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The Persistently Poor

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The study listed Romania as a country where a widening income gap means the poor are being left behind by growth. (By Spencer Platt -- Getty Images)

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NEW YORK, Dec. 7 -- Despite an intensified campaign against poverty, World Bank programs have failed to lift incomes in many poor countries over the past decade, leaving tens of millions of people suffering stagnating or declining living standards, according to a report released Thursday by the bank's autonomous assessment arm.

Among 25 poor countries probed in detail by the bank's Independent Evaluation Group, only 11 experienced reductions in poverty from the mid-1990s to the early 2000s, while 14 had the same or worsening rates over that term. The group said the sample was representative of the global picture.

"Achievement of sustained increases in per capita income, essential for poverty reduction, continues to elude a considerable number of countries," the report declared, singling out programs aimed at the rural poor as particularly ineffective. Roughly half of such efforts from 2001 to 2005 "did not lead to satisfactory results." During that period, new World Bank loans and credits aimed directly at rural development totaled $9.6 billion, or about one-tenth of total bank lending, according to the group.

In a statement distributed with the report, World Bank management rejected its assessment as "overly bleak," arguing that the overall trend is improving in every region except Africa. Bank administrators noted that reducing poverty requires economic growth, something they said the world has been enjoying: Over the past two years, developing countries collectively grew by about 5 to 6 percent a year, excluding swiftly developing China and India. Even sub-Saharan Africa has grown by more than 4 percent annually over the past five years.

But the study found that growth has rarely been sustained, exposing the most vulnerable people -- the rural poor -- to volatile shifts in their economic fortunes. Per capita income rose continuously from 2000 to 2005 in only two in five of the countries that borrowed from the World Bank, the study reported, and it increased for the full decade, from 1995 to 2005, in only one in five.

The study emphasized that economic growth is, by itself, no fix: How the gains are distributed is just as important. In China, Romania, Sri Lanka and many Latin American countries, swiftly expanding economies have improved incomes for many, but the benefits have been limited by a simultaneous increase in economic inequality, putting most of the spoils into the hands of the rich and not enough into poor households, the study concluded.

In Georgia, the bank has helped foster growth by lending in support of the oil industry, but this has created few jobs and had a negligible impact on poverty, the study found. In Brazil, on the other hand, there has been little growth but significant advances against poverty because wealth has been distributed more evenly.

"For a sustained reduction in poverty over a period of time, it really pays to worry about both growth and distribution," said Vinod Thomas, director-general of the Independent Evaluation Group. "It has been a mistaken notion that you can grow first and worry about the distribution later."

Overall, from 1990 to 2002, the percentage of the world's people who subsist on less than $1 per day declined from 28 to 19, according to World Bank research. But officials with the evaluation group noted that much of the advance was registered in China, which has rejected many of the tenets of the development model advocated by the West and barely relied on the largesse of the World Bank.

"If you take out China, the numbers would be unfavorable," Thomas said. "The sheer numbers of people living under the $1-a-day definition of poverty has been stubbornly high." By the bank's reckoning, 1.1 billion people subsisted at that level in 2001.

Some of the report reads like an amalgam of the criticisms that have been leveled against the World Bank for years by outside activists. The report chides the bank for failing to help cushion poor people against price and currency liberalizations, for focusing on the fiscal sustainability of pension systems to the detriment of the poor and for promoting the privatization of power industries without thinking enough about wiring up the indigent.

It criticizes the bank for failing to tailor projects to local conditions and for sometimes attempting to accomplish more than national governments can handle. In Uganda, the bank assisted the government with an ambitious effort to increase school enrollments but failed to plan for sufficient teacher hiring or classroom construction. By last year, Uganda's schools had an average of 94 students per classroom, and each book was being shared by three pupils.

Critics of the bank used the report to claim vindication and call for change in the institution's policies -- in particular, loan conditions that sometimes force poor countries to slash spending on social services and reduce price controls on food. "At a certain point, you have to say, 'This is policy failure,' " said Mark Weisbrot, an economist and co-director of the Center for Economic and Policy Research, who has long argued that the bank's emphasis on austerity and privatization has increased poverty.

World Bank administrators said it would be simplistic to view rising poverty rates as a sign that their projects do not work, noting that the worst-off borrowing countries are grappling with war, famine and natural catastrophes.

"There's a lot that has to go right for country-wide incomes to improve other than just good projects financed by the World Bank," said Vikram Nehru, director of the bank's economic policy and debt department. "These countries are in very difficult circumstances."

Still, Nehru said the bank could benefit from greater consideration of what is actually possible in any given country.

"We need to be much more sober in our assessments," he said.