Recovering Growth with Equity
World Bank Poverty Alleviation Activities in Latin America

George Psacharopoulos
April 1989
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<td>The Efficiency and Effectiveness of Export Credit and Export Credit Insurance Programs* by Bruce Fitzgerald and Terry Monson (Consultant), December 1987</td>
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<td>Aspects of Privatization: The Case of Chile 1974-86*, by D. Hachette (consultant), April 1988</td>
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<td>Privatization in Argentina and Chile: Lessons from a Comparison* D. Hachette and R. Luders (consultants), April 1988</td>
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*/ I am grateful to Marcelo Selowsky for commenting extensively on earlier drafts of this paper and to many of my colleagues for providing and updating the information given in the Appendix. The views expressed here are those of the author and should not be attributed to the World Bank.
I. Introduction

International assistance agencies are in business in order to help countries realize their economic growth and other developmental objectives. In the years following World War II, when such agencies were founded, the emphasis was on hard core "reconstruction" projects, a word still found in the full name of the World Bank. (Its official title is "International Bank for Reconstruction and Development").

The 1970's witnessed a shift of emphasis towards equity as a developmental objective of equal status along with growth in production. Regardless of the concept used (e.g., "trickle down", "basic needs"), the aim was towards some improvement in the distribution of income and the eradication of the worst aspects of poverty. The global economic crisis of the 1980's and the associated cuts in public expenditure, instigated a further focus on how certain groups of the population fare during a period of economic adjustment and retrenchment.

A clear trend detected in the recent literature on the subject has been away from relative poverty or income distribution measures towards absolute poverty. In other words, the main issue seems to be whether an individual or household have enough resources to consume a minimum basket of goods, rather than whether one person earns ten times the salary of another person.

The aim of this paper is to give an account of what the World Bank is doing to assist countries to achieve economic growth and alleviate poverty at the same time. The focus is Latin America and the Caribbean. Beyond presenting the facts, the paper also discusses some analytical aspects of how poor groups of the population could be best served during a period of economic adjustment.

With an average per capita income of $1,700, Latin America is the wealthiest region in the developing world. Yet persistent poverty exists either in some individual countries (e.g., Bolivia, Haiti), or in particular regions within a given country (e.g., Brazil's Northeast).

Independent of the economic crisis of this decade, Latin American countries were always characterized by a distortion in the allocation of resources. From the efficiency viewpoint, fewer resources have been invested into sectors of high social profitability (e.g., primary education). From the equity viewpoint, too many subsidies have been allocated into activities benefiting the highest income groups (e.g., university education, urban curative health). The present economic crisis has only made such distortions worse. For example, Governments had to maintain civil service salary bills, therefore limiting what could be allocated as
direct assistance to the poor. On the other hand, the relatively high involvement of Government in the economy -- public expenditure accounts for about one third of GDP in the typical Latin American country -- means that there is plenty of opportunity for Government intervention to assist the poor. For example, earmarking a few percentage points of Government expenditure to supplement the incomes of the poorest 10 percent of the population could have a dramatic effect on poverty alleviation.

To put it differently, there is a lot Latin American Governments can do on their own to reallocate public expenditure towards poverty alleviation activities, e.g., by replacing a general subsidy (say, on imported milk) by a food stamp program targeted to the most vulnerable groups in the population (e.g., children under the age of 2 and pregnant and lactating women in poor areas).

Lending by an international donor, like the World Bank, is of course an additional activity that can assist in poverty alleviation, although not the only such activity for the reasons given above. In fact, lending for a project with a strong poverty alleviation component, could be conditioned upon the country addressing at the same time the inefficient structure of subsidies.

II. Poverty In Latin America

Before one discusses alternative policies for poverty alleviation, the poor must be defined. "Who are the poor" is a very popular subtitle in practically every report on the subject.

Poverty indicators could be classified into direct and indirect. For example, the percentage of people receiving incomes below the amount required to purchase a minimal basket of goods for survival is a direct poverty indicator. Although considerable controversy exists on how to define the basic basket, what prices to use and how to take into account household composition, it is a very useful indicator to document the extent of poverty.

Other popular indicators, often used in the literature, are income distribution measures like the Gini coefficient. Although such statistics have some descriptive value, they are not rigorous enough for documenting the extent of poverty. It is well known, for example, that the value of the Gini coefficient can remain constant between two periods of time, yet the absolute consumption level of the poorest 20 percent to have declined. A Lorenz curve in this case might have been more informative than the Gini coefficient.

Country statistics are not rich in either of the above indicators. Therefore, analysts have extensively used proxies or indirect indicators to infer what must have happened to the poor over a period of time. The statistic par excellence used in this sense is the percent of public expenditure devoted to the social sectors, like health, education and housing. But such indicator can be highly misleading. For example, the public per capita expenditure on health might have remained constant between two
periods of time. This does not mean that the poverty situation of the population in question has not changed. Such population, if we are talking about the period 1982-85, has been hit by other factors like an increase in the general food prices, and therefore it is worse off now rather than before.

Tables 1A and 1B present a set of basic statistics relating to poverty in Latin America. In terms of average per capita income, the region is well above what the World Bank classifies as "middle income countries". Yet nine out of the 26 countries listed in Table 1A have an average per capita income below $1,000. And countries like Bolivia, Guyana and Haiti have income levels of the order of the poorest countries in Sub-Saharan Africa.

Given the well known weaknesses of per capita income comparisons, Tables 1A and 1B give a number of proxies documenting poverty conditions in the region. Among them, the infant mortality rate could be signaled as the most telling, "reduced form" indicator of what poverty means. In Bolivia and Haiti, for example, over one in ten infants die within a year of their birth. In Ecuador 65 percent of the rural population are considered to be below the poverty line. In Peru, the per capita income of the poorest 50 percent of the population was estimated to be $116. (World Bank sources).

The average country statistics given above hide considerable within-country variation in living conditions. Table 2 reports the disaggregation of some vital statistics within a particular country. Given the varying sources and quality of the data, cross-country comparisons could only be indicative. More important is the split of a given statistic within a country. The picture given by Table 2 is that the major pockets of poverty in Latin America are in rural areas and sub-regions with a high percentage of Indian populations.

In a relatively rich country like Venezuela, one third of the population in the Andes region is estimated to be below the poverty line. Infant mortality in the Trujillo and Meriela States is two and one half times that of the Federal District (Caracas). In the Oaxaca and Chiapas States in Mexico, calorie consumption per capita is far below any acceptable standard (1483 and 1609, respectively). The difference in per capita incomes between States in Brazil is stunning: 211,000 Crz in the Federal District (Brasilia) versus 24,000 Crz in Piaui and 31,000 Crz in Paraiba, (1980 Census data). Also, there exists 16 years difference in life expectancy between the Southern and Northeastern Brazilian States (67 and 51 years, respectively).

Figure 1 shows that the infant mortality rate in the Northeast of Brazil is three times that of the South. Even worse, the infant mortality rate in the country as a whole, and in the Northern regions in particular, has been rising since 1982. A similar regional variation is shown in Guatemala where the prevalence of underweight children in the Central area is more than double the one observed in Guatemala City. (Figure 2).
Table IA. Latin America: Basic Statistics

<table>
<thead>
<tr>
<th>Country</th>
<th>GNP Per Capita (US$)</th>
<th>Income Distribution</th>
<th>Adult Illiteracy Rate (%)</th>
<th>Life Exp. at Birth (years)</th>
<th>Infant Mortality Rate per Thousand</th>
<th>Daily Calorie Intake</th>
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Reference Groups

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<th>Mean Illiteracy Rate</th>
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Note: Averages are weighted by population
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<th>Income 1975-86</th>
<th>Income 1980-86</th>
<th>1985</th>
<th>1980-1986</th>
<th>1977-86</th>
<th>% of Share moderate/ Severe Malnutrition</th>
<th>% of Children Under Five Per Suffering from Mild-Calorie Supply</th>
<th>Grade 1 Enrollment as of %</th>
<th>% of Primary School Requirements of Population below absolute poverty</th>
<th>% of Urban/Rural Poverty Level</th>
<th>% of Primary School Enrollment below absolute poverty</th>
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Source: UNICEF
### Table 2 - Latin America, Intra-country Statistics

