural Development Department North, Health and Education Division
S.D. Chirwa	Division Chief, Agriculture and Rural Development Department South, Irrigation, Agro-Industry, and Forestry Division
K.K. Dei-Anang	General Counsel, General Counsel Department
Lual Deng	Director, Central Projects Department, Environment and Social Policy Division
S. Desai	Division Chief, Infrastructure and Industry Department South, Public Utilities Division
Dikombe Makiese	Principal Agricultural Economist, Agriculture and Rural Development Department South, General Agriculture Division
H.L. Durland	Advisor, Private Sector Development Unit

Person Interviewed	Position, Department, and Division
Suleiman Y. Elmi	Senior Recruitment Officer, Human Resources Management Department
Cheikh Ibrahima Fall	Director, Country Programmes Department South
Mudiumbula T. Futa	Division Chief, Agriculture and Rural Development Department South Division
T. Gedamu	Vice President, Finance
Mohammed Jaouad Gharbi	Deputy Director, Country Programmes Department North
G.E. Gnikpingo	Principal Economist, Country Programmes Department North, Division 5
Alice Hamer	Division Chief, Agriculture and Rural Development Department North, Health and Education Division
Grace Hemmings-Gapihan	WID Coordinator, Central Projects Department, Women in Development Unit
Alieu A.O. Jeng	Senior Economist, Country Programmes Department South, Division 5
I.B.C. John	Director, Agriculture and Rural Development Department North
Karamoko Kaba	Deputy Director, Infrastructure and Industry Department South
T. Tamba Katombe	Division Chief, Country Programmes Department North, Division 1
Gabriel Kariisa	Director, Central Projects Department
Milan C. Kerno	Vice President, Administration
Anselm London	Deputy Director, Development Research and Policy Department
F. Lounes	Vice President, Central Operations
Mariama Aribot	WID Coordinator, Central Projects Department, Women in Development Unit
Papa Mamadou M'Baye	Division Chief, Infrastructure and Industry Department South, Industry and Development Banks Division
Charles Mbwanda	Agricultural Economist, Country Programmes Department South, Agricultural Development Policy Division
A. Mekasha	Statistician, Development Research and Policy Department, Statistics Division

Person Interviewed	Position, Department, and Division
B.K. Miaro	Principal Education Specialist, Agriculture and Rural Development Department South, Health and Education Division
Michael Msuya	Agricultural Economist, Development Research and Policy Department
E.S.M. Musa	Division Chief, Central Projects Department, Infrastructure and Industrial Development Policy Division
B.C. Muzorewa	Division Chief, Country Programmes Department South, Division 5
G.R. Nanthambwe	Division Chief, Country Programmes Department South, Agricultural Development Policy Division
Assane Eric Ndiaye	Principal Economist, Country Programmes Department North, Division 5
Mima S. Nedelcovych	United States Executive Director
E. Vang Nielsen	Civil Engineer, Agriculture and Rural Development Department South, General Agriculture Division
D. Norris	Director, Organization and Methods Unit
H. Guissou-Ouedrago	Chief, Central Projects Department, Women in Development Unit
M. Ogang	Deputy Director, Financial Policy Planning and Budgeting Department
Bisi Ogunjobi	Director, Country Programmes Department North
Oladeji O. Ojo	Research Coordinator, Development Research and Policy Department
M. Oketokoun	Director, Infrastructure and Industry Department North
Erik Olsen	Director, Agriculture and Rural Development Department South
J.E. Porgo	Education Specialist, Agriculture and Rural Development Department North, Health and Education Division
D.G. Rwegasira	Director, Development Research and Policy Department
S. Conde-Sarr	Associate Economist, Country Programmes Department North, Division 5
Ibrahima Seydi	Senior Investment Officer, Private Sector Development Unit

Person Interviewed	Position, Department, and Division
A.M. Sheriff	Executive Director, Libya, Mauretania, Somalia, Sudan
Chuku-Dinka Spencer	Division Chief, Agriculture and Rural Development Department South, General Agriculture Division
Souleymane Sow	Division Chief, Infrastructure and Industry Department North, Industry and Development Banks Division
Ebou M. Taal	NGO Coordinator, Cooperation Department
Liisa Tervo	Economist, Infrastructure and Industry Department North, Industry and Development Banks Division
Boubacar Sidiki Traore	Economist, Country Programmes Department North, Division 5
M.B. Yonis	Deputy Director, Human Resources Management Department
M.M. Youssouf	Senior Health Specialist, Agriculture and Rural Development Department South, Health and Education Division

Other Organizations:

Person Interviewed	Position, Organization, and Location
Robert Baker	Economist, Center for Development Information and Evaluation, U.S. Agency for International Development, Washington
Marguerite Berger	Director, Women in Development, Inter-American Development Bank, Washington
Juan Buttari	Economist, Center for Development Information and Evaluation, U.S. Agency for International Development, Washington
Michel Coillaud	Coordinator, Cellule de Transport, Ministere de l'Equipement, des Transports et du Tourisme, World Bank/Japaneses Trust Fund, Abidjan
Sean Conlin	Sociologist, Poverty and Social Policy Division, Africa Technical Department, World Bank, Washington
Charles Draper	Senior Economist, South Asia Country Department I, World Bank, Washington

Person Interviewed	Position, Organization, and Location
Nancy Farmer	Co-Financing Coordinator, Poverty and Social Policy Division, Africa Technical Department, World Bank, Washington
Eveline Herfkens	Dutch Executive Director, World Bank, Washington
Alexandre Marc	Sociologist, Poverty and Social Policy Division, Africa Technical Department, World Bank, Washington
Elizabeth Morris-Hughes	Director, Women in Development Unit, Poverty and Social Policy Division, Africa Technical Department, World Bank, Washington
Charles N'Cho	Associate Professor and Consultant, University of San Francisco
Robert Ngong	Social Dimensions of Adjustment Project Representative, World Bank, Abidjan
Michel Noel	Chief, Poverty and Social Policy Division, Africa Technical Department, World Bank, Washington
Craig Olson	Consultant, Development Alternatives, Inc. Bethesda, Maryland
Alex Shakow	Director of Public Inforation, World Bank, Washington
Gerard Steeghs	Assistant for Africa to the Dutch Executive Director, World Bank, Washington
Roger Sullivan	Principal Programme Officer, Poverty and Social Policy Division, Africa Technical Department, World Bank, Washington
Gurushri Swami	Senior Economist, Office of the Vice President for Africa, World Bank, Washington
Oren Wyche	Private Sector Advisor, AID/REDSO, Abidjan

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