

31105

Poverty Reduction and the World Bank

Progress in Fiscal 1999



Poverty Reduction and the World Bank

Progress in Fiscal 1999

The World Bank
Washington, D.C.

Copyright © 2000
The International Bank for Reconstruction
and Development/THE WORLD BANK
1818 H Street, N.W.
Washington, D.C. 20433, U.S.A.

All rights reserved
Manufactured in the United States of America
First printing November 2000
1 2 3 4 04 03 02 01 00

The findings, interpretations, and conclusions expressed in this paper are entirely those of the author(s) and should not be attributed in any manner to the World Bank, to its affiliated organizations, or to members of its Board of Executive Directors or the countries they represent. The World Bank does not guarantee the accuracy of the data included in this publication and accepts no responsibility for any consequence of their use. The boundaries, colors, denominations, and other information shown on any map in this volume do not imply on the part of the World Bank Group any judgment on the legal status of any territory or the endorsement or acceptance of such boundaries.

The material in this publication is copyrighted. The World Bank encourages dissemination of its work and will normally grant permission promptly.

Permission to photocopy items for internal or personal use, for the internal or personal use of specific clients, or for educational classroom use, is granted by the World Bank, provided that the appropriate fee is paid directly to Copyright Clearance Center, Inc., 222 Rosewood Drive, Danvers, MA 01923, U.S.A., telephone 978-750-8400, fax 978-750-4470. Please contact Copyright Clearance Center prior to photocopying items.

For permission to reprint individual articles or chapters, please fax your request with complete information to the Republication Department, Copyright Clearance Center, fax 978-750-4470.

All other queries on rights and licenses should be addressed to the World Bank at the address above or faxed to 202-522-2422.

Cover photo "Children in Dolpo, Nepal" from Frederik J. Van Bolhuis.

ISBN: 0-8213-4707-1

Library of Congress Cataloging-in-Publication Data has been applied for.

Contents

Acknowledgments **vii**

Abbreviations and Acronyms **viii**

Executive Summary **1**

1 Trends in Poverty Over Time **3**

- Global trends in income poverty 3
- Prospects for poverty reduction 3
- Social indicators for the poor 11
 - Education outcomes 11
 - Health outcomes and access to health care 13
 - AIDS 13
- What the poor say 14

2 World Bank Activities in Fiscal 1999 **17**

- Country Assistance Strategies 17
- Poverty reduction as overall goal of Country Assistance Strategies 18
- Use of time-bound performance benchmarks 18
- Poverty diagnosis 19
- Poverty reduction strategy and its formulation 20
- Impact of past assistance programs 20
- Poverty analysis 21
- Country-level poverty monitoring 25
- Project impact evaluation 26
- Poverty-focused lending 28
- Program of Targeted Interventions 29
- Poverty-focused adjustment operations 30
- Sharing global knowledge 31

3 Achieving Faster Poverty Reduction:**Elements of a Program of Action 35**

A program of action to help low-income countries fight poverty more effectively	36
Principles underlying the approach	36
Linking debt relief and concessional assistance to poverty reduction strategies	37
Debt relief	38
Concessional assistance from the IMF under the Poverty Reduction and Growth Facility	38
Concessional assistance from IDA	38
Strengthening the link between poverty diagnosis and strategies	39
Changes in the way we work	39
How is the process moving forward?	40
Initiatives to address constraints at the global level	41
Improving the global environment	41
Promoting global public goods	42
A program of action to empower communities	42
Collecting, sharing, and disseminating knowledge and building capacity	43
<i>World Development Report 2000/2001</i>	43
The Poverty Reduction Strategies Sourcebook	43
Sector Strategies	44
Conclusion	45

Annexes 47

A. Summaries of Completed Poverty Assessments, Fiscal 1999	48
Algeria	49
Armenia	56
Bulgaria	60
Burundi	66
Georgia	69
Haiti	73
Kyrgyz Republic	76
Macedonia, FYR	79
Nepal	88
Panama	90
Peru	97
Russia	101
B. Poverty Assessments, Completed and Scheduled, Fiscal 1989–2000	104
C. Poverty Assessments, Completed and Scheduled (By Country), Fiscal 1989–2000	105
D. Poverty Assessments Completed, Fiscal 1989–1999	106
E. Program of Targeted Interventions, Fiscal 1999	109
F. Poverty-Focused SALS and SECALs, Fiscal 1999	136
G. Poverty-Focused ERLs, Fiscal 1999	153
H. Annual Lending to Selected Sectors, Fiscal 1999	155
I. Household Survey Availability by Region	158

Bibliography 165**Tables**

1.1. Population living on less than \$1 a day and headcount index in developing and transition economies, selected years, 1987–98	5
---	---

1.2. Population living on less than \$2 a day and headcount index in developing and transition economies, selected years, 1987–98	5
1.3. Projected growth rates in real per capita private consumption and changes in Gini coefficients for 1999–2008, under scenarios of slow growth and rising inequality (scenario A) and inclusive growth (scenario B)	6
1.4. Number of people living on less than \$1 a day and headcount index in developing and transition economies, under scenarios of slow growth and rising inequality (scenario A) and inclusive growth (scenario B), 1998 and 2008	7
1.5. Number of people living on less than \$2 a day and headcount index in developing and transition economies, under scenarios of slow growth and rising inequality (scenario A) and inclusive growth (scenario B), 1998 and 2008	8
1.6. Estimated and projected population, 1998 and 2008	8
1.7. Share of poor and rich children ages 6–14 in school	12
1.8. Percentage of children in school	12
1.9. Under-5 mortality rates (deaths per 1,000 live births) in four countries	13
1.10. Percentage of the rural and urban ill population seeking treatment	14
2.1. Evaluation of CASs based on poverty focus, old criteria, fiscal 1996 to fiscal 1998	18
2.2. Evaluation of CASs based on poverty focus, new criteria, fiscal 1998 and fiscal 1999	18
2.3. Examples of quantifiable and time-bound progress benchmarks in fiscal 1999 CAS	19
2.4. Data availability	25
2.5. Data availability by region	26
2.6. Fiscal 1998 and 1999 investment projects with either good evaluation plans or the potential for good evaluation (share of lending)	27
2.7. Fiscal 1998 and 1999 investment projects with either good evaluation plans or the potential for good evaluation (share of projects)	28
2.8. Number and amount of lending for PTI projects, fiscal 1992–99	29
2.9. Number and amount of lending for PTI projects, IDA countries only, fiscal 1992–99	29
2.10. Number and amount of lending for poverty-focused adjustment operations, fiscal 1992–99	30
2.11. Number and amount of lending for poverty-focused adjustment operations, IDA countries only, fiscal 1992–99	30
2.12. <i>World Development Report</i> conferences and workshops, 1998–99	31
E-1. Program of Targeted Interventions (PTIs), fiscal 1992–99	110
E-2. Program of Targeted Interventions (PTIs) by sector, fiscal 1992–1999	115
E-3. Program of Targeted Interventions (PTIs) lending by region, fiscal 1999	115
E-4. Program of Targeted Interventions, fiscal 1999	116
F-1. Poverty-focused adjustment operations, fiscal 1999	136
F-2. Poverty-focused components of adjustment operations, fiscal 1999	140
F-3. Poverty-focused adjustment lending, fiscal 1992–1999	141
F-4. Poverty-focused SALs and SECALs, fiscal 1999	142
G-1. Poverty-focused ERL lending, fiscal 1992–1999	153
G-2. Poverty-focused ERLs, fiscal 1999	154
H-1. Average lending to selected sectors, fiscal 1982–1999	156
H-2. Annual lending to selected sectors, fiscal 1992–1999	157

Boxes

1.1. Details on the methodology for the global income poverty estimates	4
1.2. Technical assumptions underlying the poverty projections for 2008	6
1.3. Can the international development target for reducing income poverty be achieved?	10
1.4. Combining methods to assess the impact of the crisis in Indonesia	15
2.1. Poverty issues in the Europe and Central Asia Region	22

2.2. Governance and poverty	23
3.1. Development of the Bank's strategy on poverty reduction	35
3.2. Principles underlying the Comprehensive Development Framework approach and country poverty reduction strategies	37
3.3. Proposed guidelines for poverty diagnoses underpinning PRSPs	39
3.4. Themes of the <i>World Development Report 2000/2001</i>	43

Figures

1.1. Number and share of people living below \$1 a day in developing and transition economies, 1987, 1998, and 2008	9
1.2. Poor-rich inequalities in access to different types of health care	14
2.1. Distribution of fiscal 1998–99 projects by category of evaluation	27
H-1. Trends in lending for human capital development, fiscal 1982–1999	155

Acknowledgments

This report was prepared by Giovanna Prennushi under the direction of Michael Walton, Director, Poverty Reduction Group, and the guidance of Masood Ahmed, Vice-President, Poverty Reduction and Economic Management Network. Simone Cecchini, Gloria Rubio, and Radha Seshagiri provided invaluable assistance. Chapter 1 relies on work by Shaohua Chen and Martin Ravallion on global poverty and by the Prospects Group (all in DEC) on growth prospects; Davidson Gwatkin, Adam Wagstaff and Deon Filmer on social indicators; and Deepa Narayan and her team on voices of the poor. The Annexes were prepared by Parita Suebsaeng with assistance from Alexander Arenas, Jean-François Wipf and Kathleen Withers. The report benefited from comments from the World Bank's vice presidencies and Sector Boards, members of

the Poverty Reduction Board, and others: Sadiq Ahmed, Harold Alderman, Antonella Bassani, Yonas Biru, Rui Coutinho, Lucia Fort, Jesko Hentschel, Norman Hicks, Christine Jones, Christine Fallert Kessides, Valerie Kozel, Ruben Lamdany, Pierre Landell-Mills, Sarwar Lateef, Tamar Manuelyan Atinc, Pilar Maisterra, Karen Mason, Pradeep Mitra, Marisela Montoliu Munoz, Mustapha Nabli, Amy Osborne, Tatiana Proskuryakova, Martin Ravallion, Jo Ritzen, Marcelo Selowsky, Eric V. Swanson, Willem van Eeghen. Comments from the members of the Committee on Development Effectiveness (CODE) of the Bank's Board of Executive Directors are gratefully acknowledged. Alexander Arenas provided excellent technical support. The poverty assessment summaries in Annex A come from completed poverty assessment reports.

Abbreviations and Acronyms

CAS	Country Assistance Strategy	NGO	Nongovernmental organization
CDF	Comprehensive Development Framework	OECD	Organisation for Economic Co-operation and Development
CIS	Commonwealth of Independent States	OED	Operations Evaluation Department (World Bank)
DAC	Development Assistance Committee	PA	Poverty Assessment
DHS	Demographic and Health Survey	PF	Poverty-focused (adjustment loans)
ECA	Europe and Central Asia	PPA	Participatory Poverty Assessment
ERL	Emergency Reconstruction Loan	PREM	Poverty Reduction and Economic Management (Network)
ESAF	Enhanced Structural Adjustment Facility (IMF)	PRGF	Poverty Reduction and Growth Facility (IMF)
FSU	Former Soviet Union	PRSP	Poverty Reduction Strategy Paper
GDP	Gross domestic product	PTI	Program of Targeted Interventions
GNP	Gross national product	QAG	Quality Assurance Group (World Bank)
HIPC	Heavily Indebted Poor Countries (Initiative)	SAL	Structural Adjustment Loan
IBRD	International Bank for Reconstruction and Development	UNDP	United Nations Development Programme
IDA	International Development Association	WBI	World Bank Institute (formerly EDI)
IDG	International Development Goals	WDI	World Development Indicators
IMF	International Monetary Fund	WDR	World Development Report
LIL	Learning and Innovation Loan	WTO	World Trade Organization
LSMS	Living Standards Measurement Survey		

Executive Summary

The main objective of this report on poverty reduction for fiscal 1999 is to provide a synthetic overview of what the Bank is doing to help countries face the challenge of reducing poverty. For this purpose, it covers three main topics:

- The status of poverty around the world, based on both quantitative data and the voices of the poor themselves.
- A retrospective look at the poverty focus of World Bank activities in fiscal 1999.
- A forward look at the direction of the Bank's poverty work in the years ahead.

On these topics the report carries three main messages:

- Poverty remains pervasive and hundreds of millions continue to live lives of deprivation and hardship; progress at the bottom is very slow, especially when the benefits of growth are not shared equally. The target of halving the incidence of income poverty by 2015 will not be met if growth is accompanied by increases in inequality.
- Bank activities are more clearly focused on poverty reduction than in past years: good poverty analysis informs the formulation of Country Assistance Strategies more than in the past, and poverty reduction outcomes on the ground are replacing resources invested as the yardstick against which to measure progress. But more efforts are needed to keep up with higher standards for the poverty focus of strategies and to expand learning through careful impact evaluation, so as to ensure that a higher focus on poverty translates in sustainable improvements in poverty outcomes.
- While a new strategic statement on poverty reduction will await completion of the *World Development Report 2000/2001 (WDR 2000/2001)* process, several elements are emerging: action to support the formulation of country-owned poverty reduction strategies for low-income countries; work on global constraints; and action to empower communities at the local level. Action in these three directions forms the basis for ongoing Bank work.

More in detail, the first chapter of the report takes stock of what is known on poverty worldwide. Data from household surveys and other quantitative sources indicate that progress in reducing income poverty has been slow in the 1990s and that there are worrying signs of increases in inequality across and in some cases within countries. Scenarios for income poverty to 2008 indicate that, with plausible assumptions on growth and inequality, the world is not on track to achieve the target of reducing the incidence of income poverty by half by 2015. Only East Asia and the Pacific (under the assumptions of relative fast growth in that region) would extend its great gains for the 1990s and clearly reach the goal. By contrast, if the scenario of more rapid and inclusive growth were to occur, the target could be also be achieved in South Asia and in the world as a whole (driven by the potential gains in Asia), but neither Latin America nor Sub-Saharan Africa would be on track to reach the target.

Improvements in social indicators have been substantial over the past twenty-five years, but they have not been the same for those at the top and bottom of the distribution—those at the bottom continue to have worse (in some cases, much worse) social indicators. For example only 27 percent of poor children age 6-14 were in school in Morocco in 1992 as compared to almost 90 percent of rich children (Filmer 1999).

The report also looks at the experience of poverty as seen by poor people themselves, using results from new participatory studies. The poor do not feel economic opportunities have improved and find government institutions rarely responsive to their needs. They usually judge their own institutions and social networks as more reliable and call for more control over resources, but recognize that they can only go so far and need resources and support from government programs.

The second chapter looks back at fiscal 1999 activities to see to what extent a concern for poverty was their driving force. The picture that emerges is similar to that

of fiscal 1998: Country Assistance Strategies are more focused on poverty than in previous years, though there remains scope for further improvement, for example in the degree to which strategies specify the patterns of growth which would be pro-poor and in the assessment of the impact of past assistance. It is hoped that this enhanced focus, coupled with a clearer targeting of resources to countries which display stronger commitment to fight poverty, will lead to more effective use of both foreign and domestic resources.

With respect to fiscal 1998 there has been an improvement in the quality and availability of poverty analysis to underpin strategy formulation: 12 poverty assessments of satisfactory quality were completed and the information base—from both quantitative and qualitative sources—was expanded.

Impact evaluation of Bank projects, which is one of the building blocks of the overall assessment of the impact of our country assistance strategies, is still below what would be desirable. Only 8 percent of a sample of fiscal 1999 projects reviewed had good evaluation plans, and an additional 38 percent had the potential to carry out good evaluations. Progress in some regions, notably Latin America, indicate that commitment to learning from evaluations is a key ingredient in raising the quality and number of evaluations carried out. While one would not expect all projects to require a careful evaluation, the opportunity to learn lessons from experience should be exploited in a larger number of cases—possibly around one in four or five. Lending targeted to the poor rose in fiscal 1999. And work to collect and share global knowledge was brought forward through a variety of tools, especially Web sites and workshops.

Looking ahead, the third chapter discusses three areas in which action to help the poor is taking shape. At the national level, action is ongoing to support low-income countries in the formulation of national poverty reduction strategies, which would form the basis for debt relief and concessional assistance. At the global level, the Bank is leveraging its comparative advantage as a global institution to address constraints, such as the debt burden or commodity price volatility, which affect the ability of poor countries to deal with poverty, and it is helping foster the provision of global public goods. At the community level, the Bank is testing innovative approaches to empower communities to take control over resources while strengthening their capacity to do so. Action on these three fronts represents the beginnings of a new strategic direction, to be formulated in an implementation note after the process of discussing the *WDR 2000/2001* on poverty is completed. This new strategic direction includes a major program of knowledge sharing dissemination, training and informed debate, centered around the *World Development Report* and the Poverty Reduction Strategy Sourcebook.

To make a significant contribution to fighting poverty, the Bank needs to work closely with its clients—governments and people in developing countries—and its partners—other aid agencies, the United Nations family, nongovernmental organizations (NGOs), and increasingly the private sector. Hopefully, this report will provide a common basis to move forward together in the spirit of partnership laid out by the Comprehensive Development Framework.

CHAPTER 1

Trends in Poverty Over Time

At the threshold of the new millennium, one fact is painfully clear: too many people still live in conditions of abject poverty, and progress is too slow to improve their lives significantly within the next 15 years. Too many still have consumption levels insufficient to meet basic needs and the gap between rich and poor is large and growing—not just in incomes but in education and health outcomes as well. Moreover, a new study on people's perceptions of poverty finds that the majority of the poor people interviewed feel that they are worse off now, that they have fewer economic opportunities and that they live with greater insecurity than in the past.

Global trends in income poverty

The World Bank updated its estimates of the number of people living in poverty (see box 1.1 for methodological details). What story do these figures tell? First, both the share of population and the number of people living on less than one or two dollars a day declined substantially in East Asia through the mid-1990s, driving down global poverty figures. But the numbers did not decline elsewhere, and rose again even in East Asia in the aftermath of the global financial crisis (tables 1.1 and 1.2). In more detail:

- The decline in the number of poor between 1993 and 1998 is due almost exclusively to a reduction in the number of poor people in East Asia, most notably in China. But progress was reversed by the crisis, although only partly as poverty remains well below what it was a decade ago, and appears to have stalled in China.
 - In South Asia, the share of the population living in poverty declined moderately through the 1990s, but not sufficiently to reduce the absolute number of poor. The actual number of poor people in the region has been rising steadily since 1987.
 - In Africa the share declined slightly but the number of people in poverty increased. The new estimates indicate that Africa is now the region with the largest share of people living below \$1 per day.
- In Latin America the share of poor people (below both \$1 and \$2 per day, the latter being more relevant for the region) remained roughly constant over the period, and the numbers increased.
 - In the countries of the former Soviet bloc, poverty rose markedly—both the share and the numbers increased.¹

Prospects for poverty reduction

What are the prospects for reducing income poverty in the medium term? The share of people who will be living on less than \$1 or \$2 per day depends on how much per capita consumption levels will change and whether the changes will affect people with different levels of consumption equally or will affect some groups more than others. For example, if per capita consumption levels increase equally for all—the poor as well as the rich—then the share of those consuming less than the threshold will decline. However, if consumption levels increase for the rich only, then the share of the poor will remain unchanged. The processes that affect how changes in aggregate consumption levels are distributed across the population are not well understood, so forming a judgment on how many people will be living in poverty in the future is difficult.

The *World Development Report 1990* on poverty (World Bank 1990) projected the proportions of the population that would be living on less than \$1 per day in the year 2000 under the assumption that “the strategy recommended in the report gained wider acceptance” (World Bank 1990, p. 138). Under this assumption, the report forecast that the global poverty rate would fall from 32.7 percent in 1985 to 18.0 percent in 2000, representing a compound rate of decline of 3.9 percent per year. The Bank's latest estimates indicate a fall in the poverty rate from 28.3 percent in 1987² to 24.0 percent in 1998, implying a compound rate of reduction in poverty of only 1.5 percent per year. So the *World Development Report 1990* projections overestimated the subsequent rate of poverty reduction (the report did state that “it would be possible to do somewhat better—or much worse”, p. 138).

BOX 1.1

Details on the methodology for the global income poverty estimates

The World Bank has been estimating global income poverty figures since 1990. The latest round of estimation, carried out in October 1999, uses new survey data and price information to obtain comparable figures for 1987, 1990, 1993, 1996, and 1998 (the figures for 1998 are preliminary estimates). The methodology followed is the same used in past estimates (World Bank 1990; 1996, and Ravallion and Chen 1996).

Consumption and income levels

Poverty estimates are based on consumption or income data collected through household surveys. Data for 96 countries, corresponding to 88 percent of the world's population, are now available, as compared to data for only 22 countries in 1990. Of particular note is the fact that the share of population covered in Africa increased from 66 to 73 percent as a result of extensive efforts to improve household data in the region. Where survey data on incomes but not on consumption are available, an estimate of consumption is obtained by multiplying all incomes for the share of aggregate private consumption in national income based on National Accounts data. This procedure, unchanged from past exercises, scales back income to obtain consumption but leaves the distribution unchanged.

Prices

To compare consumption levels across countries, estimates of price levels are needed. Purchasing Power Parity (PPP) estimates for 1993 produced by the World Bank were used. These estimates are based on new price data generated by the International Comparisons Programme (ICP), which now covers 115 countries, as compared to 64 in 1985, and a more comprehensive set of commodities. In the past, Purchasing Power Parities from the Penn World Tables produced by Summers and Heston at the University of Pennsylvania were used. However, a Penn World Table for 1993 was not prepared, so 1993 PPP estimates produced by the World Bank were used. The Bank has been working closely with the Penn team to agree on a consistent methodology. The 1993 PPPs used here are the same as those used for the *World Development Report 2000/2001*.

Why did the *World Development Report 1990* projections turn out to be too optimistic? In terms of the aggregate numbers, China and India have the greatest weight, and both experienced a slower pace of poverty reduction than anticipated, even though growth was actually higher than predicted. Rising inequality may have contributed to slower poverty reduction in both countries.³ In the rest of the world, Central and Europe experienced a slowdown in output, while Latin America and the Caribbean, the Middle East and North Africa, and Sub-Saharan Africa experienced unex-

Poverty lines

The calculations made in 1990 to calculate the international poverty lines had to be updated using 1993 PPP prices. In 1990, national poverty lines for 33 countries were converted into 1985 PPP prices and the most typical line among the low income countries for which poverty lines were available was selected. In 1999, the same lines were converted in 1993 PPP prices and the new line was obtained as the average (median) of the ten lowest poverty lines. The line so obtained is equal to \$1.08 per day in 1993 PPP terms (referred to as "\$1 per day" in the text). This methodology maintains the purchasing power of the line constant while changing the reference prices. The upper poverty line was calculated by doubling the amount of the lower poverty line, as in 1990.

Estimates for 1998

To obtain consumption levels for 1998 where survey data were not yet available, estimated growth rates of private consumption per capita from national accounts statistics were used to update consumption data from the latest survey year to 1998. This meant assuming that the distribution of consumption did not change from the time of the last survey to 1998. The per capita private consumption growth rates used come from estimates based on the model used for other World Bank forecasts (World Bank 1999g). Surveys were available for 1997-98 for some of the larger countries (China, India and Russia, among others) but there are problems in interpreting these data, particularly for China and India. So the 1998 figures should be considered tentative and trends should be interpreted cautiously.

Use of international versus national poverty lines

It should be stated very clearly that the \$1 and \$2 per day poverty estimates are useful only as an indicator of global progress, not to assess progress at the country level or guide country policy and program formulation. Country-specific poverty lines that reflect what it means to be poor in each particular country's situation and are not affected by international price comparisons should be used at the country level.

pectedly low growth and consequently less poverty reduction than expected.

The case of India is worth highlighting. During the 1990s, the growth rate of consumption expenditure per person measured by the Indian National Sample Survey has been appreciably lower than that of the private consumption component of the national accounts. Possibly this captures actual developments, reflecting the underlying differences in the consumption concepts used by household survey and national accounts. However, it is more likely that this discrepancy

TABLE 1.1

Population living on less than \$1 a day and headcount index in developing and transition economies, selected years, 1987-98

Region	Population covered by at least one survey (percent)	Number of people living on less than \$1 a day (millions)				
		1987	1990	1993	1996	1998 (est.)
East Asia and Pacific	90.8	417.5	452.4	431.9	265.1	278.3
(excluding China)	71.1	114.1	92.0	83.5	55.1	65.1
Europe and Central Asia	81.7	1.1	7.1	18.3	23.8	24.0
Latin America and the Caribbean	88.0	63.7	73.8	70.8	76.0	78.2
Middle East and North Africa	52.5	9.3	5.7	5.0	5.0	5.5
South Asia	97.9	474.4	495.1	505.1	531.7	522.0
Sub-Saharan Africa	72.9	217.2	242.3	273.3	289.0	290.9
Total	88.1	1,183.2	1,276.4	1,304.3	1,190.6	1,198.9
(excluding China)	84.2	879.8	915.9	955.9	980.5	985.7

Region	Population covered by at least one survey (percent)	Headcount index (percent)				
		1987	1990	1993	1996	1998 (est.)
East Asia and Pacific	90.8	26.6	27.6	25.2	14.9	15.3
(excluding China)	71.1	23.9	18.5	15.9	10.0	11.3
Europe and Central Asia	81.7	0.2	1.6	4.0	5.1	5.1
Latin America and the Caribbean	88.0	15.3	16.8	15.3	15.6	15.6
Middle East and North Africa	52.5	4.3	2.4	1.9	1.8	1.9
South Asia	97.9	44.9	44.0	42.4	42.3	40.0
Sub-Saharan Africa	72.9	46.6	47.7	49.7	48.5	46.3
Total	88.1	28.3	29.0	28.1	24.5	24.0
(excluding China)	84.2	28.5	28.1	27.7	27.0	26.2

Note: The numbers are estimated from those countries in each region for which at least one survey was available during the period 1985-98. The proportion of the population covered by such surveys is given in column 1. Survey dates often do not coincide with the dates in the above table. To line up with the above dates, the survey estimates were adjusted using the closest available survey for each country and applying the consumption growth rate from national accounts. Using the assumption that the sample of countries covered by surveys is representative of the region as a whole, the numbers of poor are then estimated by region. This assumption is obviously less robust in the regions with the lowest survey coverage. The headcount index is the percentage of the population below the poverty line. Further details on data and methodology can be found in Ravallion and Chen 2000.

Source: World Bank 1999g; Ravallion and Chen 2000.

TABLE 1.2

Population living on less than \$2 a day and headcount index in developing and transition economies, selected years, 1987-98

Region	Population covered by at least one survey (percent)	Number of people living on less than \$2 a day (millions)				
		1987	1990	1993	1996	1998 (est.)
East Asia and Pacific	90.8	1,052.3	1,084.4	1,035.8	863.9	892.2
(excluding China)	71.1	299.9	284.9	271.6	236.3	260.1
Europe and Central Asia	81.7	16.3	43.8	79.4	92.7	92.9
Latin America and the Caribbean	88.0	147.6	167.2	162.2	179.8	182.9
Middle East and North Africa	52.5	65.1	58.7	61.7	60.6	62.4
South Asia	97.9	911.0	976.0	1,017.8	1,069.5	1,095.9
Sub-Saharan Africa	72.9	356.6	388.2	427.8	457.7	474.8
Total	88.1	2,549.0	2,718.4	2,784.8	2,724.1	2,801.0
(excluding China)	84.2	1,796.6	1,918.8	2,020.5	2,096.5	2,168.9

Region	Population covered by at least one survey (percent)	Headcount index (percent)				
		1987	1990	1993	1996	1998 (est.)
East Asia and Pacific	90.8	67.0	66.1	60.5	48.6	49.1
(excluding China)	71.1	62.9	57.3	51.6	42.8	45.0
Europe and Central Asia	81.7	3.6	9.6	17.2	19.9	19.9
Latin America and the Caribbean	88.0	35.5	38.1	35.1	37.0	36.4
Middle East and North Africa	52.5	30.0	24.8	24.1	22.2	21.9
South Asia	97.9	86.3	86.8	85.4	85.0	84.0
Sub-Saharan Africa	72.9	76.5	76.4	77.8	76.9	75.6
Total	88.1	61.0	61.7	60.1	56.1	56.0
(excluding China)	84.2	58.2	58.8	58.6	57.7	57.6

Note: The numbers are estimated from those countries in each region for which at least one survey was available during the period 1985-98. The proportion of the population covered by such surveys is given in column 1. Survey dates often do not coincide with the dates in the above table. To line up with the above dates, the survey estimates were adjusted using the closest available survey for each country and applying the consumption growth rate from national accounts. Using the assumption that the sample of countries covered by surveys is representative of the region as a whole, the numbers of poor are then estimated by region. This assumption is obviously less robust in the regions with the lowest survey coverage. The headcount index is the percentage of the population below the poverty line. Further details on data and methodology can be found in Ravallion and Chen 2000.

Source: World Bank 1999g; Ravallion and Chen 2000.

BOX 1.2

Technical assumptions underlying the poverty projections for 2008

Several assumptions underlie the poverty projections. First, the projections do not allow for any correlation between growth rates and changes in inequality, for example higher inequality accompanying higher growth. Experience does not suggest that a statistically significant correlation exists across developing countries as a whole (Ravallion and Chen 1997). In reality, most countries have grown without experiencing any long-term increase in inequality.

Second, the projections are based on an assumption about the precise way inequality changes, namely, that the distribution of per capita expenditures (the Lorenz curve) shifts by an equal proportion at all points. Alternatively, an increase in inequality may affect only the nonpoor, in which case the poor would maintain their share of income, and poverty would decline just as it would with no change in inequality. To explain this assumption in more detail, we need to consider the Lorenz curve, giving (on the vertical axis) the share of total income, $U(p)$, held by the poorest p fraction of people (on the horizontal axis). The projections assume that the Lorenz curve shifts in or out by the same proportion at all points, relative to the line of equality (in which everyone has the same income, that is, $U(p) = p$). So the new Lorenz curve is given by $U(p) - g(p - U(p))$ where $U(p)$ is the old Lorenz curve and g is the proportionate increase in the Gini index (Kakwani 1993). This assumption, which is computationally convenient, is commonly made in distrib-

utional analysis, but represents only one of the possible ways in which inequality may change. Poverty projections can be sensitive to seemingly subtle differences in how the Lorenz curve shifts over time (Ravallion 1999). This can be a serious problem when the poverty rate is low, because estimates at the tails of the distribution can naturally be quite sensitive, but for the bulk of the developing countries poverty rates are a safe distance from the tails. How much of a difference this would make for aggregate poverty numbers is unclear, errors in one direction in one country could be offset to some extent by errors in the other direction elsewhere.

Third, the calculations do not use fixed growth elasticities of poverty, because researchers have found that these can change substantially over time and vary from country to country. Rather, a model of the distribution that uses flexible functional forms for the Lorenz curve is fitted to the data for each country at each base date, tested to assure that it fits well and satisfies the properties required of valid Lorenz curves, and used to project the impact of changes in growth and inequality. Thus, elasticities varies over time and between countries consistently with the data. For example, the elasticities of the incidence of poverty to growth tend to be lower (in absolute value) in high-inequality countries (Ravallion 1997), the rate of poverty reduction at any given rate of growth will then be lower in countries with initially more unequal distributions, and it will tend to fall when inequality increases.

stems from data problems in one or both sources. For example, if household surveys fail to capture growth in expenditures at the high end of the distribution, they would underestimate growth in both average expenditure and inequality. The Indian data are being further analyzed to better understand the sources of this discrepancy.

Recent data for China also pose problems. Income-based estimates of the incidence of poverty, used by the Government, show a much larger reduction after 1993 than consumption-based estimates. Income and consumption would have diverged as observed if households had been sav-

ing a progressively larger share of their incomes. If this is not the case, the figures reported here, which are based on an estimate of consumption (obtained from income data by applying an average savings rate), may underestimate the actual progress achieved over the last few years. As with the Indian data, ongoing work aims to gain a better understanding of the observed trends.

To project future trends in poverty, this report follows a methodology similar to that employed in the *World Development Report 1990*, but the underlying assumptions incorporate the lessons learned from that experience, in addition

TABLE 1.3

Projected growth rates in real per capita private consumption and changes in Gini coefficients for 1999–2008, under scenarios of slow growth and rising inequality (scenario A) and inclusive growth (scenario B)
(percent)

Region	Scenario A		Scenario B	
	Growth rate	Inequality change	Growth rate	Inequality change
East Asia and Pacific	4.0	+10	4.9	0
Europe and Central Asia	2.7	+20	3.7	0
Latin America and the Caribbean	0.6	+10	1.7	0
Middle East and North Africa	0.4	+10	1.5	0
South Asia	2.4	+20	4.0	0
Sub-Saharan Africa	-0.1	+10	1.0	0

Source: World Bank 1999g.

to being based on survey information for many more countries. The projections should not be treated as forecasts, but rather as representing a plausible range of possible outcomes for poverty based on alternative assumptions about growth and inequality. Our understanding of the quantitative dynamics of inequality remains incomplete, and there are many uncertainties inherent in projecting output growth. Moreover, there are large uncertainties about the relationship between growth and inequality. While most countries have experienced little change in aggregate inequality over time, this is generally the result of powerful countervailing forces. For example, most expanding economies experience both a rise in the relative demand for skills and a rise in the relative supply of skills as education expands that can lead to small or negligible changes in inequality as these effects balance out. Moreover, the relationship between inequalities in the return to skills and inequalities in overall income or consumption is also highly complex, and depends on patterns of labor force participation, household composition, and transfers, among other factors.

Two scenarios were developed for the next decade. In keeping with the experience of the last decade, scenario A—slow growth and rising inequality—entails little progress in reducing the total number of poor. Scenario B—inclusive growth—tries to capture what is achievable if the right combination of policies and interventions leads to sustained growth without increases in inequality.

In scenario A all regions experience relatively low growth rates of output because of cyclical boom and bust episodes. The recent experience of large volatility in growth rates in developing countries, together with substantial short-term risks to the outlook centered in the industrial countries, suggest that longer-term growth rates could be low, especially among the developing countries. This scenario combines elements of the near-term risk scenario developed in *Global Economic Prospects 2000*—“hard landing” for the U.S. economy and

attendant spillover effects—with a pattern of medium-term recovery and subsequent relapse of global growth (table 1.3).⁴ The developing regions most adversely affected are those with a high dependence on commodity exports (the Middle East and North Africa and Sub-Saharan Africa) or a reliance on foreign capital flows (Latin America). Moreover, although less exposed to external developments, fiscal and financial difficulties in China and India are heightened, spurring remedial policy responses that dampen growth further during the downturns.

Scenario A also assumes that inequality increases from current levels (which are based on the distribution of consumption from the latest available surveys for each country). While inequality has increased markedly in the transition economies, this has not been true of all developing countries: inequality has increased in some, but has fallen in others. However, scenario A captures the widespread concern about upward pressure on inequality by building in a rising trend. The Gini coefficient is assumed to increase by 10 percent in all regions except Europe and Central Asia and South Asia, where it increases by 20 percent. In Europe and Central Asia this is consistent with recent experience, although the increase in inequality appears to be leveling off.⁵ In South Asia the 20 percent increase is in keeping with the rising inequality observed in some countries in the region such as Bangladesh. For India, we assume that the weaker effects of growth on poverty observed in the 1990s stem in part from rising inequality that the survey data do not fully capture. Under this scenario, inequality in South Asia reaches the levels found in regions of medium inequality, such as East Asia and the Middle East and North Africa, while Latin America and the Caribbean and Sub-Saharan Africa remain the two regions with the highest average inequality. Note that this scenario implies increasing inequality also in regions with very low or negative growth rates (Latin America, the Middle East and North Africa, and Sub-Saharan Africa). As the recent example of Russia indicates, ris-

TABLE 1.4

Number of people living on less than \$1 a day and headcount index in developing and transition economies, under scenarios of slow growth and rising inequality (scenario A) and inclusive growth (scenario B), 1998 and 2008

Region	Number of people living below \$1 a day			Headcount index (percent)		
	1998 (est.)	2008 Scenario A	2008 Scenario B	1998 (est.)	2008 Scenario A	2008 Scenario B
East Asia and Pacific (excluding China)	278.3	182.8	72.1	15.3	9.2	3.6
Europe and Central Asia	65.1	58.3	18.2	11.3	9.2	2.9
Latin America and the Caribbean	24.0	45.7	7.4	5.1	9.6	1.6
Middle East and North Africa	78.2	130.8	74.7	15.6	22.9	13.1
South Asia	5.5	11.4	4.7	1.9	3.3	1.4
Sub-Saharan Africa	522.0	465.0	205.9	40.0	31.0	13.7
Total	290.9	406.2	329.8	46.3	51.5	41.8
(excluding China)	1,198.9	1,241.8	694.7	24.0	21.9	12.3
	985.7	1,117.3	640.8	26.2	25.9	14.9

TABLE 1.5

Number of people living on less than \$2 a day and headcount index in developing and transition economies, under scenarios of slow growth and rising inequality (scenario A) and inclusive growth (scenario B), 1998 and 2008

Region	Number of people living below \$2 a day			Headcount index (percent)		
	1998 (est.)	2008 Scenario A	2008 Scenario B	1998 (est.)	2008 Scenario A	2008 Scenario B
East Asia and Pacific (excluding China)	892.2 260.1	632.0 218.3	482.7 169.8	49.1 45.0	31.8 34.5	24.3 26.8
Europe and Central Asia	92.9	100.8	46.3	19.9	21.2	9.7
Latin America and the Caribbean	182.9	227.3	183.9	36.4	39.8	32.2
Middle East and North Africa	62.4	74.7	47.8	21.9	21.7	13.9
South Asia	1,095.9	1,083.0	945.4	84.0	72.2	63.0
Sub-Saharan Africa	474.8	604.2	568.0	75.6	76.6	72.0
Total	2,801.0	2,721.9	2,274.1	56.0	48.0	40.1
(excluding China)	2,168.9	2,308.2	1,961.2	57.6	53.5	45.5

Note: Scenario A—slow growth and rising inequality—entails little progress in reducing the total number of poor, in keeping with the experience of the last decade, and Scenario B—inclusive growth—tries to capture what is achievable if the right combination of policies and interventions leads to sustained growth without increases in inequality.

Source: World Bank 1999g.

ing inequality has greater social implications in the context of worsening standards of living than at a time of general improvements in living standards. Hopefully, as more data points comparable over time become available for inequality, our understanding of long-term trends and short-term movements will improve.

Scenario B uses the growth forecasts in the base case of *Global Economic Prospects 2000* (World Bank 1999g). This base case posits a fairly smooth growth path for both industrial and developing countries beyond near-term recovery from the recent episode of financial crises, toward stable growth rates by the end of the ten-year forecast horizon. Scenario B also assumes that inequality remains unchanged, thus describing what could be achieved if countries adopted policies and interventions that foster inclusion and all benefited equally from growth. (See box 1.2 for more detail on the assumptions underlying the two scenarios.)

TABLE 1.6

Estimated and projected population, 1998 and 2008
(millions)

Region	Population	
	1998 (est.)	2008 (proj.)
East Asia and Pacific (excluding China)	1,817.1 578.5	1,987.4 632.7
Europe and Central Asia	466.1	475.5
Latin America and the Caribbean	501.9	571.1
Middle East and North Africa	285.1	344.1
South Asia	1,305.3	1,500.0
Sub-Saharan Africa	628.3	788.7
Total	5,003.8	5,666.9
(excluding China)	3,765.2	4,312.2

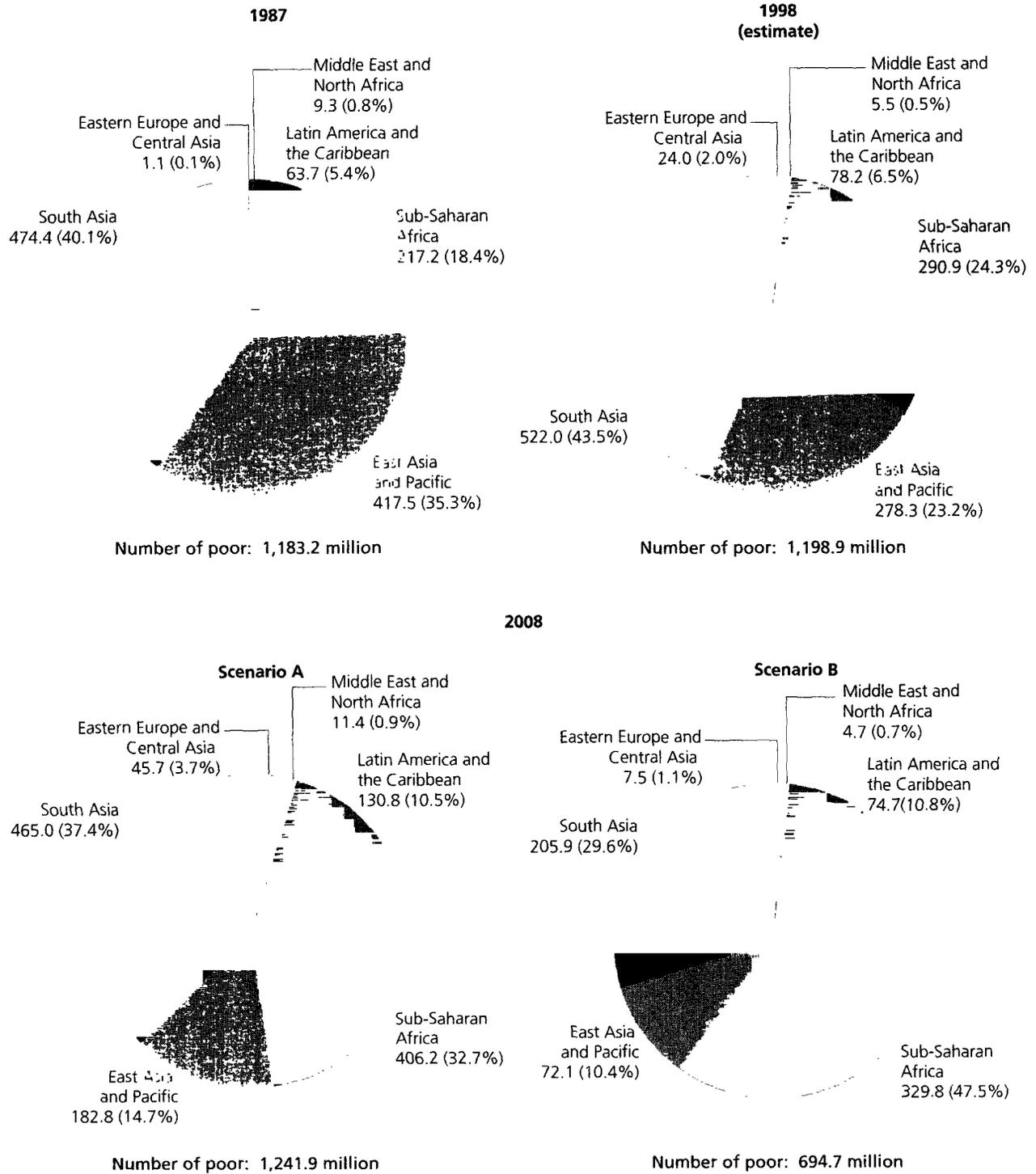
Source: World Bank 1999g.

The assumptions underlying the two scenarios are reported in table 1.3, and the resulting poverty projections for \$1 and \$2 per day are in tables 1.4 and 1.5. Table 1.6 reports population figures for ease of reference.

The two scenarios yield very different results. Under scenario A, the number of people living in poverty would remain virtually unchanged, as in the experience of the past decade: in 2008, 1.2 billion people would still be living on less than \$1 per day (figure 1.1). The regional composition, however, would change considerably: the number of poor in Sub-Saharan Africa would increase dramatically from 291 to 406 million people—almost 52 percent of the region's population—and numbers would also increase elsewhere except in East and South Asia. Similarly, more than 2.7 billion people would still be living on less than \$2 per day, more than a billion of whom in South Asia alone, with about 600 million more in Africa and 400 million in China. In Latin America and Central and Europe and Central Asia, both the incidence of poverty and the numbers of poor would increase, while in the Middle East and North Africa a minor reduction in incidence would be inadequate to reduce the numbers of poor.

Scenario B yields brighter results. The number of people living on less than \$1 per day would decline to about 700 million by 2008, and the number of those living on less than \$2 per day to about 2.3 billion. However, even under the more optimistic assumptions underlying this scenario, progress in Latin America and especially in Sub-Saharan Africa would be inadequate to make significant inroads into the numbers of the poor, with a continued increase in numbers in Sub-Saharan Africa in particular.

FIGURE 1.1
Number and share of people living on less than \$1 a day in developing and transition economies, 1987, 1998,
and 2008
 Millions



Source: World Bank 1999e.

BOX 1.3

Can the international development target for reducing income poverty be achieved?

The international development target for income poverty, one of the targets of the International Development Goals, is to reduce the proportion of people in absolute poverty by half between 1990 and 2015 (see www.oecd.org/dac/Indicators/). At a global level, this is interpreted as reducing the share of people living below \$1 per day. The projection exercise undertaken for this report does not explicitly assess whether this target is achievable (see Demery and Walton 1998). However, the implications of the exercise are illustrative. Under a scenario with a plausible, but pessimistic, range of assumptions on growth and inequality changes (scenario A), the world would not be on track to achieve the target. Only East Asia and the Pacific (under the assumptions of relative fast growth in that region) would extend the great gains of the 1990s and clearly reach the goal. By contrast, if the scenario of more rapid and inclusive growth were to occur (scenario B), the target could also be achieved in South Asia and in the world as a whole (driven by the potential gains in Asia), but neither Latin America nor Sub-Saharan Africa would be on track to reach the target. As noted, these findings are not predictions, but are intended to underline the centrality of achieving inclusive development in all countries and the magnitude of the challenge in regions with weaker prospects, especially Sub-Saharan Africa.

The difference between the two scenarios is large, illustrating the high degree of uncertainty about whether the future pattern of development will be accompanied by serious progress in reducing poverty and whether the international development target for reducing income poverty will be achieved (box 1.3). The range of what might reasonably occur may be even larger than portrayed here—it could be argued that if structural and social problems are not effectively tackled in South and East Asia the relatively robust growth now forecast even under the more pessimistic scenario would not be achieved. Conversely, based on experience from across the developing world, more rapid growth and reductions in inequality could in principle be achieved in Latin America and Sub-Saharan Africa, as well as elsewhere. Problems in interpreting data from China and India, which together account for most of the world's poor, add to the uncertainty in the scenarios.

These uncertainties notwithstanding, the fundamental message of the scenarios is that effective public action is needed at the international and country levels to develop the institutions and policies that will bring about inclusive, equitable growth. Growth remains crucial: with low growth

little gains can be achieved. Achieving inclusive growth is also crucial: the downside risks of not achieving inclusive growth are devastating for millions of people in the developing world—those now living in desperately poor conditions, those who would be born into a life of poverty and those at risk of falling into poverty because of the national, local, and personal risks that will certainly persist.

What policies and interventions could lead to a pattern of inclusive growth? This is one of the central topics of the *World Development Report 2000/2001* on poverty and development (World Bank forthcoming) and the issues will only be touched on here. At the international level, measures to ensure steady growth in demand for products produced by the developing world are crucial. This can be fostered through sustained growth in the industrial countries; opening of trade, especially in agriculture but also in other labor-intensive activities; actions that reduce volatility; and, of great importance for low-income aid-dependent countries, the effective implementation of an enhanced Highly Indebted Poor Countries Initiative within the framework of an overall, poverty-oriented program of international assistance.

At the national level, rapid and equitable growth requires institutions and policies that encourage high levels of private and public investment to create jobs, services, and the infrastructure necessary to expand opportunities for the poor and lead to gains in their human and physical assets. Examples are policies that reduce disparities in growth rates between urban and rural areas by fostering balanced regional development, policies that ensure access to good quality education and an equitable distribution of productive assets such as land for the poor and for women, measures that tackle the economic and physical insecurity that the poor face, and policies that foster mechanisms that give a voice to the poor, especially at the local level, and ensure that formal institutions respond effectively to their demands.

Many observers would judge that India, for example, which is central to the global picture of poverty, could experience rising inequality even, or perhaps especially, if it undergoes rapid overall growth. For structural and institutional reasons the poor may be particularly ill-equipped to participate in such growth, notably because of low levels of education and health, and because many are living in states with weak institutions, a heritage of distorted policies, and complex and deep social divisions. To include the poor in the growth process, the large differences between rapidly growing and laggard states and the dismal state of the education system and other public services, especially in the poorer states, would have to be confronted, and the gov-

ernment would need to ensure that the poor do not lose out with decentralization of service provision. In China, the government would have to confront poverty in the more backward regions and among minority groups. If equitable growth were achieved, the number of poor people in South Asia would be cut by more than half and in China to a fourth of current levels.

As noted earlier, in Sub-Saharan Africa and Latin America even the combination of a smooth transition to higher growth and stable inequality used in scenario B would not lead to a reduction in the number of the poor. Faster growth rates and a reduction in inequality would be needed. In Latin America, a reduction in inequality of the order of 10 percent could reduce the number of people living on less than \$2 per day from 184 to 142 million. In Sub-Saharan Africa that would not be sufficient: a decline in inequality of 10 percent or more and an increase in growth rates of 20 percent or more above the assumptions of scenario B would be needed just to keep the number of poor people constant.

Note that we have only examined the implications of the expected growth rates for the total number and share of the income poor. This hides many issues. First, even when the aggregate poverty rate is falling, there will typically be both losers and gainers among the poor, reflecting heterogeneity in the circumstances of poor people. Second, even if poor families enjoy rising incomes, they may not be able to get adequate health care or schooling for their children if not enough of the economy's growth is being used to improve key public services or, if they live in urban areas, they may suffer from increased violence, environmental pollution, congestion, and the loss of support from traditional social networks. Conversely, even with slow growth in incomes, effective public action can result in gains in other dimensions of well-being. The results presented here paint only a broad picture.

Social indicators for the poor

Social indicators have generally been improving over the last three decades. But progress in many areas has been too slow to meet the targets set for the International Development Goals (IDG), and social indicators for the poor remain systematically worse than those for the better off. This section reviews progress in achieving the international development goals, and reviews a number of recent studies that looked at social indicators by economic status using data from Living Standards Measurement Surveys and Demographic and Health Surveys.⁶ These studies confirm that:

- The poor have generally worse educational and health outcomes than the better-off.

- The magnitude of the gap in outcomes between poor and rich varies considerably across countries.
- Cross-country differences remain significant: on average, outcomes for the poor in wealthier countries are better than outcomes for the better-off in poorer countries; under most conditions, improvements in overall social indicators correlate strongly with improvements in social indicators among the poor.

One key message that emerges from these numbers is that policies which take impacts on the poor into account matter: countries with good policies—for example, Bangladesh on girls' education—achieve better outcomes than countries with similar social and cultural background and income levels but with less appropriate policies.⁷

Education outcomes

Education contributes to economic growth and poverty reduction by enabling people to expand their capabilities and participate more fully in society. The IDGs set a target of universal primary enrollment by 2015. Some regions—East Asia and Pacific, Europe and Central Asia—are close to reaching the target; others—most notably Latin America—have made good progress in the last decade and could reach the target; in others still—Africa and South Asia—the target appears too distant. There are more than 110 million primary-school-age children in developing countries who do not attend school today.⁸ And the quality of education remains an issue.

Within countries the gap between the educational attainment of the rich and of the poor is often huge. In many countries, children from the poorest households have no schooling.

- In India and Pakistan, as well as in Benin and Mali (among other West African countries), the majority of 15 to 19 year olds from the bottom 40 percent of households has completed zero years of schooling. In India, by comparison, the majority of 15 to 19 year olds from the richest 20 percent of households have completed *ten* years of schooling.

These differences are due in part to lower school enrollment rates and higher school drop-out rates among the poor:

- The rich-poor gap in school enrollment in Western and Central African countries ranges from 21 percentage points (Ghana) to almost 52 percentage points (Senegal). The same order of magnitude is seen in North Africa, as well as in South Asia (table 1.7).
- In Brazil, whereas almost all 15 to 19 year olds from the poorest households have attended school only about 15 percent have *completed* primary school.

Gender differences in educational outcomes and access also remain substantial.

TABLE 1.7

Share of poor and rich children ages 6–14 in school

Country	Year	Poor (%)	Rich (%)	Rich-poor gap (percentage points)	Country	Year	Poor (%)	Rich (%)	Rich-poor gap (percentage points)
<i>Western Africa</i>					<i>East Asia</i>				
Senegal	1992–93	14.1	65.6	51.5	Philippines	1993	70	86.3	16.3
Ghana	1993	69.3	90.8	21.5	Indonesia	1997	80.5	95.0	14.5
<i>Eastern Africa</i>					<i>South America</i>				
Madagascar	1997	46.8	90	43.2	Colombia	1995	80.9	97.6	16.7
Malawi	1996	87	93.3	6.3	Peru	1996	85.8	94.6	8.8
<i>North Africa</i>					<i>Central America and the Caribbean</i>				
Morocco	1992	26.7	89.5	62.8	Guatemala	1995	46.4	90.8	44.4
Egypt	1995–96	67.6	95.5	27.9	Dominican Rep.	1996	88.7	97.8	9.1
<i>South Asia</i>					<i>Europe and Central Asia</i>				
Pakistan	1990–91	36.6	85.6	49	Turkey	1993	61	80.1	19.1
Bangladesh	1996–97	66.8	83.4	16.6	Uzbekistan	1996	80.2	81.1	0.9

Source: Filmer 1999. Data for more countries are available in the article.

- In 1995, 872 million adults in developing countries (one in four) were illiterate. Of these, 64 percent (557 million) were women. In South Asia only one-third of women are literate compared to two-thirds of men. In Nepal and Afghanistan, fewer than 15 percent of women are literate; in Pakistan it is 25 percent.

The International Development Goals call for equal enrollments of girls and boys in primary and secondary school by the year 2005, but this target is unlikely to be achieved.

- Of the 110 million children estimated to be out of school, 60 percent were girls.

- In 1995, girls made up only 43 percent of gross primary school enrollment in low-income countries. By 2005 they will still make up only 47 percent of all primary enrollment.
- In 1996, girls made up about 40 percent of secondary enrollment. Girls' secondary enrollment has been rising at a faster rate than boys, but by 2005 girls will still make up only about 47 percent of gross secondary enrollment.

This is particularly worrisome because it is well-documented that educated mothers are better able to care for themselves and their children and participate in the life of their communities—for example, a study for five coun-

TABLE 1.8

Percentage of children in school

High female disadvantage countries	Survey year	Percent of girls ages 6–14	Percent of boys ages 6–14	Male-female gap	Low/ no female disadvantage countries	Survey year	Percent of girls ages 6–14	Percent of boys ages 6–14	Male-female gap
Nepal	1996	55.5	76.1	20.6	Kenya	1998	87.0	87.9	0.9
Benin	1993	32.6	53.1	20.5	Haiti	1994–95	73.4	73.7	0.3
Pakistan	1990–91	44.3	64.7	20.4	Zambia	1996–97	60.4	60.1	-0.3
Morocco	1992	45.8	63.9	18.1	Brazil	1996	93.8	93.4	-0.4
Central Afr. Rep.	1994–95	48.9	65.9	17.0	Indonesia	1997	86.6	86.0	-0.6
India	1992–93	59.1	75.7	16.6	Madagascar	1997	58.6	58.0	-0.6
Côte d'Ivoire	1994	41.7	55.8	14.1	Kazakhstan	1995	85.3	84.6	-0.7
Turkey	1993	63.7	74.5	10.8	Malawi	1996	89.7	88.9	-0.8
Egypt	1995–96	75.7	85.6	9.9	Bangladesh	1996–97	73.8	72.6	-1.2
Burkina Faso	1992–93	22.1	31.9	9.8	Dominican Rep.	1996	94.2	92.8	-1.4
Mozambique	1997	51.7	61.0	9.3	Colombia	1995	89.7	87.9	-1.8
Comoros	1996	48.3	57.2	8.9	Tanzania	1996	48.6	45.8	-2.8
Senegal	1992–93	27.4	35.8	8.4	Uzbekistan	1996	82.9	80.0	-2.9
Mali	1995–96	22.3	30.4	8.1	Namibia	1992	87.1	83.6	-3.5
Niger	1997	18.9	26.7	7.8	Philippines	1998	88.4	83.5	-4.9

Source: World Bank staff calculations.

tries found that under-five mortality rates in families with mothers that had completed primary school were two-thirds to half those in families where mothers had no education.

The extent of female disadvantage in education varies enormously across countries. Gender gaps in education are large in Western and Central Africa, North Africa and South Asia:

- In India there is a 16.6 percentage point difference between the school enrollment of girls and boys aged 6 to 14. In Niger, the enrollment rate of boys aged 6 to 14 is 41 percent higher than the enrollment rate of girls (table 1.8).
- The figures for Bangladesh are encouraging, in that they show what can be achieved even in a region (South Asia) with high gender gaps when policies supportive of girls' education are followed: girls' enrollment rates there are now 1.2 percentage points higher than boys'.

Health outcomes and access to health care

Actual and projected data on infant mortality indicate progress between 1990 and 1997 in all regions, but reductions in East Asia, Eastern Europe and Central Asia, South Asia and Sub-Saharan Africa, which were of the order of 10 percent, appear too slow to meet the target set in the International Development Goals for 2015 (a two-third reduction over 1990 levels). Mortality rates have been declining with rising output. However, even assuming high output growth, infant and child mortality rates would be substantially above the IDG target in 2015. Moreover, children born into poor families have a higher chance of dying before their 5th birthday than children born into better-off families. The difference in under-5 mortality rates between rich and poor varies considerably within countries—rates for the poor are ten times higher than those of the rich in Eastern Brazil but only 1.1 times as high in Pakistan (table 1.9). Rates also vary considerably across countries: the poorest 20 percent in Brazil still have lower rates (116 per thousand live births) than the richest 20 percent in Ghana and Pakistan. So it is small consolation to poor Pakistani children that their survival chances are not dissimilar from those of the richest 20 percent of children, given that the latter still face a risk of dying before their 5th birthday as high as 145 per 1,000. Among the policies which have proven effective in reducing infant and child mortality are education and economic opportunities of women, better hygiene and feeding practices, immunization and community health programs.

Malnutrition indicators such as wasting (low weight for height), stunting (low height for age), and underweight (low weight for age) are found to be higher among the poor in

TABLE 1.9
Under-5 mortality rates (deaths per 1,000 live births) in four countries

Country	Period	Average rate	Poorest 20%	Richest 20%	Poor/Rich
Brazil (NE & SE)	1987–92	63	116	11	10.4
Ghana	1978–89	142	155	130	1.2
Pakistan	1981–90	147	160	145	1.1
South Africa	1985–89	113	155	71	2.2

Note: Rates use information from more than one LSMS survey, and so are averages across a period. Poverty is defined in terms of consumption per capita. Source: Wagstaff 1999.

almost all countries, with the difference between the poor and the nonpoor being less pronounced for wasting, which is the more short-term indicator. Differences between the poor and nonpoor vary across countries.

- In Peru, the rates of underweight and stunting among the poorest 20 percent are nearly five times those among the richest 20 percent, while in Egypt, for example, the gaps are far smaller.⁹

The poor are also more affected by communicable diseases than are the rich: In 1990, 59 percent of all deaths among the poorest 20 percent of the world population were caused by communicable diseases, compared to 8 percent for the rich.

One of the factors behind these differences in health outcomes is differences in access to health care.

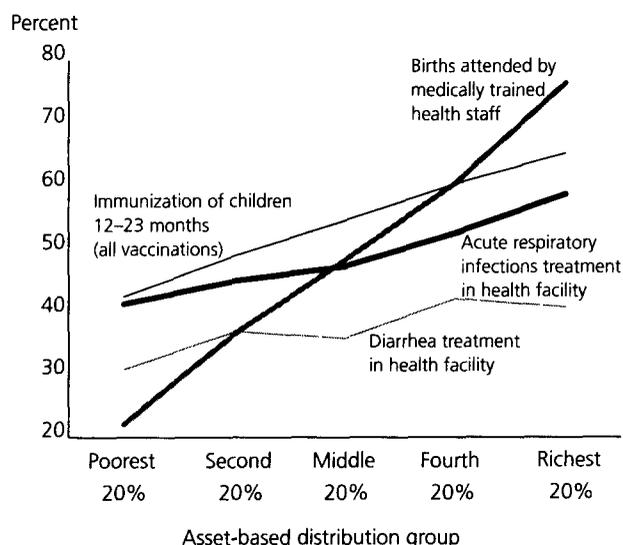
- The smaller percentage of births among the poor taking place in the presence of trained health professionals contributes to higher infant and maternal mortality rates: evidence from ten developing countries between 1992 and 1997 shows that only 22 percent of births among the bottom twenty percent of the population were attended by medically trained health staff, compared with 76 percent of those in the top twenty percent (figure 1.2).
- Similarly, fewer poor people get treated when they fall ill. In Peru, for example, only 20 percent of the rural poor and 35 percent of the urban poor sought treatment when ill, compared with 39 percent and 57 percent of the rural and urban rich (table 1.10).
- Often there are large differences between urban areas, with indicators being much worse for the poor than the better-off. There are also wide differences in indicators between big cities and medium and small cities.

AIDS

When the Human Immunodeficiency Virus (HIV) was first tracked, the rates of infection appeared to be unrelated to the

FIGURE 1.2
Poor-rich inequalities in access to different types of health care

(unweighted average of 10 developing countries)



Source: World Bank 1999e.

poverty of the country or to income within a country. Now, however, the rate of new infection is higher in poor countries and among the poor in these countries (World Bank 1999d).

- *AIDS is a disease of poverty in the sense that most people with HIV/AIDS are poor.* The disease struck very hard in poor countries: 95 percent of infected people are in the developing world and a full two-thirds are in Sub-Saharan Africa. Moreover, infection rates are stable or rising in most developing countries, while they are declining in the developed world.
- *Recent studies in developed countries have shown AIDS incidence to be highest among the very poor.* At the moment, there are no data to assess the precise

TABLE 1.10
Percentage of the rural and urban ill population seeking treatment

Country	Income group		Poor/Rich
	Poorest 20%	Richest 20%	
<i>Rural</i>			
Côte d'Ivoire 1988	23	44	1.9
Ghana 1989	26	46	1.8
Jamaica 1989	44	56	1.3
Peru 1990	20	39	2.0
<i>Urban</i>			
Côte d'Ivoire 1988	49	64	1.3
Ghana 1989	40	59	1.5
Jamaica 1989	43	60	1.4
Peru 1990	35	57	1.6

Source: Baker and van der Gaag 1993.

proportions of poor and nonpoor people who are infected in developing countries, but if trends for developed countries are replicated worldwide the poor will be more likely to become infected than the nonpoor.

- *AIDS deepens and spreads poverty.* Poor households are more adversely affected by an AIDS death of a prime-age adult than other households because they have fewer assets to draw on to cope with medical expenses and the loss of income and services that a prime-age adult typically provides. AIDS is also likely to increase poverty through the rise in the number of children who lose one or both parents. Evidence shows that orphans have significantly lower enrollment rates and are more likely to be malnourished than non-orphans. Lack of schooling and inadequate nutrition will make it more difficult for orphans to escape poverty. AIDS is also making it difficult to achieve the infant and child mortality targets set in the IDGs, because many children are born infected. In the countries with the highest prevalence even maintaining current levels will be difficult.

What the poor say

In preparing its World Development Report 2000/2001 on the theme of poverty and development, the World Bank wanted to make sure the voices of the poor—their experiences, priorities, and recommendations—would be taken into account. The result is *Voices of the Poor*, a qualitative research initiative that gathered the voices of 60,000 poor men and women from 60 countries.¹⁰ The study consisted of two parts: a review of more than 75 participatory poverty studies conducted in the mid- to late 1990s, which covered approximately 40,000 poor people in 41 countries around the world; and a series of new studies undertaken in 1999 in 23 countries, which engaged approximately 20,000 poor men and women.¹¹ The new studies were carried out in partnership with research institutes and NGOs from the 23 participating countries.¹²

The research approach featured open-ended, participatory methods, which enable poor people to define, describe, and analyze their views and experiences. Poor men and women participated in small group discussions and individual interviews, sharing their perceptions on four topics: perceptions of a good life and a bad life; their most pressing problems and priorities; the quality of their interactions with key public, market and civil society institutions; and changes in gender and social relations.

Voices of the Poor highlighted six main findings:¹³

- *The poor view well-being holistically.* Poverty means much more than just lack of income. For the poor, the good

life or well-being is multidimensional, with both material and psychological dimensions. Well-being is peace of mind; it is good health; it is belonging to a community; it is safety; it is freedom of choice and action; it is a steady source of income; it is food; it is a dependable livelihood.

- *Insecurity has increased.* By and large poor people feel they have not been able to take advantage of new economic opportunities because of lack of connections and lack of information, skills and credit. Unemployment, lack of food and money appeared as the number one problem in many places. Today's poor, who are engaged primarily in rural work and the urban informal sector, report experiencing life as more insecure and unpredictable than a decade or so ago. This is linked to unpredictability of agriculture, loss of traditional livelihoods, breakdown of the state, breakdown of traditional social solidarity, social isolation, increased crime and violence, lack of access to justice, extortion and brutality from the police rather than protection. Illness is dreaded and lack of affordable health care pushes many families into indebtedness and destitution.
- *Gender inequity is widespread and gender relations stressed.* With increased economic hardship and a decline in poor men's income earning opportunities, poor women across the world report "swallowing their pride" and going out to do even demeaning jobs in the informal economy to bring food to the family. This move away from traditional roles is traumatic for both, leading to alcoholism among men, family breakdown and domestic violence. Violence against women in the household remains widespread. On the positive side, in some countries, awareness raising by NGOs, churches and women's groups is contributing to changing social norms and eventually to harmony and equity within the household.
- *Government institutions are seen as corrupt and ineffective.* Corruption emerges as a core poverty issue. Poor people report hundreds of incidents of corruption as they attempt to seek health care, educate their children, claim social assistance, get paid, attempt to access justice or police protection, and attempt to enter the market place. Poor people are subject to insults, rudeness, harassment, force and sometimes assault by officials. Harassment of vendors in urban areas is widespread. Institutional analyses shows that although politicians, state officials and public servants are sometimes viewed as important they rarely show up as effective, trustworthy, or participatory in poor people's ratings of institutions. But there are exceptions. Provision of basic infrastructure is valued and has made a difference.
- *NGOs receive mixed ratings.* Where NGOs are present they are appreciated, but they are not as present as often believed. In the absence of public services, NGOs fulfill vital roles in the lives of the poor. While there are regional differences, NGOs are often touched by the same problems as the state; the poor feel they are excluded from the decisions that affect them.