<table>
<thead>
<tr>
<th>Country</th>
<th>Year</th>
<th>Infant Mortality (per 1000)</th>
<th>Life Expec. (years)</th>
<th>Malnurished Children (%)</th>
<th>Families Below Poverty Line (%)</th>
</tr>
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<tbody>
<tr>
<td>Argentina</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>1981</td>
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<td></td>
<td>Fed. Capital</td>
<td>19</td>
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<td></td>
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<td></td>
<td>Salta</td>
<td>51</td>
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<tr>
<td>Bolivia</td>
<td>1983</td>
<td></td>
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<td></td>
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<tr>
<td></td>
<td>Urban Llano</td>
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<td></td>
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<tr>
<td></td>
<td>Rural areas</td>
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<tr>
<td>Brazil</td>
<td>1985</td>
<td>67</td>
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<td>Northeast</td>
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<td>Chile</td>
<td>1987</td>
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<td>Santiago</td>
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<td>Bogota</td>
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<td>Cordoba</td>
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<td>Dominican Republic</td>
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<td>Southeast</td>
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<td></td>
<td>Poor rural</td>
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<tr>
<td>Guatemala</td>
<td>1985</td>
<td>73</td>
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<td></td>
<td>Guatemala City</td>
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<td>Altiplano</td>
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<td>Mexico</td>
<td>1980</td>
<td>50</td>
<td>64</td>
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<td></td>
<td>Rural</td>
<td>80</td>
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<td>Peru</td>
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<td>Lima</td>
<td>71</td>
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<td>Sierra</td>
<td>50</td>
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<td>42</td>
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<tr>
<td>Venezuela</td>
<td>1985</td>
<td>37</td>
<td></td>
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<tr>
<td></td>
<td>Fed. District</td>
<td>17</td>
<td></td>
<td></td>
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<tr>
<td>Venezuela</td>
<td>1987</td>
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<tr>
<td></td>
<td>Urban</td>
<td>5</td>
<td></td>
<td>11</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Rural</td>
<td>9</td>
<td></td>
<td>35</td>
<td></td>
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</tbody>
</table>

Source: World Bank sources
Figure 1. Infant Mortality Trends in Brazil, 1977-1984.

Figure 2. Guatemala: Prevalence of Underweight Children by Region,
III. Policy Options

What kind of intervention could address the poverty situation described above?

Every single policy is bound to have multiple effects. However, for the purposes of this discussion one can distinguish two types of policies that are bound to affect the lot of the poor, although each one to a different extent: First, policies aiming at increasing the general demand for labor (hoping to reach many of the poor in the process), and second, policies aiming at protecting the most vulnerable groups of the population.

A new hydroelectric plant, street paving and (paradoxically) the reduction of the minimum wage are examples of the first type of policy. This will increase the aggregate demand for labor and thus help many poor people in the process. But it will also make better off many of those who were before above the poverty line.

A school feeding program, food stamps and vaccination campaigns in rural areas are examples of the second type of policy. This is bound to reach a higher percentage of the poor relative to the first one.

Policies aiming at protecting the poor, such as targeted food programs, are especially important in countries with large public sectors. The reason is that by reallocation from generalized subsidies to targeted programs a lot can be achieved towards assisting the poor. Latin American countries have large public sectors and thus are a fertile ground for such policies.

Typology of Poverty Alleviation Interventions

Based on the above, there exist three main strategies to tackle poverty:

a) General economic growth is perhaps the most solid way to attack poverty in the long run, by means of increasing the overall demand for labor and the fiscal resources of the country. However, it may take a long time for income growth to trickle down to particular groups in the population.

b) Specific programs to increase the earnings opportunities of the poor. Beyond the poverty alleviation effects of general economic growth, one could tackle the worst aspects of poverty (like malnutrition) at a faster pace. This can be done by increasing the stock or productivity of the physical assets of the poor (land reform or irrigation, credit to small farmers) and/or human capital (education and training). The key issue here is to identify interventions having an acceptable economic rate of return, (i.e., they should not have a major trade-off
with the efficiency and the growth objective) and acceptable leakage to non-poverty groups.

c) Social programs targeted to the poor. These are interventions to directly improve the standard of living and life expectancy of the poor, e.g., nutrition, primary health care, water and sewerage as well as food provision to those below a threshold consumption level. The key consideration here is how to minimize the leakage of targeted programs to non-intended beneficiaries, and also how to minimize administrative costs. Such interventions are certainly the most immediate and effective instrument to combat poverty in the short-run.

Targeting

As mentioned above, improvement of an income distribution statistic over a period of time does not necessarily mean that particular population groups are now over the poverty line. To be realistic, it is impossible to solve overnight the world's, or a country's, poverty problem. Some prioritization has to take place. This is achieved by defining a target group, i.e., a subset of the population that, because of a universally accepted cause, (e.g., the inability to secure own income) should be given preference in receiving government or other assistance. The two groups par excellence for targeted poverty programs are children and pregnant and lactating women in poor areas.

Those in poverty usually concentrate at the two extremes of the age distribution: The very young and the very old. Establishing priorities again, one strategy could be to concentrate on infants and school age children, including pregnant women and lactating mothers. The rationale for this choice is that interventions at the early ages will have a higher and more lasting impact both on life expectancy and human capital accumulation.

The two major sectors of intervention for poverty alleviation purposes are health, broadly defined, and education. Thus, specific programs could include nutrition, vaccination, water, sewerage, shelter, primary health care, access to primary education and training. In general, the use of targeted programs is superior over indiscriminate generalized subsidies.

Program Leakage

Any program addressed to the poor is bound to exhibit some leakage to unintended groups in the population. For example, even if a general food subsidy is placed on items consumed mainly by the poor, richer groups in the population will consume it as well. However, replacement of such generalized subsidy scheme with another one specifically targeted to a particular group of the population is bound to decrease the amount of leakage considerably. Leakage is frequently exacerbated through subsidies. For example, much of the credit directed to small farmers actually ends up benefitting
relatively well-off individuals who are motivated to obtain it by below-market interest rates.

**Administrative Costs**

These have also to be taken into account, because there is a trade off between what will end up eventually in the hands of the poor versus fine tuning of the targeting process. For example, in an ideal world, a social worker should visit periodically households in order to determine who should get how much, and the visit repeated during several months in the same year. For practical reasons, however, a school feeding program covering all children in poor district X might offer a good substitute with minimum leakage.

**IV. Poverty-related Activities in the LAC Region**

There are essentially three actors involved in poverty alleviation within a given country: The Government, non-governmental organizations (NGOs), and bilateral or multilateral international organizations such as the World Bank. The main instrument at the government's disposal is the revenue and expenditure policy, i.e., the budget. The government can alleviate the worst aspects of poverty by targeting public expenditure to the most vulnerable groups in the population. NGOs can have two main functions. First, mobilizing resources beyond the state budget and, second, implementing theirs and the Government's programs. NGOs have the additional advantage of being decentralized and flexible to respond to needs as they arise.

**The Bank**

The Bank has several instruments at its disposal to act as a catalyst in poverty alleviation in the region. First, and irrespective of any lending activity, economic and sector work includes as a routine public expenditure reviews to facilitate the policy analysis and advice regarding social programs and the reallocation of subsidies. Second, a series of recent projects have major poverty alleviation components (e.g., the Bolivian Social Fund Project). Thirdly, adjustment lending operations include agreements on some critical fiscal allocation to targeted programs (e.g., Chile SAL III and the Mexico Agricultural Adjustment Loan).

Looked at from another dimension, the Bank in its line activities is already addressing poverty. For example, an agricultural operation in the Brazil’s Northeast is bound to also increase the incomes of those below the poverty line. Likewise, a primary school project in rural Colombia will have a long term effect of increasing the earnings opportunities of those who otherwise might find it difficult to obtain employment.

In 1988 the World Bank lending to Latin America amounted to $5.3 billion and much of it has benefited the poor. Table 3 shows the evolution of Bank lending to sectors mostly related to poverty in Latin America: Primary education, Population Health and Nutrition, Rural Development, Water supply and Sewerage, and Housing.
## Table 3: World Bank Lending in Poverty Related Sectors, LAC, 1982-1990 (in $M)

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</tr>
</thead>
<tbody>
<tr>
<td>Primary</td>
<td>118 (3)</td>
<td>60 (4)</td>
<td>69 (3)</td>
<td>190 (4)</td>
<td>10 (1)</td>
<td>65 (8)</td>
<td>88 (2)</td>
<td>140 (3)</td>
<td>446 (2)</td>
</tr>
<tr>
<td>Health/Nutrition</td>
<td>13 (1)</td>
<td>34 (1)</td>
<td>58 (1)</td>
<td>0</td>
<td>96 (2)</td>
<td>10 (1)</td>
<td>109 (1)</td>
<td>391 (2)</td>
<td>447 (8)</td>
</tr>
<tr>
<td>Rural Development</td>
<td>461 (9)</td>
<td>236 (8)</td>
<td>174 (4)</td>
<td>818 (4)</td>
<td>201 (2)</td>
<td>830 (9)</td>
<td>9 (1)</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Water</td>
<td>41 (1)</td>
<td>424 (9)</td>
<td>20 (1)</td>
<td>184 (3)</td>
<td>178 (4)</td>
<td>64 (3)</td>
<td>252 (3)</td>
<td>371 (2)</td>
<td>108 (2)</td>
</tr>
<tr>
<td>Housing</td>
<td>207 (5)</td>
<td>46 (4)</td>
<td>109 (3)</td>
<td>87 (2)</td>
<td>869 (6)</td>
<td>0</td>
<td>399 (5)</td>
<td>700 (3)</td>
<td>580 (3)</td>
</tr>
<tr>
<td>Total</td>
<td>834 (19)</td>
<td>800 (18)</td>
<td>428 (12)</td>
<td>760 (12)</td>
<td>861 (14)</td>
<td>797 (15)</td>
<td>856 (18)</td>
<td>1692 (10)</td>
<td>1580 (15)</td>
</tr>
</tbody>
</table>

( ) Number of projects.

