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August 12, 1988

To: Members of the Committee of the Whole
for the Development Committee

From: The Acting Secretary

Subject: Strengthening the World Bank's Poverty Focus - Future Directions

Attached for the consideration of the Committee of the Whole is a paper prepared by the staff of the World Bank on "Strengthening the World Bank's Poverty Focus - Future Directions."

The joint Fund-Bank report on poverty issues will be circulated shortly.

Att: (1)

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International Bank for Reconstruction and Development

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SecM88-931

FROM: The Deputy Secretary

August 5, 1988

Development Committee Meeting - September 26, 1988

Strengthening the World Bank's Poverty Focus: Future Directions

1. Attached is a paper entitled "Strengthening the World Bank's Poverty Focus : Future Directions" for consideration by the Executive Directors meeting as a Committee of the Whole on August 30, 1988.
2. This is a background paper for the meeting of the Development Committee scheduled for September 26, 1988.
3. A short note, prepared jointly by the Bank and Fund staff, summarizing the main findings of the attached paper as well as those of a Fund staff paper on poverty and adjustment, will be circulated to Executive Directors in several days. This note will also present a few issues for discussion by the Development Committee. The Fund staff paper will also be circulated in several days.
4. Questions on this paper should be referred to Mr. Alexander Shakow (Ext. 34697) or Ms. Helena Ribe (Ext. 34798).

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STRENGTHENING THE WORLD BANK'S POVERTY FOCUS: FUTURE DIRECTIONS

Introduction

1. In April 1987 the Development Committee considered a paper prepared by World Bank staff entitled Protecting the Poor During Periods of Adjustment.¹ In expressing support for the approach set forth in the paper, Development Committee members asked that the subject be revisited by the Bank and broadened to cover a wider range of poverty-related issues. This paper seeks to fulfill that request and to complement an IMF paper -- also presented at this September 1988 meeting of the Development Committee -- focused on adjustment and poverty.

2. This paper first discusses the poverty situation in developing countries, stressing the progress made in recent decades despite continuing growth in the numbers of people living in poverty. It reflects on the particularly difficult experience of the 1980s and the uncertain prospects for the future, necessitating special measures to address problems of the poor. The remainder of the paper focuses on the evolution of the World Bank's activities towards strengthening its support to developing countries to ensure

1/ Protecting the Poor during Periods of Adjustment, Development Committee, pamphlet number 13, Washington, D.C., August 1987.

that development reaches the poor, both in association with adjustment programs and more broadly to help borrowers strengthen their overall efforts to stimulate economic growth and address systemic poverty. Ministers' support for this expanded program emphasis is sought.

Poverty Situation: Trends and Prospects

3. Until the late 1970s steady progress was made in many countries in the fight against poverty, reflected in improvements in per capita incomes and social indicators. This progress was due to efforts by developing country governments, assisted by the international community, and to global economic expansion. Nonetheless, exacerbated by rapid population growth rates, the total numbers of people living beneath the poverty line continued to mount.

4. But global and domestic economic problems, such as fiscal and trade imbalances and overwhelming debt burdens, have led to stagnant or negative growth in many developing countries during much of the 1980s -- and even earlier in Sub-Saharan Africa. This economic decline largely halted and in many cases reversed the advances in poverty reduction achieved during preceding decades, particularly in low-income Sub-Saharan Africa, Latin America and some parts of Asia. The deterioration, coupled with limited growth predicted for many developing countries in the next decade, creates enormous challenges for future efforts at poverty reduction.

5. The Dimensions of Poverty. It is crudely estimated that about 950 million people live in absolute poverty worldwide. No part of the developing world is spared, with a little more than half living in Asia (around 500

million, mostly in India, China and Bangladesh), and about a third in Sub-Saharan Africa (around 280 million). Of the remainder, about 85 million poor are in North Africa and the Middle East and about 80 million in Latin America.

6. Many of the poor share common characteristics. They are malnourished and suffer high incidence of disease leading to short life expectancy and high rates of infant mortality. They include a disproportionate share of rural and female-headed households. They lack sufficient land and other physical and human assets.