BOX 1.4

Combining methods to assess the impact of the crisis in Indonesia

Indonesia's efforts to monitor the impact of the financial crisis were among the most comprehensive. The Social Monitoring and Early Response Unit (SMERU), a collaborative multi-donor effort led by the World Bank with support from AusAID, ASEM and USAID, was established with the objective of providing real-time qualitative information and analyzing quantitative information on the social impact of the crisis and on the operations of the social safety net programs. SMERU is undertaking rapid field appraisals on issues such as crop failures, food shortages, employment, health and education problems. In 1998, SMERU fielded a qualitative survey of kecamatan (administrative units) in all the sub-districts in the country, the survey was completed in record time: the results were available less than three months after the survey was conceived. The analysis documented the heterogeneous impact of the crisis and the coping mechanisms used by households.

On the quantitative side, recently completed surveys were re-fielded strategically to provide panel data to illuminate how households responded to the economic crisis. A sub-sample

of 2000 households covered in the second Indonesian Family Life Survey, which was carried out between August 1997 and February 1998, so mostly prior to the crisis, were re-interviewed from August to December 1998. Households interviewed in the survey of 100 villages conducted by the statistics office just prior to the crisis in May 1997 were re-interviewed fourteen months later in August 1998 at the peak of the crisis, and then again in December 1998, thus providing information on the impact of the crisis over time. Processing of the regular household survey—the 1998 and 1999 SUSENAS—was accelerated to provide more timely information on poverty, education and health impacts for a nationally representative sample. The timeliness of these different analytical pieces provided solid evidence on the impact of the crisis and influenced the debate and helped in the design of the safety net operations, which included a strong community monitoring component. SMERU has been conducting continuous analysis of the quantitative data sets as they become available and combining insights from both types of sources. The SMERU Web site (www.smeru.or.id) makes all this analysis publicly available.

- *The poor depend primarily on their own local institutions.* The poor rely on their own informal and indigenous institutions, networks and local people, including the local holy man and the local nurse. These emerge as the key institutions which help out in times of crisis. However, the poor recognize that there are limits to how much “one hungry man can help another hungry man.” They seek institutions that are “effective, trustworthy, uniting, dependable, respectful, courteous, truthful, listening, not corrupt and not corrupting.” Poor people want to develop their own organizations so they can effectively negotiate fair partnerships with governments, with traders and with NGOs; they want direct assistance and local ownership of funds through community-driven programs, with governments and NGOs accountable to them.

These findings raise many issues for reducing poverty in the developing world. They need to be combined with information from other sources, such as sample surveys and quantitative analysis, to evaluate the impact of public action and of Bank support on the poor and to provide guidance at the country and local level on the policies and institutional designs that hold the greatest promise to bring about inclusive growth. Box 1.4 provides an example of how qualitative and quantitative data sources were used together to get a sense of the impact of the crisis in Indonesia; other examples of the insights brought about by combining different methods—for example the work done in the Indian states of Uttar Pradesh and Bihar—can be found in *Poverty Reduction and the World Bank: Progress in Fiscal 1998* (World Bank 1999c, chapter 3).

Notes

1. For more detail on regional poverty trends, see World Bank 1999e.

2. This uses a different price base than the 1985 estimate, so the two numbers are not comparable.

3. Note that urban survey data for China do not include migrants from rural areas to the cities, which probably leads to an underestimation of urban poverty. Measurement methods in the official tabulations from the survey data for rural China are also believed to overestimate the rate of increase in inequality (Ravallion and Chen 1999). If increases in inequality from a low base are accompanied by increases in efficiency, as in some transition economy, they may not be detrimental to growth.

4. See World Bank 1999g, also available at www.worldbank.org/prospects/gep2000.

5. Not all countries in the region have experienced significant increases in inequality. Countries such as Hungary and Poland have not, but others such as Russia have experienced significant increases.

6. Filmer (1999) looks at educational outcomes; Gwatkin et al (1999) and Wagstaff (1999) look at health outcomes. Gwatkin and Filmer use data from the Demographic and Health Surveys (DHS) carried out by Macro International in over 60 countries (see www.macoint.com/dhs); Wagstaff uses data from Living Standards Measurement Surveys (LSMS) carried out in more than 25 countries with World Bank support (see www.worldbank.org/lms). LSMS surveys collect consumption data, so economic status can be defined with reference to consumption levels. DHS surveys do not collect information on consumption or income but contain information on assets owned by a household (radios, bicycles, and so on.), so economic status is defined on the basis of assets owned. Both indicators are good proxies of the level of economic well-being of a household, with the asset indicator capturing perhaps more adequately long-term status, especially where households do not have mechanisms to smooth consumption over good and bad periods. See www.worldbank.org/poverty/health/data for country information sheets.

7. A report prepared jointly by the OECD/DAC, the UN, the World Bank and the IMF discusses progress in achieving the International Development Goals as well as the policies needed to reach the goals. The report, *A Better World for All*, is available at www.oecd.org/dac/html/bwa.htm.

8. UNESCO 2000, available at www2.unesco.org/wef/en-docs/findings/efastatdoc.pdf.

9. See Wagstaff (forthcoming).

10. See www.worldbank.org/poverty/voices/.

11. New studies were conducted in Argentina, Bangladesh, Bolivia, Bosnia-Herzegovina, Brazil, Bulgaria, Ecuador, Egypt, Ethiopia, Ghana, India, Indonesia, Jamaica, Kyrgyz Republic, Malawi, Nigeria, Russia, Somaliland, Thailand, Uzbekistan, Vietnam, and Zambia. See www.worldbank.org/poverty/voices/reports.htm#national.

12. See Brock (1999); Narayan, Patel, Schafft, Rademacher and Koch-Schulte (2000); Narayan, Chambers, Shah, and Petesch (1999); and World Bank (1999f). These studies, as well as the methodology guide and the national reports, are available at www.worldbank.org/poverty/voices/reports.htm.

13. See the Global Reviews at www.worldbank.org/poverty/voices/reports.htm#glrev.

CHAPTER 2

World Bank Activities in Fiscal 1999

Dealing with the restructuring agenda following the crisis remained at the center of Bank activities in fiscal 1999. As discussed in the 1999 Annual Report (World Bank 1999h), the Bank continued to provide support to strengthen financial markets and corporate governance, as well as protect social expenditures and safety nets in East Asia, Latin America, and Europe and Central Asia. Private sector development to foster growth and human development figured prominently in Bank activities in Africa, South Asia and the Middle East and North Africa. The Bank continued to respond to natural disasters—floods in Bangladesh and Hurricane Mitch in Central America, for example—and man-made crises, such as conflicts and refugee crises in Africa and Kosovo. Whether responding to present crises or helping countries reduce their vulnerability to future crises, Bank activities aimed at helping the poor improve their situation, as stressed in the institution's Mission Statement: to fight poverty with passion and professionalism for lasting results.

Bank activities in support of poverty reduction continued to be guided by the two principles laid out in the fiscal 1997 Progress Report (World Bank 1998):

- Moving from describing poverty to formulating strategies and placing poverty reduction at the center of country assistance strategies and policy dialogue.
- Shifting from tracking inputs to assessing outcomes in evaluating Bank performance.

These two principles found wide application throughout Bank activities in fiscal 1999. This chapter looks at progress made in a number of areas:

- Country Assistance Strategies had a stronger poverty focus.
- The quality and timeliness of poverty analysis increased; 12 poverty assessments were completed and their quality was satisfactory.¹
- Information on poverty at the country level from both household surveys and especially participatory studies became available for more countries: eight more countries

now have data for two or more points in time, and participatory studies were conducted in 23 countries.

- Bank lending continued to support measures to mitigate the impact of crises on the poor and investments in human development, and communities and beneficiaries were involved directly in project design and implementation in a substantial number of projects.
- Significant progress was made towards sharing global knowledge on poverty reduction through the consultations related to the *WDR 2000/2001* on poverty and the working of the global research networks.
- Less progress than expected was made in the area of project impact evaluation. Still only less than 10 percent of Bank projects contain good plans for impact evaluation, and probably these plans are implemented in an even smaller percentage of cases. While it is clearly not affordable, and possibly not necessary, to conduct careful impact evaluations for all Bank projects, lessons on impact need to be learned from a larger number of projects. Clear guidance on methodology is now available.

These achievements and weaknesses are reviewed in the following sections; chapter 3 will then focus on how to design future Bank activities so as to increase their impact on poverty reduction.

Country Assistance Strategies

Country Assistance Strategies (CASs) are the key document laying out the Bank's strategy to assist countries in the implementation of their development plans. In fiscal 1996 the Bank began assessing the poverty focus of CASs based on the quality of the poverty diagnosis and on the consistency of the strategy laid out.² Based on these "old" criteria, the share of "good or best practice" plus "acceptable or minimally acceptable" CASs increased from 72 percent in fiscal 1996 to 92 percent in fiscal 1999, and the share of CASs that were unsatisfactory declined from 28 percent to 8 percent (table 2.1). This finding is in line with that of

OED's report on the effectiveness of the 1990 WDR strategy for poverty reduction, which found that Bank instruments, including CASs, had largely been aligned with the 1990 two-and-a-half-part strategy.³

Beginning in fiscal 1998, a more stringent set of criteria was used to review CASs, reflecting the fact that expectations of what makes a good poverty-focused CAS have risen. According to these new criteria, which were defined by the Poverty Group with the guidance of the Poverty Reduction Board, a CAS is satisfactory in its focus on poverty when, in addition to fulfilling the old criteria, it lays out clearly indicators of progress in reaching poverty outcomes, discusses the impact of past Bank activities on the poor, and articulates clearly the expected impact of the new strategy and program on the poor. Based on the new criteria, 56 percent of the fiscal 1998 and 67 percent of the fiscal 1999 CAS were judged satisfactory or highly satisfactory, while the remaining 43 and 33 percent respectively were judged marginally unsatisfactory or unsatisfactory (table 2.2).⁴ The improvement observed between fiscal 1998 and fiscal 1999, though not as large as one might have hoped, is nonetheless important. Three of the 24 fiscal 1999 CASs were rated as highly satisfactory: those for Malaysia, Panama and Nepal.⁵

The 1998-99 review looked at five main aspects: the overall goal of the Bank's engagement, indicators of progress (including strategies to acquire poverty information), poverty diagnosis (poverty profile and developments over time), the links between poverty diagnosis and proposed strategies, and impact assessment of past interventions. The improvement observed in CASs between fiscal 1998 and fiscal 1999 is due mostly to a marked improvement in the identification of indicators of progress and the development of strategies to acquire and utilize information on poverty. On the positive side was also an increase in the extent to which program activities were formulated with the active participation of governments, civil society and other donors. The two main weak spots remain linkages between patterns of growth and poverty reduction and evaluation of the impact of past activities; no improvement was noted here between fiscal 1998 and fiscal 1999.

Poverty reduction as overall goal of Country Assistance Strategies

Given the Bank's mission, poverty reduction should be the overall goal of every CAS. About 80 percent of the fiscal 1999 CAS made poverty reduction the overall goal of the World Bank's engagement, and to an increasing degree CASs present other goals, such as economic growth or private sector development, as instrumental to achieving poverty reduction. For example:

TABLE 2.1
Evaluation of CASs based on poverty focus, old criteria, fiscal 1996 to fiscal 1998
(percent)

Fiscal year	Best practice/ good	Acceptable/ minimally acceptable	Unsatisfactory
1996	20	52	28
1997	25	71	4
1998	56	37	7
1999	67	25	8

Source: World Bank 1999j.

- A hierarchy of development objectives is present in the *Panama* CAS: "The thrust of the Bank's future program is to assist Panama in effectively implementing its Poverty Strategy and Action Plan. [...] To achieve this, the CAS would focus on accelerating growth; expanding access of the poor to social services, infrastructure and assets; improving safety nets; and fostering environmentally sustainable development."
- In the *Malaysia* CAS, country circumstances call for giving priority to the poverty reduction objective in the short run, with other objectives being pursued in a longer time frame.

Use of time-bound performance benchmarks

For the past couple of years the Bank has been shifting its focus from measuring inputs to tracking outcomes—keeping track of how, and how much, people's lives have improved as opposed to just what resources were spent on trying to do so. In line with this shift, CASs should specify monitorable, time-bound indicators of performance, both for a country as a whole and for Bank activities. More CASs included monitorable progress indicators in fiscal 1999 than the year before—29 versus 23 percent—but this is clearly an area where further improvements are needed.

Being concerned about poverty reduction does not mean only being concerned about reducing the number of those living on less than \$1 per day. Poverty should

TABLE 2.2
Evaluation of CASs based on poverty focus, new criteria, fiscal 1998 and fiscal 1999
(percent)

Fiscal year	Highly satisfactory	Satisfactory	Marginally unsatisfactory	Unsatisfactory
1998	10	47	33	10
1999	13	54	21	12

Source: World Bank analysis.

TABLE 2.3
Examples of quantifiable and time-bound progress benchmarks in fiscal 1999 CAS

Country	Development objective	Country progress benchmark	Country/World Bank Group progress benchmark
Nepal	Improve health and family planning	By 2004: lower infant mortality to 60 per thousand; reduce total fertility rate to 4.2; improve sustainable access to safe water by 15 percentage points.	Good supervision, training and career development for maternal and child health workers; increase contraceptive prevalence rate to 36 percent by 2004; 900 user-group managed water schemes by March 2002.
Panama	Reduce malnutrition	Reduce incidence of malnutrition in children and breastfeeding and pregnant women in the 28 poorest districts to 31 percent in 1999.	Reduce incidence of malnutrition in children and breastfeeding and pregnant women in the 28 poorest districts to 31 percent in 1999.
Panama	Improve education outcomes	Overall literacy rate from 92 percent to 94 percent by 2001, literacy rate of the poor from 83 percent to 87 percent by 2001, and of Indigenous People from 62 percent to 67 percent.	Literacy rate of the poor from 83 percent to 87 percent by 2001, and of indigenous people from 62 percent to 67 percent.

Source: World Bank analysis.

be defined in a multi-dimensional way and in terms of what is relevant to the society in question. In practice, this means using national poverty lines to capture the income dimension of poverty alongside measures of other dimensions of well-being deemed important for the society in question—usually health and education status, vulnerability to shocks, exclusion from the mainstream of society, and so on. Examples of quantifiable and time-bound progress indicators reflecting nonincome dimensions of poverty used in fiscal 1999 CASs are presented in table 2.3.

In fiscal 1999 a much greater proportion of CAS separated country indicators from Bank indicators than in fiscal 1998 (57 versus 17 percent). The relationship between country goals, on the one hand, and Bank goals, on the other, depends on a number of factors and is far from simple. In smaller countries where the World Bank is proposing major operations and reforms in key sectors, indicators of the success of Bank activities can be the same as those of progress in the country, as in the case of reducing malnutrition in the Panama CAS, or could be a subset of country progress indicators, if Bank-supported activities are targeted to a specific population group. In larger countries, Bank performance indicators typically refer to geographic areas or population subgroups; an example from the Nepal CAS is the achievement of better child health in the 900 communities where water schemes were set up with World Bank support. The new guidelines for CAS under preparation (OP/BP 2.10) indicate that all CASs should include benchmarks for assessing future performance, distinguishing between country and Bank performance.

Poverty diagnosis

For a country strategy to be poverty focused, it needs to be built on good information about the poor. While 75 percent of CASs in fiscal 1999 had information on where the poor live (compared to 70 percent in fiscal 1998), other crucial information on the poverty profile and on changes over time was not provided in the majority of CASs. Sixty-three percent of the documents in fiscal 1999 (as compared to 60 percent in 1998) provided no or insufficient information on income poverty by occupation, ethnic group, gender, education level or other major socio-economic characteristics. This could be easily improved, as three-quarters of CASs had completed poverty assessments that could be used to build their poverty strategy. Eleven out of twenty-four CASs could also draw on the results of participatory poverty assessments.

As pointed out in the fiscal 1998 Progress Report, it is important to go beyond the income dimension of poverty to other aspects—malnutrition, educational attainment, social integration and so on. Information on such nonincome aspects was scarce, in fact more so than in the fiscal 1998 CASs: only 30 percent of fiscal 1999 CASs explored other dimensions of poverty, compared to 57 percent in fiscal 1998. This is in part to be expected, as geographically or socially disaggregated data on dimensions of poverty other than income poverty are not always available.

- An excellent and in-depth diagnosis of poverty is included in the Malaysia CAS. It builds on timely quantitative information, as well as tailor-made rapid participatory assessments and describes the most vulnerable groups, their characteristics, and location, as well as channels through

which the crisis was transmitted to them. Furthermore, the document reviews the main impacts of the crisis in the education, health, and agricultural sectors.

In terms of improving poverty information in the future, in 90 percent of the cases where good (or recent) information on poverty was lacking the CAS acknowledged the situation and proposed actions to gather data in the majority of cases.

Poverty reduction strategy and its formulation

The process of CAS formulation is increasingly reflecting the partnership approach proposed in the Comprehensive Development Framework (CDF): 83 percent of fiscal 1999 CASs were judged satisfactory with regard to the participation of government, civil society, the private sector and the donor community in the preparation of the CAS document, compared to 66 percent in fiscal 1998. The *Vietnam* CAS is a good example of the participatory nature of the process followed in defining the strategy.

Recent CASs distinguish better between the country's and the World Bank's strategies, highlighting both areas of overlap and of disagreement. In fiscal 1999 71 percent of CAS explained how the Bank strategy fitted into the country strategy, compared to 57 percent in fiscal 1998.

Where country strategies are built on a good analysis of poverty and Bank strategies fit well into the country strategy, the links between Bank activities and poverty reduction are clearer—the CAS articulates how the proposed activities are expected to affect the sectors from which the poor draw their livelihood, their access to services, and generally their ability to take advantage of opportunities. This is the case of the *Panama* CAS:

- The strategy was developed in stages. Building on in-depth collaborative work between the Government and the Bank on a poverty report, the Panamanian government approved a Poverty Action Plan in September 1998. This action plan then provided the framework for the largest part of Bank support to the country, and the CAS linked the proposed activities to the different parts of the country's action plan. Since the action plan itself is built around an in-depth analytical assessment of poverty, the expected impact of the Bank's assistance strategy is clearly articulated.

Good examples notwithstanding, this is generally an area for improvement: only 58 percent of CASs argued convincingly that the suggested assistance strategy would help reduce poverty. More specifically, four out of five CASs in fiscal 1999 failed to qualify what type of growth might be most beneficial to the poor, and the discussion of the links between growth and poverty reduction should be strength-

ened. Similarly, urban-rural linkages and the implications of urbanization for poverty reduction should receive more attention. This is consistent with OED's finding that, while generally in line with the 1990 WDR strategy, CASs remain a bit too general in their discussion of the patterns of growth that would benefit the poor.

Sixty-seven percent of CASs adequately addressed how to build up the human capital of the poor, and 37 percent of CASs addressed well how to protect the poor from shocks through safety nets. In particular, virtually all of the Europe and Central Asia CASs have a strong focus on social safety net reforms.

- The *Yemen* CAS addresses the issue of improving education opportunities for poor girls: strategies to reach "targeted social improvements for poverty alleviation" include increases in public education expenditure in poorer areas; more high schools for girls; and fee rebates for girls of poor families

The focus on achieving poverty outcomes helps the Bank to be more selective in its interventions, while working together with other partners strengthens the need to build on each partner's comparative advantage. The *Mexico* CAS articulates this clearly:

- "The CAS is driven by three main selectivity criteria. The first is *marginal impact on poverty reduction*. This underlines, for example, the primary importance of avoiding the adverse macro-economic shocks that would likely hurt the poor—first and most severely. The second is the *client's expressed needs*. The World Bank Group support agenda will be sensitive and proactive toward the authorities' sweeping reforms and pressing needs, such as the decentralization process [. . .]. The final criterion is *comparative advantage* [. . .]. The World Bank Group needs to focus its resources where its capabilities can produce the largest return for Mexico."

Impact of past assistance programs

Generally, progress is needed in the area of self-evaluation of the impact of the Bank's past programs on poverty reduction: two-thirds of all CAS documents were judged unsatisfactory or only marginally satisfactory in this respect. Good CASs should move beyond standard indicators of Bank performance such as the disbursement ratio or delays in project completion and assess whether the benchmarks established for Bank performance have been achieved; this is where the frontier lies in improving the poverty focus of CASs.

When assessing the impact of past Bank activities on poverty is impossible because of lack of data, as often is the case, CAS documents should at least outline a strategy to

fill the information gap. Although none of the fiscal 1999 documents could rely on good information on the impact of past activities, some did evaluate critically both the country's advance in poverty reduction as well as the World Bank's contribution towards it. For example:

- The *Nepal* CAS took a look at the effectiveness of aid in the country: "Aid has been much higher per capita in Nepal than in most other South Asian countries, with a plethora of donors quite eager to provide financial assistance [. . .]. But [. . .] the potential of donor assistance has not been fully realized. Although aid has had some successes, the question can be asked as to whether the quite significant aid volumes should not have produced more results, particularly among the most disadvantaged—the rural population that still represent the overwhelming majority of Nepal's people. Lately, there is a growing recognition among many, if not all, donors that the past approach to development aid simply cannot go on since, even when there are results, their sustainability is often far from certain."
- Noting that the absence of data makes it impossible to assess the impact of past Bank assistance, the *Lesotho* CAS outlined a strategy to monitor the Government's Poverty Action Plan, supported by the Bank through various operations. The poverty monitoring system is a trigger to move from the base-case to the high-case scenario for Bank lending.⁶

Poverty analysis

The higher poverty focus reflected in fiscal 1999 CASs was also translated into stronger efforts to carry out poverty analysis. Twelve poverty assessments were completed in fiscal 1999, almost twice the number completed in fiscal 1998, and their overall quality was satisfactory.⁷ Seven were first-time assessments (Algeria, Bulgaria, Burundi, Georgia, Haiti, Macedonia, Panama) and five were updates (Armenia, Kyrgyz Republic, Nepal, Peru, Russia). Half the assessments completed were for countries in the Europe and Central Asia region, which is quickly completing a first round of poverty assessments for all countries and carrying out timely updates as well (see box 2.1 for a discussion of how poverty issues are being addressed in the Europe and Central Asia region).

This review focuses on three aspects of fiscal 1999 poverty assessments: their goals, the features of the poverty reduction strategies discussed, and some of the innovative techniques employed. Finally, we review the treatment of gender issues.

Goals. The twelve poverty assessments reviewed differ significantly as to their goals, and consequently as to their con-

tent and process. Some of the goals include: building in-country capacity for poverty analysis; contributing an independent assessment to an ongoing debate; outlining a strategy to reduce poverty; and moving the Bank program in a new direction. Given the diversity of goals, it is not surprising that the coverage of poverty assessments, and especially updates, ranges from a single issue to a broad analysis of the poverty and social situation in a country. Similarly, some assessments involve many stakeholders, while others are essentially desk studies.

- The *Burundi* study aimed to lay out options to assist the country in case of continued security problems. The report could neither rely on extensive information nor be comprehensive, but it provided timely guidance on how to respond to the existing crisis situation.
- The *Kyrgyz Republic* poverty assessment update was part of a process of institutionalizing in-country capacity for survey work and data analysis. It is a very good example of selectivity in the use of resources: it focused on data analysis and capacity building, and brought country staff to the Bank to work with experts for an extended period of time.
- The *Panama* assessment also aimed at building capacity, but went beyond analysis to strategy formulation. As such, it started a process that led to the formulation of a national poverty reduction strategy through a number of debates and consultations.

The quality of a poverty assessment has to be assessed relative to the goals set out for it. Even a desk review of the targeting of social assistance may constitute a good poverty assessment if this is what is needed to inform the debate in the country, or if this is all that can be covered well given existing data or available resources. Similarly, a study which is more descriptive than prescriptive but lays the foundation for strategic discussions in the country may well have achieved its main objectives.

The need for clarity on objectives is one of the findings of the review of poverty assessments carried out by the Bank's Operations Evaluation Department in 1999. The review recommended that poverty assessments define—from the concept paper on—clear goals and priorities, provide adequate justification for prioritization of issues and for any selectivity in scope and coverage, and link work programs and analysis to goals.⁸

Among various goals, transferring knowledge and building capacity is particularly challenging: the OED review found six out of seven stakeholders were satisfied overall with the poverty assessment for their country, but they viewed knowledge transfer and local partnership and consultation as the least satisfactory aspects of poverty assessments.

BOX 2.1

Poverty issues in the Europe and Central Asia Region

Poverty has increased in the transition countries of the region over the past decade, and quite significantly in the Commonwealth of Independent States countries, primarily a result of the sharp decline in output. The Bank's Country Assistance Strategies have sought to identify the major challenges countries face in making the transition to market-oriented economies and how the Bank can best support that transition. With a strong human capital base, there is good reason to think that the majority of the population will benefit from the opportunities created by the new economic structures and the resumption of growth. There has been strong emphasis on moving from subsidizing enterprises to ensuring an adequate safety net for the unemployed, elderly pensioners and other poor left behind and protecting basic health and education expenditures. With public expenditures around 40 percent of GDP in many countries, there is significant scope for reallocation in favor of better targeted social spending.

Adjustment operations have been the main vehicle to support the reallocation of expenditures described above. Out of 18 IBRD and IDA adjustment operations (accounting for about two-thirds of total lending in the region), 14 had a poverty focus. The share is even higher for IDA adjustment operations alone. 10 out of 11 operations were poverty-focused. The strengthening of social safety nets was a priority in 12 out of the 14 poverty-focused adjustment operations. For example, operations in Bulgaria, Georgia, the Kyrgyz Republic, Macedonia, Moldova, and Tajikistan included measures to improve social assistance targeting; operations in Bulgaria, the Kyrgyz Republic and Macedonia supported reforms that help assure the sustainability of pension systems, and programs in Georgia, Poland and Romania provided unemployment benefits and redeployment assistance to workers laid off due to enterprise restructuring.

The Bank has also responded to crises in the region affecting the poorest countries. It successfully mobilized additional resources for the IDA countries in the Commonwealth of Independent States that were hard hit by the August 1998 Russian financial crisis; total commitments to these countries for fiscal 1999 were some 30 percent higher than planned

at the beginning of the fiscal year. These additional resources helped governments maintain their levels of social spending and forestall the build up of wage, pension and social assistance arrears. More recently, the Bank has been heavily involved in making additional resources available to the countries that bore the brunt of the Kosovo crisis. Assistance to Albania included two post-conflict grants supporting institutional and infrastructural needs of the refugee program and an emergency rehabilitation operation aimed to provide budget support; assistance to Macedonia included an emergency rehabilitation credit to finance critical imports, a post-conflict grant, and a social support project.

Looking forward, the Bank faces a number of challenges in ensuring that poverty is a central objective of Country Assistance Strategies. With the strong grounding provided by the completion of poverty assessments for most countries in the region, including qualitative work, regional staff share with country counterparts a better understanding of which groups of the poor are likely to benefit from renewed growth, which are likely to be left behind in the short term, and which may remain in long-term structural poverty. Social safety net programs will need further reforms to address the needs of different groups of poor people. Health and education systems are showing increasing signs of strain, with evidence emerging that the access of the poor is being undermined by their inability to make the informal payments that service providers have come to expect. However, there is increasing evidence that improvements in health and education outcomes for the poor can only occur if systemic reforms address the major inefficiencies in these sectors. Improved governance and progress in fighting corruption will help ensure that the benefits of growth are more evenly distributed as the climate for small businesses improves, and that the more profitable businesses and better-off individuals pay their fair share of taxes. Regional staff will give particular attention to linking the poverty diagnosis more tightly with the country strategy and to set performance indicators and monitoring strategies that will make it possible to assess progress.

Poverty reduction strategies. Several assessments contain examples of policies that could help reduce poverty in the areas traditionally discussed in poverty assessments: the impact of growth on poverty, human capital development and poverty, and safety nets. On the links between growth and poverty:

- The *Algeria* assessment looked at the impact on the poor of the deteriorating macroeconomic situation between 1987 and 1995. Disposable income declined and unemployment increased, hurting those with lower levels of education more than the average; farmers were hurt

by lack of secure tenure rights; and cuts in spending for health and education are likely to have had negative effects on the human capital and productivity of the poor in the medium term.

- The *Bulgaria and Macedonia* assessments contained extensive analysis of the links between labor market policies and poverty. The *Panama* assessment looked at the impact of labor market policies and trade protection on growth and poverty reduction, and found that the working poor are paid less than the minimum wage and do not receive mandated benefits.

Simulations were conducted to show that these labor policies actually increase poverty and inequality.

- The *Peru* assessment sought to identify pro-poor growth areas by looking at growth prospects for the sectors in which the poor work.

In terms of analyzing how human capital development helps the poor avail themselves of opportunities for a better life, the best assessments are those that take a broad look at the determinants of health and education outcomes and at the impact of public expenditures, rather than focus narrowly on sectoral expenditures.

- The *Algeria* assessment moved beyond a sectoral view in identifying determinants of poverty outcomes; for example, interventions such as sanitation and maternal education, which are outside the traditional purview of the health sector, are identified as key to improving health outcomes.
- The *Nepal and Panama* assessments looked at the incidence of education subsidies, and found that, as is usually the case, spending on higher education benefits the better-off more than the poor.

Problems related to the management of safety nets are particularly acute in the countries of the former Soviet bloc, and were discussed extensively in the assessments for *Armenia*, *Bulgaria*, and *Georgia*. The main policy issue is how to attain fiscal sustainability while ensuring that benefits go to the most needy.

Issues of governance are foremost in *Haiti*, and the poverty assessment identified political instability, poor governance and corruption as key factors behind the country's pervasive poverty. Corruption in particular resulted in a marked decline in the quality of public services, including areas of clear public responsibility such as the police and the judicial system (see box 2.2 for a discussion of the links between governance and poverty).

Innovative techniques. From a methodological point of view, all the fiscal 1999 poverty assessments are sound, but some use up-to-date techniques to deal with complex methodological issues and provide examples to follow in the future.

- *Household and individual consumption.* Generally, welfare measures such as consumption or income are constructed on the basis of household-level data, as surveys do not usually collect individual-level expenditure or income data. To arrive at individual-level measures of welfare, household-level measures need to be adjusted to account for the number of people in the household. One way to obtain per capita consumption is to simply divide household consumption by the number of household members. This is fine as a first approximation, but it overlooks the fact that not all household members consume

BOX 2.2

Governance and poverty

Good governance supports the goal of poverty reduction through a variety of channels. The most direct channel is via its impact on service delivery. Poverty reduction depends in part on improvements in the quality and accessibility to poor people of basic education, health, potable water and other social and infrastructural services, including police and legal services. Achieving this generally calls for government action—financing, active facilitation, and in many instances the direct delivery of services. Yet in all too many countries public actors in the social and infrastructural sectors have neither the incentives nor the resources to play this role. Reforming the institutional rules of the game thus becomes key to improving the availability of services for the poor.

A less immediate impact comes via the contribution of good institutions to growth and related changes in the ways in which scarce public resources are allocated and policies are formulated. In countries where institutions are weak, policymaking and resource allocation typically proceed in nontransparent ways, with decisions generally skewed in favor of those who are well connected to centers of power. All too often the result is that services valued by elites receive disproportionate funding (for example tertiary rather than primary education) and policies are adopted that benefit a few at the expense of broad sectors of society (for example the granting of monopoly privileges). Institutional reforms in both policymaking and budgeting foster openness and explicit debate among competing alternatives, thereby making it more difficult to conceal decisions that are systematically biased against the poor.

The most profound impact of institutional reform on poverty may be the potential for increases in citizen participation. There are a variety of ways in which strengthening "voice" in general—and the voice of the poor in particular—can improve public performance. At the micro level, they include fostering participation of parents in the governance of schools or working with communities to provide access to water. At the macro level, they include decentralization that genuinely empowers the poor and more broadly democratic or other forms of representative decision making and political oversight. As the Public Sector Strategy emphasizes, institutional reform is not simply a matter of changing the ways in which public hierarchies are arranged. Its focus is on the broad array of rules of the game that shape the incentives and actions of public actors—including the voice mechanisms that promote the rule of law and the accountability of government to its citizens (see the section on sector strategies in chapter 3).

equal amounts of food and other items. It also ignores the fact that the consumption of some items can be shared by more people without reducing the amount consumed by each person (for example, use of household durables), that is, that there are economies of scale in consumption. For these reasons, straight per capita measures can lead to faulty conclusions on the links between household size and poverty, which often contrast with results from participatory work—for example, that larger households are worse off or that widows are not worse off than the average. When simple per capita measures are used, no inference should be drawn on aspects such as household size/composition and poverty. The *Kyrgyz Republic* assessment, for example, is very careful not to draw such conclusions. Whenever possible, analysts should construct measures of consumption that adjust for different consumption needs and take economies of scale into account, and should check how sensitive any results on links between household size and composition and poverty are with respect to the consumption measure used. The *Georgia* assessment is a very good example of this kind of sensitivity analysis. A further issue that should be considered is that in reality there are significant gender differences in the amounts consumed by household members; new techniques to measure these differences are being developed and will hopefully be applied in the future.

- *Changes over time.* Data on living standards for two points in time are becoming available for a larger number of countries, making it possible to study the dynamics of poverty. The *Peru* update is an excellent example of how to use *cross-sectional* data to identify which factors help families move out of poverty (in Peru's case, important factors were job creation in the informal sector and the provision of a package of infrastructure services—water, sanitation and electricity). The *Bulgaria* assessment uses *panel* data to look at the characteristics of families who were among the poor in both survey years, finding that the households whose head had only primary education or less and who relied on social transfers or incomes from a variety of sources were more likely to remain poor. The *Russia* assessment uses panel data from the 1994-1996 Russian Longitudinal Monitoring Survey to analyze the emergence of a new group: the long-term poor. Poverty work in *Uganda* (still underway) uses data from five consecutive household surveys spanning the period 1993-1998.
- *Marginal incidence of public expenditures.* Most poverty assessments and public expenditure reviews cal-

culate the *average* incidence of public expenditures, that is, the extent to which different income groups benefit from public expenditures for a certain service at a given point in time. A common finding is that the poor benefit more from public expenditures in primary than in secondary or tertiary education. Thus, a common recommendation is that expenditures on primary education should be increased. But does *additional* money spent on primary education necessarily reach the poor? When data from two or more points in time are available, it is possible to calculate the *marginal* incidence of public expenditures, that is, whether additional expenditures reached the poor. In the *Peru* assessment, panel data on household access to services were combined with data on public expenditures for those services over the same period to assess whether the poor benefited from additional expenditures on particular services.

- *Poverty maps.* Income poverty maps can be generated by extrapolating information on income poverty from the small sample generally covered in a household survey to the population as a whole using information that is common to the survey and the most recent population census. Once maps are constructed, they can be combined with information on the geographical distribution of services and other characteristics and can assist decision-making at a much more disaggregated level than previously possible. This is particularly valuable where local agencies are given more responsibilities under decentralization. Poverty maps have now been developed for a number of countries—for example Ecuador, Peru, South Africa—and their use is expanding.

Gender aspects of poverty. The Gender and Poverty Groups in PREM recently conducted a review of the treatment of gender issues in poverty assessments completed in IDA countries in fiscal 1997-1999.⁹ The objectives of the review were to:

- Assess the extent to which poverty assessments for IDA countries reflect IDA's mandate to incorporate gender considerations into the analysis of poverty in these countries.
- Assess the degree to which gender concerns are being mainstreamed into this important area of the Bank's analytical work.
- Highlight best practice examples to help guide future gender and poverty analysis.¹⁰

The review examined the poverty assessments in terms of analysis of gender issues and policy recommendations as well as use of participatory methods, taking into consideration country circumstances such as the availability

of gender-disaggregated data, the socio-economic situation of women in the region and cultural realities. The review rated the assessments on a scale of 1 (poor) to 5 (excellent) and found that the average quality of gender treatment improved over the three-year period from 2.5 in fiscal 1997 to 3.7 in fiscal 1999. Among the best practice examples were Côte d'Ivoire (1997), Djibouti (1998), and Georgia (1999).

The fiscal 1999 poverty assessments looked at various gender issues:

- *Educational attainment of girls and women.* Significant gender gaps are found in *Algeria* and *Nepal* but not in *Bulgaria*, and gender gaps appear to be declining in *Nepal* and *Peru*.
- *The status of female-headed households.* Analyses for *Bulgaria*, the *Kyrgyz Republic*, and *Nepal* indicate that there are significant differences between households where male members are not present but contribute to the family's upkeep and those where male members have deserted the household; only the latter are consistently poorer than the average. In *Macedonia*, single elderly women without pensions are one of the most vulnerable groups.
- *The status of women in the labor force.* Evidence of gender discrimination in hiring and wages is found in the data for *Macedonia*, and young women are more likely than young men to be unemployed in *Peru*.

In addition to the 12 poverty assessments completed in fiscal 1999, several regional studies are underway. Major work on analyzing household survey data is being carried out for the Africa region to obtain a better understanding of poverty dynamics; it will include case studies of success and failure and an inter-country analysis of welfare trends based on data from the Demographic and Health Surveys. A study on poverty and inequality in Latin America and the Caribbean and a study on poverty and inequality in the transition economies of the former Soviet bloc are being completed.¹¹

Country-level poverty monitoring

The availability of country-level data on household consumption, income, and other indicators has continued to improve, although at a slow pace, over the last fiscal year. Survey data exist for most countries, more countries have comparable data sets that make it possible to assess trends over time, and more data sets are openly accessible to civil society than in fiscal 1998:

- One hundred thirteen out of 124 countries with more than one million people have data from at least one consumption/income survey, three more than last year. This corresponds to 97 percent of the population of Part II coun-

TABLE 2.4
Data availability
(percent)

Share of population covered by	1995	1998	1999
At least one survey with data on consumption and/or income	83	96	97
Comparable data for at least two points in time	45	85	86
Open access to data	—	41	46
Total number of countries	121	124	124

— Not available.

Source: World Bank 1995 and 1998 censuses of household surveys and Poverty Monitoring Database (www.worldbank.org/poverty/data/povmon.htm).

tries, as compared with 96 percent in 1998 and 83 percent in 1995.¹²

- Sixty eight countries have comparable data for at least two points in time, eight more than last year. Since such data are available for the largest countries, the share of population covered by at least two comparable surveys is high—86 percent, only marginally higher than in 1998 (when it was 83 percent), but a great improvement since 1995.¹³
- Only 39 countries, covering 46 percent of the population, make their household consumption/income survey data accessible to researchers and other interested parties. Nonetheless, this is an improvement compared to 1998: seven more countries, covering an additional five percent of the population (see table 2.4 and Annex I for regional and country-level information.)

Differences persist among regions in coverage, availability of comparable surveys over time, and data access. The Middle East and North Africa region continues to lag behind:

- Coverage (the availability of at least one survey) is between 93 percent and 100 percent of the population for all regions except the Middle East and North Africa, where it stands at 77 percent.
- Availability of comparable surveys over time is above 80 percent in all regions apart from the Middle East and North Africa and Africa, where only 45 percent of the population is covered by comparable surveys.
- Data access is almost universal in South Asia, fairly frequent in Europe and Central Asia and in East Asia (apart from China), and still low in Africa and Latin America. In the Middle East and North Africa only seven percent of the surveys are openly accessible (table 2.5).

In fiscal 1999 there was further progress on poverty monitoring data in the Africa region, with new surveys having been conducted or having become available in Côte d'Ivoire, Ghana, Nigeria, Uganda and Zambia. In Ghana, remarkable progress was made in reducing the lead time between field work and the beginning of data analysis: while the 1992 survey took

TABLE 2.5
Data availability by region
 (percent)

Share of population covered by	Africa (Sub-Saharan)	East Asia and Pacific	Europe and Central Asia	Latin America and the Caribbean	Middle East and North Africa	South Asia
At least one survey with data on consumption and/or income	95	99	93	98	77	100
Comparable data for at least two points in time	45	96	82	96	45	98
Open access to data	21	26	51	10	7	99
Total number of countries	39	15	28	22	15	5

Source: World Bank 1998 census of household surveys and Poverty Monitoring Database (www.worldbank.org/poverty/data/povmon.htm).

three years to prepare, the 1998/99 was ready in six months. A system for data archiving has been developed and piloted for the Djibouti household survey: all the data, documentation, and relevant papers are stored on CD-ROMs for easy access and archiving.¹⁴

In the Latin America and the Caribbean region the Program for the Improvement of Surveys and the Measurement of Living Conditions (ISLC/MECOVI), jointly sponsored by the Inter-American Development Bank, the World Bank and the Economic Commission for Latin America and the Caribbean, is supporting country-level and regional activities to improve the design and implementation of household surveys.¹⁵ The second meeting of the ISLC/MECOVI Steering Committee, held on July 27, 1998, emphasized the importance of setting up a household survey data bank accessible to the research community. Sixteen Latin American countries have so far responded positively, authorizing the inclusion of their data in the data bank.

In the East Asia and the Pacific region much work took place to assess the impact of the financial crisis. All crisis-hit countries were conducting household surveys regularly, but the frequency (annual or biannual) and the long time lag between data collection and the availability of data for analysis diminished their usefulness during the crisis when the situation changed rapidly and the need for current information was paramount. The responses varied by country and included a mix of instruments—from rapid qualitative assessments to accelerated processing of ongoing surveys, special modules, or new surveys (see box 1.4 for a summary of the data collected in Indonesia). New surveys were conducted in Cambodia, China, Indonesia, Malaysia, Mongolia, the Philippines and Thailand.¹⁶ In Europe and Central Asia surveys were conducted in Russia and Tajikistan.¹⁷ In the Middle East and North Africa region a survey was conducted in Morocco.¹⁸

The World Bank has also made publicly available on the PovertyNet Web site a new tool, the Poverty Monitoring

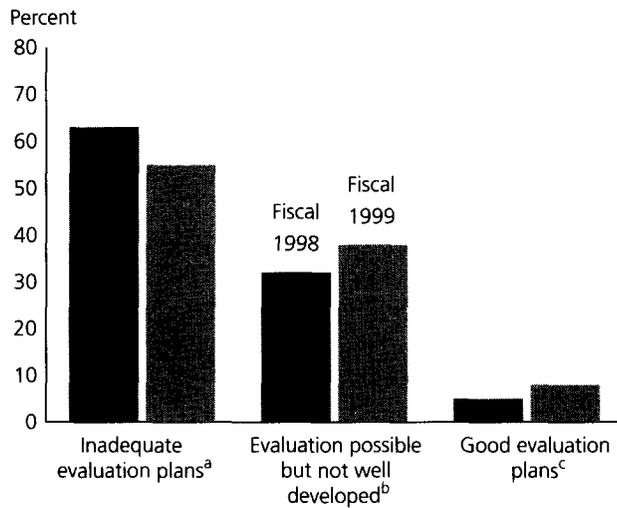
Database, to facilitate the work of researchers and policy analysts.¹⁹ The database contains information on household surveys and participatory studies that have been conducted, including contact names; summaries of completed poverty assessments; and social indicators data sheets to provide a fuller picture of poverty in a country. In addition, the Africa Region developed a new Web site and a tool to find data for countries in the region.²⁰

Major progress was made in fiscal 1999 in conducting participatory poverty studies: as reported in chapter 1, new studies were conducted in 23 countries to hear the views of the poor on what constitutes well-being, pressing problems and priorities, the role of public and private institutions in their lives, and the changing nature of gender and social relations. These studies, which are available on the Web, provide a rich picture of poverty and vulnerability.²¹

Project impact evaluation

As discussed in last year's Progress Report, the shift towards focusing on outcomes rather than inputs requires raising the standards on evaluating the impact of Bank interventions on households. A review of 240 fiscal 1998 investment operations indicated that a very small number of projects (12, or 5 percent) included outcome and/or impact indicators, a baseline survey, and control groups, which make it possible to conduct a good evaluation. An additional 77 projects (32 percent) included some of the elements necessary for a good evaluation but not all, and in particular did not lay out plans for assessing the impact of interventions relative to a control group; for projects in this category evaluations could still be conducted, but were clearly not well-planned at the time of project approval. As many as 151 projects (63 percent) did not make adequate provisions for evaluation (figure 2.1).²² While one would not expect all projects to plan a careful impact evaluation on account of its cost, the shares above were judged too low.

FIGURE 2.1
Distribution of fiscal 1998–99 projects
by category of evaluation



a. Projects with: no outcome or impact indicators and no baseline survey; outcome and/or impact indicators, but no targets and no baseline; and outcome and/or impact indicators and targets, but no baseline.
b. Projects with: outcome and/or impact indicators, baseline survey and possibly financing, but no control groups.
c. Projects with: outcome and/or impact indicators, baseline survey and control groups.

Source: World Bank analysis.

A similar review was conducted on a sample of 173 fiscal 1999 investment operations.²³ The results indicate that, while there has been some improvement with respect to the previous year, plans for impact evaluation remain limited. The percentage of projects with plans for a sound impact evaluation increased from five to eight percent, and the percentage of projects with incomplete plans but with potential for good evaluations increased from 32 percent to 38 percent. The percentage of Bank lending for projects with well-planned impact evaluations remained the same—six percent—indicating that the improvement in impact evaluation performance is attributable to better evaluation plans in smaller-size Bank loans. Encouragingly, Learning and Innovation Loans, or LILs, are among the small loans with good evaluation plans: 19 percent of LILs have good evaluation plans compared to 6 percent of non-LILs, and of all projects with good evaluations 28 percent are LILs (LILs represent 11 percent of the sample). However, this may still be lower than desirable, as LILs are meant to learn whether a certain project design or intervention works or not.

Progress on impact evaluation was not even across regions and sectors (table 2.6). Last year, East Asia and the Pacific stood out with a relatively high proportion of projects with good evaluation plans or the information base to conduct sound evaluations. This year the Latin America and Caribbean re-

gion improved substantially its performance: the percentage of lending for projects with well-developed evaluation plans increased from two percent to 16 percent, whereas the percentage of lending to projects with incomplete plans but with potential for evaluation increased from 30 percent to 50 percent. Increases in the share of lending with good or potential evaluation plans took place in the Africa region as well.

In sectoral terms, significant positive changes occurred in the social sectors and in social protection (table 2.7), where the share of lending for projects with good evaluation plans or the information base to conduct sound evaluations increased from 39 percent to 67 percent and from one percent to 40 percent, respectively. Impact evaluation performance in the rest of the sectors remained roughly the same as fiscal 1998.

In sum, less progress was made than expected. Still only less than 10 percent of Bank projects contain good plans for impact evaluation, and probably these plans are implemented in an even smaller percentage of cases. While it is clearly neither affordable nor necessary to conduct careful impact evaluations for all Bank projects (careful quantitative evaluations require household and often community surveys that are costly and time-consuming to carry out), lessons on impact need to be learned from a larger number of projects. A monitoring and evaluation strategy is being prepared. For country-level monitoring and evaluation of poverty trends, the strategy will discuss how monitoring and evaluation strategies will be systematically integrated within

TABLE 2.6
Fiscal 1998 and 1999 investment projects with either good evaluation plans or the potential for good evaluation (share of lending) (percent)

	Share of lending,	
	Fiscal 1998	Fiscal 1999
<i>Region</i>		
Africa	36	42
East Asia and Pacific	68	59
Europe and Central Asia	25	20
Latin America and the Caribbean	32	66
Middle East and North Africa	30	21
South Asia	28	26
<i>Sector</i>		
Agriculture and Environment	54	52
Infrastructure	43	35
Social sectors (education, health, nutrition, and so on)	39	67
Social protection (pensions, safety nets, and so on)	1	40
Others	23	26
Total	39	46

Note: Covers projects with outcomes and/or impact indicators, baseline survey and possibly financing, but no control groups, and projects with outcomes and/or impact indicators, baseline survey and control groups.
Source: World Bank analysis

country assistance strategies over time; for sector strategies, the Sector Strategy Papers stocktaking planned for the first half of fiscal 2001 will examine the scope and timetable for Sector Strategy Papers to systematically improve or introduce monitorable sector-relevant poverty outcome indicators and intermediate indicators, as well as evaluation plans. The strategy will also discuss how to strengthen incentives. Incentive constraints are now being addressed in various ways: the lack of desire to find out that an intervention has not worked is being addressed to some degree by placing increasing emphasis on results overall and changing behaviors; and a plan is being discussed to provide funds for impact evaluations when the lessons to be learned are relevant beyond a country context, so as to address the underprovision inherent in the public-good nature of evaluations. Capacity constraints are being addressed through training for staff and country counterparts and the preparation of a Handbook on Impact Evaluation.²⁴

It should be stressed that, while the evaluation of the poverty impact of specific interventions at the project level has an important role to play in order to learn what works and what does not, it is a complement, not a substitute, for program evaluations. The impact of an overall poverty reduction strategy on key poverty indicators should be monitored, and efforts should be made to assess the Bank's contribution. This is a much more complex exercise, given that it is not possible to establish a clear counterfactual, and one in which judgments would have to be made, based on existing analysis.

Poverty-focused lending

In fiscal 1999 the World Bank continued to assist countries affected by financial and other crises, attempting to mitigate their impact on the poor through carefully designed reform programs and assistance packages. For example, in Indonesia, the Bank designed and put in place a back-to-school campaign of great proportions which, despite some shortcomings, has kept many children from dropping out of school, thus providing an essential and effective safety net to cushion the impact of the crisis.²⁵ The Bank also continued to lend a significant share of its resources for human capital development. Lending for education, health and social protection in fiscal 1999 based on the new classification amounted to \$7,274 million (25 percent of total Bank lending), as compared to \$7,821 in fiscal 1998 (27 percent).²⁶ But projects in the social sectors represent only one way to help countries attack poverty; in many contexts investments in productive sectors and in infrastructure are just as important to ensure that growth is sustainable and that the poor share in its benefits. The Fourth Rural Water Supply and Sanitation project in

TABLE 2.7
Fiscal 1998 and 1999 investment projects with either good evaluation plans or the potential for good evaluation (share of projects) (percent)

	Share of projects	
	Fiscal 1998	Fiscal 1999
<i>Region</i>		
Africa	36	42
East Asia and Pacific	58	49
Europe and Central Asia	17	36
Latin America and the Caribbean	46	62
Middle East and North Africa	22	44
South Asia	42	43
<i>Sector</i>		
Agriculture and Environment	42	42
Infrastructure	34	35
Social Sectors (education, health, nutrition, and so on)	44	70
Social Protection (pensions, safety nets, and so on)	9	54
Others	32	33
Total	37	46

Note: Covers projects with outcomes and/or impact indicators, baseline survey and possibly financing, but no control groups, and projects with outcomes and/or impact indicators, baseline survey and control groups.

Source: World Bank analysis.

China is a good example of the essential role played by infrastructure in improving the lives of the rural poor: this and the three previous projects will have provided clean water to about 25 million poor rural people, enabling them to enjoy better health and conduct more productive working lives.

In looking at Bank projects, it is important to keep in mind that the poverty impact of Bank lending operations has to be assessed in the context of the country assistance strategy as a whole, as Bank operations complement one another as well as what is done by the government and other donors. It would be incorrect to judge Bank assistance on the basis of single projects considered in isolation.

While most Bank lending aims to contribute, directly or indirectly, to poverty reduction, since 1992 the World Bank has been tracking lending with an expected direct impact through the Program of Targeted Interventions and poverty-focused adjustment loans. The amounts lent under these categories give an indication of the inputs that go to the poor—resources targeted directly to the poor or which go to areas with a higher-than-average incidence of poverty.

To be classified as part of the Program of Targeted Interventions, an investment operation must meet the following criteria:

- The project has a specific mechanism for targeting the poor.
- The proportion of the poor among project beneficiaries is significantly larger than their proportion in the overall population.

TABLE 2.8
Number and amount of lending for PTI projects, fiscal 1992–99

	Total number of investment projects	Number of PTI projects	Percent	Total investment lending (US \$ millions)	Total PTI lending (US \$ millions)	Percent
1992	187	57	31	15,542	3,836	25
1993	214	72	34	17,603	4,674	27
1994	197	63	32	17,581	4,441	25
1995	208	75	36	16,958	5,437	32
1996	222	79	36	16,698	5,408	32
1997	203	77	38	13,890	4,090	29
1998	240	101	42	16,789	6,733	40
1999	216	111	51	12,426	6,165	50

Source: World Bank analysis

The project components that meet either of these criteria must account for at least 25 percent of the total IBRD/IDA loan or credit amount.²⁷

To be classified as poverty-focused, an *adjustment* operation must meet the following criteria:

- Focuses specifically on eliminating distortions that especially disadvantage the poor.
- Supports a reorientation of public expenditures toward physical infrastructure or basic social services for the poor.
- Supports programs that provide safety nets or that target specific groups of the poor.²⁸

The classification of projects is carried out by project teams in the regional vice-presidencies and reviewed by the Poverty group in the PREM Network to ensure that the criteria are applied correctly and uniformly across regions.²⁹

Operations that meet these criteria are more likely than others—based on the assessment of Bank regional staff and managers—to have a significant direct impact on poverty. OED's recent report on the effectiveness of the Bank's poverty reduction strategy found that projects in the PTI performed better in terms of outcome, institutional developments, Bank and borrower performance according

to OED's evaluation (mainly on account of more involvement of beneficiaries in design and implementation and better use of performance indicators). But it should be said also that the report did not find sufficient information to draw firm conclusions on the achievement of poverty-related objectives. While the PTI is useful as a poverty marker system, it should be noted that non-PTI operations may have an equal or greater impact on the poor through their indirect impact on local or national growth.

Program of Targeted Interventions

The number of projects classified as being part of the Program of Targeted Interventions (PTIs) increased from 42 percent of the total in fiscal 1998 to 51 percent in fiscal 1999. Similarly, the amount lent for PTI projects increased from 40 percent to 50 percent of total investment lending (table 2.8). These increases are partly due to increases in lending for projects classified as poverty-targeted in the financial, transportation, and urban development sectors, as well as a large increase in overall PTI lending to countries in the East Asia and Pacific region (see Annex D for details on the sectoral and regional composition of PTI loans). PTI loans

TABLE 2.9
Number and amount of lending for PTI projects, IDA countries only, fiscal 1992–99

	Total number of investment projects	Number of PTI projects	Percent	Total investment lending (US \$ millions)	Total PTI lending (US \$ millions)	Percent
1992	91	34	37	4,081	1,812	44
1993	112	44	39	5,187	2,137	41
1994	84	35	42	4,336	1,853	43
1995	91	46	51	4,510	2,423	54
1996	106	50	47	5,160	3,246	63
1997	81	36	44	3,504	1,874	54
1998	113	55	49	6,053	3,267	54
1999	116	69	59	4,731	3,033	64

Source: World Bank analysis.

TABLE 2.10
Number and amount of lending for poverty-focused adjustment operations, fiscal 1992–99

	<i>Total number adjustment operations</i>	<i>Number PF adjustment operations</i>	<i>Percent</i>	<i>Total Adjustment lending (US \$ millions)</i>	<i>Total PF lending (US \$ millions)</i>	<i>Percent</i>
1992	32	18	56	5,847	2,838	49
1993	23	6	26	5,253	1,165	22
1994	28	20	71	2,868	1,665	58
1995	30	14	47	5,324	1,648	31
1996	30	17	57	4,509	2,227	49
1997	30	18	60	5,086	2,649	52
1998	37	16	43	11,289	7,235	64
1999	48	36	75	15,449	10,689	69

Source: World Bank analysis.

to IDA countries alone, rather than to all countries, increased significantly from 54 percent to 64 percent of all IDA lending between fiscal 1998 and 1999 (table 2.9).

Poverty-focused adjustment operations

The share in the number of poverty-focused adjustment operations increased significantly from 43 percent of the total in fiscal 1998 to 75 percent in fiscal 1999, its highest level since the Bank started tracking these operations. Similarly, the share of lending for such operations over total adjustment lending increased from 64 percent in fiscal 1998 to 69 percent in fiscal 1999 (table 2.10). This increase is due, at least in part, to three very large loans to Argentina, Indonesia, and Korea that included measures to protect the poor from the impact of financial crises. The Europe and Central Asia region accounted for over one-third of the total number of adjustment operations with poverty-focused components, and over 75 percent of the adjustment operations in the region had a poverty-focused component.

Poverty-focused adjustment lending to IDA countries also increased dramatically in both absolute and percentage terms

from fiscal 1998 levels (table 2.11). Between these two years, IDA lending for poverty-focused adjustment operations almost doubled from US\$630 million to US\$1,239 million, with the share of IDA poverty-focused lending in total IDA adjustment lending jumping from 47 percent to 82 percent. More than half of the funds were for structural adjustment loans to African countries (see annex E for more details).

Looking at all projects, not only those classified in the PTI or poverty focused, a recent review by the Bank's internal Quality Assurance Group (QAG) found that attention to vulnerable social groups and the poor is increasingly being mainstreamed. In the sample of 85 investment projects reviewed under QAG's second round of the Quality at Entry study, which covered fiscal 1999 projects, 39 demonstrated significant and well-designed activities targeted at poverty reduction. While 29 of these were designated PTI, 10 more that were not classified as PTI, also included substantial provisions for poverty reduction. Among the 15 adjustment loans, several incorporated appropriate and effective provisions addressing poverty. The findings on gender mainstreaming were similar. Revised guidelines on adjustment lending are being prepared.

TABLE 2.11
Number and amount of lending for poverty-focused adjustment operations, IDA countries only, fiscal 1992–99

	<i>Total number adjustment operations</i>	<i>Number PF adjustment operations</i>	<i>Percent</i>	<i>Total Adjustment lending (US \$ millions)</i>	<i>Total PF lending (US \$ millions)</i>	<i>Percent</i>
1992	16	10	63	2,152	1,168	54
1993	8	3	38	1,423	645	45
1994	18	11	61	1,998	875	44
1995	15	9	60	1,069	598	56
1996	19	13	68	1,679	1,027	61
1997	11	9	82	948	689	73
1998	17	9	53	1,354	630	47
1999	22	20	91	1,512	1,239	82

Source: World Bank analysis.

TABLE 2.12
World Development Report conferences and workshops, 1998–99

Date	Events
September 1–3, 1998	Mediterranean Development Forum, Marrakech: Session on relevance of WDR themes in the region
September 1–30, 1998	First electronic consultations with representatives of civil society
October 19–20, 1998	Forum on Poverty, Inequality and Vulnerability, and Latin American and Caribbean Economic Association Meeting, Buenos Aires
January 12–14, 1999	Conference on Values, Norms and Poverty and consultations with civil society, Johannesburg (organized by the World Faiths Development Dialogue and sponsored by the Archbishop of Canterbury)
February 2–4, 1999	Policy Dialogue on Inclusion, Justice, and Poverty Reduction, Berlin (organized by the Development Policy Forum of the German Foundation for International Development)
February 4–5, 1999	Conference on Social Protection and Poverty, Washington (organized by the Inter-American Development Bank)
March 24–25, 1999	Workshop on Environment and Poverty, Washington (sponsored by IDRC and the World Bank)
March 29–30, 1999	Workshop on How to Reduce Poverty and Inequity in Latin America (sponsored by IDRC)
April 4–6, 1999	Workshop on Rural Development and Poverty, Dhaka, Bangladesh
April 16–18, 1999	Second African Consultation on the WDR, Dakar, Senegal (organized by the Inter Africa Group)
May 10–12, 1999	Conference on Macro Shocks and Poverty and consultations with civil society, Kuala Lumpur
May 11–12, 1999	Workshop on Social Policy Reform in Latin America, sponsored by IDRC
June 14–15, 1999	World Bank Conference on Evaluation and Poverty Reduction (sponsored by OED and WBI)
June 28, 1999	World Faiths Development Dialogue Meeting (sponsored by the World Faiths Development Dialogue and the World Bank)
July 6–8, 1999	Stiglitz Summer Research Workshop on Poverty, Washington, D.C.
September 22–23, 1999	Voices of the Poor "Global Synthesis Workshop," Washington, D.C.

Source: WDR 2000/2001 Calendar of Events (www.worldbank.org/poverty/wdrpoverty/events/calendar.htm).

While the findings suggest that poverty and gender issues need more attention in Bank operations, it should be recognized that, as discussed earlier, the proper unit of analysis for evaluating the Bank's impact on poverty is the Country Assistance Strategy. The linkages between Country Assistance Strategies and poverty reduction are expected to be discussed more explicitly as countries move forward with the preparation and implementation of the Poverty Reduction Strategy Papers and the Comprehensive Development Framework (see chapter 3).

Sharing global knowledge

The World Bank shares knowledge about development and poverty reduction through a variety of tools: Web sites, publications, conferences, courses. Some examples of the work done in fiscal 1999 are presented here.

The *World Development Report 2000/2001* is providing the opportunity for a major reassessment of the determinants of poverty reduction and social progress in the context of global forces for integration and technical

change. Work has been underway since September 1998 and much more extensive consultations were conducted than for previous reports.³⁰ WDR team members also spent some time in villages over the summer. A very important contribution to the WDR is the *Voices of the Poor* study, whose findings were presented in Chapter 1.³¹ Table 2.12 lists all the conferences and workshops conducted in the last year.

The *World Bank Institute* (formerly the Economic Development Institute) supports poverty reduction in client countries through a combination of awareness raising, training, network strengthening and the use of new information technologies. A few examples of innovative fiscal 1999 activities are:

- The Virtual Souk (www.elsouk.com) provides a marketplace on the Internet for crafts produced by talented artisans in the south for potential buyers in the north. The souk contributes to poverty reduction by increasing the incomes of isolated groups of artisans.
- After developing and piloting an innovative approach to training poor groups of women, the Grassroots Man-

agement Training program is now being mainstreamed into Bank operations through LILs in Peru and Ethiopia. In both cases, GMT is reaching the poorest of the poor with tools that empower them to take control of their lives.

- The Civic Association Outreach and Training program trained community organizers in some of the poorest districts in Romania and Uganda on how to better identify development needs and articulate them with local authorities to deliver services.
- The Partnerships for Poverty Reduction program (www.worldbank.org/ppr) has succeeded in promoting the adoption of a partnership approach among several governments, NGOs and businesses in countries in the Latin America region by building a strong case for such an approach based on hundreds of actual experiences of public-private-civic collaboration.

The World Bank Institute also carries out courses for staff and partners. In fiscal 1999 a new course was developed that integrated previous training programs on economic growth and on poverty issues. The coordination between internal and external training was instrumental in making that possible. Three regional courses reached external partners in Africa, South Asia and Central Asia, and set the basis for an expanded training program in fiscal 2000. Providing training for country counterparts is important to strengthen local capacity, especially on poverty monitoring and evaluation. A Poverty Analysis Initiative was launched to support regional capacity building initiatives on poverty analysis. Activities, currently planned for East Asia and the English-speaking Caribbean countries, as well as Africa, include hands-on training followed by guided studies on the poverty situation, aimed at providing background for the design of poverty reduction strategies.

The World Bank external Web site continued to expand in fiscal 1999 in terms of both content and usage. In particular PovertyNet, the Bank's home page on poverty, reached almost 55,000 page requests per month by August 1999 (an amount of information roughly equivalent to 1,500 books per month) at the end of its first year of operation, and usage went up to 200,000 page views by July 2000.

Notes

1. This is consistent with the findings of the Bank's Quality Assurance Group review of the quality of poverty-related studies for fiscal 1999, and represents an improvement over fiscal 1988.

2. The criteria were the following: Is the diagnosis of poverty adequate and does it incorporate the findings of the poverty assessment and/or other relevant analysis that is available? Under that particular country's circumstances, have the following elements

of the Bank's poverty reduction strategy been addressed: labor-intensive growth, human capital development, safety nets? The analysis was relative to what was known about poverty. A CAS was not required to treat each of the three elements, only those that were appropriate for the country and the Bank's comparative advantage in that particular country.

3. OED 2000.

4. These results are consistent with those of the CAS Retrospective, (World Bank 1999i).

5. This year's review was conducted by a team of staff in the Poverty Group of the Poverty Reduction and Economic Management and was reviewed by the Poverty Reduction Board, which comprises representatives from all the regions and from other networks.

6. The Lesotho CAS is a fiscal 1998 CAS.

7. This finding is consistent with QAG's assessment. QAG reviewed three examples of poverty work in fiscal 1999 (one was a poverty assessment) and found them satisfactory. This is an improvement over QAG's assessment of poverty work in fiscal 1998.

8. The OED review examined the country-level impact of 19 poverty assessments and updates (all those done in fiscal 1997 and 1998, plus a sample from fiscal 1996), following up on a first review conducted by OED in 1996 (OED 1999).

9. A total of 17 poverty assessments were completed for IDA borrowers during this period: six in fiscal 1997; five in fiscal 1998; and six in fiscal 1999.

10. For a guide on how to incorporate gender aspects into poverty analysis, see Mason and Lampietti 1999.

11. For Latin America and the Caribbean, see Wodon (2000).

12. The 1995 census was less extensive than the 1998 census and may have underestimated coverage, so the difference between 1995 and 1998 may be slightly overestimated.

13. The figure for 1995—45 percent—is not directly comparable, but is sufficiently lower to be sure of an improvement.

14. See www4.worldbank.org/afr/poverty/databank/default.htm.

15. Countries covered by the project are currently Argentina, El Salvador, Paraguay, Peru, Nicaragua (joined in June 1998), Bolivia (joined in May 1999), and Guatemala (since September 1999).

