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# Book Review Article

# *WDR 2000*: Is There a New 'New Poverty Agenda'?

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*Attacking Poverty: World Development Report 2000/2001.* New York: Oxford University Press for the World Bank, 2000. viii + 335 pp.

Every ten years the World Bank's annual flagship publication, *World Development Report*, tackles the over-arching issue of poverty reduction. Following the first such report, in 1980, the issue became lost in recession and debates about structural adjustment. For the second, in 1990, the timing was more propitious, and *WDR* helped launch a new wave of work (and action) on poverty reduction.[1] For the third report, in 2000, the timing was more propitious still, with poverty reduction already high on the international agenda. As is well known, the preparation of the report was subject to unprecedented consultation, and the draft itself to unprecedented scrutiny. Controversy erupted when the team's Director, Ravi Kanbur, resigned.[2] Publication was thus eagerly awaited. Would *WDR* – does *WDR* – have anything sensible to say about reducing poverty?

The question is perhaps better formulated as asking whether *WDR* has anything new to say about reducing poverty, since this particular pool is already heavily stocked with fish. Exercising their little fins down there, and fighting for limited oxygen supplies, there already are human development (courtesy of UNDP), a rights-based approach (UNICEF), a livelihoods approach (UK Department for International Development and others), social exclusion (the European Union, ILO), human security (the UN proper), and a shoal of other multi-coloured concepts and approaches, including of course the World Bank's own earlier contributions. Key question: are the apparent differences real, or is this diversity mainly a question of product differentiation, by agencies desperate to project and protect their own ecological niche? In the end, after all, if it looks like a fish and it swims like a fish, then it's probably part of a general consensus on poverty reduction.

The difficulty in deciding whether or not a consensus exists – in adjudicating between the competing narratives on offer – is that the tool-box is shared. The discourses may differ, but it is hard to escape a vocabulary which deals mainly with raising and spending money, the incentive and regulatory framework, the reform of public services, issues of voice and participation, and the contribution of international aid. There is no model on offer which does not prescribe jobs, education, health,

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1. For a discussion of the 'New Poverty Agenda', see Lipton and Maxwell (1992).
2. Kanbur himself has outlined the principal aspects of the controversy (see Kanbur, 2000).



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participation, environmental protection and a host of other 'goods'. The discrimination therefore has to be more subtle: not 'what', but 'why', 'what priority', 'what sequence', and 'what roles for different actors'. Poverty reduction, yes: but money-metric only, or money-metric plus? Markets, yes: but how should market liberalisation be managed? Participation, yes: but does that mean genuine empowerment? Aid, yes: but as a right or a gift? And what else, apart from aid?

## What's new in *WDR 2000*?

With these kinds of question in mind, there are some notable features of *WDR 2000* – innovations and developments from the last general statement on poverty by the Bank, in *WDR 1990*. *WDR 1990*, it will be recalled, defined poverty mainly in terms of income, and proposed a strategy to combat poverty based on labour-intensive growth, human capital development (i.e. health and education), and safety-nets. This was often described as a strategy of two and a half legs, since safety-nets were something of a poor relation. *WDR 2000* adopts a multi-dimensional definition of poverty, and has a new, better-balanced triptych: opportunity, empowerment, and security. It also has a strong section on international actions. 'Opportunity' mainly refers to growth, with sections on making markets work better for the poor, and on how to expand the assets of the poor. 'Empowerment' is about making state institutions responsive to poor people and about building social capital. And 'security' is about managing risk and reducing vulnerability.

In a 200-page text, supported by a 46-page bibliography, there are inevitably many subtleties. However, seven points stand out:

- methodological innovation, in the shape of participatory poverty assessments in 60 countries, collectively articulating the 'Voices of the Poor';
- partly inspired by 'Voices', but also drawing on an extensive literature, explicit adoption of a multi-dimensional model of poverty, which sets low income alongside access to health and education, vulnerability to shocks, and, importantly, voicelessness and powerlessness;
- emphasis on the value of growth in reducing poverty, as one might expect, but also considerable emphasis on redistribution, admittedly largely for instrumental reasons, rather than as an end in itself, as a way of raising the poverty elasticity, but also because more equal societies grow faster;
- predictably again, a commitment to markets and to openness, but strong statements throughout about the dislocations associated with market reform and market processes, the need for strong and prior institutional underpinning of markets, and the 'obligation' (p.76) to protect losers and those excluded from the benefits;
- empowerment as a major theme, not just participation in a narrow sense, but a focus on making state institutions responsive to poor people (Ch. 6) and on building social institutions (Ch. 7);
- security promoted from being half a leg to a full leg, with a typology of risks, and a review of mitigation, coping and response strategies for natural disasters, economic crises, and many kinds of idiosyncratic risk facing individuals;

