

THE WORLD BANK GROUP ARCHIVES

PUBLIC DISCLOSURE AUTHORIZED

Folder Title: Urban Poverty Program - General - 1980

Folder ID: 30146466

Series: Urban Poverty Program files

Dates: 09/15/1980 - 12/15/1980

Fonds: Records of the Urban Development Sector

ISAD Reference Code: WB IBRD/IDA URB-4464S

Digitized: 12/08/222

To cite materials from this archival folder, please follow the following format:
[Descriptive name of item], [Folder Title], Folder ID [Folder ID], ISAD(G) Reference Code [Reference Code], [Each Level Label as applicable], World Bank Group Archives, Washington, D.C., United States.

The records in this folder were created or received by The World Bank in the course of its business.

The records that were created by the staff of The World Bank are subject to the Bank's copyright.

Please refer to <http://www.worldbank.org/terms-of-use-earchives> for full copyright terms of use and disclaimers.



THE WORLD BANK

Washington, D.C.

© International Bank for Reconstruction and Development / International Development Association or

The World Bank

1818 H Street NW




Washington DC 20433

Telephone: 202-473-1000

Internet: www.worldbank.org

PUBLIC DISCLOSURE AUTHORIZED

Urban Poverty Program - General, 1980



30146466

A1994-030 Other #: 2 209952B

URBOR - Urban Poverty Program - General - 1980

DECLASSIFIED
WBG Archives

OFFICE MEMORANDUM

TO: Mr. Anthony Churchill, Director, URB

FROM: A. R. Bouhaouala, Assistant Director, WAP

SUBJECT: Annual Urban Poverty Program Status Report for 1980

DATE: December 15, 1980

General

This is a rapid review of the Regional Urban Poverty Program (UPP) for the three year period FY80-FY82. It has been prepared in response to Mr. Baum's memorandum of September 23, 1980 and in the light of your memorandum of November 12, 1980 summarizing the conclusions reached by the Regional UPP coordinators concerning the 1980 UPP status report. The review covers only the education, energy, urban and water and sanitation sectors; it omits the population, health and nutrition sector in which there is no project during the period under review, and it also omits the IDF sector for which a status report is being prepared separately.

Data limitations, staff constraints and lack of guidelines have precluded any meaningful or in-depth stocktaking. The purpose of the following paragraphs is merely to give an idea, rather than a precise measure, of what the Region has done or intends to do to help the urban poor improve their lot. Another purpose of the report is to highlight some of the difficulties being encountered by the program, which suffers from the absence of a sustained effort on the part of the Bank to clarify certain basic concepts and more importantly to earmark the necessary resources to support UPP analysis.

Western Africa is a predominantly rural region; rural population is estimated between 70% and 80% of total population. Furthermore, the needs of rural population are much more pressing than those of the urban population. Under these circumstances, UPP content of our projects will for a long time remain low relatively to other regions.

Another consideration will tend to reduce our UPP content in dollars, and that is the need for devoting sizable resources to institutional development. Large portion of our lending will have to be allocated to studies, training, fellowships, and expatriate staff salaries.

Regional UPP Content

Given the environment in which we operate it takes sizable efforts on the part of the staff and a high degree of sensibility to the plight of the urban poor to achieve even a modest UPP percentage. The input to carry out the UPP is estimated at between 5 to 10 staff-weeks per project, the higher figure applying particularly to the urban and water and sanitation sectors. The table below shows that the regional UPP content has fluctuated between a high of 6% to a low of 2% of total lending, with an average of 4%. In all probability the average of 4% represents a reasonable target for Western Africa

	<u>FY80</u>	<u>FY81</u>	<u>FY82</u>	<u>Total</u>
Regional Lending (US\$ m.)	732	937	924	2,593
UPP Lending (US\$ m.)	44	17	53	114
UPP as % of Regional Lending (%)	6	2	6	4

The Education Sector

Perhaps it is in education more than in any other non-agricultural sector should our efforts be directed at the rural poor because rural areas receive a disproportionately low share of the already meager funds available for education. Yet, as shown in the table below, education lending to the urban poor represents about 8% of our lending for education which is a significant contribution for a rural region like Western Africa. The UPP content is high because it has been calculated on the basis of our estimate of the number of urban poor that could be expected to benefit from the facilities financed by the project irrespective of the location of such facilities. The highest UPP content will be achieved by the proposed Ghana Public Administration project because of a major training component benefitting very low-income public employees.

	<u>FY80</u>	<u>FY81</u>	<u>FY82</u>	<u>Total</u>
Education Sector Lending (US\$ m.)	49	18	12	79
UPP Lending (US\$ m.)	4	-	2	6
UPP as % of Sector Lending (%)	8	-	17	8

The Power Sector

The priorities in this sector lie with institutional development and power systems efficiency; for no substantial benefits can accrue to the poor in the absence of effective institutions and high system reliability. Power utilities as long as they have not achieved financial viability will find it extremely difficult to obtain the resources needed to supply the poor with electricity at an affordable price. These resources cannot come from the general consumers because there is a limit to what the general consumers can afford in terms of subsidy to the urban poor; therefore it is imperative that utilities achieve productivity gains to be passed on to the poor. On average, the power sector could be expected to achieve a UPP content of about 10%. The table below shows an exceptionally high rate of about 25% for FY80; it was achieved by the Nigeria Power V project which was almost exclusively for urban distribution.

	<u>FY80</u>	<u>FY81</u>	<u>FY82</u>	<u>Total</u>
Power Sector Lending (US\$ m.)	100	150	35	285
UPP Lending (US\$ m.)	25	14	1	40
UPP as % of Sector Lending (%)	25	9	3	14

The Water and Sanitation Sector

Under normal circumstances the sector should achieve a high UPP rate; however the way we measure the UPP impact underestimates the benefits accruing to the poor through water and sanitation projects. The current practice is to measure benefits by the cost of the facilities serving the poor and not by the number of beneficiaries. If UPP impact were to be measured by the ratio of the number of beneficiaries from the target group to the total population served the UPP content of our projects would be between a low of 30% and a high of 70% with an average of 55%. But calculated on the basis of costs rather than number of beneficiaries the UPP content drops to an average of 5% for the three year period.

	<u>FY80</u>	<u>FY81</u>	<u>FY82</u>	<u>Total</u>
Water & Sanitation Lending (US\$ m.)	21	74	33	128
UPP Lending (US\$ m.)	2	3	2	7
UPP as % of Sector Lending (%)	10	4	6	5

The termination of URBOR very much affected the water and sanitation sector. Urban poverty analysis requires staff resources that are very difficult for the division to provide. Increased reliance on consultants financed by the borrowers through PPFs is not always the best solution; adequate consultancy services are not readily available, and when they are, they still require supervision the division can hardly afford. There are two reasons for that, first the scarcity of divisional resources, and second the lack of expertise because it is not certain yet that our staff have acquired the necessary skills to conduct or guide poverty analysis.

Another difficulty has started to emerge and that is the attitude taken by certain governments in respect to urban poverty programs. There are cases where a somewhat diminished priority is assigned to construction and proper operation of standpipes and communal sanitary facilities. However cases of low interest in UPP are too few for the time being to pass a final judgement, but the situation deserves attention.

The Urban Development Sector

By nature urban projects achieve a high UPP rate; the average UPP percentage for the three year period is estimated at 41%. Typically urban projects have a UPP content between 30% and 70%, only in exceptional cases does their impact go below 25%. The only case of relatively low UPP rate is to be found in the IVC Urban II project. In this project the main emphasis is on urban transportation component which, although it will essentially benefit the poor, has not been evaluated in terms of its poverty impact for lack of a proper method of quantification.

	<u>FY80</u>	<u>FY81</u>	<u>FY82</u>	<u>Total</u>
Urban Sector Lending (US\$ m.)	18	-	128	146
UPP Lending (US\$ m.)	12	-	48	60
UPP as % of Sector Lending (%)	67	-	38	51

Shelter components will of course always have a very high UPP content. Staff have developed the necessary skills to design projects the bulk of whose benefits accrue to the poor. They should now direct their attention to the crucial issues of cost recovery and replicability, and step up their efforts to securing a wider political support for the Bank's approach.

Urban management and institutional development are the other issues that will require increased emphasis and attention. The portion of project costs allocated to technical assistance will be increasing and consequently the UPP content of urban projects will, at least in appearance, be decreasing, again because of the lack of a proper method for computing the benefits accruing to the poor from improved city management effectiveness.

Conclusion

The preceding paragraphs showed that for the whole region a target of 10% for UPP content will be extremely difficult to achieve. Despite the difficulty staff will continue to endeavour to reach the target. They are now adequately sensitized to the issue and they firmly believe that the effort is worth pursuing. However, there is widespread agreement that current resources are not sufficient to carry out the urban poverty analysis required to achieve a reasonable UPP content. Furthermore, it is widely believed that some basic work remains to be done to develop sectoral guidelines and criteria for identifying target groups and income levels, attainable objectives, appropriate yardsticks for measuring UPP contents of projects, and an effective monitoring system.

ARBouhaouala/al

cc: Messrs. Knox, Alisbah, El-Darwish, Pouliquen, de la Renaudière, de Azcarate, Al-Khafaji, Cole, Thiam, Madavo, Bronfman, Carmignani, Geli, Wyss, Wessels.

OFFICE MEMORANDUM

Mr. Kahnert
Mr. Cohen

TO: Regional Power Project Division Chiefs (see distribution) DATE: December 4, 1980

FROM: Mohan ⁸⁸¹⁷Manasinghe, EGYSUBJECT: Criteria for Assessing and Improving
the Poverty Impact of Power Lending

1. In view of the multisectoral aspects of the Bank's Urban Poverty Program (UPP), Mr. Baum has instructed CPS sector departments to increase their advice and support role to the regions in this area and in particular to establish sector specific criteria for measuring the UPP impact of projects (see attached memo of September 15, 1980). Accordingly, this memo offers some preliminary ideas on determining, in conjunction with the regional power projects divisions, operationally meaningful criteria for assessing and improving the measurement of the poverty impact of power lending.

2. Two obvious areas for examining the benefits to poor groups resulting from power lending are:

(i) increased direct employment and earnings; and

(ii) increased access to and consumption of electricity.

3. Direct Employment

The principal focus in direct employment creation should be on permanent jobs, although the definition of "permanent" is not very clear-cut. The Bank's emphasis on sector-wide analysis, including development of a long-term investment program and institution building, offers scope for assessing poverty impacts, even though the lending itself may be based on individual (relatively short-lived) projects. Thus the Bank's pipeline of separate power projects associated with a least-cost investment program over many years, or the more recent practice of financing a time-slice of the investment program, will contribute to the creation of permanent jobs in the workforces of the public utilities and of private sector construction firms. The relevant target group is likely to be unskilled workers. Skilled workers may also be included, provided their profile with respect to income (and perhaps other readily available demographic criteria) are consistent with corresponding parameters normally associated with poverty groups in the country concerned.

4. The number of jobs (both skilled and unskilled) associated with a given project is usually available or derivable from the cost estimates. In order to meet the UPP data requirement in this respect, it would seem that the simplest approach would be to estimate the number of jobs created as a result of project-related expenditures, and include this figure routinely in the SAR. Distinction should be made between permanent jobs, and those related to project construction.

December 4, 1980

5. Increased Access to and Consumption of Electricity Services

The identification of poverty target groups who are project beneficiaries should be based ideally on income and consumption criteria which are essentially sector-independent. However, this type of data concerning project beneficiaries is not readily available in power sector work. If poor consumers need to be identified in the sectoral context, then the minimum electricity consumption levels associated with a subsidized social or "lifeline" electricity tariff may be used as an indicator.

6. The subsidized price applies to a social block, the magnitude of which is determined by the minimum or basic electricity requirements of a typical "poor" domestic consumer. Households have to pay the normal (higher) rate for any consumption that exceeds this initial consumption block. If lifeline tariffs exist already, the number of individuals living in households which consume less than the lifeline block may be used as a proxy for the number of poor beneficiaries. If lifeline tariffs do not exist, it would be necessary to establish such minimum consumption levels for purposes of the UPP estimates.

and assessments of project areas need to be done to determine how many of these people fall in the category.

7. In the low income countries, the social block could be based only on minimum lighting needs. For the middle income countries, the use of small appliances such as table fans, radios and electric irons may be included within the subsidized block. Seasonal considerations may also influence electricity usage. The total electricity bills implied by minimum consumption levels may also be compared to corresponding income levels in determining how realistic the size of the subsidized block is. In the absence of country-specific data, I suggest upper limits for electricity consumption of poor households of 30 kwh and 70 kwh per month for low and medium income countries, (as defined in the latest WDR), respectively. Once the minimum consumption levels are established, the numbers of households in this category who newly obtain access to electricity, or similar households who receive improved service or increase their consumption as a result of the project, should be estimated and the numbers stated in the SAR.

9. Please let me know if you have any recommendations as to either the size of the minimum consumption blocks or recommendations for alternative procedures which could be used to generate the required data with less effort. Comments by c.o.b December 17 would be appreciated.

Distribution

Messrs. Beach (AEP); Lamson-Scribner (ASP); Linder, Moscote (LCP); Reekie (EMP); Thiam (WAP); Ware (EAP).

Cleared with and cc: Mr. Fish (EGY)

cc: Messrs. Rovani, Sheehan, Bourcier, Davis, Bharier, Moore
Liberatore, McCarthy, Elejalde, Ms. Julius (EGY);
Rajagopalan (PAS); Churchill, Kahnert (URB).

MMunasinghe:nc

OFFICE MEMORANDUM

TO: CPS Department Directors

DATE: September 15, 1980

FROM: Warren C. Baum, ^{WCB} Vice President, CPSSUBJECT: The Role of CPS Departments in Supporting the Bank's Urban Poverty Program

1. The Operations Review and Support Unit (URBOR) in the Urban Projects Department was established in 1975 to assist the Regions in developing urban poverty-oriented projects. A part of its function is to keep management informed of progress toward goals established for the urban poverty program (UPP). Much has been accomplished in the past five years in initiating poverty-oriented activities, and the primary responsibility for, one, the conduct of the UPP as well as, two, monitoring and reporting, will now devolve on the operating units in the Regions and the CPS. URBOR's resources for operational support have accordingly been eliminated. This implies an enhanced role for CPS sector departments in providing advice and support to the Regions on (i) the poverty aspects of their urban lending program, and (ii) on monitoring these aspects and with regard to the poverty aspects themselves, the type of assistance required covers among other things establishing in agreement with operating divisions criteria and procedures for:

- (a) developing project design for poverty-oriented components, e.g.:
 - (1) "targetting" beneficiaries,
 - (2) mapping the target group during project preparation,
 - (3) designing specific project components for optimum impact on income or expenditure of the urban poor,
 - (4) setting suitable standards for these components in light of:
 - (i) household budget constraints (i.e., "affordability"),
 - (ii) government budget constraints (i.e., replicability if project includes subsidies),
 - (iii) the trade-off between initial costs and operating/main-tenance costs, etc.; and

(b) developing indicators of poverty impact, e.g.:

- (1) percent of project output/benefits directed to the target group,
- (2) percent of the target group served by the projects,
- (3) percent of project cost producing benefits for the target group, etc.

2. The implications of these activities for the work program of CPS sector departments will need to be examined. To date, three sectors have been the principal sources of urban poverty lending: TWT, EDC and URB. Other sectors, particularly PHN and EGY, offer prospects for significant help to the urban poverty groups. //

3. CPS sector departments will also be called upon to an increasing extent to assist the Regions and the Urban Projects Department (which has the responsibility for reporting on the Bank's overall efforts) in formulating for each sector the appropriate reporting and monitoring criteria. The Regions will be responsible for preparing an annual report on their efforts to be consolidated by URBOR. In order to insure consistency of concepts and criteria used across Regions, each CPS sector department, in cooperation with sectoral divisions in the Regions, should take the lead in developing such criteria for the sector for which it is responsible. In general, these criteria will have to allow for the following:

- (a) the need to quantify the impact of the Bank's lending on the suitably defined poverty target group and to trace the magnitude and effectiveness of this effort over time;
- (b) the Bank's desire to emphasize direct impacts on the target group, demonstrably improving the income or expenditure patterns of the poor in relation to their needs;
- (c) the need to make sure that its poverty-oriented lending is affordable by beneficiaries and replicable on the government budget level (if subsidies are involved);
- (d) the desirability of using poverty impact figures that can be aggregated across sectors.

4. The Urban Projects Department will continue to bear the responsibility for an annual summary report to management on the overall UPP progress within the Bank. For this purpose it will consult with the Regions and with the CPS sector departments on the timing and general form of the Regional reports which will form the basis for the summary report. In this connection:

- (a) It is proposed that the summary of the Regional urban poverty program reports be submitted at approximately the same time as the IDF report on employment (tentatively January of each year) and that consideration also be given to the same timing for the report on the rural poverty program.
- (b) In the light of experience with the problems in defining the urban poverty content of projects in "the outer years" of the five-year project budget, it is proposed to limit statistical reporting to the past fiscal year, the current year, and estimates of the next fiscal year. Programs and intentions for years beyond this period should be dealt with in a more general discussion of prospects in both the Regional and summary reports.