7. The poor are not, however, a homogeneous group. Vast differences exist within regions and countries in terms of what the poor do and where they live. One prominent group is composed of small, marginal farmers who own some assets but have very low productivity. Many live in Sub-Saharan Africa where land is in relative surplus, but the soils are of low quality and poor farming methods and inputs are used -- often due to inadequate research; their situation is worsened by inappropriate government policies, weak institutions and inadequate skills.

8. There are also many poor people, mostly in Asia and Latin America, who lack assets and for the most part are landless and marginal farmers or informal workers in cities. Many of these poor, particularly the informal workers, suffer as a result of policies that often favor large-scale, capital-intensive enterprises. Another major group, mostly in Asia, are tenant farmers and receive very low returns for their work.

9. Trends in the 1980s. During the 1980s the world economy in general and a large number of developing economies in particular experienced a severe and prolonged recession. This was particularly the case in the highly indebted countries and in Sub-Saharan Africa. Most of Asia weathered the external shocks relatively well during the period because they had many of the appropriate macroeconomic policies in place, or adopted them promptly when needed.

10. Declining per capita incomes have been accompanied by worsening social indicators. Precipitous declines in commodity prices have cut rural incomes, and governments have reduced their spending on social services. Although comprehensive data are lacking, scattered information from individual countries confirms the general impression of deteriorating social conditions in many developing countries. UNICEF has drawn attention to the fact that where economies stagnated the poor suffered, noting a sharp and widespread reversal in standards of child health, nutrition and education. Other sources show that in 21 out of 35 low-income developing countries, the daily caloric supply per capita was lower in 1985 than in 1965. In Sub-Saharan Africa, between 1979 and 1983 life expectancy fell in 9 countries and primary education enrollment ratios declined in 12 countries. In most of Asia, despite their relative economic progress, the numbers of poor have continued to increase. In the Middle East and North Africa, in recent years real wages fell and unemployment rose at a time when many migrant workers were being forced to return to their countries of origin. In Latin America, per capita

income fell and the aggregate supply of calories declined in 18 countries with more marked reductions in the poorest countries.²

11. Countries facing economic crises witnessed a general preoccupation with macroeconomic imbalance and the debt crisis that often overshadowed poverty concerns. This macroeconomic focus was partly due to the need to introduce adjustment and stabilization programs and partly due to a perception that once growth had revived, progress in poverty alleviation would resume. Although many developing countries had few alternatives to adjustment and some groups benefited (e.g., including relatively poor groups such as small farmers in Africa), many vulnerable groups inevitably suffered as austerity reduced the availability and affordability of social services, eroded real wages, and reduced public sector employment.

12. The addition of new groups to the absolute poor and the persistence of absolute poverty in countries suffering economic crises increased the urgency of the poverty problem. By the mid-1980s, broad experience with adjustment revealed that given the time and effort required to turn deeply troubled economies around, it would be morally, politically and economically unacceptable to wait for resumed growth alone to reduce poverty. In addition, growing poverty in Asian countries where macroeconomic crises were absent and where a majority of the world's poor reside, highlighted the need for new

2/ See: Adjustment with a Human Face: Vol. 1, Protecting the Vulnerable and Promoting Growth, eds. Cornia, Jolly and Stewart, (New York: Oxford University Press, 1987); World Development Report, World Bank, 1988; The World Bank's Support for the Alleviation of Poverty, World Bank, 1988.

approaches to long-standing, very difficult, poverty problems. These realizations helped increase the attention to poverty concerns in the international development community, with a new focus on the necessity to address poverty within limited growth prospects and constrained budgets.

13. Prospects in the Short and Medium Term. Growth is expected to remain weak at best over the medium-term in most developing countries outside Asia. According to the base case scenario in the 1988 World Development Report, per capita incomes in developing countries are likely to stagnate or increase only slowly from their current low levels, mostly due to a continued slowdown in demand for their exports and the expected high real cost of servicing foreign debt. The weak oil market should continue to constrain growth in oil-exporting countries. Latin America as a whole is likely to barely re-establish its 1980 per capita income levels in 1990 even under optimistic assumptions concerning capital flows, interest rates and international trade. In Sub-Saharan Africa, GDP per capita in 1990 and 1995 is projected to be lower than in 1973 and 1980; more than two decades of growth will have been lost for the majority of poor African countries. In India and China, however, the prospects for growth are good.

