Overview

**Highlights**

The World Bank Group in 2013 made the elimination of extreme poverty by 2030 a central institutional focus and purpose. This evaluation examines how, and how well, the Bank Group has focused its support on poverty reduction over the past decade, and what lessons to draw from this moving forward. The lessons aim to strengthen the Bank’s country diagnostics, improve the design of country strategies, and build greater learning opportunities from program experience.

Using country case studies, surveys, focus group meetings, systematic reviews of Bank products, and other instruments, the evaluation examines the consistency of poverty focus in each of four links in a causal chain: data, diagnostics, strategy formulation, and strategy implementation through lending and nonlending instruments. It reviews the adequacy of the information base and usefulness of the analytical underpinnings that support country strategy formulation and implementation. It also evaluates the consistency of the poverty focus throughout the evaluation chain and the strength and weakness of feedback loops.

The evaluation finds that the Bank’s work on data and diagnostics was generally robust, but with significant gaps in coverage and timeliness. Areas that require attention include improving country coverage and data capacity, reflecting the findings of the diagnostics in country strategy formulation, enhancing the consistency of the poverty focus in strategy implementation, and strengthening monitoring and feedback loops. Three main findings emerge from this effort:

- **Creating knowledge.** The World Bank provides an important public good in supporting and reporting global poverty data, and producing high-quality poverty diagnostics. The Bank can better perform this role by investing more in sustainable data collection and by adopting data reporting standards as a part of its mission. On diagnostics, it should strengthen analysis of institutional issues and sociopolitical constraints, and improve the actionability of policy recommendations.

- **Understanding context.** The Bank operates in a complex environment, and the choice of portfolio is conditioned by the strategic focus of a government client as well as the Bank’s comparative advantage. The government commitment to poverty reduction is a key factor in the fidelity between implementation and the formulated country strategy. When a country is not fully committed to poverty reduction, the Bank often faces a tough choice between disengaging from significant lending or engagement in areas that may be only tangentially related to poverty reduction. High-quality and timely diagnostics, policy dialogue, and technical assistance should help identify entry points and lay the groundwork for greater impact.

- **Leveraging Resources.** Given the small size of Bank resources relative to the economies it seeks to influence, the effectiveness of Bank interventions in helping clients reduce poverty will increasingly depend on how it uses instruments as pilots and as catalysts to leverage resources from development partners and other stakeholders. Strengthening the complementarity among diagnostic work, technical assistance, and lending instruments, and among policy and investment lending instruments, can help to scale up efforts and achieve more sustainable, long-term impact.
Poverty reduction has been a strategic objective of the World Bank Group since the 1970s, when President Robert S. McNamara first made it a priority. President James D. Wolfensohn later emphasized the importance of the mandate. In 2013 President Jim Yong Kim extended the vision by setting two goals (commonly known as the “twin goals”): to reduce extreme poverty—defined as income of less than $1.25 per day—to 3 percent by 2030, and to promote income growth of the bottom 40 percent of the population. This was the first time the Bank set explicit numerical targets and called attention to issues of equity and distribution.

About 1 billion people still live in extreme poverty, however, despite much progress since the 1970s and the launch of the 2001 Millennium Declaration. Progress has been extremely uneven across countries and localities. Achieving the World Bank’s goal of eliminating extreme poverty will require mobilizing far more resources than its own small and diminishing share. The twin goals can be sustainably achieved only through leveraging other public and private sources of development finance, and by using these sources more effectively to stimulate growth and build the assets of the poor.

Rationale, Objective, Scope, and Structure of the Evaluation

The World Bank Group recently endorsed a new Country Partnership Framework (CPF) to define country engagement. Each CPF will draw upon analytical work—a Systematic Country Diagnostic (SCD)—intended as a rigorous and independent diagnostic exercise conducted by Bank country teams in consultation with national authorities and other stakeholders. The SCD aims to become a reference point for client consultations on priorities for the Bank’s country engagement. Conducted upstream of the CPF, the SCD should help identify important challenges and opportunities within the country’s context to inform strategic discussion of priorities for World Bank Group support.

This evaluation draws lessons from how the Bank has designed and carried out its country programs to support poverty reduction during the past decade. It also aims to provide analysis to improve how SCDs can inform the CPFs to achieve the twin goals. It explores the analytic underpinnings of Bank support to poverty reduction, both income and non-income dimensions, and whether and how the Bank has focused its programs on poverty (box 0.1 describes “poverty focus”). This evaluation focuses on the process by which the Bank has engaged with countries to support poverty reduction. Although poverty outcomes are noted, no effort is made to attribute outcomes to the Bank due to the technical difficulty of attribution. The report aims to provide lessons to help sharpen the effectiveness of country programs as the post-2015 agenda is launched, which will likely require more ambitious measures and actions.