5. The URBOR unit of the Urban Projects Department is available to assist the CPS departments in developing the program outlined above.

ACHurchill/FKahnert:vjb

OFFICE MEMORANDUM

TO: Mr. Malcolm Rowat, Acting Assistant Director, ASP

DATE: December 4, 1980

FROM: Sven Sandstrom, Chief, URB3

SSE
SUBJECT: 1980 Urban Poverty Program Status Report - South Asia Urban Projects
Your Request of November 20

1. In South Asia, the proportion of the urban population with incomes below the Bank-defined poverty thresholds is high. It is said to be about half in Bangladesh, India, Nepal, and Pakistan and about one-quarter in Burma and Sri Lanka. Urban projects in the Region are designed to benefit the urban poor in three principal ways: (i) directly, through project schemes such as sites and services and slum upgrading; (ii) indirectly, by encouraging governments to adjust sector policies and programs, of which the project schemes may form only a part, to benefit a larger portion of the poor (examples: shift from slum clearance to upgrading, shift from higher income land and housing development to low-income development); and (iii) through city-wide improvements in transport, solid waste, maintenance, etc., and through strengthened urban management and finance, hopefully leading to improved overall urban efficiency with substantial longer term benefits to the poor.
2. Against this Regional background of the large proportions of poor and of our project approach, we have not been able to satisfactorily apply the Bank's internal concepts of UPP monitoring. It becomes exceedingly difficult to quantify project impact on the poor as under (ii) and (iii) above and, in particular, to relate such impacts in a meaningful way to concepts such as project cost and loan/credit amount. The situation is different in the case of the "direct" schemes under (i), where concepts such as beneficiary incomes and relative proportions of different income groups are fundamental to the project design process. For such schemes we have, as part of project preparation, appraisal and supervision, monitored and reported on relevant UPP indicators. When requested to produce estimates of overall UPP indicators for our projects, we have traditionally used these scheme-specific indicators as a base which we have complemented with "guesstimates" for the more general project components referred to under (iii) above (see para. 9). These latter guesstimates have not become part of our more substantive project analysis, however, and we feel that they contribute little to our project and program development. Given the weakness of the typical data base they are also subject to substantial error.
3. To monitor the longer term poverty impact of our activities, we have instead taken an ad hoc approach which is more city- and program-oriented than project-oriented, and also geared to the particular circumstances of each city and the needs of the client. We are still at a very early stage of developing this approach but one feature which is emerging is the establishment and agreement on longer term strategic objectives for the city or for specific sectors, which can be quantified and the achievement of which can be monitored. Direct investments under individual projects may partly assist in the achievement of these objectives.

December 4, 1980

4. Attachment 1 shows an example of this approach, referring to the long-term impact of the Madras urban projects, and related policy and program adjustments, on the proportion of the metropolitan population living in unserviced slums without security of tenure. As can be seen, the previously (prior to 1977) rapid growth in the slum population has now (1980) been halted and there should over the next few years be a gradual reduction in the total slum population. We find this type of approach to monitoring poverty impacts extremely useful, as do our clients. We are jointly with our clients further developing the approach for other sectors and cities. At this time, we see no reasons, however, for aggregating this type of information across cities for internal Bank purposes or for attempting to relate these impact estimates to project costs or loan/credit amounts per se.

5. In conclusion, I suggest that we in the South Asia Region do not make any further attempts to implement the Bank's internal UPP monitoring system as originally conceived. Instead, I suggest that we in our economic, sector and project work give more attention to longer term strategic objectives for poverty alleviation at the city level and to methods and "performance" indicators which our clients can use to monitor the achievement of such objectives.^{/1} The basis for this work would have to be at the project officer level. Project officers should be encouraged to develop such an approach and be given the freedom and responsibility to experiment with alternatives without having to satisfy standardized internal data/monitoring requirements. Much of this effort would have to be carried out through an expanded urban sector work program.

6. Having said all this, we are presenting below, for your information, some illustrative estimates of UPP indicators for our current projects.

Typical UPP Indicators for Selected Project Components

7. Applying the Bank's UPP concept to sites and services and slum upgrading components of our South Asia urban projects, we find the following typical indicators.

	Typical % of Component Beneficiaries With Incomes Below Poverty Threshold	Typical % of Component Cost Benefitting Households With Incomes Below Poverty Threshold
Sites and Services	70	60
Slum Upgrading	80	70

8. In current urban development projects in South Asia, the above two shelter components account for roughly two-thirds of total project cost and credit amount (68% in Madras II (FY81) and 72% in Kanpur I (FY82)). The proportion in Madras I (FY77) is about 40% and in Calcutta II (FY78) 30%.

^{/1} This was actually one of the intentions of the UPP but the monitoring system was not designed to adequately reflect this.

There may be a trend towards focusing these projects more on, firstly, shelter and related services and, secondly, improved urban management and finance. However, project emphasis and poverty impact will continue to vary between cities and over time.

UPP Assessment of FY80-FY82 Urban Projects

9. We have made an attempt to estimate overall UPP indicators for our FY80-82 projects by complementing the shelter component indicators with guesstimates for other city-wide components (para. 2). In aggregating, or averaging, across components, we have used component costs as weights. We have not gone as far as trying to aggregate the absolute number of poor beneficiaries across project components.

	<u>Project Cost (US\$ M)</u>	<u>Credit Amount (US\$ M)</u>	<u>% of Benefici- aries With Incomes Below Poverty Threshold</u>	<u>% of Funds Benefitting HH with Incomes Below Poverty Threshold</u>
<u>FY80</u>				
Calcutta Transport	121.7	56.0	60	55
<u>FY81</u>				
Madras II	87.9	42.0	65	55
<u>FY82</u>				
Kanpur I	40	19	65	55
Lahore I	35	17	70	60

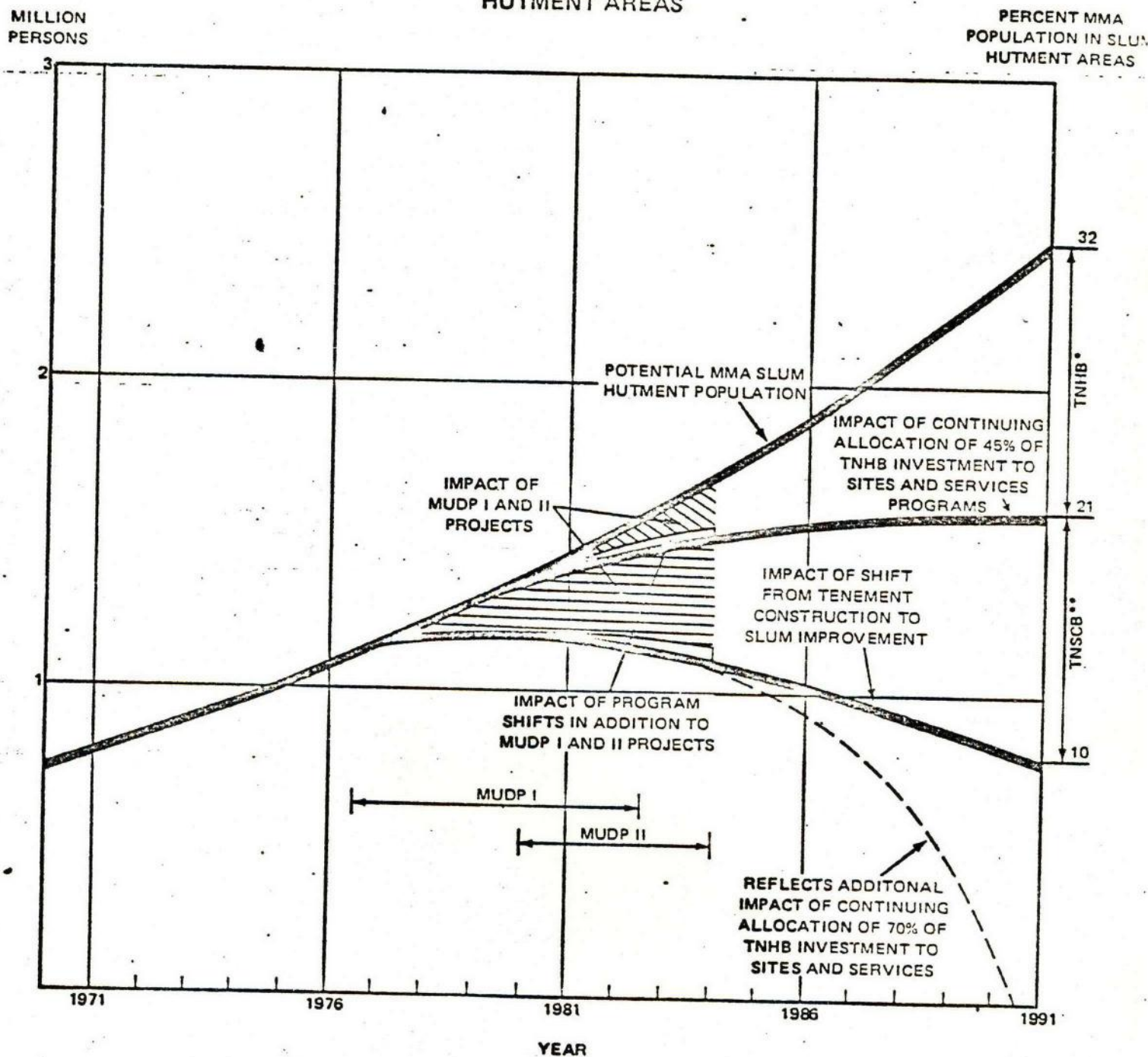
10. Our program will be expanding over the next few years, to a level of 3-4 projects annually by about FY84. We do not expect any significant shifts in the relative poverty emphasis, however. We do, however, expect a gradual shift towards more emphasis on medium-sized and smaller cities and towns.

Attachment

cc: Messrs. Holsen, Geli (o/r), Strombom, Cohen
Mrs. Hamilton

SSandstrom/PMcCarthy:ng

INDIA
SECOND MADRAS URBAN DEVELOPMENT PROJECT
CHART 2: PROJECT IMPACT ON GROWTH OF MADRAS SLUM
HUTMENT AREAS



*Reflects only EWS Housing Construction by TNHB

**TNSCB'S Tenement Construction Program Assumed to have no impact on housing stock

OFFICE MEMORANDUM

TO: Distribution

DATE: November 12, 1980

FROM: Anthony Churchill, Director, URB *ACTH*SUBJECT: Annual Urban Poverty Program Status Report for 1980

1. A meeting of regional coordinators of the Urban Poverty Program was convened this morning to discuss arrangements to meet this year's reporting requirements as set out in Mr. Baum's memos of 9/15/80 to CPS Directors and 9/23/80 to Regional Vice Presidents, and the issues raised in Mr. Strombom's memo of 11/5/80. It was noted in the meeting that the Urban Information System (UIS) used in the past to monitor progress of the program had been found unsatisfactory by the regions as a management tool, in part because the guidelines used to provide the data for UIS did not adequately reflect regional needs or the regional differences in project design in a given sector. Senior Management decided earlier this year that the responsibility for defining and managing an information system suited to each region's objectives for the Urban Poverty Program be transferred to the regions. The issues that needed to be addressed in order for the transfer to be successful were outlined in Mr. Baum's memos and discussed in a number of follow-up meetings.

2. In light of resource constraints, data limitations, and the lack of region-specific program objectives or sector-specific guidelines, it was agreed at today's meeting that each region would submit a two- or three-page report that would discuss, in principally qualitative terms (but quantified to the extent possible with existing data): (i) their UP program for FY80, 81, and 82; (ii) their views on the program and its monitoring; and (iii) their recommendations for the program's future, particularly resource requirements, to make the exercise meaningful by providing the feedback necessary to have an effect on program implementation and project design. It was also agreed that the date for submitting the regional reports to the Urban Department would be 12/12/80, and that these reports would be passed on to Senior Management with only a covering note from the Urban Department.

Distribution: Messrs. Bronfman (EAP); Bouhaouala (WAP); Carmignani (EMP); Wyss (AEP); Geli (ASP); Wessels (LCP); Habte, Prosser, Zymelman (EDC); Rovani, Dosik (EGY); Evans, Warford (PHN); Tolbert, Hyde (IDF); Willoughby, Kalbermatten (TWT); Scott (LCPUR); Sud, Ford (AEPUR); Strombom, Dunkerley, Kahnert, Simmons, Sandstrom, Pellegrini, Serageldin, Madavo, Courtney, ~~Cohen~~, Noman (URB)

Ms. Hewitt, Kozlowski (URB)

ZShalizi:jm

OFFICE MEMORANDUM

TO: Distribution Below

DATE: November 5, 1980

FROM: D. A. Strombom, Assistant Director, URB

SUBJECT: Urban Poverty Program Reporting

The meeting on October 30, while inconclusive as to where we go from here, clearly pointed out that serious problems exist in meeting this year's UPP reporting requirements. To cite a few: the Regions' efforts are hampered by the absence of sectoral guidelines on measuring and reporting of poverty content of projects; CPS Sector Departments and Regions are unclear about their respective responsibilities and, in any event, both lack staff resources to carry out additional work; URBOR no longer has staff to handle UPP reporting directly, as it did in the past. (See Mr. Shalizi's attached memorandum for a more detailed account of these problems.)

Accordingly, I am asking that you attend one more meeting to address the following issues:

What interim arrangements should be made, including possible adjustment of reporting date, to meet this year's requirements?

What changes should be made to avoid repeating these problems in the future?

The latter may well involve recommendations to or requests for decisions from senior management, so your participation is important. I will chair the meeting, which will be held on Wednesday, November 12 at 10:00 a.m. in Conference Room D-658.

Attachment

cc: Messrs. Bronfman, Kennedy (EAP); Bouhaouala (WAP); Carmignani (EMP); Wyss (AEP); Geli (ASP); Wessels (LCP); Habte, Prosser, Zymelman (EDC); Rovani, Dosik (EGY); Evans, Warford (PHN); Tolbert, Hyde (IDF); Willoughby, Kalbermatten (TWT); Scott (LCPUR); Sud, Ford (AEPUR); Churchill, Dunkerley, Kahnert, Simmons, Sandstrom, Pellegrini, Serageldin, Madavo, Courtney, Shalizi, Noman (URB)

Ms. Hewitt, Kozlowski (URB)

DAS/brs

OFFICE MEMORANDUM

TO: Mr. Anthony A. Churchill, Director, URB

FROM: Zmarak²²¹⁸/Shalizi, Acting Chief, URBOR

SUBJECT: Urban Poverty Program Reporting

DATE: November 5, 1980

1. On Thursday, October 30, a meeting was convened at Mr. Kahnert's request, and chaired by me, to discuss the status of criteria and procedures for monitoring the urban poverty program, and in light of the discussion to determine the timing and format of the regional reports which are expected to form the basis of the summary report to be prepared by the urban department. The meeting was attended by representatives of the EDC, PHN, and IDF departments of CPS, each of the urban divisions on behalf of their regions, and of the East and West Africa Power and Water Supply divisions. It became apparent very early in the meeting that despite Mr. Baum's two memos, one to CPS department directors (Sept. 15) and the other to the Regional Vice Presidents (Sept. 23), that many of the parameters of the UPP reporting exercise had not yet been clarified and that the lead time for preparing the regional reports might therefore be insufficient.

2. The following problems were mentioned:

- a) The Sept. 23 memo to RVP's suggested that a convenient time for making regional UPP summaries available to URBOR was the end of November. However, no time frame for producing CPS sector guidelines was included in the September 15 memo to CPS department directors. As a result, no CPS sectoral guidelines had yet been discussed with the regions and the regions were, therefore, not in a position to prepare summaries based on agreed sectoral guidelines.

b) In the case of the education sector, it was noted that CPS guidelines were discussed with the regions last year. Only two agreed to provide data regularly within the framework of regional directives. The others felt that neither country/region specific, income distribution/poverty group data, nor sufficient location mapping of poverty groups was available to afford a worthwhile and meaningful measure of poverty lending. Thus, to ensure that the preparation of CPS sector guidelines for discussion with operational regional divisions is useful it is necessary that a clear framework of the UPP objectives and approaches specific to each region be enunciated.

c) The representatives of both the regions and the CPS departments agreed that resource constraints limited the efforts they could devote via economic, sector or project work to the preparation of meaningful sector guidelines and regional objectives and strategies for the UPP.

3. One suggestion to minimize staff time and meet the end of November deadline for the requested UPP status report was to adopt the approach outlined in I.Serageldin's October 27 memo to EMP division chiefs. This approach is an abbreviated version of the past approach which was considered by regional project staff to be a futile exercise. It requires, in addition to project name and loan/credit amount, only two other bits of information: the % of costs that are urban related and the % of that which is expected to benefit the target group. For purposes of the analysis of regional experience, this approach would require that one or two projects in the region be selected for a case study to provide an opportunity to review problems

and issues that arise in meeting the needs of UPP groups in the chosen sector. It is not clear when this review would take place and whether it would feed into this year's regional submission on the status of the UPP.