14. Achieving higher growth in developing countries depends not only on improved domestic policies but on stronger growth in the industrial countries (which in turn depends on their implementing structural reforms), and on a more receptive environment for developing country exports. There can be no sustainable improvement in the position of the poor without long-run economic growth. Stronger international leadership is thus needed to expand markets

for developing-country exports, increase the flows of external resources and reduce the burden of external debt.

Strengthening the Bank's Poverty Focus

15. The World Bank has long been committed to the alleviation of poverty and has learned many lessons from its experience. Yet, despite considerable progress (such as the remarkable increase in food production in South Asia), the Bank has learned that addressing poverty problems successfully is extremely difficult. Some attributes of poverty, for example, require social, political and cultural changes which may take generations to address and be affected only marginally by government or Bank interventions. A major issue is that of population growth; reducing rapid population growth is essential to reversing the stagnation of per capita incomes and promoting lasting development which will ensure improved welfare for all.

16. In response to accumulated experience and to changing circumstances, the Bank's approach to poverty alleviation has evolved over time.³ Efforts to reach the poor have in the past emphasized the need to improve efficiency and increase productivity and growth, especially in the sectors where the poor predominate or that provide services to the poor. Rural development and agriculture, social sectors, urban development and small-scale industry have been frequent choices for investments, technical assistance and institutional reforms. Growing frustration with the difficulties of reaching the poorest through large scale investments has also led many countries to increase the

3/ See The World Bank's Support for the Alleviation of Poverty, op. cit.

emphasis on targeted employment, food, and social programs, often with significant participation of non-governmental organizations (NGOs). On the macroeconomic level, governments have adopted specific policies and investments designed to reach the poor over the long term. All three approaches -- priority investments, targeted programs, and macroeconomic policies -- have contributed to poverty alleviation in important ways, and such efforts need to continue as part of a comprehensive anti-poverty effort.

17. But as the task of reducing poverty has become more complex in recent years due to the persistence and depth of economic problems facing most of the developing world, the World Bank has brought a more direct focus on poverty alleviation into its lending and research. This approach requires that growth policies be supplemented by clearly defined poverty alleviation objectives and programs. It also requires extension of the relationship between adjustment and poverty beyond compensatory programs to meet short-term social costs. This approach also recognizes that environmental degradation and its implications for sustainable development are important elements of poverty alleviation programs. The close links between poverty and environmental degradation have been discussed in two recent reports to the Development Committee⁴ and is also addressed in an annex to the President's Report prepared for this meeting of the Committee.

4/ Environment, Growth and Development, March 16, 1987, DC 87-5; and Environment and Development: Implementing the World Bank's New Policies, March 22, 1988, DC 88-5.

18. President Conable's Annual Meetings address to the Board of Governors in 1987 rededicated the World Bank to a more effective role in combatting poverty. As a follow-up, two operational task forces -- on Poverty Alleviation and on Food Security in Africa -- were established to explore ways to sharpen the Bank's operational focus on poverty and improve the overall impact of its activities. The two Task Force reports, discussed by the Board of Executive Directors in late July 1988, reflect the experience to date in these areas and provide a framework for implementing a more focused approach to poverty alleviation and food security.

19. The sections below describe the operational actions the Bank is undertaking to expand the scope, coverage and effectiveness of its anti-poverty programs. They include initiatives in the context of adjustment lending as well as poverty alleviation and food security programs.

Adjustment and Poverty Alleviation

20. The World Bank has, through its structural and sector adjustment lending, become actively involved in developing and supporting programs to address structural weaknesses which accumulated over many years as a result of poor economic policies and weak institutions. Structural adjustment loans (SALs) have generally supported programs designed to increase efficiency economy-wide through changes in pricing and trade policies, in the size and structure of government expenditure, and in the extent of the government's controls on productive activity. Sector adjustment loans (SECALs) support more narrowly focused programs of reform and restructuring, ranging from major

policy changes in sectors such as trade or agriculture to the establishment of an appropriate framework for investments in a sector such as energy or education.