To keep the analysis tractable and focused, this evaluation excludes several important aspects of poverty, such as intrahousehold dynamics or distributional consequences within the household, and intertemporal tradeoffs related to climate change and environmental poverty. It does not cover the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA), given
OVERVIEW

Box 1. Defining Poverty Focus of Bank Interventions

Poverty is the result of economic, political, and social processes that interact and frequently reinforce each other in ways that exacerbate the deprivation in which poor people live (WDR 2010). It is well recognized that poverty eradication depends on both stimulating growth and providing basic social services to the poor (WDR 1990). Many of the Bank’s interventions can be considered relevant to poverty in some way. However, defining the poverty focus and the degree to which development support contributes to poverty outcomes is not straightforward. Some interventions, such as for safety nets, may contribute directly and immediately to reducing income poverty; others, such as support for education, may do so with a long lag; and still others, such as improvements to the investment climate, may contribute indirectly or only in the presence of other policies or dynamics in the economy.

It is beyond the scope of this evaluation to examine the impact of Bank-supported interventions on poverty reduction through all channels. Instead, the evaluation groups the Bank’s interventions into two broad categories—directly or indirectly focused on poverty reduction. Direct poverty focus is broadly defined as the activities that are designed and implemented to target or provide a disproportionate first-round benefit to the poorer segment of the population. This rough measure is indicative of strategic emphasis but no normative conclusion should be drawn from the relative weights.

The evaluation recognizes that the links between Bank interventions and poverty reduction are complex and country-specific, and the Bank faces trade-offs in selecting projects with direct linkages (such as social safety nets) or indirect linkages (such as financial reforms) with poverty reduction. It does not judge whether the interventions with direct poverty focus have stronger impact on poverty reduction than those with indirect poverty focus. The report does not make a normative statement of whether there should be a larger or smaller share of interventions directly or indirectly focusing on poverty reduction as the binding constraints vary across countries. Instead, it assesses the extent to which lending operations, technical assistance, capacity building, analytical work, and policy dialogue were focused on the direct type of poverty interventions as identified in the poverty diagnostics. Obviously the proper mix of direct and indirect interventions that maximizes their joint impact on poverty reduction is highly country specific.

the 2011 evaluation, Assessing IFC’s Poverty Focus and Results, but it refers to its findings.

The overarching question for this evaluation is: “How, and how well, has the Bank focused its programs on reducing poverty in partner countries?” The evaluation covers International Development Association (IDA) and International Bank for Reconstruction and Development (IBRD) assistance during fiscal years 2004–2012. The evaluation is structured along the results chain—from data to diagnostics, to strategy formulation and implementation, and to learning from experience, or the “feedback loops” (figure 1).

The main evaluative questions are:

- Did the Bank have the appropriate data to understand the nature of poverty and provide an information base for robust analytical work?
- With the given data, did the Bank’s analytic work adequately address poverty issues and identify policy priorities for poverty reduction?
- Did Bank country strategies adopt the findings of analytical work on poverty to help set priorities for and guide policy dialogue and lending?
- Did interventions—operations, technical assistance, and capacity building—reflect the strategic priorities for poverty reduction?
Did the Bank collect and draw lessons from poverty-reduction interventions to strengthen feedback loops and improve the effectiveness of its country strategies and programs? If so, how did it do so?

The analysis relies on the following instruments:

- 10 country case studies
- An internal survey with Bank staff
- An external survey with client government officials and nongovernment stakeholders in 20 countries
- A series of focus group meetings with Bank staff working closely on poverty
- An assessment of the quality of Poverty Assessments in 20 countries
- Stocktaking exercises of PovCalnet data, Development Policy Lending (DPL), Investment Lending (IL), Public Expenditure Reviews (PERs), and Poverty and Social Impact Analyses (PSIAs).

**Support for Poverty Data**

The quality of data and its accessibility play a critical role in measuring poverty, identifying the poor, and monitoring progress in poverty reduction. Many countries, with the Bank’s support, have made significant progress in poverty survey data in the past decades. The stock of household surveys greatly increased over the past three decades: in the 2000s, 40–50 surveys were conducted each year, up from 20–30 surveys in the 1990s and less than 10 per year through most of the 1980s.

The Bank is seen as a global leader and valued development partner, providing technical expertise and building capacity to support its country clients in their efforts to improve poverty data availability, accessibility, and quality. Through programs like the Living
Standards Measurement Study, the Bank is a major contributor to the collection of credible data and improvement of methodologies to estimate poverty. However, progress is uneven across countries. Often data are most scarce where the challenges of poverty are most severe, such as in many low-income countries and most fragile and conflict-affected economies.