- finally, a discussion of international actions around the core themes of opportunity, empowerment and security, which touches on well-worn topics (protectionism in the North, debt relief, more and better aid), but also recognises why countries are nervous about capital market liberalisation and calls for democratisation of global governance institutions.

We shall come shortly to some qualifications and to what might be missing, but it would be churlish not to begin by saying that the innovations and developments in *WDR 2000* contribute in no small measure to international consensus-building on poverty reduction. UNDP, for one, will be pleased with the commitment to a multi-dimensional model of poverty reduction, and the consequent caution about allowing policy to be driven by the target of reducing dollar-a-day poverty by half by 2015 (see, for example, the last sentence of Box 1.2). DFID, and other proponents of a livelihoods approach, will welcome the recognition that people's assets (social as well as physical, financial and human – p.34), and how they are used, determine well-being. The ILO will find familiar the repeated references to social exclusion, and to the institutional barriers that must be breached for exclusion to be reduced. Perhaps most notably, critics of neo-liberalism everywhere will underline those sections of the text that follow Stiglitz in asserting the errors of the Washington consensus and urge caution in liberalising markets (see, for example, p.62). There is even support for capital controls (p.181).

Two thoughts follow. The first is that revisionism on this scale does deserve to be brought out of the shadows. What *WDR* is saying, in so many words, is that many Bank policies in the 1980s and 1990s were wrong: well-intentioned, maybe, but producing more misery, not less, than the now-proposed counterfactual. Furthermore, though this point is not explicitly made, the 'now-proposed counterfactual' contains many elements of other people's policies, that were opposed or neglected at the time.

To take just one example, consider the stream of thinking on 'human development', that was launched in 1990 with the first of UNDP's annual *Human Development Reports*; the *HDR* dealt explicitly with poverty in 1990, and again in 1997. In 1990, *HDR* introduced the multi-dimensional model of poverty that the *WDR* now espouses (income, education and health, but also political freedom, rights and self-respect, p.1). It recognised the importance of growth, but insisted it should be 'accompanied by a reasonably equitable distribution of income' (p.3). It argued for better distribution of the benefits of social expenditure (p.2), and that 'social subsidies are absolutely necessary for poorer income groups' (p.3). And it advocated a strongly participatory approach (p.6). In 1997, the same messages were reinforced by a new emphasis on empowerment, and a higher profile for political participation and greater accountability in government. There was a call to manage globalisation for poverty reduction (pp.110ff). It might be too strong to say that all the key messages of *WDR 2000* are to be found in *HDR 1990*, but if *HDR 1990* and *HDR 1997* are taken together, the congruence is clear to see.

The second thought is that we need to remind ourselves that *WDR* is not an official World Bank policy document. It provides useful analysis, and, if you like, some sticks with which to beat the Bank, but it does not commit the Bank in any way. The 1990 *WDR* was followed by a Policy Paper in 1991 (*Assistance Strategies to Reduce Poverty*), and in 1992 by a Poverty *Handbook* and an Operational Directive. There was some slippage between *WDR* and these various implementation actions, in the sense of a weakening of principle (for example, on the need to limit state compression (Lipton and Maxwell, 1992: 6)), but there was at least an identifiable process of turning ideas into policies. In 2000, the main vehicle for implementation looks like being the production of Poverty Reduction Strategy Papers, though these are the responsibility of the countries, not the Bank. A PRSP *Sourcebook* is in preparation, effectively a counterpart to the earlier Poverty *Handbook*. Is it consistent with *WDR*? And is a new Operational Directive needed?

## Qualifications and gaps

Returning to qualifications and gaps, different observers will spot different issues, reflecting their own interests, expertise, and even prejudice.[3] Three topics, selected from a long list, are the omission of rights, some questions about redistribution, and the fiscal implications of the 'obligation' to protect the poor. The first illustrates a failure to conform to the current international agency consensus. The second illustrates a weakness in the international consensus. And the third raises questions about how to translate general principles into practical programmes for specific poor people.