21. While there has been a wide variation in performance, most adjusting countries have endured historically low growth rates while they adjusted. This has contributed to declines in per capita consumption and social expenditures, as well as stagnation or decline in caloric intake per person during the 1980s. Yet these aggregate costs seem largely unavoidable given the severity of the shocks endured by adjusting countries. A recent major Bank study suggests that while adjusting countries may have suffered economic declines, these declines were less than those suffered by non-adjusting countries -- and this applies to the high debtors as much as to adjusting countries as a group.⁵

22. The impact of adjustment programs on the poor was explored in detail last year in the Bank paper Protecting the Poor During Periods of Adjustment discussed by the Development Committee at its April 1987 meeting. Since that time Bank staff and governments have gained greater experience in design and implementation of programs as discussed below.

23. Addressing Social Costs. There are three specific ways in which the Bank can help countries to design programs that assist the poor during adjustment. First, the adjustment programs themselves can be redesigned when the poor suffer unnecessarily from some specific policies.

5/ Report on Adjustment Lending (forthcoming), World Bank, July 1988.

24. For example, a typical element of adjustment programs involves raising agricultural producer prices and reducing food subsidies. These changes tend to raise food prices and thus hurt the urban poor and rural landless. But these groups can be partly protected. The producer price for certain food crops can be increased more slowly. Or subsidies on nutritional food-grains consumed by the poor can be maintained or even increased. Alternatively, a targeted nutrition program can be introduced where feasible (see paragraphs 34-38 below).

25. In order to reduce the macroeconomic cost of such modifications and to preserve incentives for farmers, the subsidies (on foodgrains) may be the better option. These of course have a budgetary cost, as well as an efficiency cost resulting from "overconsumption" of the subsidized commodity.

26. The budgetary problem is not necessarily insuperable. There is sometimes scope for raising taxes as a means to pay for popular poverty programs. The Tunisian Government, for example, tried in early 1984 to reduce its expenditure on food subsidies by more than doubling the price of wheat products. This increase would have reduced the real incomes of the very poor by about 20 percent (assuming no change in consumption patterns). Protests at the increase started in one of the poorest regions of the country and quickly spread. In response, the Government decided to introduce the increase gradually and recoup the extra budgetary cost by additional taxes on oil, alcohol, salaries, business profits and imported luxuries.

27. Future adjustment programs will examine ways in which the burden of adjustment on the poor can be eased. Bank staff are looking closely at the effects of different policy combinations on the poor, particularly when reductions in budget deficits are recommended. Such issues are best considered in the course of the public expenditure reviews which are routinely carried out in the preparation of many adjustment loans.

28. In order to help participating governments in Sub-Saharan Africa to integrate social dimensions in the design of their adjustment programs, the Bank has initiated, with the collaboration of UNDP, the African Development Bank and some bilateral donors, the Social Dimensions of Adjustment (SDA) project. This project seeks to help governments to integrate social dimensions in the design of their adjustment programs. The project aims to support governments in the design and implementation of improved adjustment programs, including specific policies and programs to foster the participation of the poor; strengthen the capacity of governments to conduct policy studies on the social dimensions of adjustment and to develop and maintain adequate statistical data bases for the design of projects to alleviate poverty. In several countries (e.g., Chad, Guinea, Madagascar, and Zaire) the project is supporting the design of programs as the basis for social components of structural and sectoral adjustment programs. To date, formal requests for participation in SDA have already been received from twenty-five Sub-Saharan countries; project activities have been appraised in eight countries and have been identified in seven additional countries.

29. Second, when reductions in social expenditure are necessitated by unsustainable fiscal deficits, social expenditures which disproportionately benefit the poor -- including expenditures on targeted food subsidies -- should be maintained whenever possible, and other expenditures should be better targeted.

30. In Korea, for example, subsidized medical programs aimed at the poor were expanded during the adjustment period, and other poverty programs were maintained. Unlike many other countries, Korea's mortality and poverty indicators improved steadily during the adjustment period. In Chile improved targeting of social expenditures contributed to a continued decline in infant and child mortality rates during a period of recession and adjustment despite a 5 percent fall in government expenditures.