## Table 4. Projected World Bank Lending in Poverty Related Sectors, 1990, ($M)

### Primary Education
- Brazil Innovations in Basic Education: 245.0
- Brazil Basic Education II: 200.0

### Population, Health And Nutrition
- Argentina Health Sector Investment Loan: 100.0
- Bolivia Integrated Health Development: 20.0
- Colombia Nutrition: 55.0
- Guatemala Social Development Fund: 20.0
- Haiti Health & Population: 25.0
- Jamaica Social Sector Investment Loan: 27.0
- Mexico Health Project: 100.0
- Venezuela Nutrition Project: 100.0

### Water Supply And Sewerage
- Argentina Water Supply II: 100.0
- St. Lucia Water Supply: 7.5

### Housing
- Colombia Municipal Development: 100.0
- Mexico Low-Income (< 2Fm.w.) Housing II: 400.0
- Mexico Earthquake Supplement: 60.0

Total: 1,559.5
(mostly offered to low income groups). Such lending has doubled between 1982 and 1989, and it is expected to be of the tune of $1.6 billion in 1990. Table 4 shows an analysis of the projected 1990 lending by country, indicating that the major poverty-related projects will be in Brazil and Mexico. Note that not all this benefited the poor, since loans supported varying proportions of investments (e.g., water treatment, teacher training, solid wastes) which had a broader impact.

Criteria for Selecting Interventions

The real challenge is how to avoid a deterioration of poverty conditions in the Region given the expected modest growth in LAC countries. This can be achieved by supplementing the above indirect, long term operations towards poverty alleviation by more immediate action to benefit the poor in the short run. As such action in the LAC region the Bank has identified targeted programs to the most vulnerable groups, e.g., children and pregnant/lactating women.

Adoption of such approach in our operations is labor intensive as institutions in the region are weak, e.g., to administer more targeted programs. But since poverty alleviation is given the high priority it deserves, Bank resources have been allocated towards interventions to assist the most vulnerable groups.

The LAC Region supports general economic growth through its policy advice and overall lending programs. In selecting investments that enhance poverty-group earnings [interventions of type (b), above] a special effort is being made in identifying those interventions with higher rates of return so that the possible trade-off between poverty and efficiency objectives is minimized and changing market prices so that the incentive for participation by the non-poor is eliminated. The criteria to identify social services targeted on the poor and vulnerable group [interventions of type (c), above] should encourage designs which minimize leakages to non-intended beneficiaries as well as the administrative costs of these programs.

Parallel to the above activities, economic and sector work in the LAC region has been increasingly focused on issues of poverty (see Appendix). A major inventory of nutrition programs in the region is under way as to guide Bank poverty alleviation operations in countries where targeted programs do not exist. In Bolivia the Bank is leading the support for a series of Emergency Social Funds, which include components of support for nutrition and social services improvement. Evaluation components have been included in the Bolivia Emergency Social Funds and the Mexico Manpower project to assess the extent to which the projects' poverty alleviation objectives have been met. Public expenditure reviews are now becoming routine in the region as to point at possible reallocation of social spending towards the poor. Public sector investment and social sector spending reviews in Argentina resulted in a social sector technical assistance loan. A social sector
An expenditure review in Brazil is providing the basis for development by the government of an agenda for reform of social programs. A review of nutrition there has called the need for improvements in nutrition programs offered through public health clinics and school lunches. In Colombia a Poverty Study is supplementing the Government's ambitious poverty eradication plan ("Lucha contra la Pobreza Absoluta"). And in Jamaica the Bank is assisting the Government to implement a Social Adjustment Program.

Another major arm of the Bank's analytical work is the Living Standards Survey (LSMS). An LSMS survey is conducted at the household level and collects information beyond that available in an ordinary census. As such it can document and update poverty conditions in a given country as a guide to operations. The first LSMS study in Latin America took place in Peru. LSMS surveys have been crucial in formulating programs targeted to the poor in Bolivia, Jamaica and Venezuela. An LSMS study is now planned for Guyana.

Latin America figures heavily in a major World Bank Comparative Study, now nearing completion, on "The Political Economy of Poverty, Equity and Growth". This study looks at a variety of historical, political and economic factors that may account for differential outcomes, such as poverty, between different countries. The Latin American countries used as case studies in this research are Brazil, Colombia, Mexico, Peru, Costa Rica, Uruguay and Jamaica.

The Bank's work on poverty could be classified under three themes.

(a) **Major Operations focused on Poverty.** These are clearly the "Social Funds", a relatively recent breed of operation and now in place in Bolivia, Jamaica and about to be instituted in Guatemala.

(b) **Projects.** Examples of these are the health projects in the Northeast of Brazil, and the nutrition operations in Mexico and Venezuela.

(c) **Economic and Sector Work.** A good example of such work aiming at poverty alleviation is the nutrition inventory.

The Appendix lists several further examples of what the World Bank is doing in the Region to alleviate poverty. Two criteria have been used in order to filter out activities that although they also help poverty reduction, the activities they are not primarily focused on poverty: First, the likely ratio of the poor to be served by one activity relative to the population at large, and second, the recency of the operation. On the latter criterion we have concentrated on the last couple of years and planned operations.
V. Issues Ahead

Our experience indicates there are some common issues that dominate poverty alleviation efforts in the LAC Region.

Insufficient Public Funding. Debt accumulation and related interest payments have obliged many governments to cut down on their expenditure in the social sectors. In the LAC Region as a whole, the health share in public spending fell from 9 percent in 1980 to 5.5 percent in 1985. And the education share in public spending fell from 15 percent to 10 percent in the same period. How can these trends be reversed?

Misdirection of Public Expenditure. Public expenditure on the most vulnerable groups has been increasingly directed to the older segments of the population (e.g., via social security payments) rather than to what we defined as the most vulnerable group (the very young). Many countries subsidize curative medicine in urban hospitals and expensive university education, even though most of the beneficiaries of these services come from middle- and upper-income groups. General food subsidies in some countries benefit these same groups. Reducing these subsidies would free public resources so that governments could concentrate on primary health care, basic education, and nutrition assistance for those truly in need.

Lack of Priorities. Often governments set overly ambitious goals to combat poverty. In some countries, for example, the poorest 40 percent are the target for the government's anti-poverty program. Obviously, this is a very large and heterogeneous group.

Political Acceptance of Unpopular Conditionalities. Reallocating public expenditure from higher to primary education, from curative to preventive medicine, or from social security to child nutrition is not politically easy. Similarly, it has been difficult to replace expensive general or country-wide subsidies by food subsidies targeted to the poorest groups.

Decentralization of Poverty Action. The ultra-poor are widely dispersed in the country, especially in rural areas. This creates a problem in trying to reach them by action at the central government level. For example, although most education and health programs are actually administered at the state and municipal level, the Bank has until recently dealt almost exclusively with government staff working at the Federal level. How could local governments and NGOs be more intensively used as possible decentralization vehicles?

Narrowing Down the Task

The examples given in this paper of Bank assistance in the Region towards poverty alleviation only take care of the tip of the iceberg. The countries' needs are immense.
For example, the nutrition inventory mentioned above revealed that in some countries less than 10 percent of the most vulnerable groups (children and women) are reached by assistance programs. And often, when reached, the programs are inadequate to supply the minimal calorie and protein intake.

On the other hand, covering all those eligible is not a dreamy task. Our estimates indicate that those groups could be reached by allocating no more than 1 percent of the GDP to mother and child programs, relative to the one quarter of 1 percent of GDP that is now being allocated. This is a feasible objective with some concerted donor effort and a willingness to reallocate public expenditure from generalized subsidies to targeted programs.

The macroeconomic conditions are likely to remain gloomy in the LAC region. This means stagnating fiscal revenue and overall public expenditure. It is for this reason that the Bank’s poverty alleviation strategy will concentrate in assisting governments to reallocate public expenditures and investment programs towards the groups in the population mostly in need. The guiding principle in selecting particular programs is that they also have an acceptable rate of return, are cost-effective, and that leakages to non-targeted beneficiaries are minimized. In summary, actions will be taken in at least a critical set of interventions to assist the most vulnerable groups.