4. Many limitations of this minimal approach were pointed out, of which only a few need be mentioned:

- will the set of components used in deriving project costs allocated to UP groups vary by region; if it does, then both cross-regional and cross-sectoral comparisons become meaningless;
- how are the percentages provided to be evaluated for purposes of regional or sectoral management and monitoring of the program if region and sector specific objectives and targets are not available;
- the share of project costs allocated to the UP groups may be very different from the share of project benefits which accrue to the UP groups (e.g., the large benefits of standpipes which represent a small project cost); is the share of project costs an appropriate and sufficient indicator given that determining the share of project benefits or the share of the poverty group in an area which is served by a project is much more resource intensive, even though they are potentially more useful in project design.

5. It is clear from these problems that a decision has to be made on whether to adopt the EMENA approach in all regions in light of time and resource constraints even though the utility of such an approach is questionable (both for monitoring achievement of lending objectives and improving project design to meet the needs of UP groups), or not adhere to

the convenient end of November date and instead outline a procedure for preparing the reports only after (a) the objectives and (b) resources available for the exercise are clarified in a meeting of the OVP. Such a discussion is necessary as a series of events since the program was originally adopted have changed the potential scope of the program, as well as the responsibility for its management and monitoring, and the resources available for its implementation. As was noted in Mr. Kahnert's March 11 memo, the exclusion of IDF from the UPP monitoring system and the exclusion of sectors such as transport, energy,...which have problems in defining urban, let alone urban poverty impacts, places the burden of achieving the program's original target of 30% of urban-related lending on three sectors: Urban, Water Supply and Education. At present, their UPP components account for only 3-4% of total Bank lending, which maybe too small to warrant careful monitoring. If the objective is to increase this percentage, new targets will have to be set as the existing target will require that over 80% of the lending in the three main sectors be classified as UPP related, which is unrealistic. If other sectors are to be included, and if variations between regions are to be taken into account in setting sector targets, and if UP mapping is to be undertaken to improve project targeting and design, additional resources will be required both in CPS and in the regions in light of the cutback of URBOR resources.

6. It was the sense of the meeting that without a clarification of these and other points which have been raised repeatedly over the past two years, the continuation of the UPP and the preparation of a status report will not be a meaningful exercise eliciting full staff commitment.

7. It will be necessary to obtain the agreement of regional coordinators and CPS sector departments on a suitable approach to respond to

Mr. Baum's two memos, in light of:

- a) the frustration exhibited in preparing yet again a potentially meaningless status report; and
- b) the confusion surrounding the division of responsibility between regions and CPS sector departments in determining:
 - (i) the objectives of the UP program;
 - (ii) mutually agreed guidelines for measuring, monitoring and evaluating results of program implementation;
 - (iii) devising a regionally specific information system for management purposes as well as the content and format of regional reports that will also allow bank-wide assessment of progress in expanding the direct impact of Bank lending.

8. The approaches to be considered range from:

- a) dropping the program altogether as currently formulated and instead dealing with the direct impact of Bank lending on urban and rural poverty alleviation and employment generation under the umbrella of a Basic Needs approach;
- b) providing an interim pro forma report based on past URBOR guidelines and bringing to the attention of senior management the limitations of the results for any purpose, with regional and CPS sector recommendations on how to overcome the problems identified and the resource implications of the recommendations; and

c) not producing any pro forma report, but outlining the problems with regional and CPS recommendations on how to resolve them, with the understanding that a report would be forthcoming only after adequate decisions had been taken on the recommendations.

Distribution

October 28, 1980

dh
Friedrich Kahnert, Chief, URBOR

Urban Poverty Program Reporting

1. There will be a meeting on Thursday, 30 October 1980 at 3:00 p.m. in the Urban Projects Department Conference Room D-658 to discuss the present status of criteria and procedures for monitoring the urban poverty program. We will be ~~discussing~~ the timing and form of the Regional reports which will form the basis of the summary report.

2. Attached are three notes to provide background. If you have any questions, please call John Courtney, ext. 74031 or Jane Kozlowski, ext. 75255.

Attachments

Distribution: Messrs. Kennedy, EAP; Bouhaouala, WAP; Ford, AEPUR;
Geli, ASP; Pellegrini, EMENA; Wessels, LCP

cc: Messrs. Churchill, Strombom, Dunkerley, D.Jones, D.Cook, R.Satin,
J.Simmons, Serageldin, Sandstrom, Madavo, D.Singh, Scott,
Sud, URB
Noman, Shalizi, Courtney, Ms. Hewitt, URBOR
Prosser, EDC; Dosik, EGY; Warford, PHN; Kalbermatten, TWT

JEK
JEKozlowski:dkm

WORLD BANK / INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: CPS Department Directors

DATE: September 15, 1980

FROM: Warren C. Baum, *WCB* Vice President, CPS

SUBJECT: The Role of CPS Departments in Supporting the Bank's Urban Poverty Program

1. The Operations Review and Support Unit (URBOR) in the Urban Projects Department was established in 1975 to assist the Regions in developing urban poverty-oriented projects. A part of its function is to keep management informed of progress toward goals established for the urban poverty program (UPP). Much has been accomplished in the past five years in initiating poverty-oriented activities, and the primary responsibility for, one, the conduct of the UPP as well as, two, monitoring and reporting, will now devolve on the operating units in the Regions and the CPS. URBOR's resources for operational support have accordingly been eliminated. This implies an enhanced role for CPS sector departments in providing advice and support to the Regions on (i) the poverty aspects of their urban lending program, and (ii) on monitoring these aspects and with regard to the poverty aspects themselves, the type of assistance required covers among other things establishing in agreement with operating divisions criteria and procedures for:

(a) developing project design for poverty-oriented components, e.g.:

- (1) "targetting" beneficiaries,
- (2) mapping the target group during project preparation,
- (3) designing specific project components for optimum impact on income or expenditure of the urban poor,
- (4) setting suitable standards for these components in light of:
 - (i) household budget constraints (i.e., "affordability"),
 - (ii) government budget constraints (i.e., replicability if project includes subsidies),
 - (iii) the trade-off between initial costs and operating/maintenance costs, etc.; and

(b) developing indicators of poverty impact, e.g.:

- (1) percent of project output/benefits directed to the target group,
- (2) percent of the target group served by the projects,
- (3) percent of project cost producing benefits for the target group, etc.

2. The implications of these activities for the work program of CPS sector departments will need to be examined. To date, three sectors have been the principal sources of urban poverty lending: TWT, EDC and URB. Other sectors, particularly PHN and EGY, offer prospects for significant help to the urban poverty groups.

3. CPS sector departments will also be called upon to an increasing extent to assist the Regions and the Urban Projects Department (which has the responsibility for reporting on the Bank's overall efforts) in formulating for each sector the appropriate reporting and monitoring criteria. The Regions will be responsible for preparing an annual report on their efforts to be consolidated by URBOR. In order to insure consistency of concepts and criteria used across Regions, each CPS sector department, in cooperation with sectoral divisions in the Regions, should take the lead in developing such criteria for the sector for which it is responsible. In general, these criteria will have to allow for the following:

- (a) the need to quantify the impact of the Bank's lending on the suitably defined poverty target group and to trace the magnitude and effectiveness of this effort over time;
- (b) the Bank's desire to emphasize direct impacts on the target group, demonstrably improving the income or expenditure patterns of the poor in relation to their needs;
- (c) the need to make sure that its poverty-oriented lending is affordable by beneficiaries and replicable on the government budget level (if subsidies are involved);
- (d) the desirability of using poverty impact figures that can be aggregated across sectors.

4. The Urban Projects Department will continue to bear the responsibility for an annual summary report to management on the overall UPP progress within the Bank. For this purpose it will consult with the Regions and with the CPS sector departments on the timing and general form of the Regional reports which will form the basis for the summary report. In this connection:

- (a) It is proposed that the summary of the Regional urban poverty program reports be submitted at approximately the same time as the IDF report on employment (tentatively January of each year) and that consideration also be given to the same timing for the report on the rural poverty program.
- (b) In the light of experience with the problems in defining the urban poverty content of projects in "the outer years" of the five-year project budget, it is proposed to limit statistical reporting to the past fiscal year, the current year, and estimates of the next fiscal year. Programs and intentions for years beyond this period should be dealt with in a more general discussion of prospects in both the Regional and summary reports.

5. The URBOR unit of the Urban Projects Department is available to assist the CPS departments in developing the program outlined above.

ACHurchill/FKahnert:vjb

OFFICE MEMORANDUM

Strongman
File
UR1352

TO: Regional Vice Presidents

DATE: September 23, 1980

FROM: Warren C. Baum, Vice President, CPS

SUBJECT: The Urban Poverty Program (UPP)

1. At our meeting of November 7 last year, we agreed to change the way in which the employment impact of Bank projects is to be monitored. The new approach was summarized in Messrs. Churchill's and Tolbert's memorandum of January 17, 1980 (copy attached) to Regional and CPS Directors.

2. At the same time, we agreed that the Urban Projects Department would continue to report to us on the progress of the Urban Poverty Program on the basis of information provided by the Regions (and COPDs). We have been reviewing our experience in providing support and assistance to the Regions, in both developing and monitoring the Bank's efforts to help the urban poor, and have concluded that it would be desirable to modify some existing practices.

(1) Increased CPS Support

3. The resources of the Urban Projects Department are no longer adequate to provide the type of broad-based advice and support required by a large and growing, sectorally diversified program. Other CPS sector departments will have to play a much more significant role in providing this assistance. The attached memorandum of September 15, 1980 from me to CPS Directors outlines the type of assistance to be provided by CPS sector departments.

(2) A Less Quantitative and More Qualitative Monitoring Effort

4. At present we are monitoring the UPP through the use of the urban information system (UIS). We have not been satisfied with the results of this system. It has not always been given the necessary attention, and it is not always updated at sufficiently frequent intervals to be even reasonably accurate. Spot-checks indicate that data are often highly questionable, and a growing proportion of the lending program is not being identified as to its location or poverty impact. The information provided at the outer years of the program in particular, given these problems, is of little use even as a statement of intentions.

5. Instead of looking at the whole five-year program in terms of its location (rural, urban, unknown) and in terms of the percentage of loans benefitting the target group, we propose to limit the statistics-gathering exercise to three years - the past fiscal year, the one currently underway, and the forthcoming year. In most cases project preparation is enough advanced for the forthcoming year to permit the making of reasonable estimates. For the outer years, we propose to limit the review to a qualitative statement of each Region as to its plans and intentions, based on its analysis of the results and immediate expectations for the three years described above.

6. This modification should provide the minimum information necessary for a better qualitative assessment of the whole program. At the same time, it should permit each Region the flexibility to develop a reporting system that is consistent with its own management needs.

(3) Timing

7. The most convenient and useful timing for this exercise would be for the Regions to submit their reports by the end of November each year. The Urban Projects Department would then summarize the results by the end of December. This would permit the report to contribute to the annual budgeting and programming efforts. By scheduling it in the middle of the fiscal year, sufficiently accurate information would be available on the past and future fiscal years, as well as the one in progress. The first such report could be completed early in 1981.

8. If you wish, we could discuss these proposals at an OVP meeting.

Attachments

Cleared with and cc: Mr. E. Stern (VPO)
cc: CPS and Regional Directors

ACHurchill/vjb

OFFICE MEMORANDUM

TO: Regional and CPS Directors

DATE: January 17, 1980

FROM: Anthony A. Churchill, Director, URB and
S. M. Tolbert, Director, IDFD

SUBJECT: Employment/Urban Poverty Program

At the Operational Vice Presidents' meeting of November 7, a decision was reached to change the way in which the employment impact of Bank projects is to be monitored. The new approach is summarized below.

1. The Bank will continue to monitor the expected impact of projects that finance the delivery of goods and services to the urban poor. This will be done, as before, by determining the proportion of loans and credits for such projects (e.g. urban water supply, urban power distribution, sites and services) that are intended to reach the target group, using the already agreed-upon poverty income levels.
2. A national threshold for the capital/labor ratio will no longer be used as a criterion to define whether or not projects with industrial employment-creating components (e.g. IPD projects, DFCs, SSEs, industrial import loans) are to be included as part of the urban poverty program. Consequently, there is no longer a basis for monitoring employment-creating projects or components of projects as part of the urban poverty program. Instead their employment impact will now be monitored.
3. All appraisal (and President's) reports of projects containing substantial industrial employment-creating components should therefore contain an analysis of the employment impact of the project or component. This should provide an estimate of the number of "permanent" jobs to be created during the life of the project, and the investment cost per job.^{a/} In the case of industrial program/import and industrial rehabilitation loans, where it may not be possible to quantify jobs created (or saved), a qualitative analysis should be made, e.g., of the employment expected to be generated in the manufacturing sector and the employment intensity of the industrial sectors aided. To the extent possible the project reports will also discuss the policies being adopted or pursued to encourage labor absorption in industry and the contribution to be made by the project/program to the implementation of these policies. While no explicit quantitative targets have been established, the goal remains to allocate capital efficiently, and to spread the limited available capital over the labor force. In most countries this will imply continued attention to reduce the amount of capital per job created.

^{a/} Investment costs for this purpose will exclude land, and will include all other fixed assets as well as permanent working capital requirements. Only employment directly created by the project will be included in the monitoring exercise; however, appraisal reports should continue to include data on indirect employment also whenever feasible.

January 17, 1980

4. Employment promotion components will continue to be included where appropriate in urban sites and services or slum upgrading projects. Such components will be classified as SSEs for monitoring purposes, and should be treated in project reports as described above.
5. Both urban services delivery projects and employment creating projects will generate additional employment during construction. Where this is significant, project reports should also provide an estimate of the number of jobs involved in construction.
6. The Urban Projects Department will report annually on the progress of the urban poverty program, and the Industrial Development and Finance Department on the expected employment impact of Bank urban lending, on the basis of information to be assembled by the Regions (and COPDs).

ACHurchill/SMTolbert/HGvanderTak:lfb

Cleared with and cc: Messrs. Stern and Baum
cc: Mr. Chenery

OFFICE MEMORANDUM

TO: Regional Vice Presidents

DATE: September 23, 1980

FROM: Warren C. Baum, Vice President, CPS

SUBJECT: The Urban Poverty Program (UPP)

1. At our meeting of November 7 last year, we agreed to change the way in which the employment impact of Bank projects is to be monitored. The new approach was summarized in Messrs. Churchill's and Tolbert's memorandum of January 17, 1980 (copy attached) to Regional and CPS Directors.

2. At the same time, we agreed that the Urban Projects Department would continue to report to us on the progress of the Urban Poverty Program on the basis of information provided by the Regions (and COPDs). We have been reviewing our experience in providing support and assistance to the Regions, in both developing and monitoring the Bank's efforts to help the urban poor, and have concluded that it would be desirable to modify some existing practices.

(1) Increased CPS Support

3. The resources of the Urban Projects Department are no longer adequate to provide the type of broad-based advice and support required by a large and growing, sectorally diversified program. Other CPS sector departments will have to play a much more significant role in providing this assistance. The attached memorandum of September 15, 1980 from me to CPS Directors outlines the type of assistance to be provided by CPS sector departments.

(2) A Less Quantitative and More Qualitative Monitoring Effort

4. At present we are monitoring the UPP through the use of the urban information system (UIS). We have not been satisfied with the results of this system. It has not always been given the necessary attention, and it is not always updated at sufficiently frequent intervals to be even reasonably accurate. Spot-checks indicate that data are often highly questionable, and a growing proportion of the lending program is not being identified as to its location or poverty impact. The information provided at the outer years of the program in particular, given these problems, is of little use even as a statement of intentions.

5. Instead of looking at the whole five-year program in terms of its location (rural, urban, unknown) and in terms of the percentage of loans benefitting the target group, we propose to limit the statistics-gathering exercise to three years - the past fiscal year, the one currently underway, and the forthcoming year. In most cases project preparation is enough advanced for the forthcoming year to permit the making of reasonable estimates. For the outer years, we propose to limit the review to a qualitative statement of each Region as to its plans and intentions, based on its analysis of the results and immediate expectations for the three years described above.

6. This modification should provide the minimum information necessary for a better qualitative assessment of the whole program. At the same time, it should permit each Region the flexibility to develop a reporting system that is consistent with its own management needs.

(3) Timing

7. The most convenient and useful timing for this exercise would be for the Regions to submit their reports by the end of November each year. The Urban Projects Department would then summarize the results by the end of December. This would permit the report to contribute to the annual budgeting and programming efforts. By scheduling it in the middle of the fiscal year, sufficiently accurate information would be available on the past and future fiscal years, as well as the one in progress. The first such report could be completed early in 1981.

8. If you wish, we could discuss these proposals at an OVP meeting.

Attachments

Cleared with and cc: Mr. E. Stern (VPO)
cc: CPS and Regional Directors

ACHurchill/vjb

OFFICE MEMORANDUM

TO: Regional and CPS Directors

DATE: January 17, 1980

FROM: Anthony A. Churchill, Director, URB and
S. M. Tolbert, Director, IDFDSUBJECT: Employment/Urban Poverty Program

At the Operational Vice Presidents' meeting of November 7, a decision was reached to change the way in which the employment impact of Bank projects is to be monitored. The new approach is summarized below.

