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**A CRITICAL ANALYSIS
OF THE WORLD BANK'S POVERTY-FOCUSED STRATEGY
AND THE SHIFT IN EMPHASIS AFTER 1982:
IMPLICATIONS FOR URBAN SHELTER PROJECTS AND THE POOR**

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I. INTRODUCTION

This paper argues that the World Bank's (WB)¹ development assistance policies and poverty focused strategies after 1972 have been influenced by and remain vulnerable to changing perspectives in international development thinking. Further, that the change in emphasis after 1982 reflects a reduction in the concern for the poor that typified the 1972-1981 strategies.

Through analytical discussion it will be shown that the difficulties encountered in the poverty alleviation strategy are due to the inadequate theoretical basis for the Bank's elaboration of such strategies.

The main emphasis will be at the urban level with the general discussion relating to the requisite policy, citing projects and practices to reinforce points made.

The WB elaborated its poverty focused strategies in 1972 in an effort to assist developing countries to raise the standard of living of the ever increasing numbers living in poverty. This was in recognition of the unprecedented problems posed by rapid urbanization and population growth and the inability of developing countries to deal with these factors because of limited resource bases, inadequate and inefficient public institutions and the general absence of technical expertise.

The WB therefore called for a radical development strategy which was a departure from its old ways of investment policies. It advocated low-cost, affordable approaches in the provision of urban social and physical infrastructure and shelter facilities destined for the poor. The approaches were intended to mobilise private savings and to relieve the public sector of most of the financial burden of urban service provision. The principle was based on designing affordable solutions without government subsidies, to make them cost recoverable and replicable. Consequently, the self-help, progressive development model was advocated.

The evolution of the Bank's poverty-focused work between 1972 and 1985 shows two different approaches under R McNamara's and A Clausen's presidencies², though both ultimately had the same end product in view; to increase the levels of urban efficiency and productivity in developing countries.³

Under McNamara, the emphasis was on a direct attack on poverty with projects oriented towards specific target groups among the poor.

Under Clausen, the emphasis has been on macroeconomic productive, growth-centred strategies, specific to national and urban growth sectors, with the direct impact on the poor receding as a priority.

¹ WB will be used interchangeably with the "Bank" and means the World Bank. The World Bank being the World Bank Group inclusive of the International Bank for Reconstruction and Development (IBRD), International Development Association (IDA) and the International Finance Corporation (IFC). In the report the World Bank will mean the IBRD and the IDA.

² R McNamara was president of WB 1972-1982. A Clausen has been president since 1982.

³ WB Annual Conference (McNamara's Address to Board of Governors) 1974.

This approach constitutes a return to the "trickle down" theory of the 1960s that expected the indices of growth and development to "trickle down" to the poor from growth specific emphasis. This approach did not then produce the desired effects. Instead, the conditions of the poor worsened as their numbers increased rapidly.

The World Bank Task Force (1983) concluded that efficient growth and the alleviation of poverty are complementary objectives that continue to be relevant into the 1980s, as growth is needed for the permanent alleviation of poverty. But the ideal balance between the two objectives remains unobtainable. This is tantamount to saying that one will always be at the expense of the other! But which? Will such decisions be made in favour of the poor?

The post 1982 strategies, as will be seen, have shown that the Bank has decided in favour of growth at the expense of concern for the poor. The bank is now emphasising: increasing support for macroeconomic policy, the role of the private sector and growth sectors, structural adjustment lending to make economies more efficient, agriculture and energy development, and, at the local urban level, the role of the city in its national context with specific emphasis on productive sectors.

At the urban level, therefore, the support is for institutional and managerial efficiency and capability, management and maintenance as priority (TUE 1984) in economic development, all in an effort to facilitate a climate conducive to private sector investment.

These new emphases appear to reflect the desires of the donor countries and in particular the wishes of the US.

To understand the basis of the above an examination of the factors which gave rise to the poverty emphasis in 1972 is necessary.

II. THE BANK'S URBAN POVERTY WORK 1972-1981

1. Factors Influencing the Bank's Poverty-focused Work 1972-79

Why had the international community become so concerned with the poor and why should the WB, a capitalist financial institution, redirect its policies in the period 1972-79 towards the poor to the point where it has been accused of fostering "welfarism" and "socialism"?

A review of the Bank's policies and programmes is indicative of an evolutionary trend in the international perspective on development which is expressed through various writings and debates at the international level. The Bank, which is the most significant international entity fostering development, reflects these changing ideological perspectives. To understand the basis of the WB poverty oriented work is to understand the background to international recognition of the necessity for aid transfer to developing countries and the ideological perspective behind these transfers. The WB is the most significant international institution created by the international system to ameliorate the massive poverty in developing countries and promote growth as a consequence of four factors, which, according to Pratt (1983), are:

- 1)"the dominant ideological influence of international liberal capitalism or international Keynesianism";
- 2)"the influence of the Cold War";
- 3)"the growth within the Third World of articulated pressure for greater international development assistance";
- 4)"the Bank's own effort to augment its role".