Concluding Remark

Latin America has a population of 400 million. Under a most conservative estimate, 20 percent could be safely classified as being poor. Obviously, to attempt to eliminate such poverty in toto in the foreseeable future is an impossible task. Neither transfers nor economic growth can generate the necessary resources to fill the consumption gap of 80 million people in the short run. Therefore, the poverty approach in the World Bank is to concentrate on the worst aspects of poverty by targeting programs to the most vulnerable groups in the population. At the same time, supporting improved economic policies at the macro and sectoral level will (by increasing resource mobilization and improving resources reallocation) boost the demand for labor and thus increase employment and earnings opportunities for the poor.
SELECTED WORLD BANK PUBLICATIONS


Appendix

POVERTY-RELATED ACTIVITIES IN LAC: A LISTING

A. Poverty-focused Operations
B. Poverty-related Investment Projects
C. Country-specific Analytical Work
D. Cross-country Studies

Note: This Appendix is based on the latest information available (April 1989). Of course planned activities are subject to change.
A. Poverty-focused Operations

BOLIVIA

Emergency Social Fund II. The project addresses the severe unemployment and loss of income following the shrinking of the Bolivian economy since 1980, the strict fiscal and monetary austerity measures introduced in mid-1985 as part of the New Economic Policy, and the collapse of the tin prices in late 1985. The Emergency Social Fund is intended to build public acceptance for the economic adjustment measures and act as a bridge until the recovery gains momentum. It also aims at restructuring the health and education sectors, by decentralizing responsibilities to local government and non-governmental organizations and shifting priorities towards basic health care and primary schools.

The program consists of small-scale employment and income-generating projects and social assistance activities, targeted to those suffering most from the effects of the economic crisis and the economic adjustment process, such as the unemployed, particularly those affected by the collapse of mining industry, and the rural poor, especially pregnant women, lactating mothers and pre-school children.

Emergency Social Fund III. The proposed project would support the final year of operation of the ESF, and would fund the transfer of responsibilities from ESF to the new Social Investment Fund and other government agencies. The SIF would be set up as a permanent development agency under the policy direction of the National Council on Social Policy, which consists of the Ministers of Education, Health, Planning, Urban Affairs and Labor. The SIF would identify, evaluate and finance projects in social assistance and infrastructure under these policy guidelines as an integral part of the public investment program.

Specifically, this credit would: (i) continue to support small-scale projects in social assistance and social infrastructure principally in health and education; (ii) continue to monitor the impact of these projects on policy objectives; (iii) finance technical assistance for setting up the SIF and adapting the evaluation and monitoring system developed by ESF to SIF; (iv) supervise the transfer of ESF's remaining projects and responsibilities to other government agencies.

GUATEMALA

Social Development Fund. The major objectives of the project would be to: (i) help the government to target scarce resources more effectively to reach the most vulnerable among the poor and improve the extremely deficient social indicators of these groups, as well as provide better employment and income; (ii) improve the coordination and efficient use of existing social programs and (iii) mobilize additional resources from both internal and external sources.

The proposed Social Development Fund Project offers a unique
opportunity to make progress in dealing with poverty alleviation in the Region. Guatemala has the worst nutritional and health indicators of countries of comparable income levels in the Region. The proposed program will give the Bank ample opportunity to work through NGOs and the private sector; pursue a variety of pilot schemes; assist in the coordination of scattered domestic efforts and donor coordination, especially of food aid. The Bank's effort will be complemented by other donor assistance and on domestic efforts to improve the efficiency of existing social programs and increased resource mobilization.

JAMAICA

Social Sectors Development Project. This project fits within the Government's Social Well-Being Program -- a major effort to continue the structural adjustment effort required to diversify the economic base and to ensure sustainable economic growth of at least 3-4 percent per year over the long run.

The project's objectives are to: (i) reverse the recent deterioration in human resource development through a combination of renewed investment and policy changes in education and health services; and (ii) alleviate poverty, particularly for the poorest groups of the population, through targeted nutrition and employment programs.

Policy and institutional changes to improve the overall efficiency of social services include: (i) establishing an information system to monitor the project's effects on key social indicators; (ii) redirecting investment in favor of health and education that are most likely to reach the poor; (iii) reforming basic education; introducing a more equitable system of secondary education; (iv) rationalizing services and increasing cost recovery, including privatization programs, in health activities; (v) improving expenditure control through cost containment; and (vi) targeting and monitoring of the nutrition and other relief programs.
B. Poverty-related Investment Projects

BRAZIL

**NE Irrigation IV.** Through the construction of six new federal public irrigation schemes, the project aims to increase the incomes of about 25,000 poor rural families in Brazil's impoverished Northeast. In addition to increasing incomes, the project aims to create 19,000 permanent jobs in the region, to raise agricultural production in order to alleviate regional food deficits, and to increase regional exports. About 65% of project lands would be allocated to small farmers, 20% to medium size farmers, and the remainder to agribusiness.

The project includes the provision of agricultural production support services to farmers and the operation and maintenance of physical infrastructure through private contractors. Additionally, it includes the establishment and initial operation of social infrastructure as well as the provision of technical assistance and training to the staff of the executing agencies.

**NE Irrigation Jaiba.** This project, in northeastern Minas Gerais aims to increase production, create employment and raise incomes through expansion of irrigation. Benefits of the project include increased incomes for about 2,000 small farmers, increased production and exports, and the creation of 15,000 permanent or temporary jobs. The project would develop agriculture on some 28,000 ha. through the construction of a sprinkler irrigation scheme, a road network, and administration and social services facilities.

**Rondonia Resource Management.** This project aims to improve natural resource management through environmental protection and limited, sustainable, agricultural development in the Northwestern State of Rondonia. By assisting the government in policy changes, including agro-ecological zoning, and supporting key investments, it should consolidate economic growth in the Northwest, while expanding and increase the efficiency of agricultural support services for small farmers in areas suitable for cultivations of perennial tree crops. Elements targeting poverty alleviation specifically include (1) resettlement of 10,000 landless families in suitable areas and establishment of user’s rights in extractive reserves; and (2) change in land tenure policies to discourage migration and deforestation and to encourage stabilization of settlements.

**Itaparica Resettlement and Irrigation.** The Itaparica resettlement plan aims to improve the living standards of some 8,000 families dislocated by of the Itaparica Hydropower reservoir in the generally poor Northeast. 5,000 displaced farm families are to be settled in irrigation schemes, including new ones around the lake. Their farm incomes would increase and their land tenure status will improve following resettlement. Urban families are to be
relocated in newly established towns.

Components of the project include the establishment of 18,000 ha of irrigated farmland, agricultural and social extension services, and investment credit, provision of housing, sanitation and water supply, and education and health infrastructures for both urban and rural populations.

The Northeast Rural Development Program. As a follow-up to the Polonordeste program, the Government, with Bank support, launched in the mid-eighties the Northeast Rural Development Program. In concentrating on the low-income population in the most impoverished region of the country, the operation constitutes one of the most poverty focused operations of the Federal Government. Total cost is about US$2,000 million and the Bank's contribution in the form of 11 loans amounts to US$926 million. The program aims at improving the productivity, incomes and standard of living of the low-income population in the rural areas of the Northeast through (a) water development for small scale irrigation and human consumption; (b) generation and dissemination of improved production technologies; (c) provision of credit for agricultural production and small rural industries; (d) support for marketing of agricultural inputs and outputs; (e) community development assistance; and (f) regularizing land tenure as well as acquisition and redistribution of land. It is estimated that some 4 million low income families would directly benefit from the various sub-programs. It is also expected that the states--and ultimately their population--would benefit from the institution building provided for by the projects and from the experience gained by their implementation.

NE Basic Education II. The project seeks to improve educational attainment levels and improve access to basic education in several Northeast states. Problems to be addressed by the project include policies discouraging qualified teachers, lack of effective planning and evaluation, and inefficient use of teachers and classrooms. The primary emphasis would be on large urban areas where the most school age children now live and where 80% of poor children in the Northeast live.

Phase one would improve school quality and efficiency through use of teacher competency tests, improvements in administration, standardized achievement tests, improved planning, increased teacher-student contact time, integration of state and municipal schools, and increased supplies of learning materials. Phase two would include classroom construction and rehabilitation.

Innovations in Education. The main objective of the project is improvement of primary school learning and retention among children of poor families in metropolitan Sao Paulo. Children of the urban slums of the south, along with the Northeast, have the highest repetition and dropout rates in the country because of poor facilities, poor health and nutrition, and lack of supportive home environments.

Planned reforms include a new curricular approach, school construction in poor neighborhoods, a longer school day, teacher training, expanded meal programs, a pre-school support fund, reform of the school health
program, and educational TV directed toward poor children and complemented by outreach programs. The innovative approaches of this project should be adaptable to other states.

