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EXPERIENCE IMPLEMENTING SOCIAL INVESTMENT PROJECTS SUPPORTED BY THE WORLD BANK

Abstract. *The World Bank is an international financial organization established to provide financial and technical assistance to developing or low-income countries. The organization aims to promote sustainable globalization in the interests of all segments of the population, reduce poverty, accelerate economic growth without harming the environment, and create new opportunities for people to live fulfilling lives.*

Throughout its history, the World Bank has been a fairly serious investor in the economies of developing countries, financially supporting a wide range of industries and programs. The Bank focuses on poverty, food supply, agriculture, health, education, environmental problems, and other initiatives.

Despite certain successes achieved by the Bank in the implementation of its social programs and projects, its activities are often criticized as ineffective or aimed at supporting countries that do not really need this support. In addition, the World Bank exerts enormous influence over the economies of developing countries through loan conditions, advisory services, technical assistance and policy blueprints, which have similarly been criticized by civil society, academics, and developing country governments.

Since the early 2000s, Moldova, the poorest country in Europe, has made significant progress in achieving inclusive growth, averaging 5% annually and reducing poverty from 26% in 2007 to 11% in 2014. During the 26 years of cooperation between the World Bank and the Republic of Moldova, a number of projects in the social-economic fields were launched and successfully implemented, which brought Moldova to a completely different level of development.

Key words: *International Bank for Reconstruction and Development, International Development Association, social investment projects, sustanable development, World Bank.*

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The World Bank – is an international financial institution that provides loans and grants to the governments of poorer countries for the purpose of pursuing capital projects. It comprises two institutions: the International Bank for Reconstruction and Development (IBRD), and the International Development Association (IDA). The World Bank is a component of the World Bank Group [19].

The World Bank Group is composed of the following institutions: the IBRD (1944), the International Finance Corporation (1956), the IDA (1960), the International Centre for Settlement of Investment Disputes (1966) and the Multilateral Investment Guarantee Agency (1988). The IBRD gives technical and financial assistance to

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medium-income countries and credit-worthy countries, and the IDA supplies interest-free credits and grants to the poorest countries. The IFC acts exclusively with the private sector and has a different structure, staff and norms from that of the IBRD and the IDA. The ICSID arbitrates disputes between foreign capital and governments, while MIGA fosters foreign direct investments and insures them against the risks of natural disasters and conflicts [8].

The World Bank came into existence in 1944 at the Bretton Woods conference. The World Bank's first loans were extended during the late 1940s to finance the reconstruction of the war-ravaged economies of Western Europe. When these nations recovered some measure of economic self-sufficiency, the World Bank turned its attention to assisting the world's poorer nations. The World Bank has one central purpose: to promote economic and social progress in developing countries by helping raise productivity so that their people may live a better and fuller life [6]. As of November 2018, the largest recipients of World Bank loans were India ($859 million in 2018) and China ($370 million in 2018), through loans from IBRD [19].

The World Bank's most recent stated goal is the reduction of poverty [19]. Poverty and shared prosperity presents indicators that measure progress toward the World Bank Group's twin goals of ending extreme poverty by 2030 and promoting shared prosperity in every country in a sustainable manner. These two goals are closely linked to key themes of the Sustainable Development Goals: Goal 1 seeks to end poverty in all its forms everywhere, and Goal 10 focuses on reducing inequality within and across countries [11].

The first of the World Bank's goals aims to reduce the share of people worldwide living below the international poverty line[2] to below 3 percent by 2030. The related Sustainable Development Goal target is even more ambitious: it aims for all countries, regions, and groups within countries to achieve zero poverty at the same international poverty line [11].

The current primary focus of the World Bank centers on six strategic themes [1]:

Poverty reduction and sustainable growth in the poorest countries, especially in Africa.

Solutions to the special challenges of postconflict countries and fragile states.

Development solutions with customized services as well as financing for middle-income countries.