### *Rights*

*WDR* has missed a trick in not reflecting the current debate about rights, especially economic, social and cultural rights, but also civil and political rights. UNICEF has been the most visible protagonist in the argument about a rights-based approach to development, but it is notable that the *Human Development Report* for 2000 dealt with this topic (UNDP, 2000).

A rights approach supports and extends much of what *WDR* is trying to do. It provides a basis in international law for a multi-dimensional approach to poverty reduction, identifying participation in the political process and in cultural life as rights, alongside such rights as a standard of living adequate for health and well-being. It identifies 'duty-bearers' whose responsibility it is to underpin rights, principally states with regard to their own citizens, but with implicit (and sometimes explicit) duties falling on international duty-bearers, both states and other institutions (including the international financial institutions and multinationals). It offers an approach and a vocabulary for achieving 'progressive realisation', requiring duty-bearers to take concrete, targeted and appropriate steps, using the 'maximum available resources'. And it draws on an international apparatus for monitoring and verification, principally via the six treaty-monitoring bodies in Geneva.[4]

There are difficult questions to resolve in the rights arena (do collective rights supersede individual rights? does accountability imply legal recourse?), but civil society groups, governments and international agencies (notably UNICEF) have shown that a rights approach can be used proactively, as more than an advocacy tool, in support of poverty reduction at national level. Internationally, too, the rights discourse has unexploited potential in debates about international taxation and resource transfers, and

3. For commentaries on different aspects of *WDR 2000*, see the reports on a series of meetings held at ODI in the autumn of 2000 (http://www.odi.org.uk/autumn.html).
4. For a discussion of the rights-based approach to development, see ODI (1999).

about democratisation of global institutions. Is the Bank silent about rights because it is nervous about being identified as a duty-bearer?

## *Redistribution*

On growth and redistribution, *WDR*'s position can be summarised as follows. On average there is no systematic relationship between growth and changes in income distribution (though there are many outliers and many complications associated with winners and losers being in different sectors and different geographical regions); growth is better for the poor if it is accompanied by improving income distribution; and low inequality is also good for growth. Thus, growth is good for the poor, pro-poor growth is better, and actions which lower the Gini-coefficient are desirable.

So far, so good, and it is worth noting that the Kuznets curve (relating growth to increased inequality) is discarded, to be replaced by the reverse argument, that low inequality is associated with conditions (e.g. institutions, market access) that speed up growth; this is a serious shift in thinking. The question is how far the Bank (and the rest of the international community) is prepared to go in pursuit of redistribution. Assets or income? Before or after tax? Consensual or not? National or international?

The answer appears to be that *WDR* is sceptical about the scope for rapid change in Gini-coefficients. Within the limits of the possible, it largely favours consensual reform, focusing on assets not income, taking assets to include human capital as well as land and other physical assets; and international redistribution is not on the agenda. Three complementary ways are identified of tackling asset inequality (p.79): (i) re-allocating public expenditure so as to improve the access of the poor to health, education and infrastructure; (ii) policy and institutional reform to ensure effective delivery of services; and (iii) increasing the participation of poor people in service delivery. Elsewhere in the report (for instance, p.81), we are reminded not to upset the middle classes, because we need their support to continue funding safety-net and other programmes. Although the most popular tax governments are encouraged to adopt in pursuit of higher revenue, value-added tax, is regressive and hurts the poor, 'most of the redistributive power of public finance lies on the expenditure side, rather than the revenue side' (p.70). The message is clear and is explicitly stated on pp.56-7. Expropriation is wrong because it 'can lead to political upheaval and violent conflict, undermining growth' (p.57). We are to look instead for market-based, win-win options, that preserve incentives to grow.

This is not an entirely empty project, and examples of market-friendly reforms abound in the report: loans for land purchase in Brazil; improving farm-gate prices by funding mobile telephones in Bangladesh, so that farmers can talk directly to market traders; paying parents to send children to school in Mexico; and so on. The report also notes (p.80) that more radical measures 'rarely have enough political support to be effectively implemented'. Perhaps.