**Northeast Basic Health Services I.** The main objective is to improve the health status of the rural poor in four states of the Northeast. The project's secondary objective is to improve the efficiency of providing basic health services in these four states. Approximately 3.6 million small farming families and other poor peasant families living in the rural areas of the Northeast are the beneficiaries.

To achieve its objectives, the project will (a) improve the organization and use of resources for delivering a package of three programs of essential basic health services: (1) a program of comprehensive care for women and children (including family planning); (2) a program of infectious disease control; and (3) a program of walk-in as well as hospital-based medical care; (b) improve and expand the network of basic health facilities; (c) strengthen the institutional capabilities of the State Secretariats of Health and the Ministry of Health in the areas of strategic planning, administration and management, and logistical support to local levels; and (d) prepare a second-phase project for the other six states of the Northeast.

**Northeast Basic Health Services II.** Similar to NE Basic Health Services I, NE Basic Health II is designed to provide resources for strengthening basic health services in selected low-income areas and for improving the health status of rural residents in six Northeast states. It is expected to reduce the prevalence of certain health problems, especially diarrhea, pneumonia, pregnancy-related complications, malnutrition and infectious and communicable diseases, for over 10.3 million rural residents. Another 25 million residents will receive indirect benefits from system decentralization.

The project is comprised of (1) a package of three basic health programs, including comprehensive care for women and children, infectious disease control, and walk-in and hospital-based medical care; (2) improvement and expansion of basic health facilities; and (3) strengthening the capabilities of the Committees responsible for coordinating integrated health actions in the six states and of the health organizations that make up these committees.

**Metropolitan Areas Health Project II.** In addition to ensuring that the new Unified and Decentralized Health System (SUDS) leads to more spending on public goods and greater internal efficiency, this project aims to ensure a more equitable distribution of health services by ensuring that extension of services to the poor is given priority in the health investment programs of four metropolitan areas. Sao Paulo, Rio, Fortaleza and Recife have been selected on the basis of the number of poor families, population growth rate and percentage of poor.

The first phase of the project would involve implementation of strategic planning—organizational and spatial planning of services, policies for manpower, financing and programming—using existing physical
Infrastructure. Phase two would fund a period of the health investment program in each of the metro areas, primarily the extension of services to low-income areas.

Northeast Endemic Disease Control. This project is designed to assist the Government in a program to arrest the increasing trends of three endemic diseases (Chagas, schistosomiasis, leishmaniasis) in the Northeast, and reduce their prevalence to levels where they no longer constitute a public health problem. These diseases disproportionately affect the poorest segment of the population. The main beneficiaries will be the school-age children and the agricultural labor force, whose health status and productivity would be improved.

Amazon Basin Malaria Control. This project aims to reverse the deteriorating malaria situation in the area and the deteriorating health services for Amerindian populations. It will affect some 16.5 million people at risk for malaria in an area where access to health care has been inequitable and services inefficient, and improve basic health care for over 100,000 Amerindians. Malaria control should reduce the high human health costs of the disease as well as the loss in agricultural productivity.

Two of the components of the project are (1) a Malaria control program including surveillance, treatment of patients, education and community mobilization activities, and spraying and vector control activities, and (2) an Amerindian Health Program focusing on primary health care at the village level.

Low-Income Water Supply and Sewerage. The rapidly growing urban areas of Brazil require an extension of urban water supply and sewerage services which this project seeks to provide. The problem deficit is concentrated among the low-income urban population--21 million people in the poverty group are not served by water networks, 25 million are without acceptable waste water facilities. The improvement in environmental and health conditions in the urban peripheral areas, which this project will provide, could have a major impact on social welfare. For example, similar projects in the past have led to dramatic drops in infant mortality rates.

The main component of the project is a group of water and waste water disposal subprojects which, along with sanitary installations and technical assistance, will benefit 200,000 people with water and 700,000 with sewerage service. A special component for Campinas, intended to improve and expand the city's water supply system, will benefit 800,000 people. Overall, the project will extend water/sewerage services to 1.5 million people.

Water Supply Sector II (Sao Paulo and Parana). The Water Sector II project likewise offers an extension of water, sewerage and waste disposal systems to mostly poor people. It aims to improve environmental and health conditions in urban areas through the extension of these critically needed basic services. Other project goals include optimizing the allocation of scarce sector resources for new investment and the use of existing infrastructure; and developing new strategies to improve the viability of projects with high social but low financial returns.
Project components include selected water and sewerage subprojects, engineering and consulting services as required, technical assistance, and institutional development programs. About 4 million people, mostly poor, will be benefitted directly.

EL SALVADOR

Earthquake Reconstruction Project. The project consists of the following components: (a) Housing Lines of Credit: relocation, reconstruction and rehabilitation, of low-cost housing in the heavily damaged area that would benefit some 4,000 low-income families; (b) Schools and Public buildings: comprise (i) reconstruction of about 400 classrooms in San Salvador and Apopa; and (ii) construction of two-and three-storey office buildings for the Ministries of Justice, Planning and Public Works; (c) Roads and Public Services; (d) Micro-Enterprise Credits; (e) Training; (f) Studies and Technical Assistance.

The project is designed to assist low-income families with family income equivalent to three minimum salaries or less, in an integrated manner, by providing funds to restore access to basic needs--shelter and education--and to income generating activities.

GUATEMALA

Second Basic Education Project. The recently approved project would assist the Government in achieving its goal of providing a minimum of four years education to at least 80 percent of all six to nine year old. Specifically, the objectives of the project would be to: (a) increase net enrollment; (b) improve the quality and efficiency of lower primary education; and (c) improve educational management. Emphasis would be on the lower grades of primary education in rural areas.

The project would support the above objectives by: (a) expanding the capacity at the lower primary level and extending an existing distance education program to the upper primary level and increasing the demand for education through programs such as public campaigns and support for school nutrition programs; (b) providing learning materials including textbooks, teachers' training programs, and a program of studies to identify areas for further quality and efficiency improvements; and (c) strengthening administration at the regional and school level.

Municipal Development Project. Through stronger revenue administration and improved road maintenance, the project seeks to strengthen municipal management and finances. In addition, the project addresses social needs through the provision or rehabilitation of essential urban infrastructure to low-income groups in the Capital.

The project comprises: (a) updating a multi-purpose cadastre; (b) implementation of an Action Program for the Improvement of municipal
Administration and Finance; (c) a pilot program to provide basic municipal services and secure tenure in five low-income squatter communities, and rehabilitation and reconstruction of basic utility infrastructure in low-income residential communities throughout the metropolitan area; (d) a program of management improvements for road maintenance; and (e) a study of medium-term development priorities including improvements to the public passenger transit in the metropolitan area. The project also includes a component for rehabilitation of low-income housing plus pilot program to provide basic services to 6,500 families in squatter communities.

**HONDURAS**

**Rural Primary Education Management Project.** The targeting of project benefits to rural areas (where poverty is concentrated) would contribute to poverty alleviation. The project would help the Government establish a primary education management and development planning system to improve quality and efficiency in primary education, reduce repetitive and dropout rates, and enable more rapid extension of educational opportunities to disadvantaged rural and urban marginal families, within existing resource constraints.

**MEXICO**

**Social Impact of Agricultural Sector Adjustment.** The structural adjustment for agriculture will have both positive and negative impacts, though the former will far outweigh the latter. The major positive impact will be felt by: (a) the Government in form of fiscal saving, efficient public investment, a reduced parastatal sector, and better information and analysis in its policy making and evaluation; and (b) producers in the form of higher farmgate prices, and greater productive efficiency. The negative impact, much of which has already been felt, will be borne by high and middle-income consumers, while the impact on the poor will be redressed for now and the future by targeted food stamp program and other food and nutrition programs.

The program envisioned in the ASL attempts to target subsidies to the poor which will be sufficient to offset the effects of higher food prices, as consumer prices are raised above producer prices to eliminate untargeted subsidies. Based upon the purchasing patterns of the poorest 20% of the population, and the assumption of administrative cost and leakages of 25%, the initial subsidy of US$250 million annually, as contemplated by the ASL, would restore the purchasing power of the poor eroded by price increases since 1983.

**Health Project.** The project is the first stage of a long-term program whose ultimate objective is providing access to basic health care to the uninsured poor by improving the efficiency, cost effectiveness and coverage of state-run health care system. The project will support the decentralization process so as to help consolidate the state systems of health services (SESPA) in about eight states and would strengthen the MOH's institutional capability to
coordinate and support implementation of the decentralization strategy nationwide.

The project will help provide adequate basic health care to some 8 million uninsured beneficiaries in selected states. About one million do not currently receive any modern health services. The project will also help improve service delivered in the remaining decentralization states. Experience gained in the project will contribute to expansion of the project to other states.