Addressing regional and global issues that cross national borders, such as climate change, infectious diseases, and trade. Greater development and opportunity in the Arab world. Leveraging the best global knowledge to support development. The Bank strategy and its goals are realizing through the different developing

[2] Since 2008, the last update of the global poverty line, the Bank has used $1.25 as the global line. As of October 2015, the new global poverty line is set at $1.90 using 2011 prices. Just over 900 million people globally lived under this line in 2012. [https://www.worldbank.org/en/topic/poverty/brief/global-poverty-line-faq]

programs implemented by the IDA and the IBRD, which promote practically the same goals.

The International Bank for Reconstruction and Development was created in 1944 to help Europe rebuild after World War II. As the largest development bank in the world, it supports the World Bank Group's mission by providing loans, guarantees, risk management products, and advisory services to middle-income and creditworthy low-income countries, as well as by coordinating responses to regional and global challenges.IBRD is owned by the governments of its 189 member countries.Moldova joined IBRD on August 12, 1992, which is considered the official date of membership in the World Bank [17; 18, p. 7].

The International Development Association (IDA) is the part of the World Bank that helps the world's poorest countries. Established in 1960, IDA aims to reduce poverty by providing loans (called "credits") and grants for programs that boost economic growth, reduce inequalities, and improve people's living conditions. IDA is one of the largest sources of assistance for the world's 77 poorest countries, 39 of which are in Africa. Moldova joined IDA on June 14, 1994 [5, p. 3;18 p. 7].

Across all fiscal years (1993–2019) of collaboration between the Republic of Moldova and the IBRD/IDA, Moldova has received a total of $1,469.86 mil. in grants, credits, and loans for the implementation of over 50 projects designated toward various socioeconomic problems (Chart 1).

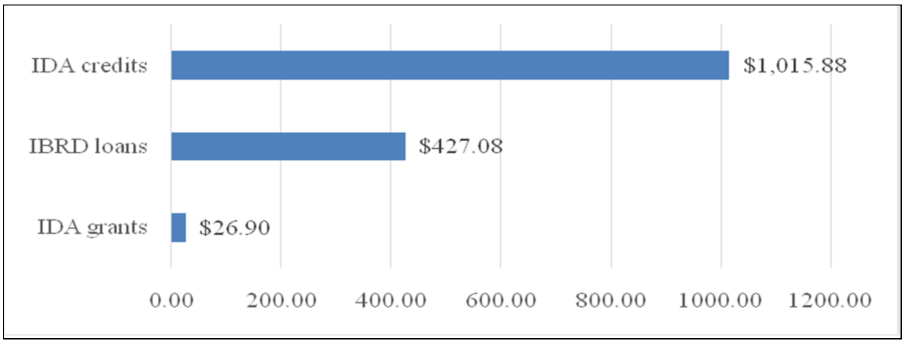

Chart 1. IBRD/IDA lending across FY1993-FY2019, in millions USD[3]

IBRD/IDA funded projects are apportioned into the following themes: rural services and infrastructure – 15%, climate change – 13%, regulation and competition policy – 13%, administration and civil service reform – 9%, education for all – 9%, rural services and institutions – 9%, rural markets – 9%, micro, small and medium enterprise support – 8%, public expenditure, financial management and procurement – 8%, state-owned enterprises restructure and privatization – 8% (Chart 2).