16. Cambodia: 1999 Cambodia Socioeconomic Survey; Indonesia: Susenas 1999; Malaysia: 1999 Household Income/Basic Amenities Survey; Mongolia: 1999 Living Standards Monitoring Survey; Philippines: 1999 Annual Poverty Indicators Survey; Thailand: 1998 Socio-Economic Survey (SES).

17. Completion of the second phase of the Russia Longitudinal Monitoring Survey, with Round 8 in 1998, and Tajikistan 1999 Living Standards Survey.

18. Enquête nationale sur les niveaux de vie des ménages 1998.

19. The Poverty Monitoring database is available at www.worldbank.org/poverty/data/povmon.htm.

20. Available at www4.worldbank.org/afr/poverty/databank.

21. Countries covered are Argentina, Bangladesh, Bolivia, Bosnia-Herzegovina, Brazil, Bulgaria, Ecuador, Egypt, Ethiopia, Ghana, India, Indonesia, Jamaica, Kyrgyz Republic, Malawi, Nigeria, Russia, Somalia, Thailand, Uzbekistan, Vietnam, and Zambia. The studies are available at www.worldbank.org/poverty/voices/reports.htm and through the Poverty Monitoring Database at www.worldbank.org/poverty/data/povmon.htm.

22. A baseline survey is desirable but not necessary for sound evaluation: it is possible to use statistical techniques to establish a counterfactual without a baseline, for example by “matching” households affected by the project with unaffected ones using data from a survey covering both kinds of households. However, there was no evidence that this was planned in the cases without a baseline survey.

23. The 173 projects are a random sample of the 216 fiscal 1999 investment projects stratified by region. See Rubio and Subbarao 2000.

24. See Baker (2000), available at www.worldbank.org/poverty/library/impact.htm.

25. This effort involved multiple ministries, agencies, and donors; the Bank played a lead role but enjoyed and elicited excellent partnership from ADB, UNICEF, AUSAID and other players.

26. These figures reflect a reclassification of Bank lending by sector, which eliminated the “multi-sector” category and classified multi-sector lending on the basis of project components.

27. Criterion refers to narrow targeting with specific mechanisms for identifying and reaching the poor at the individual or household level (for example, a nutrition project for malnourished children); criterion refers to broad targeting at the level of the expenditure category, sub-sector or geographic region (such as a water supply project in the poorest region). Although benefits will accrue to all, the poor are more likely to benefit relative to the nonpoor because they are more likely to lack access to the services being provided, and because the demand by the nonpoor for these services is likely to be satisfied already.

28. These criteria and trends over time can be found also at: www.worldbank.org/poverty/wbactivities.

29. Before the creation of the PREM network, this work was carried out by the Poverty and Social Policy group.

30. See the report’s Web site at www.worldbank.org/poverty/wdrpoverty.

31. See www.worldbank.org/poverty/wdrpoverty/news/news11099.htm for the village visit reports and www.worldbank.org/poverty/voices/ for *Voices of the Poor*.

CHAPTER 3

ACHIEVING FASTER POVERTY REDUCTION: ELEMENTS OF A PROGRAM OF ACTION

Poverty reduction remains the overarching objective of the World Bank. As J.D. Wolfensohn, the World Bank's President, said at the 1999 Joint Bank-Fund Annual Meetings: "We have learned that we must put poverty front and center." Progress was made last year—for example in increasing the poverty focus of country strategies, improving the information available on poverty and listening to the voices of poor people, and involving communities in the design and implementation of projects—but the challenge remains formidable.

At the core of the World Bank poverty reduction strategy remains the approach proposed in the World Development Report 1990, the 1991 policy paper on Assistance Strategies to Reduce Poverty, and Operational Directive 4.15: support policies that promote broad-based, labor-intensive growth, investments in human capital, and the provision of safety nets for those unable to share in the benefits of growth. Experience in a number of countries over the last decade has confirmed that this approach is valid. Nonetheless, in the decade since the WDR 1990 several themes have emerged which were not prominent in the 1990 strategy, but which play an important role in determining success in poverty reduction. In 1996, the Strategic Compact re-emphasized the importance of rural development, focused attention on social development—the role of institutions, social exclusion, social capital—and warned about vulnerability of poor households and communities to shocks. Even before the crisis hit East Asia, there was growing concern over inequality, which remained high in Latin America, and appeared to be increasing in countries making the transition to market economies as well as in some East and South Asian countries. The financial crisis heightened concerns on inequality and vulnerability and brought to the forefront concerns over governance.

The opportunity to bring together all these themes and synthesize current thinking is provided by the *World Development Report 2000/2001* on poverty and development (*WDR 2000/2001*), which will be published in

September 2000. In parallel, a study by the OED has reviewed the effectiveness of the 1990 strategy. A forthcoming note will discuss how to operationalize the findings of these reports in Bank work, and Operational Directive 4.15 will be revised accordingly (see box 3.1 for an overview of the Bank's strategic documents).

Some key elements of the Bank's strategy for the next decade have already emerged:

- A program of action to help low-income countries fight poverty more effectively.

BOX 3.1

Development of the Bank's strategy on poverty reduction

The most recent major effort at conceptualizing the Bank's poverty reduction strategy took place in the early 1990s through three key documents: the 1990 *World Development Report* on poverty (World Bank 1990), the 1991 policy paper on *Assistance Strategies to Reduce Poverty* (World Bank 1991), and Operational Directive 4.15 on Poverty Reduction (issued in December 1991).

Progress in the mid-1990s was tracked through the Annual Progress Reports on Poverty Reduction, of which this is the seventh. Previous reports in this series were issued in 1993, 1994, 1995, 1996, 1998 and 1999 (see World Bank 1993, 1994, 1995, 1996, 1998, and 1999c). The Strategic Compact, issued in 1996, reaffirmed the importance of rural development and recognized the importance of social and institutional factors (World Bank 1997).

We are now entering a new phase of strategy and policy formulation. The *World Development Report 2000/2001* and the OED report on the effectiveness of the 1990 strategy are providing an opportunity to take stock of what has worked and what has failed in poverty reduction over the last decade, and will recommend actions for the Bank and other international institutions. Subsequently, an implementation note will explore the implications of the reports for Bank work.

- A set of initiatives to address constraints at the global level.
- A program of action to help communities become actors in their own development.
- Actions to collect, share and disseminate knowledge and build capacity.

This chapter discusses these areas of action in turn.

A program of action to help low-income countries fight poverty more effectively

There is a strong belief, backed by empirical evidence, that more progress in poverty reduction has been made in countries where the strategies pursued were fully owned by the government and by society at large. The Comprehensive Development Framework (CDF), formulated in fiscal 1999, lays out an overall conception of development and partnership with governments in the driver's seat. Following up on the lines of the CDF, at the 1999 Annual Meetings the Finance Ministers agreed that the Bank and the Fund should devote a substantial share of their concessional financing resources, including debt relief, to support poverty reduction strategies prepared by client countries. This decision has three major implications: countries, not donors, would lead the process, assuming management and ownership; the formulation of strategies would be broadly participatory; and the Bank and Fund would work much more closely together and with other development partners in support of country-owned strategies.

Principles underlying the approach

The country poverty reduction strategies to be supported by the Bank and Fund will be developed based on the approach proposed in the paper on *Building Country Strategies for Poverty Reduction Strategies* presented to the Bank and Fund Boards in September 1999 and the paper on *Poverty Reduction Strategy Papers: Operational Issues* presented in December 1999.¹ The key elements of the approach are: an understanding of the nature of poverty in a country and the identification of the poverty reduction outcomes a country wishes to achieve; the identification of the key public actions—policy changes, institutional reforms, programs, projects, and so on—that are needed to achieve the desired outcomes; and the adoption of a participatory process to identify outcomes and actions and monitor implementation.

More in detail, in terms of substance country poverty reduction strategies would focus on the following elements:

- *Understanding the nature and locus of poverty.* Strategy formulation starts from a disaggregated understanding of who the poor are, where they live, and

their sources of livelihood. Poverty is multi-dimensional, extending from low levels of income and consumption to poor health and lack of education and to other 'nonmaterial' dimensions of well-being, including gender disparities, insecurity, powerlessness and social exclusion. A good understanding of the nature of poverty enables a comprehensive exploration of poverty determinants.

- *Choosing public actions that have the highest impact on poverty.* A solid understanding of the nature and determinants of poverty allows prioritization of potential public actions according to their expected impact on the chosen poverty goals. Social sector programs will generally be a significant component of a poverty reduction strategy, but actions on the macroeconomic front and in other sectors—such as rural development, local infrastructure, private sector development and job creation—as well as actions to reduce insecurity will usually be of equal importance in an effective program. The choice of priority actions would be based on both country information and cross-country experience.
- *Selecting and tracking outcome indicators.* Selecting and tracking indicators for the chosen poverty outcomes is crucial to assess whether the actions taken are having the expected impact. Regular monitoring ensures that policies and programs can be adjusted if needed. The choice of indicators and their monitoring should be done transparently and in a participatory way, so as to ensure that there is broad societal consensus on how to judge the impact of the strategy. The International Development Goals provide a useful point of departure in the selection of country-specific goals and indicators. Available data sources and indicators should be reviewed to ensure that data collection and analysis is done in an efficient way without unduly burdening country statistical agencies.

In terms of process, the approach has the following implications:

- Countries would be leading the process, taking responsibility for articulating their development vision, preparing poverty reduction strategies, and assuming ownership for implementation.
- Participatory processes would be followed to prepare poverty reduction strategies in countries, recognizing that the quality of governance and the broad-based support underpinning a country's strategy is key to success and sustainability.
- The Bank and Fund would work closely together, and with other development partners, to help countries for-

mulate their strategies and provide external support to their implementation.

The design and implementation of poverty reduction strategies will be guided by a comprehensive vision that integrates macroeconomic, structural and social factors, taking into account the inter-sectoral determinants of poverty. This reflects a wide acceptance of the view that not only is growth essential to reduce poverty but that poverty, inequality and social exclusion in turn influence a country's growth and poverty reduction prospects, and that institutions—the public administration, the courts, the police—play a key role in helping to reduce (or perpetuate) poverty.

This approach is not new; it builds on the experience of many countries as well as on cross-country analytical work and current best practice in development assistance. It builds on recent experience in implementing the Comprehensive Development Framework (CDF), with which it shares the objective of poverty reduction and the key principles that strategies need to be owned by the societies which would implement them, results-oriented, comprehensive, long-term, and carried out in partnerships among development actors with

complementary roles to play (box 3.2). The PRSP process builds upon the valuable experience of CDF pilot countries.

What is new is the closer link between the preparation of country poverty reduction strategies and the provision of debt relief and concessional assistance on the part of the Bank and Fund, as well as the changes that this approach will require in the way donor organizations in general, and the Bank and Fund in particular, work with client countries.

Linking debt relief and concessional assistance to poverty reduction strategies

Under the new framework, the country-led poverty reduction strategy would be reflected in the Poverty Reduction Strategy Paper (PRSP), which would be presented to the Boards of the Bank and the Fund. The Boards would endorse the PRSP as a context for Bank and Fund assistance.² A PRSP “endorsed” by the Board of the Bank and the Fund would then provide a context for IMF concessional lending under the Poverty Reduction and Growth Facility (PRGF) program, the Bank's Country Assistance Strategy, and debt relief under the Highly Indebted Poor Countries (HIPC) Initiative.

BOX 3.2

Principles underlying the Comprehensive Development Framework approach and country poverty reduction strategies

The process is driven by the country

- Country ownership of a poverty reduction strategy is paramount. Broad-based participation of civil society in the adoption and monitoring of the poverty reduction strategy tailored to country circumstances will enhance its sustained implementation.

Strategies should aim to achieve results on the ground

- An understanding of the nature and determinants of poverty, and the public actions that can help reduce it, is required for the formulation of an effective strategy.
- Medium- and long-term goals for poverty reduction, including key outcome and intermediate indicators, are needed to ensure that policies are well designed, and effectively implemented through improved efficiency and accountability.

Strategies should be comprehensive

- Sustained poverty reduction will not be possible without rapid economic growth, macroeconomic stability, structural reforms and social stability are required to move countries to a higher path of sustainable growth.
- Poverty is multidimensional, specific actions are needed to enable the poor to share in the benefits from growth, increase their capabilities and well being, and reduce their vulnerabilities to risks.

- A poverty reduction strategy should integrate institutional, structural and sectoral interventions into a consistent macroeconomic framework.

Strategies should adopt a long-term perspective

- A medium- and long-term perspective is needed, recognizing that poverty reduction will require institutional changes and capacity building—including efforts to strengthen governance and accountability—and is therefore a long-term process.
- The willingness of national and international partners to make medium-term commitments will enhance the effectiveness of their support for a poverty reduction strategy.

Strategies should be developed transparently and implemented in partnership

- Government development of a strategy can provide the context for improved coordination of the work of the Bank and the Fund, as well as that of regional development banks and other multilaterals, bilateral assistance agencies, NGOs, academia, think tanks, and private sector organizations.
- Civil society and the media have an important role to play in raising awareness, informing and educating the public at large on process and issues.

Debt relief

Civil society organizations, especially NGOs and faith-based organizations, have strongly criticized the ongoing HIPC initiative for its failure to have an impact on the living conditions of the poor. Linking debt relief to the preparation and implementation of poverty reduction strategies and involving civil society organizations in monitoring progress in implementation should help ensure that any savings resulting from debt relief are used for programs that benefit the poor, and that the social impacts of macroeconomic and structural policies which are part of the strategy are taken into account fully and mitigated where necessary.

Concessional assistance from the IMF under the Poverty Reduction and Growth Facility (PRGF)

All programs supported by a loan from the Poverty Reduction and Growth Facility (the successor to the Enhanced Structural Adjustment Facility, or ESAF) would stem from, and be drawn from, the PRSP, and be formulated with the country authorities in close coordination with the World Bank. A major implication of this is that most targets and policies embodied in PRGF programs will emerge directly from the country's poverty reduction strategy.

Concessional assistance from IDA

In countries receiving IDA assistance, an "endorsed" PRSP will provide a context for the Bank's CAS and, in the context of the CAS, will be a necessary condition for a high-case lending scenario and adjustment lending, except in special circumstances such as crisis situations. This condition will become effective as HIPCs reach a decision point or countries come up for approval or review of a PRGF arrangement. For IDA borrowers without a HIPC or PRGF program, the date at which this condition will apply has not yet been determined, but it is to be decided no later than January 1, 2001.³ The emergence of the CDF and the PRSP has changed the operating environment for the Bank's CAS, which has hitherto served two main functions: to present and diagnose the country development context and strategic challenges, and to set forth a selective Bank program to support the government's strategy. PRSPs (in IDA country programs) and/or CDFs will increasingly perform the first function. As this happens over time, CAS documents will be slimmed down, cross-referencing the PRSP and/or CDF for the country context and diagnosis, as appropri-

ate. However, IDA CASs will continue to be discussed, disclosed, and finalized as stated in the current Board-approved policy.⁴

The managements of the Bank and Fund hope that all countries receiving concessional assistance will be able to launch and in many cases make significant progress towards the design and implementation of satisfactory PRSPs within the next two or three years, and that about half would have PRSPs in place by the end of 2001, beginning with countries facing urgent HIPC initiative deadlines and PRGF-active countries.

In order to avoid disrupting ongoing concessional assistance and creating unnecessary delays in the provision of debt relief, there will be a period of transition to the new arrangements while countries develop poverty reduction strategies. During the transition, countries will prepare Interim PRSPs, which will include the following elements:

- An interim report prepared by the Government, presenting its commitment to poverty reduction and the main elements of its poverty reduction strategy consistent with the extent of diagnosis that has been conducted. This would include commitments to a timeline and a consultative process by which the PRSP will emerge with support from the Bank, Fund and other partners.
- A three-year macroeconomic framework and three-year policy matrix, both of which will focus on poverty reduction, jointly agreed with the Bank and Fund (policy commitments and targets for the outer years would be tentative and would need to be revised when the interim document is replaced by a PRSP).

In the near term, the content of an interim PRSP may be limited given that countries are at different levels of preparedness. During the transition period, the Boards of the Bank and the Fund would see somewhat different country documents in individual cases, with the form and content of these documents reflecting the degree of progress towards a PRSP.

The decision to link debt relief and concessional assistance to the preparation of country-led long-term poverty reduction strategies stems in part from the recognition that aid achieves the most in countries with good policies and institutions, and where there is real participation. Particularly difficult issues are posed in countries where there is limited commitment to poverty reduction and where institutions are weak. In such cases, Country Assistance Strategies will lay out actions to engage governments constructively while strengthening civil society, possibly relying more on nonlending services than on lending.

BOX 3.3

Proposed guidelines for poverty diagnoses underpinning PRSPs

Guidance on PRSP content and approach is currently under preparation. In principle, every PRSP should contain a recent diagnosis of the poverty situation

- The poverty diagnosis underpinning a PRSP would be expected to cover at a minimum the extent of poverty and its evolution over time (best if based on more than just income poverty indicators); the geographic distribution of poverty; the correlation between income poverty and other indicators of well-being; the gender, ethnic or religious or other group dimensions of poverty; sources of livelihood for the poor, access to services and responsiveness of institutions, sources of vulnerability; impact of past policies and programs. The diagnosis could be based on quantitative as well as qualitative approaches. Data sources should be clearly indicated and discussed. In-depth analysis will be needed in most cases to support the diagnosis, but the areas and topics on which in-depth analysis would be carried out would be determined by country conditions. (More detailed guidelines are being prepared by the Poverty Reduction Board.)
- The diagnosis should be recent, generally no more than two years old. While many poverty indicators are not available every year, some new information is generally available every couple of years.

The analysis underlying the diagnosis may be contained in a recent poverty assessment, a recent Social and Structural Review, project preparation document, the CAS or PRSP itself, or other document. It may also be contained in a document prepared by the government, research institution,

donor agency, or other development partner, in which case the PRSP Staff Assessment would either endorse it or discuss differences in views. Interim PRSPs would contain as much of the diagnosis as possible given data and time available.

The Poverty Reduction Board will provide good-practice examples of poverty diagnosis to guide the work of country teams, and will continue to oversee the provision of training. The Poverty Reduction Board will track the availability of poverty diagnoses (instead of tracking poverty assessments, which cover only a part of the poverty analysis conducted in the Bank) and review its quality for the Annual Progress Report on Poverty.

These guidelines do not weaken current requirements; rather, the guidelines strengthen the requirements by specifying a minimum content for the diagnosis contained in PRSPs, and should help increase the effectiveness of Bank activities by linking diagnosis and strategy formulation more closely.¹ The guidelines also recognize that poverty analysis is increasingly being carried out by researchers in countries rather than by Bank staff and provide a mechanism to validate and use analysis done by others.

These guidelines are also designed to respect the specificity of country conditions by not mandating the content of in-depth poverty studies and allow country teams the flexibility to choose how poverty analysis would be integrated with other country work—the fiscal 1999 Country Economic Memorandum for China, for example, discussed the poverty and income distribution impacts of the global/regional crisis, thus integrating poverty and macroeconomic trends

1 This is in line with the IDA12 Agreement which says that the International Development Association (IDA, the arm of the World Bank working with the poorest countries) must "undertake in-depth analyses of the nature and cause(s) of poverty in borrowing countries... that IDA [must] work with borrowers to develop and strengthen capacity where weaknesses hinder the completion or limit the quality of such assessments."

Strengthening the link between poverty diagnosis and strategies

A good strategy needs to be underpinned by a good diagnosis of the poverty situation. Reflecting the findings of the review of CASs discussed in chapter 2 and the recent CAS Retrospective Review,⁵ all CASs should report on the main characteristics of poverty and its determinants, trends over time, and linkages between poverty and patterns of growth. As a further step towards strengthening the link between diagnosis and strategy in IDA-eligible countries, the Bank will ensure that good poverty diagnoses underpin every Poverty Reduction Strategy Paper. Proposed guidelines are in box 3.3.

Additionally, given the importance of accountability and transparency in budgetary processes in the implementation of poverty reduction strategies, PRSPs should also take into account the results of recent Public Expenditure Re-

views. Teams conducting PERs will be working closely with those advising governments on PRSPs.

Changes in the way we work

First, the new approach requires a change in the way donor agencies work with countries. Countries are at various stages of readiness in undertaking what will be a demanding process of assembling relevant data, weighing difficult policy options, forging internal consensus and making the right choices on one hand, and effective implementation in the face of serious institutional and governance capacity constraints on the other hand. The emergence of genuine country-owned and managed poverty reduction strategies will require time and flexibility. Timetables and requirements try to strike a careful balance between the need for sufficient time for preparation and the desire not to delay needed financial assistance. More-

over, Bank and Fund staff will need to be sensitive to the challenges faced by countries and provide analytical and policy advice in ways that do not undermine country ownership. Careful experimentation, learning by doing, and forging a shared community of interests in achieving results will be critical in the next few years. Since achieving goals in poverty reduction takes time, governments and donors will need to take a longer-term approach, which may necessitate using longer-term planning horizons and support instruments than is the case now.

Second, Bank and Fund staff will need to collaborate more closely than has generally been the case in the past. This will involve forming a common understanding of the poverty reduction situation in a country and its determinants; conducting joint missions; and assisting governments in implementing an integrated and coherent set of macroeconomic, social and structural policy and program actions.

Third, Bank and Fund staff will need to work closely with other donor agencies, namely the regional development banks, the bilateral donors, and the UN agencies, as experimented recently in the countries that piloted the Comprehensive Development Framework. It is expected that the PRSP would become a key instrument for a country's relations with the wider donor community, beyond the Bank and the Fund. This will be a departure from current practice marked by a proliferation of country strategies, often originating from external sources and not always consistent with the development and poverty reduction needs of the country.

Fourth, Bank staff will need to work more across sectoral lines than in the past, identifying the links between actions in the sector and poverty reduction. Sector Boards are supporting this shift by developing a knowledge base that documents the links between sectoral actions and poverty outcomes, testing out new approaches, and elaborating strategies to acquire knowledge through the evaluation of the impact of projects; this work is being summarized in the Poverty Reduction Strategies Sourcebook (see the section on the Poverty Reduction Strategies Sourcebook in chapter 3). Under the Urban Sector Board, for example, a Thematic Group on Services for the Urban Poor is mounting, through the Cities Alliance, a multi-sectoral and multi-partner initiative to scale up citywide and nationwide programs to provide services and economic opportunity for the poor in urban slums. Linked to the national poverty reduction strategies now being developed, the initiative has the potential to foster true multi-sectoral approaches and overcome the traditionally narrow sectoral mentality that still characterizes investment projects.

Boards responsible for cross-cutting themes—such as the Gender, Environment, Poverty, Public Sector and Social De-

velopment Boards—are providing support across the spectrum of sectors. For example the Gender Board, which comprises representatives from all regions and networks and other key units in the Bank, is developing a new strategy to facilitate and accelerate gender mainstreaming in poverty reduction strategies and country assistance strategies. The Policy Research Report on Gender and Development (see section on sector strategies in chapter 3) and the Gender-Net Web site are part of this effort.⁶ In drafting a new environmental strategy for the Bank, the Environment Board is looking at the link between environmental activities and poverty by focusing on how to achieve sustainable development and improve environmental health outcomes.

Particularly important is the work on the links between good governance and poverty reduction. The contribution of some elements of good governance—good management of public resources, management of public financial institutions and utilities, rule of law—is fairly clear; other elements, related to the extent to which the poor can influence policy and program decisions and exert pressure on service providers to use resources efficiently, are less well understood and lessons need to be learned from activities in all sectors. This points to the need to strengthen monitoring and evaluation capacity. In particular, projects that support decentralization and participatory processes to improve voice, accountability and local relevance should include good monitoring and evaluation mechanisms so as to facilitate adaptation and learning.

How is the process moving forward?

Work has moved ahead on six fronts:

- Extensive discussions were held at the Bank and Fund to clarify the links between country poverty reduction strategies and financial support, culminating with the discussion of the Operational Note on Poverty Reduction Strategy Papers by the two Boards.
- Bank and Fund staff initiated the process of discussing the new approach with country counterparts, staff and external partners. A joint letter from the managements of the Bank and Fund was sent to the countries involved, as well as to regional development banks and to UN institutions to involve them in the process. The IMF organized a meeting of African Heads of State in Libreville, Gabon in January 2000, and the Bank organized a meeting of African Finance Ministers in Addis Ababa, Ethiopia, in March 2000. A meeting with representatives of African NGOs was held in February 2000 in Addis Ababa.
- A process of wide consultations with country representatives, officials of partners agencies, and other key

stakeholders has been carried out, with extensive meetings with UN agencies, bilateral and multilateral development agencies, and other partners.

- Bank and Fund teams began to prepare training materials (the Poverty Reduction Strategies Sourcebook, see below) to support country counterpart teams in acquiring the necessary tools and build capacity to prepare poverty reduction strategies. Training and capacity building initiatives based on the sourcebook were conducted in Washington in April 2000 and Yamoussoukro, Côte d'Ivoire, in June 2000.
- A paper taking stock of the experience to date was prepared for the Spring Meeting of the Development Committee.
- Processes to prepare the strategies were started in about twenty countries; six interim PRSPs and two full PRSPs have been prepared and presented to the Bank and Fund Boards by June 30, 2000.

Initiatives to address constraints at the global level

While good poverty-focused country strategies would go a long way towards enhancing the impact of public action on poverty, many of the issues facing poor countries—debt, trade agreements, commodity price fluctuations, the AIDS pandemic, and others—are global in nature, and require measures beyond the sphere of influence of any single government. Thus, the World Bank has also launched a series of initiatives to help countries deal with global issues. In part, these efforts aim to improve the global environment in which countries operate, for example by helping countries manage risks associated with commodity price volatility. In part, these efforts aim to ensure the provision of global public goods, such as vaccines and agricultural research. Work is also ongoing to select the key global initiatives in which the Bank has a comparative advantage, so as to maximize the impact of Bank involvement given limited resources.

Improving the global environment

Enhancing debt relief for the heavily indebted poor countries (HIPC). Following extensive consultations with shareholders and NGOs, a joint World Bank–International Monetary Fund paper “Modifications to Heavily Indebted Poor Countries (HIPC) Initiative,” proposed deeper debt relief through a lowering of sustainability targets and calculations of assistance based on decision rather than completion points; faster debt relief through interim relief, floating completion points, and front-loading of debt relief after the com-

pletion point; and broader debt relief, through an increase in the number of potential beneficiaries. This approach was endorsed, and debt relief was linked to country poverty reduction strategies to strengthen its positive impact on the poor (see the discussion on PRSPs above).

Assisting countries affected by conflict. Some half a billion people live in conflict situations. The Bank has been supporting governments of countries emerging from conflict through a variety of interventions including emergency budgetary support (Rwanda, Tajikistan), demobilization and reintegration of combatants (Cambodia, Sierra Leone), co-chairing (with the European Commission) of the High Level Steering Group to coordinate the donor response to countries affected by the Kosovo crisis, support to the implementation of the Wye Accord in the West Bank and Gaza, and provision of operational support to more than 30 countries and technical assistance to peace negotiations. The Bank also administers a Post-Conflict Trust Fund making grants to governments, international agencies, and NGOs for priority reconstruction activities.

Helping commodity-dependent countries deal with volatility. Managing risks in highly volatile commodity markets remains a major challenge for more than 50 developing countries, mostly in Africa, which depend on three or fewer leading commodities for more than half of their export earnings. The inability to manage uncertainty makes it difficult for farmers to plan crops, obtain credit for inputs, and even simply recover costs. An International Task Force on Commodity Risk Management led by the World Bank is exploring ways to enhance the access of developing countries to user-friendly risk management instruments widely available and used in international markets.

Supporting developing countries on international trade issues. The World Bank is supporting developing countries' efforts to address trade issues in a number of areas. Examples include operational support and dissemination of best practice for trade policies and for facilitating trade by financing trade-related infrastructure (ports, telecommunications, export corridors) and by strengthening the institutional, regulatory, and social environment.

Contributing to the international financial architecture. The recent wave of financial crises has underscored the need for a systematic focus on structural and institutional sources of macroeconomic vulnerability and on the effectiveness of mechanisms to protect the poor during crises. The Bank has been active in helping with set-

ting and implementing international norms and good practices in the areas of public sector reform, financial systems, corporate governance, legal systems, and social protection, with capacity building a major focus.

Promoting global public goods

Creating vaccines against disease prevalent in the developing world. Examples of World Bank support include the Onchocerciasis Control Programme, which has virtually eliminated river blindness from an 11-country area in West Africa, and support to current efforts to develop a malaria vaccine.

Improving crop yields. With support from the World Bank, the Consultative Group on International Agricultural Research, a network of 16 international agricultural research centers, has stimulated much of the research needed to support the spread of new technologies, helping developing countries to ensure that food production keeps ahead of population growth.

Nurturing think tanks that support the design of country-owned development policies and strategies. The goal of the Global Development Network (GDN) is to support and link research and policy institutes involved in the field of development, and whose work is predicated on the notion that ideas matter. The initiative, still in its early phase, has proceeded on two fronts: knowledge generation and knowledge sharing. First, since early 1998, the regional networks have used World Bank funding to create or strengthen competitive peer-review grant mechanisms for generating research. Second, starting with an initial consultative meeting in June 1998, the regional networks and the World Bank have initiated several knowledge-sharing programs, including training for researchers, a series of regional workshops focusing on building the capacity of research and policy institutes, and planning for future activities.

Work is now underway in the context of the Strategic Forum to systematize Bank involvement in global initiatives so as to ensure that adequate resources are devoted to the activities with highest priority.

A program of action to empower communities

A major theme emerging from the WDR 2000/2001 is that of empowering the poor to have a say in decisions that have an impact on their well-being. There is a lot of exper-

imentation going on in sectoral projects, especially those involving service delivery, on how community involvement can be effectively used to get better design, accountability, implementation, and alignment with the interests of the poor and the excluded. It has been argued that all programs involving direct service delivery to the poor should have some form of community involvement, and the Bank is moving in this direction.

More innovative is the approach that advocates that communities ought to be given power over the allocation of resources, before these are channeled into sectoral priorities determined elsewhere. This would essentially push decision-making on the choice of activities down to communities. While there is some experience in this area, this is essentially a new direction of action. There are issues on pace and design, and it will be essential to learn from experience, through structured evaluations where needed, and on a country-specific basis, but this is clearly an important element of a strategic approach that advocates greater empowerment of poor communities.

Actions to give communities more control over resources need to proceed in parallel with actions to strengthen the capacity of organizations of the poor. This includes measures both to support local and intermediary organizations of the poor, and to provide a voice for the poor in broader settings, including international fora. This is particularly important to limit the extent to which decentralization of decision making on resource use becomes a channel to spread corruption down to lower levels and empower local élites, a concern expressed in the consultations with African NGOs on the Poverty Reduction Strategy Papers Initiative held in Addis Ababa in February 2000. Without knowledge on resources and uses and the capacity for planning, budgeting, implementation and monitoring, communities will not be effectively empowered to take actions that improve their well-being.

Two issues remain to be explored in operationalizing an approach that decentralizes control over resources in Bank work. The first is how to reform Bank (and other donor) procedures related to procurement, audit, etc. so as to make a community-based approach practical. The second is how to integrate community-based approaches into wider country strategies, so as to ensure that decisions are decentralized at the appropriate level, efficiency gains are realized where scale issues are involved, and global issues are adequately dealt with—one example being AIDS prevention and treatment, which seldom appears as a community priority because of lack of knowledge and taboos in addressing the issue. Work on how to address these issues in practice is ongoing.

Collecting, sharing, and disseminating knowledge and building capacity

Country, global and local initiatives need to be supported by the creation and dissemination of knowledge on what works and what does not, and by capacity building. Much of what the Bank does generates and spreads knowledge, so this section only touches briefly upon some key analytical work in progress.

World Development Report 2000/2001

An outline of the World Development Report 2000/2001 on poverty and development was discussed with the Board of Executive Directors (box 3.4),⁷ and the first draft of the report was made public in January 2000.

The draft report was discussed extensively in January-March 2000 through conferences and electronic consultations. Electronic consultations involving NGO and civil society representatives from countries in the North and South took place in February-March, moderated by the

Bretton Woods Project, an independent organization. The report was then finalized and will be published in advance of the 2000 Bank-Fund Annual Meetings. The final version of the WDR 2000/2001 will be available on the Web at www.worldbank.org/poverty/wdrpoverty.

The Poverty Reduction Strategies Sourcebook

A major initiative is underway to prepare a Sourcebook to support the preparation of Poverty Reduction Strategies by country counterparts. The Sourcebook looks at key poverty outcomes (malnutrition, literacy, and others) and their determinants and reviews international experience as to the public actions that have been shown to have an impact on such determinants. For example, what actions have proven effective to reduce malnutrition and under what circumstances? What gains have been achieved over what periods of time? It also provides guidance on how to assess the poverty impact of macroeconomic and other economy-wide policies.

The preparation of the Sourcebook is in line with the recommendation in the recent OED report (OED 2000)

BOX 3.4

Themes of the World Development Report 2000/2001

The core strategy of the World Bank and of much of the international development community was built around the influential *WDR 1990* labor-intensive growth and expansion in human capabilities via social service provision, complemented by safety nets for those unable to benefit from growth. This strategy is sound as far as it goes—countries that have enjoyed labor-intensive growth and expansion of human capabilities have experienced gains for the poor unprecedented in human history. But the strategy for the first decade of the new millennium needs to address the challenges posed by the experience of the Nineties: the lack of progress in reducing poverty outside of East Asia, the double-edged impact of globalization, the heightened concern over insecurity (not least in the wake of the East Asian crisis); the recognition of the central influence of how societies work, including on the effectiveness of institutions; the devastating impact of conflict; and the unequalizing processes that have accompanied the transition of many formerly centrally planned countries into market economies.

Many examples from the Voices of the Poor exercise, a 23-country participatory study conducted in the context of the *WDR 2000/2001*, and from a review of 75 participatory poverty studies recently completed, reveal deep concerns over the failure of institutions, their often oppressive nature, and powerlessness, the deep concern over insecurity and vulnerability, and the lack of opportunities for economic advancement. These findings powerfully complement the results from statistical and

other analyses of poverty conditions and causes.

Drawing on the lessons of experience from a wide range of sources, the forthcoming *WDR 2000/2001* is proposing that poverty be attacked on three fronts:

- *Creating opportunities*, by putting in place the conditions for sustainable economic expansion, and supporting the expansion of the assets of the poor, in order to provide the material basis for poverty reduction.
- *Ensuring empowerment* of the poor by increasing their participation and voice in decision-making and confronting issues of social and economic inequality where these are obstacles to poverty reduction.
- *Providing security* against shocks at the household and national levels and protection for those who are unable to share in the benefits of growth.

Growth is a central ingredient of a development path that will bring about lasting poverty reduction. Aggregate growth is powerfully associated with reductions in income poverty, and also correlated with reducing many other dimensions of poverty (notably deprivations relating to health and education). But growth alone is not enough; nor is growth a policy that can be switched on. Direct public action and effective and inclusive informal and formal institutions are necessary both to underpin growth and to ensure effective involvement of the poor in the development process. It is not just growth, but a pattern of development that brings effective reduction of the multiple deprivations faced by the poor that must be the goal of developing countries.

that the increased focus on poverty and the new directions in thinking and operationalization of poverty reduction strategy require stepping up the effort on policy guidance and training. As pointed out in the OED report, more guidance is needed in operationalizing the micro dimensions of the strategy, namely institutional aspects of policy implementation and service delivery. While the initial focus is on low-income countries, the Sourcebook is designed to be relevant for all Bank clients.

The Sourcebook is being designed to form the umbrella for all knowledge management on good practice for core poverty analysis, strategy, and macro and sectoral links to poverty, and covers outcome indicators, poverty determinants, poverty monitoring systems and impact evaluation, participation, and the links between poverty and macroeconomic stability, human development, governance and decentralization, infrastructure; environment, private sector development, and urban and rural development. A first draft was discussed at a workshop in Washington in January 2000 and with country counterparts in three countries through videoconferencing, and has been posted on the PovertyNet Web site.⁸ As mentioned, workshops were held in Washington and Côte d'Ivoire.

To facilitate the development of country-owned poverty reduction strategies, it will be important to provide support for capacity building in the areas of data collection, poverty analysis and impact evaluation. The Sourcebook will be an input into the design of training programs. The Bank and several of its partners have expertise in these areas, and discussions are underway, particularly with the British Department for International Development and Norway's NORAD, on capacity building initiatives in support of the preparation of Poverty Reduction Strategy Papers.

Sector strategies

Several sector strategies are under preparation. As recommended by OED (OED 2000), sector strategy papers increasingly include:

- Monitorable poverty outcome indicators (poverty intended in a multidimensional sense, as in the *WDR 2000/2001*) and intermediate indicators.
- A discussion of the links between actions in the sector and these indicators.
- Evaluation plans for selected program interventions that contribute to the realization of planned outcomes.

These evaluation plans should be systematically linked to knowledge management—they should contribute to our

knowledge base in areas where there are open questions—and their results should be systematically captured in the sourcebook and other knowledge management and training materials.

The Public Sector Board has finalized a *Public Sector Strategy*, which aims to strengthen Bank work in the areas of governance and institution building. The strategy aims to deepen the focus on long-term institution building, strengthen institutional assessments and lending that fosters good governance, while building capacity within the Bank and providing a knowledge base for governance work. Poor people consulted in the study on *Voices of the Poor* identified corruption as a key obstacle; a stronger focus on the working of institutions and on mechanisms to provide voice and fight corruption is an essential part of the Bank's poverty reduction strategy.

Over the last several decades, gender issues have attained increased prominence in the debate over development policy. There is a growing body of evidence and experience linking gender awareness in policy and projects to equitable, efficient, and sustainable outcomes in development. However, these links are still not widely understood nor have these lessons been fully integrated by donors or national policy makers. To strengthen the conceptual and empirical underpinnings of the link between gender, public policy, and development outcomes and provide insights to national policy makers and donors the World Bank Gender Sector Board and the Research Group began work in mid-1998 on a *Policy Research Report on Gender and Development*.

The Policy Research Report focuses on gender, economic exclusion and development policy. With gender issues cutting across the many sectors of an economy, the report tries to answer some fundamental policy questions: What do policymakers gain by including gender as a central analytical and design component of development strategies, policies, and programs? What are the implications for policy analysis and public action—by national policymakers, donors, academia, and civil society? Which types of interventions are particularly cost effective? Where do policymakers face difficult trade-offs and how can these trade-offs be addressed effectively? The current outline of the report includes chapters on the myth of gender-neutral policy, unequal resources by gender, the uneven playing field, gender relations and household allocations, and the roles of public policy, civil society and the donor community. A draft of the report, which draws on extensive consultations with civil society as well as researchers and academics from outside the World Bank, can be found on the GenderNet Web site.⁹

Other sector strategies under preparation include environment, energy, and small and medium enterprises. All will look at the linkages between actions in these sectors and broad poverty outcomes and contain monitorable indicators of progress.

Conclusion

While a new strategic statement on poverty reduction is not yet ready, some key elements have emerged: work with countries to develop poverty reduction strategies that are genuinely country-owned; work to remove global constraints; and work to empower communities to take action for their own development; all backed up by a solid understanding of what works and what does not and by wide capacity building efforts. If there is one key message that emerges from this work it is that fighting poverty is a huge undertaking, one which will require concerted efforts by all those involved over a long period of time—and the Bank is taking steps to work more closely with actors at all levels. Hopefully in a few years' time it will be possible to report greater progress on poverty reduction than has been the case in the past decade.

Notes

1. These Board papers are available at www1.worldbank.org/prsp/PRSP_Policy_Papers/prsp_policy_papers.html together with other relevant PRSP documents.

2. The term “endorsement” is not intended to constitute formal approval of the PRSP, which is a country-owned document. It rather implies an opportunity for the Board to provide guidance to Management and for Board views to be taken fully into account, especially with regard to the contents of the joint Bank-Fund Staff Assessment.

3. See Poverty Reduction Strategy Papers: Internal Guidance Note – Revised (R99-239/1), January 19, 2000, available at: www1.worldbank.org/prsp/PRSP_Policy_Papers/prsp_policy_papers.html.

4. See OPS 1998 and IDA 1998.

5. World Bank 1999i.

6. See www.worldbank.org/gender.

7. The outline is available at www.worldbank.org/poverty/wdr-poverty/appr999.htm.

8. The PRS Sourcebook is available at www.worldbank.org/poverty/strategies/sourctoc.htm

9. For more information, see www.worldbank.org/gender/prr.

Annexes

***ANNEX A. SUMMARIES OF COMPLETED POVERTY ASSESSMENTS,
FISCAL 1999***

<i>Country</i>	<i>Page</i>
Algeria.....	49
Armenia (update)*	56
Bulgaria.....	60
Burundi*	66
Georgia*	69
Haiti*	73
Kyrgyz Republic (update)*	76
Macedonia, FYR*	79
Nepal (update)*	88
Panama.....	90
Peru (update).....	97
Russia (update).....	101

* IDA borrower

Note: These assessment summaries were prepared by the World Bank country teams. They are based on completed poverty assessment reports (see Annex D for full report titles and document numbers).

Algeria

A. Overview

The Government of Algeria is revising its strategy for poverty alleviation and social promotion. This report is a contribution to such a strategy. The report analyzes and assesses the nature and dimension of poverty in Algeria, discusses the role of past and current public policies on poverty, and provides recommendations for policy interventions to further improve the living standards of the poor.

Like many centrally planned economies, Algeria tried, from independence in 1962, to guarantee the living standard of the population through employment generation in the public sector and extensive social sector investment and social protection schemes. This was possible when oil prices were high, from 1973 to the early 1980s, and during this time progress in social indicators was impressive. But the decline in world oil prices in the 1980s made manifest the economy's fragility. The inefficient publicly dominated industrial structure and the drop in oil revenues led to economic stagnation and to deterioration in living standards, high unemployment, and an increase in the incidence of poverty. The cumulative impact of these effects has aggravated the country's present social crisis considerably. The government implemented initial reforms, in the late 1980s, to liberalize the system on both the political and economic fronts. However, mainly because of structural rigidities, uncompetitive business practices ingrained during 25 years of centralized planning, and lack of sufficient changes, the institutional reforms failed to reverse the economic decline during 1989-94. Efforts at structural adjustment were resumed and intensified since 1994.

The incidence of poverty increased significantly between 1988 and 1995. The main causes of this increase were the lack of economic growth and the resulting decline in employment opportunities. Broad-based economic growth is crucial for reducing poverty in Algeria. It can both directly raise the income of the poor by creating income-earning activities in which they can participate, and it will help them indirectly by freeing financial resources, which can be directed to productive investments and to priority social sectors. The latter are also important determinants of growth. Further delays in

structural changes, which are needed to restore the level of sustainable growth, are likely to increase the social costs. International experience indicates that, during a transition from a centrally planned to a market economy, the private sector is the most sustainable engine of growth and of new jobs. Therefore, while deepening the process of structural reform, achieving and maintaining macroeconomic stability, and promoting private sector development, Algeria needs to redefine its strategic objectives in such fields as education, health, and economic infrastructure so as not to undermine a broad-based economic recovery and to be able to fully meet the challenges of the future. To assist those who will be hurt by structural reform and facilitate the adjustment of vulnerable groups to the new economic environment, the government should continue enhancing safety net programs that will rely on more self-targeting.

B. Poverty Incidence and Profile Trends in Poverty Incidence Between 1988 and 1995

A comparison between the 1988 Household Consumption Survey and the 1995 Living Standards Survey indicates that the percentage of the population with average consumption below the poverty line increased from around 8 percent to around 14 percent during that period. Changes in poverty over time and the structure of the poverty profile in Algeria should be treated with caution due to comparability problems between the surveys and to problems underlying the measurement of living standards. Moreover, the choice of a poverty line inevitably involves some element of arbitrariness. However, the conclusion that poverty increased from 1988 to 1995 appears to be robust to various choices of poverty lines and measures.

Trends in Social Indicators

Some aggregate social indicators and non-income measures of welfare, generally in education and basic social infrastructure, compare favorably with the average for lower-middle income countries. In other areas however, such as health, indicators compare less favorably. Moreover, there appear to be important disparities between urban and rural areas and among regions in access to social services.

The illiteracy rate is about 35 percent (50 percent decline since 1970s). The primary gross enrollment rate is about 99 percent, and important improvements were made in female primary and secondary enrollment rates over the last two decades. Beyond the primary level, however, there are considerable differences in enrollments among regions and income groups: total urban secondary enrollment is about 82 percent, compared with about 77 percent for the urban poor, and total rural secondary is about 64 percent, compared with about 59 percent for the rural poor. Repetition and dropout rates are high and increase substantially at the secondary level.

Past progress in health has been significant. Data from 1995 indicate virtually no difference in vaccination coverage among poor and non-poor households. However, some reversals in health status have appeared in recent years. For example, the infant mortality rate, which had dropped substantially during the 1980s, is now stagnating. Progress in reducing infectious diseases has also been reversed, and the incidence of these diseases is increasing. While the deterioration in health conditions can be presumed to affect lower income groups more than others, the data available do not provide the detailed information needed to test this presumption.

Progress in access to basic physical services has also been impressive. About 80 percent of the total population—and about 60 percent of the poor—have access to safe piped water. As with access to health and education, however, disparities continue to be important between urban and rural areas, as well as across regions. Access to electricity, almost as widespread in rural as in urban areas, is equitably distributed: about 96 percent of both the rural population and the rural poor have access to electricity.

Who Are The Poor?

According to 1995 data, about 4 million people, or 14 percent of the population, live below the poverty line; Raising the poverty line by 25 percent increases the number of poor by 2.5 million. Thus, about 22 percent of Algerians are vulnerable to even a small deterioration in economic conditions. In both 1988 and 1995, almost 70 percent of the poor lived in rural areas, but the share of the urban poor has increased. In 1988, the incidence of poverty in rural areas was about twice that in urban areas. This disparity did not change much by 1995: the headcount index

indicates that rural poverty, at about 19 percent of the population, is more than twice as prevalent as in urban areas, where it affected 9 percent of the population.

The poor in urban and rural areas have some common characteristics. Both tend to have larger than average household sizes, a large proportion of children and a high dependency ratio. Most own their dwellings, with 80 percent living in houses. Poverty is strongly associated with low education and schooling. Enrollment rates are lower for the poor, particularly in secondary education, in rural areas and among women.

Most of the working-age poor (16 - 59 years of age) are employed, but poor households have a higher ratio of non-working members to working members. In both rural and urban areas, most of the poor live in households where the head is a wage earner. However, compared with the non-poor, the poor are also more likely to live in households where the head is unemployed. In rural areas, people living in households where the head is working in agriculture, either as farmers or as agricultural workers, have higher than average rates of poverty. Furthermore, most of the poor in rural areas are landless and they are involved in field crops (cereals). While diversification of income sources is more common in urban areas for both the poor and non-poor, most secondary activities of the urban poor are concentrated in the commercial and services sectors.

Among those not working, the incidence of poverty is higher among the unemployed than among the inactive. While unemployment is more of an urban phenomenon in Algeria, the incidence of unemployment among the poor is higher than among the non-poor: in 1995, the unemployment rate among the poor was 44 percent in urban areas and 35 percent in rural areas, compared with 29 percent and 24 percent for the non-poor in the two areas, respectively. Finally, among the economically inactive population, the highest incidence of poverty is found among the elderly men in rural areas.

C. How Economic Development From 1987 to 1995 Affected the Living Standards of the Poor

The macroeconomic stabilization and structural reforms undertaken since 1987 failed to reverse the economic decline that began in the mid-1980s: all basic macroeconomic indicators continued to deteriorate from 1987 to 1995. Important reversals

in economic policy during the first phase of transition to a market economy (1989-94) resulted in prolonged economic recession, accompanied by increasing inflationary pressure, high external debt, growing unemployment, and mounting social discontent. During the second phase of the transition, beginning in 1994, Algeria introduced radical structural reforms, re-launched the stabilization and adjustment programs, and restored macroeconomic balances. The full effects of these changes and the implementation of further structural changes to the economy will take some time. The stop-and-go implementation of the reform programs since 1989 and the lack of economic growth until 1995 resulted in a substantial deterioration of living standards for all and increased the incidence of poverty.

Per capita GNP declined by 45 percent, from US\$2,880 in 1987 to US\$1,580 in 1995, and per capita private consumption fell by an average of 2.5 percent per year over the same period. Inequality seems unchanged according to the available data surveys, but this finding requires further investigation. Several features of the economy from 1987 to 1995 are particularly relevant to increasing poverty during that period.

- *Without economic growth, disposable income declined.* Despite high investment rates, average annual GDP growth from 1987 to 1995 was about 0.3 percent per year, while non-oil and non-agriculture real GDP fell on average by about 2 percent per year. Declining productive sector growth was due mainly to inefficient performance in the industrial and manufacturing sectors, which continue to be dominated by large public enterprises, and lack of private investment. Returns to investment outside the oil sector were thus very low (five-year ICOR ranging from 10 to 40). Disposable household income was also severely affected by the recession and followed a pattern similar to that of consumption, falling by about 36 percent in real terms over the period. This sharp decrease was mainly caused by the decline in wage income.
- *Without economic growth, creation of productive employment has been absent.* The unemployment rate increased from 17 percent in 1985 to 27 percent in 1994. In the past, the government had responded to exploding growth in job seekers by expanding public sector

employment. After the oil price collapse, however, total public sector employment slowed, and employment in the public industrial sector declined. The non-agricultural private sector was unable to offset this decline, and average agricultural employment stagnated over the period. Because the incidence of unemployment is higher among the poor than among the non poor, rising unemployment in both urban and rural areas has been an important cause of increasing poverty, particularly in urban areas.

- *Changes in the characteristics of unemployment are of great concern from a poverty perspective.* Unemployment is spreading to older adults while the proportion of unemployed youth is declining, and unemployment among those with lower levels of education is increasing. Since illiterates have relatively low employment expectations, increasing unemployment among poorly educated household heads indicates that job opportunities are lacking.
- *Agricultural policies have had mixed effects.* Because most of the poor are concentrated in rural areas, the government's agricultural policies have a substantial impact on poverty. Since the late 1980s, the government has introduced reforms in agricultural input and output prices, in trade in products other than cereals, and has eliminated the input distribution parastatal. As a result of liberalized input and output prices, rural farm households have been, in the short term, receiving less for certain products as protection is decreased while paying more for inputs they consume, with obvious negative implications for financial profitability, changes in products, and product mix. While the maintenance of cereal price supports acts as an income safety net for households that are net sellers of grain, poor rural households are often net consumers of basic foodstuffs. Protection of grain prices may not compensate adequately for the higher cost of food staples in their consumption basket. Reduced agricultural protection, which leads to loss of employment and income for some vulnerable rural groups, requires government assistance in the short term.
- *The government's land privatization reform is not yet completed.* In 1987, farmlands formerly operated by the state (about 40 percent of Algeria's arable land), were distributed to

individual (EAI) and collective farms (EAC) with usufruct rights. The remaining 60 percent of arable land were already in private hands. As a result, a new farm community of individual farms and farmers has arisen. This community requires a strong, competitive market sector to address its agricultural services needs. However, because EAI/EAC farmlands are still owned by the State, and because a program to give official deeds to private farm owners has not yet been implemented, lack of secure title to land and, hence, fixed assets for collateral limits farmers' access to credit. This in turn constrains efforts to increase agricultural productivity. The rural poor have limited access to EAI/EAC land, providing only the labor needed for cultivation. Most cultivation, however, is still heavily mechanized, a legacy of machinery and fuel subsidies from the formerly public sector farms.

- *Fiscal adjustment has resulted in cuts in social sector spending.* Despite the consistent national focus on improving social conditions and high public investments in the social sectors, the returns are low and there appears to have been deterioration of some social indicators in recent years (particularly in health and education). Central government social sector spending as a share of GDP declined from 12 percent in 1987 to about 9 percent in 1995; as a share of government expenditures, social sector spending declined from 38 percent in 1987 to 29 percent in 1995. The aggregate impact on the poor is not clear. While some spending cuts appear to have been made through increases in efficiency, the evidence is unclear. But fiscal policy pursued cuts in both capital and current health and education expenditures. This policy undermines the country's prospects for future growth, because of its medium- and long-term negative effects on living standards and on the productivity of the poor. Declining quality and availability of social services may result in further erosion of past achievements in the social sectors and may pave the way for higher poverty levels in the future. In addition, the elimination of food subsidies has been estimated to cost the poor about one-fifth of their purchasing power. While average outlays under the safety net programs appear to compensate for the loss of food subsidies, it is unclear whether pro-poor targeting by these programs was adequate enough to prevent an increase in poverty.

D. A Strategy For Reducing Poverty

Key elements for a strategy to reduce poverty include: restoring and maintaining macroeconomic balances; enhancing labor-intensive growth; speeding up privatization and public enterprise reform; continuing agriculture reforms; investigating reforms needed in the labor market to promote growth; emphasizing human capital development and improving the efficiency and the quality of the social sectors benefiting the poor; and continuing cost-effective safety net measures for those segments of the population unable to take advantage of income-earning opportunities. None of these elements, without the others, can provide sustainable reductions in poverty.

Sustainable Labor-Intensive Growth is Prerequisite: Lack of economic growth from 1987 to 1995 is the most important factor contributing to increasing poverty in Algeria. A primary imperative for any poverty alleviation strategy should be employment creation through broad-based economic growth, ensuring that the benefits of growth are distributed across all income groups. Over the medium- and long-run, this can be achieved by promoting labor-intensive activities in agriculture, manufacturing, and services, especially in export-oriented sectors and, to some extent, in the informal sector. In the medium term, the impact of growth on poverty reduction is expected to be high. The elasticities of poverty measures to growth in mean per capita consumption expenditures suggest that, with a distributionally neutral growth path, 10 percent per capita growth would reduce poverty by 26 percent nationally, 32 percent in urban areas, and 23 percent in rural areas.

Disengaging the State and Promoting the Private Sector. Encouraging competition, promoting the private sector, and disengaging the State from involvement in production and trade are the three main measures needed to increase economic growth. Promoting private sector growth should help reduce unemployment and help alleviate poverty. Development of the private sector, and of small and medium industrial and agricultural enterprises in particular, will require State disengagement and improvement of the investment climate. This would lead to an increase in budgetary savings, which in turn should finance the required growth in private sector investment. Furthermore, progressive withdrawal of the State from productive and

commercial sectors would free up public funds to finance activities beneficial to the poor, as well as safety nets necessary to assist those who will be hurt in the short term by enterprise restructuring. Consequently disengagement of the State should be accelerated. Reforms designed to make the economy more responsive to market signals can be expected, in the medium term, to improve employment and income opportunities for the entire population.

Pro-Agricultural Growth Strategy. Since most of the poor live in rural areas, creating rural income earning opportunities (farm and non-farm activities) should be a main priority. Policy interventions to increase agricultural productivity could encourage farmers to grow whatever crop is best suited to the land they work. The government's abandonment in 1994 of the "self-sufficiency" policy for food production is an important positive step in this direction. The government priorities should focus on:

- Building an efficient and high productivity agriculture and rural sector that will be more competitive: The agricultural adjustment process should continue in order to establish an incentive structure that allows markets rather than public authorities to determine resource allocation across competing activities. The program should focus on: (i) natural resource management, especially in erosion and water management; (ii) delivering agricultural and rural credit, as well as irrigation services; (iii) full privatization of public lands and enterprises; (iv) reducing public expenditures and making remaining investments and expenditures more efficient; and (v) further reducing or eliminating public interventions in agricultural trade and marketing, and promoting the development of small and medium enterprises.
- Creating the policy environment to be conducive to new investment: To create an environment conducive to private investment, policies need to be consistent, transparent, and non-arbitrary in their implementation. Moreover, current legal, regulatory, and judicial frameworks need to be reviewed for the impact they have on the private sector.
- Using public expenditures and targeted programs to facilitate the adjustment of vulnerable groups in rural areas: Reduced agricultural protection

and more liberal trade import policies will lead to greater efficiency and competitiveness in the long term, but in the short term it will decrease employment among many of the poor rural households who will have difficulties adjusting to the new environment. To help these groups, government assistance programs should focus on (i) labor-intensive civil works programs, and (ii) economically viable alternative cropping patterns to absorb labor (i.e., labor-intensive horticulture production, processing, and export).

- Continuing progress in macroeconomic reform: Progress in macroeconomic reform should continue in order to eliminate foreign exchange market distortions as a source of anti-export, pro-import bias.

Structural Changes Needed to Promote Growth and Generate Employment. The expansion of employment may require changes in labor market policies and regulations. Greater labor market flexibility (regulations and wages) can promote privatization and facilitate public enterprise reform by enabling the industrial, agricultural and service sectors to absorb more labor, and by allowing greater labor mobility. Experience shows that increases in the minimum wage should be kept below the rate of labor productivity growth. However, further research is needed to understand: (i) the link between labor market policies and expansion of employment; (ii) the effects of relaxation of labor regulations on the poor; (iii) the importance of the informal sector as source of income for the poor; (iii) the costs of labor (wage and non-wage); (iv) the cost of retrenchments during the enterprise restructuring; and (iv) the obstacles to obtaining productive employment for women, and alternatives to increasing women's access to the labor market.

Improving the Efficiency and Quality of Priority Social Sectors. Public spending is a powerful tool for reducing poverty and inequity, in both the short and long terms. In the short term, poverty reduction measures will only bear fruit if resources are managed more efficiently and redirected to priority social sectors. In the longer term, primary health and basic education are the priority sectors for Algeria in its attempts to reduce poverty and improve human capital, because they are essential to achieving sustainable growth. Faced with growing demographic pressures, besides improving quality and increasing returns in the priority social sectors,

the government needs to prevent actual spending per capita from falling. While necessary, the introduction of various safety net measures for those segments of the population that are temporarily or permanently unable to take advantage of income-earning opportunities is not a sustainable or sufficient strategy for reducing poverty.

Education and Training. Investing in the human capital of the poor is necessary for sustainable growth and ensures that the poor have the skills necessary to benefit from the jobs created as a result of structural reforms. The government, therefore, needs to emphasize the following priorities:

- *Ensure universal access to basic education, for both females and males.* Particular attention should be given to reducing the large urban-rural and gender disparities in enrollment rates at the secondary level, with rural girls the ultimate target. This would require: (i) abolishing the quota system at the secondary level; (ii) using cost-recovery and alternative financing sources in higher education, in order to increase availability of public resources for financing basic education; and (iii) further analyzing constraints to female school attendance in order to better understand how to design appropriate policy to increase female enrollments.
- *Increase access to education for the rural poor.* While it is necessary to further investigate the causes of dropouts in primary and junior secondary school, early dropout among the poor may be determined to a large extent by indirect out-of-pocket schooling costs (e.g., clothing, transportation, etc.) and by the opportunity cost of lost labor. Strategies to improve the educational profile of the poor will need to account for their financial constraints so that they can take advantage of increasing opportunities for schooling.
- *Improve the quality of education and vocational training to better prepare graduates for labor market opportunities.* Improving the quality of education would require the introduction of a detailed system of quality assessment. The publicly operated vocational training system, which is presently designed to address social considerations, needs far reaching reforms in order to improve the skills of youth for the emerging market economy.

Health Care. The Algerian public health care system, which suffers from inefficient resource use, faces the difficult challenge of expanding and more equitably providing services while simultaneously improving quality with limited funding increases. The government needs to focus on the following priorities:

- *Providing good-quality basic public health services to low-income groups and in rural areas.* The recent deterioration in health status suggests that greater emphasis should be given to primary and preventive care, in particular for low income groups (e.g., immunization, sewage, sanitation, maternal education and family planning).
- *Improve equity and expand health coverage.* The present bias against poorer regions and between rural and urban areas needs to be reversed. Increasing the level of resources targeted towards poorer groups or regions would likewise increase the marginal benefit of health spending. Extending services and coverage to poor and marginal groups may require the government to enter into operational partnerships with non-governmental organizations and local communities.
- *Revise the Pricing Structure.* By improving the managerial environment and by designing and implementing a detailed monitoring system, price discrimination can be used to target subsidies to the poor. Geographical price discrimination, disease targeting, and appropriate use of lower levels of the system will need to be closely examined.
- *Involve the private sector.* To make the best use of combined public and private resources, the government may choose to reduce its role as a direct provider while expanding its capacity to purchase private health services, as well as regulate the sector (i.e., policy setting, planning, pricing determination, and quality control).

Basic Physical Infrastructure

Safe Water Supply. Government policies should focus on maximizing efficiency of water use and providing safe, adequate and easily accessible water supplies and sanitation services, with particular

attention to low-income households. A higher level of cost recovery will help increase both financial sustainability and sector efficiency. In particular, experience suggests that water investments in both urban and rural areas without cost recovery may involve considerable waste, under-funding of recurrent costs, and poor service delivery.

Electricity. Worldwide experience shows that subsidies to electricity consumption are not cost effective in reaching and helping the poor. In Algeria as elsewhere, the non-poor, who consume much greater quantities of electricity, are probably the main beneficiaries of high subsidies. Policy reform should work towards reaching economic cost as the basis of electricity pricing.

Housing. The upcoming Housing operation (HSAL) will help authorities to shift from a supply-driven and publicly dominated housing sector to a demand-driven market-oriented sector. It is strongly advisable to gradually eliminate housing subsidy schemes given the evidence that the non-poor are the primary beneficiaries of the current scheme and because of the difficulties in targeting housing subsidies to the poor. Moreover, the private sector should take increased responsibility for providing housing since there is no economic or social rationale for the public sector to do so. Promoting private sector development and ensuring an adequate regulatory framework and enforcement should eventually be the only areas of public sector involvement.

Enhancing Social Assistance and Safety Net Programs. Social assistance (e.g., cash and in-kind transfers, family allowances) and safety net programs in Algeria are targeted to various groups. Unfortunately, little is known about the impact of these programs on poverty, although it is clear that some schemes (i.e., scholarships, family allowances) don't reach the poorest. Given political economy constraints and administrative and other costs of targeting, the overall transfer programs may be having a reasonable impact on living standards. However, additional schemes may be needed to help those not currently reached. The new safety net programs (AFS and IAIG) are expected to favor the poor, and these may have played an important role in recent poverty alleviation efforts. Analysis of the elimination of consumer food subsidies and the compensation schemes instituted to replace them

shows that the average transfer level under these programs adequately compensates for the value of food subsidies lost. However, it is unclear whether the coverage provided is broad enough to prevent an increase in poverty arising from the removal of food subsidies. In the short term, strategies to enhance the employment prospects of the poor should continue to be complemented by present safety net measures to reach those who are unable to work (due to disability or age) and the unemployed. The targeting of these programs could, however, be improved, and this would require identifying a well-focused set of objectives. Better socioeconomic indicators at the household level are needed to identify the characteristics of poverty groups and refine a set of indicators for monitoring living conditions. These indicators could form the basis for self-targeting and improving the targeting of the poverty alleviation strategy.

Improving the Statistical Base and Future Poverty Monitoring. Targeting the poor requires that the government continuously identify the poor and understand how they would respond to changing public policies. Algeria's National Household Surveys provide a good start for describing income poverty. However, better data are needed to measure poverty accurately, develop a detailed and policy-relevant poverty profile, and assess changes over time. Two key steps are needed to improve the statistical base: (i) institutionalization of a single standardized, integrated and improved household information base at the national level, and (ii) establishment of a monitoring system of key socioeconomic indicators by region and other relevant disaggregations such as gender. The first of these steps would allow collection of a comprehensive welfare indicator based on consumption expenditures. This would represent the single most important and feasible means of identifying the poor and tracking poverty trends. In addition, social indicators provide supplementary information important in determining access levels and effectiveness of social services, and would indicate changes in living standards not always captured by the income measure. Second, given the rapid pace of economic and social change in Algeria, the government needs to establish a regular monitoring system to have a timely and clear picture of how its policies are performing and how they affect the level and depth of income and non-income poverty in the country.

Armenia

In recent years Armenia has made significant progress in reforming its economy, restoring a sustainable path for growth and maintaining macroeconomic stability. Despite these advances the recovery remains fragile. Although overall living standards have improved since 1994, poverty is still widespread, and little or no impact has been made on the incidence of extreme poverty. It is urgent, therefore, to assess how the government's poverty reduction strategy can be made more effective and to identify the role social assistance can play in this area. The objectives of this study are to better understand the changes in poverty since 1994, to reassess options and priorities for the government's poverty reduction strategy, and to provide recommendations on improving the poverty focus of social assistance programs.

After the sharp descent into poverty from 1992 to 1994, when the vast majority of the population experienced conditions of absolute poverty, some improvements in living conditions have been achieved. The average wage doubled in real terms between 1994 and 1996, and substantial increases were achieved in the proportion of households with electricity and piped water. Nevertheless, poverty in Armenia remains widespread and severe. From the 1996/97 Household Budget Survey, about 55 percent of the population was estimated to be living in poverty and 28 percent of the population was under the food line. The average wage was still only one-third of its 1992 level. Vulnerability to poverty also continued to be high, with many households moving in and out of poverty. The trend of rapidly increasing inequality appeared to have stabilized in 1994 but remained very high. In 1996/97, per capita consumption was still 18 times higher in the top decile than for the poorest decile.

The poverty correlates typical of market economies are still not evident in Armenia. The correlation between poverty and unemployment was found to be stronger than in 1994, but still very weak compared with non-Commonwealth of Independent States (CIS) countries. Although the incidence and depth of poverty is highest among the unemployed, the highest number of poor consists of the working poor. Because of the low level of public sector wages, the large number of workers on administrative leave without pay, and the high prevalence of part-time

work, employment does not guarantee sufficient earnings to support a family. Education remains a relatively poor predictor of poverty, as those with a high level of education are only slightly less likely to be poor. Overall, the urban population continues to be poorer than the rural population; however, in contrast with 1994, the incidence of extreme poverty was found to be higher in rural than in urban areas, suggesting that agriculture has become less effective as a safety net for the rural population. There now appears to be a link between household size and poverty, but the evidence is not very strong. Some groups that would intuitively be considered as poor have not fared worse than the rest of the population; for example, refugees and pensioners living alone were found to have a slightly lower-than-average risk of poverty.