Water, Women and Development Pilot Project. This project will be the Bank's first operation that will combine funding for water supply and sanitation facilities, health education, training for women in new skills, and support for productive activities by women. The link between the water and the income generating components is a crucial element of the project, because increase the possibility of success, especially since the main beneficiaries are low-income women. A project focusing only on income generating activities would have limited impact because the time and energy required by women to fetch water constrains them from taking advantage of credit and training opportunities.

The two main objectives of the proposed project are: (a) to improve the condition of women and the standard of the low-income population in Mexico by: (i) providing water, waste-water services and health education; (ii) developing income generating activities for women, and providing them with the necessary training and credit to carry them out; and (b) to assist the state governments to establish an appropriate system for financing and implementing water and sanitation project in low-income areas, including the strengthening of state water companies to assist the communities in operating their systems.

The desired benefits of the project are expected to reach about 200,000 people through the water supply component, while the households expected to benefit from the income generating component have been roughly estimated at 5000. Indirectly, however, the impact of the project will go substantially beyond the quantifiable beneficiaries. One reason is that the water and sanitation project are likely to result in the reduction of transmittable diseases. Another reason, is that the income generating activities supported under the project should serve to integrate poor women to the market economy, with demonstration effects in other communities.

Low Income Housing Project. Mexico has a large housing deficit, especially for the low income groups. Given that low income housing has not attracted the private sector, the government has stepped in with the objective of providing cost effective low income housing and improving cost recovery of low income housing finance. FONHAPO has been created with the mandate to implement this policy. The Bank's involvement in the project is to finance 50% of FONHAPO's lending program at the cost of US$600 million over the period 1989-95. The objectives of the loan, among others are: (i) to increase housing credit to low income households, and (ii) to improve FONHAPO's cost recovery and redirect subsidies to the poorest groups.
The project supports the investment programs of FONHAPO, a public agency that concentrates on least-cost housing investments directed toward the neediest portion of the Mexican population (those families with heads of household earning less than 2.5 times the minimum wage, or US$250 per month). FONHAPO serves as the financial intermediary, on lending government transfers and its own resources to states, municipalities, social and cooperative housing organizations and private groups which execute projects for the preparation and construction of serviced lots (sites and services), progressive housing units and home improvements. The number of poor families expected to benefit directly from the project is 150,000. The project also supports improvements in the level of FONHAPO's cost recovery, thereby gradually increasing its own contribution toward financing new investments.

BOLIVIA

Integrated Health Development Project. The principal objective is to implement a system of integrated health services, and specifically to: (i) improve central policy making and coordination of investment in health within a more coherent institutional framework for national health sector development; (ii) increase the effectiveness of health services through the development of appropriately trained human resources in health institutions; and (iii) support the extension of the basic health services with priority for the most vulnerable groups of pregnant women, lactating mothers and children under five years of age in the four most densely populated areas of the country.

The project would benefit up to 40% of the population currently without access to basic health services, particularly mothers and children under five years of age. It would also improve sanitary conditions in the project area. Sanitation would serve directly 136,000 persons, and larger communities would benefit from latrinization of schools and markets, and the upgrading of sanitation standards in the health facilities.

COLOMBIA

Community Child Nutrition Program. The loan aims at strengthening the "Hogares de Bienestar Infantil" program (HBI), focus its efforts more sharply, and help ensure its sustainability. Specifically, it would finance: (a) food for the children as well as imported materials that go into the production of Bienstarina (powdered milk, wheat and soybean); (b) equipment and supplies for the program; and (c) technical assistance and training components. A key project objective is to improve the effectiveness of the HBI program through the introduction of a comprehensive information system based on the Living Standard Measurement Study (LSMS). The project, in addition, seeks to strengthen community support and participation for the program through community education.

Benefits include the improved nutritional status of preschool children in the poorest urban neighborhoods of the country and substantial housing improvements for women who run community day care that
allows mothers of participating children to seek employment outside of their home. Moreover, a strong technical assistance component must help introduce more selective targeting as well as effective surveillance (to help continued implementation of the program by empirically proving results). The project must also incorporate community education and participation components to ensure grassroots support for HBI.

Second Subsector Project for Primary Education. The project focuses on rural and marginal urban areas aiming at improving resource management and mobilization for primary education, raising educational quality, and expanding access to school-aged children. Specific policy targets for primary education are to: increase (to 3%) the share of recurrent expenditures for non-personnel items; reduce costs per graduate (by nearly 30%); and increase local cost-sharing for primary education (from about 3% to 10% of school investments). In addition, the project would increase from about 20% to 35% the share of public education investment for the primary level during 1988-94, and direct 75% of investment for primary education to disadvantaged rural areas.

The project would raise the overall economic and social prospects of Colombian youth by substantially improving the quality of primary education, particularly in rural areas where the completion rates for students should rise from 20% to 60%. The project’s focus on improved use and mobilization of resources for primary education would not only contribute to long-term gains in efficiency and quality in the sector, but should also help to ensure the availability of adequate public resources for the widespread extension of basic education beyond the primary cycle.

DOMINICAN REPUBLIC

The 1989-91 Public Sector Investment Program. Two main categories of policy options are considered in the social sector which have a direct impact on the poor. First, policies required to improve the coverage and efficiency of the educational system. These include: (a) a more balanced allocation of public expenditure on education as between that for university students and that for other students, especially elementary and pre-elementary students; (b) increased cost recovery in the National University and the introduction of modest fees for schools supplies in the secondary and primary schools for non-indigent students; (c) greater incentives, including non-monetary ones (e.g., training) for teachers and school administrators; (d) upgrading of teaching methods and materials; (e) a major expansion in targeted school-based food programs; and (f) introduction of courses on hygiene and nutrition in elementary and secondary schools.

Second, policies to extend the coverage and augment the efficiency of the public health care system. These encompass: (a) systematic employment of user fees for the non-indigent population; (b) greater incentives for high- and mid-level staff; (c) improved management; (d) reform of medical education, with emphasis on training of medical support staff; (e) coordination and division of labor among public health care agencies, NGOs and private health care services; and (f) sustained mass media campaigns on family planning, hygiene, nutrition and simple preventive and curative health care.
HAITI

Health Project. The proposed project is designed to assist the Government of Haiti in improving the country's health status by: (a) providing primary care services to poor rural and urban communities in the Western region, following the national policy statement on health care delivery; (b) development of an integrated national tuberculosis control program; (c) support to the national AIDS Control Program; (d) institutional development at both regional and central levels; and (e) development of operational strategies in areas such as nutrition.

The project's main benefit, and thus its basic justification, would be to extend health service coverage and improve the health status of up to 1.5 million people in the Western health region, and control the spread of two major epidemics, AIDS and tuberculosis, nationwide.

Education Sector Project V. This project would aim at improving the quality and expanding coverage of primary education, with emphasis on the first four years, and enhancing the sectoral institutional capacity to achieve the above objectives.

JAMAICA

Population and Health Project. The principal objectives of the project are to assist the Government to: (i) achieve the objectives of National Population Policy namely, fertility reduction and integration of population concerns in the public and private sector development programs; and (ii) develop a more cost-effective health services delivery system in line with its Health Policy.

In order to achieve these objectives, the projects would assist the Government to: (i) strengthen the institutional capability of the National Family Planning Board (NFPB), the Planning Institute of Jamaica (PIOJ) and Ministry of Health (MOH) to plan and implement expanded population/family planning programs in public and private sectors; and (ii) improve MOH's capability to plan and operate a more efficient health services delivery system, and provide specific support for the analysis and adoption of measures to improve the financing of health care.

The project would also help to develop new sources of revenue for the financing of health services to supplement government contributions.

CHILE
Structural Adjustment Loan III. This loan continued Bank support for maintaining a sound framework for economic policy; in addition, it placed special emphasis on long-term capital markets, housing, social security, and health. The program has supported the Government's efforts to: (i) maintain macroeconomic policies that preserve international competitiveness and promote diversification of production and exports; (ii) increase public sector savings and promote the efficiency of public investment; (iii) complete the rehabilitation of the financial system and develop more fully long-term markets, with special attention to the pension funds to better allocate long-term savings for growth; and (iv) improve the pension program, and efficiency in the health care system to contribute to public and private savings and help protect low-income groups during the adjustment process as well as maintain investments in human resources. The program is expected to benefit the health sectors. The agreed continuation of the maternal and child health care system over five years is expected to further reduce infant and maternal mortality; and improve focusing of the milk distribution program. The Government also has substantially increased investments in health facilities and equipment.

ECUADOR

Family Health in Marginal Urban Areas. Project objectives: (i) provision of family health services by increasing access to primary health care and family planning services for the marginal urban population of Quito and Guayaquil; and (ii) sectoral development through the provision or training and technical cooperation at the national level to improve efficiency and ability to manage the health sector.