[3] Data source: https://financesapp.worldbank.org/

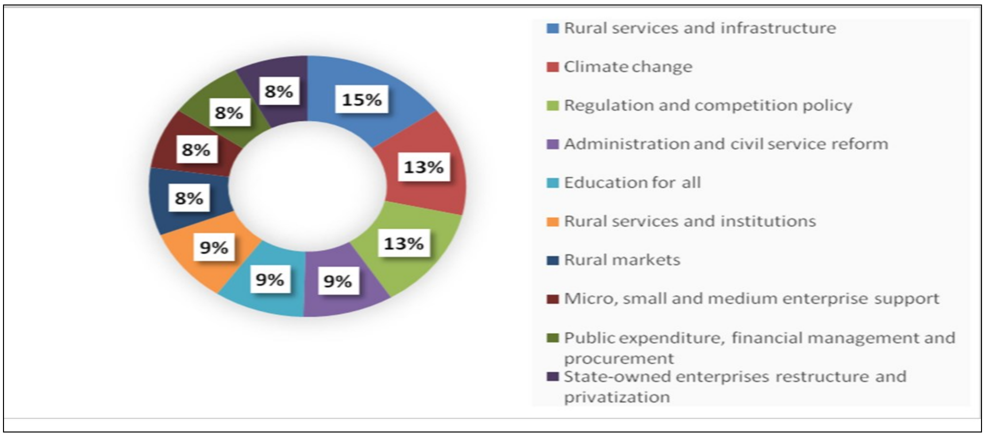

Chart 2. Distribution of implemented IBRD/IDA projects
by theme across FY1993-FY2019[4]

During the 26 years of cooperation, developmental efforts to boost prosperity have targeted a broad range of initiatives, covering areas such as health, education, agriculture, energy, water supply and sanitation, e-governance, social protection, competitiveness, and many others. Over $1,600m have been committed in support of about 100 projects. Over 340 trust funds have been implemented in excess of $200m. The IFC and the MIGA, two members of the World Bank Group, provided finance and guarantees for a total of $295m. [7; 17 p. 3].

The World Bank defines Moldova as a small, lower-middle-income economy. Moldova has experienced rapid economic growth in the past decade, accompanied by significant progress in poverty reduction and shared prosperity. The economy has been growing at 5% annually since the 2000s, driven by consumption and fueled by remittances. At the same time, the national poverty rate dropped from 68% to 27% between 2000 and 2004 and continued the downward trend to 9.6% in 2015. The percentage of those living on less than $1.90 a day has dropped from 39.1% in 1999 to zero. At its peak, the poverty rate for those living on $5 a day was at 90.4% in the year 2000. It has since dropped to 16.3% [12; 15; 13, p.10].

The gap between absolute urban and rural poverty is significant – 19% of population living at the poverty line in rural areas vs. 5% in urban areas. The poorest spend the largest share of income on food and utilities, which makes them vulnerable to economic shocks [14]. Remittances and pensions are responsible for lifting 51.6% of families out of poverty, and pensions are sustaining the aging population. These two factors are acknowledged as the main drivers of economic growth. In fact, the Republic of Moldova is one of the few European countries that recognizes remittances as a main influencer of the economy, accounting for

[4] Data source: https://financesapp.worldbank.org/

26% of gross domestic product in 2014, which is among the highest share in the world [12; 15].

According to the World Bank data, a vulnerable political system, polarized society, adverse external environment, and skills mismatch in the labor market, along with climate-related shocks, are Moldova's biggest economic challenges. Transparency, accountability, and corruption are crucial concerns. Business confidence is low, and the macroeconomic framework remains vulnerable. External budget support, based on an agreement with the International Monetary Fund, has a high level of conditionality [15].

Continued economic stabilization, the advancement of key economic reforms, and the creation of a rule-based environment for businesses are the country's key goals. Moldova's large-scale emigration, combined with decreasing fertility rates, has led to an alarming decline in population and increased the share of elderly people. This puts pressure on the pension system and limits the country's long-term competitiveness. [ibidem]

Policies to promote healthier labor markets need to address the structural challenges to the extent possible in coming years, as follows [13, p. 36–37]:

- ***Aging:*** The country needs to prepare for the rapidly aging population. By 2060, the population is projected to have dropped by 29%, while the share of the elderly (ages 65+) individuals will have tripled to 30%. Given substantial migration, low fertility, and weak labor markets, the demographic dividend may vanish before the country has reaped the benefits. This raises serious questions about the ability of society and the economy to support a growing elderly population. Efforts to reduce old-age mortality accompanied by policies to improve education and health care and to promote active aging, can allow people to work longer and contribute more to the economy.
- ***Regional disparities:*** The gaps in welfare and access to services across urban and rural areas and among ethnic minorities call for more active engagement by the government to enhance the provision and quality of services in remote areas. Failing to address these barriers would risk widening inequality and undermining economic mobility and harmonization across the country. Improving the equitable access to and the quality of education, particularly among the less well off, is also key to increasing productivity and the opportunities to find jobs. Equity in access to services, including health care, without the currently high OOP[5] expenditures is also critical to permitting individuals to build up their human capital.
- ***Significant vulnerability:*** The vulnerability to external and climate shocks seems to be increasing, and this will affect more heavily those households dependent on the agricultural sector. The poor are more exposed to such shocks. Mitigation and measures to help households adapt to climate

[5] Out-of-pocket expenditure (% of current health expenditure).

> shocks are needed. Social assistance can also be improved. The targeting of social assistance has been enhanced through the *Ajutor Social* and heating allowance programs, although they still represent a small share of total spending and cover only 4% and 6% of the total population, respectively. There is, likewise, room for improvement within the overall expenditure envelope, including program consolidation to provide room to expand the coverage of social assistance programs.

Previous analyses of poverty and equity in Moldova point to challenges similar to those discussed in the 2016 report. More than a decade ago, a similar World Bank document identified challenges related to the lack of sufficient investment in human capital accumulation by the poor, large spatial inequalities in living standards, dependence on pensions, increasing inactivity, and dependence on subsistence agriculture, substantial migration, and the poor coverage of social assistance [ibidem].

Moldova's National Development Strategy (2012–2020), approved in 2012, describes the country's **medium-term development priorities**. It calls for a shift from the current consumption-based paradigm towards a new growth model based on expanding investments, increasing competitiveness and productivity, promoting export industries, and developing a knowledge-based society. With the objective of *"ensuring qualitative economic growth and poverty reduction"*, it lists eight national priorities [2, p. 3]: 1. aligning education with labor markets; 2. increasing public investment in roads; 3. promoting financial sector competition; 4. improving the business climate; 5. raising energy efficiency, including the use of renewables; 6. ensuring fiscal sustainability of the pension system; 7. enhancing the efficiency and quality of justice, including combatting corruption; 8. fostering the competitiveness of agri-food products and sustainable rural development.

Undoubtedly, the World Bank is one of the most powerful financial organizations in the world, providing sustainable financing for a wide range of projects directed toward socioeconomic problems and poverty reduction. Due to the Bank's and other international organizations'contributions to the economies of developing countries, the world's poverty level has significantly decreased. In the past, the vast majority of the world population lived in conditions of extreme poverty. The percentage of the global population living in absolute poverty fell from over 80% in 1800 to 10% by 2015. According to United Nations estimates, in 2015, roughly 734 million people, or 10%, remained under those conditions. The number had previously been measured as 1.9 billion in 1990 and 1.2 billion in 2008. Despite the significant number of individuals still below the international poverty line, these figures represent significant progress for the international community, as they reflect a decrease of more than one billion people over 15 years [3].

Being the major channel of funds from rich and industrialized nations to poor non-industrialized nations, the World Bank's areas of interest, responsibility and activity evolved overtime. In 1950s and 1960s it assisted the developing world for the infrastructure necessary for industrialization while in 1980s its main task was providing policy reform assistance for growth. Due to the rise of environmental degradation, income inequality and other global issues, the main tasks of the World Bank lied in the fields of environment, poverty reduction, private sector improvement, promoting the role of women in the development and governance (Miller-Adams 1999). Above all, the bank's 2030 vision says more about its main current concerns. By 2030, it aims to (1) end extreme poverty by reducing the percentage of people living on less than $1.90 a day to three percent at maximum and (2) promote shared prosperity by fostering the income growth of the bottom 40 percent for all countries (World Bank 2016a).