Central to Keynesian ideology is the belief that economic development in the developing countries is in the economic interest of advanced countries and that global resource transfer, through aid programmes, was one way of closing the gap between rich and poor countries. But there was an extension of this view in advanced countries that stated that the Third World was equally responsible for its own growth. This view came out of the North-South dialogue for a New International Economic Order (NIEO) which claimed that just as the North was responsible for resource transfer to the South, so there should be internal reform and redistribution in the south, particularly from oil-exporting to oil producing countries (Hoogvelt 1982). These views were corroborated by radical Third World writings which sought to explain the role of the Third World in global economic development.

These views led to the WB's shift in orientation from "growth" to "redistribution and employment" in its aid programmes, in which it sought to pursue the twin objectives of growth with redistribution through poverty-focused strategies. Hoogvelt (1982) termed this shift to redistribution with growth as a change from "global Keynesianism to global society democracy" (p 95), i e from a concern for growth and efficiency to global management and redistribution. The redistributive aspect is seen as a basic needs' strategy which went beyond a concern for **relative poverty** which characterised the

1960s development assistance programme, to the desire to alleviate **absolute poverty**.⁴ According to Hoogvelt (1982) this new strategy

"[no] longer justified the distribution of income and the minimisation of **relative** poverty as a means to an end (namely national growth) but instead aimed at the eradication of **absolute** poverty as an end in itself." (page 98)

Further, there was the view that the liberal aid and trade measures on behalf of developing countries were not only necessary for moral, humanitarian reasons, but also because the advanced countries "increasingly needed the developing countries as sources of raw materials and export markets" (Hoogvelt 1982, page 27).

Hoogvelt cited Bernholdt-Thomson (1978) who claims that the World Bank's concern for the poor was an ideological necessity since the reproduction of a marginalised population outside the capitalist sector ensured an "industrial reserve army" which permits the suppression of wages within the capitalist sector as well as the reproduction of future generations to facilitate capitalist expansion. This need to facilitate reproduction of the labour force then is not the consequence of some inner logic of capital, since capital in itself produced structural unemployment (Preteceille 1981) Bernholdt-Thomson sees the WB's investment in the poor as a kind of;

"testimony of the extent to which capitalism has become truly international that the nearest thing to a governing body of international capitalism should now adopt a kind of international social policy designed to assist the worldwide preservation of industrial reserve armies in developing countries." (page 101)

Significantly the concern for the poor appears biased towards those faster growing countries of the developing world, notably those of Latin America and SE Asia.

The strong concern about communism after the 1950s led to the strategy of development assistance to counter any such threat. This, in addition to the emergence of the radical writings and forums of Third World scholars, with regard to the role of the Third World in global development, led to Third World solidarity and articulated pressure from the Third World for greater international development assistance (Pratt 1983). Finally, the self-promotion of the Bank through its leadership and staff resources highlighted its potential as an international development agency.

As can be seen then, the WB's concern for the poor was not based on moral and ethical grounds alone, but grew out of the prevailing ideological overtures of academics regarding the necessity for resource transfer to the South, the enlightened self interest of western capitalist countries in what they saw as the need to preserve the terms and balance of trade between them and developing countries, the emergence of Third World solidarity, and the threat of communism from the Cold War.

2. The Bank's Urban Projects: Achievements and Evaluation 1972-81

⁴ The WB's meaning of **absolute** and **relative** poverty will be outlined in a later section.

In 1982 then, the WB completed its first decade of lending for urban projects which included shelter, transport, integrated urban and regional development projects. Up to then, 62 projects had been approved amounting to US\$2 billion in lending commitment, to 35 countries which represented 45% of total project costs (TUE, Volume 1, 1983). The total amount lent to shelter over the period was about US\$1200 million in loans and US\$360 million in credits, representing an average loan amount of about US\$31 million per project between 1972-81. In 1982 that average had grown to US\$62 million per project.

370,000 plots were prepared for benefiting through upgrading (Williams 1983). Between 1972-81 a total of 36 "shelter" projects, 10 transport, 13 integrated and three regional projects were financed. Of these, 18 were in Latin America and the Caribbean, 15 in East Asia and the Pacific, 10 in East Africa, 8 in Europe, Middle East and North Africa, 6 in South Asia, and 5 in West Africa (WB 1983b). In all these regions, excepting South Asia, "shelter" projects were in greatest demand and formed the dominant project type (WB 1983).

The WB has evaluated this first generation of projects using the earliest projects in Senegal, El Salvador, Zambia and the Philippines (Bamberger et al, 1982 and Tolbert et al, 1985).