Households remain poor mainly because of inactivity resulting from the lack of remunerated employment opportunities or assets for investment in private activities, low wages, lack of mobility, poor health and physical isolation. Unemployment is not only high—at 25 percent, as measured by SDS surveys in 1996/97—it is also stagnant. Half of the unemployed have been without work for more than a year. Recent job creation has been concentrated mostly in self-employment and informal activities. At the same time, because of low wages, employment does not necessarily protect families against poverty. Salaries constitute a mere 13 percent of the average current income of the population, the same share as private transfers and remittances from abroad (both 13 percent). Seasonal labor migration to other CIS countries has become an extremely important source of income for Armenians. The population's heavy reliance on irregular sources of income from private transfers, humanitarian aid and remittances, means that households experience drastic extremes of income depending on the timing of the receipt. State transfers and the declining institutional transfers of humanitarian aid have not been targeted effectively to the poor and have, therefore, had a very limited impact on poverty reduction.

Evidence from the qualitative assessment indicates that social exclusion is increasing in Armenia and is closely linked to extreme poverty. The lack of a strong social network is a significant determinant of poverty. This is most likely to affect people with weak kinship ties, such as orphans and households

composed of single parents. However, social exclusion is also related to lack of mobility, to poor health, and to psychological passivity due to repeated failure to integrate into the labor market or a support network.

NGOs play an important role in delivering programs that strengthen social safety nets in some Eastern European countries such as Poland and Hungary. The role of NGOs and the private sector (foundations and private donations, mostly from the Diaspora) is also growing in Armenia. Most of the local and international NGO groups were created in the aftermath of the earthquake of 1988. More than 1,200 NGOs are now registered and active in areas of elderly and nursing care, child support, employment generation activities, and protection of refugees and the disabled. Most operate on a very small scale, hampered by limited funds. State collaboration is still at the embryonic stage. NGOs are often viewed more as competitors than collaborators. The legal framework for NGOs is still incomplete and unfriendly.

The recent evolution of poverty implies the government's need to review its poverty reduction strategy. As poverty is still primarily a transitional phenomenon affecting more than half the population, the main pillar of a poverty reduction strategy remains the acceleration of economic growth. Further efforts are needed to increase public and private savings and to promote private investment. The restructuring of the public sector needs to move forward, as do reforms in the judicial and legal systems. In many sectors, reforms should be deepened to increase transparency, reduce distortion and strengthen capabilities; to restore viability of the energy, water and transport sectors; and to meet the human capital requirements for economic growth.

When unemployment and low wages are primary reasons for poverty, the labor market should play a role in reducing poverty and inequalities. Existing labor market regulations, however, are not creating major rigidities. An important question asked by many policymakers today is the potential role of proactive labor market policies in stimulating growth and employment. Under present economic conditions in Armenia, neither job subsidies nor training and retraining programs are likely to be effective in facilitating job creation. However, more can be done in the areas of micro-credit, support to

self-employment, and public works. Recent experience, in particular of the Agriculture Credit Bank of Armenia (ACBA), shows that micro-credit programs can be successful when they are well-designed, with minimal subsidies, and are administered by competent financial institutions. With IDA (Armenia Social Investment Fund) and World Food Program (WFP) support, public works projects designed to stimulate the local economy through the use of small contractors and to improve social infrastructure have already been successfully implemented in Armenia. However, with the exception of a few pilots, the potential of public works designed to create employment through labor-intensive activities has not yet been thoroughly explored.

Social insurance programs, in particular old-age pension and unemployment benefits, do not effectively provide protection from poverty in the short term because savings levels, and consequently the levels of benefits, are very low and the poor are not well-targeted. In the long term, however, if the ongoing reforms are maintained, the pension system could become a more efficient tool to protect the elderly from poverty. Unemployment benefits cannot be efficient as long as the informal economy continues to flourish, which will probably be the case for a long time in Armenia. Another important area of the government's poverty reduction strategy involves protecting the poor's access to quality social services. In this area, deepening the social sector reforms will be very important, in particular strengthening primary health care services and general education. Additional mechanisms are needed to target health programs and education subsidies to the poor.

In this context, social assistance is one of the very few instruments available to protect the poor not benefiting from economic growth in the short and medium term. The objective of social assistance should be to protect the poorest of the poor and the most vulnerable groups from becoming socially excluded. For such a strategy, targeting is crucial. Social assistance should not create or promote dependence on charitable support, but provide the means for those who have been marginalized to reenter society. This presents an enormous challenge for Armenia because (i) the approach is contrary to the Soviet principles of social assistance on which values and expectations still tend to be based; (ii) both public and private resources are severely

limited; and (iii) the large scale of the informal economy makes it extremely difficult in practice to identify the poor. Until the introduction of the Family Benefit in January 1999, the state-run system of social assistance—including cash transfers (child allowances and social pensions), residential institutions for a variety of vulnerable groups, and some very limited outreach programs for the elderly and the handicapped—had not been poverty-targeted.

Aware of the system's shortcomings, the government has begun its reform of social assistance. In December 1997, it passed a decree to replace child allowances and other social benefits with a family benefit targeted to the poor. The introduction of this new benefit in January 1999 represents a major shift from the categorical system, oriented to socially deserving members of society, to a system focusing on protecting the poor. The government has also taken other actions to improve outreach, train social workers and improve the capacity of the social services centers. Reforms need to be deepened to create an adequate institutional framework to deliver the targeted programs and to use humanitarian assistance more effectively. Outreach could be improved by increasing the role of elected local governments and NGOs in the design and delivery of social assistance programs and by strengthening partnerships with state structures. In addition, incentive systems needs to be improved, both to encourage social assistance centers to perform outreach activities and to encourage families and communities to support the poor and minimize dependence on the state.

To target the new family benefit, the government plans to use the Paros proxy means testing system. This system, introduced in Armenia in 1994 to improve the targeting of humanitarian assistance, was the first proxy means testing system adopted in Eastern Europe and Central Asia (though Russia is now experimenting with it on a pilot basis). The targeting performance of the Paros system was evaluated using the results of the Household Budget Survey. About 71 percent of Armenian households report they were registered with Paros in the fall of 1996. Registration by decile shows very little self-selection in the system. Errors of exclusion were found to have essentially three causes: barriers in registration for the poor; problems with measurement of proxies; and informal procedures used by social workers to pre-screen beneficiaries before registering them. Errors of inclusion were related to the

difficulty of using proxies in the Armenian context and the lack of home visits for the purpose of control.

Many changes can be made in the system to improve targeting of the poor. It appears that changing the proxy formula would provide some improvements, and that changing the weight of the indicators used in the existing formula would also improve the targeting outcome. On the other hand, an increased customization of benefits would not change the targeting outcome. Several reforms can be introduced to improve the administration of the Paros system: decentralize the process of assessing household scores; improve public information on the formula and the registration mechanisms; integrate a more systematic outreach by the social workers with the help of local governments and NGOs; set up formal and informal appeal systems; and create a mechanism for program monitoring and evaluation. The family benefit program will also require the development of a streamlined, credible payment mechanism, and clear procedures for managers and staff of the social services centers, through a unified operational manual and training of social workers. After these reforms have been introduced and the impact of the targeted family benefit has been assessed, more thought should be given to using the proxy means testing system to support other programs in health, education or social services.

Alternatives to the proxy means test for poverty targeting are limited. Because of the localized nature of poverty in Armenia, geographic targeting could provide an administratively efficient mechanism for targeting of social sector spending; however, this would require more comprehensive and disaggregated data on poverty than are currently available, at least until the forthcoming census is carried out. The new capitation systems for financing of general schools and primary health care will need to take into account the large variations in poverty rates between districts and communities and incorporate a poverty weighting in the funding formula. Until better data are available, adjustments could possibly be based on the number of recipients of the family benefit in the catchment area. More assessments and analysis are also needed to explore the feasibility of community-based targeting of health and education subsidies, such as the school-based targeting mechanism recently introduced to waive textbook rental fees for the poorest pupils.

Considering the limitations to the development of social insurance in the short and medium term, and

the relatively limited scope for interventions in terms of proactive labor market policies, strengthening social assistance is critical to support the very poor and socially excluded groups that are not in a position to benefit from the impact of growth. A number of measures can be taken to improve

targeting and outreach to ensure that social assistance helps poor groups integrate into the economy and society, and to prevent undue dependence on the welfare system. At the same time, the system needs to be closely monitored and remain flexible in order to adapt to an ever changing situation.

Bulgaria

The transition from a planned to a market economy has not been easy in Bulgaria. Macroeconomic performance has been worse than the average for Central and Eastern Europe (CEE). Output has dropped by more, and inflation has been higher than other countries in the region. As a result, households have seen a sharper contraction in their standard of living. It was only in 1998—when output had begun to recover and, simultaneously, inflation had been controlled—that prospects for reversing the decline in living standards had emerged. Promoting a recovery in living standards by continuing these positive macroeconomic trends, accompanied by structural reforms and programs to reduce poverty, is now one of the greatest challenges confronting the government.

Extent of poverty in Bulgaria

In early 1997, over 36 percent of the population in Bulgaria was living in poverty. Moreover, poverty increased sharply over the period 1995-97, when macroeconomic conditions took a sharp turn for the worse. The bulk of the rise in poverty can be explained by the fall in consumption and incomes. However, a significant share is due to widening inequality in earnings and, consequently, consumption. Since this time, the government has implemented a wide range of reforms stabilizing the economy, leading to a recovery in growth and an anticipated reduction in poverty.

The poverty assessment relies on data from two specially commissioned multi-purpose household surveys conducted in 1995 and 1997,¹ as well as research undertaken by the government, Bulgarian and foreign researchers, and international agencies. To measure poverty, the poverty assessment uses a poverty line equal to two-thirds of average consumption in Bulgaria in 1997 (as measured by the

¹ The surveys were carried out by Gallup International, Sofia with technical support from the Ministry of Labor and Social Protection, the National Statistics Institute, and the World Bank. They shall be referred throughout as the Bulgarian Integrated Household Survey (BIHS) with the relevant date—1995 or 1997.

BIHS).² While the precise level of poverty is a function of the chosen poverty line, there can be little doubt that there was a substantial increase in poverty between 1995 and 1997 since levels of consumption declined substantially between the two years, and people at levels of consumption in 1995 suffered a clear deterioration in their standard of living.

Who is at risk of poverty?

The analysis shows that about 36 percent of the population, or some 3 million people, were living in poverty in 1997. A more detailed analysis of poverty rates among different sub-groups of the population reveals that poverty rates are higher in rural areas. Over 41 percent of rural residents are found to be poor compared with 33 percent in urban areas. Poverty also varies by region. The regions with the highest poverty rates in 1997 were Sofia and Plovdiv, followed by Russe and Sofia city. Together, the poor from these four parts of the country account for 58 percent of all poor. The higher-than-average poverty rates in Plovdiv, Sofia region and Sofia city are in marked contrast to 1995, when poverty rates in these areas were lower than average. Poverty rates are also found to be higher among ethnic minorities,³ and large households. Also vulnerable are elderly, single women, especially those in urban areas outside Sofia city and in rural areas.

² Since 1991, when poverty was first formally recognized in Bulgaria, the country has lacked an official poverty line. The absence of a meaningful official poverty line has complicated the task of determining the level of and monitoring changes in poverty. A recently concluded joint project of the Ministry of Labor and Social Policy and ILO/UNDP has however made specific recommendations on the subject. The poverty line used in this report (BGL 45,466 in June 1997 prices) is close to the lower poverty line (BGL 40,000) recommended by the joint team.

³ Over 40 percent of Bulgarian Turks and 84 percent of the Roma were found to be poor in 1997.

Characteristics of the poor

The level of education and, therefore, earning opportunities of the poor appear remarkably lower than for the population at large. As a result, labor force participation rates are lower and unemployment rates are higher among the poor.⁴ Due to their greater employment opportunities and higher earnings, the non-poor rely more on wages as their main source of income, while poor people depend more on social transfers, including pensions, or a mix of incomes.

The poor have lower access to public services compared with the rich, especially in rural areas. The poor also have lower access to proper sanitation and telephone services. They rely more heavily on coal (for both heating and cooking), wood, and kerosene as sources of fuel. In rural areas, 76 percent of the poor use coal or kerosene stoves for cooking compared with 62 percent of the non-poor. In urban areas, where access to district heating is greater, 55 percent of the poor still rely on wood or coal, compared with 35 percent of the non-poor. Within the city of Sofia itself, 20 percent of the poor use wood or coal for heating, compared with 14 percent of the non-poor.

Not surprisingly, the poor allocate a larger amount of their budget to food (72.3 percent compared with 68.5 percent for the non-poor) and consume larger amounts of cheaper staple grain commodities. In fact, they spend nearly 29 percent of their budget on cereals compared with 14 percent for the non-poor. They also spend a larger proportion of their budget on energy and fuel (14.2 vs. 11.9 percent). Although out-of-pocket spending on education does not appear prohibitively high, enrollment rates in primary and secondary education among children from poor households are below average.

The nature of the BIHS, which followed the same households over 1995 and 1997, allows us to examine the characteristics of those who remained poor over the period covered by the two surveys. Residents of rural areas, ethnic minorities, large

⁴ The unemployment rate among the poor (33 percent) is over twice as high as among the non-poor (15 percent). Only one-third of the working-age poor are employed, compared with almost one-half of the non-poor.

households with heads who had primary education or less, and households more reliant on social transfers or a mix of incomes are over-represented among those who are found to be poor in both survey years. In general, households found to be "persistently" poor between 1995 and 1997 are similar to those found to be poor in 1997. The only exception has to do with residence in Sofia city. While residents of Sofia city show higher-than-average poverty rates and are, consequently, over-represented among the poor in 1997, they are under-represented among individuals who find themselves to be "persistently" poor. This suggests that the higher poverty rates observed in Sofia city in 1997 may be an aspect of the 1996-97 crisis and may well change in the future given that Sofia city residents are relatively well-placed to benefit from economic growth (due to, for example, their significantly higher educational achievements).

Labor market developments and poverty

Looking more closely at the labor market we see that the labor market in Bulgaria is fairly stagnant. Employment rates have risen by a fraction in the past four years (from 43 percent to 45 percent of all people aged 15 or older), and unemployment has remained high. Although unemployment has declined recently, it may increase again (at least in the short run) as the restructuring process accelerates.

The turnover of the unemployment pool is low. An unemployed person has a low chance of finding a job.⁵ As a result, many of the unemployed become discouraged and withdraw from the labor force. Average job search duration is long and, thus, the incidence of long-term unemployment is high. This is a worrisome feature of the Bulgarian labor market, as the long-term unemployed face increasingly lower chances of finding a job due to erosion of their skills.

The problem of unemployment in Bulgaria is accentuated by a skills "gap." Many of the

⁵ According to the BIHS, the probability that an unemployed person will find a job within twelve months is around 6.2 percent. This is roughly one-sixth of the yearly exit rate from unemployment observed in CEE countries such as Poland, and less than one-eighth of those prevailing in high unemployment Western European countries such as Spain.

unemployed will not be able to find a job even if there are enough vacancies because their educational attainments fall short of those required by employers. Young, low-educated persons, especially those belonging to ethnic minorities, face the highest risks of unemployment. The link between low educational attainment and unemployment is particularly strong.

Many of the unemployed in Bulgaria do not look intensively for a job and confine themselves to visiting labor offices. At the same time, they have excessive wage expectations; that is, the wages they are prepared to work for are much higher than what they can bargain for. These unrealistic expectations may contribute to the persistence of high unemployment. The receipt of unemployment benefits does not appear to reduce the intensity of job searching.

As mentioned above, one factor accentuating poverty in Bulgaria has been the increase in earnings inequality. Between 1995 and 1997, there was a sharp increase in the incidence of low pay. Low pay in Bulgaria is mainly associated with low educational attainment, but also with working in a low paying industry, such as agriculture, trade, and the social services. The incidence of low pay is higher in the private sector. More generally, private sector jobs are less attractive than public sector jobs, although this may be reflective of a greater degree of under-reporting of earnings in the private sector as a form of payroll tax evasion. In particular, the private sector offers substantially lower educational premia, which is peculiar to Bulgaria, since in other transition economies well-educated workers are better off in the private than in the public sector.

Many of the poor do work, but their "earning power" is weaker than that of the non-poor. Thus, the "working poor" account for a substantial proportion of all poor. To a large extent, this reflects the fact that the poor are employed in low-productivity industries, such as agriculture, or work in low-paying jobs in the social services. In families with workers, poverty is a consequence of low earning capacity and low effective labor supply. Both factors tend to go hand-in-hand: households with lower earning power tend to have a lower number of earners.

The incidence of public spending

Bulgaria's system of cash transfers (both social insurance and social assistance), as currently structured, is unable to fulfill either an income

replacement or a poverty relief function satisfactorily, nor—given the large numbers of beneficiaries—is it able to raise individual benefits to meaningful levels without upsetting the fiscal balance. Despite relatively high costs, the quality and impact of services within some unemployment programs and social assistance is open to question. Moreover, the present system is probably acting as a hindrance to economic growth, *inter alia* by raising labor costs in the formal sector and by encouraging increased informalization of the economy.

In practical terms, while the incidence of cash transfers is higher among the poor, and the average benefit received (with the exception of pensions) is higher for poor households, cash transfers are a relatively small share of total household expenditure. They have a relatively small impact on poverty: only about a third of (ex-ante) poor households are moved out of poverty as a result of social benefits. This can be explained by a combination of factors: low incidence, low benefit levels, and, to an extent, poor targeting (over a third of households receiving various forms of social assistance, and 58 percent of those receiving child allowances were not poor before the receipt of the benefit).

Turning to in-kind transfers, we see that education spending is, more or less, equally distributed across the population, with the poor benefiting the most from spending on kindergartens and basic education. Health spending, however, favors the rich because the bulk of public health spending occurs on hospitals, which tend to be used less frequently by the poor.

Conclusions and Recommendations

A. Ensuring macroeconomic stability and undertaking structural reforms

Given the magnitude of output decline (over 30 percent since 1990) and the limitations imposed on the government by the need to maintain fiscal discipline, it should be clear that sustained growth, which raises wages and reduces unemployment, will be critical to reducing poverty in Bulgaria. It will be necessary to establish and maintain a sound macroeconomic environment conducive to growth, reduce inherited price distortions, and create conditions conducive to private sector development. The new government, which has been in place since April 1997, has taken a number of steps to restore macroeconomic stability, and has initiated a program

of structural reform, including privatization in the banking, agriculture and financial sectors. A key first element of a poverty reduction strategy for Bulgaria would, thus, consist of maintaining the current policy environment and carrying through much-needed reforms.

One fact highlighted earlier is the greater incidence of poverty in rural areas in Bulgaria. The growth of the non-agricultural sector, coupled with agricultural reforms that provide titles to land, develop land markets, increase the supply and timeliness of agricultural inputs, and improve marketing arrangements will all have an important role in raising average incomes in rural areas, thereby reducing poverty. It will be important to ensure that any initiatives to raise agricultural productivity (e.g., extension services) do not bypass the poor. An investigation into the factors that restrict access to the use of credit, or inputs, by poor agricultural households would also need to be undertaken to guide policy on how to (if possible) reduce these distortions.

Major sectoral reforms are also likely to occur in the energy sector. Given the existing structure of household spending, it will be important to design suitable safety net schemes to protect the poor from unaffordable price increases, and to prevent the adjustment of prices to economic levels from having an adverse impact on the poor

Whatever combination of policies and measures is adopted by the government, it will be important to monitor poverty on a regular basis, as well as to monitor the effectiveness of poverty alleviation programs. Perhaps the first step would be to finalize a poverty line, drawing upon the recommendations of the joint MOLSP/ILO/UNDP study, or using the poverty line used in this study (which is close to the lower poverty line of the MOLSP/ILO/UNDP study). Follow-up work on national and regional trends in poverty and the incidence of public spending will be necessary. Closer analysis of a number of social protection initiatives is also warranted. The capacity to undertake such an analysis will need to be developed.

B. Encouraging growth in employment

Unemployment in Bulgaria is high and is one of the major causes of poverty. Economic growth is essential to increasing the demand for labor and

creating new jobs. At the same time, sound labor market policies can encourage employment growth.

Policies for encouraging the growth of employment, relative to the development of skills and qualifications of individuals, include:

- **Long-term reform of the education system:** In order to take full advantage of a growing economy individual skills, especially of the unemployed, will need to be upgraded. Bulgaria does have a well-educated, skilled labor force. As in other economies, there is scope for improvement and over the long term, there are at least two areas of reform in the education sector that would assist in expanding the labor market opportunities of the population: (i) greater emphasis on raising the educational achievement of the population as a whole, by increasing secondary enrollments; and, (ii) greater emphasis on general secondary education at the expense of obsolete or non-transferable vocational skills.
- **Raising enrollments among children from poor households:** While education reform is probably best considered a medium-term objective, the fall in enrollment rates among children from poor households is of immediate concern. Reversing these negative trends will be important if children from poor households are not to be at a disadvantage in the future labor market.
- **More and better labor market information:** While the report finds no evidence that the system of unemployment benefits has significant disincentives for job searching, the unemployed do seem to have excessive wage expectations, which may get in the way of their accepting jobs that are offered to them. This suggests that there is a role for public employment services to provide more and better information on what employment prospects exist and at what rates of remuneration, thereby facilitating a reduction in unemployment.
- **Improvements in active labor market programs (ALMPs):** In addition to running the employment services, the government also conducts three ALMPs: (i) temporary works, (ii) wage subsidies, and (iii) training. Given the

limitations on resources,⁶ it would be important to evaluate existing programs from an outcomes, targeting, and cost-effectiveness perspective. The findings could then be used to guide policy development. International evidence suggests that ALMPs are often most effective when they are used to assist the most disadvantaged groups in the labor market. From this point of view, the emphasis that the new Act on Unemployment places on ALMPs aimed at the youth, the long-term unemployed, and ethnic minorities, is to be welcomed. The recently announced review of ALMPs by the government is a very positive step.

Factors that would encourage employment generation include:

- **Reduction in social insurance taxes:** High payroll taxes associated with social insurance is likely to have a strong negative impact on employment creation in Bulgaria, particularly in the formal sector.⁷ A significant reduction of these tax rates will primarily depend on the successful implementation of pension reform (pensions are the largest source of tax), as well as the continued reduction of unemployment insurance contributions. Likewise, the 6 percent payroll tax that will be imposed by the Health Insurance Fund from mid-1999 will need to be offset by corresponding reductions in other payroll taxes.
- **Encouraging greater flexibility in the market for labor:** The Labor Code governing labor market institutions in Bulgaria has had several revisions and is generally well-suited to the needs of a market economy—avoiding some of the most restrictive provisions found in some neighboring transition economies (e.g., prohibition of fixed-term, part-time and additional work, restrictions on enterprise-level collective bargaining, unduly onerous standards for firings and layoffs, etc.). Nonetheless, further improvements can be made, including: reducing requirements with respect to maternity and child

⁶ Total spending in 1996 on all ALMPs was less than 0.25 percent of GDP.

⁷ Social insurance taxes in Bulgaria currently average 47.5 percent of net wages.

leave; reforming sick-pay regulations; and easier termination for misconduct or economic reasons.

Poverty can be expected to fall given a return to economic growth and a rise in average incomes. Simulations indicate that with uniform growth of 3.0 percent per annum for 5 years, the proportion in poverty would fall from 36.0 percent to 27.6 percent, a reduction of over 23.0 percent. At a higher rate of growth, say 5 percent, the proportion in poverty would fall to 25.1 percent after 5 years, a reduction of over 30.0 percent.

The simulations ignore changes in inequality, or the fact that not all individuals may benefit equally from growth. Changes in distribution, as well as growth, will have an impact on poverty. With no change in inequality, poverty will fall from 36.0 percent to 33.7 percent, if there is one-time growth of 4 percent; 32.0 percent, if growth is 6 percent; 30.9 percent, if growth is 8 percent; and 29.9 percent, if growth is 10 percent. With worsening inequality, the poverty-reducing impact of growth is diminished. A widening of the distribution by as much as occurred between 1995 and 1997 would require rates of economic growth of 6 to 8 percent to merely maintain current poverty levels.

C. Strengthening the social safety net

These simulations draw attention to the fact that a strong social safety net that targets those who are least likely to benefit from growth will be essential to reducing poverty. The system of social assistance in Bulgaria prior to 1998 suffered from some key drawbacks:

- fragmentation;
- inadequate funding;
- poor targeting; and
- poorly defined financing responsibilities.

As a result, overall coverage of the system is very low. The overlap of programs with different targeting mechanisms undermines the ability to reach the poorest groups in the population. Over a third of households receiving social assistance are not poor (ex-ante). The overall level of spending on social assistance, especially on income support, is low: spending on all social assistance was 0.7 percent of GDP; and spending on income support (the Basic Minimum Income (BMI) program) was 0.07 percent of GDP in 1996. **This should be raised to a level of**

1.5 percent of GDP to provide a well-targeted basic minimum income guarantee.

Reforms in four areas, some of which have been underway since 1998, would increase the poverty reduction impact of the social assistance system:

- **Reduced fragmentation:** Following the passage of the Social Welfare Act early in 1998, the government has taken key steps to reduce fragmentation, including combining eligibility criteria for the BMI program and the program of in-kind support for utilities. However, there is scope for further consolidation. In principle, this could proceed to the point where the means-tested BMI program becomes the principal source of social assistance.
- **Increased funding:** In addition to expanding the envelope for social assistance, as indicated above, more resources could be made available for the poorest by looking for savings within programs. Increased funding could also be sought by cutting back on untargeted programs. Perhaps the most significant program in this context is maternity leave for uninsured mothers, which costs over twice as much as the BMI program (0.2 percent of GDP versus less than 0.1 percent for BMI), and which benefits rich and poor alike. Finally, increased NGO participation in the provision of social assistance and social welfare is likely to further expand funding, as well as raise the standards of care for clients in social care institutions.
- **Improved targeting:** In general, social assistance in Bulgaria appears to be relatively well-targeted. However, there is scope for improvement. Discretionary social assistance payments, for example, often tend to be regressive (i.e., they accrue disproportionately to the non-poor). The government has already taken steps to reduce the scope for leakage from the system by altering the provisions for one-off discretionary payments to households. There is a need to further analyze the extent of leakage from the BMI scheme in order to determine and reduce the extent of leakages.
- **Clear responsibilities:** The decentralization of social assistance in Bulgaria has generally not worked well. However, the new Social Welfare Act is a step in the right direction. It clarifies institutional roles and helps strengthen the administrative capacity of the system. In order to improve the viability of the scheme, the BMI program will be funded on a cost-sharing basis between central and municipal budgets, and incentives for municipal authorities to meet social welfare payments on time will be introduced. The central government budget will provide earmarked funds toward program costs, as well as an additional contribution to the general municipal budget if social benefit payments are made on time. Implementation deserves careful monitoring to ensure that the program develops on the lines envisaged.

Burundi

In late 1993, Burundi plunged into a deep political and economic crisis from which it is yet to emerge, as a wave of violence swept the country following the assassination of the first democratically elected president in 1993. The security situation continued to deteriorate through mid-1996, and was accompanied by a 21 percent drop in GDP and a sharp rise in inflation. To add to the woes caused by continued insecurity, following the 1996 coup d'état which brought President Buyoya back to power, Burundi has been subject to an embargo by neighboring countries. The embargo was suspended on January 23, 1999. The security situation has shown some improvement since the change of regime, and the new government is seeking to achieve a real paradigm shift in the peace process through external negotiations with the rebel movements and through an internal political process to increase popular participation in decision-making.

Changes in the poverty profile. The poverty profile has worsened rapidly since the beginning of the crisis. Rural poverty incidence is estimated to have increased by 80 percent since 1993, with a doubling of urban poverty incidence. Poverty depth is estimated to be among the highest in sub-Saharan Africa. Over 14 percent of the population were displaced from their homes during 1997.

This has resulted in a sharp deterioration in social indicators, which had shown a steady improvement in the years preceding the crisis. Malnutrition, measured by wasting among children under five, is estimated to have increased from 6 percent to 20 percent since 1993. Reported cases of major endemic diseases have increased by over 200 percent, and HIV prevalence is rapidly rising. Primary school enrollment has plummeted since the crisis, from 70 percent to 44 percent. National social indicators show an even worse picture at the regional level: four provinces had primary school enrollment below 30 percent in 1996-7, reaching a nadir of 9 percent in one of the most violence-stricken areas.

The tragedy for the poor is that, at a time of widespread food insecurity, declining monetary incomes and rising health problems, the provision of public services has been drastically reduced. Many schools and health clinics have been destroyed or

damaged; health and educational personnel have withdrawn to urban areas to avoid security risks; and agricultural projects funded by donors have closed. It is estimated that over one-third of local water supplies have been destroyed or ceased to function due to lack of maintenance since the crisis.

Causes of the rise in poverty. The crisis exacerbated structural problems in the agricultural sector, where the limits of extensification, declining soil fertility, low use of modern inputs and adverse incentives for investment in the state-controlled cash crop sector had already set in motion a slide in yields. The crisis and the embargo have exacerbated these problems in the form of looting and destruction of household goods and livestock, population displacement, and collapse of distribution channels for agricultural inputs. The embargo has raised the price of non-food goods in rural areas because of the rise in both import and petrol prices: the impact of this, however, is cushioned by high food shares in the budget of poor rural households.

In urban areas, many unskilled workers have been laid off from formal private sector enterprises in response to a drop in industrial GDP of almost 60 percent since 1992. The urban informal sector has also suffered, as enterprises have closed and laid off workers due to difficulties in the supply of materials from abroad and from the interior of the country, and a drop in demand for services from formal sector and expatriate workers. Rapidly rising urban prices following the 1996 embargo—with inflation at 28 percent in 1997—have further eroded the real incomes of the urban poor.

In addition to population displacement and damage to infrastructure, a sharp drop in the availability of financing for health and education is a major factor in declining access to, and quality of, social services. Government revenue has fallen as a result of the contraction of the tax base, from 20 percent to 12.6 percent of GDP since 1992. The withdrawal of donor developmental aid—from \$300 million per annum in 1990-1992 to \$39 million in 1997—has drastically reduced the funds available for reconstruction and social investment.

The need for action on social protection. The poverty trends described above represent a slow slide into crisis. Burundi has averted a full-scale humanitarian emergency since 1993, but the population is inexorably sliding—via declining health and nutrition, and rapidly eroding real incomes—towards a situation where households have no buffer against external shocks. In other words, many households are the right side of the survival line by a whisker; a bad harvest or another round of population displacements can send them over the edge. However, the majority of the population is still able to respond to development initiatives, since they are still in their own homes, in regions where relative security prevails, and still undertaking their normal economic activities. The same is true for institutional and social capital; the public administration and local institutions are damaged but still holding together, although this may not be the case if current pressures continue. Investment in social protection is, therefore, an economic and moral imperative: the cost of rebuilding economic, political and administrative systems will increase exponentially the further the social situation is allowed to deteriorate. Increased efforts by donors and by the government to provide the population with a minimum level of social protection represent an investment in Burundi's human and social capital.

However, there are substantial constraints in Burundi's political, economic and policy environment, which, if not addressed, are likely to limit the effectiveness of social protection initiatives. These include: (i) the security situation, which makes it impossible to undertake normal developmental activities in about 20 percent of the territory; (ii) very limited public resources, due to contraction of government revenues, the dramatic drop in external aid and the increasing burden of public debt repayments; (iii) inadequate social orientation of government budget allocations, with high military expenditure and large subsidies to secondary and tertiary education; (iv) regulatory and incentive barriers, in particular low producer prices for state-controlled cash crops and lack of land tenure security; (v) limited institutional capacity, due to declining compensation—and, as a consequence, professionalism and skill levels—in the civil service, relatively low civil society organization, and the withdrawal of expatriate staff.

Firstly, a more stable political and security situation would permit the resumption of the program of structural economic reforms, which was interrupted

by the crisis in 1993. This unfinished agenda includes several reforms that are likely to have a direct impact on the incomes of poorer households, namely: (i) decreased reliance on export taxation, which should improve coffee producer prices; (ii) accelerated liberalization in the pricing and marketing of cash crops; and (iii) simplification and reduction of tariffs, which should encourage growth in labor intensive industries. In addition, a number of reforms that aim to improve fiscal sustainability, the efficiency of the civil service, and the poverty incidence of public expenditure remain outstanding, namely: (i) improved transparency of budget allocation and execution; (ii) further increases in budgetary allocations to the social sectors; (iii) rapid progress on privatization, and use of funds generated for public investment; and (iv) civil service reform, including a review of incentive and benefit structures. These reforms are critical for the success of poverty reduction strategies, once conditions have stabilized, in providing for a more effective civil service to implement development strategies, and higher current expenditure on the social sectors to staff, equip and maintain investments in infrastructure.

Secondly, macroeconomic reforms and a long-term solution to the conflict would permit more comprehensive development investment. Priorities for investment under these conditions would include: (i) geographical and sectoral expansion of infrastructure rehabilitation and public works programs; (ii) programs to address structural reforms in agriculture, including a review of land reform options, investment in marshland drainage, fertilizer promotion, rural finance programs and the strengthening of extension services; (iii) a line of credit programs and vocational training for the urban private sector; (iv) in health, the development of more sustainable finance mechanisms, an expansion of contraceptive promotion programs to limit population growth, and more vigorous efforts for AIDS prevention; and (v) in education, the resumption of investment to expand secondary school enrollment and achieve universal primary education.

The need for action. The situation remains very fragile for the majority of the population. Greater intervention is urgently needed in social protection to diminish vulnerability to a full-scale humanitarian emergency. Responsible and visionary action by government and opposition groupings is needed to ensure that political conflict does not further

jeopardize the prospects for recovery, and to maximize the poverty orientation of public policy and expenditures. Given the limitations on domestic revenues, a resumption of international aid flows is also desirable to assist in financing initiatives to protect households from the vulnerability caused by five years of insecurity. Without public assistance in rebuilding their asset base, poor households in Burundi remain too vulnerable to income shocks, and are unable to break out of the vicious cycle of declining incomes, ill health and malnutrition. As a farmer interviewed during the participatory poverty assessment described the problems posed by the downward poverty spiral of the last five years: "if the public powers do nothing to break this circle, we will all disappear."

Under these circumstances, what can be done?

While there is little-to-no potential for growth-oriented development interventions under current circumstances, there is scope for undertaking basic social protection initiatives that will help preserve Burundi's human and social capital and prevent further deterioration of social indicators. Such initiatives should: (i) be targeted regionally, to take account of the dramatically different conditions prevailing in different geographical areas; (ii) be designed and implemented through a participatory approach that increases community involvement in project design and community ownership of local infrastructure; and (iii) combine efforts to rehabilitate infrastructure in the more stable rural regions, with activities to boost household incomes, to ensure that households can access the services provided.

Appropriate mechanisms for delivering social protection initiatives include the use of social fund or community development project instruments, which can work directly with communities to ensure that projects are sustainable and respond to priority needs. Priority activities for social protection under such projects should include: (i) "jumpstart" distribution of inputs and seasonal credit for agricultural activities; (ii) group grants and/or loans for agricultural investment and for rural non-agricultural activities; (iii) labor-intensive public works programs for local infrastructure rehabilitation; and (iv) credit for informal sector enterprises in urban areas. These will need to be backed up at the national level by efforts to strengthen agricultural extension services; continued financing of medical imports and initiatives to strengthen pharmaceutical distribution channels; and teacher training for new unqualified teachers, together with provision of school materials.

To ensure a minimum level of sustainability for these social protection initiatives, the critical short-term issues in macroeconomic management are control of the fiscal deficit and an improvement in the structure of government expenditure. In other words, ensuring that any gains in social protection are not immediately eroded by escalating inflation, and ensuring that sufficient current expenditures are allocated to the social sectors to protect investment in infrastructure rehabilitation. To be sure, macroeconomic management will continue to be "crisis management" as long as military instability and the embargo persist, but even within these fairly rigid constraints, some actions may be taken to improve outcomes. These include: (i) actions to increase revenue, through the elimination of all discretionary tax and customs duty exemptions⁸; a concerted effort to collect back taxes; and programs to increase the efficiency and effectiveness of the revenue departments; (ii) a reorganization of the budget to increase the poverty incidence of government spending, in particular through a phased reduction in military expenditures; a reduction in the subsidy to secondary schooling (accompanied by an increase in the school fee); and the imposition of hard budget constraints on all public enterprises.

What could be achieved if the economic and political context improved?

The political situation remains fluid; the government has recently launched an initiative to debate revisions to representational structures and constitutional powers, with the aim of reaching a more stable political consensus. If this initiative bears fruit in halting civil conflict and dismantling the embargo, a more comprehensive range of poverty reduction initiatives would be possible.

⁸ In particular, there is scope to rapidly increase revenue through the elimination of import duty exemptions, which amounted to nearly 50 percent of potential import duty revenue in 1993.

Georgia

A significant fraction of the population in Georgia is poor. Years of crisis and civil war caused the impoverishment of a large section of the Georgian population. In the last five years, greater social and political stability, along with the resumption of economic growth, have brought about a significant reduction in poverty. Per capita consumption has increased in real terms for almost all Georgian households, and increased the most for those in the lowest quintile of the distribution. However, about 11 percent of the population remains *poor* when measured by a realistic standard; and nearly 43 percent of the population can be considered *poor* if measured by the (much more generous) official poverty line.⁹ The most important correlates of poverty in Georgia are employment status and ownership of productive assets. Those who are unable to work (the inactive, elderly or disabled) or do not have work (the unemployed) are much more likely to be poor. In general, urban poverty is more widespread, deeper and more severe than rural poverty, although recent trends suggest that this may change in the future.

Regional differences in standards are very wide, with the incidence of poverty in the poorest regions being several times that in the richer areas. Regardless of the poverty line used, Adjara and Samegrelo appear to have the lowest incidence of poverty while Imereti has the highest. No region is exempt from poverty or from extreme poverty. The region with the lowest incidence of poverty, Samegrelo, still has 4.3 percent of its population that can be considered *extremely poor*. The poorest region, Imereti, has three times as many.

⁹ Poverty rates in Georgia are also very sensitive to assumptions made about *economies of scale in the household*. Our estimates for Georgia suggest that to achieve the same welfare as a single person spending 1 lari, a family of three would spend only 1.8 lari—i.e., there are very significant economies of scale. But if we simply counted the number of people in a family and used a per capita measure (as is done in neighboring countries), we would get much higher measures of poverty. On a per capita standard, the poverty rate in Georgia at the end of 1997, under the new poverty line, would have been 32 percent.

Most poverty is transient. At the new realistic poverty line, *only about 2 percent of the population remains poor for a full year*. Nearly 80 percent of the poor escape poverty over the course of a year. Employment status of the household is the strongest correlate of *long-term poverty*. Households where the head is inactive or unemployed face the highest chances of being chronically poor. The majority of the *chronic or long-term poor are urban* (73 percent). Nearly one-half live in Imereti (48 percent), and another one-fifth (21 percent) in Tbilisi.

Growth can have a big impact on poverty. Simple projections of poverty rates under different growth scenarios reveal that economic growth can have a very big impact on poverty. The elasticity of the poverty headcount with respect to *growth in average per capita consumption* is very high, and fast growth leads to a more than proportional reduction of poverty rates. Growth of 5-6 percent per year, for example, would lower poverty to one-half its current level in just 5 years. *Sustained economic growth and stable macroeconomic performance are, hence, crucial components of any poverty alleviation strategy.*

The downside of this high growth elasticity is *that poverty is very sensitive to a slowdown in per capita consumption growth*. A slowdown in GDP growth (because of the Russia crisis, for example) or GDP growth that does not translate into growth in per capita consumption, would have an immediate negative effect on poverty rates.

The impact of growth can be offset by rising inequality. Income inequality in Georgia is very high. In 1996, the Gini coefficient for money income was 0.59—a level comparable to the most unequal economies in Latin America. In this context, *any worsening of the income distribution would undermine the positive impact of growth*. If the distribution were to worsen to the same level as in Brazil (the most unequal country in the world, with an income Gini of 0.61), the economy could grow at an impressive 11 percent each year, and it would still take almost 10 years to restore the incidence of poverty to present levels! The government's capacity to tax and redistribute income will, hence, play a very significant role in determining poverty outcomes in the future. *Without a significant improvement in this*

capacity the future prognosis for poverty in Georgia looks bleak.

Regional differences in poverty will not disappear with growth. The above scenarios all assume that growth is uniform across the whole economy. In reality, growth rates are likely to differ across sectors and consequently across regions, and poor regions may well lag the average in growth. Carrying out the projections while allowing growth to vary across regions in response to sectoral composition shows exactly that: poor regions such as Imereti or Guria grow more slowly than the average. *As a result, existing regional differences in poverty do not disappear quickly with growth.* Addressing these differences may require special "regional" interventions, particularly aimed at Imereti, which is home to the bulk of the poor.

Reported incomes do not accurately measure real consumption. There is a very large discrepancy between household cash consumption and monetary incomes, equivalent on average to about 40 percent of total consumption. The gap between consumption and income is lowest at both ends of the distribution (for the poorest and richest quintiles), and highest in the middle, where it represents about 45 percent of total consumption. Almost all of the observed gap is between reported total *cash expenditures* and reported total *cash income*, and represents underreporting of money incomes. The magnitude of underreporting is positively associated with the degree of informalization of household employment, and with the prevalence of "gray" economic transactions. Underreported cash incomes are largest among those employed in restaurants and hotels, for whom unreported tips are an important fraction of income, and among health care workers, who rely on out-of-pocket payments by patients. But underreporting is also large for those employed in the public administration and in public utilities (perhaps reflecting widespread bribes or other petty corruption practices), as well as for those employed in education.

As "formal" incomes tend to be reported accurately (estimates from the household survey of public sector wages and pensions are close to budget numbers), we assume that the gap between total monetary spending and incomes of households represent informal sector incomes. Using this methodology we arrive at an estimate of the share of informal economy equal to about 28 percent of GDP, or almost 1.9 bln. lari in 1997.

Poverty in Georgia is intrinsically linked to labor market status. The collapse of productivity and real incomes following independence was the main cause of impoverishment of the Georgian population. And *inactivity, unemployment and lack of sufficiently remunerated employment remain the root cause of why families get stuck in poverty.* Labor market adjustment following the collapse of output was achieved mainly through the growth of self-employment, and through the reallocation of labor towards small-scale agriculture. The resulting informalization of employment has dampened the impact of the crisis and served to protect the poor. But it remains a short-term response. Today, a large and growing fraction of the Georgian labor force still relies on self-employment as the primary means to earn an income. For some, this is an avenue for earnings mobility and growth; for the majority, however, self-employment remains constrained to low-productivity agricultural or trading activities, with little earnings stability and little potential for long-term earnings growth. Prospects for future growth in living standards hinge critically on the economy's ability to *generate new private employment*, and to reallocate labor away from these low-productivity activities into higher value-added sectors. The biggest constraints are the lack of investment and financing sources.

The rural economy has played a crucial role as a safety net during the crisis years. Building on the almost universal access of the rural population to land, the rural economy has been able to absorb a huge inflow of labor released from other sectors. As a result, overall unemployment in Georgia has remained low. The downside, however, has been a sharp decline in labor productivity and consequently weak growth in rural incomes. In contrast to what has happened in urban areas, real rural incomes have remained practically stagnant during the recent high growth period, despite a record grain harvest and favorable weather conditions. This poor performance can be attributed to unequal access to inputs complementary to labor (fertilizers, tractors, capital equipment); barriers to land transactions and consolidation of holdings; lack of market access and information; scarcity of rural credit; and limited off-farm earnings opportunities.

A small but well targeted safety net can play an important role in reducing poverty. The collapse of fiscal revenues in Georgia reduced the formal safety net to a bare minimum. An extensive informal safety

net emerged in its place. However, the coverage of this informal safety net is limited, and many families slip through the cracks. The main challenge for the formal safety net for the near future will continue to be a lack of fiscal resources. Despite these constraints, however, the formal safety net has an important role to play in poverty alleviation. Given the small overall poverty gap, *a well targeted poverty benefit, even if small, can play a crucial role in dampening poverty.* If the family allowance were to be kept at the very low level observed in the 1997 budget (relative to GDP), but were accurately targeted, it would still be sufficient to reduce the incidence of poverty by several percentage points. And if the social assistance budget were to be increased more rapidly (to 1 percent of GDP by 2007), the impact on poverty would be much larger.

Internally Displaced Persons (IDPs) receive a disproportionate share of State and humanitarian assistance. The IDP program is one of Georgia's largest safety net programs, ranking second only to old age and invalidity pensions. However, IDPs do not appear to be more vulnerable than other population groups. In fact, IDPs that have resettled on their own or have integrated themselves into local communities face a lower risk of poverty than the average Georgian household (4 percent of them are poor as opposed to 10 percent of the total population). And they face the lowest risk of extreme poverty of almost any population group. The contrast between benefits received by IDPs and those received by other, often more needy, families highlights the need to *improve the targeting of assistance to IDPS.* In addition, in-kind benefits should be phased out, or at a minimum, their costs should be fully budgeted.

How can the safety net be improved in the short and medium term? In the very short term (1999), actions can focus only on improving targeting and redirecting resources to the truly needy, mainly by:

- *Protecting the family allowance system.* Ensure that the allocation in the 1999 budget is at least the same level as in the 1998 budget and that, unlike in 1998, it is fully paid out.

- *Eliminating tariff discounts to special population groups and other in-kind benefits.* Replace with a direct payment (through a modest increase in the family allowance system) for those groups of recipients who are truly needy, mainly the disabled (categories I and II).
- *Eliminating direct payments from the budget for electricity.* This can be phased in geographically, starting with Tbilisi, as electricity distribution companies are privatized.
- *Improving the targeting of assistance to IDPS.* Through self-targeted public works, proxy means testing or frequent registration requirements. Redirect released resources to the family allowance program or towards establishing public works programs as discussed below.
- *Continue to support the integration of IDPs housed in institutions into local communities.* The evidence from the household survey suggests that once this happens, IDPs are able to dramatically improve their living conditions on their own.

Over the *medium term* (1999-2001), a more comprehensive strategy can be put in place, based on the following two principles:

- *Cash benefits should remain limited to individuals not able to work and not supported by families with members able to work (i.e., mainly pensioners living alone and the disabled).*
- *The poor who are able to work should be supported through self-targeted employment schemes that are organized to provide a minimum level of subsistence.* Such programs would combine the best features of an Employment Guarantee Scheme with those of Social Funds aimed at promoting labor-intensive projects in poor areas. To ensure that the money goes only to those who need it, without undermining the incentives to seek a normal job, *the wage offered has to be low* (at the level of local wage rate for unskilled manual labor in "normal" times).

Table 1. Poverty in Georgia

Poverty incidence (% of population that is poor)	Official poverty line	New poverty line	Extreme poverty line
Average All Areas	42.7	11.1	8.9
Urban	45.0	12.1	10.0
Rural	40.1	9.9	7.5

Table 2. Incidence of poverty by regions¹⁰

Regions	Poverty incidence (official poverty line)	Poverty incidence (new poverty line)	Poverty incidence (extreme poverty line)
Kakheti	34.8	10.0	8.2
Tbilisi	43.8	8.6	7.3
Shida Kartli/Mtskheta-Mtianeti	41.1	9.8	7.5
Kvemo Kartli	36.8	11.4	8.4
Samtskhe Javakheti	38.1	11.5	10.5
Adjara	32.6	7.5	7.3
Guria	54.8	13.1	10.3
Samegrelo	33.6	6.7	4.3
Imereti/Racha-Lechkhumi/L.Swaneti	58.9	19.3	14.8
Total	42.7	11.1	8.9

¹⁰ Fourth quarter, 1997. Two sparsely populated administrative regions were included in larger regions during stratification. Racha-Lechkhumi and Lower Swaneti are included in the Imereti region, and Mtskheta-Mtianeti is sampled with the Shida Kartli region. Abkhazia and South Ossetia (Tskhinvali region) were not part of the sampling frame.

Haiti

Haiti is the poorest country in the Western Hemisphere and one of the poorest countries in the developing world. Its per capita income—\$ 250—is considerably less than one-tenth the Latin American average. About 80 percent of the rural Haitian population lives in poverty. Moreover, far from improving, the poverty situation in Haiti has been deteriorating over the past decade, concomitant with a rate of decline in per capita GNP of 5.2 percent a year over the 1985-95 period.

The staggering level of poverty in Haiti is associated with a profile of social indicators that is also shocking. Life expectancy is only 57 years compared with the Latin American average of 69. Less than half of the population is literate. Only about one child in five of secondary-school age actually attends secondary school. Health conditions are similarly poor; vaccination coverage for children, for example, is only about 25 percent. Only about one-fourth of the population has access to safe water. In short, the overwhelming majority of the Haitian population is living in deplorable conditions of extreme poverty. In the face of this daunting reality, Haiti's population continues to grow at a high rate estimated at almost 200,000 people per year.

What accounts for the dire extent of poverty in Haiti? Over time, numerous observers have given many and diverse answers to this difficult question. This report points to a number of key factors:

- **Political instability, woefully poor governance, and corruption.** Fundamental to the pervasive problem of poverty in Haiti is the long history of political instability and the lack of governance. Corruption and misuse of public funds have resulted in a decline in the quality of all public services, including fundamental areas of traditional governmental responsibility, such as the police, the justice system, and the provision of basic infrastructure. While the restoration of democracy in Haiti is highly welcome development and one, which has resulted in some encouraging progress, the basic problems of governance remain and are at the core of the country's poverty problems.
- **Inadequate growth, as a result of distortions at the macroeconomic level and inadequate**

levels of private investment. The political factors just enumerated have had a severely negative impact on private investment, both domestic and foreign. The investment/GDP ratio in Haiti is only about 10 percent—on the order of one-third, for example, the ratio in Chile. This report estimates that Haiti would require annual growth rates of at least 5 percent to achieve significant progress in poverty reduction. Instead, as noted above, the country has experienced negative growth of about that magnitude in recent years, and prospects for meaningful improvement on the growth front are not in sight.

- **Underinvestment in human capital and the poor quality of the expenditures that are made.** In the public sector, still only 20 percent of resources go to rural areas, where approximately two-thirds of the people live. Per capita health spending, both public and private, is about \$21, compared with \$38 in Sub-Saharan Africa and \$202 in Latin America.
- **A "poverty trap."** The interaction of these various factors, including high population growth, produces a downward spiral, a "poverty trap" from which there frequently appears no exit nor hope. Some aspects of that trap discussed in this report include: highlands; rampant environmental degradation, especially in rural areas; an increase in crime and violence, systematic abuse of human rights and outward migration from the country to escape a life of misery. In short, the lack of good governance, the low levels of growth and investment, the lack of attention to basic human needs, and a set of understandable, if lamentable, behavioral consequences interact in numerous and complex ways, all with one outcome: an increase in poverty and the associated human, physical, social, and environmental degradation.

If the foregoing are the causes of the Haitian poverty dilemma then what, if anything, can be done to alleviate matters and improve living standards for the general population of the country? The report that follows lays out the elements of a recommended approach but in doing so urges modesty and caution. Poverty will not decline in Haiti overnight. There is

no "magic bullet." The road ahead is paved with pitfalls, and progress will at best be incremental and slow. Nevertheless, the return of democracy, the manifest aspirations of the Haitian people for a better life for themselves and their children, the lessons learned from a number of program and project initiatives already underway, as well as the determined and sustained support of the external donor community and non-governmental organizations offer grounds for guarded optimism concerning the prospects for poverty reduction in Haiti.

The challenge for all those concerned with Haitian development is to identify a coherent, mutually consistent set of priorities around which efforts can be planned and effective implementation pursued. Of the priorities discussed, none is more important than reforms aimed at overcoming the historically endemic political, institutional, and governance obstacles to a better life for the Haitian poor. In the absence of such fundamental reforms, the other proposed reforms—as important as they are in their own right—are likely to prove ineffective and inadequate.

What, then, is to be done?

- **Strengthen essential public sector institutions, improve coordination and consultation within government, and reestablish and consolidate political stability.** Given the limited capacity of the state, refocusing the government's role in critical areas is urgent. These include maintaining public order and economic stability, securing property rights, building a regulatory role for some sectors, and designing a framework to help increase provision of primary health and education services and for investment in and maintenance of infrastructure. The modernization of the Central Bank, and the achievements in the creation of the Haitian Police Force with improvements in the penal system can serve as reference points for the modernization of the state. The latter will also require enhancing the role of the private sector in providing services and ensuring the full integration of civil society in sector planning and policymaking. On that front, good progress is being made through the government's education strategy. Achieving political stability will require more open communication between the executive and parliament and a genuine will to succeed.
- **Strengthen macroeconomic stability and reduce distortions in order to encourage private sector investment and increase productivity.** Boosting private investment will provide the underpinnings of Haiti's future economic growth. An important first step will be implementing the capitalization program, in particular of telecommunications, electricity, water sector, ports and airports. Privatization of these sectors will increase the productivity of the economy and demonstrate the government's commitment to redefine the role of the state and set the economy on a modern course. The government has made significant efforts to maintain macroeconomic stability, which needs to be continued and strengthened.
- **Improve the quality of government spending, invest in the provision of basic human needs, and raise the level of human capital.** A huge challenge for the Haitian government will be increasing resources allocated to financing social services. In education, health, water and sanitation, and family planning, the government should continue to leave the delivery of these services to NGOs and the private sector to the maximum extent possible, while it strives to improve the regulatory framework and coordinates its own activities, those of private actors, and the poor themselves. Limited government resources should be directed at programs targeted to the very poor, particularly those in rural areas that have been neglected in the past. Until the benefits of these longer-term investments in human capital are felt, the existence of targeted transfers and social safety net programs will continue to be important to the survival of the Haitian population.
- **Rationalize the assistance provided by external donors.** External support remains crucial to Haitian economic recovery and efforts to reduce poverty, accounting for about 15 percent of GDP in 1997. But there are serious problems of donor coordination that hinder the effectiveness of the aid provided. The multiplicity of donors and programs in almost every sector complicates both government and donor efforts to coordinate planning and implementation. In some sectors donors have

formed working groups that can contribute to harmonizing the provision of external assistance, yet these groups have not been very active since the onset of the June 1997 political crisis.

Moreover, it is doubtful that these efforts will be effective in the absence of a stronger coordinating role from the government.

Kyrgyz Republic

The Kyrgyz Republic was one of the poorest republics in the former Soviet Union. Since independence, the country has undergone enormous declines in production and GDP. While a stage of renewed growth had emerged in 1996-97, the recent regional financial crisis has taken a toll. As a result, the transition has carried with it a legacy of poverty.

Poverty measurement. The welfare of individuals is measured by total per capita consumption. Once per capita consumption is calculated for each household, the household, and all the people in it, is classified as poor if the level of per capita consumption is below the poverty line. Two poverty lines are constructed here. The first, or food poverty line, measures extreme poverty and is set at the level of consumption below which, even if all resources were devoted to food, the minimum caloric requirement could not be met. The second, or general poverty line, represents a minimum level of consumption taking into account both food and nonfood necessities. In 1996, the value of the extreme poverty line was 2177 Som, and the general poverty line was 4460 per capita per annum. In 1997, these were estimated at 2439 Som and 4647 Som, respectively.

Poverty. One-half of the population is poor and, overall, this poverty rate has held steady between 1996 and 1997. Extreme poverty did, however, decline in the period. In 1996, 19.1 percent of the population lived in extreme poverty, in 1997 this had fallen to 14.8 percent. Poverty is fundamentally a rural phenomenon: 80 percent of the poor live in rural areas, and the gap between urban and rural areas appears to be growing. The decline in extreme poverty between 1996 and 1997 appears to have benefited urban areas: the share of the extremely poor living in rural areas has increased. As expected, given historic patterns, Naryn oblast is the poorest in the country while Chui is the least poor.

Poverty trends. Due to changes in methodology between the pre- and post- independence years, as well as the economic transition in recent years, identifying trends in poverty is complex. Published poverty figures are not comparable and, without further analysis, cannot be used for establishing trends in poverty. The enormous decline in GDP and the contraction of the economy in the years following

independence, coupled with declining spending on social welfare programs, does, however, suggest that poverty has increased since independence. Poverty does appear to have leveled off in the 1996-97 period, reflecting the positive economic growth occurring in these years. But the distribution of growth is not uniform, and inequality is increasing.

Consumption patterns. More than half of total consumption of poor households is food consumption. One-fifth of food consumption comes from home production. Home production is less important for the non-poor in general, but in urban areas such production may be a significant factor in maintaining consumption levels among this group. The shift from publicly provided, essentially free, services to services for which fees are charged, whether publicly or privately provided, can be seen in the share of consumption going to items such as utilities and education. By 1997, education expenditures represented 10.2 percent of the total consumption of the poor.

Characteristics of households. Poor households are much larger than non-poor households (by almost two members). In 1997, the average ratio of dependents per working adult was 2.3 for the whole country, significantly lower than in 1996. Such dependency rates fell for both the poor and the non-poor during 1996-1997, but the poor still have higher rates. For every working adult in poor households, 2.5 people depend on this income, compared with 2.1 among non-poor households. Thus, even if poor and non-poor workers receive the same pay for their labor, poor households would have fewer resources available per person. The education of the household head is strongly linked to the poverty level of the household, as are the head's gender (female-headed households are less poor), age (younger ones are less poor) and ethnicity (Kyrgyz headed households are poorer).

Education. Enrollment rates are high for children ages 6-15, regardless of poverty level and/or geographic area. Rates drop sharply at age 16 and, at this age, poor children become less likely to attend school than non-poor children. The costs to households of sending children to school are high, and they represent a greater share of the poor households' budgets than those of the non-poor.

Labor force participation and unemployment. The contraction in the economy is reflected in the significantly lower participation rates seen in 1996 compared with 1993 (51.1 percent and 70.3 percent, respectively) and in the higher unemployment rates (10.2 percent and 6.3 percent, respectively). Nonetheless, economic growth does seem to be having a positive impact on the labor market: in 1997, labor force participation rates increased to 65 percent, and unemployment fell to 7.3 percent. Underemployment, and not just unemployment, appears to be an increasingly important explanation of poverty. In 1997, labor force participation rates were fairly similar across the poverty groups and, while unemployment was highest in the poor oblast, this rate was practically the same in the two least poor oblasts. Unemployment is also lowest among the extreme poor.

Changes in female labor patterns are emerging: the labor force participation rate for women in 1997 is further from its 1993 levels than the male rate is. In other words, the reversal of the negative changes in labor has been lower among women than among men. Also, reversing the pattern found in 1993 and 1996, women have higher unemployment rates than men.

Housing and services. Social infrastructure is seriously lacking in rural areas and in many parts of urban areas. Only 56.8 percent of the rural population have access to running water: even in urban areas, 15 percent are not connected to piped water. Sanitation facilities are even more limited with 94 percent of the rural population and a surprising 47 percent of the urban population using latrines. Centralized systems of heat, water, and gas are practically exclusive to urban areas. The limited access to basic water and sanitation is expected to have serious implications for health. And the greater reliance on centralized services by the non-poor means that the subsidies for these services disproportionately benefit the non-poor. Electricity is the only universally provided service; still, there are sharp differences in the quality of service received by the poor and the non-poor, and by urban and rural areas.

Rural Poverty. In rural areas, households exhibit a fair degree of diversification in terms of income-generating activities. Agriculture is an important economic activity, but it is not the only one, nor is it restricted to own-farm work. In 1996, less than half

of all rural households relied solely on own-farm activities. Households were engaged in wage labor (agricultural and non-agricultural), as well as own-farm activities. In 1997, almost all households engaged in agriculture were involved in both livestock and crop production. Reliance on agricultural wage earnings, however, is associated with greater poverty.

The overall picture of agriculture that emerges is one of subsistence farming. More than one-third of all persons growing crops in 1997 did so purely for home consumption; they sold no part of their harvest. The average size of land available to the population is 1.4 hectares. However, the average land available for the many with access only to garden plots (and orchards) was one-fifth of an hectare.

Consistent patterns relating types of agriculture to poverty groups are hard to find due to a proliferation of recent reforms in the agricultural sector. The poor appear to have equal access to land and, indeed, appear to have more land than the non-poor (although no data on land quality was available). The poor seem to be more likely to be growing cash crops than the non-poor. It will take several years before it becomes clear what activities are profitable, what the remaining barriers to growth are, and how household characteristics affect this.

Determinants of poverty. A multivariate analysis was carried out to identify the effects of household, economic, and location characteristics, while holding all other characteristics constant. The results generally underlined the findings in the rest of the study. They also show that households relying heavily on agriculture are poorer, while those relying on self-employment have higher consumption levels.

Poverty alleviation. The magnitude of the poverty problem requires a variety of approaches. Economic growth is key; by itself, it can lower poverty substantially. In the short run, social assistance programs are needed to keep people out of abject poverty. To make these programs feasible and/or sustainable, a variety of targeting mechanisms will be needed. Targeting in urban areas will be more costly, but relatively inexpensive geographic or self-selection targeting mechanisms may be feasible in rural areas. In the medium run, attention needs to be paid to improving the human capital of the country.

Agenda. Further investigations tightly related to the social and economic policies under discussion could significantly add to the effectiveness of such programs. Key areas of investigation include: (i) identifying the causes of the increasing disparity between urban and rural areas; (ii) determining the effects of education and gender on labor market

outcomes; (iii) estimating willingness to pay for utilities, as well as the impact of changes in utility rates on the use of services and welfare; (iv) determining the main barriers to increased productivity in agriculture; and (vi) evaluating the effectiveness of the present (and previous) targeting mechanisms for social assistance.

Macedonia, Former Yugoslav Republic of

Poverty Trends and Characteristics

Poverty is not a new phenomenon in the country. Prior to 1990, the former Yugoslav Republic of Macedonia was one of the poorest Yugoslav Republics heavily subsidized by transfers from Belgrade, and greatly reliant on internal markets for trade.¹¹ Although literacy was almost universal (94 percent according to the 1994 Census) and life expectancy (72 years) at par with many higher-income transition economies, infant mortality rates compared unfavorably with Central and Eastern Europe norms, and were particularly high in rural areas and for ethnic minorities.¹² The poorest households were mainly rural and derived their income primarily from agricultural sources.¹³ A cradle-to-grave protection system was also in place with the intention of providing individuals with full protection against income loss and other lifetime risks. The system provided guaranteed employment, child allowances, free education and health care, and pensions upon retirement. However, open unemployment was high compared with regional norms, and was concentrated among new entrants to the labor force. The socialist worker management system gave the employed (or insiders) extensive powers to push up wages, restrict hiring and termination practices, and keep out younger and less skilled workers.

The transition exacerbated the poverty situation in the country. Independence from Yugoslavia, the loss of federal transfers, the external conflict among its neighbors, and the economic transformation from a socialist system to a market economy led to a sharp economic contraction. Inflation rates soared, real wages declined and unemployment increased. Not surprisingly, poverty increased from 4 percent of the population in 1991 to approximately 20 percent in 1996. The increase in poverty was not uniform. Poverty rates remained largely unchanged between 1990-91, but increased sharply between 1993-95. The main reason for the increase in poverty was a

major decline in real consumption. Inequality in consumption grew, but contributed far less to poverty growth.

In 1996, the country overcame the deep recession of the early 1990s and realized a small positive growth rate (1 percent) for the first time since independence. However, the incidence of poverty increased further between 1995-96. As real consumption remained roughly constant over this period, the main reason for poverty growth was a growing inequality in the distribution of income.¹⁴ The modest growth realized in 1997 and 1998 may have reduced poverty over 1996 estimates, but these gains may well be eroded, at least over the short term, by the contraction of economic activity resulting from the Kosovo crisis.

The diverse characteristics of poverty. In 1996, according to the official poverty line, approximately 20 percent of the population was poor. An overwhelming share (two thirds) of the poor lived in rural areas. About 60 percent of the poor lived in households headed by individuals who worked.¹⁵ Of these, almost two-thirds were wage/seasonal workers, and the rest were farmers. The remaining non-working poor were roughly evenly divided between pensioners and the unemployed/transfer recipients. The report identifies three distinct groups of poor:

- *The traditional poor.* Rural, agricultural households with more than three children, as earlier, have among the highest *incidence* of poverty in the country. These households are larger in size (with many children) and are characterized by the very low education status of household heads and, particularly, of female household members. The poorest are those that survive exclusively on agricultural income.

¹¹ Former Yugoslav Republic of Yugoslavia: An Introductory Economic Report. World Bank, 1995.

¹² The Joint Country Assistance Strategy, Memorandum of the President, World Bank, July, 1998.

¹³ The 1990 Household Budget Survey.

¹⁴ Consistent with this trend, the poverty gap, an indicator of the depth of poverty, remained constant between 1993-95, but deepened between 1995-96.

¹⁵ The high number of employed poor is a result of the large population of employed in the population. The incidence of poverty among the employed is however far less than that of unemployed and other groups.

- *The new poor.* The transition has changed the face of poverty in the country. Poverty remains a rural phenomenon, with nearly two-thirds of the poor living in rural areas. However, non-agricultural households (now two-thirds of all poor) have replaced agricultural households as the largest group of poor. Among socioeconomic groups, the unemployed/transfer recipients have emerged as the new group of poor and have the highest incidence of poverty, followed by farmers, and wage earners. Pensioner-headed households have the lowest poverty rates overall.
- *The chronic poor.* The elderly poor, particularly non-pensioners, the disabled, aged farm households without pension or other fixed income, and individuals not in households (institutionalized elderly, disabled, orphans) emerge as the most disadvantaged groups in society. These groups are least capable of work and are, therefore, the least likely to benefit directly from economic growth.

The common characteristics of the poor. In 1996, the common characteristics of poverty included limited asset ownership (durables and land), a large household size, and a high share of food in total consumption. However, low education attainment, labor force status, poor living conditions and low health status are also closely linked to poverty. While ethnicity is likely an important dimension of poverty, the sources of data for the report were not adequate to explore this important issue.¹⁶

- *Low levels of education.* Nearly 80 percent of the poor live in households headed by individuals with primary education or less. Rural household heads report a much lower education status compared with urban households. Most worrisome, poverty rates are much higher in households with non-attending children (25 percent) vs. those with children attending school (10 percent). This means that poverty among these households may persist in the future.
- *Labor force status.* Unemployment, low-wage share, and lack of enterprise ownership are the main labor market determinants of poverty.