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Being the major channel of funds from rich and industrialized nations to poorer, non-industrialized nations, the World Bank's areas of operation evolved overtime. In 1950s and 1960s, it assisted the developing world with creating the infrastructure necessary for industrialization, while in the 1980s, its main task was providing policy reform assistance for growth. Due to the rise of environmental degradation, income inequality, and other global issues, the main tasks of the World Bank lied in the fields of environment, poverty reduction, private sector improvement, promoting the role of women, and governance [9, p. 40].

However, the World Bank faces policy failures and criticism, particularly with respect to its loan conditions for borrower countries. Conditions are significant because they tend to lock in a donor-driven reform agenda in recipient countries. Loan conditions are part of the World Bank's Development Policy Financing (DPF) and have long been criticized by civil society, academics, and developing country governments. They undermine borrower country ownership and restrict policy space, and often have harmful impacts on the daily lives of individuals, especially with respect to the world's poorest and most vulnerable people [4].

The European Network on Debt and Development examined the World Bank loan conditions for 2017. This study focused on prerequisites: the conditions borrower countries must fulfill before loans are disbursed. The report shows that the Bank continues to attach controversial economic policy conditions to its operations, which undercut democratic ownership of development policies. In different countries, World Bank conditions have triggered fiscal austerity and reduced budgets for public sector workers, the privatization of public services due to the promotion of public-private partnerships laws, and market liberalizations that benefit big corporations to the detriment of small and medium enterprises and smallholder farmers [4].

Even though international economic institutions including the World Bank play a major role in the international arena and contribute to different areas, they face overwhelming criticisms from economists, professionals from other fields as well as leaders and citizens of various countries, particularly from developing countries. People always question the aim of existence of those institutions, whether they exist to assist them.

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The main aspects for which the Bank was criticized are the following:

The globalization of market forces,promoted by the World Bank, creates greater inequality and strengthens control of the rich over markets. The World Bank, among other influential international organizations, is criticized for pressure it has put on governments to remove barriers to the cross-border flows of money and goods, freely introducing foreign capitalinto the investment fields of developing countries and creating the dominance-dependence system that helps the rich become richer [10;9, p. 41].

Financing countries that do not really need lending. Since 2009, the World Bank has provided 40% of loans to high-income countries that, objectively, do not need this financing. A prime example is China. At the end of 2015, China founded an international development bank, the Asian Infrastructure Investment Bank. China is one of the founders of the New Development Bank, created by BRICS members. But even after creating two competitors of the World Bank, China continues to use the World Bank's financial support [9, p. 41–42; 20].

Promoting the Washington Consensus through its close participation with the IMF in lending only to programs that are heavily conditioned. To join the World Bank, a country must initially join the IMF and accept its conditions – adjustment policies – on loans. Liberalization of prices, liberalization of trade, shift toward export, and privatization of the public sector comprise the basis of the adjustment programs. Some critics comment that, due to the structural adjustment policies, the majority of the population suffers lower wages, reduced social services, and less democratic access to the policy-making process. As part of the standard structural adjustment package, the World Bank encourages countries to expand their exports so that they will have more currency to make payments against their foreign debts, but this leads countries to overexploit their natural resources. Deforestation chemicalization of soil for more efficient agricultural production, and, demineralization of ground resources contribute to the degradation of environmental conditions [10; 9, p. 42–43].

Causing major damage through development projects. World Bank funded projects have also continually been found to be in direct, serious violation of international human rights standards. Major recurring issues include mass evictions and the forced displacement of peoples and communities for major infrastructure and agricultural projects, violations of the rights of indigenous and forest peoples, targeting of human rights defenders, engendering local food insecurity, and serious labor rights violations, such as child and forced labor reportedly being used in Bank-funded projects [16].

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