1. The Bank will continue to monitor the expected impact of projects that finance the delivery of goods and services to the urban poor. This will be done, as before, by determining the proportion of loans and credits for such projects (e.g. urban water supply, urban power distribution, sites and services) that are intended to reach the target group, using the already agreed-upon poverty income levels.
2. A national threshold for the capital/labor ratio will no longer be used as a criterion to define whether or not projects with industrial employment-creating components (e.g. IPD projects, DFCs, SSEs, industrial import loans) are to be included as part of the urban poverty program. Consequently, there is no longer a basis for monitoring employment-creating projects or components of projects as part of the urban poverty program. Instead their employment impact will now be monitored.
3. All appraisal (and President's) reports of projects containing substantial industrial employment-creating components should therefore contain an analysis of the employment impact of the project or component. This should provide an estimate of the number of "permanent" jobs to be created during the life of the project, and the investment cost per job.^{a/} In the case of industrial program/import and industrial rehabilitation loans, where it may not be possible to quantify jobs created (or saved), a qualitative analysis should be made, e.g., of the employment expected to be generated in the manufacturing sector and the employment intensity of the industrial sectors aided. To the extent possible the project reports will also discuss the policies being adopted or pursued to encourage labor absorption in industry and the contribution to be made by the project/program to the implementation of these policies. While no explicit quantitative targets have been established, the goal remains to allocate capital efficiently, and to spread the limited available capital over the labor force. In most countries this will imply continued attention to reduce the amount of capital per job created.

^{a/} Investment costs for this purpose will exclude land, and will include all other fixed assets as well as permanent working capital requirements. Only employment directly created by the project will be included in the monitoring exercise; however, appraisal reports should continue to include data on indirect employment also whenever feasible.

4. Employment promotion components will continue to be included where appropriate in urban sites and services or slum upgrading projects. Such components will be classified as SSEs for monitoring purposes, and should be treated in project reports as described above.

5. Both urban services delivery projects and employment creating projects will generate additional employment during construction. Where this is significant, project reports should also provide an estimate of the number of jobs involved in construction.

6. The Urban Projects Department will report annually on the progress of the urban poverty program, and the Industrial Development and Finance Department on the expected employment impact of Bank urban lending, on the basis of information to be assembled by the Regions (and COPDs).

ACHurchill/SMTolbert/HGvanderTak:lfh

Cleared with and cc: Messrs. Stern and Baum
cc: Mr. Chenery

OFFICE MEMORANDUM

TO: CPS Department Directors

DATE: September 15, 1980

FROM: Warren C. Baum, *WCB* Vice President, CPSSUBJECT: The Role of CPS Departments in Supporting the Bank's Urban Poverty Program

1. The Operations Review and Support Unit (URBOR) in the Urban Projects Department was established in 1975 to assist the Regions in developing urban poverty-oriented projects. A part of its function is to keep management informed of progress toward goals established for the urban poverty program (UPP). Much has been accomplished in the past five years in initiating poverty-oriented activities, and the primary responsibility for, one, the conduct of the UPP as well as, two, monitoring and reporting, will now devolve on the operating units in the Regions and the CPS. URBOR's resources for operational support have accordingly been eliminated. This implies an enhanced role for CPS sector departments in providing advice and support to the Regions on (i) the poverty aspects of their urban lending program, and (ii) on monitoring these aspects and with regard to the poverty aspects themselves, the type of assistance required covers among other things establishing in agreement with operating divisions criteria and procedures for:

- (a) developing project design for poverty-oriented components, e.g.:
 - (1) "targetting" beneficiaries,
 - (2) mapping the target group during project preparation,
 - (3) designing specific project components for optimum impact on income or expenditure of the urban poor,
 - (4) setting suitable standards for these components in light of:
 - (i) household budget constraints (i.e., "affordability"),
 - (ii) government budget constraints (i.e., replicability if project includes subsidies),
 - (iii) the trade-off between initial costs and operating/maintenance costs, etc.; and

(b) developing indicators of poverty impact, e.g.:

- (1) percent of project output/benefits directed to the target group,
- (2) percent of the target group served by the projects,
- (3) percent of project cost producing benefits for the target group, etc.

2. The implications of these activities for the work program of CPS sector departments will need to be examined. To date, three sectors have been the principal sources of urban poverty lending: TWT, EDC and URB. Other sectors, particularly PHN and EGY, offer prospects for significant help to the urban poverty groups.

3. CPS sector departments will also be called upon to an increasing extent to assist the Regions and the Urban Projects Department (which has the responsibility for reporting on the Bank's overall efforts) in formulating for each sector the appropriate reporting and monitoring criteria. The Regions will be responsible for preparing an annual report on their efforts to be consolidated by URBOR. In order to insure consistency of concepts and criteria used across Regions, each CPS sector department, in cooperation with sectoral divisions in the Regions, should take the lead in developing such criteria for the sector for which it is responsible. In general, these criteria will have to allow for the following:

- (a) the need to quantify the impact of the Bank's lending on the suitably defined poverty target group and to trace the magnitude and effectiveness of this effort over time;
- (b) the Bank's desire to emphasize direct impacts on the target group, demonstrably improving the income or expenditure patterns of the poor in relation to their needs;
- (c) the need to make sure that its poverty-oriented lending is affordable by beneficiaries and replicable on the government budget level (if subsidies are involved);
- (d) the desirability of using poverty impact figures that can be aggregated across sectors.

4. The Urban Projects Department will continue to bear the responsibility for an annual summary report to management on the overall UPP progress within the Bank. For this purpose it will consult with the Regions and with the CPS sector departments on the timing and general form of the Regional reports which will form the basis for the summary report. In this connection:

- (a) It is proposed that the summary of the Regional urban poverty program reports be submitted at approximately the same time as the IDF report on employment (tentatively January of each year) and that consideration also be given to the same timing for the report on the rural poverty program.
- (b) In the light of experience with the problems in defining the urban poverty content of projects in "the outer years" of the five-year project budget, it is proposed to limit statistical reporting to the past fiscal year, the current year, and estimates of the next fiscal year. Programs and intentions for years beyond this period should be dealt with in a more general discussion of prospects in both the Regional and summary reports.

5. The URBOR unit of the Urban Projects Department is available to assist the CPS departments in developing the program outlined above.

ACHurchill/FKahnert:vjb

OFFICE MEMORANDUM

DATE: August 1, 1980

TO: Mr. Friedrich Kahnert, Chief, URBOR

FROM: John M. Courtney *me*SUBJECT: Poverty Analysis in Urban Projects

1. A review of the urban poverty aspects of appraisal reports for urban projects for FY79-80 has shown a lack of adequate coverage and reporting of this important Bank policy mandate. Of the 18 projects, only 7 have addressed the poverty issues reasonably well; another 7, with varying degrees of adequacy; and the remaining 4 have been inadequately handled. (See Table 1 for a summary evaluation.)

2. Often the projects are having a significant impact on the urban poverty group. However, satisfactory documentation is usually lacking. Also, a better identification of the poverty group and their basic needs will provide more responsive project designs. There are four locations in the appraisal report where the urban poverty issues should be covered as well as a summary section in the President's Report. The areas which have generally not been well covered are the replicability and beneficiary sections. Outlined below are the locations in the appraisal report and the key issues which should be addressed. Samples from selected appraisal reports for each section are included in the attachments.

Urban Poverty and Income (Section 1)

3. In Sector Background, under the discussion of the urban sector in the project city or cities, a clear indication should be made of the size and location of the urban poverty group, 1/ including the rate of growth and key socio-economic factors, such as income, employment, housing, water/sanitation, and health needs. Basic needs which the project could usefully respond to should be highlighted here (see Attachment A).

Beneficiaries (Section 5)

4. In addition to the general discussion on beneficiaries, a section on the urban poverty target group should be provided indicating how many will be provided with goods and services which are affordable and replicable as a result of the project and how many will remain unserved. (See Central Projects Note 2.09, Sections 6-IV, for suggestion - Attachment B.)

1/ For identification of the target group, use of the Bank's absolute and relative poverty threshold levels defined in \$ per capita/year. See July 7, 1978 memorandum from URBOR to Country Economists: "Updating Poverty Income Levels".

Replicability (Section 5)

5. Under replicability, it would be useful to discuss unmet needs of the urban poverty group in more detail. Usually only discussions of the affordability of the services by the various income groups is dealt with here. However, what should also be covered is the demand by the poor for the goods and services provided by the project, indicating unmet needs at the project's completion. Of the urban poverty group not benefiting from the project, what plans and programs are there potentially available to them; over what time frame; and what level of investment would need to be provided to address these needs (see Attachment C).

Urban Poverty Impacts (Section 6)

6. Summarize the impact of the project on the urban poverty group as part of the overall beneficiary group. Also indicate percentage of the loan/credit amount that can be directly attributed to the urban poverty group, based on the cost of the consumption of the affordable and replicable goods and services (see Attachment D).

President's Report

7. In addition to coverage of the urban poverty issues in the appraisal report, a section should be provided in the President's Report which summarizes the affordability, beneficiaries, replicability and urban poverty impact. A suggested format is indicated in Attachment E for the housing and upgrading components.

Evaluation of Urban Poverty Impacts

8. A close examination (see Table 2) of the actual urban poverty impacts of the FY79-80 projects shows a wide range, from 85% urban poverty lending in the Columbia Urban Development II project to 19% in the Thailand National Sites and Services. Similarly, in terms of beneficiary impact the range is from 90% urban poor in the Ecuador project to 18% in the Korea Gwangju project. In the case of these low UPP impacts, a closer examination perhaps should be made to determine the appropriateness of this type of project in responding to the urban poor's basic needs.

9. Effective analysis of the poverty group's basic service needs during the preparation of the project will enable both a better targeting of services and project design as well as documentation of the poverty issues in the appraisal and President's reports.

cc: Messrs. Churchill, Strombom, Dunkerley, Jones, Cook, D. Singh,
Madavo, Sandstrom, Pellegrini, Sud, Simmons, Shalizi,
Mbi
Ms. Kozlowski, Hewitt

JC:jm

Table 1
EVALUATION OF URBAN POVERTY COMPONENTS IN APPRAISAL REPORTS ^{1/}

<u>PROJECT</u>	<u>URBAN POVERTY</u>	<u>REPLICABILITY/ BENEFICIARIES</u>	<u>UPP IMPACT</u>	<u>OVERALL PERFORMANCE</u> ^{2/}
<u>FY80</u>				
PANAMA: Colon Urban Development	fair	NA	-	inadequate
NICARGUA: Urban Reconstruction	-	-	-	NA
CALCUTTA: Urban Transport	-	-	fair	inadequate
JORDAN: Urban Development	fair	-	-	inadequate
NIGERIA: Urban Development	fair	-	OK	barely adequate
LESOTHO: Urban Development	OK	OK	OK	good
BURUNDI: Urban Development	OK	OK	OK	good
PHILIPPINES: Urban III	OK	OK	OK	good
GUYAQUIL: Urban Development	OK	fair	OK	good
THAILAND:	OK	-	- OK	adequate
KOREA: Urban II	OK	-	- OK	adequate
<u>FY79</u>				
INDONESIA: Urban III	OK	OK	OK	good
TUNISIA: Urban II	fair	-	fair	barely adequate
COLOMBIA: Urban II (Cartagena)	-	fair	OK	barely adequate
BRAZIL: Sites and Services	OK	-	fair	barely adequate
BRAZIL: Medium Cities	OK	OK	OK	good
PHILIPPINES: Urban II	- OK	OK	OK	good
MALI: Urban Development	OK	-	OK	adequate

^{1/} The performance is purely according to the degree of coverage in the appraisal reports in each of the sections and overall; (-) indicates no discussion of the topic; (NA) is not applicable.

^{2/} The overall performance is ranked as follows: good-good coverage in all sections; barely adequate-less than adequate coverage; adequate- coverage in most sections; inadequate-no coverage, or less than adequate in most sections.

TABLE 2
URBAN POVERTY IMPACT ANALYSIS*
URBAN PROJECTS (FY79 - FY80)

	Project Cities			Project Beneficiaries '000	Beneficiaries below UP Threshold		Project Cost	Loan/Credit Amount		UPP Amount	UPP%
	Urban Pop.	Urban Poor	(%)		'000	(%)		US\$ Million			
	'000	'000									
FY79	Brazil Medium-Sized Cities	947 <u>1/</u>	537 (57) <u>1/</u>	<u>2/</u>	<u>2/</u>		200.0	70.0	49.0	70	
	Brazil Sites and Services	11,000	4,700 (43)	400	364 (90)		265.7	93.0	76.3	82 <u>2/</u>	
	Colombia Urban Development II	400	180 (45)	85	73 (85)		35.3	13.5	11.5	85 <u>2/</u>	
	Indonesia Urban Development III	9,950	6,467 (65) <u>4/</u>	2,173	1,630 (75)		96.0	54.0	35.1	65 <u>2/</u>	
	Mali Urban Development	470	180 (38)	47	33 (70)		15.3	12.0	9.0	75	
	Philippines Urban Development II	7,210	2,187 (30)	<u>5/</u>	<u>5/</u> (87)		69.9	32.0	23.0	72 <u>2/</u>	
	Tunisia Urban Development II	1,350	270 (20) <u>6/</u>	103	40 (39)		45.1	19.0	8.2	43 <u>2/</u>	
FY80	Burundi Urban Development	200	110 (55)	123	73 (59)		16.7	15.0	10.5	70 <u>2/</u>	
	Calcutta Urban Transport	9,900	6,000 (61)	5,500	3,300 (60)		121.7	56.0	n.a.	n.a.	
	Ecuador Guayaquil Urban Development	1,000	370 (37)	100	90 (90)		51.6	31.0	24.8	80	
	Jordan Urban Development	650	108 (16) <u>7/</u>	66	27 (41)		57.6	21.0	n.a.	n.a.	
	Korea Gwangju Regional II	1,157	208 (18)	1,036	186 (18)		154.8	65.0	38.5	25 <u>2/</u>	
	Lesotho Urban Development	59	29 (50)	20	13 (65)		7.1	6.0	3.7	62	
	Nigeria Urban Development	240	100 (42)	44	39 (88)		36.6	17.8	12.3	69 <u>2/</u>	
	Panama Colon Urban Development	655	216 (33)	<u>8/</u>	<u>8/</u>		133.3	35.0	<u>8/</u>	<u>8/</u>	
	Philippines Urban Development III	6,000	2,100 (35)	500	360 (72)		120.0	72.0	32.0	74 <u>2/</u>	
	Thailand National Sites and Services	5,343	1,540 (28)	66	18 (28)		56.4	29.0	5.5	19 <u>2/</u>	
	Nicaragua Urban Reconstruction	<u>9/</u>	<u>9/</u>	<u>9/</u>	<u>9/</u>		26.0	22.0	<u>9/</u>	<u>9/</u>	

^{1/} These are estimates for the three cities appraised by the Bank only.

^{2/} An estimate of the number of beneficiaries was difficult to establish. A large proportion of the beneficiaries was from the poverty group, however, judging from the high percentage (70%) of costs which would yield direct benefits to the urban poor in the three cities.

^{3/} Assuming Bank loan/credit finances poverty and non-poverty related expenditures in a manner similar to that of the project as a whole.

^{4/} Assuming Jakarta and the four secondary cities to be representative of the total urban areas where the poor represent 65% of urban population.

^{5/} A breakdown of the beneficiaries is as follows:

- 250,000 people would benefit from the water supply component; a large proportion would be in the poverty group.
- 85% and 90% of beneficiaries of the upgrading and sites and services components respectively would be poor.

^{6/} Assuming Greater Tunis to be representative of the total urban areas where 20% of the population have incomes below the Bank-defined 1978 urban poverty threshold.

^{7/} Assuming Amman to be representative of all urban areas.

^{8/} Project components would benefit the entire metropolitan area. Due to the nature of the project it is difficult to quantify the amount of the loan that would benefit any one particular group of people.

^{9/} This project was created in a post-war environment. The time devoted to its preparation was relatively short; the details of some of its components are fewer than is typical of Bank projects. However, the urban poor would benefit from basic infrastructure upgrading provided in the project.

* NOTE: (1) The extent to which the urban poor benefit varies from project to project and from component to component.

(2) Due to the nature of the project components, there may be duplication of urban poor beneficiaries.

SOURCE: Appraisal Reports

July 31, 1980

URBAN POVERTY AND INCOMEBURUNDIStructure of Employment, Income, and Poverty

1.14 About 80% of Burundi's urban sector employment and 62% of employees are located in Bujumbura. The formal sector, which employs about 43% of the 1978 labor force of 62,000, is dominated by government. However, agricultural employment remains significant, accounting for 13% of the total (Table I.1). Overall, industry plays a relatively small role (8% of the total) but commerce is important, especially in the informal sector.

1.15 The informal sector, which accounts for about 57% of 1978 employment, is made up of small unregistered businesses with a few employees and self-employed persons. Roughly a quarter of this sector offers retail services, about 20% are in agriculture, and about 13% are individual artisans with building and construction skills (carpentry, masonry, brickmaking, metalworking) or in other trades (mechanics, tailoring, milling). There is also a large group of unskilled laborers. According to Labor Ministry statistics, however, the supply of office, transport, mechanical, technical and domestic workers barely meets half the demand.