In general, the Bank works well with other international partners in supporting the government to conduct household surveys, but there is considerable variation across countries. The portrait of national poverty is a critical input into broad policymaking and strategy formulation, particularly when supplemented with strong knowledge of the country context. Nevertheless, the lack of good-quality, timely poverty data and the issues of data accessibility remain major constraints to carrying out robust diagnostics and policy dialogue.

“Data are the lifeblood of decision making,” notes A World that Counts: Mobilising The Data Revolution for Sustainable Development, a 2014 report to the United Nations. Good data are essential to identify the poor and their characteristics, measure changes in poverty over time, and assess the effectiveness of interventions to reduce poverty. Going forward, the need for data to measure achievement of the Bank’s twin goals will increase. But the sustainability of data efforts is challenging in many countries where other claims on resources take priority. Unsustained support can jeopardize data progress. In Guatemala, the quality of household survey data worsened after the Bank and donor-supported MECOVI (Programa para el Mejoramiento de las Encuestas y la Medición de Condiciones de Vida) ended. Elsewhere, political constraints to data access undermine their value, as in Egypt, where data access has been limited. In countries where poverty is a politically sensitive topic, restrictions on data remain a major obstacle to analyzing the magnitude, nature, and distribution of poverty.

Support for Poverty Diagnostics

The development community sees the Bank as a leader in providing poverty diagnostics. Generally, Bank poverty diagnostics are of high technical quality. The best work is done in countries with good-quality data that is available in a timely manner. Poverty Assessments broadly make good use of available quantitative data in order to derive poverty incidence indicators, identify the key drivers of poverty, develop a poverty profile and, in some cases, develop a poverty map. They often examine income and non-income poverty at the national and regional levels and across social groups, tailoring to country conditions. Two Poverty Assessments—Ethiopia: Well-Being and Poverty in Ethiopia (2005) and Indonesia: Making the New Indonesia Work for the Poor (2006)—stand out as excellent examples of good practice.

However, the Bank’s analytical work on poverty often does not adequately address the important social and political factors that contribute to poverty and impede efforts to reduce it. Robust and independent poverty diagnostics that identify social and political parameters as well as distributional issues, institutional capacity, and excluded communities, are better prepared to provide relevant and actionable policy recommendations.
Insufficient alignment between the timing of analytic work with policy cycles (the annual budget, five-year plans, and the like) and weak public dissemination can further undermine the strategic impact of analytic work. Strengthening programmatic planning can help better align the timing between supply (the household survey cycle, which conditions the cycle of the diagnostic work) and demand (Country Program Strategy cycle). Providing succinct summaries tailored to policymakers and more closely partnering with government clients and other stakeholders can help increase public awareness and transparency of the diagnostics, and hence the impact of the analysis on policymaking.

The Bank’s Country Strategy Formulation

Overall, the Bank’s country strategies address the poverty reduction objective. A majority of the Bank staff and government officials in the external survey reported that the Bank’s country strategies addressed the main causes of poverty. The evidence generally confirms this view; Country Assistance Strategies (CASs) and Country Partnership Strategies (CPSs) are largely consistent with poverty diagnostics. For example, high-quality poverty diagnostics in Malawi informed country strategy formulation, leading to a new focus area for poverty reduction work: nutrition programs to fight against child stunting.

The Bank’s strategy is more poverty-focused when the client government is committed to poverty reduction. When client governments lack such political commitment and do not have a clear, poverty-focused strategy, the Bank has less success in formulating its own strategy. This is particularly true in middle-income countries, which have a limited need for Bank financing. In a challenging environment with deeply rooted, vested interests and weak commitment to poverty reduction, the Bank can identify entry points for impact through high-quality and timely diagnostics, policy dialogue, and technical assistance. One example is the Philippines. During periods of low government commitment to poverty reduction, the Bank focused its support on identifying appropriate areas for additional interventions, piloting conditional cash transfer programs, and laying the ground work for reform. When new space opened for reforms, the Bank seized the opportunity to formulate country programs with stronger poverty focus and scaled up successful pilot projects.

In low-income countries, the Poverty Reduction Strategy Paper (PRSP) process, which draws on the poverty diagnostics, focuses strategies on poverty (both income and non-income). It increases cohesion in sectoral strategies and the overall macroeconomic framework, and improves coordination among donors and recipient countries. In Bangladesh, Lao Peoples Democratic Republic (PDR), and Senegal, the Bank’s strategies and interventions were based on pillars identified in the governments’ PRSPs.

