Reducing Poverty on a Global Scale

This Note discusses the book *Reducing Poverty on a Global Scale: Learning and Innovating for Development*, which explores poverty-relieving country approaches, programs, projects, and practices. It focuses on lessons that can be transported across countries, and offers a new dimension and a different way of looking at poverty.

Development practitioners have been working for half a century to help pull millions of people out of poverty, disease, and fear. However, the challenge of poverty remains enormous. The disparity in levels of income, health, and education across countries grows greater, even as levels of absolute poverty decline.

Many countries have made great achievements, but the lack of capacity to collect their experiences, learn from them, and extract lessons to emulate have kept their stories from being sufficiently explored. Such great work could be adopted and adapted to make remarkable change in other poor people’s lives.

The book *Reducing Poverty on a Global Scale: Learning and Innovating for Development* explores over 100 case studies on poverty-relieving country approaches, programs, projects, and practices. It is a learning guide that enlightens development practitioners about implementation achievements. It doesn’t recommend particular solutions or best practices, and doesn’t pretend to cover all potentially valuable development lessons worldwide. Instead, it targets key findings from the strategically selected examples and weaves them into a topical narrative. The focus on lessons that can be transported across countries also offers a new dimension, and a different way of looking at poverty.

What are the lessons?

The book reveals that to reduce poverty on a global scale, the analysis must consider macroeconomic and inter-temporal angles, within geographic boundaries, and across countries and regions.

Macroeconomic stability is absolutely necessary but not sufficient in promoting growth and reducing poverty and inequality. One premise of this research is that sustained growth and poverty reduction strategies expand their potential impact and outreach when they rest on policies that upgrade a country’s investment climate while giving social inclusion a high priority.

Improvements in investment climate traditionally require reforming policies and practices to give both domestic and foreign investors a reasonable assurance of a market-driven regime that facilitates trade, infrastructure, and financial flows, as well as a stable, transparent, and efficient system of law and regulation with impartial, timely judicial recourse. Social inclusion means making the effort to promote shared growth that benefits the poorest strata of society by facilitating their access to markets, assets, and services.

Reducing poverty and inequality: economic growth as the solid foundation

The correlation between growth and poverty reduction varies both across and within countries. Many countries exhibiting sustained growth managed to reduce the prevalence of poverty; others have achieved overall growth but continue to struggle with the challenge of raising the incomes of the poor. Hand-in-hand with economic growth, a country must implement social programs to help break the cycle of poverty. Even in countries with exemplary stories of poverty reduction,
such as China and Chile, achievements were not always due to growth alone, and poverty reduction did not necessarily translate into less inequality. The stories clearly connect growth to decreases in poverty, however, some point to (1) the limits of growth’s impact on poverty reduction, unless parallel social measures are implemented, and (2) the inequalities that growth may maintain or even exacerbate, at least initially.

**Taking responsibility at the top**
The political commitment and credibility of a country’s leadership is crucial to the design, sequencing, continuity, and ultimate success of the reforms. In Uganda, strong and single-minded political leadership backed the needed reforms that led to steady growth. When growth alone was insufficient to raise rural well-being, this clear and uncontested center of power was an asset in developing targeted social projects. In the South Korea story, the key factor was not only the high level of commitment by the authorities but, even more importantly, the strong perception by investors and the population in general that policies that had been announced would be, in fact, implemented.

**Innovating and adapting**
An environment where innovation and adaptation could take place is key to any effort of poverty reduction. Many countries have gone through profound policy and institutional innovations. China succeeded not just through sweeping reforms, but through continuing innovation in the implementation of antipoverty programs and in the institutions managing them.

**Watching the steps: monitoring and evaluating process**
Accurate information and analysis do not guarantee timely corrective action. However, without rigorous evaluation of the impact of various programs, national leaders and their international partners cannot know what approach needs to be fine-tuned, scrapped, or scaled up to continue the fight against poverty.

The evaluation of the Oportunidades (former PROGRESA) program in Mexico provides a powerful example. This program started with a pilot project to improve the educational, health, and nutritional status of poor families, and to encourage active participation of the families in education. At the request of the Mexican authorities, an evaluation component was built into the design of the program from the outset. The results quickly shed light on the positive impact of the program: all health indicators among children improved, school enrollment increased, the gap between girls’ and boys’ enrollment narrowed, and total years of schooling increased significantly. This convinced Mexican authorities not only to maintain the program, despite political pressures, but also to scale it up. The impact evaluation not only supported the program expansion, but also contributed to a horizontal scaling up across countries like Colombia and Brazil, which are implementing similar programs of conditional cash transfers.

**Using external catalysts to support homegrown reforms**
Many stories illustrate the productive role of international assistance in helping countries reform broad economic policy when the intervention supports homegrown reforms and promotes ownership in the country. When a developing country accepts the need for reform and the potential of policy change to aid in reducing poverty, the relationship with donors can become highly productive.

The Peace Accords signed in 1996 were the key catalyst for justice reform in Guatemala. The United Nations Development Programme (UNDP), and the international donor community, including the World Bank, helped build momentum for this reform. The locally led judicial reform process and international community involvement have helped promote the demand and supply linkages for access to justice service, and gradually extend the service to the urban and rural areas. This has also helped keep pressure on issues of corruption and accountability in the system.