¹⁶ The qualitative assessment of poverty sheds some light on the ethnic dimensions of poverty.

Low-wage share, indicative of low-wage jobs, is an important indicator of welfare in FYR of Macedonia in both rural and urban areas. However, unemployment is a strong poverty marker only in urban areas. In contrast, remittances and the ownership of a household enterprise reduce the chances of being poor in rural, but not urban, areas.

- *Poor living conditions.* Living conditions (very poor sanitation, lack of water supply) are a hallmark of poverty in FYR of Macedonia. These conditions are particularly worse for the rural poor but are also difficult for peri-urban residents. Electricity is universally available in both rural and urban areas, but the poor often cannot afford to pay for this service.
- *Low health status.* Low education levels (particularly for women) coupled with poor living conditions contribute to the low health status of the poor. The higher infant and maternal mortality rates in rural vs. urban areas indicates that this problem is more severe in rural areas.

Labor Markets and Poverty

Recent labor market developments have been at the root of growing poverty and the changing composition of the poor in FYR of Macedonia. The report finds that, in 1996, particular labor force participants have been harder hit than others over the transition to a market economy.

The working poor. The decline in real wages is the main reason for growing poverty among low-wage workers. *Wage disparity* has increased, mainly as a result of private sector growth, but has contributed far less to the increase in poverty. However, wage dispersion remains among the lowest in CEE countries. *Wage uncertainty* has also increased, as many of the employed do not receive their wages on time, or not at all, reducing worker welfare.

- *Low-wage less-educated workers have lost in both relative and absolute terms during the transition.* The returns to education are high in the country. Well-educated and top-paid workers have gained in both absolute and relative terms over less-educated and less-paid workers.

- *Private sector growth has helped employ a large number of the low-wage poor.* The private sector has grown mostly in trade, services, and in agriculture. Over half of low-paid jobs are in the private sector.¹⁷ The private sector also employs the top-paid workers in the country.
- *Poor informal sector workers* complain of the occasional and seasonal nature of work, the inability to get wages on time, the problems of surviving the winter, and the difficulties of starting up small enterprises (fees, limited collateral, and high interest rates). Seasonal workers have the highest poverty rates among all workers.

The unemployed. In 1996, unemployment affected a large number of poor. Nearly half of the poor live in households with one or more unemployed worker.

- *The majority of the unemployed are new entrants to the labor force.* Unlike many countries in the region, layoffs comprise a small proportion of the unemployed, indicating that limited entry, not exit, is the reason for unemployment.
- *The duration of unemployment is extremely high (relative to other countries in the region).* Unemployment of long duration discourages labor force participation, depreciates labor force skills, and signals a "less productive worker" to the employer.
- *New private sector hires match the characteristics of the unemployed.* These are less-educated, less-skilled, and mainly urban workers. The only exception are women, who are least likely to be hired by the private sector. Women are also more likely to receive lower wages for the same work, particularly in the private sector.¹⁸

Public Poverty Alleviation Programs: Does Public Spending Reach the Poor?

The main social programs include: (i) the public health care system; (ii) the public education system;

¹⁷ These results are from the 1996 Household Budget Survey (additional modules).

¹⁸ The Law on Labor Relations mandates equal pay for equal work. This problem is far less severe in the public sector.

and (iii) a cash transfer system, including a *pay-as-you-go public pension system*; *means-tested child allowances* for the employed, and two new programs—an *unemployment insurance system*, and a *means-tested social assistance system* established to combat increasing joblessness over the transition.

Real spending on social programs declined between 1990-96, as the economy contracted. The decline was not uniform across social programs. Real spending on health, education, and pensions fell sharply, but real spending on social assistance and unemployment insurance increased over the same period.¹⁹ The composition of social expenditures has changed over the transition. The share of *current* social spending—unemployment benefits, pensions and social assistance programs—increased while the share of *investment* spending on (mainly) health and education has declined. In 1996, the government spent roughly 70 percent of total budget (30 percent of GDP) on these programs. Of this, the largest share was spent on pensions (44 percent), followed by education (21 percent) and health (22 percent). Child allowances (1 percent), social assistance (4 percent), and unemployment benefits (8 percent) comprised only a small share of public outlays.

Education. The country has made significant gains in raising the education status of the population. Younger cohorts—regardless of income, gender or rural/urban status—are much better-educated than older persons. The gender gap has been virtually eliminated at all levels of the education system in both rural and urban areas. Moreover, in 1996, rural/urban and income differences have been virtually overcome in attendance in compulsory basic education. The main findings for 1996 are as follows:

Quality of the education system. The quality of the education system, or its contribution to learning, has

¹⁹ An increase in real benefits and number of beneficiaries in both newly created programs explains this trend. The decline in real resources has also often caused benefit payment delays in all public transfers, compromising the poverty alleviation objectives of all cash transfer programs. Real declines in pension spending are a result of a fall in real benefits; the number of pensioners increased over this period as a result of early retirement policies that were used to facilitate large scale layoffs.

not been formally assessed, either internally, or relative to international standards. Few students report being repeaters or dropouts and some school-age children do not attend school because of failure and expulsion. This merits considerable concern and bears further investigation.

Low enrollment rates of the poor. In 1996, enrollment rates at all levels of the education system were lower than regional norms, but were the lowest for the rural poor, particularly in secondary and higher education. The reasons for non-participation in the education system are diverse and include:

- *Indirect costs:* The need to earn a living to support their families is an important reason for not participating in the secondary education system for the rural poor. Some secondary age children work. This is more characteristic of rural areas than urban areas.²⁰
- *Direct costs:* The cost of attending school is another reason for lack of participation in the school system. The poor spend more on education per enrolled child (relative to their income) than the rich. *Books and supplies* are the most important components of private costs in primary and pre-school education. *Transportation costs* dominate private spending at the secondary and post-secondary levels, while *admission fees* are important at the tertiary level.

Public spending on education is overall very effective and egalitarian, but this result varies across programs.

- *Primary education is the most effective²¹ public program. Public spending on the program is*

²⁰ However, unemployment rates are high for this group as a whole. Result is from the Household Budget Survey, Additional Module, 1996.

²¹ *Effectiveness* is measured as the share of public transfers or subsidies in household consumption. The higher this share, the more effective the program. Efficiency is defined in terms of the share of public spending accruing to the poor. *Highly or extremely efficient* programs are those in which the share of public spending accruing to the poor is higher than their share in total population. *Egalitarian programs* are those where the share of public spending on the poor is equal to the share in

also egalitarian. Primary education subsidies comprise nearly 13 percent of total consumption of the poor. The poor receive a share of education spending that is roughly equal to their share in the population.

- *Secondary and higher education spending is less effective than primary education spending; it is also strongly non-poor.* The top 20 percent of the population receives nearly half of all spending on higher education and scholarships; and over 20 percent of total spending on secondary education. The low effectiveness and efficiency of public spending on education for the poor merits considerable concern.

Cash transfers. The four major cash transfer programs (pensions, social assistance, child allowances, unemployment benefits), taken together, have an important poverty alleviation impact. All else being equal, in the absence of public transfer programs the incidence of poverty would have been more than double the current level. The poverty gap would be almost five times as high and the severity of poverty would be even more greatly affected. (This analysis is based on first quarter 1997 household data).

Pensions are extremely effective but very inefficient in targeting the poor. This is not surprising as pension benefits are linked to an individual's past wages. However, the pension system has the largest poverty alleviation impact of any cash transfer program.

- *The pension system has protected pensioners against poverty.* Poverty rates for pensioners are among the lowest compared with other population groups. However, many elderly women are not covered by the pension system and, therefore, have high poverty rates. This is mainly the result of low labor force participation of women in the past, which means that they do not receive pensions.

total population. Programs that are *moderately efficient* are those where the share in spending accruing to the poor is higher than their share in total consumption, but less than their share in total population. *Inefficient programs* are those where the share of public resources going to the poor is less than their share of total consumption.

- *The protection of pensioners against poverty has come at a very high fiscal cost* imposing a large tax burden on current workers. This decline in the number of contributors due to early retirement, growing unemployment, and a very generous pension system (relative to other countries in the region) is the source of current financial problems of the system. In the future, an aging population will lead to increasing pension fund deficits.

The means-tested social assistance system, the only poverty alleviation program, is efficient and effective in reducing the incidence and depth of poverty. In recent years, the government has made many changes to the program that have improved its efficiency. In 1998, the Social Assistance Decree was revised to target benefits to households with incomes less than 60 percent of the poverty line. (Targeting all households up to the poverty line is not affordable for the government.) Complicated adult/child equivalence scales were revised and work incentives were introduced. In addition, administrative problems, including an influx of beneficiaries on the same day and fixed monitoring of claims, were addressed. However, problems that still plague the program include:

- *Benefits have often not been paid on time.* There are often two- to three-month delays in benefit payments to the poor.
- *The new decree may have reduced inclusion errors* (many ineligible households receiving assistance) which, in 1996, were found mainly in urban areas. Income is difficult to measure in a transition economy, where income sources are variable and records and registration procedures are in a nascent form. As a result, the new program may have to be fine-tuned to correct any remaining problems. The report finds that the *exclusion errors* (eligible households who do not receive assistance) of the social assistance program are very small.
- *Information difficulties constrain delivery of benefits (to clients) and verification of claims (for social welfare officers).* Social assistance recipients claim that lack of information about the program, delayed benefits, and onerous documentation requirements limit the program's effectiveness. Social workers also relate

difficulties in monitoring and penalizing false claims.

Child allowance benefits are neither effective nor efficiently targeted to the poor. Child allowances are a very small share of household income, and they are not well-targeted to the poor.

Unemployment benefits are neither effective nor efficiently targeted to the poor. Unemployment insurance benefits are progressive and do reduce poverty, though their impact is marginal. It should be noted that the primary purpose of unemployment benefits is to replace income. The program is not intended to be pro-poor.

Institutional care. Some poor or disadvantaged groups are without families and are under the care of institutions. These groups, marginalized from traditional family structures, are perhaps the most disadvantaged groups in the population.

- A growing number of (mainly Macedonian) *elderly* are becoming institutionalized as family structures break down either due to financial problems or as a result of the migration of younger family members from rural to urban areas.
- *Disabled* children and adults are institutionalized under poor conditions and receive limited care and attention. Their education possibilities are limited.
- *Orphans* are also a vulnerable group. There is a growing problem with older institutionalized children (18 or so) who are having difficulty integrating into society, particularly given the lack of jobs. On the positive side, there appears to be some demand for adoptive children in FYR of Macedonia. However, adoptive parents are not screened properly and post-adoptive monitoring is limited.
- *Disability allowances for children* and foster care allowances have often been delayed due to budgetary constraints.

Policy Implications

The profile of the poor suggests that medium- to long-term poverty alleviation programs and policies should focus on *six* basic elements:

- *The promotion of economic growth* that increases employment and real wages to help alleviate poverty among the new poor. Easing rigidities in financial, land, and labor markets would help ease constraints for the promotion of small and medium enterprises.
- *Investment in human capital (both its quality and availability)*, particularly of the rural poor, to promote economic growth and alleviate long-term poverty;
- *Well-targeted, financially viable cash transfers* (with adequate work incentives), for the short-term unemployed;
- *Investment in community infrastructure* (water, sanitation, electricity), particularly in rural areas, to improve living standards. This investment in physical infrastructure, together with investment in education and health sector reform,²² would help improve the health status of the population.
- *Community-based care* (and cash/in-kind transfers), based on an assessment of the financial and economic feasibility of these programs, for the chronic poor. Such programs could potentially focus on children-at-risk, the disabled, and non-pensioned elderly.
- *Continuous poverty monitoring* to identify changing poverty patterns and to assess the impact of the government's poverty alleviation programs.

Each element of this strategy is discussed in detail below.

Promote economic growth. The decline in real income and wages and growing joblessness are the main reasons for increasing poverty in the country, earlier and also as a result of the recent crisis. Thus, efforts to promote economic growth that raise real wages and increase employment will be essential for poverty reduction, particularly once the Kosovo crisis has abated and trade is no longer constrained. Two positive trends can be noted in this regard. First, private transfers, in the form of remittances, have been very important in improving household welfare

²² Health reform issues are outside the scope of this report.

and reducing poverty, particularly in rural areas. Second, and more importantly, private sector growth has been concentrated in less skill-intensive industries—agriculture and trade. This is a striking difference between FYR of Macedonia and other economies where the private sector has generated demand for highly skilled workers. As such, private sector growth has helped employ a large share of the low-wage workers, particularly in rural agricultural jobs. Without this development, the unemployment and rural poverty problems in the country would have been far worse. Growth in the private sector that is skewed towards the creation of less-skilled jobs should help reduce the depth of poverty among the unemployed.

Measures to spur economic growth led by the private sector will need to focus on increasing labor market flexibility. Labor market restrictions and a weak financial sector continue to curtail robust economic activity. Labor turnover remains low, and the unemployment rate had increased to over 30 percent by 1998. Despite privatization, labor adjustment remains incomplete. Many enterprises remain insolvent and over-staffed, supported through the accumulation of wage arrears and soft loans from banks. And despite real declines in wages, labor costs (gross wages/GDP as well hiring/firing restrictions, etc.) remain higher than in neighboring countries with similar levels of income. Efforts are also required to promote the development of efficient financial markets that would help lower the cost of capital to small entrepreneurs, institute land titling procedures that would allow individuals to use land as collateral for loans, and ease fees and other restrictions on registration of small enterprises. Creating off-farm employment and agricultural sector reforms that ease rigidities in the pricing, sales, and marketing of agricultural products ensure that extension services and information services reach the poorest farmers.

There are five caveats. First, the poor are concentrated along the poverty line. Thus, small changes in economic growth will have a large impact on poverty. However, it will take considerable, sustained economic growth to reduce poverty completely. Second, the creation of low-paid jobs will not reduce 'poverty' among workers. Given the large pool of unemployed and the potential for further layoffs, it will require a significant growth in real wages of less-skilled workers to reduce poverty among the employed. Third, private sector growth may further increase disparities among workers. The

worsening of the distribution of income, even as the decline in consumption has leveled off, should be monitored carefully. If recent trends are any indication, less-educated individuals are the most vulnerable to this process. Fourth, the resumption of growth will require an aggressive restructuring of insolvent and overstaffed enterprises. While this will help improve economic performance over the long run, poverty among affected workers may actually increase over the short term. Fifth, many poor, particularly those not capable of work, may not benefit directly from economic growth.

Reduce labor market restrictions. Reducing labor market restrictions (wage rigidities, hiring/firing costs, high minimum mandatory benefits) that constrain the employment of less-skilled workers who are most vulnerable to the restructuring process will be critical to reducing poverty. Four measures are recommended:

- *Reduce high labor costs.* The government has to take important steps in this regard: e.g., hiring restrictions and excessive termination restrictions on small entrepreneurs should be reduced, and the court review of the rationale for small-scale terminations should be severely curtailed.
- *Reduce remaining labor market rigidities and adverse work incentives.* These include: (i) eliminating or significantly reducing special benefits to the unemployed with 25 years of contributions. (ii) further reducing the duration of unemployment benefits.
- *Reduce high payroll tax rates* and contain the growing informalization of the economy by reforming the social insurance systems (health, pensions, and unemployment insurance). Arresting the informalization of the economy would help improve tax compliance, allow an enforcement of (less-restrictive) labor contracts (including addressing discrimination against women), and promote timely payment of wages in the private sector,
- *Minimum wages, if introduced, should be kept low as possible.* There is no public minimum wage in the country and this policy should continue given the high level of unemployment of unskilled workers. Minimum wages tend to discriminate against the hiring of less-skilled, poorer workers and perpetuate poverty among

this group. However, if public minimum wages are introduced, they should be kept as low as possible.

Investment in human capital. Education has a high rate of return in FYR of Macedonia. Investment in human capital is likely to be the most important longer-term poverty alleviation and growth strategy for the country. The government is in the process of developing a strategy to improve the quality, efficiency, and equity of the education system. The strategy should also focus on improving the participation of the poor in the education system:

- *Increase participation of the poor in the education system* The participation of poor students at all levels of the education system should be increased, but efforts should focus on the rural poor, and on secondary and higher education. Efforts should also focus on integrating minority populations (e.g., gypsies) and those with disabilities (cost effectively) into the education program. While qualitative reports pointed to a potential cultural, security constraint to the participation of Albanian girls in secondary education, it was difficult to assess ethnic differences using available data.
- *Reduce the direct costs of the education system.* Reducing the costs of education for the poor is one way of increasing their participation in the education system. The direct costs are essentially textbooks and books/supplies at the primary school level, transportation/boarding for the poor at secondary and higher education levels, and fees at the tertiary level. Introducing merit and needs-based scholarships and redirecting boarding subsidies towards the poor might be considered for increasing the enrollment rates of poor students.
- *Improve efficiency of education spending, including targeting the poor.* Real spending on education should not be reduced. However, there is scope for (i) shifting public spending on education from non-poor to poor through greater cost recovery in secondary and higher education; (iii) shifting public spending over time away from financing wage costs to non-wage investment costs; (iv) shifting social spending from current benefits (mainly pensions) towards spending on education.

Investment in community infrastructure.

Investment in water supply and sewerage availability will be essential, particularly in rural and peri-urban areas. Along with investment in education, this type of community-based investment would help improve the living standards and the health status of the poor. *Lifeline electricity rates* that provide a subsidized rate for the first few kilowatt hours used might be considered to help defray electricity costs for the poor.

Well-targeted cash transfers. Cash transfers, particularly pensions, help alleviate poverty but at considerable costs. Spending on pensions should be reduced, while other cash benefits should be better targeted and include incentives to work.

Reduce the scope of the public system and introduce private pensions. Alleviating poverty in old age in a fiscally sustainable way requires major pension reform that will reduce the scope of the public system, and allow individuals to save in well-regulated privately managed schemes. This reform would help reduce high payroll tax rates and should help reduce poverty among the young without any adverse impact on pensioners. Over time, greater provision of private life and disability insurance would allow individuals to obtain greater coverage against disability and loss of life of the earning member.

Fine tune and monitor social assistance reforms. The program has been recently reformed, based in part on the findings of the poverty assessment. The reform has eliminated unjustified rural/urban differences in benefits levels, simplified a complex benefit scale, introduced work incentives, and improved benefits administration.

- *Reduce disincentives to work.* The level of the social assistance benefit is established on the basis of fiscal considerations, with the poverty line as a point of reference. However, minimum benefits also need to coordinate with wage developments. Currently, the minimum income for a single person household is 17 percent of average wage, but for a four-person household (the average family size) the minimum income guarantee is 40 percent of wages. Given the growth in low-wage jobs, this level of benefit (almost equal to the minimum pension) reduces incentives to work. This benefit scale reflects recent reductions, but will have to be adjusted

downward in the future if it constrains the beneficiary outflow from the system. In addition, while the recent changes in the decree may have reduced inclusion errors, further tightening of eligibility conditions may be required to further reduce false claimants from gaining access to the system.

- *Work incentives may be difficult to administer and should be monitored carefully.* The introduction of a four-year term limit to social assistance, and a gradual reduction in benefit over this time, may be difficult to enforce and administer. The ability of this incentive to keep individuals off social assistance rolls will have to be monitored carefully and fine-tuned over time.
- *Pilot proxy means test approach to social assistance benefits* This approach targets social assistance to the poor based on simple, identifiable characteristics of poverty, thereby reducing the administrative burden of the social assistance system. Empirical estimates indicate that such a program could help identify the bulk of the poor in the country, but an assessment of its fiscal costs and targeting efficiency vis-a-vis. the current program and potential implementation issues would require further work and a pilot test.

Phase out child allowance program. Targeting the small amount of child allowances to households with two or more children will not have a large impact on poverty reduction. In any case, the social assistance is fairly effective in reaching poor households with many children. One possibility will be to use the number of children as an indicator for poverty in a proxy means test for the social assistance system.

Develop a community-based approach to alleviate chronic poverty. Institutionalized care is costly, and removing individuals from their own communities reduces the welfare of the chronic poor. Developing a community-based care program, focusing on poverty alleviation for children at risk, disabled, and non-pensioned elderly, with NGO involvement and support could be the focal point, along with cash transfers, of poverty alleviation efforts for the chronic poor. To de-institutionalize vulnerable groups, foster and adoption programs might be publicized, and the screening and monitoring of foster and adoptive parents could be improved. A full evaluation of the costs and associated benefits of

this approach should be undertaken. Further child disability allowances and allowances for foster parents, often delayed in the past, should be adequately budgeted and paid on time.

Improve poverty monitoring capacity. The government has taken considerable interest in understanding the nature of poverty in the country. The Poverty Monitoring Group, comprised of members of the Ministry of Labor and Social Policy and the Statistical Office of FYR of Macedonia, has been active in participating in the development of the Poverty Report—both quantitative and qualitative aspects. The Group has expanded to include the Macedonian research community to evaluate the qualitative aspects of poverty. The poverty monitoring capacity of the government could be improved through the following measures:

- *Monitor poverty incidence and the effectiveness and efficiency of cash transfer programs.* The incidence of poverty, program effectiveness and

efficiency measures, based on the Household Budget Survey, should be investigated on a regular basis. A periodic sampling of client concerns in all programs through a social assessment of poverty should be instituted for all main social programs. This social or client-based assessment could be carried out by the Ministry of Labor and Social Policy, with the involvement of other ministries, and with the assistance of research institutes and the Statistical Office. It could also be investigated through an add-on questionnaire along with the Household Budget Survey.

- *Improvements in household survey sampling efficiency and measurement.* Measures include improvements in the sampling efficiency of the survey, the measurement of consumption (less detailed), and the separation of the consumption and income modules to reduce under-reporting of income.

Nepal

Since the completion of the 1991 study on Poverty and Incomes, much work has been conducted to learn more about the extent and causes of poverty in Nepal. A number of new data sources have become available, major changes have taken place in the political situation and the country's economy, and important lessons have been learned in the implementation of development programs.

The poverty assessment makes use of information from a variety of sources, but is based primarily on the results of the 1995/96 Nepal Living Standards Survey (NLSS), the first nation-wide multipurpose household survey in more than a decade. The survey permits a quantitative analysis of poverty, and establishes a baseline against which the impact of policies and public expenditures on the poor can be assessed in the future. Information from other sources complement and enrich the picture that emerges from the NLSS.

Precise estimates of the incidence of poverty vary depending on the methodology used, but are close to fifty percent. Not only is poverty measured in economic terms widespread, but social indicators remain low for the vast majority of the people, and are especially low for the poor. Literacy, life expectancy, access to safe water and sanitation are all below the levels in neighboring countries; infant mortality is the highest in the region, and malnutrition and immunization rates are among the worst. The survey reveals that there are wide disparities across geographic areas and socioeconomic groups. Poverty is higher and deeper, and social indicators worse, in rural than in urban areas, in more remote than in more accessible rural areas, for women, and for people belonging to certain social groups, such as occupational castes.

Assessing what happened over the past two decades is not possible with certainty because of the lack of comparability between successive surveys, but a careful analysis of evidence from available surveys indicates that there is no evidence of substantial improvements over the last twenty years. There is, however, some evidence of improvement in rural consumption levels between 1991/92 and 1995/96.

Looking ahead, projections show that significant gains in poverty reduction—of the order of a 20

percent reduction in the number of poor people over the next ten years—are achievable, but require growth rates of output that are higher than those experienced over the last couple of years, and closer to those of the first part of the 1990s. Achieving such a reduction would also require no significant changes in the distribution of income/consumption or, stated differently, a pattern of growth that does not leave behind some parts of the country, or some sectors of the economy. In particular, growth that is not centered on agriculture and does not bring significant benefits to rural areas is bound to increase inequality.

The centrality of agriculture as a source of livelihood appears clearly in an analysis of employment and income sources. The data highlight how the poor have lower agricultural productivity because they farm marginal land, have limited access to modern inputs and technology, and are illiterate. Those households that cannot survive on the product of their land often send a family member away to work, if they can, or work as agricultural laborers on other people's land. Off-farm work is important both to provide needed cash for agricultural inputs and to provide security if crops fail, but employment opportunities off-farm are not easily available to the poor.

Access to infrastructure has increased substantially over the last decade, but remains limited for most Nepalis, and especially so for the poor. In particular, the lack of transport infrastructure, especially rural roads, greatly constrains the potential for agriculture, as it increases the cost of inputs and reduces the value of marketable output. Even the simple access provided by passable dirt roads has a positive impact on agricultural production and on incomes.

As one might expect, the poor have worse educational outcomes than the average and attend schools less. They also use health services less. The bright side of the picture is that primary education and basic health services are expanding, and public expenditures on primary education do reach the poor. On the other hand, more can be done to improve the targeting of public spending in education and health.

Among public safety nets, income transfers do not appear to play a significant role in providing income security; virtually no one receives pensions. Public

works schemes could potentially have an impact, as they are larger in scope and more effective in targeting the poor, but international experience indicates that implementation problems, including corruption, need to be addressed. The main private safety net mechanism is remittances from family members who have migrated for work.

Women continue to live a hard life in Nepal. Education indicators are lower, and there is evidence of lower expenditures for health if women or girls are sick, partly a reflection of the fact that sons continue to be preferred to daughters. But women are active in many areas - they work the fields, raise livestock, take out credit, and sometimes run family enterprises. Thus, programs should be designed with female, as well as male, clients in mind.

The information collected in two participatory poverty assessments draws a fuller picture of coping mechanisms adopted by households, and of the reasons why services do not reach the poor. The role of institutional constraints—distance to services, inability to tackle the bureaucracy, lack of voice in local decisions—emerges clearly from interviews and focus groups.

In a country as poor as Nepal, the main focus of a poverty alleviation strategy has to be growth: broad-based, equitable, sustainable growth. With a low per capita income and almost no surplus to redistribute, there is little scope for targeted poverty alleviation efforts on any scale large enough to make a difference at the national level; therefore, poverty alleviation will require faster per capita income growth and, in turn, faster output growth and slower population growth.

Efforts to slow population growth through the provision of girls' education and of maternal and child health services should complement efforts to spur GDP growth, as population increases translate to lower per capita gains with a given overall growth rate.

To be equitable and include the poor, growth has to be centered in rural areas and based on agriculture. In the short-to-medium term, agriculture presents the highest potential for growth and poverty alleviation, as the vast majority of the people, and especially of

the poor, live in rural areas, and agriculture accounts for 50 percent of income and 80 percent of employment. Any increase in production would have direct and indirect effects on a large segment of the Nepali population. Over the past decade, agricultural output has barely kept up with population growth; not surprisingly, living conditions have not improved much. Faster agricultural growth is a necessary condition to begin to attack the pervasive poverty problem of rural areas. Hydropower, tourism, specialized exports to the growing Indian market all have potential, but will take time to develop, and their role in alleviating poverty in the near future is likely to be limited.

Faster agricultural growth—and future growth in the rural non-farm sector—requires a strengthening of the infrastructure and human resource base of the country, which in turn requires that scarce public resources be used more effectively, especially in the provision of inputs to the agricultural process and of rural roads. The 1998 Country Economic Memorandum discusses the steps necessary to improve the efficiency with which public resources are used, so as to increase the growth impact of public investment, and to promote private initiative through policy and regulatory reforms. Better management of public expenditures in agriculture and better targeting of subsidies are the key elements of a poverty alleviation strategy. Similarly, much can be done to improve the targeting of spending in the social sectors, particularly education and health.

While a redistribution of expenditures would certainly be desirable, it would not be sufficient to ensure that expenditures reach the poor, if it is not accompanied by changes in the institutional mechanisms whereby programs are implemented. In recent years, community involvement, coupled with decentralization, has emerged as the most promising mechanism to implement projects and programs in ways that reach the poor, and with lower levels of corruption than experienced otherwise. A basic model has emerged. While questions remain on the effectiveness, replicability, and sustainability of this approach, it is certain that any successful poverty alleviation strategy for Nepal has to be based on decentralized, participatory project design and implementation.

Panama

The Problems of Poverty, Malnutrition and Inequality...

Despite Panama's relatively high-income per capita (US\$3,080 in 1997), poverty remains pervasive. Over one million people (37 percent of the population) live below the poverty line. Of these, over half a million (19 percent) live in extreme poverty. One-half of all Panamanian children are poor. The distribution and magnitude of poverty in Panama varies significantly by geographic area:

- **Rural poverty bias.** Poverty and extreme poverty are concentrated in the countryside. Rural poverty is higher in both relative terms (with 65 percent of the rural population living in poverty and 39 percent living in extreme poverty) and absolute terms, with over 788,000 rural residents living in poverty (close to three-quarters of the nation's poor population).
- **Destitution among the indigenous.** Poverty in indigenous areas can only be described as abysmal. Over 95 percent of residents of indigenous areas (197,003 people) fall below the poverty line and 86 percent live in extreme poverty. Although indigenous residents represent only 8 percent of the total population, they account for 19 percent of the poor and 35 percent of the extreme poor. With higher rates of fertility, indigenous areas are the most rapidly growing segments of the population. As such, Panama's poverty rate will increase in the absence of an aggressive poverty reduction strategy. Poverty and extreme poverty are highest among the Ngobe-Buglé, Panama's largest ethnic indigenous group, followed by the Embera-Wounan. Poverty is lower among the Kuna overall, although it is still quite high among those living in indigenous areas. Geography appears to be a more powerful determinant of poverty than ethnicity, with a higher incidence among ethnic indigenous people living within indigenous areas than those living outside these areas.
- **Urban vulnerability.** Although poverty is not as widespread or as deep in urban areas (15 percent of the urban population), Panama's cities account for an important share of the poor (23

percent or over 232,000 poor urban residents). Close to 40 percent of the urban poor (over 90,000 people) live in the Panama City - San Miguelito area. Moreover, a significant share of city-dwellers live just above the poverty line and could be considered vulnerable.

Poverty is a national problem, with several key regional pressure points. Panama's poor are spread across the country. Although poverty rates are significantly higher further away from the capital area, some 315,000 poor residents are concentrated in the Provinces of Panama and Colón. The new Poverty Map recently constructed by MIPPE/MEF using data from the LSMS and the Population Census confirms this tendency: poverty rates are highest in San Blas, Darién, Bocas del Toro, Coclé, and Chiriqui, and lowest in the Provinces of Panama and Colón. Nonetheless, these latter two provinces account for roughly one-third of Panama's poor. Within each region, poverty rates are highest in the rural, indigenous, and remote areas and lowest in the central urban districts.

There is a strong correlation between poverty and child malnutrition in Panama. Over 16 percent of all children under five (close to 50,000) suffer from some form of malnutrition. About 85 percent of these are poor. Close to one quarter of poor children and one-third of the extreme poor under five are malnourished, compared with 4 percent among the non-poor. The incidence of malnutrition mirrors the geographic and ethnic patterns of poverty, with one-half of all children in indigenous areas suffering from malnutrition and the highest incidence among the Ngobe-Buglé.

Panama is one of the more unequal countries in the world. With a consumption Gini of 49 and an income Gini of 60, Panama's inequality ranks among the highest—on par with Brazil and just below South Africa, two of the most unequal countries in the world. Panama's poorest are very poor and the richest are very rich. Although inequality is higher in rural areas, it is more obvious in urban areas, such as the city of Colón, where the close physical juxtaposition of the modern, dynamic, wealthy sector with poor city slums accentuates the perceived gap between rich and poor.

... Reflect Underlying Disparities in Assets.

The problems of poverty, malnutrition, and inequality in Panama largely reflect disparities in opportunity. The distribution of key productive assets—labor, human capital, physical assets, financial assets, and social capital—is highly unequal. These disparities are most prevalent between the poor and non-poor, but also manifest themselves differently by geographic area.

Labor, the poor's most abundant asset, accounts for 77 percent of their total income (69 percent for the non-poor). Nonetheless, the poor are constrained in their use of this key asset in a number of ways:

- **High rates of unemployment for the urban poor.** Though poverty and unemployment are not correlated for the nation as a whole, the poor are twice as likely to be unemployed as the non-poor in Panama's cities. The difference is even higher when taking into account seasonal and discouraged job seekers. Unemployment is particularly high for poor urban women and youths.
- **Potential underemployment among the poor in all areas.** The poor work fewer total hours than the non-poor in all areas—likely, a sign of underemployment and low productivity.
- **A strong correlation between informal sector employment and poverty.** Close to three-quarters of the poor work in the informal sector (40 percent of the non-poor). Low levels of household consumption are significantly correlated with informal sector employment even after other factors (such as human capital) are taken into account. Earnings in the informal sector are significantly lower than those in the formal sector: informal workers earn 60 percent and 43 percent of what those in the private and public formal sectors earn, respectively. These differences are not explained by differences in human capital, area of residence, or job characteristics.
- **Indigenous workers face probable wage discrimination.** The LSMS²³ shows that

differences in salaries received by indigenous and non-indigenous workers cannot be explained by factors such as education, experience, type of work, etc. In addition, indigenous workers have few opportunities for employment in the formal sector.

Human capital—education and health—is an important complement to labor, boosting its productivity and potential for income generation. The LSMS reveals that schooling pays off in terms of higher incomes: each year of schooling yields about a 5 percent increase in hourly earnings. These returns vary significantly by education level, with primary school (which has fairly equitable coverage) generating much lower returns than secondary or higher education (to which the poor have much less access). Access to health care also generates productivity gains and contributes directly to well-being. The distribution of human capital assets, however, is highly unequal.

Disparities in education are key causes of poverty, malnutrition, and inequality in Panama. Education is a crucial elevator for the poor to lift themselves out of poverty. Higher educational attainment for a household head or his/her companion significantly reduces the probability of being poor. Mothers' education significantly affects child nutritional status. Disparities in education constitute the single most important determinant of inequality, accounting for about 40 percent of Panama's consumption inequality. Inequities are apparent for achievement, coverage, internal efficiency and the quality of education:

- Although progress has been made in expanding literacy and increasing educational attainment over time, gaps remain for the poor and the indigenous (particularly indigenous women).
- The main gaps in access include the indigenous at all levels, and the rural and urban poor at the pre-primary and secondary levels. Moreover, very few students of higher education are poor (5 percent). Key obstacles to higher enrollment for the poor include: (i) the direct costs of schooling (fees, books, etc.) at the primary and secondary levels; (ii) a lack of "interest" among some poor children (particularly poor urban boys) at the secondary level, which could reflect social

²³ The analysis is based on salary regressions that do not include income from self-employment.

pressures as well as quality issues in the educational system; and (iii) a lack of programs at the pre-primary level.

- **Internal efficiency** is also lower among the poor and indigenous, who tend to repeat grades and drop out more frequently than the non-poor.
- Lower **quality** education for the poor is evident from the higher share of poor students without textbooks, a lack of bilingual materials and instruction for indigenous primary students, the high share of the poor in communities reporting insufficient teachers, and dilapidated school facilities in communities with higher concentrations of the poor.

Inequities in health status and health care also abound. Relatively strong health indicators for the nation as a whole mask large disparities and poor health status among those living in poorer areas. The poor (particularly the indigenous) have a lower life expectancy, higher rates of infant mortality and malnutrition, and continue to die from infectious and communicable diseases despite Panama's epidemiological transitioning. The poor and indigenous have less access to health care, and are less likely to seek medical treatment in case of illness than the non-poor. Low access to health services bears a significant link to child malnutrition in Panama.

Physical assets such as housing and land also contribute to income-generating potential and help households avert risk. The poor commonly use housing and land as a base for productive activities and enterprises. Property also generates rent through earnings charged to renters or via the savings from "imputed" rent. Households can also use property as collateral for leveraging credit. Emergency income can likewise be generated through sales of property or borrowing against it (equity loans). Finally, housing can be used as a tool for extending personal relationships, building trust, and generating social capital.

The ability of households to use property as an asset largely depends on the security of tenure and the flexibility of land and housing markets. In Panama, the distribution of housing and land is highly unequal, as is access to the titling of available property.

- **Housing.** The poor tend to live in much lower quality housing than the non-poor. Moreover, while the majority of the population lacks proof of ownership (registered or unregistered titles) for their homes, the gap in titling of housing assets is much worse for the poor. Not owning a house increases a household's probability of being poor, as does the lack of a registered title.
- **Land.** The distribution of land is highly unequal in Panama. The poor, who account for two-thirds of the rural population, own one-third of land. Among those who own any land, the Gini coefficient for total land owned is 77. Disparities in land ownership account for 11 percent of total consumption inequality in Panama. The poor have even less access to *titled* land: only one third of all owned agricultural land is fully titled, and the non-poor own 84 percent of it.
- **Titling and Income Generation.** The lack of property titles reduces the ability of the poor to obtain credit (since titles are often required as collateral). The lack of guarantees (property titles or other assets) was the main reason poor households were refused credit. Without formal claim, the poor also lack the option of selling or borrowing against these assets for emergency income.

Basic infrastructure services contribute to higher welfare and productivity. Some services, such as potable water and sanitation, contribute directly to overall welfare and health status. Others, such as electricity and telephones, help households use their homes productively for income generation. The LSMS reveals that access to basic services is highly correlated with a lower probability of being poor. Inequities in access to such services abound in Panama, both between the poor and non-poor and by geographic area (especially among dispersed populations in rural and indigenous areas). Key gaps in coverage include: the indigenous, for all services, and the rural poor, for energy and sanitation services and, to a lesser extent, potable water. While the urban poor have much greater access to all types of services than their rural counterparts, a lack of sanitation services for an important share of poor city-dwellers raises public health concerns.

Financial assets—savings and credit—allow households to smooth their consumption and

invest for future earnings potential. The poor are much less likely to save than the non-poor; when they do, they tend to put their savings in public institutions (whereas the non-poor are more likely to use private banks). The overall volume of lending to the poor is much smaller than their contribution to the economy. Whereas poor households receive 3 percent of total credit, they account for 10 percent of total consumption and income in the economy. Information constraints, physical distance, lack of formal guarantees, and high costs-per-dollar borrowed present obstacles to lending to the poor.

Social capital²⁴ is one of the assets of the poor. The poor and extreme poor account for a disproportionate share of those living in communities with high social capital. The LSMS reveals that the poor tend to associate for "public goods" purposes (e.g., in community associations), whereas the non-poor join associations that yield higher private gains (e.g., cooperatives). These patterns suggest that the poor rely on community action (social capital) to compensate for a lack of other assets created by public services. Social capital also helps communities leverage assistance. Communities with high social capital report a higher frequency of assistance from the government and NGOs. This correlation is observed in all three geographic areas, and is particularly strong in rural and indigenous areas. Interventions should work with communities to build on this important avenue for public action.

Such Disparities Largely Reflect a Legacy of Distortions in Panama's Economy ...

The disparities in the distribution of assets and economic opportunity reflect Panama's uniquely dualistic pattern of development. Panama's privileged geographic location and its monetary regime anchored in the use of the US dollar as legal tender have fostered its comparative advantage in services, which contribute over three quarters of GDP and generate two-thirds of employment in Panama. These strategic factors have also spurred the rapid development of internationally-oriented, modern, dynamic service enclaves, including the Canal Zone,

the Colón Free Zone, and the International Banking Center. While these enclaves generate large shares of GDP, they create little employment (3 percent of the labor force) or fiscal revenue. Moreover, they inject negative spillovers into the economy due to the huge differentials between wages paid in the enclaves, particularly the Canal Zone (which is subject to the U.S. labor code) and the rest of the economy.

Indeed, factor markets have been segmented by policies that drive up the cost of labor relative to capital. Panama's labor market is characterized by a multiplicity of policy regimes, with separate regimes for the private sector, the public sector, the Panama Canal Commission, and the Export Processing Zones. These regimes have created large wage differentials between workers in the Panama Canal Commission, public sector employees, and those employed in the rest of the economy.

Labor-market interventions not only hamper growth, but also have a direct link to poverty. By increasing the relative price of labor—thus, reducing demand for the poor's most abundant asset—these distortions have swelled the ranks of the unemployed and encouraged informality. Moreover, while they benefit those who work in formal sector jobs, the resulting segmentation of the labor market can put a heavy toll on informal sector workers by reducing their wages, making it difficult for the working poor to grow out of poverty through their own labor. Indeed, the LSMS reveals that the poor in Panama do not benefit from such distortions, but may be hurt by them: (i) the majority of the working poor receive wages that are below the official minimum wage; (ii) they do not receive the "mandated" fringe benefits; (iii) the majority are employed in the informal sector, where wages are lower and employment terms less favorable; and (iv) the urban poor are hurt by high rates of open unemployment and the rural working poor appear to be underemployed.

The modern services sector is juxtaposed with a traditional sector (primarily agriculture and industry), that has been constrained by policy-induced rigidities and low productivity for decades. Until recently, a highly distorted trade regime (one of the most protectionist in Latin America) combined with a complex web of price controls had the result of protecting inefficient sectors, distorting resource allocation, generating rents for certain groups, and raising the cost of basic staples. Simulations using the LSMS suggest that the

²⁴ Social capital—defined as norms, trust and reciprocity networks that facilitate mutually beneficial cooperation in a community—is an important asset that can reduce vulnerability and increase opportunities.

net redistributive effects of such protection was regressive, effectively taxing the poor and increasing poverty and inequality.

The government has undertaken a number of fundamental reforms since 1994 in an attempt to stimulate higher and more inclusive growth and reduce poverty and inequality. It has dismantled the labyrinth of trade barriers and price controls, launched a far-reaching privatization program, issued anti-trust legislation, unified fiscal incentives for manufacturing firms, and adopted modest but important reforms in the Labor Code. After several years of little growth, the economy began to respond in 1997, with strong growth and some decline in unemployment for the first time in years. Even more important for the long term, employment has apparently become more responsive to changes in growth. Despite these reforms, an important policy agenda remains, with several key additional reforms needed to reduce poverty.

... And Biases and Inefficiencies in Public Spending.

Disparities in key assets—notably human capital—also reflect a lack of targeting of social policy and public spending. Despite high spending on the social sectors (21 percent of GDP overall, 6 percent for education, and 7 percent for health in 1997), inefficiencies and inequities have prevented improved outcomes for the poor:

- **Total public spending on education is regressive**, with the non-poor benefiting more than the poor. This inequity largely reflects the large share of public spending allocated to higher education (close to one-third of the public education budget), virtually all (95 percent) of which benefits the non-poor. It also reflects the gaps in coverage of the poor at the pre-primary and secondary levels. Geographic inequities in public spending on education are also apparent, with biases in favor of urban areas and against rural (indigenous and non-indigenous) areas. Furthermore, the poor quality of public education stems from functional inefficiencies in the delivery of education, including over-centralized decision-making, weak policymaking and planning capacity in the Ministry of Education, lack of management information tools, and a disconnect between teacher salaries and performance.

- **Inequities in public spending on health care also abound.** The poorest quintile of the population benefits the least from public spending on health care due to low levels of use and access to these services. Inefficiencies in the health sector including the fragmentation of the sector by three major providers (the Ministry of Health, the Social Security Institute, and the private sector), few incentives for efficiency and performance, and weak policymaking, financing, and regulation capabilities in the Ministry of Health have also prevented improved health outcomes among the poor.
- **Since the early 1990s, the government has attempted to compensate for some of these biases by developing a number of social assistance programs.** While several programs appear to be quite effective at reaching the poor, lack of targeting of some of the larger programs, inefficiencies in program delivery, and possible duplication of functions reduces the effectiveness of these transfers.

The Main Principles of the Government's New Poverty Strategy

The government's Poverty Strategy and Action Plan²⁵ is a direct outcome of the joint analysis of the LSMS and several inter-institutional poverty seminars. This strategy complements the government's economic reform program and is designed to strengthen the key assets of the poor, taking into account geographic differences in the poverty situation and priorities. The main underlying principles for this strategy include:

- Coherence with, and implementation of, the economic reform program for sustained broad-based economic growth;
- Improved efficiency in social spending;
- Targeting of resources to the poor;
- Decentralization of services for improved efficiency and quality of interventions;
- Increased community participation for improved effectiveness;
- A multi-dimensional approach with strong intersectoral coordination; and

²⁵ *Nuevo Enfoque Estratégico Frente a la Pobreza*, Cabinet Resolution No. 134, September 17, 1998.

- Monitoring of the poverty situation and implementation of the strategy itself.

The strategy also includes an action plan for interventions in key areas, including: education, health, social assistance and nutrition, urban poverty, and rural poverty.

Translating these Principles into Priorities and Action

To translate these principles into action, the Government should:

- **Prioritize among poverty groups.** Given the distribution of poverty, first priority should be given to: the rural poor, the indigenous (particularly the Ngobe-Buglé), poor children and youths, undernourished children, and pregnant and lactating women. Second priority should be assigned to combating urban poverty. Third priority should be given to programs that target the elderly poor, poor child laborers, poor informal-sector workers and the unemployed poor.
- **Reallocate public expenditures.** The top priority for effective action to reduce poverty should involve reallocating public expenditures. Given the high level of social spending, it is unlikely that a large amount of additional resources will be forthcoming. As such, the government needs to reallocate existing spending toward areas that benefit the poor, boost cost recovery for services used by the non-poor, and improve efficiency in service delivery. A thorough review of public spending should be conducted in 1999 to guide such reallocations. The review should emphasize both the functional aspects of the budget (including the distributional incidence of spending in key sectors) as well as the management of public expenditures. Clear candidates for reallocation of education spending include: (i) enforcing higher cost recovery for higher education and shifting freed resources toward basic education; (ii) focusing spending on demand-side education schemes to reduce economic barriers faced by poor households to increase enrollment by the poor. Although a thorough analysis of the incidence of health spending remains to be done, some candidates for reallocation include:
 - (i) enforcing higher cost recovery for curative and hospital care (disproportionately benefiting the non-poor) and (ii) shifting resources to cost-effective primary interventions in poor areas. Spending on **social insurance and assistance** should also be streamlined to ensure a comprehensive, efficient, well-targeted safety net. An inventory of service coverage should be overlaid with the new Poverty Map to guide spending allocations on basic services so as to target key gaps among the poor. In broad terms, transportation, electricity, telephones and potable water have been identified by *rural* communities as priority; potable water is top priority in *indigenous* communities; and transportation and sanitation are key for *urban* communities.
- **Decentralize and promote community participation in service delivery** to improve the effectiveness and efficiency of poverty interventions. Examples include: (i) decentralizing personnel decisions to regional education boards and expanding innovative participatory pre-school programs; (ii) decentralizing food purchases in remote areas under school feeding programs; (iii) expanding use of NGOs and communities as intermediaries in social programs; and (iv) responding to community preferences for service delivery.
- **Implement key policy reforms to reduce disparities in assets.** While maintaining existing reforms is critical, the agenda for the second-generation of economic reforms designed to promote growth is large. Special efforts should be made to ensure that key reforms to reduce disparities in assets and, hence, poverty are undertaken, including: (i) deepening reforms to the labor code; (ii) expanding property titling (both of housing and land), which will also help improve the poor's access to credit; (iii) continuing trade reforms; and (iv) reducing distortions in public and freight transport.
- **Improve targeting mechanisms.** The government should apply the new poverty map (combining data from the LSMS and the census) to the allocation of expenditures as soon as possible. It should also seek to develop additional mechanisms for targeting, including means-testing and self-targeting.
- **Allocate sufficient resources to monitor poverty and to implement the strategy.** The

government is developing a poverty monitoring system to track living conditions and provide data for impact evaluation of interventions. This system includes LSMS-type surveys that will be conducted every three years. The government should also seek to develop a key set of indicators for monitoring the implementation of the poverty strategy in 1999 and subsequent years. Program-specific questions should also be included in the next LSMS for additional impact and implementation analysis.

Some key steps for immediate implementation during the remainder of 1999 should include:

- Conducting a thorough review of public expenditure allocations and developing proposals for reallocating expenditures so that they better reach the poor starting with the 2000 budget;
- Developing a set of indicators to monitor implementation of the strategy (including key budget categories) and agreeing on an inter-

institutional process for reporting on indicators and implementation. Funds from the on-going IDF grant could be used to contract technical assistance to help MEF staff developing and monitoring such indicators;

- Applying the new Poverty Map as a tool for targeting and resource allocation; and
- Disseminating the Poverty Assessment and the government's Poverty Strategy in government circles and public forums.

Areas for further research include: analyzing public expenditure (incidence and management), the links between poverty and the environment, the impact of existing legislation on labor markets including the informal sector, the distributional incidence of social security, impact evaluations of social assistance programs, participatory research on the obstacles to increased school enrollment among indigenous children, and participatory research on poverty, crime and violence.

Peru

Poverty and Social Developments, 1994-1997

The poverty assessment evaluates social progress in Peru from 1994 to 1997. It carries mainly good news but also reports several worrisome developments. The good news is that social welfare improved over the three years—and this is true when looked at from a variety of angles. The poverty rate, the percentage of the population not able to finance a basic basket of goods, has declined by several percentage points and now stands at 49 percent—roughly 12 million Peruvians are, therefore, considered poor. Severe consumption poverty—an extremely austere measure—has also declined, from about 19 percent to 15 percent. This does, nevertheless, leave three and a half million Peruvians in the immediate danger of hunger and deprivation. In line with consumption poverty rates, school attendance has risen slightly, literacy rates increased from 87 percent to 90 percent, and the population is healthier. Most important among the latter, the rate of malnutrition for children below the age of five has further declined. About 600,000 children younger than five, or one in every four, were malnourished in 1997.

These improvements are without doubt due to the favorable overall economic environment, with per capita real growth rates from 1994 to 1997 at about 3.5 percent. Contrary to public belief, this growth did create jobs. About 1.3 million additional jobs were created in the economy, absorbing both a population increase and a higher participation rate in the labor force. Many of these new jobs are informal jobs, however, so workers are without formal contracts, pension insurance, or health insurance. Informality in Peru remains at a constant rate of about 45 percent of urban employment, even higher in rural areas. The positive social welfare trends are also due to substantial government efforts: from 1994 to 1997, more than half a million households received water, electricity, and sanitation connections; the public health sector attended more than one million additional ambulatory patients per month; and 200,000 more children were in school in 1997 compared to 1994.

But there are also some worrisome developments to report, and most of them are closely knit together. Economic growth and government programs have not been spread equally and have not benefited

everybody. First, regional disparities have grown, with some regions showing enormous progress, especially Lima, and other regions falling relatively behind, especially the rural areas in the highlands. In the rural Sierra, overall poverty remains stagnant while its severity has declined. Of the total reduction in poverty, almost 80 percent stemmed from two regions alone: Lima and the urban Sierra. In international comparisons, Peru remains one of the countries with an extremely high variation of regional income.

Second, with regional disparities increasing we also find some evidence that inequality has risen in the three years under study—a small increase in inequality can be observed when using several measurement methods and when looking at the distribution of income or wealth alike. This increase in inequality comes after a decrease over a long time period—from 1985 to 1994. And although it is not at all certain that inequality will continue to rise, policymakers should closely watch it. Evidence now exists that more unequal societies tend to be more violent societies. Economic progress also depends on equality, with more unequal societies showing a worse growth record. And, clearly, inequality and poverty are also directly linked: for any given national income, the more unequal the society, the higher the poverty rate. We find two factors behind these inequality increases in Peru. The more educated Peruvians profited more from the current upswing than the less educated. Obviously, this means that improving the quality of primary and secondary education would decrease inequality. Additionally, regional development varied strongly and contributed to the small rise in inequality. This different regional development is also mirrored in the distribution of major public investments: While the government has made an effort to reach out more to the marginal rural population, this effort has only partially translated into measurable benefits. Of the large achievements in education, health and infrastructure, about 70 percent have been in cities.

Third, Peru's development in the past years has been inclusive for many but exclusive for others. While we find gender differences narrowing and vulnerable groups such as migrants and the landless sharing the benefits of development, certain groups appear to have fallen further behind or remain highly at risk of

deprivation. One group is clearly the indigenous population. Their social and political integration is still far from achieved. And we now find that, even economically, the native population has fallen further behind: while in 1994 an indigenous family was 40 percent more likely to be poor than a non-native family, in 1997 they were almost 50 percent more likely to be poor. Additionally, observing hundreds of the same families from 1994 to 1997, the indigenous families have clearly done worse, even if we control for their lower educational training, lower access to services, and lower land or housing ownership compared to the non-native population.

The social situation of children remains bleak. The youngest in Peruvian society continue to have far higher poverty and severe poverty rates than any other age group. And although poverty rates decreased, the drop was slight and much less than for other groups. Also, the survey data tell a sad story about child labor as more and more youngsters between the ages of 6 and 14 work. In addition to children, many young adolescents are not faring well in Peruvian society. Youth unemployment is very high, 18 percent for females and 14 percent for males in Lima in 1996, and shows a rising trend. In international comparison, while Peru reduced infant mortality from 54 (1990) to 42 deaths per 1,000 live births in 1996, it is still lagging behind the regional achievements for countries of its income level and it places Peru among the worst in the Latin American region.

The poverty assessment does not aim to describe the situation of the poor in Peruvian society—to sketch a “poverty profile”. Many other studies have done this. Rather, it assesses what determines whether families get ahead or fall behind over time. This is of special relevance to policymakers. For example, a static view might tell us that informal employment is a strong correlate of poverty. But a view over time will show whether the depth of poverty increases if a household is linked predominantly to the informal market.

What Helps Households Advance?

A number of factors have influenced household welfare over time, in both positive and negative ways. First, surprisingly, households were more likely to advance if their income stemmed from the informal sector than from the formal sector. This is true in urban areas as well as in informal off-farm employment in rural areas. Second, household size

matters. Larger families have done worse than smaller ones—this relationship can work through higher dependency ratios that can limit the ability of households to save. Third, more education means faster advancement. Finally, savings and access to basic services like water, electricity or sanitation not only immediately supports households but helps them advance faster in ways not just directly connected to services access. We also find that bundling of such services matters: providing two services jointly has a more positive effect than the sum of providing each one separately.

The poverty assessment also includes some findings about the incidence and impact of urban violence on the families of the poor. While we cannot link insecurity directly to welfare developments, violence is one of the main preoccupations of the urban poor. The incidence of various types of violence differs by poverty group, the poor being about twice as likely to be exposed to physical aggression as the better-off in society. Consequently, their feeling of insecurity is higher.

Prospects for Poverty Reduction—Growth and Employment Links

One of the biggest concerns in the Peruvian public debate on poverty is whether growth has created employment and whether this has led to poverty reduction. We find that growth has indeed created employment; about 1.3 million more people have been in remunerated employment in 1997 compared with 1994. The majority of jobs were created in the informal sector but they were not necessarily low-paying jobs. A worrisome trend is that urban productivity does not seem to be rising and, consequently, real wages are flat at best.

On face value, Peru's growth path in past years was pro-poor because the sectors where workers and their dependents are most likely to be poor (construction, commerce and agriculture) grew fastest. This appears to have helped the poor in construction and commerce. In agriculture, however, poverty reduction was slower than could have been hoped for. Employment creation as a corollary to agricultural growth was not strong. This could be due to a productivity backlog stemming from the recession at the beginning of the 1990s, implying that agricultural growth first led to more intensive work, i.e., longer hours per employed person.

A number of simulations show how important growth remains for poverty reduction in Peru. The simulations are very simple and, for example, do not take into account that workers will move between areas and sectors or that the employment effect of growth will differ between sectors. The simulations do show, however, that the type of growth and its regional distribution will matter—the more growth is based in agriculture, construction and commerce, and the more its impacts filter through to the rural highlands and lowlands, the more poverty will be reduced in the short run. While the growth pattern should not be artificially tilted towards such sectors, investment in these sectors will depend on a continuation of non-discrimination policies.

Social Expenditure

The distribution of social and anti-poverty expenditures has been disappointing. The distribution of 7.6 billion soles (about 40 percent of the total public budget in 1996) is mildly tilted towards the better-off in Peruvian society; i.e., the poorest obtain less of these expenditures than their population share. In large part this is due to the anti-poor distribution of higher education and hospital expenditures.

Several specialized government programs reach only a small proportion of the poor and direct public transfers play a significantly smaller role than private transfers do. The nutrition program PRONAA and the social fund FONCODES have the highest coverage and lowest leakage rates, but the housing credit programs as well as the infrastructure programs of COOPOP, FONAVI and INFES reached only few of the poor. Food aid has the largest positive effect in rural Peru, where the severe poverty rate would have been 3 percent higher had these programs not existed in 1997. However, private transfers generally play a significantly more important role than public transfers in the rural and urban areas alike.

From Individual Sector Strategies to a Consistent and Broad-based Anti-poverty Focus

The report does not aim to provide detailed recommendations as to how poverty can be eradicated in Peru. Rather, it presents a quick feedback about social developments and poverty based on the new Living Standard Measurement data from the Instituto Cuánto released in June 1998, and on policy-relevant analysis of growth patterns and the

distribution of social expenditures. While strategies to reduce poverty are necessary and important, they do carry the risk of oversimplifying a very complex and difficult task. In Peru, with about half of the population in poverty, poverty eradication will take a long time and require the coordinated efforts of all parts of society—the public, private, and voluntary sectors—and the international community.

The report also does not recommend the creation of new programs, nor does it make a statement about the appropriate size and mix of programs. In broad lines, we find that the Peruvian anti-poverty programs with their mix of emergency help, nutritional focus, and infrastructure emphasize the right areas. However, we believe that a much bigger impact could be achieved with available funds.

First, economic and social policymaking would need to be more closely integrated, informed by sound technical analyses and advice. Today, the many social policy programs operate independently; they try to reach their beneficiaries with different means and lack stringent evaluation. The Ministry of the Presidency alone has six programs in the education sector—outside and in addition to those of the Ministry of Education. Nutrition programs are plenty and administered by the ministries of Finance (Vaso de Leche), Women and Human Development (PRONAA), Health (Basic Health Program, PACFO), and Education as well as the Ministry of the Presidency (FONCODES). Expenditures of many of these programs, although well intended, do not reach the poorest in society and are often isolated in nature. Many different poverty maps and targeting mechanisms are currently employed, and these need to be harmonized. We find that poverty is reduced most effectively when interventions are integrated, that is provided jointly and in a coordinated way. In Peru, conflicting decrees empowering the Ministry of the Presidency and the Social Coordination Council (CIAS) currently exist—but neither institution has true power or manpower. Without integrating social ministries into the much more powerful council for economic policymaking, weak coordination of social programs is likely to continue.

Second, and closely linked to the above, pro-poor policy formulation needs to be accompanied by thorough and good evaluation. This goes beyond the need for targeting and prioritization. It includes, for policymakers, the ability to assess whether certain interventions did indeed help or not. It also implies that policymakers and technicians are able to assess

how *changes* in program nature and how *changes* in expenditures are distributed and what effect these changes have.

Third, central coordination promises to be effective if it goes hand-in-hand with decentralized execution, involving other partners in the fight against poverty. Examples from other Latin American countries show that private-voluntary-public partnerships in poverty reduction at the local level can be extremely successful. One reason is that each organization

brings its comparative advantage to the table: central government brings finance and organization; municipal government brings local knowledge; and non-governmental organizations (NGOs) often bring a good and direct understanding of the problems of the poor. For this latter point the report has some evidence: In 1996, NGO-administered programs had a significantly better targeting record than most public programs and matched the good targeting results of FONCODES and PRONAA.

Russia

Targeting and The Longer-Term Poor in Russia

Poverty and Profile

Poverty in Russia presents serious challenges to the macroeconomic policy and political stability of the government. Poverty has characterized the transition years since 1991, and – depending on the source of data used -- the trend is one of either worsening or improving only slightly.

This study examines poverty in Russia during 1994-96, relying primarily on the Russian Longitudinal Monitoring Survey (RLMS) data set -- the World Bank version of a data set created and assembled by the University of North Carolina Chapel Hill, and the Institute of Sociology in Moscow-- although other sources, primarily official data, are also used.

This study is particularly important because in addition to cross-sectional data used for the 1992-94 World Bank study, this study uses panel data tracking households in three years (1994, 1995, and 1996) – data that are now publicly available. The existence of panel data makes it possible to explore the dynamics of poverty; in particular, these data allow exploration of whether a hard-core group of households has emerged that became poor at the beginning of the transition and then stayed poor throughout 1996.

The RLMS data set demonstrates clearly the emergence of the longer-term poor; in each year of the panel 13 percent of the households surveyed – constituting 17 percent of the population -- were poor. For the purpose of this study, members of these households are termed “longer-term poor” since the panel lasted just three years. This study examines the correlates for longer-term poverty and attempts to associate factors with poverty transitions -- either rising out of poverty or falling into poverty.

Poverty levels as captured in the RLMS are much higher than official statistics. The main reason is the 1994 change in how official statistics are calculated; since 1994 raw income distributions from family budget surveys have been “corrected” to account for the presence of consumer durables in the family (Rimashevskaya and Yakovleva 1998, p. 192). This “correction” has caused a decline in the official poverty headcount from around 30-33 percent in the early 1990s to 20 percent in the late 1990s.

Like the RLMS, several Russian academic sources also found that poverty did not decline. VTsIOM, a prominent public opinion polling organization, has rotated a module on poverty in its general opinion surveys at least twice (Kovaleva and Zubova 1997 and VTsIOM bulletin, various issues, 1995-97), and found no appreciable decline in poverty rates. The Institute of Socio-Economic Studies of the Population (ISEPN) has studied poverty for more than 20 years in a representative longitudinal panel in the city of Taganrog (Rimashevskaya and Yakovleva 1998, Rimashevskaya et. al. 1991), and found that poverty increased sharply after 1991.

Ninety-seven percent of the longer-term poor live in rural areas (33 percent) or urban areas other than Moscow and St. Petersburg (64 percent). Overall, 27 percent of the Russian population lives in rural areas, 13 percent being longer-term poor. In urban areas other than Moscow and St. Petersburg, the study revealed 12 percent to be longer-term poor. And just as the poor are concentrated outside of Moscow and St. Petersburg, so are the non-poor concentrated inside; a startling 72 percent of all households in Moscow or St. Petersburg were never poor during the three-year study. And of the never-poor households in the study -- 45 percent of the sample -- 17 percent were located in these two cities, although the two cities accounted for just 11 percent of total households surveyed.

Like the 1992 and 1994 study, this study found a higher poverty rate and a higher longer-term poverty rate among larger households than among smaller households. Only 6 percent of single-person households were among the longer-term poor during 1994-96, while 24 percent of households with five or more members were among the longer-term poor. Fifty-six percent of single-person households were never poor, but only 23 percent of households with five or more members were never poor.

On average, households that were always poor had approximately 4 members and households that were never poor had 3.0 members. The larger poor families also have, on average, more dependents, as shown by their higher dependency ratios.

Most other aspects of the poverty profile have not changed substantially since 1992-93. As before, children are more likely to be poor, while the elderly are unlikely to be poor. The older a person is, the

smaller the chance that he or she is poor, and the older a household head is, the smaller the chance that person's household is poor. Although the rate of poverty among the elderly has increased along with the general trend, they remain at a lower-than-average risk of poverty. Men over the retirement age of 60 have the lowest rate of poverty in every round of the RLMS (early rounds as well as the later rounds reproduced here) and women past the retirement age of 55 have the second-lowest rate of poverty. Conversely, poverty rates are extremely high for children and households with many children. Gender has no significant effect on poverty status.

While these findings do not differ from previous analysis, the panel aspect of the data sheds more light on what is happening with age- and gender-specific poverty rates in Russia. The panel data show strikingly that it is whether an individual is always poor or never poor, not gender, that is critical in determining an individual's poverty status.

In the RLMS, open unemployment is strongly correlated with poverty particularly longer-term poverty. Forty-four percent of the longer-term poor reported at least one unemployed household member. In contrast, just 20 percent of never-poor households reported one or more unemployed household members.

Overall, pensioners in Russia -- whether old-age or disability -- do not face an elevated risk of poverty, and most of the longer-term poor are neither elderly nor receiving pensions. Almost 20 percent of households with one or more elderly member were longer-term poor, but only 6 percent of households with two or more elderly members were longer-term poor. The figures are quite similar for pensioners -- about half of households with two or more members who are receiving a pension were never poor.

Only single mothers with children face an elevated risk of longer-term poverty. However, this increased risk is relatively small; the share of single mothers in longer-term poverty is 19 percent while the overall longer-term poverty rate is 17 percent. And the longer-term poverty rate for other families with children -- 24 percent -- is even higher than the rate for single-mother families.

Single elderly are much less likely than most to be longer-term poor; nearly 80 percent of such men and 55 percent of such women were never poor during 1994-96. Elderly men living alone had the lowest

poverty rate of any group reviewed in the cross-sectional analysis.

Social Assistance Pilots

New targeting methods have been developed that improve on the method of fully documenting every household's income or expenditure. Three social assistance pilots introduced in the Komi Republic and in Volgograd and Voronezh oblasts in 1997-98 focus on the difference between what households actually consume and what income they report -- either to survey interviewers or social workers. Each pilot tries to estimate the additional amount of consumption that a hypothetical household could achieve over its reported income and uses this estimated household consumption to determine program eligibility.

In each pilot household per capita income and estimated per capita income or consumption were compared with the official regional subsistence minimum poverty line (developed by the Ministry of Labor in 1992 using local prices). To be eligible for these programs, a household's estimated consumption had to be less than a cut-off percentage of this poverty line -- 50 percent in Volgograd and Voronezh and 35 percent in Komi.

The findings of the three new poverty targeting pilots have clear policy implications for Russia. The new methodologies they used -- such as the proxy means test -- demonstrate that at a low administrative cost, with minimum capital investment and training, it is possible to target the poor more efficiently and to screen out more of the non-poor. The pilots have also found distinct differences between the longer-term poor and the temporarily poor, suggesting a need for separate interventions for these two groups.

Proxy Means Test Targeting

In countries such as Russia and Chile, with a large informal sector, it can be difficult and costly to verify household monetary income. Furthermore, in Russia and other countries a significant share of household food consumption comes from food grown on private garden plots. The true value of home-produced goods, can be very difficult to estimate because they are typically, produced with "costless" family labor, and their quality may be poorer than food items produced for sale.

