

# *Poverty Reduction*



## *Handbook*

# *Poverty Reduction Handbook*

The World Bank  
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## **Foreword**

Sustainable poverty reduction is the overarching objective of the World Bank. It is the benchmark by which our performance as a development institution will be measured.

Our approach to poverty reduction has evolved over time, incorporating the lessons of experience. The latest stage, building on the 1990 World Development Report on poverty and the 1991 Board policy paper "Assistance Strategies to Reduce Poverty," is the Poverty Reduction Handbook and Operational Directive. In preparing these documents, we have benefitted from comments by the Board, our member governments, other UN and donor agencies and nongovernmental organizations.

The priority now is to ensure that these policies are fully reflected in the Bank's operations. The Operational Directive and Handbook are designed to guide and strengthen our work in implementing, in practical ways, the Bank's commitment to poverty reduction.

**Lewis T. Preston**  
**President, the World Bank**

## Abstract

The World Bank's overarching objective is to reduce poverty in the developing world. To do so, the Bank builds on lessons learned from operations and research. The lessons were set out in the World Development Report (WDR) 1990 on poverty and in the policy paper, *Assistance Strategies to Reduce Poverty*. The *Poverty Reduction Handbook* takes this approach the next step.

**World Development Report 1990.** Based on an analysis of country experiences, *WDR 1990* articulated a two-pronged strategy for sustainable poverty reduction. First, broadly based economic growth generates efficient income-earning opportunities for the poor. Second, improved access to education, health care, and other social services helps the poor take advantage of these opportunities. Both elements are designed to develop and use effectively the poor's most abundant asset—their labor. The strategy also includes a social safety net for the vulnerable.

**Policy Paper.** *Assistance Strategies to Reduce Poverty* showed how the WDR approach could be applied to operations. It argued that Bank country assistance strategies should support and complement country efforts to reduce poverty and be based on an assessment of country policies, public expenditures, and institutions.

**Handbook.** The *Poverty Reduction Handbook* surveys Bank experience and provides guidance to World Bank operational task managers about "good-practice" operational approaches. The main recommendations are to:

- *Analyze* policy, public expenditures, and institutions from a poverty reduction perspective, focusing on (a) the efficiency of incentive policies; (b) the cost-effectiveness of public expenditures, in particular, in developing the human capital of the poor; and (c) the cost-effectiveness of the safety net.
- *Finance* programs and projects that support and enhance country efforts to reduce poverty.
- *Focus* sector work to develop strategies that promote poverty reduction and to preidentify new projects that simultaneously yield high returns and benefit the poor, with particular attention to projects that would not be done—or that would be done less well, with less of a poverty focus—without the Bank, or that pioneer approaches that can be replicated in other public investments.
- *Address* implementation, monitoring, and evaluation at the project- or program-design stage—establishing a benchmark data base for determining during implementation whether the project or program is on track and providing sufficient flexibility in design to adapt the project or program as warranted.
- *Involve* poor client groups in project/program identification, design, implementation, and monitoring and evaluation.
- *Improve* project and program performance through sensitive and timely learning about changing conditions, experience, and impact, followed by timely action.
- *Monitor* country performance on poverty reduction—including progress on social and economic indicators—and the Bank's contribution through policy dialogue and lending.
- *Coordinate* with other agencies to share experiences and strengthen the effectiveness of development assistance for poverty reduction.
- *Help* countries improve data gathering, by focusing on user-driven systems and arranging—where needed—financial support and technical assistance.

**Operational Directive 4.15.** The directive, *Poverty Reduction*, summarizes Bank procedures and guidelines for operations in poverty reduction. The Handbook and the directive are companion documents.