1.16 As with housing quality, there is a good deal of variation in income levels among the city's low-income neighborhoods. While on average about 65% of families in these neighborhoods fall below the urban poverty threshold, the share is closer to 80% in Kinama, at about the average in Cibitoke, Kamenge and Buyenzi, and around 30%-40% for the less poor neighborhoods of Bwiza and Nyakabiga. Food and clothing absorb up to 65% to 80% of poor families' incomes, despite the fact that about half of their food needs are met by homegrown produce. Energy, soap and other household supplies, and health and education account for much of the remainder. Actual budget outlays for housing are on average low because 40%-90% of households in these neighborhoods occupy their own homes and pay no rent. Comparison of results of the 1978 household survey with results of a 1964 survey suggest that the share of current outlays on housing repairs and clothing has decreased in response to a seven-fold increase in the cost of household energy. The share of transport expenditures also appears to be low, in part because distances are not great but also because the cost of regular bus travel, to and from work for example, would pose a serious burden on the budgets of poor families.

1.17 Cultivation of crops for own consumption and for sale is a major economic activity, especially in the northern neighborhoods: 35% of heads of households in Kinama and 17-19% in three other neighborhoods cite agriculture as their principal occupation. This is reflected in the low level of urban development--only 58% of the city's land is developed for housing and about a third of its area is regularly cultivated agricultural land, including on-plot gardens--and the fact that a quarter of heads of household have at least two major occupations. In the closer-in neighborhoods where average incomes are higher, a quarter to a third of heads of household are civil servants, around 20% work in retail and service trades, and 10% to 15% are artisans. In the poorer neighborhoods artisans are much more important (25-30%) and civil servants and retail and services much less. Thus 50-70% of households in the latter neighborhoods earn income mainly from informal sector activities (artisan work and agriculture), compared to a quarter to a third in the less poor neighborhoods.

LESOTHO

Incomes and Urban Poverty

1.07 Significant income differences exist, particularly within urban areas and between Maseru and the rest of the country. According to the Second FYDP the lowest 5% of Maseru's population received only 1% of income, while the highest 5% received 26%. GOL's minimum wage legislation has tried to redress this imbalance by increasing the pay of industrial and commercial workers, whose minimum wages were raised in March 1978 from M 1.50 to M 2.10 per day. Despite this, absolute poverty is widespread in towns because of the high cost of food, most of which is imported from neighbouring RSA. There is little evidence of income/expenditure in kind. A large share of household income is spent on non-food items, principally shelter and clothing, needed in Lesotho's bitterly cold winters. Mission estimates show that some 50% of the population of Greater Maseru and more than 60% in the peri-urban areas fall below the absolute Urban Poverty Income (UPI) Threshold of M 90 (US\$110) per household per month (January 1980 prices). 2/

ECUADOR: GUAYAQUIL

Urban Growth and Urban Poverty in Guayaquil

1.01 Guayaquil is the center of commerce and industry in Ecuador, yet the city is also characterized by widespread poverty. Employment possibilities have swelled Guayaquil's population, but the distribution of income is skewed, and neither public agencies nor the banks have provided much support to the bustling informal sector. The poor have generally settled in cane houses on poles over swampy areas of the city. Sanitary conditions in these neighborhoods are bad, and the death rate from sanitation-related diseases is high. Public housing agencies have failed to address the shelter requirements of Guayaquil's low-income population on any significant scale. The Municipality has frequently given away public property and basic services in response to pressures from residents in squatter areas, but has seldom recovered the costs. Partly because of this, its finances are depleted, and even the city center is poorly maintained.

Guayaquil's Growth and Incomes

1.02 Of Ecuador's 7.8 million people, 3.3 million (42%) live in urban areas, 750,000 in Quito and about 1 million in Guayaquil. Although Guayas Province (Guayaquil) represents 13% of the national population, it contributes over 30% of gross domestic product and over 50% of GDP attributable to commerce, manufacturing, and finance. For over a decade Guayaquil was one of the fastest growing cities of Latin America, but its industrial boom in the 1950's and 1960's has given way to the petroleum boom of the 1970's. The resulting growth in public sector employment has been felt more in Quito. The population growth rate of Guayaquil has fallen to 4.6%, still higher than in Ecuador as a whole (3.4%) or all urban areas (4.4%), and high enough to imply that the population of Guayaquil should double by the year 2000.

1.03 An estimated 75% of all industrial employment is generated by small enterprises. The city center is characterized by thousands of little shops and workshops. Some informal sector businesses are quite profitable, but they receive inadequate support from public agencies and the banking system. They must rely on suppliers' credits at interest rates of 25-40% per year or borrow from money-lenders at 10-20% per month. Government programs designed to assist them have only begun to achieve the coverage necessary.

1.04 On the other end of the economic spectrum, there has been substantial investment in capital-intensive production processes. The average cost for new jobs during the early and mid-1970's was on the order of US\$22,000 per job (in 1979 prices). Income tax and custom duty exemptions, low real interest rates for bank credit, and undervalued foreign exchange all favor capital-intensive investment and reinforce the dualism of Ecuador's economy.

1.05 Although Ecuador's incomes have risen rapidly due to petroleum exploitation, they are still low compared to most of Latin America; incomes in Guayaquil, although generally higher than any place else in Ecuador except Quito, are low too. About 37% of families earn too little income (below US\$394 per capita per annum) to be able to afford a calorie adequate diet. Moreover, the income distribution of Guayaquil is highly skewed. The poorest 40% enjoy less than 20% of the city's income, and approximately 26% of households, those with less than US\$324 per capita per annum, are below the relative urban poverty threshold (defined as a third of the national average income adjusted for Guayaquil prices). This skewness, too, is characteristic of the nation as a whole.

BRAZIL MEDIUM CITIES

1.02 Urban Poverty. Poverty is prevalent in Brazilian cities. The most comprehensive data currently available are from the 1970 census, according to which the percentage of families in poverty (according to the Bank guidelines 1/) ranged from 55% in southern cities (e.g., Curitiba) to 77% in Recife in the northeast. The same pattern is also discernible outside the large metropolitan regions, with the percentage of families in poverty ranging from 38% in Florianopolis to 70% in Natal. It is clear, therefore, that poverty is common in Brazil, even in the apparently prosperous southern cities. It is more widespread and more intense in the cities of the northeast, and, within that portion of the population that falls below the relative poverty threshold, there are significant numbers in even more severe conditions of poverty. Although the Bank does not estimate an "absolute poverty" (subsistence) income level for Brazil, the degree of deprivation can be seen in the data on families whose available income is so low that it would constitute poverty for an individual. In the north-east, sixteen percent of families in Recife and 30%

1/ For a middle-income country like Brazil, the Bank uses the concept of "relative poverty" to establish a poverty income level, calculated as one-third of national per capita income (adjusted for urban-rural price differences).

in Natal fall into this category (compared with 4% in Curitiba and 5% in Florianopolis in the south). Lack of employment, inadequate urban services, squalid housing, malnutrition, and disease characterize the living conditions of three-quarters of the population in cities like Recife and Natal. It is both the intensity of these problems and their pervasiveness that distinguish the northeastern cities from their southern counterparts.

PHILLIPINES URBAN III

Urban Poverty and Employment

1.03 The urban poverty threshold for the Philippines in 1977 is estimated at ₱1,877 (\$250) per person per year based on a least cost diet. Although available data is not precise, it indicates that 39% of families in urban areas and about 80-90% of families in typical slum areas of major cities have per capita incomes below that level. In Metro Manila, 35% of the population, or about 2.1 million people live below the poverty level. Thus Metro Manila alone accounts for 30% of the urban poor in the Philippines. Recent data show a decline in rates of urban unemployment to about 8% of the workforce in 1976. In addition, high levels of underemployment are indicated by the high proportion of part-time work by heads of households and by low wages of ₱12 per day (\$1.60) for an unskilled urban laborer. Real incomes for this group are estimated to have declined by one-third between 1970-1978 and are likely to decline further if the present high rates of inflation persist. A number of national programs exist to promote industrial and business expansion including small-scale industry. However, the lack of an integrated system for assisting small business, weak coordination and duplication of functions have prevented the programs from becoming fully effective.

BENEFICIARIES

(Excerpt from Central Projects Note 2.09, page 3 of 6)

- iv. Beneficiaries: This section presents statements on the distribution of benefits between different income groups, with emphasis on those with incomes at or below the poverty line. ^{2/} It provides information on such aspects as the extent of additional incomes generated by the project that can be expected to accrue to low-income groups (i.e. those below the poverty line), the share of their benefits as a percentage of total project benefits, the percentage of total beneficiaries with low incomes, and the extent to which the selection of the project and its design have been influenced by considerations related to poverty alleviation. In cases in which the benefits to low-income groups cannot be reasonably quantified, it is customary to explain the difficulties of measurement and to discuss the factors which will influence the distribution of benefits, e.g. potential access of small farmers to project services, competitiveness of the transport industries, etc. All projects within the same country with similar characteristics from this point of view should be treated consistently.

^{1/} See "Foreign Exchange Effects and Project Justification", Central Projects Note 2.05 (to be reissued) and "Treatment of Employment in Project Appraisal Reports", Central Projects Note 2.06 (to be reissued).

^{2/} In current Bank practice, the poverty line, or the "poverty income threshold", is defined as either the absolute poverty or the relative poverty level, whichever is higher. Estimates of the absolute and relative poverty levels used should be obtained from the relevant Programs Department, and should be consistent with the numbers mentioned elsewhere in the appraisal report and in the attachments to the President's Report. The primary purpose of the poverty line, thus defined, is descriptive in nature. For normative purposes, such as the analysis of cost recovery or the computation of the economic rate of return in social prices (the "social" rate of return), the appropriate poverty concept is the "critical consumption level (CCL)". See, for example, the Operational Manual Statement No. 2.21, on "Economic Analysis of Projects".

REPLICABILITYINDONESIA URBAN IIIReplicability

5.15 The approach to kampung improvement being followed by the Government has already demonstrated in Jakarta its ability to sustain the program at a desirable scale of operation. The Jakarta KIP is unique in having been successful in providing basic services to virtually all of the unserved areas in the city in 12 years. Each of the other cities included in the project has developed a 5-year program of kampung improvement. An estimated 35% of the population living in unserved areas in Surabaya (including the 15% served under the second project), 34% in Ujung Pandang, 15% in Semarang and 16% in Surakarta would have been covered at the end of the project period (1981/82). If the pace of the program is maintained in the future, all unserved kampung areas in these cities could be serviced in a period of 10-15 years.

5.16 Based on the unit costs estimated for the proposed project, a national program covering 65% of the country's urban population (assumed to be living in unserved areas) would cost roughly \$550 million, taking into account the investments which have already been made in Jakarta and Surabaya. A 15-year program of kampung improvement would, therefore, require capital investments amounting to about \$35 million per annum in 1978 prices. Assuming growth of 5-7% per year for the slum area population following the present trends, an additional \$20 million would be required each year during this 15-year period to deal with population growth. Thus the total annual outlay required would be roughly \$55 million (December 1978 prices). This level of investment would be about 1.5% of total Central Government development expenditures and less than 0.2% of GDP. This is considered to be well within the level of investments on shelter affordable by countries at Indonesia's stage of development.

PHILLIPINES URBAN IIReplicability of the National SIR Program

6.09 Based on unit costs estimated for the proposed project, a national program covering 25% ^{1/} of the country's urban population would cost roughly US\$440 million, or US\$508 million including community facilities. A 15-year program would, therefore, require capital investments amounting to about US\$34 million a year in 1978 prices.

6.10 Assuming growth in the target population of about 4% annually, additional expenditures amounting to about US\$24 million would need to be included annually to provide for the expected population increase and would result in a total investment program of US\$58 million annually at 1978 prices. This level of investment would represent about 3% of annual investments under the 1978 NEDA infrastructure program, and would directly benefit about 12% of the country's lowest income families. Actual net investment levels, however, would be reduced by about 75% through the sale and lease of developed land. In addition, profits received from industrial/commercial development could reduce net investment requirements by a further 10-20%.

^{1/} Represents the maximum probable target population based on surveys from larger cities.

PHILLIPINES URBAN III

Replicability of ZIP

5.11 Based on unit costs estimated for the proposed project, the overall program covering 30% of the total Metro Manila population would cost approximately \$273 millions 2/ including community facilities. A 15 year program would therefore require capital investments amounting to about \$18 million per year. Assuming a 5% annual increase in the target population, additional expenditures of about \$13 millions would be required to provide for expected growth and would result in total annual investments of about \$31 millions. This represents only 14% of the overall 1979 capital improvement program for Metro Manila. Actual net investment levels, would however, be reduced by as much as 90% through the sale of developed land to the beneficiaries.

1/ Total loan debt outstanding at December 31, 1978 amounted to about ₱87 million (\$11.7 million) leaving a residual borrowing capacity of about ₱4.5 billion (\$610 million).

2/ At 1979 prices.

PHILLIPINES URBAN IIIImpact on the Urban Poor

6.07 An estimated 32% of families living in Metro Manila have incomes below the urban poverty threshold. This group is growing at about 5% per year. The project is designed to initiate metro-wide programs to service the basic needs and increase the incomes of this target group. Improvements provided through ZIP are designed to be affordable to the target group and by 1983, some 160,000 persons will have been upgraded, of which according to current surveys, about 80% would fall within the poverty group. The MMINUTE component would extend access to basic services to a further 300,000 persons of whom some 75% would fall below the poverty threshold. Over 80% of the new sites would be targeted for and affordable to families below the poverty level. Taken together these components would, during the project period provide direct benefits to about 500,000 persons (28% of the projected poverty group). The impact of these programs would have on the slum population is shown on Chart 20842 and Map 14588. About 80% of those who will benefit under the livelihood component are below the urban poverty threshold and their incomes are expected to be augmented primarily through secondary employment. Much of the considerable construction employment created through the project would also benefit the urban poor. The pilot program for solid waste management would concentrate largely on improved collection from low income neighborhoods. Of the total project cost of \$120 million, some 74% (or \$89 million) is directly attributable to the poverty group.

INDONESIA URBAN IIIImpact on the Urban Poor

6.04 The urban kampungs in Indonesia are populated by a relatively wide range of income groups. Any kampung improvement effort, then, inevitably affects both lower and middle-income people. In Jakarta, surveys have demonstrated that 70% of kampung dwellers fall within the Urban Poverty Task Force's defined poverty target group. Thus, it can be expected that roughly 70% of the beneficiaries of the Jakarta KIP effort may be numbered among the urban poor. In the 4 secondary cities, surveys show that 75-80% of each city's overall population falls within the urban poverty target group. Since KIP is either new or in its early stages in these cities, and therefore still focused on the kampungs that exhibit the worst environmental conditions, it is estimated that at least 80% of the beneficiaries of KIP in these cities will be below the poverty level. Overall, then, at least 75% of the proposed KIP's direct beneficiaries (i.e. roughly 1.63 million people) would be from the urban poverty target group. The solid wastes management component, like KIP, would affect a range of income groups. However, it would be initiated in the lower-income kelurahans in Jakarta and Surabaya, and would thus disproportionately benefit the urban poor. Finally, the community health and small-business development programs are both designed to offer services to those whose weak economic position makes it difficult for them to obtain either credit, management training or health care. Kampung selection guidelines and eligibility criteria for these programs will be specially tailored to ensure that the focus is on service to the low-income target group. It is estimated that about \$62 million of the project cost (i.e. 65% of the total) can be attributed as directly benefitting the population from the urban poverty group.

ECUADOR: GUAYAQUILUrban Poverty Impact

7.13 Approximately 37% of the households in Guayaquil have incomes so low (below US\$2,645 per household per year in 1979 prices for an average low-income family of 6.7 members) that they cannot afford calorie adequate diets. The project is targeted to serve primarily this population below the absolute urban poverty threshold.

7.14 About 88% (US\$35.9 million) of the investment for services in low-income areas and housing loans will benefit the poor. All the serviced sites, improvements in existing areas, and housing loans will be affordable to households below the poverty line. The Alegria sites and services area will be affordable to 63% of the poverty group, and the upgrading will be affordable to about 81% (Table VI-4). The project will upgrade only about 8% of the backlog of poorly serviced lots in Guayaquil, and new sites and services (not including subdivision in the upgraded neighborhoods) will meet 16% of the demand for new housing among the lower half of the income distribution during the implementation period. To provide similar sites and services development adequate for all the new growth in the lower half of Guayaquil's income distribution over the next five years (including loans for a variety of low-cost housing standards, community facilities, and all overheads) might require on the order of US\$80 million in additional investment. The cost of upgrading the backlog of inadequately serviced neighborhoods is more difficult to estimate. Nearly all costs from this project will be recovered (para. 6.01), so that the approach would be replicable on the necessary scale as implementation capacity expands.

7.15 In addition, the entire investment in small-scale enterprises (US\$10.8 million) will create jobs at a very low capital cost per job. The capital cost per job will be about US\$1,700, compared to a national average cost per job of about US\$8,700 and an average cost for new jobs created in the early to mid-70's of US\$22,000.