In the evaluation the WB concluded that it was harder to attack poverty in urban places than in rural areas, by merely increasing the productivity of the poor. Furthermore, investment in industry, power and transport is often efficient only on a large scale, and not especially focused on employment or poverty (WB 1983b). The findings were as follows:

i) Impact on national urban policies

The Bank now claims that many governments have become aware of the strains building codes and zoning regulations place on affordable solutions, particularly in shelter projects and are moving to overcome these constraints through affordable programmes based on appropriate standards.

The impact on urban transport is less discernable but

"a significant number of countries are coming to realise that heavy investment in transport infrastructure can be postponed if existing facilities are used more efficiently." (WB 1983b, page 39).

ii) Impact on projects design planning and investment

According to the WB (1983b) the policies on design standards for shelter and infrastructure are changing as a consequence of the realisation that it is possible to produce acceptable shelter and infrastructure without public subsidy. In terms of cost recovery the WB claims that governments no longer question whether cost recovery is desirable but seek rather to determine how to achieve it. In terms of procedures the emphasis is on broader and less compartmentalized planning which brings physical, economic and financial factors into investment programming.

iii) Impact on institutional development

The WB claims that projects have increasingly included aspects of institutional development in an effort to create efficient institutions in developing countries. Indeed institutional development

"has become a lending priority for the Bank but the efficiency of national institutions remains a problem." (ibid, page 42)

iv) Impact of policy and investment programmes on specific cities

A few cities have incorporated a city wide approach to planning and investment initiatives notably Calcutta, Manila and Madras.

The WB claims that its rate of economic returns for urban projects has been high; more than 25% annually for all urban subsectors, except integrated urban projects, between 1976 and 1979. The urban transport sector remains a leading sector in terms of economic returns at 23% annually between 1976-81.

v) Impact on beneficiaries - Shelter Projects

The Bank claims that almost 75% of all urban projects had more than 40% of their total funds;

"destined for persons below the urban poverty threshold in their individual centres." (ibid, page 46)

Furthermore, shelter and integrated projects were able to deliver substantial benefits to the poor. Between 1973 and 1981, of a total of 47 urban projects, 30 had more than 60% of project costs benefiting the poor directly (see Table 1). In all regions except East Asia and the Pacific more than 50% of total projects had more than 40% of project cost benefiting the poor directly.

Table 1. Number of Urban Projects with Direct Benefits to the Urban Poor 1973-81, By Region

Region	Projects for which urban-poverty data are available	Percentage of Project Costs benefitting the urban poor			
		0-19	20-39	40-59	60 or more
Eastern Africa	10	--	1	2	7
Western Africa	4	--	1	--	3
East Asia & the Pacific	11	5	1	1	4

South Asia	3	--	1	--	2
Europe, Middle East, & North Africa	5	--	2	--	3
Latin America & the Caribbean	14	--	1	2	11
TOTAL	47	5	7	5	30

Source: World Bank, *Learning by Doing*, 1983b

Table 2. Number of Projects with Direct Benefits to the Urban Poor, 1973-81, By Type

Region	Projects for which urban-poverty data are available	Percentage of Project Costs benefitting the urban poor			
		0-19	20-39	40-59	60 or more
Shelter	32	4	2	5	21
Transport	2	--	--	--	2
Integrated	10	--	3	--	7
Regional	3	1	2	--	--
TOTAL	47	5	7	5	30
Percentage of all urban projects	100	8	17	15	56

Source: The World Bank, *Learning by Doing*, 1983

In terms of project types (Table 2) 64 per cent of total projects had more than 60 per cent of project cost benefiting the poor directly, with shelter projects having the greatest impact. Regional projects had the least impact. Of three regional projects, all had less than 40 per cent of total project cost benefiting the poor directly.

The Bank concluded that transport projects were not as effective at benefiting the poor due to their city wide impacts that cannot be as easily targeted to only the most needy beneficiaries.

vi) Impact on the housing stock

The WB claims (1982) that the individual projects have been able to increase the national production of low cost housing by up to 50 per cent, for example, in Zambia approximately 50 per cent of the population of Lusaka (401,000, 1974) were affected. In El Salvador's secondary cities up to 20 per cent of the population from the third to sixth income decile were affected.

vii) Affordability of projects to the urban poor

Bamburger et al, (1982), found that the sites and services projects were able to reach families down to the 20th percentile income, while in the upgrading projects they were able to reach lower than the 20th percentile. These results have been confirmed by other monitoring efforts, of Martin (1978) in Lusaka, and Baross (1983) in Indonesia. Bamburger et al (1982) found that in El Salvador the project was designed to reach down to the 17th percentile while the majority came from the third to the 6th decile.

From the evaluation the Bank concluded that the first generation of projects sponsored, had mixed successes but was convinced that the objectives of the poverty focused strategy remain relevant. They noted problems of implementation such as cost recovery, replicability and accessibility as consequences of an inadequate and inefficient institutional investment and fiscal policy framework in developing countries and concluded that these must be given priority attention if the future generation of projects are to be effective (WB, 1983) (Tolbert et al 1985), and the objective of increasing urban economic efficiency and productivity is to be realised.