A proxy means test is a way to estimate household consumption or welfare without extremely detailed information about household income. In proxy means testing, information is collected about characteristics of a household that are much easier to measure and verify than total income -- such as the number of children in a family. The household characteristics should be known to correlate with poverty, and -- ideally -- should be easy to measure, and requiring little administrative cost to verify.

The simulated proxy means test for Russia correctly identified 57 percent of the poor and 77 percent of the non-poor. The pilots effectively identified the non-poor but were less effective at identifying the poor. The proxy means tests were usually slightly better at identifying the poor than the actual methodologies, but not strikingly so except in the case of Komi.

Why does it seem so difficult to identify the poor? Not because of ineffective methodologies, but rather because generally it is extremely difficult to distinguish the poor from the non-poor in Russia and in other countries of the former Soviet Union. The lack of sharp poverty correlates unfortunately translates into less than ideal results and high rates of exclusion.

The proxy means test results show that existing benefits could be targeted much better. A roadblock for means testing is that means testing (determining household income and wealth) is quite expensive even in countries with advanced tax reporting systems, and prohibitively expensive in Russia, where income disclosure is such a problem.

**ANNEX B. POVERTY ASSESSMENTS, COMPLETED AND SCHEDULED,
FISCAL 1989-2000**

	<i>Completed</i>		<i>Scheduled</i>	<i>Total</i>
	<i>FY89-98</i>	<i>FY99</i>	<i>FY2000</i>	
East Asia and the Pacific	12	0	4	16
Europe and Central Asia	12	6	6	24
Latin America and the Caribbean	25	3	1	29
Middle East and North Africa	5	1	2	8
South Asia	9	1	1	11
Sub-Saharan Africa	38	1	2	41
Total	101 ^a	12 ^b	16 ^c	129 ^d

a. Includes 86 first-round poverty assessments and 15 updates.

b. Includes 7 first-round poverty assessments and 5 updates.

c. Includes 7 first-round poverty assessments and 9 updates.

d. Includes 100 first-round poverty assessments and 29 updates.

Note: Poverty notes are not considered full-fledged poverty assessments because they do not provide complete coverage of the topics specified in the World Bank's Operational Directive on Poverty. Some country teams have chosen to prepare a poverty note instead of a full poverty assessment for reasons that include political constraints and data or resource limitations. While poverty notes do not contain the same level of comprehensive analysis as a full poverty assessment, they serve as a springboard for action and further analysis. Poverty notes have been completed for the following countries: Burkina Faso (fiscal 1997) and Central African Republic (fiscal 1998).

ANNEX C. POVERTY ASSESSMENTS, COMPLETED AND SCHEDULED (BY COUNTRY), FISCAL 1989-2000

East Asia and the Pacific	Latin America and the Caribbean	South Asia, contd.
<i>Completed (12)</i>	<i>Completed (28)</i>	Pakistan (update)* 1996
Philippines* 1989	Bolivia* 1990	India (update)* 1997
Indonesia 1991	Chile 1990	Bangladesh (update)* 1998
Malaysia 1991	Costa Rica 1991	India (update)* 1998
China* 1992	Ecuador 1991	Nepal (update)* 1999
Philippines (update) 1993	Mexico 1991	
Indonesia (update) 1994	Venezuela 1991	<i>Scheduled Updates (1)</i>
Fiji 1995	Paraguay 1992	India* 2000
Vietnam* 1995	Peru 1993	
Lao PDR* 1996	Uruguay 1993	Sub-Saharan Africa
Mongolia* 1996	El Salvador 1994	<i>Completed (39)</i>
Philippines (update) 1996	Guyana* 1994	Malawi* 1990
Thailand 1997	Jamaica 1994	Mozambique* 1991
	Paraguay (update) 1994	Ethiopia* 1993
<i>Scheduled (1)</i>	Argentina 1995	Ghana* 1993
Cambodia* 2000	Brazil 1995	The Gambia* 1993
	Colombia 1995	Mali* 1993
<i>Scheduled Updates (3)</i>	Dominican Republic 1995	Namibia 1993
China* 2000	Guatemala 1995	Sierra Leone* 1993
Philippines 2000	Honduras* 1995	Uganda* 1993
Vietnam* 2000	Nicaragua* 1995	Benin* 1994
	Bolivia (update)* 1996	Cape Verde* 1994
Europe and Central Asia	Ecuador (update) 1996	Guinea-Bissau* 1994
<i>Completed (18)</i>	Trinidad & Tobago 1996	Rwanda* 1994
Kyrgyz Republic* 1995	Costa Rica (update) 1997	Seychelles 1994
Poland 1995	Chile (update) 1998	Cameroon* 1995
Russia 1995	Haiti* 1999	Comoros* 1995
Armenia* 1996	Panama 1999	Ghana (update)* 1995
Belarus 1996	Peru (update) 1999	Kenya* 1995
Estonia 1996		Mauritania* 1995
Hungary 1996	<i>Scheduled Updates (1)</i>	Mauritius 1995
Ukraine 1996	Argentina 2000	Senegal* 1995
Albania* 1997		Zambia* 1995
Azerbaijan* 1997	Middle East and North Africa	Zimbabwe* 1995
Romania 1997	<i>Completed (6)</i>	Eritrea* 1996
Kazakhstan 1998	Egypt, Arab Republic of* 1992	Lesotho* 1996
Armenia (update)* 1999	Morocco 1994	Madagascar* 1996
Bulgaria 1999	Jordan 1995	Malawi (update)* 1996
Georgia* 1999	Tunisia 1996	Niger* 1996
Kyrgyz Republic (update)* 1999	Yemen, Republic of* 1996	Nigeria* 1996
FYR Macedonia* 1999	Algeria 1999	Tanzania* 1996
Russia (update) 1999		Togo* 1996
<i>Scheduled (5)</i>	<i>Scheduled Updates (2)</i>	Congo* 1997
Croatia 2000	Morocco 2000	Côte d'Ivoire* 1997
Latvia 2000	Yemen, Republic of* 2000	Gabon 1997
Moldova 2000		Guinea* 1997
Tajikistan 2000	South Asia	Chad* 1998
Turkey 2000	<i>Completed (10)</i>	Djibouti* 1998
<i>Scheduled Updates (1)</i>	Bangladesh* 1990	Rwanda (update)* 1998
Russia 2000	India* 1990	Burundi* 1999
	Nepal* 1991	
	Pakistan* 1991	<i>Scheduled (1)</i>
	Sri Lanka* 1995	Swaziland 2000
		<i>Scheduled Updates (1)</i>
		Ethiopia* 2000

Total Number of Assessments: Completed -- 113 Scheduled -- 7 Scheduled Updates -- 9 Grand Total -- 129

Notes: Assessments classified as completed are in gray or red cover, except for three assessments that were completed before *Operational Directive 4.15: Poverty Reduction* was issued. Schedule as of March 28, 2000. * IDA borrower.

In East Asia and the Pacific, poverty assessments are not scheduled for Myanmar, due to its inactive status, and the Pacific Island States, because of limited Bank support. In Korea, poverty is being monitored in the context of the structural adjustment loans, and no poverty assessment is formally scheduled because the Bank's support for Korea is in response to the crisis and is expected to be short-term. A poverty study for Papua New Guinea was completed in FY00. Poverty assessment updates are scheduled for Indonesia, Lao PDR, and Thailand in FY01.

In Europe and Central Asia, poverty assessments are not scheduled for the Czech Republic, Slovak Republic, and Slovenia, due to limited Bank support. An update for Hungary is scheduled for FY01. Poverty assessments are scheduled for Bosnia and Herzegovina, Lithuania, Turkmenistan, and Uzbekistan in FY02.

In Latin America and the Caribbean, poverty assessments are not scheduled for Suriname, due to its inactive status, and for the Organization of Eastern Caribbean States (OECS), due to limited Bank support. A poverty assessment update for Mexico is in green cover. Poverty assessment updates are scheduled for Colombia, Honduras, Nicaragua, and Uruguay in FY01.

In the Middle East and North Africa, poverty assessments are not scheduled for Iran and the Syrian Arab Republic due to limited Bank support. An update is being prepared for Jordan, which may be completed in FY00 or FY01.

In South Asia, poverty assessments are not scheduled for Afghanistan, due to its inactive status, and for Bhutan and Maldives, due to limited Bank support. An update for Sri Lanka is scheduled for FY01.

In Sub-Saharan Africa, poverty assessments are not scheduled for Botswana, Democratic Republic of Congo, Liberia, Somalia, and Sudan, due to their inactive status, and to Equatorial Guinea and Sao Tome and Principe, due to limited Bank support. A poverty assessment for South Africa, entitled "Poverty and Inequality," was completed in FY98 by the government. Poverty notes have been completed for Burkina Faso (FY97) and Central African Republic (FY98). Additional poverty notes/studies are under preparation for Burkina Faso, Cameroon, Ghana, Kenya, Madagascar, and Uganda.

ANNEX D. POVERTY ASSESSMENTS COMPLETED, FISCAL 1989-1999

Country	Report Title	Report No.
EAST ASIA AND THE PACIFIC		
China	Strategies for Reducing Poverty in the 1990s	10409-CHA
Fiji	Restoring Growth in a Changing Global Environment	13862-FIJ
Indonesia	Poverty Assessment and Strategy Report	8034-IND
Indonesia (update)	Public Expenditures, Prices and the Poor	11293-IND
Lao PDR	Social Development Assessment and Strategy	13992-LA
Malaysia	Growth, Poverty Alleviation and Improved Income Distribution in Malaysia	8667-MA
Mongolia	Poverty in a Transition Economy	15723-MOG
Philippines	The Philippines: The Challenge of Poverty	7144-PH
Philippines (update)	An Opening for Sustained Growth	11061-PH
Philippines (update)	A Strategy to Fight Poverty	14933-PH
Thailand	Growth, Poverty, and Income Distribution: An Economic Report	15689-TH
Vietnam	Poverty Assessment and Strategy	13442-VN
EUROPE AND CENTRAL ASIA		
Albania	Growing Out of Poverty	15698-ALB
Armenia	Confronting Poverty Issues	15693-AM
Armenia (update)	Assistance in Armenia	19385-AM
Azerbaijan	Poverty Assessment	15601-AZ
Belarus	An Assessment of Poverty and Prospects for Improved Living Standards	15380-BY
Bulgaria	Poverty during the Transition	18411
Estonia	Living Standards During the Transition	15647-EE
Georgia	Poverty and Income Distribution (2 volumes)	19348-GE
Hungary	Poverty and Social Transfers	14658-HU
Kazakhstan	Living Standards During the Transition	17520-KZ
Kyrgyz Republic	Poverty Assessment and Strategy	14380-KG
Kyrgyz Republic (update)	Update on Poverty in the Kyrgyz Republic	19425-KG
Macedonia, FYR	Focusing on the Poor (2 volumes)	19411-MK
Poland	Poverty in Poland	13051-POL
Romania	Poverty and Social Policy	16462-RO
Russia	Poverty in Russia: An Assessment	14110-RU
Russia (update)	Targeting and the Longer-Term Poor (2 volumes)	19377-RU
Ukraine	Poverty in Ukraine	15602-UA
LATIN AMERICA AND THE CARIBBEAN		
Argentina	Argentina's Poor: A Profile	13318-AR
Bolivia	Poverty Report	8643-BO
Bolivia (update)	Poverty Equity & Income: Selected Policies for Expanding Earning Oppor. for the Poor (2 vol.)	15272-BO
Brazil	Brazil: A Poverty Assessment (2 volumes)	14323-BR
Chile	Social Development Progress in Chile: Achievement and Challenges	8550-CH
Chile (update)	Poverty and Income Distribution in a High-Growth Economy: 1987-1995 (2 volumes)	16377-CH
Colombia	Poverty Assessment Report (2 volumes)	12673-CO
Costa Rica	Public Sector Social Spending	8519-CR
Costa Rica (update)	Identifying the Social Needs of the Poor: An Update	15449-CR

Country	Report Title	Report No.
Dominican Republic	Growth with Equity: An Agenda for Reform	13619-DO
Ecuador	A Social Sector Strategy for the Nineties	8935-EC
Ecuador (update)	Poverty Report	14533-EC
El Salvador	The Challenge of Poverty Alleviation	12315-ES
Guatemala	An Assessment of Poverty	12313-GU
Guyana	Strategies for Reducing Poverty	12861-GUA
Haiti	The Challenges of Poverty Reduction (2 volumes)	17242-HA
Honduras	Country Economic Memorandum/Poverty Assessment	13317-HO
Jamaica	A Strategy for Growth and Poverty Reduction	12702-JM
Mexico	Mexico in Transition: Towards a New Role for the Public Sector	8770-ME
Nicaragua	Poverty Assessment	14038-NI
Panama	Poverty Assessment: Priorities and Strategies for Poverty Reduction (2 volumes)	18801
Paraguay	Public Expenditure Review -- the Social Sectors	10193-PA
Paraguay (update)	Poverty and the Social Sectors in Paraguay: A Poverty Assessment	12293-PA
Peru	Poverty Assessment & Social Sector Policies & Programs for the Poor	11191-PE
Peru (update)	Poverty and Social Developments in Peru, 1994-1997	ISSN: 0253-2123
Trinidad and Tobago	Poverty and Unemployment in an Oil Based Economy	14382-TR
Uruguay	Poverty Assessment: Public Social Expenditures and Their Impact on the Income Distribution	9663-UR
Venezuela	From Generalized Subsidies to Targeted Programs	9114-VE
MIDDLE EAST AND NORTH AFRICA		
Algeria	Growth, Employment and Poverty Reduction (2 volumes)	18564
Egypt, Arab Republic of	Alleviating Poverty During Structural Adjustment	9838-EGT
Jordan	Poverty Assessment	12675-JO
Morocco	Poverty, Adjustment, and Growth	11918-MOR
Tunisia	Poverty Alleviation: Preserving Progress while Preparing for the Future (2 volumes)	13993-TUN
Yemen, Republic of	Poverty Assessment	15158-YEM
SOUTH ASIA		
Bangladesh	Bangladesh Poverty and Public Expenditures: An Evaluation of the Impact of Selected Government Progs.	7946-BD
Bangladesh	From Counting the Poor to Making the Poor Count	17534-BD
India	Poverty, Employment and Social Services	7617-IN
India (update)	Achievements and Challenges in Reducing Poverty	16483-IN
India (update)	Reducing Poverty in India	17881-IN
Nepal	Relieving Poverty in a Resource-Scarce Economy	8635-NEP
Nepal (update)	Poverty in Nepal: At the Turn of the Twenty-First Century	18639-NEP
Pakistan	A Profile of Poverty	8848-PAK
Pakistan (update)	Poverty Assessment	14397-PAK
Sri Lanka	Poverty Assessment	13431-CE
SUB-SAHARAN AFRICA		
Benin	Toward a Poverty Alleviation Strategy for Benin	12706-BEN
Burundi	Poverty Note: Prospects for Social Protection in a Crisis Economy	17909-BU
Cameroon	Diversity, Growth, and Poverty Reduction	13167-CM
Cape Verde	Poverty in Cape Verde: A Summary Assessment and a Strategy for its Alleviation	13126-CV
Chad	Poverty Assessment: Constraints to Rural Development	16567-CD

Country	Report Title	Report No.
Comoros	Poverty and Growth in a Traditional Small Island Economy	13401-COM
Congo	Poverty Assessment	16043-COB
Côte d'Ivoire	Poverty in Côte d'Ivoire: A Framework for Action	15640-IVC
Djibouti	Crossroads of the Horn of Africa Poverty Assessment	16543-DJI
Eritrea	Poverty Assessment	15595-ER
Ethiopia	Toward Poverty Alleviation and a Social Action Program	11306-ET
Gabon	Poverty in a Rent-Based Economy	16333-GA
The Gambia	An Assessment of Poverty	11941-GM
Ghana	2000 and Beyond: Setting the Stage for Accelerated Growth and Poverty Reduction	11486-GH
Ghana (update)	Ghana: Poverty Past, Present and Future	14504-GH
Guinea	A Socioeconomic Assessment of Well-Being and Poverty	16465-GUI
Guinea-Bissau	Poverty Assessment and Social Sector Strategy Review	13155-GUB
Kenya	Poverty Assessment	13152-KE
Lesotho	Poverty Assessment	13171-LSO
Madagascar	Poverty Assessment	14044-MAG
Malawi	Growth Through Poverty Reduction	8140-MAI
Malawi (update)	Human Resources and Poverty: Profile and Priorities for Action	15437-MAI
Mali	Assessment of Living Conditions	11842-MLI
Mauritania	Poverty Assessment	12182-MAU
Mauritius	CEM: Sharpening the Competitive Edge	13215-MAS
Mozambique	Poverty Reduction Framework Paper*	None
Namibia	Poverty Alleviation with Sustainable Growth	9510-NAM
Niger	A Resilient People in a Harsh Environment: Niger Poverty Assessment	15344-NIR
Nigeria	Poverty in the Midst of Plenty: The Challenge of Growth with Inclusion	14733-UNI
Rwanda	Poverty Reduction and Sustainable Growth	12465-RW
Rwanda (update)	Poverty Note: Rebuilding an Equitable Society—Poverty and Poverty Reduction After the Genocide	17792-RW
Senegal	An Assessment of Living Conditions (2 volumes)	12517-SE
Seychelles	Poverty in Paradise	12423-SEY
Sierra Leone	Policies for Sustained Economic Growth and Poverty Alleviation	11371-SL
Tanzania	The Challenge of Reforms: Growth, Incomes and Welfare	14982-TA
Togo	Overcoming the Crisis, Overcoming Poverty: A World Bank Poverty Assessment	15526-TO
Uganda	Growing Out of Poverty	11380-UG
Zambia	Poverty Assessment	12985-ZA
Zimbabwe	Achieving Shared Growth: Country Economic Memorandum (2 volumes)	13540-ZIM

* Document was prepared for consultative group meeting.

ANNEX E. PROGRAM OF TARGETED INTERVENTIONS, FISCAL 1999

Objectives of Projects in the Program of Targeted Interventions (PTI), Fiscal 1999

Lending to projects in the Program of Targeted Interventions (PTI) represent one of the many ways the Bank channels its resources to help reduce poverty and improve the living conditions of the poor in client countries. The Bank developed and began tracking PTI projects in FY92 to provide a measure of Bank resources that are targeted directly to the poor, or to areas with relatively higher incidence of poverty. While PTI data give only an indication of inputs that go to the poor, it can be used to complement other information on the processes and outcomes of Bank interventions on the lives of the poor. A project is included in the PTI if it has a specific mechanism for targeting the poor and/or if the proportion of poor people among its beneficiaries is significantly larger than the proportion of the poor in the total population.

Targeted projects are intended to reach specific groups of poor people, including those in less developed or low-income rural and urban areas, those lacking access to basic social services, landless farmers, migrants, refugees, unskilled workers, orphans, the disabled and other vulnerable groups, certain ethnic minorities, and groups with certain demographic characteristics such as gender, age (children under five), or health risks (diseases correlated with poverty such as stunting, cholera or AIDS). Some PTI projects are pioneering work in areas such as drug prevention, youth development, biodiversity conservation, cultural heritage, and community-based development initiatives, which are consistent with the renewed focus on human and social capital and people-oriented approaches to sustainable development. The emphasis of the Learning and Innovation Loans (LILs) is on experimentation, learning, and piloting in search of possible solutions, prior to larger-scale operations. A LIL also presents greater opportunities for intensive monitoring and evaluation in assessing progress so that modifications in implementation can be made along the way, and outcomes of project activities on the poor can be assessed upon completion. In addition, a review of a sample of FY99 projects show that PTI projects tend to be more comprehensive in incorporating elements for good project monitoring and evaluation including indicators (input, output,

and impact), targets, baseline surveys, and control groups.⁸³

Approximately US\$6.2 billion or about 49 percent of World Bank investment lending was channeled for direct poverty-targeted projects, compared with US\$6.7 billion or about 40 percent in FY98. Of the 216 Bank-approved investment projects in FY99, 111 were PTI operations. Table E-1 presents the Bank's funding for PTI projects over the last eight years. Between 92-99, the amount and share of IBRD and IDA lending to projects in the PTI have practically doubled. One noticeable exception in the trend was in FY97 when there was a decline in both the amount of overall Bank lending and the share of funds for PTI projects. In contrast, the big jump in the share of World Bank PTI lending in the past two consecutive fiscal years was due to the fact that there were relatively more PTI projects and relatively larger amounts of PTI lending for projects in the education, social protection, environment, and urban development sectors as compared with the previous two years. Over the same period, the amount of PTI lending also increased for all regions, with Sub-Saharan Africa and South Asia witnessing a slightly higher increase compared to the other regions. However, annual data for changes between FY98 and FY99 only show that the amount lent for PTI projects increased in the financial, transportation and urban development sectors relative to others, and that the increase was also relatively more evident for the East Asia and Pacific region. For IDA countries, PTI lending was 62 percent of FY99 investment lending which represents a significant increase over the level of the past several years (53 percent in FY97 and 54 percent in FY98).

The majority of PTI projects in FY99 was broadly targeted, as has been the case in the previous years. Broad targeting generally expands the provision of services, such as basic education and primary health care, to provide access to as many people as possible. However, it is the poor who benefit most from the extension of basic services since the better-off

83 See Rubio, G. and K. Subbarao. 1999. "Impact Evaluation in Bank Projects: A Comparison of Fiscal 1998 and 1999." Washington D.C.: World Bank (forthcoming).

generally already have access to these services. A much smaller number of PTI projects were narrowly targeted. Narrow targeting is used where poverty is relatively isolated, geographically concentrated, where the incidence and location of poverty is well understood, and where the government has the

capacity to implement targeted programs. Many PTI operations combined broad and narrow targeting and were mostly concerned with agriculture, education, population, health, and nutrition (PHN), and social protection.

Table E-1. Program of Targeted Interventions (PTIs), fiscal 1992-99

World Bank (IBRD and IDA) PTI lending								
Millions of dollars	3,836.4	4,673.8	4,440.5	5,436.7	5,408.1	4,090.0	6,733.3	6165.2
Percentage of investment lending ^b	25	27	25	32	32	29	40	49
Total number of projects in the PTI	57	72	63	75	79	77	101	111
Total number of projects	187	214	197	208	223	203	240	216
IDA PTI								
Millions of dollars	1,812.3	2,136.7	1,853.0	2,423.2	3,246.0	1,873.5	3,266.8	3032.6
Percentage of IDA investment lending ^b	44	41	43	54	63	53	54	62
Total number of IDA-funded projects in the PTI ^c	34	44	35	46	50	36	55	69

Note: A project is included in the PTI if it has a specific mechanism for targeting the poor and/or if the proportion of poor people among its beneficiaries is significantly larger than the proportion of the poor in the total population.

a. Fiscal 1992 figures differ from those in Implementing the World Bank's Strategy to Reduce Poverty (World Bank, 1993a) because they include seven projects that were added to the PTI after the earlier report went to press.

b. Investment lending includes all lending except for adjustment, debt and debt-service reduction operations, and emergency recovery loans, which are distinct from regular investment operations (see Annex G).

c. The number of IDA-funded projects in the PTI excludes joint IBRD/IDA projects, which are counted only once, as IBRD projects. There was one such PTI project in fiscal 1992, two in fiscal 1995, one in fiscal 1996, one in fiscal 1997, four in fiscal 1998, and eight in fiscal 1999.

Source: World Bank.

The following are the main issues addressed by projects in the Program of Targeted Interventions in FY99:

Raising agricultural productivity. Twenty-two projects in FY99 aim to increase agricultural productivity. The focus of these projects was on building and rehabilitating irrigation and rural roads, supporting on- and off-farm income generation, increasing access to rural finance, promoting agro-processing and farm product marketing, providing agricultural support services, managing the environment, securing land tenure rights, and strengthening agricultural institutions.

The projects funded in FY99 illustrate the different methods used to increase productivity. The China Western Poverty Reduction Project (IBRD/IDA) will provide improved agricultural and livestock technology packages including seeds, fertilizer, breeding and fattening stock to farmers in remote and inaccessible villages where poor soil quality, harsh agro-ecological conditions, and lack of productivity-enhancing farm inputs have perpetuated food and income insecurity. Complementary improvements in

terrace irrigation and rural infrastructure will reduce soil erosion, improve water conservation and increase access to markets. Credit will also be available to household-based rural enterprises for construction of food and fiber processing facilities. A social assessment including a participatory poverty assessment which was done prior to project implementation will help to promote stakeholder participation and better understand the needs and priorities of the beneficiary population. In Azerbaijan, to overcome the lack of capital to finance necessary inputs to new private farms which is one of the most important impediments to growth in the agricultural sector, a bold and novel approach to rural finance will be supported by the Agricultural Development and Credit Project (IDA). Local institutions consisting of approximately 80 credit cooperatives and 200 groups of jointly liable borrowers will be created to intermediate credit and savings services to the rural sector. The project will help organize these groups of owner-clients and help individuals within these groups obtain sub-loans on the basis of their joint liability. A land registration system will also be developed to facilitate the distribution of land titles in the farm privatization

process. The Agricultural Productivity Improvement Project in Mexico (IBRD) will target its activities to groups of eligible beneficiaries including indigenous people, women and rural youth living in areas with the largest concentration of small and poor farmers. Productive investments in demand-driven sub-projects, small irrigation development, improved pasture establishment, other agricultural support services as well as assistance in technology transfer and extension are expected to increase productivity by 25 percent in target farming systems. The Agricultural Extension and Research Programs Support Project (IDA) in Cameroon will help build the capacity of institutions involved in agricultural extension services and research to promote the productivity and incomes of small resource-poor farmers and food crop producers, eighty percent of whom are women. This project will help strengthen farmers' associations and develop their commercial linkages with agricultural merchants and suppliers. Women farmers will be targeted by special efforts to identify technology relevant to their needs during on-farm diagnosis, by increasing their participation in extension contact groups (from 35 percent to 50 percent over four years), and by increasing the recruitment of female extension staff. A village-based participatory community development pilot will test an approach that provides villagers with a platform to determine their own development priorities and actions.

Developing human capital. Thirty-three PTI operations in FY99 will develop human capital, including increasing access to or improving the quality of primary and preventive health care, nutrition, and basic education. Health and population projects will provide packages of basic health and family planning services, and support disease prevention, including epidemic diseases like malaria and sexually transmitted diseases especially HIV/AIDs, and immunization programs. The education projects will expand the access to schooling for girls and indigenous groups, improve female literacy, implement early childhood development programs, support training of primary and secondary school teachers, provide school materials, construct educational facilities, and develop skills in the informal sector.

In supporting the government's goal to provide access to basic health care services to all Ethiopians by 2017, the Health Sector Development Program Project (IDA) will increase health care coverage, equity and efficiency, particularly for people living in

the rural, hard to reach areas as well as mothers and children, by focusing on the expansion of health facilities at the community level. The construction of over 200 new primary health care units will expand coverage of modern health services to about 5 million people. Key interventions including immunization, treatment and control of basic infectious diseases, and programs addressing common nutritional disorders, environmental health and hygiene and reproductive health care are expected to increase life expectancy and decrease infant and maternal mortality rates, which are being monitored throughout the project cycle. The Second National HIV/AIDs Control Project (IDA) in India will target groups at high risk of infection such as commercial sex workers, drug users, migrant workers, and sexually transmitted clinic attendees for treatment, as well as increase awareness and preventive interventions for the general public. A Learning and Innovation Loan in Argentina, the Integrated Drug Prevention Pilot Project (IBRD), will target youth groups from the poorest households in educational campaigns and will support local solutions to drug use and train community leaders in drug prevention and communication. In China, The Health Nine Project (IBRD/IDA) will establish a poverty relief fund to develop and implement a program of medical financial assistance which will defray the costs of health care for the very poor. A basic mother and child health package will include systematic prenatal care, obstetric care, effective management of childhood illness and malnutrition, and improved well-child and newborn care.

In recognizing the inequities of access to and quality of educational services, The Lesotho Second Education Sector Development Project (IDA) will adopt a targeted approach to reach the poorest groups living in isolated and impoverished regions, and support the government's program to achieve universal primary education and at least 40 percent secondary net enrollment by 2011. Priority will be given to building approximately 80 classrooms at 33 inaccessible schools and initiating an innovative pilot program (to be designed and implemented based on a participatory needs survey) which will target poor children, including herd boys, to enable them to gain access to secondary schools. In Nepal, the Basic and Primary Education Project (IDA) will strengthen institutional capacity at national, district and school levels to deliver education services more efficiently and equitably. To improve teaching and learning processes, the project will review curriculum content, increase textbook availability through a new voucher

system, develop materials in local languages, and provide recurrent training for all teachers. Incentives will be targeted at the most disadvantaged families, including scholarships to needy girls, free textbooks to all girls in grades 4 and 5 (while only boys living in 18 remote districts will be eligible), hostel accommodation for secondary school girls from areas with serious shortages of female teachers, and an innovation fund for activities that promote girls' participation in primary schools. Two Learning and Innovation Loans, one in Colombia, the Youth Development Project (IBRD) will test and evaluate alternative approaches to developing and delivering services and providing activities for low-income youth aged 10-15 affected by rising levels of violence and drug addiction; and the Social Protection Initiatives Project (IDA) in Egypt will support nursery-based services and outreach services for disabled children and their families, and assistance programs for youth at risk and street children to help in their re-integration into school or the formal labor market.

Urban development, water supply and sanitation. In the urban development and the water supply and sanitation sectors, 14 projects in FY99 will improve living conditions of poor people by increasing access to basic infrastructure. These projects will develop urban communities, construct and rehabilitate water, sewerage, flood control, and drainage systems. The Urban Poverty Project (IDA) in Indonesia will fund sustainable income-generating activities and provide grants for basic infrastructure works and related employment in poor urban communities to help them overcome poverty and to improve the capability of local agencies to assist them. The project aims to help the poorest neighborhoods in urban areas by relying on self-targeting mechanisms (e.g. setting wages at the local minimum for public works, and payment per output not input), community group review and selection of sub-projects, and restricting credit eligibility to only households with incomes of less than Rp 250,000 per month. Possible activities include urban agriculture, community-based housing, and programs for children and youth. In Yemen, the Second Public Works Project (IDA) will finance about 900 community infrastructure subprojects in areas with above-average unemployment rates, for the construction and rehabilitation of rural and urban water supply and sanitation systems, rural roads, schools and health centers. About half of the funding for subprojects will be specifically targeted to poor and remote governorates based on poverty measures, including those from the latest poverty assessment.

In addition to their contribution in cash or kind to the costs of subprojects, community participation will be mandatory for developing subprojects, including prioritization, preparation, design and implementation. Approximately 95,000 person-months of employment will be created, and more than half of the new jobs will be for unskilled workers. The Venezuela Caracas Slum-Upgrading project (IBRD) will improve the quality of life for about 184,000 inhabitants living in informal settlements by developing and implementing a community-driven infrastructure improvement program. Priorities including safer neighborhoods, improved water distribution and sewerage systems were identified in a social assessment conducted during project preparation. The project will also pilot a housing improvement loan fund for low-income individuals and provide inhabitants with formal property titles.

Social Protection. Twenty operations in FY99 support measures to protect the poor and vulnerable groups through social funds or some type of safety net measure (e.g. nutrition and immunization programs, unemployment benefits, retraining schemes, and reform of the social protection system). Social action funds generally support community-level microprojects aimed at increasing access to basic education and health, safe water, irrigation facilities, and rural roads. Safety net measures are typically short-term measures designed to protect vulnerable groups during periods of economic adjustment or to provide assistance to those unable to work. The Social Fund II Project (IDA) in Cambodia will provide financing for small-scale, community-based social and economic infrastructure sub-projects (e.g. health clinics, schools, water supply, rural bridges, small irrigation works), using an improved poverty targeting map to target the poor. Through increased community control over sub-project resources and implementation, community self help and local management capacities will be strengthened. Sub-project eligibility rules requiring high labor content in project design will help create short-term employment opportunities for the unemployed and returning soldiers and refugees. In Ghana, the Community-Based Poverty Reduction Project (IDA) will improve the health and nutrition of poor pre-school children as well as pregnant and lactating mothers. New nutrition centers will be built, and equipment (weighing and measurement) will be provided in order to strengthen nutrition practices and improve food security. The project will also develop and test packages of support measures

and delivery mechanisms to help street children in urban areas obtain employable skills, places in schools, and health education. The Regional Initiatives Fund Project (IBRD) in Bulgaria will finance about 100 microprojects identified by municipalities, generating an estimated 280,000 employee days of labor. A minimum of 20 of these projects will be designed to create labor demand specifically for women and disadvantaged ethnic minority groups. In Macedonia, FYR, a Social Support Project (IDA) will provide temporary income support (e.g. severance, unemployment benefits, and social assistance) and labor redeployment services for workers displaced by enterprise bankruptcy and labor restructuring of Majority State Owned Enterprises, and the economic disruption caused by the Kosovo conflict. It will also evaluate alternative means for targeting social protection to the most vulnerable groups and strengthen the government's Poverty Monitoring Group by improving the capacity to update poverty lines and conduct distributional analysis.

Other PTI areas. The PTI also includes projects in other areas such as transport, environment, public sector management, and finance.

The Second Transport Sector Project (IDA) in Senegal will employ about 13,000 unskilled workers annually on various project works (roads, railways, civil aviation, and ports). The rural roads component is expected to increase the poor's access to markets and social services, and reduce travel time and transport costs. Infrastructure rehabilitation and network expansion will improve safety and employment opportunities for low-income groups. In Peru, an Urban Property Rights Project (IBRD) will strengthen organizations responsible for implementing a national program for formalizing rights to real property (issuing and registering titles) in selected, predominantly poor urban settlements. This will be accomplished through legal and institutional improvements, training, and the development of long-term strategies. The Sichuan Urban Environment Project (IBRD/IDA) in China will foster a cleaner environment by reducing pollution from urban wastewater and industry, thereby improving ambient water quality. In safeguarding the environment and public health, and expanding basic urban services, the project will provide a sustainable and equitable basis for underpinning economic development of the lower income and underserved target groups. The Poverty Alleviation Fund Project (IDA) in Pakistan has built-

in mechanisms (including eligibility criteria) that will extend loans to partner organizations for on-lending to the poor, women, people living in disadvantaged communities, and communities with high unemployment/underemployment. The funds will primarily be used for agricultural inputs, livestock, trade, and setting up small shops so as to establish a permanent income base.

Community Participation and Decentralization. Many PTI projects in FY99 involved local organizations and communities in their preparation and implementation, as well as invested in building capacity. Local participation not only ensures that priorities and concerns of beneficiaries are taken into account, but also fosters ownership of activities and develops capacity for self-management. Community participatory processes were used in the design and implementation of many projects cited above, particularly in the selection of subprojects within the context of social funds, village or area development, rural finance, or public works initiatives. Other examples include a Social Investment Fund Project (IDA) in Moldova where the focus will be on building local community capacity (by strengthening their capacities to make decisions, organize, and manage) and empowerment while improving rural social and economic services, especially for the poor. The program will target community groups, local NGOs, local contractors and local government, with the objective to build skills and relationships, and foster new community-government partnerships in the management of social and economic infrastructure. In Guinea, a Village Communities Support Program (IDA) will rationalize and operationalize the regulatory and institutional environment for local development, including streamlining the legal framework and establishing effective fiscal and financial decentralization. Training will be provided to strengthen the capacity of key ministries, governmental institutions and regional authorities to support the decentralization process. To improve local governance and the capacity of local elected officials and communities to promote a participatory and equitable local development, outreach, training, exchange and networking activities will be undertaken to strengthen their capacity to conceive, plan, prepare and implement subprojects. Emphasis will be on a broader representation of previously under-represented groups such as women, youth, migrants and the poor, to give them a voice in local affairs.

Monitoring and Evaluation.

Effective monitoring and evaluation in project design and implementation which systematically document project lessons can help assess progress, inform remedial actions during implementation, and determine the project's impact on beneficiaries upon completion. Both quantitative and participatory methods are needed to monitor changes and assess the impact of Bank projects on poverty. Some FY99 PTI projects have included elements for good project monitoring and evaluation including indicators (input, output, and impact), targets, baseline surveys, and control groups. The Reconstruction and Local Development Project (IBRD) in Guatemala sets out a detailed project monitoring and evaluation system that includes process and outcome indicators, as well as poverty impact indicators with an established baseline and control group. A random sample survey of representative subproject types will be conducted to measure the impact of investments on key socio-economic indicators such as income generation, health, education, and migration. A participatory social assessment, including problem diagnosis and needs assessment will be conducted at the beginning, and an ex-post evaluation based on subproject samples and beneficiary assessments will be undertaken annually. A Learning and Innovation Loan (LIL) in Azerbaijan, the Education Reform Project (IDA), includes a set of key performance indicators and a strong but flexible monitoring and evaluation system that will help the project management develop additional indicators as deemed appropriate during implementation as well as determine project impact on beneficiaries. A social assessment combining household surveys, key informant interviews and focus groups will provide baseline information. In Malawi, another LIL, the Population and Family Planning Project (IDA) will evaluate the success of project activities based on a set of key input, output, and outcome indicators and targets. Baseline values for some indicators will be determined through the project baseline survey.

Table E-2 shows the share of PTI lending to total investment lending by sectors over the last eight

years. Three-year averages have been calculated to smooth out year-to-year fluctuations, which are normal occurrences.

As indicated in Table E-2, a large majority of both IDA and IBRD projects in the PHN and social protection sectors (and to a lesser degree, the education and urban development sectors) belongs in the PTI. For total World Bank lending the average share of PTI lending in the education and water supply and sanitation sectors has declined over the period FY92-99. The share of PTI lending in the PHN has remained steady, and PTI lending in the social protection, agriculture, and urban development sectors has increased (see Table E-2). Over the period FY92-99, the average share of IDA PTI lending in total investment lending has increase in agriculture, social protection and urban development; and to a lesser degree, in the education and PHN sectors. It has fluctuated in the water supply and sanitation sector, with a noticeable decline in the last four years.

Table E-3 shows the regional variation in the Bank's funding for PTI projects. Table E-4 briefly describes why specific FY99 projects were included in the PTI.

Although projects in the PTI obviously seek to benefit the poor, non-PTI investment projects may also contain provisions to help reduce poverty. For example, the Jordan Amman Water Supply and Sanitation Project (IBRD), though not poverty-targeted, will extend access to reliable piped water supply and wastewater collection services to low-income households at prices lower than the present prices charged by vendors. By increasing the capacity and improving operating conditions of major road corridors in Hanoi, the Vietnam Urban Transport Improvement Project (IDA) will benefit the poor (over 50 percent of the low-income population in Hanoi live in the project areas), as well as cyclists, often from the low-income group, who use the project corridors.

Table E-2. Program of Targeted Interventions (PTIs) by sector, fiscal 1992-1999

Sector	FY92-94	FY93-95	FY94-96	FY95-97	FY96-98	FY97-99
PTI lending as percentage of total investment lending^a (IDA and IBRD)						
Agriculture	28	32	42	49	47	50
Education	72	67	63	56	62	60
Population, health, and nutrition (PHN)	79	84	76	78	78	81
Social protection	84	96	87	89	90	97
Urban development	37	37	27	28	38	62
Water supply and sanitation	44	38	31	24	35	33
Other sectors	6	6	8	10	10	15
IDA PTI lending as percentage of IDA investment lending^a						
Agriculture	46	44	54	61	61	58
Education	76	84	92	89	88	78
Population, health, and nutrition (PHN)	87	89	94	94	95	95
Social protection	72	88	93	95	98	94
Urban development	29	25	34	47	64	78
Water supply and sanitation	57	48	59	45	27	26
Other sectors	12	11	12	17	16	26

Note: Figures differ from those in earlier reports because of recent sector reclassification of operations.

a. Investment lending includes all lending except for adjustment, debt and debt-service reduction operations, and emergency recovery loans, which are distinct from regular investment operations in objective and format.

Source: World Bank.

Table E-3. Program of Targeted Interventions (PTIs) lending by region, fiscal 1999

Lending	Sub-Saharan Africa	East Asia and the Pacific	Europe and Central Asia	Latin America and the Caribbean	Middle East and North Africa	South Asia	Total
Total PTI lending							
Millions of dollars	846.6	1,589.5	255.0	1,809.8	268.0	1,396.3	6,165.2
Percentage of investment lending	65	40	17	63	30	69	49
Total number of PTI projects	33	19	18	22	7	12	111
IDA PTI lending							
Millions of dollars	841.6	574.9	147.5	132.3	130.0	1,206.3	3,032.6
Percentage of all PTI lending	99	36	58	7	49	86	49
Percentage of IDA investment lending	65	60	42	45	39	75	62
Total number of IDA-funded projects in the PTI ^a	32	7	11	5	4	10	69

Note: a. The number of IDA-funded projects in the PTI excludes joint IBRD/IDA projects, which are counted only once, as IBRD projects. There was one such PTI project in fiscal 1992, two in fiscal 1995, one in fiscal 1996, one in fiscal 1997, four in fiscal 1998, and eight in fiscal 1999.

Source: World Bank.

Table E-4. Program of Targeted Interventions, fiscal 1999

<i>Country and Project</i>	<i>Reason(s) for inclusion</i>
East Asia and the Pacific	
<i>Cambodia</i>	
Northeast Village Development Project (IDA: US\$5 m.)	To increase agricultural production and, thus, boost the level of income of about 10,000 poor rural households, irrigation systems will be rehabilitated and technical advice and information will be provided in crop, tree crops, and livestock development, and in fish farming. Community participatory processes will be used in the selection of subprojects to receive grants for dikes for irrigation, bridges, and tracks that will ease transport constraints. [b]
Road Rehabilitation Project (IDA: US\$45.3 m.)	The project will reopen a large agricultural area north of Tonle Sap, where insurgency and severe road deterioration have constrained production. Roads, including urban roads in Phnom Penh and Sihanoukville will be rehabilitated, and bridges, including historical bridges, will be restored. Small farmers and the rural poor will benefit from improved access to major domestic and international markets and to agricultural supplies. The delivery of social services will also be facilitated. [b]
Social Fund II Project (IDA: US\$25 m.)	Building on the first Social Fund Project, this credit will allocate subproject resources based on an improved poverty targeting map, using more recent poverty analysis than was available for the first project to target the poor who live overwhelmingly in rural areas. Demand-driven subprojects in health (e.g., clinics and district hospitals), education (e.g., schools and training centers) and agricultural development (e.g., small-scale irrigation works) will help strengthen communities and local governments. Subproject eligibility rules require high labor content, which will generate short-term employment opportunities to help absorb the unemployed and returning soldiers and refugees. [b]
<i>China</i>	
Fourth Rural Water and Sanitation Project (IBRD: US\$16 m., IDA: US\$30 m.)	The project will give access to safe, conveniently located water supply to 3.1 million rural poor people in Anhui, Fujian, Guizhou, and Hainan provinces, and improve water and sanitation practices. Hand pumps and rain catchment systems will be provided in poor villages, and water system managers and operators will receive training. Demonstration programs and health education messages aimed at expanding the adoption of improved sanitation and hygiene practices will be prepared and disseminated. [b]
Ninth Health Project (IBRD: US\$10 m., IDA: US\$50 m.)	Health care in the poorest areas of China will be improved, and the prevention and control of communicable diseases, including AIDS, will be reinforced. Health facilities will be rehabilitated, clinical protocols will be developed and disseminated, equipment will be provided, and culturally appropriate health education materials will be produced. Financial assistance will also cover part of the costs of health services for poor women and children. The project will directly benefit about one million mothers and their newborns in 113 of China's poorest counties. The implementation of innovative and cost-effective programs designed to prevent and control HIV/AIDS/STDs will benefit about 94 million people in four provinces. The project will also finance mass media campaigns, study tours, and behavior change interventions. [a,b]
Second Loess Plateau Watershed Rehabilitation Project (IBRD: US\$100 m., IDA: US\$50 m.)	To increase agricultural production of poor villagers, about 89,000 ha of the Loess Plateau slopelands will be converted to wide, level terraces. The construction or rehabilitation of dams will improve soil and water regime, giving farmers the opportunity to plant a wider range of crops with much higher yields. Trees and grass will be planted on about 340,000 ha, increasing

<i>Country and Project</i>	<i>Reason(s) for inclusion</i>
	vegetation cover and erosion control capacity, and providing farmers with an important cash alternative to raising sheep and goats. Fruit and nut-bearing trees will also be planted and the marketing of fruit will be enhanced through investments in fruit storage. [b]
Sichuan Urban Environment (IBRD: US\$150 m., IDA: US\$2 m.)	The renovation and construction of new wastewater treatment facilities and water provision systems along the Tuo and Min River basins will reduce the prevalence of pollution-related diseases and illnesses, and diminish the negative effects of pollution on agricultural productivity downstream. The urban poor in Sichuan province, which is one of the poorest in China, will benefit from the increased availability of basic water and wastewater services, which will be priced to ensure their affordability to the lowest 10 percent of the income distribution. [b]
Western Poverty Reduction (IBRD: US\$60 m., IDA: US\$100 m.)	This project will help reduce the incidence of absolute poverty in remote villages of Gansu, Qinghai Provinces and Inner Mongolia Autonomous Region where poor soil quality, harsh agro-ecological conditions, and the lack of productivity-enhancing farm inputs perpetuate food and income insecurity among the poor. The provision of improved agricultural and livestock packages—including seeds, fertilizer, and fattening stock—to farmers will enable them to achieve greater food security while maximizing their cash incomes. Complementary improvements in terrace irrigation and rural infrastructure will reduce soil erosion, and enable farmers to increase crop yields and market their products with lower transport costs. The project will stimulate rural labor demand by providing credit to household-based food and fiber processing enterprises, and by financing various labor mobility programs in high unemployment areas. [b]
<i>Indonesia</i> Early Child Development Project (IBRD: US\$21.5 m.)	Food supplements (rehydration tablets, iron, iodine and vitamin A) and immunization against diseases (tetanus, tuberculosis, typhoid, diphtheria, polio, and measles) will be provided for infants 6-24 months old in 12 poor districts of West Java, South Sulawesi and Bali. The project will also address the development needs of children between the ages of 0 and 6 in poor provinces by training mothers on how to facilitate intellectual and social development. Pre-school education for children aged 4 to 6 will be improved through the provision of educational materials, toys, and the rehabilitation of about 110 kindergarten classrooms. [a,b]
Fifth Health Project (IBRD: US\$44.7 m.)	The health status of the rural populations as well as low-income residents of urban areas in the districts of Central Kalimantan, Central Java, and Southern Sulawesi, with a combined population of 39 million will be improved through better service delivery. The poor will especially benefit from a more equitable geographical distribution of health professionals, and from higher quality of care, resulting from improved training of doctors, nurses, and midwives. [b]
Sulawesi and Eastern Islands Basic Education Project (IBRD: US\$47.9 m., IDA: US\$15.9 m.)	The project aims to mitigate the impact of the economic crisis by ensuring that children remain in schools, and preventing the quality of the educational system from deteriorating. Because higher food and transport prices and increased unemployment have put a large additional burden on poor households, the project will implement a school fee relief program and provide scholarships to 600,000 poor primary and 140,000 poor junior secondary school children. Approximately half of the recipients of the junior secondary school scholarships will be girls. Grants will help rehabilitate 4,000

<i>Country and Project</i>	<i>Reason(s) for inclusion</i>
	primary and 700 junior secondary schools. Mechanisms will be in place to ensure that schools can meet essential operational and maintenance costs, and realize efficiency gains wherever possible. [b]
Sumatera Basic Education Project (IBRD: US\$54.5 m., IDA: US\$20.1 m.)	In supporting the national scholarship and special assistance fund program, the project will fund scholarships for some of the poorest primary and junior secondary school students. Grants for rehabilitation and maintenance will be provided to the primary junior secondary schools serving the poorest communities, and teachers will be trained. [b]
Urban Poverty Project (IDA: US\$100 m.)	About 12 million poor people will benefit from demand-driven improvements in basic infrastructure and support for income-generating activities. Group proposals will be solicited from community groups for projects in urban agriculture, equipment purchases (such as sewing machines and computers), programs for children and youth, community-based housing, and family planning education. [b]
<i>Lao People's Democratic Republic</i> District Upland Development and Conservation Project (IDA: US\$2 m.)	The project will encourage the adoption of more intensified agricultural practices as a means to improve the livelihood of poor indigenous communities while conserving biodiversity. Demonstration trials in three pilot villages will focus on the development of stable, permanent, and more productive farming systems including improved wet rice cultivation, improved home gardens, and planting of perennial crops. To raise the awareness and support for biodiversity conservation and sustainable use of natural resources, National Biodiversity Conservation Area (NBCA) staff and community awareness volunteers will be trained, and conservation education and extension materials will be disseminated. [b]
Provincial Infrastructure Project (IDA: US\$27.8 m.)	By rehabilitating and upgrading basic infrastructure in the remote northern Provinces of Oudomxay and Phongsaly, the project will help reduce poverty and improve the socioeconomic potential of the poor. The rehabilitation of roads and the construction of river crossings will improve physical access, and the provision of safe water in townships and rural areas will help meet basic health and hygiene needs and reduce time spent seeking water. Community user groups will be formed to manage and maintain the facilities. [b]
<i>Malaysia</i> Social Sector Support Project (IBRD: US\$60 m.)	In response to the adverse impact of the economic crisis on the rural poor in Malaysia, this project will support (a) financing to about 60 villages with the highest incidence of hardcore poverty for infrastructure investments and social services, (b) investments in early childhood education targeted at pre-school children in 66 poverty districts by building new centers and facilities (c) social assistance for disadvantaged groups including orphans, the elderly and abused women by providing shelters, counseling, and training of care takers, and (d) conducting household income surveys, participatory, beneficiary, and impact assessments of selected anti-poverty programs. [a,b]
<i>Philippines</i> Third Rural Finance Project (IBRD: US\$150 m.)	Increased lending to small and medium enterprises in rural areas will stimulate job creation and labor demand, helping to insulate the rural economy from the effects of the financial crisis. A Countryside Loan Fund will be created, which will provide loans to over 700 rural enterprises and be targeted to businesses that are too small to receive regular commercial

<i>Country and Project</i>	<i>Reason(s) for inclusion</i>
<i>Thailand</i> Social Investment Project (IBRD: US\$300 m.)	<p>finance. A Micro-Finance Loan Fund, which will operate through rural banks and financial cooperatives, will provide working capital and small capital investment finance to micro-enterprises in rural areas involved in small-scale activities including animal rearing, handicrafts, and manufacturing of garments. Women are expected to benefit disproportionately from increased availability of funds. [b]</p> <p>In order to help the poor cope with the recent economic crisis, existing government programs aimed at providing jobs and priority basic social services to the poor and unemployed will be expanded. These programs include a low-income health care scheme, which will enable unemployed persons to gain access to health services; a vocational training program for 10,000 disadvantaged women and disabled persons; and the construction of small village roads in 75 provinces. A Social Investment Fund will finance small-scale development projects in various sectors, which will improve the access of the poor and unemployed to basic social and economic infrastructure, and promote community-based social service delivery. In order to ensure that the poor benefit disproportionately from financed projects, two targeting mechanisms will be used: (a) geographic targeting based on population numbers, the incidence of poverty and the unemployment rate; and (b) self-targeting mechanisms through the support for services that are utilized by the poor. [a,b]</p>
<i>Vietnam</i> Mekong Delta Water Resources Project (IDA: US\$101.8 m.)	<p>Improvements in water resource infrastructure in five subproject areas covering 535,000 ha in the Mekong Delta in Vietnam will help boost cropping intensity and farm incomes, and create off-farm employment opportunities in rural areas. The project will finance the expansion of existing main canals and the construction of additional secondary canals to increase water delivery capacity for irrigation and drainage. Sluice gates will be inserted into canals serving agricultural areas in order to prevent salinity intrusions on farms. Improvements in water irrigation infrastructure will enable farmers to increase the proportion of triple- and double-cropped land area, and to grow an additional crop during the dry season. Agricultural intensification will not only benefit smallholder farmers, but will help landless laborers and tenants by increasing on-farm labor demand and off-farm employment opportunities in food marketing, processing, and distribution. [b]</p>
Europe and Central Asia <i>Albania</i> Community Works Project (IDA: US\$9 m.)	<p>The project will finance an estimated 260 infrastructure subprojects. Based on the priorities of the communities, the list of subprojects is likely to include the rehabilitation of roads, water supply schemes, markets, and construction of health centers, schools, and daycare facilities. The poor will benefit from increased employment opportunities and better quality of life from increased access to clean water and basic services. [b]</p>
Microcredit Project (IDA: US\$12 m.)	<p>The provision of financial services to small farmers, micro-entrepreneurs, and the unemployed will be improved, thereby enabling productive investments that will generate income and employment. In rural areas, the project will support the establishment of a network of private Savings and Credit Associations (SCAS), with provisions for staff training, lines of credit, and investment options for surplus savings. In urban areas, private micro-credit institutions will be set up, and a line of credit will be funded. [b]</p>

<i>Country and Project</i>	<i>Reason(s) for inclusion</i>
<i>Azerbaijan</i> Agricultural Development and Credit (IDA: US\$30 m.)	To meet the capital needs of farmers and small rural entrepreneurs, many of whom are poor, this credit will support the creation of rural financial intermediary institutions, including 80 credit cooperatives and 200 groups of borrowers, who will be jointly liable. Smallholder farmers will benefit from a new land registration program with increased land tenure security and possible use of land as collateral. The introduction of training programs for agricultural extension specialists and smallholders on farm technologies and management practices will help boost crop yields and farm incomes. [b]
Education Reform Project (IDA: US\$5 m.)	The credit will support curriculum development and improve teacher training. In some of the poorest regions, 20 pilot schools will receive teaching materials, including textbooks and supplies, equipment, and training will be provided to both teachers and administrators. [b]
Pilot Reconstruction Project (IDA: US\$20 m.)	The project will finance the first phase of a program designed to facilitate the repatriation, through voluntary resettlement, of about 20,000 individuals who have been "internally displaced" (IDPs) as a result of the conflict over Nagorno-Karabakh, and who are among the poorest. Assistance to privatization of agriculture will create employment for an estimated 7,000 people and increase the incomes of about 3,600 farm families. An additional 13,400 farm families will benefit from improved water supply, land registration and other support services. In addition, a micro-credit and small grants program will foster the development of small businesses. [a]
<i>Bosnia and Herzegovina</i> Basic Health Project (IDA: US\$10 m.)	To improve public health and disease control, the project will support institution building and the planning and implementation of interventions for the prevention and control of diseases. The project will focus on the delivery of primary health care to the most economically and epidemiologically vulnerable by introducing rigorous standards and professionalism into the management of the health system, and by fostering a coordinated approach to investments in the most essential health services. [b]
<i>Bulgaria</i> Regional Initiatives Fund Project (IBRD: US\$5 m.)	In financing 100 micro-projects identified by municipalities, the project will improve the living conditions of the poor and generate an estimated 280,000 employee days of labor. A minimum of 20 micro-projects will be targeted specifically to create labor market demand for women and disadvantaged ethnic minority groups. Civil works will rehabilitate and expand essential municipal services such as water supply and sanitation and solid waste management. Productive micro-projects such as irrigation works, agro-processing activities, collective industries, handicrafts, soil recovery, renewable forestry production, and post-production activities will be financed through grants. [b]
<i>Georgia</i> Structural Reform Support Project. (IDA: US\$16.5 m.)	It has been found that one of the major causes of families slipping into poverty is that their level of out-of-pocket spending on health care has reached unprecedented levels (87 percent of total health spending comes from patients themselves). This project will support ongoing reforms by improving tax collection systems to raise additional resources and restructuring hospitals to improve efficiency. To reduce leakage in the social benefits delivery, support will be provided to the ongoing Survey of Georgian Households, which provides a tool for monitoring living standards, poverty, and inequality. Greater dissemination of poverty monitoring results and a beneficiary assessment will also be undertaken. [b]

<i>Country and Project</i>	<i>Reason(s) for inclusion</i>
<i>Kyrgyz Republic</i> Second Rural Finance Project (IDA: US\$15 m.)	Following the first rural finance project, this project will continue to strengthen the rural financial system and expand the agricultural lending base and clientele, who make up 75 percent of the poor in the country. A credit line will be provided to commercial banks to on-lend for working capital and investment. Funding will be provided for subprojects to develop agricultural production, processing, storage, packing, marketing facilities, and other rural income-generating activities. [b]
<i>Latvia</i> Education Improvement Project (IBRD: US\$31.1 m.)	The dramatic rise in the price of energy following the collapse of the Soviet Union has driven up the operational cost of school facilities. Heating and lighting systems will be renovated, and essential repairs will be financed in about 120 schools in disadvantaged rural and urban areas. The project will also revise curriculum and standards, and develop criterion-tests to monitor the achievements of students. [b]
Rural Development Project (IBRD: US\$10.5 m.)	This project will provide a credit line at prevailing market interest rates and commercial terms to finance commercially viable and bankable projects in rural areas, where poverty and living standards are worsening. Subprojects will help develop agricultural production, processing, storage, packing, marketing, and other related agricultural and forestry service, as well as rural commercial activities such as small cafes, kiosks, and hair salons. Rural enterprises located in “depressed areas” will get priority, and criteria for eligible beneficiaries include small farmers with less than 10 ha or 10 heads of cattle. [a,b]
<i>Macedonia, FYR</i> Social Support Project (IDA: US\$10 m.)	The project aims to mitigate the negative social and economic impact of bankruptcy and labor restructuring of Majority State Owned Enterprises (MSOES) and the emergency economic disruption caused by the conflict in Kosovo. Temporary income support including severance, unemployment benefits, social assistance and social welfare will be provided to poor workers. Labor Redeployment Services will benefit displaced workers, including the long-term unemployed and first-time job entrants. Social monitoring surveys will identify vulnerable workers and families to ensure that social assistance is adequately targeted. [a]
<i>Moldova</i> Social Investment Fund (IDA: US\$15 m.)	The social investment fund will provide communities with grants and technical assistance for projects designed to improve the delivery of basic services. The rehabilitation of school, health posts, and the development of water supply and sanitation systems will be coupled with programs to improve services in early childhood development, primary health care, and public health and hygiene education. Reforestation, soil erosion control, and landslide rehabilitation will also be financed. Communities will be the key decision-makers in how best to organize, manage finances, and ensure sustainability. Poor residents in rural areas, as well as vulnerable groups such as women and children, will be the major beneficiaries. [b]
<i>Poland</i> Wholesale Markets Project I (IDA: US\$15.9 m.)	The project will construct a commercially self-sustained urban wholesale market for the greater Gdansk area. Improved market facilities and infrastructure will benefit 1.5 million consumers in the Gdansk-Gdynia-Sopot metropolitan area, mostly rural people affected by unemployment and poverty. [b]

<i>Country and Project</i>	<i>Reason(s) for inclusion</i>
<i>Romania</i> Cultural Heritage Project (IBRD: US\$5 m.)	To preserve priority cultural heritage sites and assets in serious disrepair due to lack of public financing and years of neglect, the project will help renovate and restore the internationally acclaimed Brancusi Sculptural Ensemble, and the 18th century Brancovan Palace in Mogosoia. The project will also support infrastructure improvements, handicraft and related activities in four historic Saxon villages. The very poor population in surrounding regions, including ethnic groups, will be hired to landscape and reconstruct the sites. [b]
Social Development Fund Program (IBRD: US\$10 m.)	Financing will be provided for about 1,000 demand-driven subprojects prepared by recipients in poor rural communities and disadvantaged groups. They will include small rural infrastructure, community-based social services, and income-generating activities. Mechanisms for targeting poor rural communities and disadvantaged groups (street children, orphans, poor single women, pregnant teens, poor and physically dependent elderly) will include poverty maps, community ranking, eligibility criteria based on poverty considerations, and self-targeting of beneficiaries belonging to disadvantaged groups. [b]
<i>Tajikistan</i> Education Reform Project (IDA: US\$5 m.)	Twenty pilot schools, half of which were selected because they were located in the poorest areas and were in urgent need of repairs, will be rehabilitated and furnished. Teacher training and support for the publishing and printing of primary textbooks will also be financed. A Revolving Textbook Fund will be implemented to make the best possible use of resources and enable further textbook purchases. [b]
<i>Uzbekistan</i> Health Project (IBRD: US\$30 m.)	Primary health care services will improve for about 4 million people, particularly women and children. A network of modern, better-staffed, and better-equipped rural medical centers in the three pilot oblasts of Ferghana, Navoi, and Syr Darya will be established. Basic diagnostic, therapeutic and laboratory equipment will be provided, and general practitioners and universal nurses will be trained. [b]
Latin America & the Caribbean	
<i>Argentina</i> Fourth Social Protection Project (IBRD: US\$90.8 m.)	This project aims to build capacities in poor communities to better manage the process to improve their welfare. Approximately 500,000 poor and indigenous people will benefit from grants for beneficiary-identified small-scale subprojects that would meet their specific needs. Poverty maps derived from population census and living standards surveys will be used to identify communities with unsatisfied basic needs. Support will be provided to enhance the type, timeliness and availability of information to improve the targeting, design, monitoring and evaluation of social programs targeted to the poor. [b]
Integrated Drug Prevention Pilot Project (IBRD: US\$4.8 m.)	The project will support local solutions to drug use and train community leaders in drug prevention and communication in five provinces with per capita incomes below the national average. Information systems on drug addiction and a municipal plan for drug prevention will be financed. Educational campaigns encouraging dialogue and special initiatives will be promoted, particularly among youth groups where many come from the poorest households. [b]
Renewable Energy in the Rural	By providing efficient energy sources, the quality of life of about 70,000 low-

<i>Country and Project</i>	<i>Reason(s) for inclusion</i>
Market Project (IBRD: US\$30 m.)	income households located in the rural dispersed areas of eight Argentinean provinces will improve. Solar home systems, small wind turbines, mini-hydro plants, and diesel off-grid electricity generating units will be installed. About 1,100 Renewable Energy Systems will provide electricity to provincial public institutions including schools, medical centers, and police stations. [b]
Water Sector Reform Project (IBRD: US\$30 m.)	The project will improve and expand water and sanitation services, especially in poor areas, by replacing pipes, improving water treatment plants and intake facilities, and upgrading substandard connections. To reach the urban poor, technical assistance and training will be provided to private concessionaires to help them develop projects with low-cost technologies and community mobilization. The program is expected to benefit 1.7 million people, including about 200,000 urban poor. [b]
<i>Bolivia</i> Health Sector Reform Project (IDA: US\$25 m.)	Financing for demand-driven local subprojects will be provided to strengthen the quality of maternal and child services, develop social communication activities to strengthen information, voice, and empowerment of beneficiaries. The project will support the implementation of the Integrated Management of Childhood Illness (IMCI) and of a Mother-Baby Package (MEBP), help improve immunization coverage, and introduce new vaccines, thus reducing infant mortality rates. [b]
<i>Brazil</i> Disease Surveillance and Control Project (VIGISUS) (IBRD: US\$100 m.)	While everyone will benefit from an improved national disease surveillance and control system, indigenous groups nationwide will be targeted for the first time. The laboratory network will be rehabilitated, equipped, and expanded, and training will be provided to health agents in indigenous communities. Health posts and health centers will be rehabilitated and will receive new equipment. An upgraded surveillance system will make it possible to identify high-risk groups, as well as to target disease control interventions to the most vulnerable. [a,b]
Second School Improvement Project. FUNDESCOLA II (IBRD: US\$202 m.)	The second in a series of projects designed to improve the performance of public primary education in selected underserved areas, FUNDESCOLA II will provide inputs and services to enable schools to meet minimum operational standards. Textbooks, reading books, furniture, and equipment will be provided, a teachers certification program will be implemented, and financing and engineering support will be provided to renovate or construct schools. The project will directly benefit 16.5 million children currently enrolled or just entering primary schools. [b]
<i>Colombia</i> Youth Development Project (IBRD: US\$5 m.)	This Learning and Innovation Loan, which represents pioneering work for the Bank, will test and evaluate alternative approaches to developing and delivering services and providing activities for low-income youth aged 10-15 affected by rising levels of violence and drug addiction. A decentralized and community-based approach, using a highly participatory process, will be adopted. A baseline survey will gather information on the situation of youth as well as the type, cost, and availability of services. Follow-up studies, client satisfaction surveys, and impact analysis on youth will also be conducted. Service integration schemes include health prevention and promotion, vocational training, community service and support for youth with academic or personal difficulties. [a,b]