What would be better? That is a question that deserves a *WDR* to itself, but the minimum we might ask for is a much stronger statement on the frighteningly high (and rising) Gini-coefficients in many developing countries, including in sub-Saharan Africa, a call for unambiguous commitments to reduce Ginis, a more muscular analysis of how far Ginis can realistically be reduced, and over what timeframe, and a stronger call for international redistribution.[5] A Gini-coefficient of 0.3 typically means that the poorest 20% of the population earn only one-fifth as much as the richest 20%. In Kenya (Gini 0.4) the ratio is a tenth. In Brazil (Gini 0.6) the figure is about one twentyfifth. For the world, the figure is somewhat higher than that of Brazil (from a Gini of 0.66).[6] Should there not be a target for reducing Gini-coefficients by 2015, to accompany the international development targets?

## *Protecting the poor*

The question of protecting the poor is not independent of the question of redistribution – or of rights, come to that – but raises important issues about the fiscal policy implicit in *WDR*. In brief, it is all very well for *WDR* to make repeated references to losers and laggards, and to set out principles for safety-nets, but it is difficult to take such proposals seriously while they remain largely uncosted.

Recall first that the shadow of Stiglitz lies heavy on the report and that 'who gains? who loses?' is a recurrent theme. Market reforms dislocate (p.32); there are winners and losers, and the losers may include the poor (p.38); and even where markets work, poor people need help to participate (p.61). Furthermore, the poor are exposed to risk and need help to reduce and mitigate the effect of shocks (Ch. 8). Countries (and aid agencies) have 'special obligations' in this area. This is not as strong a formulation as would result from a rights-based approach; and it is notable that simple income transfers, a prominent feature of the policy package in the 1990 *WDR*, have dropped off the agenda this time round. Nevertheless, there is a challenge to policy.

How big a challenge? Probably manageable in absolute terms, but much greater in relative terms, in comparison with the budgets of developing countries and likely aid flows. In absolute terms, the minimum cost can be approximated by the size of the poverty gap for the 1.2 billion people living on less than a dollar a day. Surprisingly, *WDR* does not give aggregate figures for the size of the poverty gap, but few big poor countries have a poverty gap of more than 10% (Table 4 of the Indicators at the back of the Report), which suggests that the aggregate gap is likely to be around US$ 120 million a day, or US$ 44 billion a year, in 1993 PPP dollars. Add 30% for administration, and a bit more to cover unexpected shocks, and the total rises to at least US$ 60 billion a year, just slightly more than total aid in 1999.

However, the poorest countries have large numbers of poor people and small budgets. Assume government expenditure per capita of US$ 75 (including aid), 30% of the population below the poverty line, a poverty gap of 10%, and administration as before (all figures in the ball-park in East Africa), and an income transfer to bring everyone up to the poverty line would eat up close to 20% of the budget. This is a minimum figure for the kind of safety-net recommended by *WDR*, but unlikely to be feasible.

Thus, there is a problem with translating the principles of *WDR* into a concrete strategy. The profusion of concepts, principles, policies and cases makes for a rich

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5. For a discussion of current distribution issues, see Cornia (2000).
6. The country figures are taken from *WDR 2000*. The world figures are from Milanovic (1999), are calculated from US dollar incomes at purchasing power parity (PPP), and are for 1993.

mixture. But when it comes to concrete programmes, choices will be needed. Not everything will be possible. The *WDR* menu turns out to be *à la carte*, not *table d'hôte*.

## Conclusion

This brings us back to the question of an international consensus on poverty reduction. If agencies stick to their finest principles, then a consensus might exist. As far as the World Bank is concerned, *WDR 2000* does contain within it a modest discourse shift on poverty. While not being as forthright as some would like, for example on topics like rights and redistribution (plus others that will surface in other people's reviews), *WDR* is moving the Bank in the right direction. On the other hand, there is perhaps too much room for manoeuvre: slippage will remain a risk.

There are two responses to this risk that the proponents of poverty reduction might advocate. The first, following the precedent of the 1990 *WDR*, is to press for principles to be translated into policy: a formal policy paper, an operational directive, a consistency check with the PRSP *Sourcebook*. The second is to take the key ideas of the *WDR*, and press for these to become the standard against which Bank and other programmes are measured. Perhaps the Bank's Board should at least raise an eyebrow unless PRSPs and similar documents: take seriously the injunction to put institutional reform in place before market liberalisation; propose concrete measures to enhance citizen participation and empowerment; offer real prospects of redistribution; guarantee safety-nets for the poor; and are able to demonstrate that rich countries will fulfil their part of the bargain.

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