While the Bank's conclusion of the limited successes of its project sponsorship might have been right, the explanation given remains at the superficial level. This is a consequence of the Bank's failure to go beyond the superficial to the deep seated causal relationships in the various societies which hinder any elaboration and practical translation of policies in favour of the poor. To implement strategies in favour of the poor within the existing institutional and political framework of production and delivery is to condemn such strategies to short term ameliorative endeavours with very little real or potential long term impact, far less, the basis for their continuance.

The following section argues therefore that the limited success in the Bank's poverty work between 1972-81 is attributable to the theoretical limitations in the elaboration and practical translation of the poverty strategy, the general absence of a political theory for implementation and the apparent shortsightedness of the potential productive role of shelter projects for increasing the productivity of the urban poor against existing socio-political and socio-economic realities.

III. A CRITICAL EXAMINATION OF THE 1972-81 URBAN POVERTY STRATEGY

3. Theoretical Basis of the Bank's Poverty-Oriented Strategy

The Bank's poverty-focused strategy appeared to have a weak theoretical basis and consequently was limited in its explanation of poverty and elaboration of policies to deal with the same.

At the inception of the poverty alleviation strategy the Bank defined two concepts: **relative** and **absolute** poverty.⁵

⁵ The concepts were defined in work commissioned by the Bank and published in the book entitled *Redistribution with Growth* by Chenery et al, 1974.

Relative poverty, according to Chennery et al (1974) refers to the extent to which the income share of groups of individuals or households differs from their population share.

Absolute poverty means conditions in which human beings live are below the acceptable norm, providing few or none of the basic needs of life relevant for sustenance.

According to McNamara (1974)

"it is the condition of life so degraded by disease, illiteracy, malnutrition and squalor as to deny its victims basic human necessities."

It is defined by Chennery et al (1974) by a per capita benchmark as that population in developing countries living below two (2) poverty lines of annual per capita incomes of US\$50 and US\$75 (1971 prices). Still further definition was given as the income needed to purchase a minimum bundle in these societies.

In its poverty-oriented work, the Bank gave some emphasis especially in the second half of the 1970s to those people in absolute poverty.

Two approaches were elaborated: the Redistribution with Growth (RWG) and the Basic Human Needs approach (BHN), the former being the one which prevailed (Ayers 1983).⁶

The main objective of the RWG was increasing the productivity, incomes and output and consequently the welfare of the absolute poor (Ayers 1983). According to Chennery et al (1974) there were four possible approaches to fulfilling the RWG objective: maximising the growth of GNP, redirecting investment to poverty groups, redistributing incomes and consumptions to poverty groups, and transferring existing assets to poverty groups.

The second approach was the preferred strategy. In the first, they faced the problem of relatively weak linkages between poverty groups and the rest of the economy. The third had too high a cost in terms of foregone investment to be viable on a large scale over an extended period. The fourth was considered inadequate because political resistance to policies of asset redistribution makes this approach unlikely to succeed on any large scale in most countries.

It is not surprising that the Bank took these lines of argument, not wishing to challenge the existing status quo in developing member nations, even with the leverage and instruments of conditionality at its disposal to influence policy changes. The Bank opted for **poverty alleviation** through the second approach rather than **poverty eradication** and consequently addressed the **effects** of poverty rather than the **causes**.

This, then, is the basis for the theoretical limitation of its strategies. The strategies could not be placed within a specific theoretical framework.

i) Limitations of the RWG approach in redirecting investment to poverty groups in

⁶ Robert Ayers has done research within the Bank for his book *The World Bank and the World Poverty* (1983).

developing countries

a) Insufficient attention to the factors that generate poverty

The Bank's causal chain of the reason for poverty was very short. The Bank felt that people were poor because they lacked jobs, were unproductive and produced inefficient output. According to Ayers (1983) this explanation is tautological. The Bank needed to go beyond the superficial explanation to determine and explain **why** the poor lacked jobs and were unproductive and inefficient. Poverty needs to be studied within the framework of some theory of income distribution and social inequalities because according to Oscar Altimir⁷ (1982)

"the causes of poverty are rooted in the same mechanisms that determine general inequalities prevailing in each society."

The Bank did not consider socio-political structures and the specific national and cultural context within which they occur as having any effect real, or potential, on policy elaboration, specific to poverty-oriented strategies, far less to consider that these structures and socio-economic relations could have anything to do with the origin of poverty in these societies.

By staying at the level of superficial analyses and social appearance the Bank limits its ability to deal effectively with the reality of poverty. The social appearance or phenomena through which reality is presented (Saunders 1981) are deceptive as they hide the deeper underlying reality that needs to be penetrated beyond the realm of appearance. It is only when this deeper analysis is done that the true causes of poverty are revealed.