31. The Bank has already supported this type of redirection of social expenditures in a number of countries. In Chile, SAL III supports continued government efforts at reform in the allocation of social expenditure, particularly government expenditures on maternal-child nutrition programs. In many cases it may also be appropriate to assess the composition, effectiveness and equity implications of sectoral public expenditures. In Morocco, for example, a sectoral adjustment loan has supported reform in the education system. The reform is making education more cost-effective, and at the same time increasing the equity of education by devoting a larger share of resources to primary and lower secondary schooling -- with a focus on schooling in rural areas, particularly for girls. In Morocco, the Bank is also encouraging better targeting of food subsidies. General subsidies are

being eliminated and replaced by programs targeted on the urban poor and rural landless. The targeting is achieved in two ways: one is indirect through controlled marketing at subsidized prices of a type of flour which is nutritionally superior but regarded as inferior (and thus not eaten by the better-off); the other is an increase in the coverage of existing (and cost-effective) targeted food distribution schemes.

32. In Niger, a Structural Adjustment Loan is supporting a restructuring of the public expenditure program. Higher user charges for services used primarily by the better-off, such as tertiary education and curative health care, are being introduced, and the savings generated are being channeled into the expansion of services such as primary education and preventive health services which benefit the population as a whole. In Guinea the Bank is encouraging a greater emphasis on rural health care and primary education. In Costa Rica the Bank has proposed that future structural adjustment lending would support targeting of social expenditures on the poor. In Guinea-Bissau health and education targeting is expected to be supported by Bank credits. Comprehensive social sector adjustment loans have been proposed in Argentina, Brazil and Jamaica.

33. The Bank is also assisting the reallocation of social expenditures through public expenditure reviews. For example, public expenditure reviews for Brazil, Nigeria, Zambia, and Ghana have recommended redirecting social sector expenditures towards the poor.

34. Third, where adjustment has immediate costs for identifiable poor groups, short-term compensatory programs are encouraged.

35. While such programs need careful design, a growing body of experience shows that properly targeted social programs -- focusing on improving nutrition and reducing unemployment by facilitating the redeployment of labor -- can be cost-effective in widely different situations. Following successful support in the 1970s and early 1980s for targeted social programs in Colombia, India, and Indonesia, the Bank has recently emphasized the potential that such programs have for alleviating social costs. Such programs include Ghana's Program of Actions to Mitigate the Social Costs of Adjustment (PAMSCAD). The program includes employment generation through public works and food-for-work projects, and supplementary feeding and nutrition education targeted at malnourished children. Support is being provided by the Bank and a wide range of other donors, and extensive use will be made of community initiative projects and NGOs.

36. In Bolivia the Bank is supporting an Emergency Social Program. The Program includes both emergency relief through food distribution and vaccinations, and employment generation through road maintenance, small-scale irrigation and other productive projects. The projects will be implemented through municipalities, non-governmental organizations, cooperatives and other community organizations.

37. In Senegal, a condition for release of the second tranche of SAL III is the successful operation of a fund to help retrenched workers. In Guinea the Bank is supporting a program that includes severance payments for laid-off public sector employees, lines of credit for small and medium-scale enterprises and labor-intensive public works projects. In Guinea-Bissau a

Social and Infrastructure Relief project is intended to help those hurt by the adjustment process.

38. A number of other targeted projects are under consideration. In Mexico, the Bank is supporting a scheme to target food subsidies. Requests for a program of targeted interventions are being discussed with the governments of Sri Lanka, Colombia, the Philippines and Bangladesh. Work is also in progress for the preparation of a multistate nutrition project in India. Nutrition sector work just completed for Ghana, and scheduled soon for Mali, Mauritania, and Burkina Faso, might also lead to Bank support for government nutrition programs. A Manpower Training project retrains and relocates retrenched workers in Mexico.