LESOTHOUrban Poverty Impact

7.10 The upgrading and site and services components of the project will benefit about 20,000 people in need of shelter and related services in Maseru. In 1985, approximately 60% of the beneficiaries in the site and services and 63% in the upgrading area would be below the urban poverty threshold. This represents about 28% of Maseru's total urban poor. In addition, the improvement in municipal services would have a broad impact on the urban poor. An estimated 62% of total project costs would directly benefit the urban poverty group. Thus, of the total project cost of US\$7.0 million, US\$4.4 million is attributable to the urban poor. Of the US\$6.0 million Credit amount some US\$3.7 million is urban poverty lending. For details see Annex 3.

LESOTHO

URBAN DEVELOPMENT PROJECT

Table 1: Urban Poverty Impact by Year 1985

Component	Project Cost <u>a/</u> (US\$000)	Percentage Spent on Absolute Poor	Amount Spent on Absolute Poor	Unit Cost <u>b/</u> (US\$1)	Total Number of Beneficiaries	Number of Beneficiaries Below UPP Threshold	Total Number of Urban Poor in Maseru	Urban Poor Not yet Served	Percentage of Urban Poor Not Yet Served
1. Upgrading: Existing plots New Plots	3,230	63	2,035	800/hh	12,860 5,160	8,100 3,250	45,090	32,450	72
2. Site and Services	1,570	60	942	3,068/hh	2,150	1,290			
3. Maintenance	522	62	345						
4. Assistance to Informal Sector	50	62	33	893/job					
5. Institution Building, Technical Assistance	1,694	62	1,118						
Total Project	7,066	62	4,380		20,260	12,640			

aa/ Including Physical and Price Contingencies.

b/ Per urban poor household (on completion of project in October 1985).

c/ Based on Urban Poverty Income (UPI) Threshold for January 1980 of M 90 per household (US\$110).

Source: Project File Working Papers. Tables 1, 2, and 3.

BURUNDI

Distribution of Benefits and Poverty Impacts

6.12 Benefits from the project's upgrading investments, housing improvement loans, and schools to be built and renovated in the upgrading area will accrue to all 118,000 present residents of the six neighborhoods and Ngagara, or about 18,000 households. The street maintenance and garbage collection services will also benefit primarily the upgrading neighborhoods, as will the management of the upgrading civil works and of loans in the upgrading areas by the Project Unit and the Housing Bureau. Since 65% of the 104,500 residents in the six neighborhoods and 10% of the 13,500 in Ngagara have household incomes falling below the poverty threshold (\$174 per household per month in 1979 prices), 69,300 persons or 11,000 households will benefit directly from the project, which is all of the city's poor less those living in Musaga or 92% of the urban poor.

6.13 An additional 4,700 persons will benefit directly from the Kwijabe development and related investments. It is estimated on the basis of planned allocation of plots and housing loans that about 78% of these (3,810 persons or 605 households) will be poor.

6.14 Assuming the incidence of poverty remains the same throughout the project period, about 15,000 of the 16,000 poor households in Bujumbura in 1984 will have received direct benefits from upgrading and sites and services investments. The full city population, estimated at 185,000 by 1984, would benefit from operations of the Technical Services Department and Collection Bureau established by the project. Seventy percent of total project cost will create direct benefits to the urban poverty group.

BRAZIL MEDIUM CITIES

Urban Poverty Impact

6.07 The urban relative income poverty threshold for Brazil is estimated to be US\$465 (1977) per capita per year. This is a national average and does not reflect regional differences in prices and consumption patterns, which can be large in Brazil. Therefore, the poverty income threshold was recalculated on the basis of the official minimum regional wage which is corrected for differences in the cost of living between regions. Assuming an average urban family size of 4.9 persons, the Bank relative income threshold corresponds closely on a national basis to an average family income of three minimum salaries. This latter threshold is used to define the relative urban poverty population in the project cities. An area-based definition was also used to determine target upgrading areas. Poor neighborhoods are defined to be those in which at least 70% of the families earned an income of three minimum salaries or less. Poverty area maps then served as a basis for locating infrastructure projects. Of the total loan amount of US\$70 million, 70% (US\$49 million) is estimated to be urban poverty lending. Table 6.2 summarizes by city and project the percentage of total benefits expected to go directly to the urban poor.

6.08 Because a large proportion of project costs are devoted to income and employment generation projects, additional analysis of poverty impact was devoted to this area. For projects emphasizing the creation of jobs, the capital cost per job was calculated in accordance with Bank guidelines. According to the most recent Bank estimates for Brazil, employment creation is considered to be labor-intensive and, hence, urban poverty-oriented if the capital cost per job is less than US\$12,380. The employment creation components in the three cities appraised by the Bank are expected to create 3,900 new jobs in enterprises receiving assistance under the project at an average cost of US\$1,075 per job—well below the urban poverty threshold.

Table 6.2: Poverty Impact, Percentage of Project Benefits Going to Urban Poor

Code	Category	Florianopolis	Juiz de Fora	Natal
A10	Food Distribution System	85%	85%	85%
A20	Industrial Infrastructure	N.E.	N.E.	-
A30	Technical Assistance to Small Firms	83%	-	100%
A40	Technical Assistance & Equipment for Cooperatives	100%	-	100%
A50	Manpower Training	-	100%	-
B10	Water Supply & Sewerage	72%	90%	100%
B20	Septic Systems	100%	-	-
B30	Drainage	26%	69%	48%
B40	Transport	60%	73%	85%
B50	Trash Collection/Disposal	70%	70%	70%
B60	Sites and Services	100%	100%	100%
B70	Community Facilities	100%	100%	100%
B80	Other	100%	-	100%

Note: N.E. = Not estimated; data insufficient to make meaningful quantitative statements.

6.09 On the other hand, there are a number of components included in this program that are not focused directly on creating jobs. This is particularly the case with the cooperative enterprise components, which attempt to strengthen the managerial, marketing, and raw materials supply procedures in industries employing a large number of poor people. The underlying philosophy is that additional income generation to poor people is as important as creating new jobs. Therefore, for such components, which are expected to have their most important impact by generating additional income for poor people, the additional increase in value-added by the enterprise that is expected to be distributed to poor workers was estimated. For the income generation components included in the three cities appraised by the Bank, approximately 11,000 poor workers are expected to receive increases in income and fringe benefits averaging US\$450 per year. In addition, 7,700 poor part-time workers will receive increases in income and fringe benefits averaging US\$50 per year.

PRESIDENT'S REPORTAffordability, Replicability and Urban Poverty Impact

About % of all households in (city) (OR: about % of all urban households in (country) earn incomes below the urban poverty level of US\$XXX per household per year (US\$XX per household per month in 19XX prices for a family of X, equivalent to the XXth income percentile. (Portion: two-thirds, one-half) of this group lacks adequate shelter. The site and service options in this project would be affordable to % of the urban poverty group, and the upgrading option would be affordable to %.

This project will accommodate % of the growth needs in the market for housing for the urban poor in (city) and % of the backlog in demand. Direct benefits to those below the poverty level are generated by % of total project costs, of which % generates housing benefits and % employment benefits. The unit cost of job creation is about US\$XXX per job, which is below the urban poverty threshold of US\$XXX per job.

The table below demonstrates the affordability of the options offered and the income groups served. About % of the upgrading component (including contingencies) is recovered from beneficiaries through mortgage, loan and utility charges and down payments. These amounts correspond to % of total project cost. The balance of total project cost, which represents (off-site infrastructure, technical assistance, community facilities, whatever), will be charged to municipal (%) and central government (%) budgets. On this basis, which is affordable both to government and the beneficiaries, the project is replicable on a (citywide, nationwide) scale.

Cost to Household and Affordability ^{1/}
(mid-1978 prices)

-----Typical Plot and Loan Options-----

Plot type:	<u>Settlement Plots</u>	<u>Upgrading</u>	<u>Infill Plots in Upgrading</u>	<u>Plots in S&S Areas</u>	<u>Rooms in S&S Areas</u>
Services:	Communal	Communal	Communal	Individual	Shared
Materials loans:	No	No	Yes	Yes	No
1. Cost to purchaser (US\$/hh)/ <u>a</u>	249	1,118	2,024	2,019	NA
2. Total monthly payments (US\$/hh)/ <u>b</u>	5.79	14.64	24.76	22.66	20/room, 5/bed
3. Minimum monthly income required (US\$/hh)	19	49	82	75	65(room), 17(bed)
4. Lowest income percentile reached	6th	15th	26th (5th w/ ren- tal income)	24th (5th w/ ren- tal income)	5th
5. Percent of invest- ment going to poverty group	85	80	80	80	NA
6. Number of house- holds benefitting (Total: 32,000)	2,500	10,000	-----12,000-----		

/a After differential loading of overheads.

/b Including utilities.

1/ It is suggested that this table be included in the appraisal report also.

File for Sivaram

OFFICE MEMORANDUM

DATE: June 18, 1980

*6/20/80**Under Val grants to know what to do.*

TO: Mrs. Helen Hughes, Director, EPD
(through Sang E. Lee, Chief, EPDES)

FROM: Michael Hee, EPDES *me*

SUBJECT: Poverty Estimates Survey: Summary Findings

1. Attached please find (a) tabulations of the recent survey of the poverty estimates prepared by the regional staff (Attachment I), and (b) a set of updated poverty estimates reported by the regional staff (Attachment II).

2. At the outset it must be noted that the questionnaire was designed to obtain as much detailed information as possible in order that an assessment of the quality of the poverty estimates may be attempted. Thus the questionnaire calls for information on the data base used -- income distribution, food and other consumption expenditures, diets, food prices and/or indices, caloric needs, etc. of a prototype "lower income household".

3. It is evident from the responses received that data limitations have resulted in limited and patchy responses to the questions in the survey. They reflect many of the anomalies in the data base which stem not only from the lack of reliable data on consumption expenditures, diets and prices but also from old and unreliable income distribution data which are no longer representative of the countries' current situations. The limited and incomplete responses received make any meaningful analysis difficult. Thus the summary findings set out below are tentative.

4. Findings

(a) Absolute Poverty

(i) A total of 61 countries (or 68% of countries which had previously reported some form of poverty data) responded. The breakdown of respondents by region is set out below:

Region	Number of Responses		Total ^{/1}	% of Responses
	with questionnaire	without questionnaire		
E. Africa	7	4	11 (16)	69
W. Africa	7	7	14 (18)	78
EMENA	8	2	10 (19)	53
S. Asia	5	1	6 (6)	100
E. Asia/Pacific	5	2	7 (7)	100
LAC	<u>10</u>	<u>3</u>	<u>13</u> (24)	<u>54</u>
Total	<u>42</u> ^{/2}	19	61 (90)	68

^{/1} Data in parentheses refer to the number of countries which previously had reported some poverty data.

^{/2} Includes 5 countries which did not return the questionnaires but provided

June 18, 1980

Of these, 42 countries returned the questionnaires. However, the completeness with which the questionnaire was answered was disappointing. None of these questionnaires were answered in full. No questionnaires were returned from 19 responses. These countries only responded in the form of updated poverty estimates. We suspect that their non-response may be attributed to the non-availability of documentation of the estimates or that data problems are so severe that the figures are in the nature of rough guestimates of the poverty situations, so that responding to the questionnaire in a meaningful manner was not possible.]

(ii) Information on income and/or expenditures from household surveys is vital to a good estimate of the absolute poor. The survey indicated that only 25 countries (60%) among the 42 respondents had the benefit of using household survey data (see Attachment I, Question 1). Of these 25 countries, only 9 countries (36%) have utilized recent (1975 and later) survey data, with 8 countries (32%) having early 1970 household survey data with which to estimate the absolute poor. A disquieting note is that another one-third of these countries (8) estimated the poor using household survey data of the 1960s. Such outdated data would hardly capture any changes in consumption and dietary patterns which might have occurred over such an extended period.

(iii) The identification of the "food basket" representative of that consumed by the lower income household has proved elusive to most regional staff. 33 countries (79% of all respondents) were able to identify this food basket --- with 18 coming from household survey data and the remaining 15 estimated from other sources (FAO, government studies, etc.). Once again the information from old household surveys is suspect in depicting the representative diet of the lower income household (see Question 2).

(iv) The responses to Question 3 were too few to allow for any significant comments. However, a high non-response rate indicates the difficulty of estimating separately the food basket of the urban and rural lower income household.

(v) Nearly two-thirds of the respondents indicated the availability of the food basket denominated either in volume or both volume and value terms (see Question 4). The rest indicated the availability of the food basket only in value terms and that retail prices were used to convert this into volume terms. However, responses to Question 5 indicated a predominant use of urban prices for the estimation of the food basket both in urban and rural areas. Our informal discussions with country economists indicated that the lack of detailed commodity and food prices at the retail or farmgate levels has hampered many a country economist in properly costing the food basket.

(vi) Once the food basket of the lower income household has been identified, the determination of its nutrient contents appears within reach. Of the 33 countries that succeeded in determining the nutrient contents or cost of the food baskets, almost 90% of them utilize FAO calorie contents per physical measure of common foods or by adjusting FAO food balance sheet data (see Question 7).

(vii) In general, countries which were able to both identify and cost the food basket had little difficulty in obtaining the minimum nutritional needs of the lower income household using FAO country-specific average calorie requirements, FAO regional average calorie requirements with some adjustments or estimates from national sources. Evidently this part of the estimation process did not appear to pose any serious problems (see Question 8).

(viii) While it may be expedient to assume that the nutrient content of the food basket of the lower income household is the same as the minimum nutritional needs, it is possible that the former may be greater or less than the latter. The responses to Question 9 indicated that 55% of the respondents made adjustments, mostly based on a pro-rata approach, to the data to arrive at the expenditures needed to sustain the minimum nutritional needs of the lower income household.

(ix) Household survey data provided the source for 17 countries in estimating the essential non-food expenditure (clothing, shelter and other required personnel amenities) for the lower income household, with another 14 countries using a certain percentage of food expenditure as a proxy for non-food expenditure. This ranges from a high of 150% (??) in Upper Volta to 20% in the case of Mauritania (see Question 10).

(x) The responses to Question 11 revealed that 62% of the respondents made use of appropriate prices (cost of living and retail price indices) to convert earlier price data used in updating their poverty estimates. On the other hand, it is disappointing to note that two respondents used the GDP deflator and 3 responded vaguely by saying that "appropriate" price indices were used.

(xi) Given that the components of a food basket of the lower income household, minimum nutritional needs, cost of this minimum food basket and essential non-food expenditures are available to arrive at the absolute poverty threshold, the derivation of the size of the population below this threshold hinges on the availability of income distribution data. It is clear that this cornerstone is sadly lacking. Only 27 countries (or 64%) among the respondents had some income distribution data to work with. Even then, only 14 countries have income distribution data pertaining to the latter part of 1970, while nearly one third and one fifth of the countries estimated the target population with income distribution data relating to the early 1970s and 1960s respectively (see Question 12).

(b) Relative Poverty

The responses (see Questions 1 and 3) to the relative poverty part of the questionnaire indicated that country economists in general followed the recommendations set out by CPS. However, the responses also indicated difficulties facing country economists in estimating relative urban poverty level because of a lack of data on urban-rural cost of living adjustments. A high non-response (48%) to this question indicates this problem.

June 18, 1980

(c) Overall Rating of Poverty Estimates^{/1}

Country economists were asked to rate their own estimates of the absolute poverty threshold (\$ per capita) and the percentage of population falling below this threshold. The results are set out below:

<u>Rating</u>	<u>Poverty Threshold</u>		<u>% Pop. Below Threshold</u>	
	<u>Absolute</u>	<u>Relative</u>	<u>Absolute</u>	<u>Relative</u>
Very good	1 (3%)	0(0%)	1(3%)	0(0%)
Good	10(28%)	6(18%)	6(17%)	4(13%)
Satisfactory	13(36%)	15(46%)	12(33%)	11(35%)
Unsatisfactory	<u>12(33%)</u>	<u>12(36%)</u>	<u>17(47%)</u>	<u>16(52%)</u>
Total	36(100%)	33(100%)	36(100%)	31(100%)

The results reveal that a third of the respondents rated their poverty threshold estimates "unsatisfactory" but this "unsatisfactory" rating climbed to about 50% when country economists were asked to rate the estimates of population falling below this absolute poverty threshold. The availability of relatively more current and reliable household income and/or expenditure and nutritional needs gives rise to greater confidence in the poverty threshold estimates, although such confidence is subjective. The absence of recent and/or reliable income distribution data diminishes this confidence when it comes to rating the absolute poverty target population. In general, the rating for the target population is one or two notches below that for the poverty threshold estimates. Illustrative cases are the following: with the 1978 household expenditure survey data and equally recent food balance sheets of the Ministry of Agriculture and FAO, the country economist for Malawi rated his estimate of the poverty threshold "good"; with income distribution data about 10 years' old, his rating of the population below absolute poverty fell to "unsatisfactory"; similarly, even though Algeria's estimate of the poverty threshold was rated "good", the estimated population falling below the absolute poverty line was rated "unsatisfactory" because of paucity of income distribution data.