The concept of poverty, without a theory of its own, must be placed within other specific theories so as to allow an understanding of the problem and its explanation, whether it is within the theory of underdevelopment or the Marxist explanation of the capitalist system.

Poverty is a difficult concept to explain. It is a situational syndrome in which underconsumption, malnutrition, precarious housing conditions, and bad sanitation are combined (Altimir 1982). The perception of poverty and its conceptualisation are greatly influenced by the social and economic environment. It is essentially a normative concept based on value judgements as to acceptable levels of welfare and consequently requires a reference to some norm to distinguish between those who are poor and those who are not (Altimir 1982). Since judgements are individual and subjective, and the perception of poverty depends on the socio-economic environment, there will be varying criteria and norms for determining what constitutes poverty. The politician will have a different set of criteria for judging poverty compared to the disadvantaged or the ruling socio-economic elites. Consequently, any discussion on poverty alleviation will require consideration of these levels of perception and ultimately the question that will be asked is, in whose benefit is such a poverty-strategy? And who decides?

Given the dimension of poverty in developing countries there is no theoretical framework within which it can satisfactorily be explained in its entirety, given the range of symptoms that indicate its

⁷ Oscar Altimir writes on the **Extent of Poverty in Latin America**, 1982 as one of WB Working Paper No. 522. The views expressed are his own.

presence (Altimir 1982). However, if taken separately, symptoms can find levels of explanation within a specific theoretical framework. This is what the Bank failed to address. What did the Bank mean by "poverty eradication"? Did it mean increasing the purchasing power of the poor, equality of opportunity, or income redistribution?

The strategies did not address general inequalities prevailing in recipient societies but were limited to improving physical conditions in the short term. To address poverty the strategies necessarily require an adequate theory of income distribution and social inequality, clearly lacking in the Bank's poverty strategy.

The Bank explained poverty in economic terms; people were poor because they lacked jobs and were unproductive. If one accepts this limited economic perspective, as one of the symptoms of poverty, a theoretical explanation can be found within the realm of Marxist thought or conventional economic analysis, in which case the problem of poverty becomes one of welfare. It means that the labour force cannot provide for the social necessities of life out of their paid wages or have no wage to provide the same.

For the Bank, the problem of poverty was seen as one-dimensional (economic) and the strategy to address it was given simply as "increasing the productivity of the poor" (WB, 1974). However, this proved a difficult endeavour given the existing structures, practices and alliances, since the symptoms of poverty show a positive correlation to the advance in capitalism; capitalism produces economic and social inequalities and a residual labour force as more people are displaced or divorced from productive activities. To eradicate poverty would necessarily require the transformation of structural relations and changes in the practices of society. This is why it was easier to call for poverty alleviation rather than eradication, the latter being a drastic and inappropriate measure when undertaken by a commercial institution representing the highest echelon of the international capitalist financial community. The former strategy, being more benign, would lead to reform and co-option of the poor rather than structural transformation, as it did not require in depth studies of the real causes of poverty. Consequently the theoretical dimension appeared irrelevant.

b) The basic needs approach

The problem with this was the specification of what constituted "basic need". Judgement on "basic needs" is subjective and individual. The concept is philosophical and psychological. Needs are inherent but what makes them human needs is that they are constructed by society. Each society will have a different conceptualisation of what constitutes basic needs.

Though there are philosophies of needs there is no theory of needs since it is a notion. Since need is a notion it is difficult to grasp as it could include academic or idealistic conceptions. One must be able to distinguish the type or notion of need indicated in policies. According to Ayers (1983) there was never any consensus at the Bank regarding this notion. This is precisely because the notion of need includes a concept of social welfare. Considering the economic orientation of the Bank, this notion, based on society and social welfare, is not in conformity with its preoccupation with economics and growth, or a market-oriented perspective.

Despite the attractiveness of the BHN approach to establish minimum levels of acceptance of basic needs, the RWG approach survived. The reason being that it was difficult to determine what

constituted "basic needs" given societal differences and furthermore it was not sufficient to redistribute assets and distribute income without sustainable levels of production (Ayers 1983). The basic needs approach was **consumptive** and **redistributive** but not **production specific**. Poor countries with little or no resources in the face of institutional inadequacies could hardly be expected to accommodate target groups and location specific strategies which called for resource redistribution and thus a re-orientation and re-ordering of investment priorities in favour of the poor. Not surprisingly, these projects did not increase the productivity of the poor as expected, because they were based on false premises of the causes of poverty.

In fairness to the WB, it has under the presidencies of McNamara (1972-82) and Clausen (since 1982) indicated its recognition of the difficulty of alleviating poverty, but for different reasons.