Poverty Alleviation and Food Security Programs

39. As indicated above, absolute poverty is growing despite major efforts in recent years by all concerned. As a result, the Bank is taking steps to complement current programs and strengthen its support to developing country governments in their efforts to ensure that development reaches the poor. Following Executive Board discussion in late July of the reports of the operational Task Forces on Poverty and Food Security, the Bank will pursue a more focused and concerted approach to supplementing growth oriented approaches with clearly defined poverty alleviation and food security programs. Growth is absolutely essential to lasting poverty reduction, but growth alone is not sufficient to achieve this goal. Areas of complementarity between the twin objectives of efficient economic growth and the alleviation of poverty exceed those areas involving serious tradeoffs. There is abundant

evidence pointing to the economic feasibility of this approach. Pursuit of both objectives is therefore possible, indeed essential to lasting, stable and humane development.

40. The main features of the expanded poverty alleviation and food security programs are described below.

41. Poverty Alleviation. The Poverty Task Force report stresses that strong government commitment is a fundamental prerequisite to reducing poverty. The report also concludes that implementing more effective anti-poverty programs requires identifying those strategies and operations whose primary and immediate objective is the alleviation of poverty, particularly extreme poverty, and emphasizes the role of policies, sectoral programs, and institutions to reinforce sound investments. The objective would be to facilitate productive employment for the growing numbers of the poor, to endow them with more physical and human assets, to improve their access to affordable basic social services, and to reduce food insecurity. This approach will have to be tailored to individual country circumstances and would follow the preparation of poverty profiles for interested countries.

42. Priority areas for poverty alleviation would be identified within major sectors, and appropriate policies and programs would be designed to shift increased amounts of public, donor and non-government resources to these priority areas. Such approaches, most effectively launched on a sectoral basis, should be particularly feasible and effective for agriculture, nutrition, health and family planning, education and urban development. Operations which would be supported include targeted investments, policy-based

sector lending (for example, to improve the access of the poor to affordable basic social services or to essential resources for agriculture such as water, and to reform government agencies responsible for delivering inputs and services to the poor), interventions to improve food security, targeted micro-projects, and various poverty reducing operations undertaken in the context of adjustment programs.

43. In addition, the interrelationship between poverty alleviation and other sectoral and macroeconomic issues will be more fully reflected in country strategies developed with interested governments so that, as far as is practical, policies to alleviate poverty and promote growth are made mutually reinforcing. All Bank operations will continue to pay due attention to poverty alleviation even while dealing with growth, efficiency and adjustment as their more immediate concerns.

44. In order to implement strategies to reduce poverty more effectively, the Bank is making its practices in some areas more flexible and responsive to the needs of borrowers. First, "poverty program credit/loans" will be used where appropriate to support sectoral policies, resource reallocations and institutional efforts aimed at improving the welfare of the poor, especially the poorest of the poor. This concept, an important element of the intensified poverty effort, is being developed further by Bank staff.

45. Second, in most cases the evaluation of projects whose primary and direct objective is the reduction of poverty will be based on either cost effectiveness (least-cost) considerations (e.g. in education, population and health sectors) or economic rate of return calculations (e.g. in agriculture).

In exceptional instances, the project evaluation would be made on the basis of the existing Bank policy of using income distribution weights to calculate social rates of return.

46. Third, the Bank has dealt in a pragmatic way with various types of subsidies, recognizing that subsidies are justified when targeted on the poor. Such flexibility will continue to be applied in the case of more targeted poverty operations.

47. Expanded efforts will be required for identifying and designing programs targeted at the very poor including the lower castes, women and children, and the seasonally unemployed. In most instances, the appropriate focus will be on the analysis of priorities, the tradeoffs involved, alternative delivery systems and financial implications on a national scale. Stronger collaboration with NGOs, which is already much advanced as a result of recent Bank/NGO efforts,⁶ will facilitate developing more community-based programs providing productive assets, credit, training and employment. In other cases, efforts will have to be made to determine how operations can be better designed to reach regional pockets of poverty.

6/ NGO involvement in Bank-supported projects has been expanding gradually over a period of years, but the Bank is now making systematic efforts to understand and work with NGOs. The Bank's Senior Vice President for Operations has invited NGOs (in an April 1988 address) to be active partners in shaping their growing relationship with the Bank. The NGOs in the Bank-NGO Committee (which has been in existence since 1982) have become much more active than before in helping developing-country NGOs approach the Bank. Many member governments encourage NGO involvement in official development efforts, and the Bank has identified some 150 projects under preparation that seem likely to include a role for NGOs.