5. The general difficulties facing the regional staff in their work on absolute poverty can be summarized as:

- (i) the identification of the food basket of the prototype "lower income household",
- (ii) the availability of detailed commodity/food prices at the retail level, and
- (iii) the absence of reliable income distribution data.

^{/1} Because the current estimation and analysis of poverty at the aggregate level stems from work on absolute poverty, our comments are primarily concentrated on the absolute poor. However, these comments apply equally to the rating on the relative poor.

Attachments

cc: Messrs. B. Waide, VPD, van der Tak, CPSVP, Cheetham, EPDDR
Regional Chief Economists

Survey ResultsI. Absolute Poverty

1. How were you able to determine the expenditures of the household?

Source	Period			Total	%
	1975-	1970-74	1960-69		
Household survey	9	8	8	25	60
Estimates	3	5	-	8	19
(Government studies)	(3)	(-)	-	(3)	(7)
(Others)	(-)	(5)	-	(5)	(12)
Non response	-	-	-	9	21
Total	12	13	8	42	100

2. How did you identify the components of the food basket consumed by the lower income group (20th percentile)?

Source	Period			Total	%
	1975-	1970-74	1960-69		
Household survey	6	7	5	18	43
FAO food balance sheets	-	1	-	1	3
USDA	-	-	-	0	0
Estimates	11	3	-	14	33
- (Government studies)	(5)	(1)	(-)	(6)	
- (Other studies)	(1)	(-)	(-)	(1)	
- (consumption patterns)	(5)	(2)	(-)	(7)	
Non response	-	-	-	9	21
Total	17	11	5	42	(100)

3. If national data only, how did you differentiate between urban and rural?

<u>Source</u>	<u>Total</u>	<u>%</u>
Urban-rural COL index	3	7
Census data	3	7
"Heroic" assumptions	3	7
Non response	<u>33</u>	<u>79</u>
Total	<u>42</u>	<u>100</u>

4. Was the food basket of the lower income group denominated in value or volume?

	<u>Total</u>	<u>%</u>
Value	9	21
Volume	10	24
Both	8	19
Non response	<u>15</u>	<u>36</u>
	<u>42</u>	<u>100</u>

5. If the food basket of the lower income group was only in value terms, what price(s) did you use to convert it to volume terms?

<u>Price</u>	<u>Total</u>	<u>%</u>
Wholesale	0	0
Retail	16	38
(national)	(2)	(5)
(urban)	(10)	(24)
(rural)	(4)	(9)
Farm gate	3	7
Non response	<u>23</u>	<u>55</u>
	<u>42</u>	<u>100</u>

6. If the food basket of the lower income group was not available,
how did you obtain it?

Adjusting food basket of all households	
by ratio of expenditures of households	
by income or other groups	0
Estimates	6
- FAO daily calorie requirements	(1)
- Consumption patterns of main food items	(4)
- ad hoc study	(1)

7. How did you obtain the nutrient contents/values of the food
basket of the lower income group?

	<u>Total</u>	<u>%</u>
Estimates from calorie contents per physical measure of common foods	25	60
Adjusting FAO food balance sheet data by expenditure	4	10
Survey data	1	2
Estimates	3	7
Non response	<u>9</u>	<u>21</u>
Total	<u>42</u>	<u>100</u>

8. How did you obtain the minimum nutritional needs of the lower income group?

	<u>Total</u>	<u>%</u>
FAO country specific average calorie requirements	8	19
FAO regional (LAC, Asia, Africa, etc.) average calorie requirements	10	24
USDA	0	0
Country average calorie requirements adjusted by ratio of average food expenditures of lower income household to that of national household	1	2
Regional average calorie requirements adjusted by ratio of food expenditure of lower income household to that of national household	2	5
Estimates	13	31
- ad hoc country studies	(9)	
- others	(4)	
Non response	<u>8</u>	<u>19</u>
Total	<u>42</u>	<u>100</u>

9. If the nutrient value of the food basket of the lower income group was above (below) the minimum calorie requirements, how were adjustments made to obtain the minimum food basket of the lower income household?

	<u>Total</u>	<u>%</u>
Pro-rata basis	16	38
- by total expenditure	(12)	(29)
- by detail commodity expenditure	(4)	(9)
Estimates	7	17
Non-response	<u>19</u>	<u>45</u>
Total	<u>42</u>	<u>100</u>

10. How were you able to estimate the essential non-food expenditures (clothing, shelter and other required personal amenities) for the lower income household?

<u>Source</u>	<u>Total</u>	<u>%</u>
Household survey	17	41
% of food expenditure	14	33
Other estimates	5	12
Non response	<u>6</u>	<u>14</u>
Total	<u>42</u>	<u>100</u>

11. If earlier price data were used to estimate the poverty income level, what appropriate price indices were used to convert the poverty level expenditures to current prices?

	<u>Total</u>	<u>%</u>
Wholesale		
Cost of living	19	45
Retail	7	17
GDP deflator	2	5
Others	3	7
Non response	<u>11</u>	<u>26</u>
Total	<u>42</u>	<u>100</u>

12. How were the estimates of the proportion of population whose income fall below the absolute poverty threshold obtained?

Source	Period			Total	%
	1975	1970-74	1960-69		
Income distribution	14	8	5	27	64
Estimates		4		4	10
Non response				<u>11</u>	<u>26</u>
Total				<u>42</u>	<u>100</u>

13. If the estimates of absolute poverty level were not based on the methodology and/or criteria recommended by CPS, what other methodology were used to derive absolute poverty levels?

Government estimates	1
Others	1

II. Relative Poverty

1. Since the estimates of rural and urban personal income are unlikely to be available, relative poverty level is defined as 1/3 national average personal income. How were estimates of personal income derived?

	<u>Total</u>	<u>%</u>
Household surveys	4	10
National accounts	30	71
Others	1	2
Non response	<u>7</u>	<u>17</u>
Total	<u>42</u>	<u>100</u>

2. If data on income in kind is not available, how did you estimate this component of personal income?

	<u>Total</u>
Adding certain % of cash income	5
From national accounts	5

3. What price adjustments were used to derive estimated urban personal income?

	<u>Total</u>	<u>%</u>
Urban/national cost of living ratio	12	29
Urban/national wholesale price ratio	-	-
Urban/national retail price ratio	-	-
Urban/rural retail price	3	7
No significant difference in urban-rural price levels	3	7
No adjustments were made	4	9
Non-response	<u>20</u>	<u>48</u>
Total	<u>42</u>	<u>100</u>

III. General

Given the nature of sparse data and approximations in calculations, and the purpose for which they were intended, how would you rate (a) the poverty threshold estimates, (b) the population falling below the poverty threshold?

<u>Rating</u>	a) <u>Poverty Threshold</u>		b) % Pop. Below Threshold	
	<u>Absolute</u>	<u>Relative</u>	<u>Absolute</u>	<u>Relative</u>
Very good	1(3%)	0(0%)	1(3%)	0(0%)
Good	10(28%)	6(18%)	6(17%)	4(13%)
Satisfactory	13(36%)	15(46%)	12(33%)	11(35%)
Unsatisfactory	12(33%)	12(36%)	17(47%)	16(52%)
	—	—	—	—
Total	36(100%)	33(100%)	36(100%)	31(100%)

ATTACHMENT II

Country by Regions	Absolute Poverty ^a				Relative Poverty ^b				
	Income Level (\$ per capita)		% Pop. Below Poverty Level		Income Level (\$ per capita)		% Pop. Below Poverty Level		
	Urban	Rural	Urban	Rural	Urban	Rural	Urban	Rural	
East Africa									
1. Angola									
2. Botswana ('78)	258	235	115	190	40	30	55	..	30
3. Burundi	213	136	45	55	85	..	37	..	..
4. Comoros									
5. Ethiopia	115	65	60	65	77	37	25	10	..
6. Kenya ('78)	150	122	35	112	25	10	20	55	..
7. Lesotho ('78)	262	226	58	220	60	50	26	55	..
8. Madagascar ('77)	150	86	50	50	135	86	..	..	..
9. Malawi ('78)	123	81	81	99	25	10	85	..	..
10. Mauritius ('79)	205	205	45	75	45	200	200	..	..
National	190	12	290	33					
11. Mozambique									
12. Rhodesia	148	85	75	30	90	75	..	..	..
13. Rwanda	150	132	101	110	..	40	30	70	..
14. Somalia ('78)	137	80	75	..	85	115	100	25	10
15. Sudan	224	170	45	60	183	193	..	..	..
16. Swaziland ('78)	147	117	39	109	25	10	25	60	..
17. Tanzania ('78)	..	..	..	..	..	87	25	10	..
18. Uganda	..	80	75	..	80	76	43	25	10
19. Zaire	247	223	145	168	25	..	126	154	85
20. Zambia ('78)							..	7	20
West Africa									
21. Benin	238	189	85	105	15	40	..	..	..
22. Cameroon	68	61	50	56	27	30	20	56	..
23. Central African Empire	..	..	..	..	..	..	..	..	..
24. Chad	..	..	..	..	..	..	..	..	..
25. Congo, Peop. Rep.	..	..	..	..	..	..	..	..	..
26. Gabon	..	..	75	95	..	40	185	133	70
27. Gambia	307	265	137	150	..	..	156	152	130
28. Ghana ('78)	..	..	..	..	..	..	70	52	70
29. Guinea	274	227	76	96	..	..	487	387	294
30. Ivory Coast	..	..	..	..	..	..	..	244	25
31. Liberia	..	75	23	27	75	137	125	23	50
32. Mali	98	60	75	110	..	..	61	37	..
33. Mauritania	..	..	..	..	..	..	330	226	70
34. Niger	133	63	75	..	..	..	133	53	35
35. Nigeria ('78)	472	352	156	181	..	..	402	280	95
36. Senegal	..	..	..	..	..	..	194	151	70
37. Sierra Leone	243	201	97	118	25	42	121	200	121
38. Togo	103	33	75	..	..	..	..	37	53
39. Upper Volta ('79)	164	105	..	..	..	..	..	..	..

Country by Regions	Absolute Poverty /a				Relative Poverty /a			
	Income Level		% Pop. Below		Income Level		% Pop. Below	
	(\$ per capita)	Poverty Level	Urban	Rural	(\$ per capita)	Poverty Level	Urban	Rural
<u>Europe, Middle East & North Africa</u>								
40. Afghanistan	86	110	18	36	54	53	..	..
41. Algeria ('77)	475 405	152 180	20	..	227 295	26 90	..	20 15
42. Cyprus	..	343 377	..	..	747 ..	512 513	..	45 15
43. Egypt ('78)	120 116	84 86	21	25	163 153	65 72	22	.. 15
44. Greece	..	435 15	..	..	..	936	..	45 15
45. Iran	..	399 15	..	40 15	898	718	25	60
46. Iraq	..	399 15	..	40 15	..	180 15	..	..
47. Israel	..	..	..	..	..	..	..	..
48. Jordan	230	100 15	18	23	206	135	..	..
49. Kuwait	..	..	..	..	..	..	..	..
50. Lebanon	..	219 15	..	..	..	280 15	..	15 15
51. Libya	..	..	..	..	..	..	..	..
52. Morocco	389 219	167 238	34 28	45	242	157	..	..
53. Oman	..	..	..	..	480	480	..	20 15
54. Portugal	..	..	..	..	..	..	..	..
55. Romania ('78)	..	..	..	..	394 278	278 394	..	15 15
56. Saudi Arabia	..	..	..	..	..	..	..	..
57. Spain	..	..	..	..	..	..	..	..
58. Syrian Arab	..	..	..	40 15	278	278	..	24 15
59. Tunisia (no updates)	204	97	20	15	193	193	..	15
60. Turkey ('78)	342 220	182 270	..	15 15	385 ..	367 220	..	25 15
61. U.A.R.	..	..	..	..	..	..	..	..
62. Yemen Arab	..	100	..	80 15	..	83	15 15	..
63. Yemen Peop. Dem.	..	140 15	..	20 15	90	87	15 15	..
64. Yugoslavia ('77)	..	..	..	..	..	420 15	..	30 15
<u>South Asia</u>								
65. Bangladesh ('77)	139 110	111 86	86	86	..	..	..	..
66. Burma	94	68	33 40	33 40	50	36	..	20
67. India	88 83	73 76	47 41	53 48	..	50 ..	53 15	..
68. Nepal ('79)	95 85	40 45	55	61	..	27 41	53 15	..
69. Pakistan ('79)	176 91	77 122	27 32	43 29	63 88	65 58	48 15	..
70. Sri Lanka ('79)	..	..	..	..	..	..	26 15	..
<u>East Asia</u>								
71. Kampuchea	..	..	..	..	..	..	..	..
72. China, Rep. of	..	..	..	..	..	..	..	..
73. Fiji ('78)	..	250 15	..	30 15	..	407 445	..	..
74. Hong Kong	..	..	..	..	..	..	..	..
75. Indonesia (80)	150 190	117 107	59	63	145 225	88 98	..	..
76. Korea, Rep. of ('78)	320 220	.. 270	2 18	2 15	270 294	227 18	..	11
77. Lao P.D.R.	..	..	..	..	..	..	..	..
78. Malaysia ('78)	279 240	222 252	17 16	41 46	313 263	229 283	..	..
79. Papua New Guinea ('78)	400 229	226 275	10	75	..	..	.. 15	..
80. Philippines (no updates)	250	190	39	44	132	87	26 15	..
81. Singapore	..	..	..	..	..	..	..	..
82. Thailand ('78)	159 125	24 106	15	34	115	108 110	.. 9	43
83. Viet Nam, S. of	..	..	..	..	..	..	..	..
84. Western Samoa	..	..	..	..	..	..	..	..
85. Bhutan	..	..	..	..	..	..	..	..

Country by Regions	Absolute Poverty/ ^a				Relative Poverty/ ^a			
	Income Level		% Pop. Below		Income Level		% Pop. Below	
	(\$ per capita)		Poverty Level		(\$ per capita)		Poverty Level	
	Urban	Rural	Urban	Rural	Urban	Rural	Urban	Rural
<u>Latin America & Caribbean</u>								
86. Argentina	..	..	..	..	653 ^{/b}	577	21 ^{/b}	60 ^{/b}
87. Bahamas	..	..	..	..	..	..	..	45 ^{/b}
88. Barbados	484	484	23	23	518	518	..	..
89. Bolivia	..	134 ^{/b}	..	85 ^{/b}	105 ^{/b}	75	20 ^{/b}	..
90. Brazil	..	150 ^{/b}	..	..	465	332	20	55
91. Chile	270	270	..	..	374	374	19	45
92. Colombia	214 267	197	34	..	267 214	267 222	..	55 ^{..}
93. Costa Rica (77)	300 235	165 189	..	..	825 543	237 471	20 39	7 39
94. Dominican Rep.	451 ..	239 ^{/b} 263 24 45	..	..	268 270	280 286	17 ^{/b} 20	.. 2 3
95. Ecuador (no updates)	269	183	40	65	307	77	..	56
96. El Salvador (78)	317 260	285 203	20	33 32	329 281	220 130	22	.. 13
97. Grenada	..	..	..	..	..	..	..	..
98. Guatemala	230	160	21	25	231	141	21	.. 70 ^{/b}
99. Guyana	..	..	..	..	171	171	21	..
100. Haiti	169	144	53 55	78	82	73	..	..
101. Honduras	255 240	170 180	14 55	10	251 235	75 80	.. 11	.. 10
102. Jamaica	501	439	..	80	585	509	38	80
103. Mexico	270	216	..	40 ^{/b}	332	332	16	..
104. Nicaragua	262 250	275 183	23 21	27 19	319 351	247 111	26 25	.. 13
105. Panama (178)	349 353	170 183	21	30	442 424	424 287	17 2	50 ^{/b}
106. Paraguay (78)	..	..	.. 19	.. 65	260 220	220 260	19	65
107. Peru (no updates)	235	180	49	..	293	200	50	70
108. Suriname	..	..	..	..	..	..	..	..
109. Trinidad & Tobago	468	371	..	39 ..	869	834	55	30
110. Uruguay	..	286 319	..	..	471 425	425 471	30	30
111. Venezuela	..	318	..	..	2,207	940	25 ^{/b}	..

Source: CPS and Regions.

As of April 15, 1980
EPDES^{/a} All data refer to 1977 unless otherwise noted.^{/b} Data refer to 1975.

DRAFT
JKozlowski:bb
6/16/80

*Stopped this
from going out.*

Disagree with

URBAN PROJECTS

(US\$ million)

FY	Number of Projects	Project	L/C	UPP	UPP	Beneficiaries	UPP	%
		Cost	Amount	Amount	%		Beneficiaries	
		US\$ M	US\$ M	US\$ M				
78	13	600.0	281.6	202.6	72	4,246,400	2,153,100	51
79	8	628.6	309.5	211.2	68	8,591,000	4,699,600	55
80	10	723.9	348.8	202.1	58	5,344,900	3,344,700	63
Total	31	1,952.5	939.9	615.9	66	18,182,300	10,197,400	56

Source: Appraisal reports and URBOR estimates based on conversion with project officer. Rounded to nearest 100.