<i>Country and Project</i>	<i>Reason(s) for inclusion</i>
<p><i>Guatemala</i> Second Social Investment Fund Project (IBRD: US\$50 m.)</p>	<p>This second loan to the Fondo de Inversion Social (FIS) will finance community-based, demand-driven subprojects in poor rural municipalities, as identified based on a poverty map developed during the first project. Following results of the initial project, the FIS targeting strategy has been modified to earmark more of its resources to the poorest communities. Greater assistance will also be provided to the poorest micro-regions in order to compensate for the relatively low capacity to organize and present project proposals to FIS. Subprojects will include small scale infrastructure and services (e.g., schools, health posts, sanitation and access roads). [b]</p>
<p>Land Administration Project (IBRD: US\$31 m.)</p>	<p>Land tenure security for about 210,000 farmers living in extreme poverty will improve through titling and clarifying property rights. The project will map the Petén area, open a registry office, design an integrated cadastral and registry system, and measure and demarcate each solicitant's plot of land. Community stakeholders, including indigenous communities, will be involved in each step of the process to maximize transparency and use of local knowledge. [b]</p>
<p>Land Fund Project (IBRD: US\$23 m.)</p>	<p>In supporting the Peace Accord commitments, this project will provide grants for pre- and post- land purchase services. Legal assistance will help beneficiaries establish legal status and register for land ownership. In addition, the project will provide grants for financing social and productive complementary infrastructure investments related to the land purchased, such as small water systems and access roads. Indigenous people, who constitute the overwhelming majority of the 7,500 poor rural families, will especially benefit. [b]</p>
<p>Reconstruction and Local Development Project (IBRD: US\$30 m.)</p>	<p>An estimated 500,000 people, mostly indigenous and living in extreme poverty, will benefit from financial and technical assistance and resource management know-how. Community-based, social and economic infrastructure, and cultural heritage subprojects defined and implemented by the beneficiaries themselves will be financed. Processes and outcomes will be monitored and evaluated on an ongoing basis. A baseline and control group will be established to assess the poverty impact of subproject investments on important socioeconomic indicators such as income generation, health and education, differentiated by gender and ethnicity. [b]</p>
<p><i>Honduras</i> Fourth Social Investment Fund Project (IDA: US\$45 m.)</p>	<p>The project will provide financing for priority social and economic infrastructure subprojects in which resource allocation and eligibility criteria favor the poor. Indigenous communities will be targeted to improve their ability to plan and implement development strategies and to secure better access to the Fondo Hondureño de Inversion Social (FHIS) resources. A study on gender issues in the FHIS was conducted to ensure adequate participation of women thorough the project cycle. [b]</p>
<p>Interactive Environmental Learning and Science Promotion Project – PROFUTURO (IDA: US\$8.3 m.)</p>	<p>To improve the management of key protected areas along the Mesoamerican Biological Corridor, the project will construct an Interactive Learning Center (ILC) that will provide a non-traditional tool for learning about sustainable development. Indigenous communities and poor residents living near the archeological parks will benefit from potential opportunities opened by tourism, jobs in the parks, and construction and operation of the ILC. [b]</p>
<p><i>Mexico</i></p>	<p>Technical and financial assistance will be provided to an estimated 1 million</p>

<i>Country and Project</i>	<i>Reason(s) for inclusion</i>
Agricultural Productivity Improvement Project (IBRD: US\$444.4 m.)	small farmers and rural poor households, including women farmers, young producers and indigenous people. Grants will finance demand-driven investment subprojects in small irrigation development, dairy technology improvement, improved pasture establishment, and support services for small farmers. Project activities will be targeted to areas with the largest concentration of small and poor farmers, and eligibility of households will be based on size of holdings and/or livestock assets. [b]
FOVI Reconstructing Project (IBRD: US\$505.5 m.)	The project will expand the availability and reduce the cost of mortgage loans for urban and working poor households by supporting and restructuring the Fondo de Operacion y Financiamiento Bancario a la Vivienda (FOVI), the country's low-income housing trust fund. A more transparent subsidy policy will be implemented, and mortgage insurance will be strengthened. About 490,000 mortgages will be funded during the project period, benefiting 2.5 million people, half of whom will be from the lowest income groups. [b]
<i>Nicaragua</i> Third Social Investment Fund Project (IDA: US\$45 m.)	The project will continue IDA's support to the Government in its poverty alleviation efforts, as well as its immediate emergency and reconstruction needs in the wake of Hurricane Mitch, by providing essential small-scale infrastructure and improved services in education, health, and water supply and sanitation, focusing on the poorest communities based on a poverty map. Over half of the population currently living below the poverty line will likely benefit, including indigenous people and women who will be targeted through investment strategies. [b]
Sustainable Forestry Investment Promotion (IDA: US\$9 m.)	Based on the government's Indigenous Peoples Action Plan, indigenous groups and other smallholders will benefit from improved forestry management and investments in sustainable forestry activities. The project will finance a matching grants pilot program for private and communal forestry enterprises to test and develop innovative models for reforestation and land rehabilitation. Financing for the Sustainable Forestry Investment Promotion Office will make operational training programs on sustainable forest management practices, as well as extension, marketing and commercialization outreach programs for smallholders interested in developing their land. Women and indigenous communities will be targeted to receive training and technical assistance. [a]
<i>Panama</i> Health Sector Reform Pilot Project (IBRD: US\$4.3 m.)	The project will pilot improvements in the provision, organization, and financing of health services, particularly for the poor, and rehabilitate and equip health facilities in the San Miguelito region. In order to increase access to and facilitate utilization of health services by patients, a user identification card system will be implemented. [b]
<i>Peru</i> Urban Property Rights Project (IBRD: US\$38 m.)	Approximately 4 million people living close to or below the poverty line will benefit from the creation of a new system that will provide land titles and secure property rights to residents in eight urban "human settlements," where property rights are largely informal. Financing will support the collection, analysis and verification of property ownership-related data from government agencies and individual occupiers, and will cover the administrative costs of registering 960,000 informally owned properties and 805,500 titles in the eight designated project areas. Greater security of property ownership will increase access to credit among the poor, encourage property investment, and help increase property values. Formalizing property ownership will also

<i>Country and Project</i>	<i>Reason(s) for inclusion</i>
	increase the share of female property owners and women's access to credit. [b]
<i>Uruguay</i> Second Basic Education Quality Improvement Project (IBRD: US\$28 m.)	This project will expand the coverage of preschool education to 10,700 children aged 4-5 in urban areas and 1,600 children living in isolated rural areas. About 280 classrooms for children aged 4-11 will be constructed, and staff and equipment will be provided. [a,b]
<i>Venezuela</i> Caracas Slum-Upgrading Project (IBRD: US\$60.7 m.)	The quality of life of about 184,000 inhabitants living in informal settlements in metropolitan Caracas will be improved by developing and implementing a community-driven, sustainable and replicable infrastructure improvement program. The project will also pilot a housing improvement loan fund for low-income individuals and provide inhabitants with formal property titles. [b]
Middle East and North Africa	
<i>Egypt</i> Social Protection Initiatives (IDA: US\$5 m.)	Disabled children and youth at risk of becoming street children, who are among the poorest in urban areas, will benefit from improvements in and increased access to social services. This pilot project will finance qualitative social assessments to identify the specific needs and socioeconomic characteristics of disabled and at-risk children and their families so that more responsive social service mechanisms could be created to meet their needs. A separate component will provide identification cards to poor women without birth certificates so that they can access social entitlements and financial capital. [a]
Third Pumping Stations Rehabilitation Project (IBRD: US\$120 m.)	This project supports the third phase of the Government of Egypt's long-term rehabilitation of the major pumping stations located on main canals and drains of the Nile water management system. By improving 77 pumping stations in the Nile Delta and Middle and Upper Egypt and financing 32 new pumping stations, improved water management will benefit about 700,000 poor farm households, mostly smallholders. [b]
Third Social Fund for Development (IDA: US\$50 m.)	The Credit will finance public works and community development projects targeted to poor districts using poverty and unemployment indices. Labor-intensive public works aim to create approximately 20,000 temporary and 2,500 permanent jobs and improve community infrastructure. The construction and rehabilitation of irrigation and drainage canals, water supply and sewerage systems, and rural roads in low-income areas will help raise farm incomes and promote improvements in public health. Community development programs in the areas of health, education and micro-enterprise development will rely on the active participation of primary beneficiaries and local NGOs. [a,b]
Sohag Rural Development Project (IDA: US\$25 m.)	The project will help raise the level of income and improve the quality of life for about 3 million inhabitants of the Sohag governorate, which is one of the poorest in Egypt. It will provide grant financing for demand-driven community-based social and economic infrastructure subprojects, provide equitable access to credit for the rural poor, especially poor women, and enhance the capacity of local communities and local governments at the village level to program, appraise, co-finance, implement and manage rural infrastructure projects and services. Women's issues will be addressed throughout the entire project. [a,b]

<i>Country and Project</i>	<i>Reason(s) for inclusion</i>
<p><i>Morocco</i> Fès-Medina Rehabilitation Project (IBRD: US\$14 m.)</p>	<p>While helping to conserve and rehabilitate the Fès-Medina UNESCO World Heritage site, which is surrounded by poverty and substandard living conditions, the project will generate some 10,000 jobs over the next fifteen years, which will in part be targeted to the poor under a specific poverty alleviation component. Labor-intensive methods will be used to clear derelict sites, repair houses, and rehabilitate community facilities. [a,b]</p>
<p>Lakhdar Watershed Management Pilot Project (IBRD: US\$4 m.)</p>	<p>The living conditions and incomes of approximately 13,000 inhabitants in 40 villages in the Lakhdar watershed area will improve through the intensification of irrigated and rainfed crop production and the plantation of fruit trees. Soil and water conservation and erosion control measures, seeding, fertilization, and progressive re-vegetalization will be carried out with community participation. Some 500 ha of small-scale irrigation systems will be rehabilitated and the management of forests will be improved. The project will also finance the construction of 80 km of access roads, the implementation of 40 water supply schemes, and the provision of technical assistance. [b]</p>
<p><i>Yemen</i> Second Public Works Project (IDA: US\$50 m.)</p>	<p>This project will finance about 900 community infrastructure subprojects in areas with above-average unemployment rates, for the construction and rehabilitation of rural and urban water supply and sanitation systems, storm water drainage systems, rural roads, schools and health centers. About half of the funding for subprojects will be targeted specifically to poor and remote governorates based on poverty measures, including those from the latest poverty assessment. In addition to their contribution in cash or kind to the costs of subprojects, community participation will be mandatory for developing subprojects including prioritization, preparation, design and implementation. About 95,000 person-months of employment will be created, and more than half of the new jobs will be for unskilled workers. [b]</p>
<p>South Asia <i>Bangladesh</i> Arsenic Mitigation Water Supply Project (IDA: US\$32.4 m.)</p>	<p>This project aims to protect the population against high arsenic levels that is naturally occurring in thousands of wells across more than half of Bangladesh. Access to safe water and delivery of health service will be improved, especially for the poor. Deep tubewells, hardware for rainwater harvesting, sanitation treatment plants, and ponds with filters will be installed. To improve the understanding of the arsenic problem, a National Arsenic Mitigation Information Center (NAMIC) will be set up. [b]</p>
<p>Municipal Services Project (IDA: US\$138.6 m.)</p>	<p>In response to growing urban poverty and environmental degradation, critical urban infrastructures and services, including water supply, drainage, solid waste management, and slum improvements will be financed. Improvements in the coverage and quality of municipal services will have a disproportionately positive impact on the municipality's lower income groups. [b]</p>
<p>Third Road Rehabilitation and Maintenance Project (IDA: US\$273 m.)</p>	<p>By using labor-intensive methods for the construction and rehabilitation of roads, this project will provide employment opportunities for the poor. Roads will be constructed in one of the poorest regions of the country, and improvements to 500 km of feeder roads will reduce bottlenecks to economic development and improve access to health and education services for local communities. [b]</p>

<i>Country and Project</i>	<i>Reason(s) for inclusion</i>
<p><i>India</i> Second National HIV/AIDS Control Project (IDA: US\$191 m.)</p>	<p>Groups with high risk of infection such as commercial sex workers, drug users, migrant workers, and clinic attendees with sexually transmitted diseases will receive treatment, information, and condoms. The general public will gain from locally appropriate Information, Education, and Communication (IEC) and awareness campaigns, voluntary testing and counseling, and a strengthened infrastructure for blood safety. [a,b]</p>
<p>Maharashtra Health Systems Development Project (IDA: US\$134 m.)</p>	<p>To increase the efficiency of health services, 25 district hospitals will be renovated or extended, and health services will be promoted in tribal areas. The project will commission studies, workshops and seminars designed to review and develop a health policy, evaluate the burden of disease and the cost-effectiveness of public health interventions, and improve the targeting of beneficiaries, especially the neediest, women and tribal populations. [b]</p>
<p>Rajasthan District Primary Education Project (IDA: US\$85.7 m.)</p>	<p>The credit will finance the construction of about 1,000 new primary schools in isolated and tribal areas, alternative schools in remote inaccessible areas, and schools for dropouts or working children without primary education. Female students will benefit from free escort services to and from schools. About 600,000 children aged 6-10, two-thirds of whom are girls and one-third being from scheduled castes or scheduled tribes, will gain access to primary education. In addition, about 3,000 early childhood education centers will be established. [a,b]</p>
<p>Second Tamil Nadu Urban Development Project (IBRD: US\$105 m.)</p>	<p>The project is expected to bring economic, health and environmental benefits to Tamil Nadu's urban population, including its low-income segment representing more than 25 percent of the state's total urban population, by improving the quality, quantity and sustainability of basic urban infrastructure. An Integrated Sanitation Program will specifically target the urban poor, providing them with water supply, electricity, baths, waste disposals, and access roads. [b]</p>
<p>Uttar Pradesh Sodic Lands Reclamation II Project (IDA: US\$194.1 m.)</p>	<p>This project aims to reverse the process of declining foodgrain production due to water-induced land degradation and loss of soil fertility associated with intensive cropping and the use of heavily subsidized nitrogenous fertilizers. Land leveling, rehabilitation of 5,750 kms of drains and 700 kms of farm-to-market roads will be financed. About 375,000 small farm families, the majority of whom live below subsistence level, will benefit from increased incomes resulting from the reclamation program. Included among the key performance indicators are increased household incomes (up to Rs 12,000) of marginal farmers and increased community participation. The formation of water user groups and women self-help groups will empower the most vulnerable population. [b]</p>
<p>Integrated Watershed Development (HILLS-II) (IBRD: US\$75 m., IDA: US\$60 m.)</p>	<p>By supporting terrace repair and introducing sustainable and more productive cropping systems, this project will help low-income farmers who are farming on degraded land in 1,920 Indian villages. Complementary investments in rural roads and marketing infrastructure will increase market access among smallholders and facilitate crop and income diversification. The project will ensure that benefit streams reach marginalized groups by financing income-generating activities for rural women and involving tribal and nomadic communities and women in project planning and implementation activities. [b]</p>

<i>Country and Project</i>	<i>Reason(s) for inclusion</i>
<p><i>Nepal</i> Basic and Primary Education Project (IDA: US\$12.5 m.)</p>	<p>In order to improve access to and quality of schooling, this project includes (a) strengthening institutional capacity and management of schools (b) teacher training (c) curriculum reviews and (d) early childhood development programs. Specifically, the textbook distribution system will be improved, and textbooks will be provided free to all children in grades 1 to 3, and to children in grades 4 and 5 in the poorest districts. Needy girls will be targeted through scholarships, and children with special needs will benefit from inclusive schooling programs. The project aims to achieve a 10 percent increase in net enrollment over the project period. [a,b]</p>
<p>Rural Infrastructure Project (IDA: US\$5 m.)</p>	<p>With the active participation of project beneficiaries, this project will improve the quality, efficiency and sustainability of rural roads in selected districts. District roads, trails and other rural infrastructure such as community marketing structures will be rehabilitated or improved. The project will provide technical assistance for management support and monitoring and evaluation at the local level. New job opportunities created by labor-based technology for project works will benefit the poor and women. [b]</p>
<p><i>Pakistan</i> Poverty Alleviation Fund Project (IDA: US\$90 m.)</p>	<p>The project will provide loans for micro-credit, as well as grants to finance on a cost-sharing basis small-scale community infrastructure subprojects for the poor based on established poverty criteria. Micro-credit loans will fund seeds and fertilizers, livestock development, small infrastructure, and working capital for micro-enterprise. Community infrastructure projects are expected to include irrigation, roads and bridges, and drinking water supply. Poor people living in disadvantaged rural and urban communities, women, and the unemployed will benefit from increased access to physical infrastructure and income-generating opportunities. [b]</p>
<p>Sub-Saharan Africa <i>Benin</i> First Decentralized City Management Project (IDA: US\$25.5 m.)</p>	<p>The project will use labor-intensive methods to rehabilitate urban infrastructure in Benin's three main cities, generating employment opportunities for unskilled and semi-skilled workers. Activities will include the rehabilitation of urban roads, construction of primary drainage networks in underserved neighborhoods, assistance to public works Small and Medium Enterprises (SMEs) to improve their management capacity, and initiatives to increase community participation and integration. Urban residents, especially the poor, will benefit from improved living conditions, greater mobility and access to services, and improved urban roads. [b]</p>
<p><i>Burkina Faso</i> Pilot Private Irrigation Development Project. (IDA: US\$5.2 m.)</p>	<p>Aiming to develop an efficient and sustainable small-scale irrigation subsector, support will be given to the Association of Producers and Traders of Irrigated Products (APIPAC) to deliver demand-driven support services to small farmers and private operators (mostly women) involved in marketing and processing of irrigation products. Project activities will facilitate: a) access to financial services for on- and off-farm investments and short-term credit for product marketing and farm inputs; b) dissemination of information and direct support for obtaining land tenure and other property rights; and c) capacity building for grassroots associations involved in preparing contractual arrangements with marketing and processing enterprises, supplies of farm inputs and services, and financial intermediaries. [b]</p>
<p><i>Cameroon</i> Agricultural Extension and Research</p>	<p>To foster agricultural development and increase the productivity and incomes of small resource-poor farmers and food crop producers (over 80 percent</p>

<i>Country and Project</i>	<i>Reason(s) for inclusion</i>
Programs Support Project (IDA: US\$15.1 m.)	women), this project will strengthen farmers associations, develop their commercial linkages with agricultural merchants and suppliers, and transfer environmentally sustainable technologies. The project will also help identify specific production problems, develop a grant scheme to finance agricultural research activities, and support the rehabilitation of two agricultural colleges. Women farmers will be targeted through efforts in identifying technology relevant to their needs during on-farm diagnosis, by increasing their participation in extension contact groups (from 35 percent to 50 percent over four years), and by recruiting more female extension staff. [a,b]
<i>Cape Verde</i> Education and Training Consolidation and Modernization Project (IDA: US\$6 m.)	Sixty additional primary school classrooms will be constructed and equipped. Approximately 510,000 copies of the main primary school textbooks and 55,000 teacher guides will be reprinted. A comprehensive education sector review and an evaluation of employment and training policies and programs will be carried out. [b]
Social Sector Development Project (IDA: US\$16.1 m.)	Project-funded activities will target the poorest communities in 17 municipalities according to economic strata, as identified by each municipality. Demand-driven, labor-intensive community subprojects will improve small-scale social infrastructures (e.g., water, sanitation, schools and health facilities) and generate employment opportunities. [b]
<i>Côte d'Ivoire</i> Second National Agriculture Service Support Project (IDA: US\$50 m.)	Support for the national agriculture research and extension system will help smallholders, particularly those engaged in food or subsistence crop production, as well as young farmers and women, who are generally among the poorest. Extension services will target 200,000 farm household heads, 35 percent of whom are women. The project will also support the establishment of efficient, autonomous farmers organizations. [b]
<i>Djibouti</i> Social Development and Public Works Project (IDA: US\$14.8 m.)	To improve the physical environment in poor neighborhoods of Djibouti City, the project will fund small basic infrastructure works (health posts, primary and secondary schools, street works and drainage, markets, and public buildings forming part of the city's cultural heritage). The impact of civil works on employment generation will be maximized through the use of labor-intensive techniques and of local small- and medium-size contractors, benefiting up to 156,000 inhabitants. Financial support for a national survey of household living standards and for the elaboration, execution, and evaluation of poverty reduction policies and programs will be provided. [b]
<i>Ethiopia</i> Health Sector (IDA: US\$100 m.)	To support the government's goal of providing primary health care to all Ethiopians within 20 years, the Health Sector Development Program will implement a nationwide health system. The system will focus on communicable diseases, immunization control of epidemic diseases like malaria, and the treatment and control of basic infectious diseases like upper respiratory tract infections. To promote reproductive health care and the prevention of sexually transmitted diseases, especially HIV/AIDS, information, education, and communication campaigns will be funded. Health services will be reorganized into a more practical, decentralized system involving the participation of staff and communities. More than 400 health centers and hospitals will be constructed or rehabilitated, and training will be provided to health professionals. These improvements will reduce mortality, especially infant, child, and maternal mortality, and expand coverage of modern health services to an additional 5 million people. [b]

<i>Country and Project</i>	<i>Reason(s) for inclusion</i>
<p><i>Gabon</i> Pilot Community Infrastructure and Capacity Building Project (IBRD: US\$5 m.)</p>	<p>The project will finance small-scale urban infrastructure in four poor, high-density, and underserved neighborhoods in Libreville, Port-Gentil, and Franceville. Community-based subprojects designed to employ unskilled workers will include paved roads, footpaths, small bridges, sanitation, waste management facilities, and community halls for local associations. To strengthen the beneficiaries' ability to implement and maintain infrastructure micro-projects, technical assistance will be provided through on-site training sessions. Monitoring and evaluation, which will take place at each step of the project, will encompass an impact assessment. [b]</p>
<p><i>Gambia</i> Poverty Alleviation and Capacity Building Project (IDA: US\$15 m.)</p>	<p>The living conditions of the urban poor will improve through provision or rehabilitation of essential public infrastructure and services. About 250 small-to medium-size subprojects will benefit about 250,000 people and create some 25,000 temporary jobs (average duration of 5-6 months), thus benefiting at least 3,000 workers and up to 1 out of every 5 currently unemployed urban laborer. [b]</p>
<p>Third Education Sector Project (IDA: US\$20 m.)</p>	<p>Supporting the first phase of the third Education Sector Program, the project will extend double-shift and multi-grade teaching in 85 schools and construct 1,800 classrooms and associated facilities. About 100 English teachers will be deployed, and general teacher training will be improved. The UNICEF program supporting disabled children will be funded, and a scholarship scheme will target girls. In addition, flexible fee payment schedules designed to increase girls' enrollment and retention in grades 1-12, a curriculum review aimed at reducing gender bias, a study on sexual harassment, and the implementation of teacher training modules to reduce gender bias will help reduce the gender gap. Other project components include improvements in vocational and technical education as well as adult education aimed at reducing adult illiteracy, particularly among women aged 15-35. [a,b]</p>
<p><i>Ghana</i> Community-Based Poverty Reduction Project (IDA: US\$5 m.)</p>	<p>The project will increase the awareness of communities concerning malnutrition and strengthen their capacity to follow good nutrition practices and improve their food security. Local village authorities will be sensitized, and resources for new nutrition centers as well as basic weighing and measurement equipment will be provided, particularly benefiting children under the age of five and pregnant and lactating mothers. The project will provide grants to improve and expand the activities of service providers including NGOs, which provide street children with employable skills, places in schools, and health education. Poverty measurement and monitoring will be supported in three districts, incorporating a set of core poverty indicators common to all districts. [a,b]</p>
<p>National Functional Literacy Program (IDA: US\$32 m.)</p>	<p>To increase literacy and improve functional skills among adults, particularly women and the rural poor, the project will fund classes in basic literacy, numeracy and functional skills in 15 Ghanaian languages. Advertising, theater for development, radio and television spots will sensitize communities and encourage their active participation in literacy advisory committees. The project will benefit an estimated one million learners, 60 percent of whom will be women living in areas with high illiteracy rates and poverty. [b]</p>
<p><i>Guinea</i> Population and Reproductive Health</p>	<p>To increase awareness in reproductive health and reduce the occurrence of illnesses, the project will promote safe behavior and adequate health practices,</p>

<i>Country and Project</i>	<i>Reason(s) for inclusion</i>
Project (IDA: US\$11.3 m.)	including culturally acceptable and medically safe contraceptive practices through mass media information campaigns. Health facilities will be renovated and equipped. About 290,000 children under five years of age will benefit from child health services. In addition, the project will support NGO and action committees to ban genital mutilations, and provide support to a center for legal assistance to women. The project will cover approximately 30 percent of the population, including 2 million youth nationwide and the majority of Guinean population of reproductive age. [b]
Pre-Service Teacher Education Project (IDA: US\$4.1 m.)	In support of the government's decision to provide primary education to all children, this project will seek to reduce inequities and increase access to school for poor children and girls in rural areas. Teacher recruitment and training will be improved, and the percentage of women in the teaching corps will be maintained. Girls will particularly benefit, as parents are often more willing to send them to schools with female teachers. [b]
Third Urban Development Project (IDA: US\$18 m.)	Waste management will be improved, and approximately 800,000 inhabitants will benefit from better garbage collection services and reduced exposure to sanitation-related diseases. Secondary roads will be rehabilitated, and drains and deteriorated roads will be repaired. The project will also support the ongoing decentralization process by helping mayors of 10 secondary cities plan for the needs of their communes and carry out a Priority Investment Program (PIP) based on wide consultations. [b]
Village Community Support Program (IDA: US\$22 m.)	A matching grant system will be used to finance basic infrastructure subprojects in education, health, drinking water and sanitation in about seventy Communautés Rurales de Développement (CRDs). To improve access of isolated rural communities to the national road network, a strategy for rural road maintenance will be implemented, and village maintenance committees will be established to manage intra-village tracks and dirt roads. The project will especially benefit women, youth and marginalized groups, and increase the well-being, productivity, and employment opportunities of about 30 percent of the rural population, which is predominantly poor. [b]
<i>Kenya</i> Emergency Infrastructure Rehabilitation (IDA: US\$40 m.)	Approximately 8.1 million people will benefit from the restoration of water, health and road infrastructure damaged by El Niño-induced floods in 23 poor rural districts. This credit will support labor-intensive works to clean wells, reseal boreholes, and repair rural roads, bridges and health facilities. Most of the work will be done by local contractors employing local labor. [b]
<i>Lesotho</i> Second Education Sector Development Project (IDA: US\$21 m.)	Approximately 80 classrooms will be built in 33 schools in remote districts, and a Distance Teacher Education Program will allow teachers to improve their skills without leaving their classrooms. A national policy framework for Early Childhood Development (ECD) for children aged 3-5 will be established. School curricula will include IUV/AIDS education. Approximately 440,000 pupils currently enrolled in primary and secondary schools will benefit from lower pupil-teacher and pupil-classroom ratios, and more and better-trained teachers. The project will focus on the needs of approximately 10,000 school-age children in isolated, poverty-stricken areas who are currently out of school or are learning under very difficult conditions. [a,b]
<i>Madagascar</i>	The credit will enable approximately 362,500 low income people engaged in

<i>Country and Project</i>	<i>Reason(s) for inclusion</i>
MicroFinance Project (IDA: US\$16.4 m.)	farming, fishing and rural commerce to gain access to financial services by financing the expansion of two existing micro-finance networks, and creating new savings and loan associations in two provinces. Socially vulnerable groups who are considered “unbankable,” including women and the poor in isolated areas, will benefit from a pilot micro-finance scheme that will provide loans to targeted populations in high poverty areas and enable the poor to gain experience making financial transactions and managing small businesses. [b]
Third Social Fund Project (IDA: US\$15 m.)	The project will use participatory approaches to increase the access of poor rural households to social and economic infrastructure. Grants will finance a total of 350 communal infrastructure subprojects, including 130 schools, 30 community water supply, 40 health centers, 35 micro-irrigated perimeters, 40 markets, 50 feeder roads, and 25 bridges—all identified and prepared by the beneficiaries themselves. The poor will gain from employment opportunities generated by the project, from greater access to basic services, and from an increase in their capacity to identify, organize, manage funds and implement subprojects that are responsive to community needs. [b]
<i>Malawi</i> Second Social Action Fund Project (IDA: US\$66 m.)	The project will create temporary employment for the very poor and enhance in-country capacity to identify, prioritize, and implement projects by training stakeholders at the national, regional, district and community levels. Subprojects identified by communities will include schools, health clinics, roads, tree forest planting, and small irrigation works. Subprojects will also provide services including transportation and care for orphans, street children, persons with disabilities, the aged, and those affected by the Acquired Immune Deficiency Syndrome. [b]
Population and Family Planning Project (IDA: US\$5 m.)	The project will test a Community-Based Distribution (CBD) approach to population and family planning services in three pilot districts where the selection criteria includes high population density and low literacy. The project, which aims to double the contraceptive prevalence rate, will target populations living in rural and underserved areas, and will distribute contraceptives as well as information materials in local languages on family planning and STDs/AIDS. Standard training protocols will be developed for agents and their supervisors in counseling, commodity distribution, and dissemination of information. In order to assess on-the-ground achievements of the pilot CBD program, a baseline survey and repeat evaluation sample surveys will be undertaken. [b]
<i>Mali</i> Health Sector Development Program (IDA: US\$40 m.)	Expanded access to affordable quality preventive and curative services will be supported, including the construction of about 300 community health centers and the training of nurses. Sustainable financing schemes for health sector development, which includes a matching grants program for the poor, will be financed. The program is expected to reduce infections such as malaria and tuberculosis, slow down and control the spread of HIV-AIDS, and improve private and public partnerships in the provision of health services. Key indicators such as infant and under-five mortality rates and fertility rates will be monitored to assess the development impact of the project. [b]
<i>Mauritania</i> Nutrition, Food Security and Social Mobilization Project (IDA: US\$4.9 m.)	Women cooperatives and associations will initiate activities such as monitoring the growth of children under five years of age, reducing parasite infestation through better hygiene, providing mosquito nets and deworming, reducing iron deficiency, and providing vitamin A supplements. The project

<i>Country and Project</i>	<i>Reason(s) for inclusion</i>
	will provide grants or equipment for demand-driven income-generating micro-projects. Children 0 to 3 years old, pregnant women, and lactating mothers living in rural districts exposed to drought and food shortages will be targeted by women's cooperatives, associations or Community Nutrition Centers. [a,b]
Telecommunications and Postal Sectors Reform Project (IDA: US\$10.8 m.)	A legal and regulatory framework for the telecommunications sector will be established, and a national strategy to improve access to communication and information services will be developed for low-income, rural and other disadvantaged populations. Small-scale pilot projects for specific rural applications of communications and information technologies in health or education will be funded, and postal services will be developed. [b]
<i>Mozambique</i> Agricultural Sector Public Expenditure Program (IDA: US\$30 m.)	Financing for PROAGRI will support a process that brings coherence and a policy focus to government and donor expenditure in support of sustainable agriculture development and natural resource management. Focusing on overcoming failures in markets and regulations that hold back the development of 3 million smallholder subsistence farmers, the program will include generating practical technologies for smallholders farming systems, integrating gender considerations into the extension program, and improving the security of land tenure for the smallholder sector. [b]
Education Sector Strategic Program (ESSP) (IDA: US\$71 m.)	The comprehensive ESSP program will provide increased and equitable access to better quality education by decentralizing the management of education and providing direct support for teachers and schools. Activities will focus on the needs of poorer regions and households. Most of the 12,000 classrooms and related school facilities will be built or rehabilitated in underserved areas. The poorest population will be targeted to receive textbooks and other educational materials, and the curriculum will be revised to better reflect rural needs and realities. Gender initiatives will aim to increase girls' enrollment at all levels and reduce repetition rates, which are significantly higher for girls. In addition, 22,000 scholarships will be given to girls to defray educational costs. [b]
<i>Senegal</i> Agricultural Services and Producer Organizations Project (IDA: US\$27.4 m.)	This credit will help raise agricultural production and rural incomes by financing improvements in agricultural extension and research services for smallholders. Agricultural extension services will be restructured to function on a contractual basis, and a decentralized agricultural research system will be established in order to improve smallholders' access to agricultural technologies and seeds and to ensure greater accountability of research and extension services to smallholders. Financing for producer organizations will improve smallholders' access to credit and inputs, and will enhance their ability to negotiate access to marketing and extension services. [b]
Second Transport Sector Project (IDA: US\$90 m.)	The project will employ about 13,000 unskilled workers each year throughout its five-and-a-half year duration on various project works (roads, railways, civil aviation, and ports). The rural roads component is expected to increase the poor's access to markets and to social services, including education and health centers, as well as reduce travel time and transport costs. Infrastructure rehabilitation and network expansion will also improve safety and employment opportunities for the low-income population. [b]
<i>Togo</i>	The project will finance small infrastructure at the community level including

<i>Country and Project</i>	<i>Reason(s) for inclusion</i>
Social Fund Project (IDA: US\$5 m.)	the rehabilitation or construction of primary schools, health centers, dispensaries, feeder roads, small bridges and other basic transport infrastructure. Water points, reservoirs and sanitation services will also be set up. Income-generating activities including animal husbandry, agriculture and small-scale trade will be supported. Local communities and grassroots associations, especially women's associations, will be empowered by learning how to organize and analyze their needs, identify and evaluate feasible solutions, design micro-projects, and manage project implementation. [b]
<i>Uganda</i> Financial Markets Assistance (IDA: US\$13 m.)	The poor, who face a disproportionately high risk of losing their deposits due to insolvency and fraud, will benefit from stronger regulation and supervision of deposit-taking institutions, including merchant banks, large micro-finance institutions and the Post Office Savings Bank. The project will support a training program for commercial bank and non-bank examiners on loan evaluation and provision, liquidity risk assessment, and contingent risk management, and the drafting of legislation to better define the roles and responsibilities of the Bank of Uganda in regulating non-bank deposit-taking institutions. The poor will also benefit from the drafting of legislation for an oversight authority for the private pension sector, which will introduce minimum standards of performance and accountability in the sector, and avenues for public recourse. [b]
Second Agricultural Research and Training Project (ARTP II) (IDA: US\$26 m.)	To improve production systems and develop labor-saving technologies, particularly for women farmers, the project will finance adaptive research activities and establish a Development Fund that will support a competitive research grant system. The National Agriculture and Research Organization will be transformed into a research and development institution giving greater attention to the adoption of superior technologies. New technologies will be introduced and adopted by farmers, improving production practices and resulting in higher incomes for most of the 2.5 million very poor crop and livestock farmers in the country. [b]

ANNEX F. POVERTY-FOCUSED SALs AND SECALs, FISCAL 1999

Adjustment operations support packages of macroeconomic, sectoral and institutional reforms that aim to improve the efficiency of resource allocation and promote economic growth and poverty reduction. Those adjustment operations which support specific reforms that will benefit the poor are classified as "poverty-focused adjustment operations."

An adjustment operation has a poverty-focus if it supports government efforts that meet at least one of three criteria: (i) reallocate public expenditures in favor of the poor; (ii) eliminate distortions and regulations that disadvantage the poor and limit their income-generating opportunities; and/or (iii) support safety nets that protect the most vulnerable members of the population.⁸⁴

The Bank approved 48 adjustment operations in fiscal 1999, 36 of which were classified as poverty-focused operations. Table F-1 shows the number and amount of lending for Structural Adjustment Loans (SALs) and Sector Adjustment Loans (SECALs). Table F-3 presents the number and amount of lending for poverty-focused adjustment operations for fiscal 1992-1999. Table F-4 briefly describes the poverty-focused adjustment operations for fiscal 1999.

Table F-1. Poverty-focused adjustment operations, fiscal 1999

	FY99		
	Total	IDA	IBRD
SAL lending (\$mil.)	8,593.3	927.0	7,666.3
Number of SALs	25	16	9
SECAL lending (\$mil.)	2,096.0	311.7	1,784.3
Number of SECALs	11	4	7
Total SAL/SECAL:			
Lending (\$mil.)	10,689.3	1,238.7	9,450.6
Number of loans	36	20	16

Source: World Bank.

⁸⁴ In the past, support to poverty monitoring or the development of poverty policies were also included as criteria. These have been dropped. This does not affect comparability with past figures, however, because no operation was ever classified as poverty focused on either of these two criteria alone.

In terms of numbers, the share of operations classified as poverty-focused increased significantly from 43 percent in fiscal 1998 to 75 percent in fiscal 1999—the highest it has been between 1992-1999. Similarly the total amount of bank lending for poverty-focused operations increased during the same period: funds going to poverty-focused operations jumped from US\$7.24 billion in fiscal 1998 to US\$10.69 billion in fiscal 1999, owing in part to three very large loans to Indonesia, Korea, and Argentina totaling US\$5.5 billion; the share of adjustment lending classified as poverty-focused correspondingly increased from 64 percent in fiscal 1998 to 70 percent in fiscal 1999. For IDA countries alone, the volume of poverty-focused adjustment lending nearly doubled, increasing from US\$630 million in fiscal 1998 to US\$1.2 billion in fiscal 1999, and the share of poverty-focused lending in total IDA adjustment lending jumped dramatically from 47 percent to 89 percent, more than offsetting the previous fiscal year's decline. The increase in the amount and share of IBRD and IDA lending going to poverty-focused operations in fiscal 1999 reflects, in part, increased attention to poverty reduction and the strengthening of social safety nets in the East Asia and Pacific Region after the macroeconomic shocks associated with the Asia crisis stressed the region's social and economic fabric, and support to Latin American countries in reinforcing their social assistance programs, as well as putting in place preventive measures to mitigate adverse effects on vulnerable groups in the wake of recent international financial instability.

The distribution of poverty-focused adjustment operations across countries depends on regional priorities, recent macroeconomic events and the demand for financing from governments. Poverty-focused lending in fiscal 1999 was concentrated in the East Asia and Pacific Region (as was the case last fiscal year), where the lingering effects of the Asia crisis has left many governments unable to meet their external financing needs. The East Asia and Pacific region received more poverty-focused adjustment financing than any other region, totaling US\$4.7 billion—44 percent of total poverty-focused adjustment lending in fiscal 1999. The reforms supported under these operations included the strengthening of social safety nets, macroeconomic

stabilization, and banking and corporate sector restructuring.

The Latin America and Caribbean region was the second largest regional recipient of poverty-focused adjustment financing (US\$3.6 billion), accounting for approximately 34 percent of total poverty-focused adjustment lending. This region's poverty-focused adjustment operations helped to reduce countries' external vulnerability to financial and liquidity shocks, and mitigated the adverse impact of macroeconomic policies on the poor. Two countries in Latin America—Argentina and Brazil—received Special Structural Adjustment Loans that provide exceptional support for structural and social sector reforms, or safety net expenditures, to counties at risk of, or already experiencing, crises.⁸⁵

In the Europe and Central Asia region, about half of the poverty-focused adjustment operations supported measures to remove distortions in the labor market that raise labor costs and prevent employment growth.⁸⁶ The strengthening of social safety nets was a priority in 12 of the 14 poverty-focused adjustment operations in the ECA region, with measures to raise the poverty or pension benefit for the elderly in order to bring their expenditures to the poverty line and provide unemployment benefits to workers laid off due to enterprise restructuring.

Structural and institutional reforms that were implemented in Africa with support from poverty-focused adjustment loans fall into four major themes: promoting private sector development through privatization; improving governance through civil service and regulatory reform; reducing distortionary trade and tariff measures that adversely affect the

⁸⁵ Special Structural Adjustment Loans provide exceptional financing for client countries "approaching a possible crisis, or already in crisis, with exceptional financing needs." By taking advantage of windows of opportunity for such reforms that might otherwise have remained closed, they help countries prevent a crisis or, if one occurs, mitigate its adverse economic and social impact. Thus, the main justification for exceptional Bank support through a SSAL is the structural origin of a crisis and its major social/poverty consequences. As SSALs are exceptional, their use must be justified in each individual case, and must meet SSAL eligibility criteria (as specified in the operational guidelines).

⁸⁶ Although supported labor market reforms may have negative impacts on retrenched workers, they generally have the effect of increasing equity by making it financially possible for firms to hire additional workers.

poor, especially agricultural producers; and enhancing the poverty impact of public expenditures. Expenditure switching measures that were expected to benefit the poor were supported by 7 of the 8 poverty-focused adjustment operations in the region. In the Middle East and North Africa region, all three poverty-focused adjustment operations supported measures to reorient public expenditures towards the poor.

Eighteen out of 36 poverty-focused loans included measures to reorient expenditures toward the poor; 15 included instruments that would eliminate distortions and regulations that adversely affect the poor; and a large majority (25 out of 36) included safety net measures. The following sections discuss these three main objectives in turn (see Table F-2, which indicates the poverty-focused objectives of each operation).

Reorienting Public Expenditures to Benefit the Poor

Measures to reorient public expenditures toward the poor were supported by 18 of the 36 poverty-focused adjustment operations in fiscal 1999. Operations in Madagascar, Brazil, and the Solomon Islands offer interesting examples.

Under the Second Structural Adjustment Credit (IDA) to Madagascar, public expenditures will be reoriented toward the priority social sectors by increasing recurrent non-salary expenditures for primary education and health from 80 percent and 84 percent of the respective sectoral budgets in 1997, to a minimum of 90 percent in 1999 and 98 percent in 2000 for both sectors. Approximately 75 community schools in mainly rural areas will receive government support for non-wage recurrent expenditures in 1999, and an additional 150 schools will receive financial support in fiscal 2000. Moreover, the government will enact legal and institutional reforms that aim to reduce discretion in administrative procedures and improve public governance. A recent world-wide study suggests that corruption has disproportionately negative effects on the poor, as side-payments demanded by corrupt officials to access basic social services and infrastructure puts downward pressure on the living standards of the poor and limit their access.⁸⁷

⁸⁷ Poverty Trends and Voices of the Poor (World Bank, 1999e).

Under the Social Protection Special Sector Adjustment Loan (IBRD), the Brazilian government will place a floor on funding of basic education and health services in order to reduce inequality in inter-state and inter-municipality expenditures. In order to improve the quality and effectiveness of basic education in low income municipalities, the government will increase non-salary expenditures on books, school lunches and health programs.

Low-income groups in the Solomon Islands will benefit from a reorientation of public expenditures toward the basic health and education sectors under the Structural Adjustment Credit (IDA). For example, the credit will support improvements in primary health services for the poor by increasing the budget allocation for preventive health services (including health education, malaria control, provincial health services and environmental health) by 10 percent in fiscal 2000 relative to 1999, and capping budgetary allocations for the National Referral Hospital at 40 percent of the 2000 health budget. A Poverty Assessment will be carried out to identify the needs of the poor and to guide the design of social policies and programs that will contribute to poverty reduction.

Removing Distortions that Harm the Poor

Reforms that aim to reduce distortions that harm the poor by reducing their job opportunities or real incomes were supported in 15 out of 36 adjustment operations in fiscal 1999. Interesting examples come from Bulgaria, Rwanda, Chad, and Macedonia.

The Agriculture Sector Adjustment Loan in Bulgaria (IBRD) supports agricultural policy reforms that aim to eliminate tax, trade and pricing policies that discriminate against producers. In order to increase producer prices, the government will eliminate export controls and taxes on grains and oilseeds, remove price controls on agricultural products, and discontinue tariff exemptions for all agricultural products by liberalizing the import tariff regime. The rural poor will indirectly benefit from the creation of off-farm job opportunities in food marketing and processing as a result of the elimination of registration, licensing and contract approval requirements for exports and imports of agricultural productions, and the reduction of the state's role in grain marketing.

The Economic Recovery Credit (IDA) in Rwanda will support legal and institutional reforms necessary

for broad-based economic growth and poverty reduction. The government will adopt a land law that will increase land tenure security among smallholders and will implement a market-based distribution system for fertilizers, high-yielding seed varieties, and other inputs thus increasing their availability in remote areas. Amendments to the labor code will reduce labor costs by eliminating restrictions on firing and consolidating sectoral minimum wages into one national minimum wage, and removing provisions that discriminate against women. As a condition for the third tranche release, the government agreed to amend the civil code to give women equal inheritance and property rights, thereby protecting them from structural poverty.

In the Structural Adjustment Credit (IDA) to Chad, price distortions in the agricultural sector that hurt small producers will be reduced. The government aims to increase farmers' share of world cotton prices from 49.5 percent in 1998 to 54 percent in 1999. Producer prices will receive a further boost after the government lifts COTONCHAD's monopsony purchasing power in the primary marketing of seed cotton, ginning and export marketing.

Institutional reforms supported by the Social Sector Adjustment Credit to Macedonia (IDA) will help to reduce institutional rigidities in the labor market that limit labor demand and contribute to stagnant economic growth, as well as strengthen social safety nets for the poor. The priority labor market reforms include easing labor market restrictions on hiring and termination, reducing mandatory minimum benefits that curtail labor demand in small and medium-size enterprises, and reforming the labor code to increase flexibility in wage setting and employment contracts.

Strengthening of Social Safety Nets and Targeted Programs

Measures to strengthen social safety nets, or target disadvantaged groups within the population, were supported in 25 of the 36 poverty-focused adjustment operations. Operations in Korea, Georgia, Peru, and Morocco provide interesting examples.

Policy agreements secured under the Second Structural Adjustment Loan (IBRD) in Korea aim to benefit approximately 2.5 million workers by extending unemployment insurance coverage to firms with fewer than five workers and to temporary and part-time workers. Existing public workfare programs will be expanded to absorb an additional

125,000 workers, and reformed to maximize self-targeting by setting the wage rate below market rates for unskilled labor. The government will nearly double coverage of the new means-tested unemployment allowance to 600,000 beneficiaries, and will take steps to ensure that benefit levels are set to avoid adverse work incentives. Reforms in the health insurance sector will protect poor beneficiaries from major health-related financial risks by extending coverage for non-covered health services, reallocating health insurance coverage from minor to major risks within the national Medical Insurance System, and reducing out-of-pocket co-payments.

In order to mitigate the negative impacts of sector reforms under the Energy Sector Adjustment Credit (IDA) in Georgia, the authorities will monitor the impact of increased cost-recovery in the energy sector on poor families using the continuous Georgian Household Income and Expenditures Survey. Poor single pensioners, who are among the largest identifiable group of poor in the country, will receive higher poverty benefits to deal with higher housing costs. A beneficiary assessment will monitor whether the poverty benefit actually reaches the poor and address situations where it may be diverted.

The Second Financial Sector Adjustment Loan to Peru (IBRD) will help prevent liquidity and interest

rate shocks from dramatically reducing labor demand and eroding real wages. In order to better insulate the real incomes of the poor from sharp economic downturns, the government will protect spending on well-targeted social programs from budget cuts that might occur in the event of a crisis in 1999 or 2000. The protected programs cover 14 percent of the government's total budget in fiscal 1999. A contingency plan for providing social protection during crises has also been developed. Financing for labor intensive public works (in select geographic areas and at low wage levels) will be triggered by a 18 percent quarterly decline in the terms of trade, a 12 percent drop in 3 consecutive months in collected revenues, or an increase of 3 percentage points in the quarterly poverty rate relative to the same period one year earlier.

In Morocco, the Policy Reform Support Loan (IBRD) will provide targeted food subsidies to low-income groups while reducing untargeted food subsidies and food import tariffs. The government will restructure Promotion Nationale, a public works program that finances temporary jobs for unemployed skilled workers at below market wages, by increasing the proportion of programs in low-income areas, and increasing the share of labor costs to over 60 percent of project financing.

Table F-2. Poverty-focused components of adjustment operations, fiscal 1999

	Objectives ^a			
	Reforming public expenditures ^b	Addressing distortions ^c	Safety nets/ Targeted programs ^d	Tranche release conditions ^e
Fiscal 1999 Poverty-focused adjustment operations				
<i>Structural Adjustment Loans</i>				
Albania: Public Expenditure Support Credit*	√			
Albania: Structural Adjustment Credit*			√	√
Argentina: Special Structural Adjustment Loan	√		√	√
Armenia: Third Structural Adjustment Credit*	√		√	
Bulgaria: Social Protection Adjustment Loan		√	√	√
Burkina Faso: Economic Management Reform Credit*	√	√		
Chad: Third Structural Adjustment Credit*	√	√		
Georgia: Third Structural Adjustment Credit*	√		√	√
Indonesia: Policy Reform Support Loan		√	√	
Indonesia: Second Policy Reform Support Loan	√		√	
Indonesia: Social Safety Net Adjustment Loan			√	√
Korea: Second Structural Adjustment Loan			√	√
Macedonia, FYR: Social Sector Adjustment Credit*		√	√	
Madagascar: Second Structural Adjustment Credit*	√			√
Malawi: Second Fiscal Restructuring and Deregulation Program*	√	√		√
Moldova: Social Sector Adjustment Credit*		√	√	√
Niger: Public Finance Reform Credit*	√			√
Panama: Public Policy Reform Adjustment Loan	√	√	√	
Romania: Private Sector Adjustment Loan		√	√	√
Rwanda: Economic Recovery Credit*	√	√	√	√
Solomon Islands: Structural Adjustment Credit*	√			√
Tajikistan: Structural Adjustment Credit*		√	√	√
Thailand: Second Economic and Financial Adjustment Loan			√	
Yemen: Public Sector Adjustment Credit*	√			
Zambia: Public Sector Reform and Export Promotion Credit*	√		√	√
<i>Sectoral Adjustment Loans</i>				
Argentina: Special Repurchase Facility Support Loan			√	
Bosnia and Herzegovina: Second Public Finance Structural Adjustment Credit*			√	√
Brazil: Social Protection Special Sector Adjustment Loan	√		√	
Bulgaria: Agriculture Sector Adjustment Loan		√		
Georgia: Energy Sector Adjustment Credit*			√	√
Ghana: Second Economic Reform Support Operation*		√		√
Kyrgyz Republic: Social Sector Adjustment Credit*		√	√	√
Morocco: Policy Reform Support Loan	√		√	
Morocco: Telecommunications, Post and Information Technology Sector Adjustment Loan		√		
Peru: Second Financial Sector Adjustment Loan	√		√	
Poland: Hard Coal Sector Adjustment Loan			√	√
Total	18	15	25	20

Note: * IDA credit

a. Thirteen operations in fiscal 1999 also support the collection of data on poverty and the monitoring of the impact of adjustment on the poor: the Brazil Social Protection Special Sector Adjustment Loan, the Bulgaria Agriculture Sector Adjustment Loan, the Georgia Energy Sector Adjustment Credit, the Indonesia Policy Reform Support Loan, the Korea: Second Structural Adjustment Loan, the Kyrgyz Republic Social Sector Adjustment Credit, the FYR Macedonia Social Sector Adjustment Credit, the Madagascar Second Structural Adjustment Credit, the Panama Public Policy Reform Adjustment Loan, the Peru Second Financial Sector Adjustment Loan, the Poland Hard Coal Sector Adjustment Loan, the Thailand Second Economic and Financial Adjustment Loan, and the Zambia Public Sector Reform and Export Promotion Credit.

b. Supports the reallocation of public expenditures towards physical infrastructure and basic social services for the poor.

c. Focuses specifically on reducing distortions that especially disadvantage the poor.

d. Supports programs that provide safety nets or that target specific groups.

e. Contains tranche release conditions related to poverty-focused measures.

Source: World Bank

Table F-3. Poverty-focused adjustment lending, fiscal 1992-1999

Lending	FY92	FY93	FY94	FY95	FY96	FY97	FY98	FY99
Poverty-focused adjustment lending (US\$ millions)	2,838.1	1,165.0	1,665.0	1,648.0	2,227.0	2,649.0	7,235.0	10,689.3
Total adjustment lending (US\$ millions)	5,847.3	5,252.6	2,867.5	5,324.3	4,509.4	5,085.7	11,289.2	15,449.0
Percentage of adjustment lending	49	22	58	31	49	52	64	69
Total number of poverty-focused adjustment operations	18	6	20	14	17	18	16	36
Total number of adjustment operations	32	23	28	30	30	30	37	48
Percentage of poverty-focused adjustment operations	56	26	71	47	57	60	43	75
IDA Poverty-focused adjustment lending (US\$ millions)	1,168.1	645.0	875.0	598.0	1,027.0	689.0	630.0	1,238.7
IDA adjustment lending (US\$ millions)	2,152.3	1,422.6	1,997.5	1,069.3	1,679.4	947.7	1,354.2	1,511.8
Percentage of IDA adjustment lending	54	45	44	56	61	73	47	82
Total number of IDA poverty-focused adjustment operations	10	3	11	9	13	9	9	20
Total number of IDA adjustment operations	16	8	18	15	19	11	17	22
Percentage of IDA poverty-focused adjustment operations	63	38	61	60	68	82	53	91

Note: Adjustment operations include SALs, SECALs, RILs, and DRLs. For joint IBRD/IDA operations, the amount of lending is split between IBRD and IDA as stipulated in the loan/credit document, but it is counted only once, as an IBRD operation.

Source: World Bank.

Table F-4. Poverty-focused SALs and SECALs, fiscal 1999

<i>Loan or credit</i>	<i>Poverty-related objectives</i>
East Asia and the Pacific	
<i>Indonesia</i>	
Policy Reform Support Loan (IBRD: US\$1000 m.)	This is the first of two policy reform loans that will help to restore confidence and macroeconomic stability in the Indonesian economy, while protecting the poor. Regulatory reforms, including the reduction of tariffs on food items and the relaxation of food import and marketing monopolies, will contain upward pressure on food prices and benefit farmers and informal sector workers by increasing producer prices and job opportunities in food marketing. The government will support the expansion of labor intensive public works in urban and rural areas, and will provide subsidies on basic commodities consumed by the poor (including low quality rice, soybeans and kerosene) and food grants in drought-affected areas. In order to mitigate the negative impact of macroeconomic fluctuations on the health status of the poor, the loan will finance the purchase of essential drugs, hospital equipment and contraceptives to ensure their availability and affordability. The Indonesian government will finance scholarships for three million needy primary school students, and half a million needy high school students, in order to encourage human capital accumulation among the poor.
Second Policy Reform Support Loan (IBRD: US\$500 m.)	As a complement to the Social Safety Net Adjustment Loan described below, this loan will support corporate restructuring and banking sector reforms, consolidate macroeconomic stabilization and build a foundation for renewed economic growth by reducing corruption and increasing the transparency and efficiency of public and private sector activities. The 1999/2000 budget contains development expenditure levels, sectoral allocations and social safety net expenditure allocations (by program and by region) that switch public expenditures toward the priority social sectors. Some of the shifts are directed at mitigating the immediate effects of the crisis through strengthening social safety nets. Others represent a reallocation toward longer term priorities, such as improving quality and access to health and education services, especially for the poor.
Social Safety Net Adjustment Loan (IBRD: US\$600 m.)	Social safety net programs crucial to the poor have been protected from expenditure cuts under the Second Policy Reform Support Loan, but have suffered from implementation delays, fund leakage and inadequate and inappropriate design. This operation will support improvements in the monitoring of social sector programs and the strengthening of social safety nets. An innovative monitoring system involving line ministries and civil society institutions will protect against the misuse of program funds, and ensure effective social service delivery to the poor. Budget support for key social safety net programs—including rice subsidies targeted to poor households, price subsidies on generic drugs, and financing for employment generation programs—will help to increase the food, health and income security of the poor. The government will protect school enrollment rates among low-income groups by financing scholarships for the poorest primary and secondary school students, and providing block grants to the poorest 60 percent of primary and secondary schools. The first and second tranche releases are conditioned on, among other things, creating a mechanism to implement and monitor social safety net programs.
<i>Korea</i>	
Second Structural Adjustment Loan (IBRD: US\$2000 m.)	Financial and corporate sector restructuring, and the strengthening of social safety nets, will build on the work initiated under prior Bank support. Approximately 2.5 million workers will benefit from an extension of coverage of the Unemployment Insurance Scheme to firms with fewer than 5 workers and to temporary and part-time workers. Existing public workfare programs will be expanded to absorb an

*Loan or credit**Poverty-related objectives*

additional 125,000 workers, and reformed to maximize self-targeting to the poor by setting the wage rate below market rates for unskilled labor. The government will nearly double coverage of the new means-tested unemployment allowance to 600,000 beneficiaries, and will take steps to ensure that benefit levels are set to avoid adverse work incentives. Pension reforms will benefit the elderly poor, and reforms in the health insurance sector will protect poor beneficiaries from major health-related financial risks. Prior to the release of the second tranche, the government will allocate sufficient budgetary resources in fiscal 1999 budget to expand workfare coverage for unemployed workers, expand the provision of means-tested non-contributory income support for the poor, and complete a feasibility report for introducing a national household survey to monitor poverty on a regular basis.

Solomon Islands
Structural Adjustment Credit
(IDA: US\$12 m.)

The poor will benefit from a reorientation of public expenditures toward the basic health and education sectors. In order to improve the quality and effectiveness of basic education services, the government will prepare a 10 year education sector plan that will prioritize investments and reforms, and implement a unit-cost formula for the allocation of public funds to primary and secondary education by fiscal 2000 to ensure schools have adequate financing. The credit will also support improvements in primary health services for the poor by increasing the nominal value of the recurrent budget allocation for preventive health services (including health education, malaria control, provincial health services and environmental health) by 10 percent in fiscal 2000 relative to 1999, and capping budgetary allocations for the National Referral Hospital at 40 percent of the fiscal 2000 health budget. A poverty assessment will be carried out to identify the needs of the poor and to guide the design of social policies and programs that will contribute to poverty reduction. Prior to the release of the second tranche, the government must have completed the reforms in the education and health sectors, and begun work on the poverty assessment.

Thailand
Economic and Financial
Adjustment II
(IBRD: US\$600 m.)

Financing for public expenditures and antipoverty programs will provide a fiscal stimulus to boost aggregate demand and help to restore economic growth. Public workfare programs will be expanded to generate employment opportunities, especially for the rural poor in northeast Thailand. In order to ensure low income groups benefit disproportionately from funded programs, the government will increase the unskilled labor intensity of projects to 30 percent, and will set the wage level close to applicable market rates. The incidence of poverty will be a key criterion for determining the distribution of workfare programs across regions. The government will also increase coverage of means-tested and in-kind transfer programs for needy families and the elderly poor. Unemployed workers, whose previous employers are unable to meet severance payment obligations, will benefit from a new employee welfare fund that will partially finance unpaid severance claims.

Europe and Central Asia
Albania
Public Expenditure Support
Credit
(IDA: US\$30 m.)