Making development outcomes more effective in reaching the poor and more sustainable requires greater focus on inclusive growth. When the government’s own strategy is not clear or not focused on poverty reduction, the Bank’s strategy can fill the gap and be opportunistic. It can engage in areas where the country’s own development strategy aligns with the goal of reducing poverty and also reflects the Bank’s
comparative advantage. Stronger attention to the challenges that the extreme poor face—particularly the non-income aspects such as child malnutrition and other irreversible human capital damage—is crucial for sustainable outcomes in poverty reduction.

The Bank’s financial resources are typically small relative to the economies it seeks to influence, limiting its direct relevance for poverty reduction. Two key strategies for sustaining the Bank’s poverty reduction outcomes are leveraging its own resources (including the World Bank, International Finance Corporation, and Multilateral Investment Guarantee Agency) with those of other development partners (including country clients, donors, and the private sector), and ensuring that projects are designed with appropriate piloting and monitoring and evaluation (M&E) to assess whether they warrant replication and scaling up.

The Bank’s Strategy Implementation

The Bank’s country strategies and the interventions supported by its lending and nonlending portfolio (advisory and technical assistance) broadly reflect the client countries’ poverty reduction strategies and the development priorities of country clients. A majority of Bank staff and external stakeholders—including local civil society and government officials—believe that the Bank’s lending and nonlending instruments address the poverty focus of the Bank’s strategies. Analytic and advisory activities, particularly in middle-income countries, are generally considered to have strong systemic impact on strategy formulation and lending, contributing to poverty reduction. When the Bank’s lending and nonlending instruments complement each other, support to country clients tends to be more effective and well calibrated to the local country needs.

There is often deviation between the formulated strategy (in writing) and implementation of the strategy. In part, this can occur for good reasons, for example adjusting to changes in the external or domestic environment (such as the global financial crisis, commodity price shocks, natural disasters, or changes in political direction). But deviations can also be due to a partner country’s weak commitment to poverty reduction, limited implementation capacity, or legislative constraints. When a country is not fully committed to poverty reduction, the Bank often faces a tough choice between disengaging from significant lending, or continued lending in areas that tangentially related to poverty reduction priorities. With robust data in place, high-quality and timely diagnostics, policy dialogue, and technical assistance can help identify entry points and lay the groundwork for impact.

The 2008–2009 global crisis resulted in considerable, sudden shifts in the Bank’s portfolio across the affected countries as the portfolios were being implemented. The Bank’s total commitments (for IBRD and IDA lending) more than doubled, from $25 billion in 2008 to $59 billion in 2010, with a sharp increase in budget support (DPLs) in IBRD countries, which was generally efficient in providing for rapid increases in loan sizes and disbursement amounts (IEG 2009). However, there are indications in some cases, such as Guatemala, that the shift of lending away from poverty-focused interventions and
toward DPLs after the global crisis was mainly due to a preference for fast-disbursing budget support over investment or project lending, because of the latter’s greater implementation difficulties.

When the government follows a reform agenda and the economy grows rapidly, the Bank can focus on interventions that are more directly poverty-focused, such as improving basic service delivery with targeted and differentiated actions, to speed up poverty reduction among extremely poor and isolated groups. As suggested by country case studies, when growth is weak or imbalanced, the Bank needs to spread its interventions to both support broad-based and inclusive growth and to directly address poverty priorities.

The Bank can improve the deployment of its instruments so that they complement each other to strengthen collective impacts on poverty reduction. The safety net programs in Bangladesh provide a good example of using the synergy between instruments and scaling up to expand resource deployment. However, project lending is often viewed on its own terms instead of as a catalyst to leverage far greater non-Bank resources. The complementarity between policy lending and investment lending is yet to be fully exploited.

An important change in the mindset is a much stronger and explicit emphasis on scaling up: projects that address poverty need to be viewed as opportunities to crowd-in resources from the public and private sectors, as well as from other development partners, not simply in terms of circumscribed interventions. The impact of the Bank should be catalytic and beyond the individual intervention. This mindset needs to be built into dialogue, planning, design, and the intelligent use of pilots and sequential planning, so the Bank can inspire action and induce policy change. One way to scale up successful, individual poverty-focused investment projects (particularly pilots) is to use policy dialogue and DPLs to influence the allocation of critical resources.

The Bank’s Feedback Loops

The Bank generates information and learning about poverty reduction from its programs. Requirements and processes are in place for this purpose through M&E; however, they are not always well implemented. The Bank’s feedback loops—from results to data analysis to diagnostics to strategy formulation and implementation—have generally been weak, with large variation across countries.