48. An effort will also be made to develop Core Poverty Programs (CPPs) for selected countries where poverty remains a serious problem and where there is a strong government interest and commitment. The CPPs would draw together the elements of the Bank's support for direct poverty reduction into an integrated package at the country level. Efforts to implement this approach are likely to be staff intensive and may have implications for the Bank's administrative budget, but it is premature to estimate the budgetary implications at this time. Should it prove feasible to establish this approach for a number of countries, the staff will estimate the costs of this effort, if any. In the short term, the costs of expanded efforts to address poverty problems will be met by reallocating resources from other Bank activities.

49. In addition to strong commitment by developing country governments, the success of the poverty programs will require similar support from donors. Effective poverty reduction will require incremental concessional flows to finance emerging programs, but estimates of resource requirements must await the preparation of detailed programs in a number of countries. In the short term, the primary funding source for poverty and food security programs will need to come from reallocations to such programs by all parties. Governments should be willing to improve the effectiveness of their public resource allocations and, where justified, be prepared to make necessary reallocations. Donors also need to review allocations of development resources and provide increased support to those programs which are particularly effective in stimulating growth and increasing benefits for the poor.

50. Food Security and Poverty. In Africa, a key element of poverty programs will be food security interventions. More than a quarter of Africa's population--over a hundred million people--do not get enough to eat, and the prospects for increasing real incomes of the food insecure are not promising. Most African economies are hampered by rapid population growth, face adverse terms of trade and an unfavorable economic environment, and are undertaking a series of politically difficult adjustment measures to re-establish the preconditions for economic growth, with limited administrative capabilities to handle even ongoing programs.

51. Attaining food security requires countries to focus more on the root cause of the problem, i.e. households having insufficient real incomes to acquire food, either through growing it or purchasing it. The Bank's proposed approach to achieving food security has two dimensions: ensuring adequate food supplies through domestic production or imports and that households have the capacity to acquire their daily minimum food intake requirements. Although the current focus of the Bank's food security action program is on Sub-Saharan African countries, elements of the program are also applicable to countries in other regions that have similar problems.

52. None of the individual food security proposals is new and many donors are at work in these programs. Diverse ideas and proposals that have been discussed separately and in various contexts over recent years are now placed together into a single action program in an overall framework that could facilitate implementation. What is new is a greater sense of urgency in implementation, a greater degree of consistency with on-going actions and programs, and a sharper focus on the food security issue in countries where

the problem is most severe. If the Bank could play a role in helping increase understanding of the causes of hunger in Africa, and channeling energy and resources into actions that have some reasonable prospect of helping solve the hunger problem, it would constitute an important step towards rebuilding the international consensus on the overall role of external assistance.

53. Given the magnitude and complexities of the problem, a partnership of developing countries agreements with concerned donors -- bilateral, multilateral, private -- is essential. The program offers opportunities, for example, for collaboration with the Food and Agricultural Organization (FAO) in establishing early warning systems and with the World Food Program (WFP) in enhancing the efficiency and effectiveness of food aid. The Bank's ongoing effort to bring governments and NGOs together at the grassroots level in a wide array of the poverty alleviation programs is an important element of this collaborative effort.

54. Ongoing efforts to promote per capita income growth through, for example, promoting agricultural growth, are an essential element of a sound food security strategy. These approaches will, however, take time and should be accompanied by additional elements. These include developing a more systematic and direct effort to identify and assist high risk groups, injecting more real external resources to finance cost-effective programs for the food insecure, building capacity for early warning detection and response to natural disasters, developing programs and policies that would stabilize incomes and prices, providing residual financing to help meet the storage and logistics needs of governments to cope with food aid flows, and strengthening institutional capabilities to deal with food insecurity problems.

55. In launching the food security action program at the country level, the Bank will seek to maintain an appropriate balance between the objectives of attaining long-term food security through growth-oriented projects and attaining short-term food security through measures to improve the ability of households/countries to cope with transitory food insecurity. For instance, in Sub-Saharan countries the Bank will continue to help expand agricultural production and improve the adequacy of the production support systems, while at the same time bringing a food security focus into its lending operations. There will be continued emphasis on population and family planning programs and direct investment to support the provision of adequate social services.