Provision of Family Health Services: The focus of this component would be an urban delivery model which would provide comprehensive services and be family oriented. Comprehensive services mean a complete array of preventive, primary and simple curative and rehabilitative care. These services would include: Immunization against six major diseases, oral dehydration therapy, control of respiratory infections, family planning, maternity care, growth monitoring, nutritional surveillance, and food supplementation, dental care, community education, epidemiological surveillance, and the provision of generic drugs and contraceptives.

In the northern peri-urban area of Guayaquil a local Hospital would be constructed and in the north of Quito a maternity service would be added to an existing hospital.

First Health Project. The project will have two components: (a) Provision of Family Health Services in the Urban Marginal Areas of Quito and Guayaquil, and (b) Sectoral Development. Under the first component it would organize, finance and delivery comprehensive family health services to marginal population in the slum areas of Quito and Guayaquil. These population are same of the most under served in the country, and do not benefit from the rural
compulsory service for health professionals or from the subsidized social security rural campesino program. They represent about 40% of the unserved population in Ecuador. The target population today stands at about one million but is estimated to increase to about 1.5 million in 1994. Under the second component, emphasis would be put the development of management system for the sector (drugs, information, maintenance), standardizing and coordinating investment and human resources planning and supporting the establishment of the local health system where the first component would be the initial application. The final proposal will be development along these lines and would include action plans and cost calculations.

The second component would focus on the National Health Council (CONASA) as a coordinating mechanism to create order in the sector. This would mean increasing its authority and providing it with the operational tools to accomplish this purpose. CONASA would develop an investment plan for the public and private sectors and calculate the recurrent cost implications of public sector investment; plan, initiate and monitor a sector-wide health information system; coordinate service delivery between MOH and IESS through the application of the interinstitutional coordination agreement signed by the two parties; support and advance the regionalization and administrative decentralization process in MOH and IESS; and carry out operational research studies, such as, efficient use of hospitals, the feasibility of charging user fees and initiating the practice under the proposed project, and evaluation of the impact of the project's first component on fertility reduction.

C. Analytical Work

ARGENTINA

Social Security: Macroeconomic implications of Possible System Deficits. The objective of the work is to identify the potential for fiscal imbalance in the Argentine social security funds that support retirement benefits and health care, and to determine what measures need to be taken to avert unanticipated demands for new taxes or general revenues in the period 1989 to 2000.

The project will analyzed current sources and uses that finance social security benefits and make projections of the majors variables that affect these sources and uses. It will simulate the impact of alternative policies such as restructuring of benefit entitlement, and reformulation of earmarked taxes on the wage bill.

The analysis will help anticipate potential demands on social security fund resources, and the derived demand for additional revenues. The study will also identify options that could limit the demands for benefits and hence ease a major source of risk for economic management.

BRAZIL

Women's Reproductive Health. Despite recent improvements, Brazil's maternal mortality rates remain high, especially among poor women in urban slums and in the Northeast. Provision of contraceptives is inadequate, and illegal
abortions are very common; estimates run as high as 1 abortion for every live birth. Induced abortion is the main cause of maternal mortality. Prevention screening and treatment programs for genital and pelvic infections and breast and cervical cancers are rare. Prenatal care varies widely by income group and region. Whereas 71 percent of all pregnant women in 1980 received prenatal care, only 45 percent of women with average incomes less than or equal to one minimum wage received such care. Unwanted births, high morbidity in adult women, and maternal mortality may be contributing to such social pathologies as abandoned children in urban areas.

This sector report will describe available reproductive health services and the patterns of use, from both the state and the private sector, and identify policy changes that would improve both equity and efficiency in the provision and financing of these services.

Secondary Education. Brazil has a strikingly low rate of secondary school enrollment compared with the average for middle income countries. As low as enrollments are, only 17 percent of those who start secondary school in Brazil manage to graduate, and repetition rates are high. Only 12 percent of secondary school students come from families with incomes below 2 minimum salaries. A high proportion of secondary school graduates (about 80 percent) go on to university, however; thus the secondary school system is an important winnowing point in the Brazilian education pyramid.

This sector report examines Brazil's investment strategy over the past several decades and considers the major policy issues for the future. It will examine the causes and consequences of quality variation among Brazil's secondary schools, including the implications for equity in and the extent to which supply constraints determine future earnings for students of varying socio-economic classes.

Education Policy. Growth and Distribution in Brazil. This research project is designed to examine the effects of education on economic development, growth, and distribution in Brazil. Brazil has a relatively low rate of investment in education relative to its income. This research seeks to answer the following questions. Has the low level of investment been a constraint on economic growth? Has the scarcity of educated labor contributed to a high inequality of pay? How substantial are the potential productivity and distributional benefits of a shift toward a more expansionary educational policy? What are the fiscal implications of such a shift? What is the potential for private financing of a more expansionary policy?

Poverty Profile. It has been almost a decade since the Bank examined the characteristics of the poor in Brazil. During this time period, there have been a number of structural changes in Brazil. Initial data suggest that the shape of poverty has shifted in the 80s. While the Northeast still appears to contain some of the poorest households in Brazil, urban poverty continues to increase in the large cities of the South. Meanwhile, there is evidence that uneven growth in the 1980s has slowed the progress achieved in improving living standards during the 70s. Resource constraints imply that interventions to help the poor must be carefully targeted. This requires a knowledge of who the poor are, where they live, what their household
composition is, where they work, their sources of income, what they consume, etc. To support implementation of the poverty alleviation objectives, a poverty profile for Brazil will be prepared.

**Labor Markets and Structural Adjustment.** EDI, in collaboration with Brazil COD has commissioned a review of the performance of Brazilian labor markets in the 80's and the implications for poverty and structural adjustment. The paper will describe the evolution of key labor market variables, relate these trends to the evolution of poverty, and analyze the effect of macro and structural adjustment policies on labor market performance. Special focus will be placed on the role of wage indexation policies in affecting macro outcomes.

**Evaluation of Rural Development Projects in Northeast and Northwest Brazil.** Over the last thirteen years, the Bank has committed more than a billion dollars to a series of rural development projects designed to improve the productivity of small farmers and raise incomes in the poorest areas of Brazil. All evaluators agree that the success of these projects has been mixed. This study utilizes the Bank's extensive experience to probe more deeply into the issue of how to design projects to reach poor farmers in Brazil. Through extensive field work and analysis, the study seeks to explain cases of good performance, drawing lessons for the future.

**Public Spending on Social Programs: Issues and Options.** Four major categories of options are considered: First, options to improve targeting of public spending, including charging those who can afford to pay for certain programs, and encouraging the provision of some services by the private sector, are discussed. Second, the major options to improve efficiency of public program, i.e., decentralization of service delivery to state and local government, are considered. Third, alternative means of financing social programs, including elimination of earmarking and reduce reliance on payroll taxes, are discussed. Finally, an enhanced role for the federal government in quality control and the provision of consumer information is advocated.

Possibilities for improved targeting include a shift in emphasis within certain sectors toward programs (such as primary education and basic health care) that assist the poor, and away from programs (such as university education and curative hospital care) that currently subsidize the middle-class and the rich. Targeting could also be improved by reorienting existing programs toward serving children, the rural poor, and other specific population groups, for example, eliminating such untargeted food programs as worker feeding and the wheat price subsidy; and by assuring that programs such as social security pensions and housing are fully finance by the assessed contributions of beneficiary groups. There are a number of mechanisms the government can consider to improve the targeting of public subsidies without reducing the size of such subsectors as university education and hospital care, which in an absolute sense may not be too large. These include greater use of user charges for those able to pay and more private sector provision of social services, accompanied by such steps as expansion of student loan programs, increased consumer information regarding private medical insurance, and deregulation of prices of private social services. Also proposed is decentralization of some federal programs to state and local governments to
encourage greater flexibility in the targeting of programs.

CHILE

**Chilean Social Development in the 1980s: A Policy Analysis.** The study underway seeks to contribute to the ongoing policy debate on key determinants of rapid social development in Chile through (i) an evaluation of the relative impact of major policies and programs in education, health, nutrition and housing sectors carried out in the public and private sectors on the quality of life of the most vulnerable subgroups of the population (i.e., families in the lowest 20 percent income decile); (ii) assessment more precisely of the direct and indirect costs of such social programs and the extent to which methods of financing meet equity and efficiency objectives; (iii) as appropriate, identification of refinements to existing financing mechanisms, incentives, administration and/or organizational structures, to enhance the overall efficiency and effectiveness of such programs particularly at the municipal level which now is the locus of social programming efforts; and/or the need for expanded or new programs to meet selected needs of the poorest subgroups; and (iv) to determine possible cost-effective investments and technical assistance interventions to support desired social objectives.