Project and program-level M&E need to inform the design and implementation of country strategies and provide a basis for scaling up to better leveraging of resources.

At the project level, there is some experience with project piloting and scaling up. However, Implementation Completion Reports, the main feedback instrument on individual interventions, are rarely used to reflect on improving the design and implementation of the country strategy or to provide a basis for scaling up by better leveraging non-Bank resources. At the strategy level, CPS results monitoring covers a wide range of poverty-related areas, with education and health receiving the most attention and infrastructure often receiving the least. Most reports tend to focus on the process, and there is no clear evidence that the CAS Completion Reports
Deficiencies in M&E design are frequently identified as shortcomings in Bank support at project entry. According to the Results and Performance of the World Bank Group 2014 (IEG 2015), only about 30 percent of projects’ M&E frameworks were rated satisfactory in FY2008–2010 and this declined marginally in FY2011–2013. From the country case studies in general, the linkages are stronger between data and diagnostics, but linkages are weaker with respect to how data and diagnostics feed into strategy formulation and implementation. For example, in Nigeria, feedback loops on poverty reduction, from data to diagnostics to strategy formulation and implementation, have been incomplete. Needed improvements in data and diagnostics are not in place, mainly due to lack of local demand.

The strength of feedback loops in a country varies across sectors. In Bangladesh, feedback loops are strong in social protection and education programs but weak in infrastructure interventions. The enabling factors for strong feedback loops include a combination of government commitment, staff commitment, and Bank management support to measure results, increase technical expertise through staff training, and provide technical assistance.

Most of the Bank’s country strategies were developed through some kind of participatory consultations with government and nongovernment stakeholders. For example, in Guatemala, all three country strategies underwent extensive CAS consultation processes. However, in the majority of cases, there was no clear evidence that such consultations had a meaningful effect on the design or implementation of Bank strategies. In some instances consultations appeared to be more of a “box-ticking” exercise. For example, in Peru, multiple consultations were conducted with the incoming and outgoing authorities, the private sector, and civil society for the preparation of CPS 2007. However, the major direction of the CPS regarding poverty is isolated from the topics discussed at the consultations.

In the IEG evaluation Learning and Results in World Bank Operations: How the Bank Learns (2015), lack of institutional incentives was identified as one of the biggest obstacles to knowledge sharing and learning. Changing incentives and culture to emphasize learning, and moving M&E from the status of a formality to a real tool, can help the Bank and development partners learn from its successes and failures.

**Recommendations**

The Bank has had notable success in focusing its support on poverty reduction in its country programs with a combination of lending and nonlending instruments. The Bank’s work on data and diagnostics is generally strong, but there is substantial variation across countries and room to improve strategy formulation and implementation. If the Bank is to effectively support achievement of the twin goals, the areas that require attention include reflecting the findings of the diagnostics in the formulation of country strategy, enhancing the consistency of the poverty focus between
the formulated strategy and its implementation, and strengthening the monitoring and feedback loops.

The findings support the following recommendations in five areas to guide improvements of the Bank’s future work on poverty reduction, particularly in the design and implementation of the SCDs and CPFs.

**Data**

1. Ensure that poverty data development and reporting needs are comprehensively addressed in the SCD and country policy dialogue to identify gaps, steps to fill them, and requisite financing arrangements.

2. Advocate and organize support to sustainably improve the capability of national statistical agencies, both internal operational support and in partnership with external agencies.

3. The Bank Group should take a stronger lead in strengthening mechanisms for quality and transparency on poverty data, motivate country compliance, and regularly disseminate data.

**Diagnostics**

4. Strengthen the Bank Group’s poverty diagnostic work to ensure that it incorporates relevant social and political dimensions of poverty analysis.

5. Focus poverty analysis on actionable priorities for policy interventions to accelerate poverty reduction and develop the SCD discussion of linkages between recommended actions and their expected impact on poverty reduction.

**Strategy Formulation**

6. Pursue the recommended actions on poverty from the SCD through CPF country strategies.

7. In the country strategy address the mix between indirect poverty interventions (inclusive growth) and direct poverty interventions (social safety nets, access to basic services) with attention to their sequencing to achieve the Bank’s twin goals.

**Strategy Implementation and Feedback Loops**

8. Develop and adopt explicit evaluation protocols for piloted interventions to capture lessons from experience on poverty reduction, with a view towards opportunities for scaling up successful interventions.

9. Ensure attention at project inception to evaluability through (1) developing standards for baseline measurement, (2) explicit linking of the baseline to indicators relevant to project objectives, including any that refer to poverty or inclusion impacts, and (3) robust planning for monitoring data required for ex-post evaluation.