To McNamara (1978)⁸

"There is only one way by which poverty can be attacked successfully, and that is by producing more than those nations. In no one of these countries can human needs be satisfied by the simple redistribution of existing wealth ... national incomes must rise."

To McNamara, the redistribution of resources to the poor was not the answer since poor countries had meagre resources to spare.

To Clausen, who is recognised as less poverty-conscious (Ayers 1983), there can be no meaningful alleviation of poverty without the "right set of national policies". The question is which set of national policies did the Bank consider the right set, and right for whom? On what basis were these policies to be judged? If the post 1982 strategies are to be taken as evidence, for Clausen, the right set of strategies mean a climate conducive to private investment, made possible by more efficient public institutions and fiscal policy framework.

ii) Absence of a political theory implementing the redistribution strategy

The TWG lacked a political theory for implementing the proposed distributional redirection (Ayers 1983). It depended on the emergence of a reformist coalition in developing countries to implement the redistributive strategy, but does not explain how this coalition will emerge, though it has indicated that the elite will make concessions to the poor either through

"enlightened self interest or elite competition which will result in a sector of the elite forming an alliance with the poor for its support" (page 54) (Chennery et al 1974).

The absence of an in depth analysis of social groups and their alliances has led the RWG to a lack of explanation of the reasons for and under what conditions the reformist coalition will emerge to facilitate this redistributive policy.

The existing ruling alliances, in most developing countries have not developed institutional delivery

⁸ Cited in Cheryl Payer *"The World Bank: A Critical Analysis"* (1982)

systems capable of reaching the poorest groups of their societies nor any political framework to reallocate investments and re-order development priorities in their favour.

These new strategies necessarily require institutions and institutional alliances specifically aimed at the poor with the objective of bringing them into the mainstream of economic life (Mahub ul Haq 1976). With this prerequisite, whether initiated by a motive of elitist self interest or indirectly as a consequence of foreign aid conditionality, any attempt to favour the poor will merely be palliative and short term in effect.

A direct attack on poverty requires a political decision rather than a technocratic one. Any strategy according to Mahub ul Haq (1976, page 64) must consider:

"a basic restructuring of the political, economic and social balance of power, unless a decision is reached at the highest political levels and the entire movement within the country is mobilised behind it, these planning exercises will remain a waste of time."

The WB is not a political decision-making body, even with its leverage and apparent power which could be imposed through loan conditionalities. It cannot make political decisions to necessitate national strategies to alleviate or eradicate poverty. However, because it has the funds, it can decide to support only those countries which indicate a desire to assist the poor, which is indeed the objective of its poverty lending. The major problem is that the Bank had no way of really guaranteeing that the poor would benefit, even if political decision makers indicated their concern through policy dialogues or project documents. Indeed there were leakages in projects to higher income groups basically because of the inadequacies and biases of the existing institutional delivery systems as will be seen in the project level discussion.

In more than 50 per cent of cases the concern for the poor was never explicitly set out in policy documents but was often implied. The danger is that implied policies often have no real political commitment or potential for practical translation, and are usually ideological.

The case for RWG appeared ill-conceived to say the least, since the call was for national redistribution without consideration of the issues of international redistribution which are interrelated. It is the unequal distribution of resources, the unfavourable terms of trade and the international linkages between advanced capitalist countries and the peripheral capitalist states of the developing world, which are at the centre of any debate about redistribution at the national level. This is precisely because the issues expressed at the international level and the structural relationships of international capitalism are internalised at the level of the national state. Reform at the international level, favouring resource distribution beyond the realm of a purely intellectual discourse, from the North to the South will be of relevance to the elaboration of national policies and practical programmes affecting the poor.

Despite the rhetoric expressed at the WB Annual Conferences, the addresses to the Board of Governors and other international fora, regarding the need to attack poverty and redistribute resources, there has been an absence of firm commitment, as a consequence of the failure to address the **causes** of poverty rather than its **effect**. This omission, through design rather than by default, can be attributed to the potential repercussions which a strategy addressing the causes of poverty would have on the overall systems stability. Such a strategy would necessarily bring to the fore the

structural social relations of capitalist development.

It is not surprising that WB programme sponsorship had no permanent influence on poverty in developing countries though it claims a measure of short term success (Bamberger et al 1982). Poverty remains a structural issue in these countries, with the numbers of people in absolute and relative poverty growing.

Table 3 shows people in poverty (1970 figures). Compare this with the WB programmes in the urban sector between 1972 and 1982, which assisted nine million people through the main shelter component in ten years. The effort could be said to be marginal, given the magnitude of the problem. Any programme, to be effective, must be aimed at eradicating the same. It leaves open the question, to what extent are the beneficiaries better off? The programmes no doubt gave them increased access to better and improved services but it also increased their cost of living without concomitant increases in employment opportunities and all round increases in equal opportunity of access to the indices of development, necessary to sustain their new lifestyles. It is the equality of opportunity to jobs, education, health and social services which must be at the centre of poverty strategies, not just short term increases in purchasing power.