**Lessons at the sector level**
The book also explores how accomplishments at the sector level can trigger tangible outcomes that affect the living standards of poor people. The thematic sections provide detailed descriptions of the processes that were tried, how discovery of what works happened, and how project and program teams were put in place.
The daunting challenge of making infrastructure investments accessible to the poor requires comprehensive investment planning, including areas where the poor populations live and work, long-term resource mobilization, and increased private sector participation.

The Morocco Rural Roads Project achieved a bigger impact on poverty reduction by adopting a focus on accessibility and promoting local government participation. During project conception, the government made the strategic decision to focus on accessibility rather than on physical outputs to ensure that road services benefit the less-accessible populations, including a higher proportion of the poorest people. The local governments also actively participated at various levels in the planning process, even as the responsibility for developing and implementing the program remained vested with the national highway agency.

Judicial systems should provide arbiters for social conflict, guarantors of civil and human rights, and authority in the rule of law. To promote good governance, empower poor people, and improve investment climate, they must be based on four critical dimensions: institutions, enforcement of decisions, legal framework, and societal commitment.

In Rwanda, no classic approach to modernization would have sufficed to meet the extraordinary needs created by the hundreds of thousands of severe criminal and genocide-related cases. Political leaders and executive branch officials made the decision to overcome the sad legacy of intertribal strife by using traditional justice mechanisms that created the opportunity for truth telling, accusation, punishment, and reconciliation. The Rwandan experience stands out with regard to the grave condition of its judicial system and represents a notable response to the overwhelming consequences of genocide.

Inclusive microfinance institutions can lead to faster reductions of income inequality and faster rates of poverty alleviation, if governments foster dynamic financial markets, donors continue to finance innovation, and pro-poor financial institutions achieve a scale of operation large enough to generate efficiency and profitability.

No country achieved poverty reduction without addressing macroeconomic imbalances and creating solid foundations for growth.

Since the seventies, Bangladesh has been successfully running microfinance institutions (MFIs) as a way to empower the poor socially and economically. Initially, the MFIs focused on the provision of loans to individuals organized into groups where members provided guarantees of each other’s loans, and received strong support and monitoring from branch offices. By the early 1990s, several MFIs had acquired sufficient management capacity and field-based expertise to undertake a massive expansion fueled by large amounts of funding from donors for both capacity building and the capitalization of loan funds; by high levels of loan repayments, which enabled the MFIs to recycle their loan funds; and by commitments from the MFIs to move toward full cost recovery and eventual independence from donor subsidies. As a result, some 1,200 MFIs now finance 13 million households, with a remarkable scale of outreach to the poorest and the remote areas.

Greater access to education can produce strong, positive economic, political, and social benefits, with girls’ education leading to particularly high returns both to individuals and to their families. Understanding and exploiting close interrelationships and synergies between education supply and demand, carefully prioritizing and targeting investments,
and widening stakeholder participation are crucial elements.

Turkey’s Rapid Coverage for Compulsory Education (RCCE) Program was conceived during a period of severe economic crises, political instability, and short-lived coalition governments. However, it succeeded with the conscious adoption of a highly centralized, big-bang approach that minimized opposition. The government’s intense education reform, coupled with a new law permitting tax-deductible donations to education also awakened a strong public and private fervor to contribute.

**Issues for future research**

In its last chapter, the book highlights important topics that the international development community should continue to research in its effort for better poverty reduction:

- **Effective Leadership:** What constitutes “strategic” planning and contributes to effective leadership at the country level? How does it emerge? What can be done to support it? What mechanism can be used to sustain policy changes and achieve results? What is the relative importance of political continuity compared with policy continuity?

- **An Environment for Learning and Innovation:** How can people be enabled to experiment and capture the lessons of their own experiment as well as others? What are the incentives behind the learning and innovation process? Which political and institutional barriers prevent switching to a results-based culture and planning for integrated development?

- **Knowledge Exchange and Impact Evaluation:** Knowledge exchange is essential to the preparation and planning of development projects. But learning takes time and it is often necessary to wait until reforms are quite advanced before fully analyzing what has been learned. For that reason, comparing and disseminating the experience of similar initiatives in different contexts adds tremendous value and can reduce the time needed to learn. A counterfactual-balanced assessment of the final effects of any initiative on the lives of poor people is vital in choosing the most effective course of action. Rigorous impact evaluations, including a process of systematic and robust learning from experience, can create a solid basis for reducing poverty on a global scale.

- **Fiscal Space and External Financing:** For how long should the international institutions stay engaged before seeing these initiatives become totally mature and sustainable? What is the right balance between domestic and external financing? How can recipient countries’ absorption capacities be expanded?

- **Continuity and Overall Sustainability:** What factors are crucial for sustainable poverty reduction impact? Which reforms can be sustained and produce durable results? On what institutions should these reforms be based and what support is needed to foster greater effectiveness and prevent a turnaround?

- **Interdependence between Rural and Urban Areas:** Should the rural poor be encouraged to move to cities or regions where they can have access to a better life? Or should they be given additional support to improve their livelihoods locally?

This note was prepared by Blanca Moreno-Dodson, Senior Economist, PRMVP. The book Reducing Poverty on a Global Scale: Learning and Innovating for Development was written under her leadership while she was working as Senior Economist in the World Bank Institute (WBI).

**Further reading**


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