## *Abbreviations*

|         |   |  |
|---------|---|--|
| ACC/SCN | - | Administrative Committee on Coordination/Subcommittee on Nutrition |
| ADB     | - | Asian Development Bank   |
| AERC    | - | Applied Economic Research Center                                   |
| AfDB    | - | African Development Bank   |
| AGSAL   | - | Agricultural Structural Adjustment Loan                            |
| AIDAB   | - | Australian International Development Assistance Bureau             |
| ARD     | - | Agriculture and Rural Development                                  |
| BAAC    | - | Bank of Agriculture and Agricultural Cooperatives                  |
| BESD    | - | Bank Economic and Social Data                                      |
| CAM     | - | Country Assistance Management                                      |
| CBS     | - | Central Bureau of Statistics                                       |
| CDB     | - | Caribbean Development Bank   |
| CEEs    | - | Central and Eastern Europe countries                               |
| CPP     | - | Core Poverty Program   |
| CG      | - | Consultative Group   |
| CIDA    | - | Canadian International Development Agency                          |
| CPI     | - | Consumer Price Index   |
| CSO     | - | Central Statistical Office   |
| CUDP    | - | Calcutta Urban Development Project                                 |
| DAC     | - | Development Assistance Committee                                   |
| DANIDA  | - | Danish International Development Agency                            |
| DHS     | - | Demographic and Health Survey                                      |
| DRD     | - | Development Research Department                                    |
| DRI     | - | Integrated Rural Development Fund                                  |
| ECA     | - | Economic Commission for Africa                                     |
| EEC     | - | European Economic Community  |
| ESF     | - | Emergency Social Fund  |
| ESW     | - | Economic and Sector Work   |
| FAO     | - | Food and Agriculture Organization of the United Nations            |
| FONHAPO | - | National Fund for Low-Income Housing (Mexico)                      |
| FY      | - | Fiscal Year  |
| GB      | - | Grameen Bank   |
| GLSS    | - | Ghana Living Standards Survey                                      |
| HBI     | - | Home-based Child Care Facility (Colombia)                          |
| HRSSD   | - | Human Resources and Social Services Department                     |
| IDB     | - | Inter-American Development Bank                                    |
| IBRD    | - | International Bank for Reconstruction and Development              |
| ICBF    | - | Colombian Institute for Family Welfare                             |
| IDA     | - | International Development Association                              |
| IEC     | - | Information, Education, Communication (loan)                       |
| IFAD    | - | International Fund for Agricultural Development                    |
| IFNS    | - | Interagency Food and Nutrition Surveillance                        |
| IFPRI   | - | International Food Policy Research Institute                       |
| ILO     | - | International Labour Organization                                  |

|         |   |   |
|---------|---|---|
| KIP     | - | Kampung Improvement Program (Indonesia)                         |
| LSMS    | - | Living Standards Measurement Survey                             |
| MIS     | - | Management Information System                                   |
| MOH     | - | Ministry of Health  |
| MOS     | - | Monthly Operational Summary                                     |
| MSADP   | - | Multi-State Agricultural Development Project                    |
| MSF     | - | Medecins sans Frontieres  |
| NBER    | - | National Bureau of Economic Research                            |
| NGO     | - | Nongovernmental Organization                                    |
| NHSCP   | - | National Household Survey Capability Programme                  |
| NIA     | - | National Irrigation Administration (Philippines)                |
| NIPORT  | - | National Institute for Population Research and Training         |
| NORAD   | - | Norwegian Agency for International Development                  |
| NPP     | - | National Population Program                                     |
| O&M     | - | Operations and Maintenance                                      |
| OD      | - | Operational Directive   |
| ODA     | - | U.K. Overseas Development Administration                        |
| OECD    | - | Organisation for Economic Co-operation and Development          |
| OED     | - | Operations Evaluation Department                                |
| OMS     | - | Operational Manual Statement                                    |
| PAF     | - | Population Activities Fund (Nigeria)                            |
| PASSPA  | - | Basic Health Care Program for the Uninsured Population (Mexico) |
| PCR     | - | Project Completion Report                                       |
| PDS     | - | Public Distribution System                                      |
| PER     | - | Public Expenditure Review                                       |
| PHN     | - | Population, Health, and Nutrition                               |
| PHO     | - | Population and Health Office                                    |
| PIHS    | - | Pakistan Integrated Household Survey                            |
| PIT     | - | Poverty Income Threshold  |
| POC     | - | Program Objective Categories                                    |
| PPF     | - | Project Preparation Facility                                    |
| RDIP    | - | Rural Development Investment Program                            |
| RFI     | - | Rural Finance Institution                                       |
| SAL     | - | Structural Adjustment Loan                                      |
| SAP     | - | Social Action Plan  |
| SAR     | - | Staff Appraisal Report  |
| SDA     | - | Social Dimensions of Adjustment                                 |
| SECAL   | - | Sector Adjustment Loan  |
| SECIL   | - | Sector Investment Loan  |
| SID     | - | Social Indicators of Development                                |
| SIDA    | - | Swedish International Development Authority                     |
| SIF     | - | Social Investment Fund  |
| SIL     | - | Specific Investment Loan  |
| SIMAP   | - | Social Impact Amelioration Program                              |
| SLC     | - | Survey of Living Conditions                                     |
| SME     | - | Small- and Medium-Sized Enterprises                             |
| SSA     | - | Sub-Saharan Africa  |
| SSATP   | - | Sub-Saharan Africa Transport Program                            |
| STATCAP | - | African Statistical Capacity-Building Exercise                  |