56. The World Bank is launching a new initiative to increase agricultural productivity in Sub-Saharan Africa. This initiative will focus on developing essential agriculture services on a national basis, improving local capability to manage these services, and improving the availability of appropriate technological packages through agricultural research. In the context of food security action programs, the focus on agricultural production will emphasize farmers who are at risk of food insecurity, especially low-income smallholders and women. These may include developing drought resistant food crops and targeted delivery of agricultural extension services to the food insecure.

57. The food security strategy also includes actions to improve women's economic opportunities and increase their food security. Since a significant proportion of farmers -- especially in Africa -- are women, agricultural growth will depend to a great extent on increasing women's productivity. Some initiatives are already underway. The Bank is studying ways of raising the

agricultural productivity of women farmers in Kenya, Nigeria, Zambia, and Burkina Faso. These country case studies will contribute to an "African women farmer initiative" which the Bank is planning to prepare in cooperation with other multilateral and bilateral agencies as well as NGOs. The Bank also intends to co-sponsor with other UN agencies a conference aimed at developing an action program to create greater economic opportunities for African women farmers.

58. Examples of Bank supported ongoing food security oriented efforts are found in Malawi, where under the SAL III Supplemental Credit, the Bank helped establish a food security unit which has been instrumental in coordinating the government's response to the current food shortages; in Mozambique, Benin, and Cameroon, where the Bank is currently preparing country specific food security action plans; in Mali where the Bank is assessing the impact of price and marketing policy reforms on food security; and in 25 African countries in connection with the Social Dimensions of Adjustment Program where the Bank is helping with the collection of household survey data which would help identify the food insecure.

Summary and Conclusions

59. The steady advance in poverty reduction in many developing countries which had taken place up to the late seventies was halted by the global economic crisis of the eighties, and earlier in Sub-Saharan Africa. Even in many Asian countries which did not suffer macroeconomic crises, the total numbers of people living in poverty continued to increase. The impoverishment

of broad segments of the population, and the realization that adjustment was going to take longer than previously anticipated, added emphasis to poverty concerns in the international development agenda. This emphasis underscores the need for new approaches to address long-standing poverty problems within limited growth prospects and budgets.

60. The World Bank has been redirecting its efforts to support developing countries to reduce poverty more effectively by bringing a more direct focus on poverty into the Bank's lending and research. Such an approach emphasizes that long-term growth, while necessary, is not sufficient for the alleviation of poverty at the desired speed. Benefits of national growth do not always accrue to those who are below the poverty line. Therefore, growth policies must be supplemented by clearly defined poverty alleviation policies and programs to assure that the benefits of growth reach the vast numbers of people in developing countries. Such an approach also requires that the relationship between adjustment and poverty be extended beyond addressing short-term social costs. In order to make this approach operational, the Bank is implementing initiatives in the context of adjustment lending as well as direct poverty lending.

61. The Bank can help countries during adjustment to design programs that address poverty problems by: (i) redesigning adjustment programs when the poor suffer unnecessarily from some specific policies; (ii) maintaining, whenever possible, social expenditures which disproportionately benefit the poor, and improving targeting of other expenditures such as food subsidies; and (iii) designing short-term compensatory programs that benefit identifiable poor groups affected by adjustment.

62. Direct poverty lending could support developing country government's policies and programs to facilitate productive employment for the growing numbers of the poor, to endow them with more physical and human assets, to improve their access to affordable basic social services, to reform government agencies responsible for social services, to reduce food insecurity, and to better target available relief funds to those most in need. If successful, these efforts could reverse the deterioration in standards of living of the poorest groups that has taken place during the eighties.

63. The success of these efforts will depend on strong commitment from developing country governments and will require a similar priority by the international community. Effective poverty reduction will also depend on the availability of sufficient concessional flows to finance poverty alleviation and food security initiatives.

64. But above all else, sustainable poverty reduction will not be possible without long-run economic growth in the developing world. Prospects for this growth are weak but could be improved by stronger growth in the industrial countries. Such prospects could also be enhanced by stronger international leadership to expand markets for developing-country exports, increase their inflows of external resources and reduce the burden of external debt.