Table 3. Population in Poverty 1973

Region	Total Population (mill.)	Seriously Poor (mill.)	Destitute (mill.)
Asia	195	92	34
Africa	69	26	5
Latin America	62	1	4
TOTAL	325	119	43

Source: International Labour Organisation (1976)

It should not go unnoticed, however, that the McNamara strategy had a reformist potential which, if it could be translated in national and urban level practices on a continued and sustainable basis, had the potential of defining a space for negotiation, though limited, between the poor and the national/urban government. A negotiation based on resource transfer and redistribution. Undeniably, international sponsorship of equity-oriented activities politicised the problems of the poor and legitimised their needs at both the international and national level.

Unfortunately the continuance of this legitimisation of the needs of the poor and the practical realisation of the Bank's goals of anti poverty lending had no real political commitment in developing countries.

A failure to place the concept of poverty and its strategies for alleviation within a specific theoretical framework and the absence of a political theory for implementing it, has led to limitations in the effective translation of that strategy at the level of project implementation.

The above observations have been reinforced by Moore and Collins (1978) who stressed that the WB's programmes are self-defeating, even if some could claim that these programmes of meeting basic needs would pacify those working to alter the social structure,

"intervening with funds for profit generating activities while opting to keep intact the status quo that generates poverty only strengthens the grip of the elite." (page 14)

The consequence is further impoverishment for the poor.

The failure to address the causes of poverty as related to existing structures and practices, meant that the policies elaborated to alleviate it, were generally ineffective and inadequate, given both the magnitude of the problem and the perspective of effecting and sustaining social transformation. Though it has always been the intention of the Bank that its "new style" projects should influence a change in attitude of national governments towards provision for the poor, only modest achievements were made. Willingness to undertake a poverty-oriented project does not guarantee wholesale change in sectoral policy.

The projects such as Madras I and II (1978-79), Calcutta I and II, Manila (Tondo) and Indonesia (Kampung) are notable exceptions which gave rise to short term policies in favour of the poor. However, in Manila the programme for slum upgrading was accompanied by a Presidential Order, 1977, which called for a freeze on existing slums and a population census taken, such that no area (slum) developed after that date was eligible for improvement (Baross 1983). Slum upgrading as a policy, was seen as a limited corrective measure, rather than continuous public intervention in peoples' housing activities.

4. The Productive Potential of Shelter Projects

Unlike the rural poor, many urban poor are jobless and assetless, except for their labour power, and generally lacking in the prerequisites for increasing productivity. It has been easier to find economic justifications for rural projects than for urban poverty projects (Tendler 1983). Urban projects run the risk of becoming welfare programmes in which the transfer of Bank and national resources could not really be justified based on the concept of economic returns. The urban shelter projects were consumption based and represented social benefits in which improvements made in the conditions of the poor could not be attributed directly to project impact, neither was there a quantifiable method for measuring such benefits.

To increase productivity through shelter provision appeared a fallacy for many at the Bank (Ayers 1983). However, evidence has shown that shelter is perhaps one of the most direct ways of increasing the productivity of the assetless poor given current socio-economic conditions and dwindling resource availability in urban areas.

The economic perspective of shelter and related services in the economies of cities in developing countries has been underestimated. Housing has direct income generating capabilities and in countries with scarce resources to spend on the expansion of employment in the modern sector, the answer to the accommodation and absorption of the urban poor may well lie in the informal sector with its shelter-based activities.

The view has prevailed in economic thinking and at the WB that housing is consumption activity and a lesser productive form of investment, accepted on "welfare" grounds as a socio-political necessity (McCallum and Benjamin 1985). In addition the argument goes that the emphasis on basic needs and the movement away from pure economic growth in 1972-81 have reinforced many economists' views that housing is "welfare" even when the WB emphasised the multi-faceted nature of the housing product (WB, 1975).

The 1972-81 projects have proved that housing can stimulate savings and investments and evidence shows that houses built were more expensive than cash income would allow (Bamberger et al 1982). This is due to increased income from cash transfers not accounted for in affordability analysis (Jimenez and Keare, 1984). The productive potential of housing can be shown by the following:

i) Housing as rental income

Keare and Parris (1982) have shown that rental rooms in sites and services projects are important sources of income used by beneficiaries to repay loans in communities with little or no formal employment which, while inevitable, facilitates cost recovery. As a corollary, low income renters are provided with a range of community services and housing options. The findings of various studies on this topic are cited by McCallum and Benjamin (1975)⁹:

"In Bogota 57 per cent of home owners with two or more rooms rented out space; in Ciudad Kennedy, Bogota 27 per cent of dwellings sold by government builders were subdivided and rented representing an average rent of 16.5 per cent of landlords' total income; one-third of the households in George (Lusaka) rented out space; in three projects in Ghana, Cameroon and Bangladesh, 35 per cent, 48 per cent and 100 per cent of home owners rented out space respectively, with rents accounting for reduction on the expected amortisation period to between 1.4 years to 5 years." (page 283)

Cooke (1983) states that in Malawi 51 per cent of the population of Lilongwe and 37 per cent of Blantyre lived in sites and services schemes of which 68 per cent of all residents in Lilongwe and 82 per cent in Blantyre belonged to tenant households. Rents charged represented 30-40 per cent of annual returns on the cost of room and house construction.