|                |   |  |
|----------------|---|--|
| <b>T&amp;V</b> | - | <b>Training and Visit</b>  |
| <b>TA</b>      | - | <b>Technical Assistance</b>  |
| <b>TINP</b>    | - | <b>Tamil Nadu Integrated Nutrition Project (India)</b>                   |
| <b>UN</b>      | - | <b>United Nations</b>  |
| <b>UNDP</b>    | - | <b>United Nations Development Programme</b>                              |
| <b>UNESCO</b>  | - | <b>United Nations Educational, Scientific, and Cultural Organization</b> |
| <b>UNFPA</b>   | - | <b>United Nations Fund for Population Activities</b>                     |
| <b>UNICEF</b>  | - | <b>United Nations Children's Fund</b>                                    |
| <b>UNIFEM</b>  | - | <b>United Nations Fund for Women</b>                                     |
| <b>UNRISD</b>  | - | <b>United Nations Research Institute for Social Development</b>          |
| <b>UNSO</b>    | - | <b>United Nations Sudano-Sahelian Office</b>                             |
| <b>USAID</b>   | - | <b>United States Agency for International Development</b>                |
| <b>USDA</b>    | - | <b>United States Development of Agriculture</b>                          |
| <b>VAT</b>     | - | <b>Value-Added Tax</b>   |
| <b>WDR</b>     | - | <b>World Development Report</b>  |
| <b>WFP</b>     | - | <b>World Food Programme</b>  |
| <b>WHO</b>     | - | <b>World Health Organization</b>   |
| <b>WIA</b>     | - | <b>Women in Agriculture</b>  |



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## *Handbook Notes*

*During the Board discussion of the WDR 1990, many Executive Directors raised questions about the process of operationalizing it. They focused on the preparation and presentation to the Board of a policy paper on poverty reduction. The Board discussed that paper, Assistance Strategies to Reduce Poverty, on January 24, 1991. The paper has recently been published.*

*In endorsing the paper's recommendations, the Board stressed the urgency of putting in place the operational framework—through a Poverty Reduction Handbook and Operational Directive (OD) 4.15, Poverty Reduction—to make poverty reduction central to the formulation of the country assistance strategy.*

*The OD was prepared in tandem with the Handbook. The draft OD was discussed at a Board seminar on December 13, 1991. The OD was issued at the end of December. It contains practical guidelines for the Bank's operational work on poverty.*

*The discussion draft of the Handbook was also discussed at the Board Seminar. It had been the subject of an earlier seminar with UN agencies. The present document reflects the inputs of and comments received from Executive Directors, UN and donor agencies, and NGOs.*

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## Preface

1. The World Bank's approach to poverty reduction has evolved over time. In the 1960s, the Bank focused on economic growth as the key to poverty reduction. In the 1970s, attention shifted to *redistribution with growth* and a more direct role for economic policy in rural and urban development and in promoting equitable income distribution. By the late 1970s, satisfaction of *basic human needs* had become an increasing concern. Each of these themes has left its mark on the Bank's approach. Cumulatively, they have increased recognition that growth alone is not a sufficient objective—or adequate measure of the success—of development and that investments in human resources help to increase incomes and reduce poverty. This recognition was central to the *World Development Report 1980*.

2. In the early 1980s, the Bank paid substantial attention to problems of adjustment, as borrower countries faced serious external and internal macroeconomic imbalances. Although this shift may have temporarily overshadowed the Bank's poverty reduction objectives, policy-based lending enabled the Bank to deal more effectively with the relationship between poverty and policies. Poverty reduction became an increasingly important public expenditure during adjustment lending. Mirroring this, other aspects of adjustment lending increasingly addressed poverty reduction, as did investment lending, research, and economic and sector work. The reemphasis on poverty was reflected in, and strengthened by, task force reports in 1987 and 1988 on poverty reduction.

3. The *World Development Report (WDR) 1990* and *Assistance Strategies to Reduce Poverty* increased the momentum. The WDR's two-pronged approach for sustainable poverty reduction consists of broadly based economic growth, to generate efficient income-earning opportunities for the poor, and improved access to education, health care, and other social services, so the poor can take advantage of these opportunities. The approach includes a social safety net for the most vulnerable groups in society, who cannot work. *Assistance Strategies to Reduce Poverty* showed how the WDR approach could be applied to operations. The document provided a conceptual framework for moving from the WDR's emphasis on *country* instruments—policies, public expenditures, and institutions—to *Bank* instruments, such as economic and sector work, the policy dialogue, lending, technical assistance, and donor coordination. The paper also emphasized (a) the assessment of country policies, public expenditures, and institutions; and (b) the design of Bank country assistance to support and complement country efforts to reduce poverty.

4. The *Poverty Reduction Handbook* and Operational Directive 4.15, *Poverty Reduction*, take these initiatives the next step. The Handbook surveys operational approaches to poverty reduction mostly within the Bank and provides a framework for (a) analyzing poverty and preparing country poverty assessments, (b) designing country assistance strategies that support country efforts to reduce poverty, and (c) measuring and monitoring progress. The Operational Directive provides practical suggestions for strengthening the focus of Bank operations on poverty reduction.

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