The increased demand for health care and education services by refugees from the Kosovo crisis has outstripped the government's ability to finance and implement these services without compromising fiscal discipline. This credit will enable the Albanian government to increase expenditures in the primary health and education sectors in order to meet the urgent needs of Kosovar refugees and the Albanian

<i>Loan or credit</i>	<i>Poverty-related objectives</i>
	poor while maintaining macroeconomic stability. Priority will be given to the maintenance of water, sanitation, school and health infrastructure, which will be stressed as a result of refugee inflows.
Structural Adjustment Credit (IDA: US\$45 m.)	Reforming the public pension program will enable the government to reduce payroll taxes—and thus stimulate labor demand—and to protect the incomes of the elderly without compromising fiscal discipline. The government will improve the sustainability of the pay-as-you-go public pension program in the short and medium term by carrying out actuarial evaluation of the system and implementing appropriate reforms, and increasing equity by reducing unfunded pension entitlements. Over the long term, the government will support income diversification among the elderly by introducing a mandatory, funded pension scheme and private pension insurance. Prior to the release of the second tranche, the government must cease to accumulate unfunded pension liabilities to farmers, which will improve the equity of public pension outlays.
<i>Armenia</i> Third Structural Adjustment Credit (IDA: US\$65 m.)	In order to minimize the adverse impact of the Russian crisis on the economy, this loan supports a package of reforms aimed at increasing domestic savings through fiscal discipline, and promoting private sector development. The targeting of benefits to the poor will be improved by introducing proxy means testing and tightening the benefit eligibility criteria. The government will strengthen the existing pension system by improving enforcement mechanisms for the collection of pension contributions, as well as introducing private pension accounts over the medium run. Pension reforms will enhance social protection for the elderly by increasing the average old age pension benefit by 30 percent in 1999. In order to ensure equitable access to health and educational services, the government will increase the 1999 budgetary shares going to the health and education sectors to 11 percent of total public expenditures.
<i>Bosnia and Herzegovina</i> Second Public Finance Structural Adjustment Credit (IDA: US\$72 m.)	A package of public finance reforms will facilitate the adoption of consistent monetary and fiscal policies across the two Entities. The government will enhance the fiscal sustainability and poverty impact of the public pension program by redefining pension benefit rules to align promised benefits with the projected resources, and increasing the lowest pensions more generously until they reach reasonable subsistence levels. The veteran's benefit programs will be enhanced by tying benefit adjustments to the availability of fiscal resources, and lowering administrative costs by reducing the number of benefit categories and improving the targeting of resources to the poorest. As a condition for the second tranche release, the governments of both Entities will submit comprehensive analyses of beneficiaries of veteran's entitlement programs, and will adopt amendments to pension legislation which alter the benefit formula and eligibility criteria.
<i>Bulgaria</i> Agriculture Sector Adjustment Loan (IBRD: US\$75.8 m.)	Policy reforms in the agricultural sector will eliminate tax, trade and pricing policies which discriminate against producers, and will thus help to raise rural incomes. In order to increase producer prices, the government will eliminate export controls and taxes on grains and oilseeds, remove price controls on agricultural products, and discontinue tariff exemptions for all agricultural products by liberalizing the import tariff regime. The government will likely foster a positive supply response in the agricultural sector by eliminating registration, licensing, and contract approval requirements for exports and imports of agricultural products, and by reducing the state's role in grain marketing activities. The rural poor will indirectly benefit from the creation of off-farm job

<i>Loan or credit</i>	<i>Poverty-related objectives</i>
<p><i>Bulgaria</i> Social Protection Adjustment Loan (IBRD: US\$80 m.)</p>	<p>opportunities in food marketing and processing as a result of the planned reforms.</p> <p>The government will adopt measures to reduce labor costs and increase employment growth, as well as improve the targeting mechanisms of social protection programs. Pension reforms--including a gradual increase in the retirement age, and the introduction of individually funded pension accounts--will enable the government to lower payroll taxes used to finance the pay-as-you-go pension system, thereby removing a major obstacle to job creation in the formal sector. Labor market reforms will likely lower employment costs and help to shorten unemployment spells by: improving the targeting of active labor market programs; increasing access to job services and information; and reducing mandatory pay for education leave. The government will also reduce duplicative in-kind benefits and untargeted, universal cash benefits, thereby containing the diversion of resources away from the poor. In order to increase gender equity and protect vulnerable groups, the government will equalize minimum retirement ages for men and women, and allow pension inheritance rights to widowed pensioners and minor children. Children under 16 years old, pensioners over 70 living alone, and the disabled will benefit from improved, means-tested targeting mechanisms in income support programs and increased benefit payments. Prior to the second tranche release, the government must meet specific performance targets in the implementation of labor and social sector reforms.</p>
<p><i>Georgia</i> Energy Sector Adjustment Credit (IDA: US\$25 m.)</p>	<p>Privatization and the implementation of cost recovery measures in the energy sector will increase the reliability of electricity supply and underpin the country's macroeconomic recovery by reducing quasi-fiscal deficits generated by state-owned energy enterprises. In order to mitigate the negative impacts of sector reforms on poor single pensioners, who are among the largest identifiable group of poor in the economy, the government will increase their poverty benefit to reflect the additional 14.3 million lari budgetary allocation to the program. The authorities will monitor the impact of increased cost-recovery in the energy sector on poor families using the continuous Georgian Household Income and Expenditures Survey. A beneficiary assessment will monitor the actual receipt of the poverty benefit in order to ensure resources are not being diverted from the poor. Increasing expenditures on the poverty benefit program is a condition for the release of the second tranche of the loan, and will underpin measures to strengthen social safety nets under the parallel Third Structural Adjustment Credit.</p>
<p>Third Structural Adjustment Credit (IDA: US\$60 m.)</p>	<p>The government will help to mitigate the impact of the regional economic crisis on the poor by increasing the poverty benefit for 55,000 single pensioners to a level sufficient to bring their monthly expenditures to the minimum poverty line. Budgetary allocations in fiscal 2000 will keep the poverty benefit at least constant in real terms. The government will prioritize spending on health, education and the poverty benefit program as core expenditures in the fiscal 1999 and 2000 budgets, and will allocate 7.3 percent and 13 percent of the overall consolidated budget each year to the health and education sectors respectively. Prior to the release of the second tranche, the government must make adequate budgetary allocations to the education and health sectors, and prior to the third tranche release, the government must successfully execute the fiscal 2000 budget and pay all outstanding arrears in the social sectors. This credit shares in common with the Energy Sector Adjustment Credit the second tranche release condition which will increase expenditures on the poverty benefit program for poor single pensioners.</p>

<i>Loan or credit</i>	<i>Poverty-related objectives</i>
<p><i>Kyrgyz Republic</i> Social Sector Adjustment Credit (IDA: US\$36.5 m.)</p>	<p>Policy reforms will reduce excessively high payroll taxes needed to finance pension outlays and spur job growth in the economy. The government will move away from the current pay-as-you-go public pension system, and will adopt a partially funded system which will rely on mandatory contributions to private accounts. Reforms will increase equity in, and the fiscal sustainability of, the public pension system by increasing the retirement age and eliminating non-contributory earnings periods for pensions and early retirement privileges. Based on a comprehensive analysis of household consumption patterns of residential utilities, the government will provide targeted partial compensation to poor households while phasing in tariff increases for residential utilities (including electricity, gas, heating and water). Prior to the release of the second tranche of the loan, the government will approve a permanent system of poverty monitoring, and approve a 1999 budget which includes the necessary funding to carry out a household survey with a minimum of 2,030 households.</p>
<p><i>Macedonia</i> Social Sector Adjustment Credit (IDA: US\$29 m.)</p>	<p>Supported reforms will help to reduce institutional rigidities in the labor market which stifle labor demand and contribute to stagnant economic growth, as well as strengthen social safety nets for the poor. The priority labor market reforms include easing labor market restrictions on hiring and termination, reducing mandatory minimum benefits which curtail labor demand in small and medium-size enterprises, and reforming the labor code to increase flexibility in wage setting and employment contracts. The credit will also support the restructuring of the national pension, health and unemployment systems to ensure their financial sustainability, and to improve the equity and targeting of social assistance benefits. The latter will be accomplished by equalizing rural and urban benefit levels based on the national poverty line, improving screening and monitoring of social assistance beneficiaries, instituting random audits on the verification and monitoring of claims, and removing work disincentives by capping the benefit duration to four years.</p>
<p><i>Moldova</i> Social Adjustment Credit (IDA: US\$40 m.)</p>	<p>The government will maintain its track record of non-interference in the grain market, and will continue to move away from distortionary subsidies to agricultural producers under its taxation and subsidy program. In order to promote land tenure security and on-farm investment, and foster a positive supply response in the agricultural sector, the government will privatize approximately 600 former collective and state farms into private plots and issue land titles for approximately 40 percent of total agricultural land. Private farmers, who are among the poorest groups in Moldova, will specifically benefit from the provision of one-time cash grants, allocated on a per hectare basis, to be used in time for the 1999 Spring planting season. Grants will be capped so that smaller farmers—who have the least access to credit—will benefit proportionately more. Prior to the release of the second tranche, the government must have made satisfactory progress in privatizing state farms and issuing land titles.</p>
<p><i>Poland</i> Hard Coal Sector Adjustment Loan (IBRD: US\$300 m.)</p>	<p>Poland's hard coal sector has suffered very large and increasing losses in recent years. In order to reduce the drain of state-owned hard coal enterprises on the government's budget and improve the profitability of the hard coal sector, this operation will support employment restructuring and the privatization of 17 loss-making state owned enterprises, and the closing of low-productivity mines. In order to cushion the impact of sectoral restructuring on miners and their families, the government will offer a Miner's Social Package to an expected 55,000</p>

<i>Loan or credit</i>	<i>Poverty-related objectives</i>
<i>Romania</i> Private Sector Adjustment Loan (IBRD: US\$300 m.)	<p>underground workers who voluntarily leave their jobs. Miners will choose between a Leave Package that will provide a financial bridge to retirement, a Social Allowance Package that will provide a two-year allowance to miners interested in re-employment outside of the mining sector, or a Lump Sum Package to be used at their convenience. In addition, all unemployed workers from affected companies will have access to job counseling services, active labor market services (including retraining and small business assistance), and means-tested income support. The second tranche release is condition on the implementation of monitoring systems for social assistance programs and the timely payment of benefits to miners.</p> <p>Banking sector restructuring will avert the immediate threat of a financial and macroeconomic crisis, while social sector reforms will strengthen safety nets for workers displaced during the privatization of state-owned enterprises. The government will reduce inter-sectoral inequity in severance payments by canceling special privileges to industries with relatively high benefit ratios, and making severance payments to individual workers based on the worker's prior earnings rather than the average industry wage. Participation in pre-lay-off services will be made a requisite for the receipt of severance pay in order to encourage higher utilization of job placement services among laid off workers, and facilitate their re-entry into the labor market. The government will increase credit access among displaced workers by establishing a legal framework for non-bank, micro-credit agencies to provide loans to small-borrowers who lack sufficient collateral to borrow from established banks. Second tranche release conditions include a report on the progress of social assistance programs.</p>
<i>Tajikistan</i> Structural Adjustment Credit (IDA: US\$50 m.)	<p>The government will reduce income uncertainty among the poor by preventing the accumulation of arrears in the state budgets in the social sectors during the second half of fiscal 1998; ensuring the timely payment of salaries, pensions and social safety net payments; and submitting legislation to restructure the social protection system based on a national living standard survey. Privatizing the cotton marketing agency into private ginneries will increase competition among ginneries for cotton, reduce ginning tariffs and increase producer prices, thus helping to raise farm incomes and reduce rural poverty, as well as increase foreign exchange earnings. Prior to the second tranche release, the government will undertake a review of the expenditure composition for the social sectors in the 1999 state budget, and adopt a plan to restructure the social protection system.</p>
Latin America and the Caribbean	
<i>Argentina</i> Special Repurchase Facility Support Loan (IBRD: US\$505 m.)	<p>The Repurchase Facility will enable the Central Bank of Argentina to engage in discount lending to domestic banks without expanding the money supply by selling dollar-denominated government bonds to commercial banks with an option to buy them back within 2 to 5 years. If a bank run occurs, the Central Bank will activate the Repurchase Facility and provide domestic banks with funds to pay deposit withdrawals and prevent a contraction in lending to private sector institutions, especially to small and medium enterprises which are the engines of job growth in the economy. The Special Repurchase Facility will prevent liquidity shocks from causing dramatic declines in investment and labor demand in the economy, and will therefore help to insulate the real incomes of the poor from macroeconomic shocks.</p>
Special Structural Adjustment	Preventing liquidity crises is imperative to reducing poverty given that such crises

<i>Loan or credit</i>	<i>Poverty-related objectives</i>
<p>Loan (IBRD: US\$2,525.3 m.)</p>	<p>cause economic contractions which disproportionately hurt the poor through reducing labor demand in small and medium enterprises and government expenditures on social services and safety nets. Key social service programs, including maternal and child health care and basic education, will be protected from budget cutbacks relative to fiscal 1998 allocations. The loan will also enable the government to continue providing temporary employment through public works projects in high poverty areas under the TRABAJAR program, and to improve the targeting of social service programs to the poor by developing a national poverty line standard and poverty mapping system. Merit-based scholarships will be provided to students from low-income families in order to encourage human capital development among the poor. The second and third tranche release conditions include the successful implementation of the social sector reforms outlined above.</p>
<p><i>Brazil</i> Social Protection Special Sector Adjustment Loan (IBRD: US\$252.5 m.)</p>	<p>The loan will finance income support programs which target vulnerable groups, including the Bolsa Escola program which provides an income subsidy to poor parents who keep all their children in school; an income support program for the working poor who do not qualify for unemployment insurance and are vulnerable to unemployment spells; and an income support program targeted to households with elderly and disabled members. The loan will also help to maintain the budgets of 22 core social safety net programs in the health, education and labor sectors at fiscal 1998 levels, despite deep cuts in the federal budget. The Brazilian government will encourage human capital development among the poor by placing a floor on funding of basic education and health services in order to reduce inequality in inter-state and inter-municipality expenditures, and enhancing the quality and effectiveness of basic education in low income municipalities by increasing non-salary expenditures on books, school lunches and health programs.</p>
<p><i>Panama</i> Public Policy Reform Adjustment Loan (PPRAL) (IBRD: US\$61 m.)</p>	<p>Using a new poverty map, the government will target social sector spending to vulnerable groups under its Poverty Reduction Strategy program. The government will increase access to education among the poor by providing 5,099 new targeted scholarships for primary and secondary education to poor children, and preparing 246 school centers in 185 of the poorest towns. Reforms will also remove key institutional constraints which suppress income growth among the poor by registering 39,000 lots which will enable the poor to use their land as collateral; financing road rehabilitation and the construction of 220 rural aqueducts and 10,600 latrines in low-income areas; and building 20 mini-irrigation works to benefit poor farmers. In order to reduce food and commodity prices, the government will reduce all import tariffs to a maximum of 15 percent ad valorem with the exception of tariffs on automobiles, milk and dairy productions. Reductions in tariffs will reduce food prices and benefit the poor, for whom food expenditures account for 68 percent of total consumption expenditures. The government will monitor changes in poverty and living conditions during the implementation of its Poverty Reduction Strategy program by preparing the Living Standards Measurement Survey of 2000, and by requiring each public institution responsible for social service delivery to identify target groups for each activity and to define quantitative result indicators each fiscal year.</p>
<p><i>Peru</i> Second Financial Sector Adjustment Loan (IBRD: US\$300 m.)</p>	<p>In order to better insulate the incomes of the poor from sharp economic downturns, the government will protect spending on well-targeted social programs from budget cuts that would occur in the event of a crisis in 1999 or 2000. The protected programs cover 14 percent of the government's total budget in fiscal</p>

<i>Loan or credit</i>	<i>Poverty-related objectives</i>
<p>Middle-East and North Africa <i>Morocco</i> Telecommunications, Post, and Information Technology Sector Adjustment Loan (IBRD: US\$101 m.)</p>	<p>1999. A contingency plan for providing social protection during crises has also been developed. Financing for labor intensive public works (in select geographic areas and at low wage levels) will be triggered by a 18 percent quarterly decline in the terms of trade, a 12 percent drop in 3 consecutive months in collected revenues, or an increase of 3 percentage points in the quarterly poverty rate relative to the same period one year earlier.</p> <p>The adoption of pro-competitive measures in the telecom sector will put downward pressure on the price of basic and advanced telephony services, foster innovation and network development, and increase the quality of telecommunications services to households and businesses. An explicit goal of the loan will be to extend telecommunications services to poor areas by: implementing a pilot program in poor or remote areas of the Northern Provinces which will select the providers of telecom services based on competitive tenders; facilitating at least one new entrant in wireless telecommunications market; and awarding a second GSM license using various criteria, one of which is an agreement to provide cellular services in rural areas. Higher penetration of telecommunications, postal and informal technology services will facilitate business development in low income areas, and improve the quality of education and health services in remote parts of the country.</p>
<p>Policy Reform Support Loan (IBRD: US\$ 250 m.)</p>	<p>The government will provide targeted food subsidies to low-income groups while reducing untargeted food subsidies and food import tariffs in order to free up budgetary resources for social expenditures. The government will restructure <i>Promotion Nationale</i>, a public works program that finances temporary jobs for unemployed skilled workers at below market wages, by increasing the proportion of programs in low income areas, and increasing the share of labor costs to over 60 percent of project financing. The government will promote social equity gains in the primary education and health sectors by constructing 4,500 rural classrooms, reducing gender and rural-urban disparities in primary school enrollment rates, extending health insurance coverage to low-income groups, and initiating a pilot redeployment of healthcare personnel to Morocco's poorest provinces.</p>
<p><i>Yemen</i> Public Sector Management Adjustment Credit (IDA: US\$50 m.)</p>	<p>This is the first in a series of public sector management operations which aim to increase economic growth and strengthen the quality and delivery of social services to the poor by reducing administrative discretion and enhancing budgetary planning. A package of institutional reforms—including streamlining public administration, reforming budget and financial management planning to operate within a medium-term expenditure framework, and implementing measures to increase tax revenues and tax compliance—will complement the government's efforts to improve the operation of key health and education facilities that provide services to the poor. The government will increase budgetary funds allocated for the operation and maintenance of health and education facilities in poor areas, thereby removing the main constraint to improving the quality of basic education and health services. Improved coordination between ministries during budget preparation will also ensure that social expenditures which benefit the poor will be prioritized.</p>
<p>Sub-Saharan Africa <i>Burkina Faso</i> Economic Management Reform</p>	<p>The government will implement critical tax, trade and budget reforms which will boost economic competitiveness and regional market access to agricultural</p>

<i>Loan or credit</i>	<i>Poverty-related objectives</i>
Credit (IDA: US\$15 m.)	producers, and improve the programming and management of public expenditures in the health and primary education sectors. The government will shift its tax base away from distortionary tariff revenues by phasing in the West African Economic and Monetary Union (WAEMU) common external tariff, which will lower the maximum tariff rate from 31 percent to 20 percent and boost export growth in the mining and agricultural sectors—the latter of which has direct linkages with the incomes of the poor. Without increasing total expenditures as a share of GDP, the government will continue to reallocate fiscal resources to the health and primary education sectors until they have budget shares of 13 percent and 12 percent respectively. The credit will also support improvements in public expenditure planning at the sector and central levels to ensure adequate financing for the priority health and education sectors.
<i>Chad</i> Third Structural Adjustment Credit (IDA: US\$30 m.)	As the last of three policy-based lending operations envisaged in the 1996 country assistance strategy for Chad, this operation will implement a package of reforms which will foster private sector development in key sectors, and likely increase the poverty impact of public expenditures. The government will make significant progress in expenditure switching in the 1998 and 1999 budgets in which it will increase appropriations for non-wage current expenditures in the education, health and social sectors by at least 20 percent in real terms, and will recruit 400 primary school teachers, 120 secondary school teachers, and 90 health service personnel while maintaining a freeze on recruitment in other ministries. Agricultural sector reforms will reduce price distortions which hurt small producers by increasing farmers' share of world cotton prices to 54 percent in 1998/99 from 49.5 percent in 1997/98 and lifting COTONTCHAD's monopsony purchasing power in the primary marketing of seed cotton, ginning and export marketing, which is expected to lead to an increase in producer prices and thus farm incomes.
<i>Ghana</i> Second Economic Reform Support Operation Credit (IDA: US\$178.2 m.)	A balance of payments shortfall will be financed to support the government's efforts to maintain macroeconomic stability and implement a multi-sector reform strategy to enhance private sector and rural development. As a condition for the second tranche release, the government will increase cocoa farmers' share in the fob price to 65 percent in the 1999/2000 crop season and will allow licensed companies to export 30 percent of cocoa purchases. The cocoa sector reforms will raise the incomes and market access of smallholder producers and lift an estimated one million cocoa-producing household members out of poverty by the year 2005.
<i>Madagascar</i> Second Structural Adjustment Credit (IDA: US\$100 m.)	Reforms will foster private sector development and economic growth by reducing the state's role in key sectors through privatization, improving governance, strengthening public finances by increasing revenues, and enhancing the poverty impact of expenditures. Actual recurrent non-salary expenditures for primary education and health will increase from 80 percent and 84 percent of the respective sectoral budgets in 1997, to a minimum of 90 percent in 1999 and 98 percent in 2000 for both sectors. In order to ensure that budget allocations in the primary health and education sectors are being properly executed and targeted to the poor, the government will adopt procedural changes which will reduce delays in budget disbursements from line ministries to the districts, and will monitor of the availability of books, general supplies and medicines in schools and clinics on a quarterly basis. The conditions for the second and third tranche releases include the creation of an expenditure monitoring system in the health and basic education sectors.

<i>Loan or credit</i>	<i>Poverty-related objectives</i>
<p><i>Malawi</i> Second Fiscal Restructuring and Deregulation Program (IDA: US\$92 m.)</p>	<p>Inequities in actual budget executions which have disfavored the poor in the past will be reduced through expenditure and civil service reform, and improved targeting of public expenditures to the poor. The government will adopt poverty-focused expenditure switching measures which include: holding fiscal 1998 expenditures constant in real terms at 1997 levels; implementing expenditure cuts in non-priority areas; and introducing a system to monitor wage and current expenditure targets on a monthly basis. In order to reduce consumer prices and increase economic competitiveness, the government will reduce tariffs on final consumption goods from 35 percent to 30 percent in fiscal 1999. The government will help to boost farm incomes and improve income distribution in the economy by widening the price band at which the government purchases maize from smallholders, and retrenching from maize marketing activities to allow for private sector entry. Conditions attached to the second tranche include meeting agreed upon public expenditure targets in the first two quarters of fiscal 1998.</p>
<p><i>Niger</i> Public Finance Reform Credit (IDA: US\$64 m.)</p>	<p>Supported reforms aim to increase the equity and efficiency of public spending, and include measures to increase tax revenues and streamline budget and public service management. The government will remedy the acute shortage of operating supplies in the education and health sectors, and improve the quality of physical facilities and equipment, in attempt to increase the quality and utilization of public health and education services in rural areas. Specific actions supported by this operation include the recruitment of additional primary school teachers, an increase in non-wage expenditures for the health sector by 5 percent in real terms, and an increase in the budgetary allocation for educational materials. Prior to the release of the second tranche, the government must present a 1999 budget which is consistent with promised social sector spending levels. Prior to the third tranche release, the government will take steps to ensure that expenditure management is transparent by presenting to Parliament the results of an expenditure audit.</p>
<p><i>Rwanda</i> Economic Recovery Credit (IDA: US\$75 m.)</p>	<p>Legal and institutional changes in the agricultural sector and labor market will foster economic growth and help to reduce rural poverty. The government will help to boost agricultural productivity in the smallholder sector by adopting a land law that will increase land tenure security among smallholders; implementing a market-based distribution system for fertilizers, high-yielding seed varieties, and other inputs (thus increasing their availability in remote areas); and privatizing parastatal tea estates and factories into smallholder plots and private holdings. Amendments to the labor code will reduce labor costs by eliminating restrictions on firing and consolidating sectoral minimum wages into one national minimum wage, and will remove provisions that discriminate against women. As a condition for the third tranche release, the government will amend the civil code to give women equal inheritance and property rights—thereby protecting them from structural poverty—and will sensitize the population to these legal changes through a public awareness campaign. The poor will benefit from an increase in the share of social sector spending in recurrent budget allocations to 37 percent in 1999 and 40 percent in 2000. Prior to the release of the second tranche of the loan, the government must demonstrate that actual spending on basic health and education in 1999 match budgetary allocations.</p>
<p><i>Zambia</i> Public Sector Reform and Export Promotion Credit (IDA: US\$170 m.)</p>	<p>The Zambian government will foster private sector development and reduce widespread poverty by implementing civil service pay reform, privatizing state owned enterprises, and improving social service delivery to the poor. While overall public spending is reduced, the government will maintain budgetary</p>

*Loan or credit**Poverty-related objectives*

allocations to the key social sectors at 36 percent of the discretionary budget, and spending on seven specific budget categories of non-personnel spending in the areas of health, education and social welfare. In order to ensure the effective delivery of services to the poor, actual expenditures in the social sectors will be monitored by line ministries. Based on the findings of the National Food and Nutrition Commission supported by the ESAC II operation, the government will put into place new arrangements for implementing child nutrition programs. The Public Welfare Assistance Scheme (PWAS), the main safety net for the poor, will be improved to better target the poor by revamping the program's eligibility criteria and operational guidelines. Prior to the second tranche release, actual spending on social services must be consistent with prior expenditure agreements at the time of the 1999 program review.

ANNEX G. POVERTY-FOCUSED ERLS, FISCAL 1999

Emergency Recovery Loans (ERLs) are designed to provide immediate assistance after major calamities such as wars, civil disturbances or natural disasters. They are usually identified, prepared, and approved quickly, and completed within a short period of time, normally three years. Although considered to be projects and, by convention, included in the Bank's investment lending total, ERLs are different from regular investment operations in objective and format. Some ERLs provide critical balance of payments support and help to lay the foundation for implementing economic reforms while others support programs to reform social sector expenditures and to strengthen safety nets. By their very design, it is not feasible to apply the poverty criteria for investment lending to ERLs. ERLs by nature resemble adjustment operations more than investment projects; thus, the poverty criteria established for adjustment operations also apply to ERLs. The Bank approved 12 Emergency Recovery Loans in fiscal 1999, 4 of which were poverty-focused. The decline in the percent of ERLs with a poverty focus from 89 percent to 33 percent between fiscal 1998-1999 is largely explained by the nature of large post-

Hurricane reconstruction ERLs to Honduras and flood relief support to Turkey and Bangladesh totaling US\$769 million, which financed the quick import of key goods associated with rebuilding infrastructure assets and reestablishing production levels but did not meet the specific criteria of a poverty-focused operation. Though not targeted at the poor, measures supported by these operations would help curb inflation, ensure adequate supply of key inputs and food grain stocks, facilitate the resumption of agricultural activities, and restore basic infrastructure—all of which will minimize the adverse effects of these disasters on the living conditions of the poor. The ERLs which did meet the poverty-focused criteria will finance post-flood repairs to basic water, sanitation and road infrastructure in rural areas of Tajikistan, and finance critically needed commodities, including medicine and basic foodstuffs, after the devastating hurricane Georges in the Dominican Republic. Table G-1 presents the number and amount of lending for poverty-focused ERLs for fiscal 1992-1999. Table G-2 describes the poverty-focused ERLs for fiscal 1999.

Table G-1. Poverty-focused ERL lending, fiscal 1992-1999

<i>Lending</i>	FY92	FY93	FY94	FY95	FY96	FY97	FY98	FY99
Poverty-focused ERL lending (US\$ millions)	16.0	285.0	13.1	-	100.0	97.5	316.0	144.7
Total ERL lending (US\$ millions)	316.0	840.2	387.1	240.0	110.0	170.6	516.0	1,118.7
Percentage of ERL lending	5	34	3	-	91	57	61	13
Total number of poverty-focused ERLs	1	1	1	-	1	5	8	4
Total number of ERL operations	3	8	3	4	3	8	9	12
Percentage of poverty-focused ERLs	33	13	33	-	33	63	89	33
IDA Poverty-focused ERL lending (US\$ millions)	16.0	-	13.1	-	-	97.5	101.0	19.5
IDA ERL lending (US\$ millions)	316.0	142.1	259.1	90.0	10.0	170.6	101.0	569.5
Percentage of IDA ERL lending	5	-	5	-	-	57	100	3
Total number of IDA poverty-focused ERLs	1	-	1	-	-	5	5	2
Total number of IDA ERL operations	3	3	2	2	2	8	5	7
Percentage of IDA poverty-focused ERLs	33	-	50	-	-	63	100	29

Source: World Bank.

Table G-2. Poverty-focused ERLs, fiscal 1999

<i>Loan or credit</i>	<i>Poverty-related objectives</i>
Europe and Central Asia	
<i>Tajikistan</i>	
Emergency Flood Assistance Project (IDA: US\$5 m.)	Following the severe floods in April-May 1998, the repair and reconstruction of transport infrastructure (roads, bridges, embankment protections), as well as other infrastructure (dikes, irrigation systems, small rural hydropower plants, water supply systems) will be supported using labor-intensive methods. This will help restore the livelihood of rural communities, the majority of whom are poor.
Latin America and the Caribbean	
<i>Dominican Republic</i>	
Hurricane Georges Emergency Recovery Project (IBRD: US\$111.11 m.)	Multi-sector investments will help to restore agricultural production and economic activity in hurricane affected areas. The quick disbursing component of this loan will finance the imports of a short list of critically needed commodities and inputs, including: medicines, basic foodstuffs (wheat, cooking oil and powdered milk), chemical products and housing construction materials. Investment financing will also support the reconstruction of bridges, highway sections, and irrigation and electricity infrastructure damaged by hurricane Georges. Although the loan will benefit the population in general, lowest income groups will benefit in particular as they live in the marginal areas which were hardest hit by the storm, and in which the reconstruction efforts will be concentrated.
<i>Guyana</i>	
El Nino emergency Assistance Project (IDA: US\$9 m.)	Approximately 63,000 people will benefit from increased access to potable water as a result of the restoration and construction of water infrastructure in marginal urban and remote hinterland and riverine communities. Consumers in low-income areas of the North Ruimveldt, who are at the extreme end of the distribution system and normally do not receive water during droughts and low flow periods, will be the primary beneficiaries of the water restoration works. A separate component will help to protect against water insecurity and the loss of potable water access in drought vulnerable and affected areas by financing the drilling of wells and the installation of water pumps and storage tanks. The rehabilitation of damaged irrigation trench walls, sluice doors and control devices will ensure farmers have a reliable source of water for irrigation and drainage necessary to grow rice, sugar-cane and other cash crops.
Organization of Eastern Caribbean States	
Emergency Recovery and Disaster Management Program (IBRD: US\$14.1 m., IDA: US\$5.5 m.)	OECS countries suffered major damage when hit by Hurricane Georges in 1998. The program will reconstruct and rehabilitate infrastructure including hospitals, shelters, and water supply systems. An emergency operations center for disaster mitigation will be constructed, emergency preparedness and response systems, including Early Warning Systems, will be strengthened, and community-level disaster committees will be organized, trained and equipped. The program will benefit many lower income groups, as it will finance the protection of dwellings and commercial properties in the most risk-prone areas, which are often inhabited by poorer sections of the population. In St. Kitts, housing reconstruction will be targeted to lower income people.
	Components: Dominica, St Kitts and Nevis, and St. Lucia: 41 percent; St. Vincent: 22 percent; Contingency Funding: 37 percent.

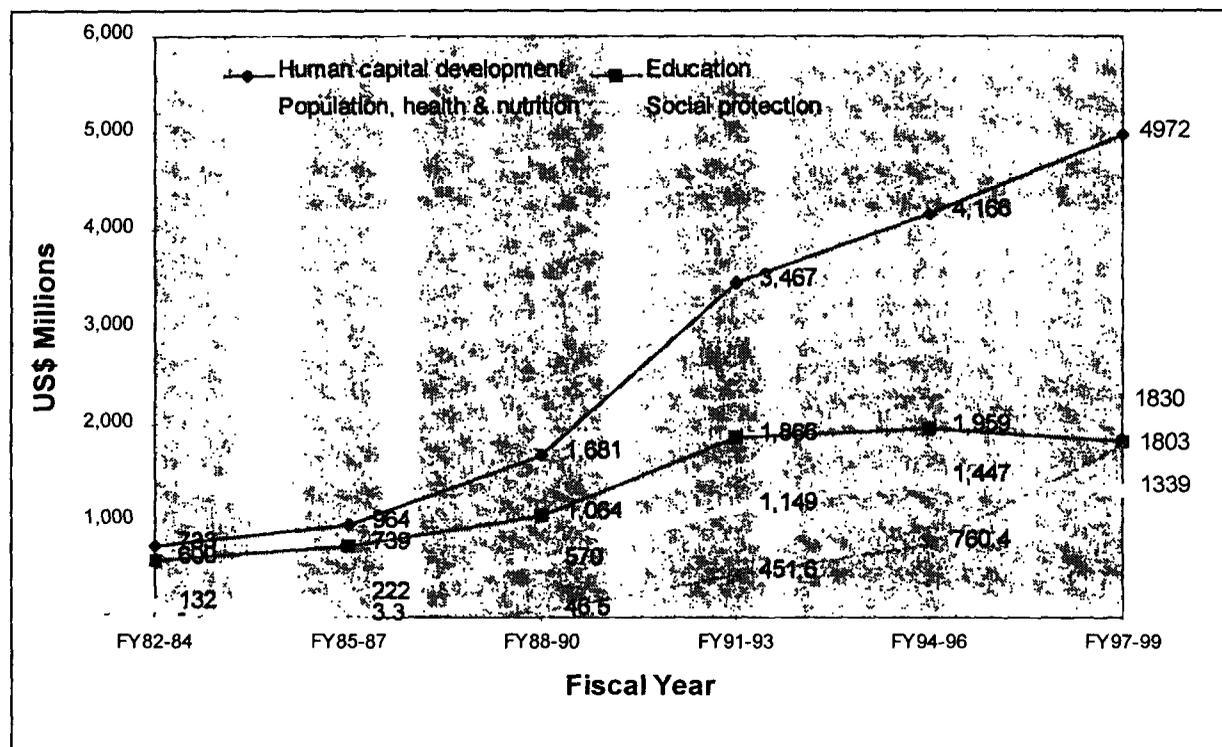
ANNEX H. ANNUAL LENDING TO SELECTED SECTORS, FISCAL 1999

While all World Bank lending is intended to help reduce poverty, lending to certain sectors supports the efforts of governments to reduce poverty more directly. The human capital development, agriculture, water supply and sanitation sectors contain a higher percentage of projects with elements that directly benefit and target the poor. As shown in Figure H-1, average lending for human capital development increased almost seven-fold in dollar terms between the early 1980s and fiscal 1999. The share of total Bank lending to these sectors increased from an average of 5 percent during fiscal 1982-1984 to an average of 19 percent during fiscal 1997-1999 (for IDA, the share increased from 8 percent to 28 percent) (see Table H-1). In recent years, the share of lending to the human capital development sectors has remained steady at 19 percent between fiscal 1994-1996 and fiscal 1997-1999.

Within the human capital development sector, while there has been a steady increase in the volume of lending allocated to population, health and nutrition (PHN) programs and social protection since the early eighties, lending to the PHN sectors have leveled off while lending to social protection has increased dramatically in more recent years. Although the volume of lending to the education sector has fluctuated slightly, the overall trend shows about a threefold increase between fiscal 1982 and 1999.

Between fiscal 1994-1996 and fiscal 1997-1999, the average share of lending to the agricultural and rural development sector was constant at 12 percent, and for the water and sanitation sector there was a slight decline from 4 percent to 3 percent. Table H-2 provides data from these selected sectors on an annual basis for the last eight fiscal years.

Figure H-1. Trends in lending for human capital development, fiscal 1982-1999



Source: World Bank.

Table H-1. Average lending to selected sectors, fiscal 1982-1999

	FY82-84	FY85-87	FY88-90	FY91-93	FY94-96	FY97-99
World Bank (IBRD and IDA) lending (US\$ millions)						
Human capital development	732.5	963.6	1,680.8	3,466.9	4,166.2	4,972.4
Education	600.1	738.7	1,064.4	1,866.5	1,959.0	1,830.3
Population, health & nutrition	132.5	221.5	569.9	1,148.8	1,446.8	1,339.4
Social protection	-	3.3	46.5	451.6	760.4	1,802.8
Agriculture	3,436.7	3,759.4	3,761.2	3,090.2	2,612.0	3,020.7
Water supply & sanitation	631.0	795.7	730.2	1,098.6	855.5	662.8
Total Bank lending	14,338.4	16,125.7	20,429.7	22,695.7	21,570.0	25,578.3
As share of total Bank lending (percent)						
Human capital development	5	6	8	15	19	19
Agriculture	24	23	18	14	12	12
Water supply & sanitation	4	5	4	5	4	3
IDA lending (US\$ millions)						
Human capital development	271.9	421.3	834.6	1,715.5	1,757.0	1,759.2
Education	186.7	316.7	538.2	752.8	725.3	665.5
Population, health & nutrition	85.1	101.3	267.1	598.6	675.9	782.2
Social protection	-	3.3	29.3	364.1	355.8	311.6
Agriculture	1,222.0	1,141.0	1,514.5	1,317.0	1,325.7	1,003.0
Water supply & sanitation	104.0	166.3	171.4	370.7	164.4	219.9
Total IDA lending	3,200.7	3,218.0	4,971.4	6,531.5	6,375.1	6,313.8
As share of total IDA lending (percent)						
Human capital development	8	13	17	26	28	28
Agriculture	38	35	30	20	21	16
Water supply & sanitation	3	5	3	6	3	3

Note: The data are for average annual lending during the three-year period indicated. The World Bank's fiscal year runs from July 1 of the previous year to June 30 of the year indicated. Three-year moving averages have been reported since the first Progress Report on Poverty in fiscal 1992 to smooth out year-to-year fluctuations. Because of a recent sector reclassification of projects, some numbers may differ from those reported in earlier tables. Note that these sectors do not account for all poverty-focused lending; projects in such sectors as urban development and transport also have components designed to help reduce poverty.

a. Social protection lending includes employment, social assistance, social insurance, and social investment funds.

Source: World Bank.

Table H-2. Annual lending to selected sectors, fiscal 1992-1999

	FY92	FY93	FY94	FY95	FY96	FY97	FY98	FY99
World Bank (IBRD and IDA) lending (US\$ millions)								
Human capital development	2,715.4	3,884.3	3,241.0	4,204.1	5,053.6	3,327.5	6,460.2	5,129.6
Education	1,666.5	1,871.2	2,119.2	2,052.2	1,705.7	1,017.4	3,129.3	1,344.2
Population, health and nutrition	922.1	1,228.6	885.7	1,101.2	2,353.4	920.4	1,990.9	1,106.8
Social protection ^a	126.8	784.5	236.1	1,050.7	994.5	1,389.7	1,340.0	2,678.6
Agriculture	3,209.9	2,902.8	3,551.8	2,205.3	2,078.9	3,562.5	2,691.9	2,807.8
Water supply and sanitation	786.4	1,283.9	975.2	981.5	609.8	682.8	552.9	752.7
Total Bank lending	21,705.7	23,695.9	20,836.0	22,521.8	21,352.2	19,146.7	28,594.0	28,994.1
As share of total Bank lending (percent)								
Human capital development	13	16	16	19	24	17	23	18
Agriculture	15	12	17	10	10	19	9	10
Water supply and sanitation	4	5	5	4	3	4	2	3
IDA lending (US\$ millions)								
Human capital development	1,297.8	2,139.5	1,245.1	1,828.2	2,197.6	1,015.7	2,687.0	1,575.0
Education	561.3	970.2	619.3	771.6	784.9	255.1	1,201.5	539.8
Population, health and nutrition	615.1	541.8	519.7	649.9	858.2	674.6	1,079.4	592.5
Social protection ^a	121.4	627.5	106.1	406.7	554.5	86.0	406.1	442.7
Agriculture	1,219.2	1,084.0	1,520.0	1,352.0	1,105.1	751.9	1,236.9	1,020.1
Water supply and sanitation	297.4	395.4	103.2	309.2	80.7	302.4	114.3	242.9
Total IDA lending	6,549.7	6,751.4	6,592.1	5,669.2	6,864.1	4,621.8	7,507.8	6,811.8
As share of total IDA lending (percent)								
Human capital development	20	32	19	32	32	22	36	23
Agriculture	19	16	23	24	16	16	16	15
Water supply and sanitation	5	6	2	5	1	7	2	4

Note: The World Bank's fiscal year runs from July 1 of the previous year to June 30 of the year indicated. These sectors do not account for all poverty-focused lending; projects in such sectors as urban development and transport also have components designed to help reduce poverty. See World Bank Annual Report 1999 for further details on sector lending. Because of a recent sector reclassification of projects, some numbers may differ from those reported in earlier tables.

a. Social protection lending includes employment, social assistance, social insurance, and social investment funds.

Source: World Bank.

ANNEX I. HOUSEHOLD SURVEY AVAILABILITY BY REGION

AFRICA

Country	Population (in mills) ¹	No. of budget surveys ²	Any comparable surveys ²	No. of openly accessible surveys ¹	Year of most recent survey ²	Fiscal Year of last Poverty Assessment ³	Years of Demographic and Health Surveys ⁴
Angola	12	2	No	0	1995	-	-
Benin	6	3	-	0	1996	1994	1996
Botswana	2	1	-	-	1985-86	-	1988
Burkina Faso	11	3	No	0	1998	-	1993
Burundi	6	2	No	-	1998	1999	1987
Cameroon	14	1	-	-	1996	1995	1991, 1998
Central African R.	3	2	No	0	1995-96	-	1994
Chad	7	2	No	-	1995-96	1998	1996
Congo	3	1	-	-	1989	1997	-
Congo, DR	47	2	-	-	1990-91	-	-
Côte D' Ivoire	14	7	Yes	0	1996	1997	1994
Eritrea	4	-	-	-	-	1996	1995
Ethiopia	60	2	Yes	-	1997	1993	-
Gabon	1	1	-	-	1994	1997	-
Gambia, The	1	4	Yes	0	1993-94	1993	-
Ghana	18	5	Yes	4	1999	1995	1988, 1993
Guinea	7	2	-	2	1994-95	1997	-
Guinea-Bissau	1	2	-	1	1993-94	1994	-
Kenya	29	3	Yes	0	1997	1995	1993, 1998
Lesotho	2	3	Yes	-	1995	1996	-
Liberia	3	-	-	-	-	-	1986
Madagascar	14	2	No	0	1997	1996	1992, 1997
Malawi	10	2	No	0	1992-93	1996	1992, 1996
Mali	10	3	No	-	1996	1993	1995
Mauritania	3	5	-	0	1995-96	1995	-
Mauritius	1	2	-	-	1991-92	1995	-
Mozambique	17	1	-	-	1991-92	1991	1997
Namibia	2	1	-	-	1993-94	1993	1992
Niger	10	4	-	0	1996	1996	1992, 1998
Nigeria	118	6	Yes	-	1996-97	1996	1990
Rwanda	8	1	-	-	1993-94	1998	1992
Senegal	9	4	No	0	1996	1995	1986, 1992, 1997
Sierra Leone	5	2	-	-	1989-90	1993	-
South Africa	41	1	No	1	1993-94	-	-
Sudan	28	-	-	-	-	-	1989
Tanzania	31	2	-	2	1993-94	1996	1991, 1994, 1996
Togo	4	2	-	-	1996	1996	1988, 1998
Uganda	20	6	Yes	3	1996	1993	1988, 1995
Zambia	9	6	Yes	5	1998	1995	1992, 1996
Zimbabwe	12	1	-	-	1990-91	1995	1994

¹ Source of information: World Development Indicators 1999, World Bank.

² Includes income and expenditure surveys, integrated household surveys and any other survey collecting income/ consumption data. Source of information: 1998 Census of Household Surveys, World Bank and Africa Household Surveys Databank, World Bank.

³ Source of information: Annex C.

⁴ Source of information: Demographic and Health Surveys web site (www.macront.com/dhs/).

Comments:

1. This listing of household surveys is not exhaustive, as many surveys are implemented without intervention from the Bank. Moreover, the 1998 Census of Household Surveys was not able to collect any information on Eritrea, Liberia and Sudan.
2. For another six countries (Congo, Democratic Republic of Congo, Gabon, Mauritius, Mozambique, Namibia), we have no information on whether the household surveys that were conducted collected any information on income and consumption.
3. For eight countries, the last survey recorded in the Poverty Monitoring database was conducted more than five years ago, before 1994.
4. Comparable surveys over time appear to be available for only nine countries.
5. Only seven countries appear to have openly accessible data.

EAST ASIA AND PACIFIC

Country	Population (in mills) ¹	No. of budget surveys ²	Any comparable surveys? ²	No. of openly accessible surveys ²	Year of most recent survey ²	Fiscal Year of last Poverty Assessment ³	Years of Demographic and Health Surveys ⁴
Cambodia	11	2	Yes	2	1997	-	-
China	1,227	Series	Yes	0	1998	1992	-
Hong Kong	7	1	Yes	0	1994	-	-
Indonesia	200	10	Yes	10	1999	1994	1987, 1991, 1994, 1997
Korea DR	23	-	-	-	-	-	-
Korea Rep	46	1	Yes	1	1995	-	-
Laos	5	2	No	0	1997-98	1996	-
Malaysia	22	6	Yes	0	1999	1991	-
Mongolia	3	5	Yes	0	1996	1996	-
Myanmar	44	1	-	-	1997	-	-
Papua New Guinea	5	2	No	1	1996	-	-
Philippines	74	5	Yes	5	1997	1996	1993, 1998
Singapore	3	1	Yes	0	1992-93	-	-
Thailand	61	8	Yes	3	1998	1997	1987
Vietnam	77	2	Yes	2	1998	1995	1997

¹ Source of information: World Development Indicators 1999, World Bank..

² Includes income and expenditure surveys, integrated household surveys and any other survey collecting income/ consumption data. Source of information: 1998 Census of Household Surveys, World Bank and Poverty Monitoring Database, World Bank.

³ Source of information: Annex C.

⁴ Source of information: Demographic and Health Surveys web site (www.macoint.com/dhs/).

Comments:

1. Except for the Democratic Republic of Korea (North Korea) some survey data with information on income and/or consumption exist for all other countries in the region, covering 99% of the population.

2. Comparable surveys exist for at least 11 of the 15 countries (including China), covering 96% of the region's population. Excluding China from the count, comparable surveys exist for 87% of the population.

3. Open access to survey data is problematic as elsewhere. There appears to be open access to survey data only for 7 countries—Cambodia, Indonesia, Papua New Guinea, the Philippines, South Korea, Thailand and Vietnam, accounting for 26% of the region's population.

EUROPE AND CENTRAL ASIA

Country	Population (in mills) ¹	No. of budget surveys ²	Any comparable surveys? ²	No. of openly accessible surveys ²	Year of most recent survey ²	Fiscal Year of last Poverty Assessment ³	Years of Demographic and Health Surveys ⁴
Albania	3	1	No	0	1996	1997	-
	4	4	-	3	1996	1999	-
Azerbaijan	8	1	No	1	1995	1997	-
Belarus	10	4	Yes	-	1998	1996	-
Bosnia & Herzegovina	2	1	Yes	1	1997	-	-
Bulgaria	8	2	Yes	1	1997	1999	-
Croatia	5	1	No	1	1998	-	-
Czech Republic	10	1	Yes	-	1993	-	-
Estonia	2	2	Yes	0	1995	1996	-
Georgia	5	1	No	1	1997	1999	-
Hungary	10	1	Yes	0	1993	1996	-
Kazakhstan	16	1	No	0	1996	1998	1995
Kyrgyz Republic	5	4	Yes	1	1997	1999	1997
Latvia	3	1	No	0	1995-96	-	-
Lithuania	4	1	Yes	1	1996	-	-
Macedonia	2	11	Yes	7	1997	1999	-
Moldova	4	1	No	1	1996	-	-
Poland	39	1	Yes	0	1995	1995	-
Romania	23	2	Yes	-	1997	1997	-
Russia	147	2	Yes	2	1994-98	1999	-
Slovak Republic	5	1	Yes	-	1993	-	-
Slovenia	2	1	Yes	-	1993	-	-
Tajikistan	6	1	No	-	1999	-	-
Turkey	64	2	Yes	-	1998	-	1993
Turkmenistan	5	2	Yes	-	1998	-	-
Ukraine	51	2	Yes	2	1996	1996	-
Uzbekistan	24	-	-	-	-	-	1996
Yugoslavia	11	-	-	-	-	-	-

¹ Source of information: World Development Indicators 1999, World Bank.

² Includes income and expenditure surveys, integrated household surveys and any other survey collecting income/ consumption data. Source of information: 1998 Census of Household Surveys, World Bank and Poverty Monitoring Database, World Bank.

³ Source of information: Annex C.

⁴ Source of information: Demographic and Health Surveys web site (www.macrint.com/dhs/).

Comments:

1. The 1998 Census of Household Surveys was not able to collect any information on surveys in the Czech Republic, Slovak Republic, Slovenia, and Yugoslavia.

2. Comparability between surveys is a matter of concern.

3. As in other regions, open access to survey data is rather problematic. Some data is openly accessible for less than half of the countries in the region (12 out of 28).

LATIN AMERICA AND CARIBBEAN

Country	Population (in mills) ¹	No. of budget surveys ²	Any comparable surveys? ²	No. of openly accessible surveys ²	Year of most recent survey ²	Fiscal Year of last Poverty Assessment ³	Years of Demographic and Health Surveys ⁴
Argentina	36	30	Yes	-	1998	1995	-
	8	8	Yes	6	1996-97	1996	1989, 1994, 1997
Brazil	164	13	Yes	-	1997	1995	1986, 1991, 1996
Chile	15	10	Yes	-	1996	1998	-
Colombia	40	7	Yes	-	1996	1995	1986, 1990, 1995
Costa Rica	4	11	Yes	1	1996	1997	-
Cuba	11	-	-	-	-	-	-
Dominican Rep.	8	2	Yes	-	1997-98	1995	1986, 1991, 1996
Ecuador	12	13	Yes	-	1998	1996	1987
El Salvador	6	8	Yes	-	1997	1994	1985
Guatemala	11	2	Yes	-	1989	1995	1987, 1997
Haiti	8	1	No	0	1995	1999	1995
Honduras	6	8	Yes	1	1996	1995	-
Jamaica	3	12	Yes	-	1997	1994	-
Mexico	94	6	Yes	-	1996	1991	1987
Nicaragua	5	4	Yes	2	1998	1995	1998
Panama	3	6	Yes	1	1997	1999	-
Paraguay	5	15	Yes	0	1997-98	1994	1990
Peru	24	8	Yes	6	1997	1999	1986, 1992, 1996
Trinidad & Tobago	1	2	Yes	0	1998	1996	1987
Uruguay	3	5	-	-	1996	1993	-
Venezuela	23	16	Yes	0	1996	1991	-

¹ Source of information: World Development Indicators 1999, World Bank.

² Includes income and expenditure surveys, integrated household surveys and any other survey collecting income/ consumption data. Source of information: 1998 Census of Household Surveys, World Bank and Latin America and the Caribbean Inventory of Household Surveys, World Bank.

³ Source of information: Annex C.

⁴ Source of information: Demographic and Health Surveys web site (www.macoint.com/dhs/).

Comments:

1. For only one country in the region (Cuba), the Census has no information.

2. Open access to survey data is very infrequent. Data is openly accessible for less than one-third of the countries in the region (6 out of 22).

MIDDLE EAST AND NORTH AFRICA

Country	Population (in mills) ¹	No. of budget surveys ²	Any comparable surveys? ²	No. of openly accessible surveys ²	Year of most recent survey ²	Fiscal Year of last Poverty Assessment ³	Years of Demographic and Health Surveys ⁴
Algeria	29	2	No	0	1995	1999	-
Egypt	60	6	Yes	1	1997	1992	1988, 1992, 1995, 1997
Iran	61	1	-	0	1994-95	-	-
Iraq	22	-	-	-	-	-	-
Jordan	4	3	Yes	0	1997	1995	1990, 1997
Kuwait	2	2	Yes	1	1999	-	-
Lebanon	4	2	Yes	0	1997	-	-
Libya	5	-	-	-	-	-	-
Morocco	27	3	Yes	1	1998	1994	1987, 1992, 1995
Oman	2	-	-	-	-	-	-
Saudi Arabia	20	-	-	-	-	-	-
Syrian Arab Rep	15	-	-	-	-	-	-
Tunisia	9	2	Yes	0	1995-96	1996	1988
West Bank & Gaza	3	3	Yes	2	1997	-	-
Yemen	16	2	Yes	1	1998	1996	1991

¹ Source of information: World Development Indicators 1999, World Bank.

² Includes income and expenditure surveys, integrated household surveys and any other survey collecting income/ consumption data. Source of information: 1998 Census of Household Surveys, World Bank and Poverty Monitoring Database, World Bank.

³ Source of information: Annex C.

⁴ Source of information: Demographic and Health Surveys web site (www.macoint.com/dhs/).

Comments:

1. For five countries (Iraq, Libya, Oman, Saudi Arabia, Syria) the Census has no information at all in the database.
2. While none of the Egyptian data from the official statistical agency, CAPMAS, are available, there is one data set from an IFPRI survey in Egypt that is openly available.

SOUTH ASIA

Country	Population (in mills) ¹	No. of budget surveys ²	Any comparable surveys? ²	No. of openly accessible surveys ²	Year of most recent survey ²	Fiscal Year of last Poverty Assessment ³	Years of Demographic and Health Surveys ⁴
Bangladesh	124	2	Yes	0	1995-96	1998	1993, 1996
India	962	series	Yes	All	1997	1998	1992
Nepal	22	4	No	1	1995-96	1999	1987, 1996
Pakistan	129	7	Yes	3	1996-97	1996	1991
Sri Lanka	19	3	Yes	0	1996-97	1995	1987

¹ Source of information: World Development Indicators 1999, World Bank.

² Includes income and expenditure surveys, integrated household surveys and any other survey collecting income/ consumption data. Source of information: Census of Household Surveys, World Bank and Poverty Monitoring Database, World Bank..

³ Source of information: Annex C.

⁴ Source of information: Demographic and Health Surveys web site (www.macront.com/dhs/).

Comments:

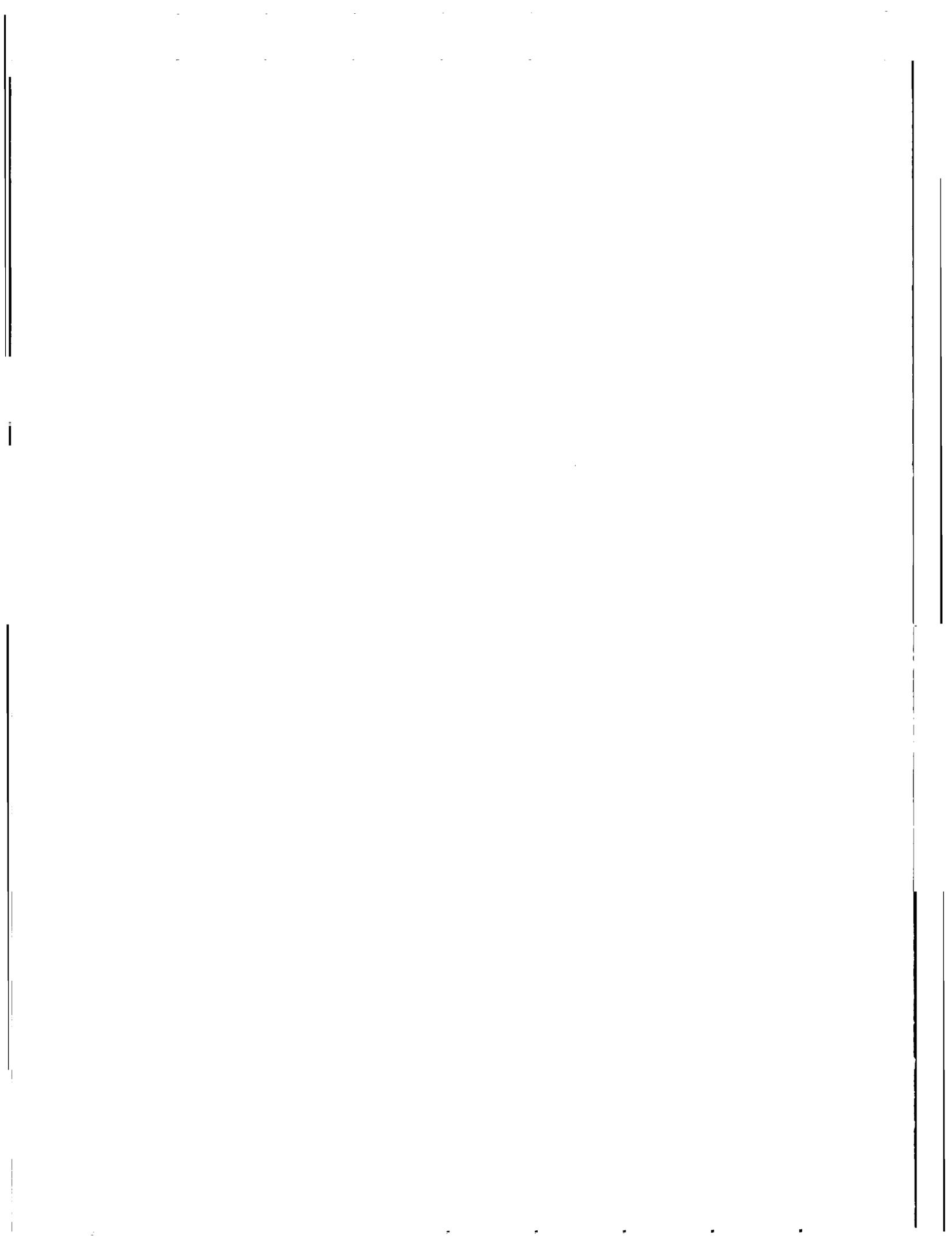
1. All five countries have at least one household survey with information on income and/or consumption.
2. Four of the five countries have surveys that are comparable, and in Nepal comparisons were carried out as well.

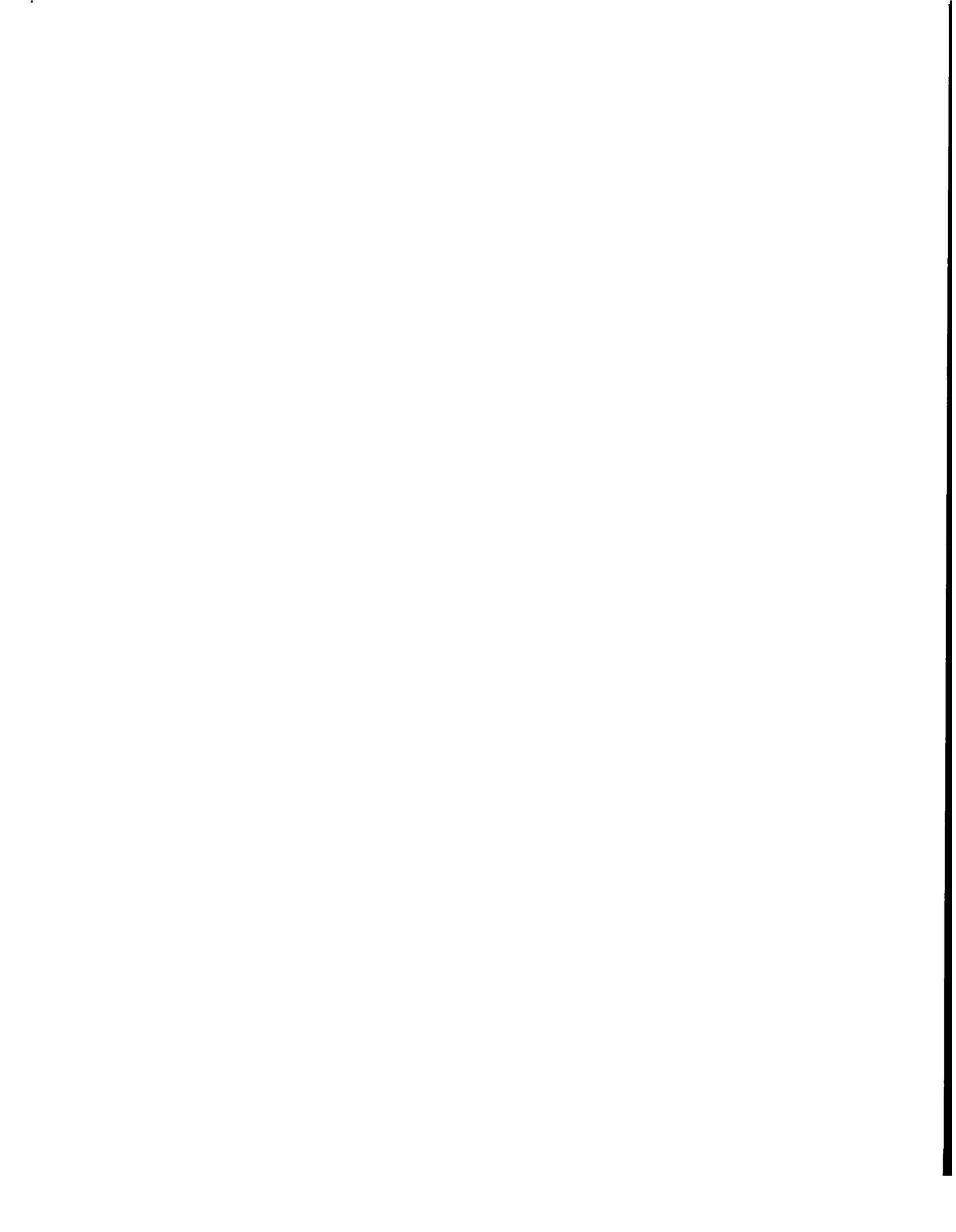
Bibliography

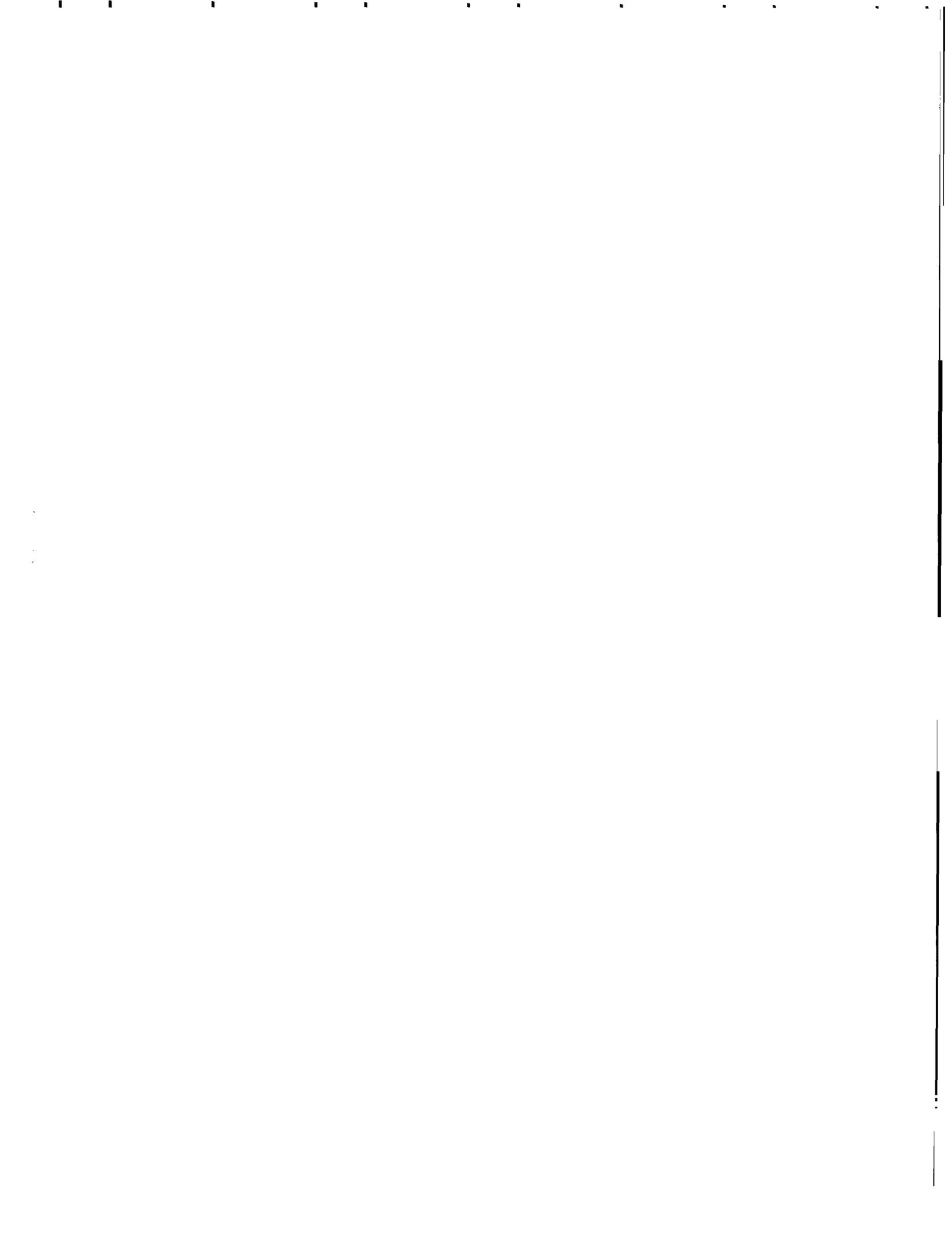
- Baker, Judy. 2000. *Evaluating the Impact of Development Projects on Poverty. A Handbook for Practitioners*. Directions in Development. World Bank. [www.worldbank.org/poverty/library/impact.htm]
- Baker, Judy and Jacques van der Gaag. 1993. "Equity in Health Care and Health Care Financing: Evidence from Five Developing Countries" in *Equity in the Finance and Delivery of Health Care: An International Perspective*. Oxford: Oxford University Press.
- Brock, Karen. 1999. "It's not only wealth that matters - it's peace of mind too": A Review of Participatory Work on Poverty and Illbeing. Prepared for the Global Synthesis Workshop, Consultations with the Poor, World Bank, Washington, DC. [www.worldbank.org/poverty/voices/reports.htm]
- Demery, Lionel and Michael Walton. 1998. *Are Poverty Reduction and Other 21st Century Social Goals Attainable?* Washington, D.C.: World Bank. [www.worldbank.org/poverty/library/demwalt.htm]
- DAC/ OECD (Development Assistance Committee of the Organization for Economic Co-operation and Development). 1996. *Shaping the 21st Century*. Paris: Organization for Economic Co-operation and Development. [www.oecd.org/dac/htm/stc.htm]
- Filmer, Deon. 1999. "The Structure of Social Disadvantage in Education: Gender and Wealth," mimeo, Gender and Development Policy Research Report Background Paper. Development Economics Research Group. The World Bank. [www.worldbank.org/research/projects/edattain/edattain.htm]
- Filmer, Deon and Lant Pritchett. 1999. "The Effect of Household Wealth on Educational Attainment: Evidence from 35 Countries." *Population and Development Review* 25(1). [www.worldbank.org/research/projects/edattain/edattain.htm].
- Gage, Anastasia, E. Sommerfelt and A. Piani. 1996. "Household Structure, Socioeconomic Level, and Child Health" in *Sub-Saharan Africa. Demographic and Health Surveys Analytical Reports No.1*. Calverton, Maryland: Macro International.
- Guillot, Michel, Davidson Gwatkin and Patrick Heuveline. 1999. "The Burden of Disease Among the Global Poor." London : The Lancet, Volume 354, Number 9178.
- Gwatkin, Davidson. 1999. "Poverty and Inequalities in Health Within Developing Countries." Washington, D.C.: World Bank.
- Hanmer, Lucia and Felix Naschold. 1999. "Are the International Development Targets Attainable?" London: Overseas Development Institute. [www.worldbank.org/poverty/wdrpoverty/malaysia/papers.htm]
- IDA (International Development Association). 1998. "CAS Guidelines for IDA12." In *Additions to IDA Resources—Twelfth Replenishment—A Partnership for Poverty Reduction*. IDA/R98-195.
- Kakwani, Nanak 1993. "Poverty and Economic Growth with Application to Côte d'Ivoire." *Review of Income and Wealth* 39: 121-39.
- Mason, Andrew and Julian Lampietti. 1999. "Integrating Gender into Poverty Analysis: Concepts and Methods." Mimeo, PREM Gender Group, World Bank. July.
- Narayan, Deepa, Robert Chambers, Meera Kaul Shah and Patti Petesch. 1999. *Global Synthesis*. Prepared for the Global Synthesis Workshop: Consultations with the Poor, World Bank, Washington, DC. [www.worldbank.org/poverty/voices/reports.htm]
- Narayan, Deepa with Raj Patel, Kai Schafft, Anne Rademacher and Sarah Koch-Schulte. 2000. *Voices of the Poor: Can Anyone Hear Us?* New York: N.Y.: Published for the World Bank, Oxford University Press. [www.worldbank.org/poverty/voices/reports.htm]
- OED (Operations Evaluation Department). 1999. "Poverty Assessment: A Follow-up Review." Report 19630. World Bank. Washington, D.C.
- . 2000. *The Effectiveness of the World Bank's Poverty Reduction Strategy: An Evaluation*. Report 20145. World Bank. Washington, D.C.

- OPS. 1998. "Interim Guidelines for Preparing CASs and CAS Progress Reports."
- Ravallion, Martin. 1997. "Can High Inequality Developing Countries Escape Absolute Poverty?" *Economics Letters* 56: 51-57. [www.worldbank.org/research/peg/wps11/index.htm]
- . 1999. "On Decomposing Poverty into Growth and Redistribution Components." World Bank, Development Research Group, Washington, D.C.
- Ravallion, Martin and Shaohua Chen. 1997. "What Can New Survey Data Tell Us About Recent Changes in Distribution and Poverty?" *World Bank Economic Review*. 11: 357-82. [Abstract available at www.worldbank.org/html/extpb/review/revmay97.htm#Survey]
- . 1999. "When Economic Reform Is Faster than Statistical Reform: Measuring and Explaining Inequality in Rural China." *Oxford Bulletin of Economics and Statistics* 61: 33-56.
- . 2000. "How Did the World's Poorest Fare in the 1990s?" Washington, D.C.: World Bank, Development Research Group. [www.worldbank.org/research/]
- . forthcoming. *Global Poverty Measures 1987-1998 and Projections for the Future*. Washington, D.C.: World Bank, Development Economics Research Group.
- Ravallion, Martin, and Gaurav Datt. 1999. "When Is Growth Pro-Poor? Evidence from the Diverse Experience of India's States." Policy Research Working Paper. World Bank, Washington, D.C.
- Rubio Gloria and Kalanidhi Subbarao. 2000. "Impact Evaluation in Bank Projects: A Comparison of Fiscal 1998 and 1999." World Bank, Poverty Group, Poverty Reduction and Economic Management Network, Washington D.C.
- UNAIDS/WHO (Joint United Nations Programme on HIV/AIDS and World Health Organization). 1999. *AIDS Epidemic Update: December 1999*. [www.unaids.org/hivaidsinfo/documents.html]
- UNESCO. 2000. *Education for All 2000 Assessment: Statistical Document*. [www2.unesco.org/wef/endocs/findings/efastatdoc.pdf]
- Wagstaff, Adam. 1999. "Inequalities in Child Mortality in the Developing World: How Large Are They? How Can They Be Reduced?" World Bank, Human Development Network, Washington, D.C.
- . forthcoming. "Inequalities in Child Health." World Bank, Human Development Network, Washington, D.C.
- Watkins, Kevin. 1999. *Education Now: Break the Cycle of Poverty*. Oxfam International. [www.oxfam.org/educationnow/]
- Wodon, Quentin T. 2000. *Poverty and Policy in Latin America and the Caribbean*. WorldBank. [wbln0018.worldbank.org/LAC/LACInfoClient.nsf/d29684951174975c85256735007fef12/9484b39c12f6069c8525691a00672468?OpenDocument]
- World Bank. 1990. *World Development Report 1990: Poverty*. New York: Oxford University Press.
- . 1991. *Assistance Strategies to Reduce Poverty*. World Bank Policy Paper. Washington, D.C.: World Bank.
- . 1993. *Poverty Reduction and the World Bank: Progress in Fiscal 1992*. Washington, D.C.: World Bank.
- . 1994. *Poverty Reduction and the World Bank: Progress in Fiscal 1993*. Washington, D.C.: World Bank.
- . 1995. *Poverty Reduction and the World Bank: Progress in Fiscal 1994*. Washington, D.C.: World Bank.
- . 1996. *Poverty Reduction and the World Bank: Progress and Challenges in the 1990s*. Washington, D.C.: World Bank.
- . 1997. *Strategic Compact*. Washington, D.C.: World Bank. February. (Internal use only; for external use, see the summary at www.worldbank.org/html/extdr/backgrd/ibrd/comsum.htm).
- . 1998. *Poverty Reduction and the World Bank: Progress in Fiscal 1996 and 1997*. Washington, D.C.: World Bank. [www.worldbank.org/html/extdr/pov_red/default.html].
- . 1999a. *Global Development Finance 1999*. Washington, D.C.: World Bank. [www/prospects/gdf99/]
- . 1999b. *World Development Indicators 1999*. Washington, D.C.: World Bank. [www.worldbank.org/data/wdi/]
- . 1999c. *Poverty Reduction and the World Bank: Progress in Fiscal 1998*. Washington, D.C.: World Bank. [www.worldbank.org/poverty/library/progr].
- . 1999d. *Confronting AIDS: Public Priorities in a Global Epidemic*. Washington, D.C.: World Bank (revised edition). [www.worldbank.org/html/extpb/confaids.html]
- . 1999e. *Poverty Trends and Voices of the Poor*. Washington, D.C.: World Bank. [www.worldbank.org/poverty/data/trends]
- . 1999f. "Consultations with the Poor National Synthesis Reports," Informal publications series prepared for Global Synthesis Workshop: Consultations with the Poor, Poverty Group, PREM, Washington, DC. [www.worldbank.org/poverty/voices/reports.html]
- . 1999g. *Global Economic Prospects and the Developing Countries 2000*, Washington, D.C.: World Bank. [www.worldbank.org/prospects/gep2000]

- . 1999h. *Annual Report 1999*, Washington, D.C.: World Bank.
- . 1999i. *Country Assistance Strategies—Retrospective and Implications* (R99-228), December 7, 1999.
- . 1999j. “Pro-Poor Country Assistance Strategies: A Portfolio review with Good-Practice Examples.” Poverty Group, PREM Network, Washington, D.C.
- . forthcoming. *World Development Report 2000/2001*. New York: Oxford University Press.









THE WORLD BANK

1818 H Street, N.W.
Washington, D.C. 20433 U.S.A.
Telephone: 202-477-1234
Facsimile: 202-477-6391
Internet: www.worldbank.org
E-mail: feedback@worldbank.org



ISBN 0-8213-4707-1