Cooke (1983) concluded that rental income is important not because:

"it means that Malawi's sites and services housing can quickly become self financing but because it is providing many low income householders with their sole means of accumulating capital in Malawi's urban economy where jobs are scarce and wages low." (page 185)

⁹ The specific references are contained in the list of references outlined in McCallum and Benjamin's paper.

ii) Housing as shop/factory

McCallum and Benjamin also cited the following: in San Blas about 15 per cent of all dwellings had shops, in the poorer barrios of Bogota 20 per cent of the houses had shops compared with 5-10 per cent for the city as a whole, in five housing areas of Cameroon, Ghana and Bangladesh home/business buildings were 10 per cent, 51 per cent and 25 per cent respectively, in Tondo (Manila) 24 per cent of all structures were devoted to commercial activities, in Indonesia (Surabaya) 80 per cent of all houses had non-residential activities of which 30 per cent had space in the house devoted solely to these activities and another 50 per cent contained activities not requiring separately allocated space.

These percentages are high, and where the areas formed upgrading projects, especially in the Kampung of Indonesia, the benefits of improved access and services did increase the productive potential of uniform sector activities, though difficult to demonstrate (Keare and Parris, 1982).

iii) Employment generator

Keare and Parris (1982) found that many families hired labour to construct sites and service dwellings and that a typical Bank project of 7000 units will generate about 3,700 persons/years of employment and US\$4.2 million (1978/79) in wages income. These are sufficient indicators of the employment potential of housing projects even if only for the duration of the project. However if continued projection and replicability can be guaranteed, these projects could serve to generate a source of urban employment.

Clearly the employment potential and the income generation potential through rental activities and production (commercial/retail) cannot be denied and the potential of housing for increasing production in the informal sector should be encouraged through credits and improved community services.

Some might argue (Burgess 1978) that it is a way of making petty landlords and bourgeoisie of low income home owners and a way of incorporating them into the capitalist relations of production. However, short of suggesting a socialist alternative to poverty alleviation the need for economic realism and pragmatism towards increasing the productivity of the poor becomes necessary.

Unfortunately, the productive potential of shelter projects has been obscured by the absence of complementary land policies, institutional and bureaucratic inefficiencies, unfavourable land markets and landed property interests in developing countries. These factors served to frustrate the efforts and increase the cost of access to beneficiaries to the extent that leakages to higher income groups were common. Many projects were being implemented through a national delivery system which was biased against the urban poor effectively increasing their cost of access. In Tondo, Manila for example the lowest 10 per cent could not afford the cheapest site and services, and only the upper 40 per cent of the original Tondo residents could afford the new sites (Payer 1983) (and Elinson 1983).¹⁰ Many projects were implemented on lands not publicly owned, which required lengthy

¹⁰ Elaine Elinson is co-author of the book *Development Debauch: The World Bank in the Philippines* (1982) which gives a critical assessment of WB in that region.

acquisition processes often frustrated by landowners, as in Zambia (Martin 1978), or eventual non-acquisition in favour of establishing wealthy slum landlords. Naturally all benefits of upgrading accrued to those property owners, as was the case in Bangkok, Jakarta and Manila, where the commercialisation of property is entrenched. It was not politically feasible to expropriate urban properties due to strong property and legislative alliances (Cooke 1983) and governments not wishing to impose betterment tax on landlords for fear of eliminating the low-income housing market. Consequently, though slum upgrading could reach lower than the 20th percentile group, sites and services were a more efficient form of permanent resource (land) transfer since they represented an actual transfer of assets to the poor.

Bad location of projects, outside the poor's employment opportunities also decreased potential accessibility of projects to the poor. Peripheral location on cheap lands contingent on strong and biased inner city land markets increased the cost of access to projects for beneficiaries in Rangit, Bangkok and in Tanzania where the expected access cost of 20 per cent doubled (Rodell 1983).

Therefore it was not that shelter projects were unproductive, but difficulties arose from the insufficient incorporation of living characteristics of the low income poor into the urban project design, and were compounded by structural constraints imposed by the existing delivery system of goods and services and existing landlord legislative alliances. This observation, coupled with a weak theoretical framework for the translation of poverty strategies frustrated the efforts of the Bank in its urban work, and set the basis for the vulnerability of these strategies to external influence as will be seen in the following section.