COLOMBIA

**Social Programs and Poverty Alleviation: An Assessment of Government Initiatives.** This study was designed to help the Government focus on designing and implementing short-term, quick-impact, basic needs types of programs. Its objectives are to evaluate and make recommendations on the Government's new short-term interventions in the areas of nutrition and health, low income housing and primary education. The study also focuses on the statistical work underlying the Government's poverty interventions and emphasized the needs for developing and refining the statistical tools. The Government needs more operational criteria for defining poverty, measuring its magnitude and targeting program beneficiaries more selectively.

**Informal Sector/Poverty Study.** Designed as the second phase of the Bank's work on the Government's "War on Poverty" Plan (PLPGE), the objective of the Study is to provide input into the work of the President's Office and DNP charge with formulating policies and Programs for improving the incomes of the urban poor. The Bank is paying special attention to the conditions of low-income urban households headed by women who constitute the poorest and most vulnerable groups in Colombia. Specially the Study will (a) review ongoing Government and NGO programs of training and technical assistance and other forms of support for low-income, non-skilled workers (e.g., street vendors, domestic servants, casual construction workers, etc.) as well as small independent producers/contractors, (b) assess the possibilities of expanding subcontracting arrangements and commercialization schemes for expanding opportunities for the target group of urban workers and strengthening their links with the formal economy, (c) examine the legal implications of subcontracting and marketing arrangements between independent workers/producers in the informal sector and large enterprises in the formal sector, and (d) make recommendations on new initiatives to be included in the
Government's poverty alleviation programs.

JAMAICA

**Emergency Reconstruction Import Loan**: The loan is being disbursed against a list of imports which has been designed to support the emergency reconstruction programs in low income housing, agriculture and public infrastructure. It is financing: (i) construction and building materials and equipment; (ii) selected transport equipment for public agencies; (iii) selected agricultural supplies; and (iv) equipment and materials for electric power restoration. These categories were developed in close coordination with financing available from other sources. The loan also includes appropriate mechanisms and procedures to: (i) ensure that implementation of the major program components follow appropriate reconstruction standards; (ii) review possible mechanisms to mitigate the impact of a similar catastrophe in the future; (iii) establish and monitor eligibility criteria and supervision mechanisms for low-income assistance programs; (iv) ensure that rebuilding activities take place according to sound economic principles; and (v) coordinate the financing and implementations of the whole program on a continuing basis.

Benefits: The emphasis on low-income groups in addition to public infrastructure is appropriate, as these groups are the most extensively affected by the hurricane and have little protection or savings to meet their needs. The loan is providing needed balance of payments support to meet the import requirements of the reconstruction program at a crucial time when export earnings have declined and import requirements have increased substantially.

MEXICO

**Nutrition Study.** This addresses the main problems and options in the sector. These are: equity and efficiency of the health services, and resource mobilization.

The National Development Program established the basis to confront these and proposed a realistic objective to eliminate the gaps in health and nutrition. Effectiveness and efficiency can be reached by the adoption of a global decentralizing policy and with the objectives proposed by the National Health and Nutrition Program. To increase resource mobilization it is important to improve the transfer mechanisms between the federal, state or local levels. Also it is necessary increase the central government capacity for support and follow the services development to assure that the public sources of finance assist the poor.

**A Strategy for Poverty Alleviation in Mexico.** This work addresses the long term structural problem of poverty in the context of recent Mexican Adjustment efforts. The impact of fiscal retrenchment in Mexico on social sector spending is traced out. A poverty profile is presented at the sectoral level. Policies affecting the rural and urban poor are analyzed and poverty alleviation measures, consistent with the current reform effort, are pointed
out. Important components of a social sector program such as nutrition support and the provision of primary education and health, are reviewed with a preliminary attempt at cost estimates of remedial measures.

**Regional Development Study.** This study is being carried out to review selected past rural development projects and to identify current major issues for possible Bank support to Mexico's new program for rural/regional development. The study has focused on four of the poorest states of Mexico, Oaxaca, Guerrero, Hidalgo, and Chiapas to recommend programs for directly productive activities as well as for social sector support. An important focus of the study is fiscal and financial decentralization to improve policies aimed at the poor and to increase resource flows.

**VENEZUELA**

**Public Policy Options: The Social Sectors: Education, Health, Nutrition.** The report recommends a realignment of expenditures to better help the poor, through such measures as: Increase expenditures on primary education (increase provision of textbook and materials; a salary differential for teachers in marginal and rural areas), while expenditures at the university level are reduced or held constant (perhaps through some selective cost recovery from the richer students, increased emphasis on private universities). Other measures include a reallocation of expenditures and personnel from modern hospitals to clinics in the urban barrios and rural areas. Provide salary differential to doctors and nurses working in these clinics and shift medical training to general practitioners and nurses, away from specialists. A shift from general food subsidy programs designed to keep food prices low (through subsidization of fertilizers, imports, animal feeds), to targeted food stamp program would directly assist the poor. For about one-third more than current food subsidy cost, one could have a program where the poorest 20% of all households would receive food stamps covering 60% of their basic food cost, and the next poorest 20% would receive food stamps covering 30% of basic food cost. Such a program should first be tried experimentally in several communities, and then built up to nationwide coverage over 2-3 years.

The report also advocates better targeting of food supplement programs as school lunches and programs for pregnant and lactating women, by focussing on barrios and rural areas. Introduce new programs (similarly targeted) for pre-school age children.

Other measures include the possibility of child care centers for 0-4 years old in marginal areas (along lines of Colombia's "bienestar" program), and better use of school facilities for integrated community-based programs of education, health, and nutrition, including for pre-school age children and adults.

**D. CROSS-COUNTRY STUDIES**
Feeding Latin America's Children. Many countries in Latin America and the Caribbean region have inadequate nutrition programs, given the serious problems of malnutrition that persist despite forty years of economic growth, urbanization, and industrialization.

This paper reviews targeted nutrition programs in selected countries of Latin America and Caribbean region to answer three questions: First, how many children and mothers suffer this situation? Second, what are governments doing about this situation? and third, what gaps in the policies and programs need immediate attention to lessen this suffering? The brief answer to these questions are as follows:

Malnutrition affects about one third of children and mothers, with incidence highest among the rural and poor public health education services. Governments vary widely in the range and effectiveness of efforts to address this problems: General food subsidies, offered in many countries, are not effective in reducing malnutrition; maternal and child health services offer an effective vehicle for providing food to pregnant and breastfeeding women and to clinic visitors under school age. School breakfasts and lunches offer a good means of including poor children to stay in school while assuring that their learning capacity is not diminished by the pain of hunger.

The nutrition situation varies substantially, with Uruguay, Costa Rica and Chile having eradicated most of the worst cases of malnutrition, while Guatemala, Haiti, and Honduras still have a serious problem. But the nature of malnutrition policy differs substantially. Some countries need to increase resources assigned to existing programs (like Haiti and Guatemala); others need to reformulate program objectives so that currently-available resources can be redirected to the needs of the poor and vulnerable (like Brazil and Venezuela); a few countries need to start programs where none now exist to feed poor children who may otherwise lead unproductive, even disabled, lives (like Peru and Panama).

Does Public Social Spending Protect The Poor in The Latin America? This initiative will enhance the Bank's capacity to help LAC governments target limited resources for social spending on poor and vulnerable groups. Because resources are so limited, improvements along these lines, rather than the more traditional answer of expanding government resource mobilization, offer the best hope for protecting the poor. The demands for public social spending imperil macroeconomic stabilization efforts. Public health care rarely reaches the rural poor, and the rural schools are inferior in most respects to urban ones. Through its policy dialogue, and with its emphasis on poverty alleviation during the adjustment process, the Bank could tilt public social spending toward greater efficiency and equity.

Social Security in Latin America: Options to Enhance Efficiency and Equity. Social security system pose a number of problems and opportunities affecting Bank operational work. These system tax and spend up to 10 percent of GDP in some countries of the region, and in so doing affect the equity of social service availability, and the overall efficiency of areas as diverse as health care, housing, and credit conditions. System deficits, on a more or less distant time horizon, threaten adjustment and stabilization programs. Capital
resources of the semiautonomous institutes have proven to be a temptation to governments that deplete potential earnings by limiting portfolio choice, even as future obligations outgrow prospective payroll taxes; poor management of investable funds also undermines domestic capital markets in several countries.

The objective of the proposed work is to improve the efficiency and equity of social security systems in the countries of the LAC region. The project will identify country-specific program reforms aimed at this objective.

**Primary Education Quality.** Gross enrollment ratios in primary education in Latin America are near 100 percent. Yet repetition and dropout rates are among the highest in the World. Only one half of a given age cohort complete the six grades of primary education. In rural areas this statistic is as low as 20 percent. These outcomes are related to the poor quality of primary education offered in the region.

The purpose of the study is first to assess the current state of the quality of primary education in Latin American countries. Second, it will propose cost-effective means of improving the quality of instruction, with special emphasis to increase the access of the poor to better primary schools.