6/16/80

FY78 URBAN PROJECTS

Poverty and Beneficiaries

<u>Loans</u>	<u>Project Cost</u> US\$ M	<u>L/C Amount</u> US\$ M	<u>UPP Amount</u> US\$ M	<u>UPP %</u>	<u>Benefici- aries</u> (rounded to hundreds)	<u>Poverty Benef.</u> to hundreds	<u>% Poverty Benef.</u>
Bolivia Urban Development	22.5	17.0	10.2	60	51,400	30,800	60
Botswana Second Urban Dev.	12.5	8.0	5.8	73	27,300	26,000	95
Morocco - Rabat Urban Dev.	37.6	18.0	13.1	73	15,000	11,000	73
Mexico - zaro Cardenas	37.4	16.5	7.8	47	48,200	48,200	100
Colombia Urban Development	61.9	24.8	21.1	85	430,000	365,500	85
Thailand Bangkok S&S	17.2	8.6	1.0	11	35,000	8,800	25
Brazil Urban Development	248.9	88.0	66.	75	1,500,000	1,177,500	100
Costa Rica San Jose Urban Tr	31.5	16.5	8.6	52	178,500	92,800	52
Kenya Second Urban Dev.	69.4	50.0	40.5	81	150,000	121,500	81
<u>Credits</u>							
Tanzania Urban Develop.	29.3	12.0	10.9	91	160,000	145,600	91
Upper Volta Urban Develop.	10.8	8.2	6.6	81	56,000	45,400	81
Egypt Urban Develop.	21.0	14.0	11.0	76	105,200	80,000	76
TOTAL	600.0	281.6	202.6	72	4,246,400	2,153,100	51

6/16/80

URBOR

FY79 URBAN PROJECTS

Poverty and Beneficiaries

	<u>Project Cost</u> US\$ M	<u>L/C Amount</u> US\$ M	<u>UPP Amount</u> US\$ M	<u>UPP %</u>	<u>Benefici- aries</u> (rounded to hundreds)	<u>Poverty Benef.</u>	<u>% Poverty Benef.</u>
<u>Loans</u>							
Philippines Second Urban	69.9	32.0	23.0	72	328,000	236,200	72
Indonesia Third Urban	96.0	54.0	35.0	65	3,200,000	2,080,000	65
Brazil S&S & Low Cost Hsg	265.7	93.0	76.3	82	400,000	328,000	82
Colombia II Cartagena Urban	35.3	13.5	11.5	85	95,000	95,000	100
Tunisia Second Urban Dev.	45.0	19.0	5.3	28	668,000	233,400	35
Brazil Medium-Sized Cities	67.4	70.0	49.0	70	1,000,000	700,000	70
Thailand Bangkok Trfc Mgmt	34.0	16.0	2.1	13	2,400,000	792,000	33
<u>Credits</u>							
Mali Urban Devel.	15.3	12.0	9.0	75	500,000	235,000	47
TOTAL	628.6	309.5	211.2	68	8,591,000	4,699,600	55

6/16/80

URBOR

FY80 URBAN PROJECTS

Poverty and Beneficiaries

	Project Cost US\$ M	L/C Amount US\$ M	UPP Amount US\$ M	UPP %	Benefici- aries (rounded to hundreds)	Poverty Benef.	% Poverty Benef.
<u>Loans</u>							
Ecuador							
Guayaquil Urban	51.6	31.0	28.2	91	118,600	108,400	91
Korea							
Second Gwangju	154.8	65.0	16.3	25	41,500	35,000	84
Nigeria							
Urban Dev III	36.6	17.8	12.3	69	78,000	53,800	69
Panama							
Colon Urban Dev	133.0	35.0	21.4	61	21,500	21,500	100
Philippines							
Third Urban	120.0	72.0	53.3	74	500,000	400,000	80
Thailand							
National S&S	56.4	29.0	5.2	18	80,000	14,400	18
<u>Credits</u>							
Burundi							
Urban Devel.	16.7	15.0	10.5	57	185,000	73,000	40
Calcutta							
Urban Trans	121.7	56.0	33.6	60	3,900,000	2,346,000	60
Lesotho							
Urban Devel.	7.1	6.0	3.7	62	20,300	12,600	62
Nicaragua							
Urban Reconstr.	26.0	22.0	17.6	80	400,000	280,000	70
TOTAL	723.9	348.8	202.1	58	5,344,900	3,344,700	63

Source: Appraisal Reports and Interim Program Review Data Collection Exercise, Lauren Cooper, December 28, 1978.

6/16/80

URBOR

OFFICE MEMORANDUM

DATE: May 30, 1980

TO: Files *jns*

FROM: Zmarak Shalizi, Acting Chief, URBOR

SUBJECT: Information Provided to Mr. Edelman, PPR, Regarding Trends in Urban Poverty Lending in the Last Few Years

1. In response to Mr. Edelman's request today for data that could be used in the draft of Mr. McNamara's annual speech, I provided the figures underlined in Tables 1 and 2 attached. It was emphasized that these figures are not very satisfactory indicators of actual levels of lending, trends in lending or of changes in the composition of lending. For example, the most significant sector in the FY79 lending of \$755 m was water supply with \$252 m, yet a more thorough study made by URBOR through its operational support to these projects shows that the figures should be about \$157 m.^{1/} Indirect evidence suggests that similar patterns of over-estimation prevail in other sectors as well. Thus, should more realistic estimates be used, the proportion of urban poverty lending would be closer to 60-65% of the percentages indicated in Table 1.

2. Given the various degrees of confidence in past estimates for FY77, FY78 and FY79, it is clear that an error of the magnitude suggested by the figures in water supply make trend line determination problematic unless it is assumed that the degree of over-estimation in each sector and the composition of sectoral lending remained unchanged in the years cited. It was also pointed out that the projected estimates were also very unreliable as evidenced by the peaking of the level of lending in FY80 and of the share in urban related lending in FY81, hence it was suggested that the past and projected estimates be used only with qualifications, if at all.

3. In response to Mr. Edelman's concerns about the continued unreliability of the past as well as projected urban poverty lending data, attention was drawn to the problem of the inadequacy of resources (and staff commitment) to maintain the Urban Information System as a management tool which had been noted in a number of memoranda including "Urban Poverty Program Status Report", E. V. K. Jaycox to McNamara, January 24, 1979 and "Your Draft of March 20 on the Urban Poverty Program", Friedrich Kahnert to Anthony Churchill, March 21, 1980.

4. In response to his query about the possibility of a similar deficiency in the rural poverty data, I noted that this could only be determined if RORSU had undertaken an effort similar to that of URBOR's in water supply. The water supply effort required 10-30 manweeks per project depending on whether it was limited to a desk study or also included field work to map urban poverty areas of a city and participate in the design of project components to specifically help the urban poor. He was concerned by the inadequacies of the data and suggested that there may be a need for follow-up discussions to elaborate on the points made above.

cc: Messrs. Churchill, Strombom, Dunkerley, URBOR Staff (URB);
Mr. Sivaramakrishnan (EDI).

^{1/} Internal draft, Churchill to Stern through Baum "Future Conduct of the Urban Poverty Program (UPP)" dated March 11, 1980.

Table 1: ESTIMATES OF URBAN POVERTY LENDING

FY77-FY82

<u>1977 Estimate</u> ^{1/}	<u>FY77</u>	<u>FY78</u>	<u>FY79</u>	<u>FY80</u>	<u>FY81</u>	<u>FY82</u>
Level (\$m)	318	559	361	746	504	n.a.
% Urban Related Lending	14	23	16	28	26	
% Total Bank Lending	-	-	-	-	-	
<u>1979 Estimate</u> ^{2/}						
Level (\$m)	-	699	852	1032	557	926
% Urban Related Lending	-	25	25	34	32	37
% Total Bank Lending	-	8	7	8	5	7
<u>1980 Estimate</u> ^{3/}						
Level (\$m)	-	-	755	1127	987	959
% Urban Related Lending	-	-	27	30	36	33
% Total Bank Lending	-	-	7.5	8	6	5.7

1/ "Urban Poverty Program Status Report", Edward V.K. Jaycox to Mr. Robert S. McNamara, October 12, 1977.

2/ "Urban Poverty Program Status Report", Edward V.K. Jaycox to Mr. Robert S. McNamara, January 24, 1979.

3/ Urban Information System computer printout of January 23, 1980.

May 30, 1980.

Table 2: URBAN-RELATED^{1/} LENDING SECTORS AND THEIR^{2/}
FY79 LEVELS OF LENDING IN ORDER OF SIGNIFICANCE^{2/}

	\$m ^{3/}
1. Water Supply	252
2. Urban	228
3. IDF	146
4. Education	52
5. Industry	29
6. Transport	22
7. Tourism	8
8. Population	8
9. Power	6.4
10. Non-project	3.8
11. Telecommunications	3.6
12. Energy	-
13. Technical Assistance	-

1/ Excluding Agriculture and Rural Development.

2/ Urban Information System computer printout of January 23, 1980.

3/ Totals of Table 2 slightly larger than FY79 figure of \$755 m in Table 1 due to rounding errors.

May 30, 1980.

Mr. R. Skaff, EAP/WS

April 30, 1980

Zmarak Shalizi, Acting Chief, URBOR

URBOR Support for Poverty Analysis to EAP/WS FY79-80

1. As requested, please find attached a table on URBOR support for poverty analysis in water supply projects in all regions in FY79. Revised figures for URBOR support to EAP/WS for FY79-80 is summarized in the table below.

URBOR Support to EAP/WS - FY79-FY80
(actuals as of April 1980)

	<u>Staff</u>	<u>Consultant</u>	<u>Total</u>
<u>FY79 =</u>			
Sudan - Kostl 2SUDWU01	2.5	37.0	39.5
<u>FY80</u>			
Sudan - El Obeid 2SUDWU01	2.5	55.0	57.5
Zaire - 2ZAIWWUN1	0.5	-	0.5
Mauritius - 2MTSWU01	3.9	-	3.9
			<u>61.9</u>

2. All of URBOR's support to EAP/WS in FY78 (i.e., TORs for engineering feasibility studies in Rwanda, and Zaire, and impact analysis in Madagascar) consisted of desk studies. No mission support was requested and the activities were charged against the P905 budget code rather than the codes of the specific projects. As such it is not possible to isolate that part of P905 activities which were used to support EAP/WS operations specifically (with staff input separated from consultant input).

3. As is evident from the attached table the manpower input for poverty analysis varies substantially by country and project based on the availability of data (versus the need for surveys) and the scale of the targeted poverty component in the project. There is not yet enough experience in East Africa to develop an average per project input requirement for programming purposes, especially if the number of projects to incorporate poverty analysis is to increase. However, the manpower input into preparing as opposed to processing, TORs for poverty analysis to be undertaken through engineering feasibility studies is now negligible as sample TORs are available for this purpose.

cc: Messrs. Cooperstock, Courtney, Kahnert (URB).

ZShalizi:bb

WATER SUPPLY SUPPORT - FY79^{1/}
(Annex 1)

<u>Country and Project</u>	<u>Professional Staff</u>	<u>Consultants</u>	<u>Total</u>
Sudan Water Supply	0.5	7.4	7.9
Cameroon Water Supply	-	0.1	0.1
Nigeria: Kaduna W/S	0.2	-	0.2
Nigeria: Anambra State W/S	-	14.2	14.2
Togo: Lome WS&S	-	5.0	5.0
Morocco WS II	0.5	3.9	4.4
Brazil WS&S - South	3.6	7.6	11.2
Colombia: Medellin Environment Improv.	0.1	1.6	1.7
Colombia: Insfopal III	0.1	-	0.1
Peru WS&Power Engineering	0.4	3.7	4.1
Thailand Water & Drainage I	1.6	3.9	5.5
Pakistan: Karachi WS	<u>0.7</u>	<u>-</u>	<u>0.7</u>
Total Project Support	7.7	47.4	55.1
Water Supply Policy Work	16.9	13.2	30.1
TOTAL Water Supply	24.6	60.6	85.2

^{1/} Total URSOR water supply support time submitted to end of May.

TO : Mr. E. Stern, Senior Vice President
THROUGH: W. Baum, CPS/VP
FROM : Anthony Churchill, Director, URB

SUBJECT: Future Conduct of the Urban Poverty Program (UPP)

1. There are three main reasons why the future conduct of the UPP requires your review and guidance:

- a) the new system of monitoring the employment impact of Bank-financed projects introduced by the OVP meeting of November 7, 1979 has removed employment creation from review under the UPP;
- b) the UPP itself and the urban information system (UIS), on which UPP target-setting and reporting is based, have not been fully accepted by staff.^{1/} As a result, the UIS contains highly unsatisfactory data of deteriorating quality and does not serve its intended purpose as a regional management tool for implementing the UPP;
- c) URBOR's resources for supporting project and program changes outside the Urban Projects Department have been eliminated beginning with FY81.

2. The removal of employment effects from review by the UPP has two major consequences. First, for purely statistical reasons, the size of the direct impact of bank lending on urban poverty as reported by the program will fall by some 25-35%. In FY79, as reported on the old basis, urban poverty lending amounted to between seven and eight percent of all Bank

^{1/} See Urban Poverty Status Report, January 24, 1979, paragraphs 20-24 for a detailed discussion of the problems.

lending. This percentage falls below six percent on the new reporting basis. It will shrink further if program or structural adjustment lending develops, for which direct impact on the poverty target group is difficult or impossible to demonstrate. I believe that these changed priorities and the small size of the program now makes it questionable that the effort needed to make the UIS work is justified.

3. This view is further supported by evidence that the size of the poverty impact now reported is inflated. The bulk of the Bank's urban poverty impact through the supply of goods and services to the target group rests on lending in three sectors, i.e., urban, water supply/sanitation and education. Together, these accounted for about 90% of the urban poverty impact through supply of goods and services in FY79. On the basis of the UIS, as of last October, the share of water supply and sanitation projects in this total was about \$250 million, representing more than 30% of urban-related lending by the sector. A more thorough estimate made by URBOR through its operational support to these projects shows that the figure should be about \$157 million, or less than 20% of urban-related water supply and sanitation lending. This adjustment lowers the UPP to below five percent of Bank lending on the new reporting basis. A similar adjustment would probably be needed for education projects. Poverty impact concepts in education are unclear and in the cases where they are applied, their links to poverty target groups are tenuous and of dubious quality. In absolute figures, UPP in education is, however, much smaller. Urban poverty impact claimed for education projects in FY79 amounted to \$52 million, representing some 17% of urban-related lending in the sector.^{1/}

^{1/} FY79 was an unusual year in that 61% of education lending was urban-related compared to less than 30% planned for FY80. UPP education lending in FY80 is estimated at \$85 million or 43% of urban-related sector lending.

4. The second consequence of removing employment impacts from the UPP is to make the Bank's urban poverty objective unattainable. I recall that the objective is to demonstrate that about one-third of urban-related Bank lending directly benefits the target group. If this were to be achieved through the three major sectors accounting for the bulk of the goods and services impact, their projects would have to have a direct poverty impact of 75-80% on average. This is unrealistic. If a Bank-wide urban poverty objective is to be retained, it will have to be modified.

5. The UIS reflects further problems of the program (paragraph 1.b above). The percentage of Bank lending entered into the system as 'unknown' as to its locational impact (rural, urban or national) is rising rapidly. In the January 1979 Urban Poverty Status Report, 'unknowns' for FY78 stood at one percent. In autumn '79, 'unknowns' for FY79 reached 7.5% of all Bank lending. Three regions accounted for this, i.e., LAC (23% of its lending), East Africa (8.3%) and EMENA (6.3%). This is symptomatic of the widespread practice, confirmed by spot checks, of introducing project information into the UIS at an early stage of the project process and not updating the information as the project matures. With this practice, the percentage of unknowns can be expected to continue rising, even for years that are in the past at reporting time.

6. Only EMENA assembles UPP information periodically. The other regions appear to take the view that management information, program targets of the type on which the UPP (and therefore the UIS) is based, is not essential to promote urban poverty concerns. As a result there is no incentive for project officers to develop even reasonably good estimates. My own view now is that the situation will not change until sector departments and the regions are entirely responsible for promoting, implementing and reporting measures to increase the poverty impact of their urban-related lending. Those responsible

can then assign their priority to this task and develop their own information and reporting system as they feel appropriate. Some more detailed proposals are given in paragraph 8 below.

7. My last major point has to do with the ubiquitous question of resources for the UPP. The elimination of resources for outreach support by URBOR has not been accompanied by granting UPP resources to the regions. Already in the past, insufficiency of resources in the regions for the UPP has been a major reason for the inadequate acceptance of the program. Our extensive experience with support to water supply/sanitation projects suggests that initial urban poverty analysis and targeting requires manpower inputs of approximately six weeks per project plus mission funds. Subsequent projects in the same location, whether in the same sector or not, might require about half that manpower input plus travel costs. I do not believe that these resources can or will be made available from existing budgets without a clear indication by senior management as to the priority attached to the UPP compared to other work areas. Unless this is done, I fully expect a deterioration of urban poverty work in projects as well as elsewhere.

8. I, therefore, have the following proposals:

- a) regions, which were always in charge of the substantive conduct of the program, should be asked to produce an annual report on their UPP efforts, covering not only project but also program work and, in particular, poverty-oriented economic and sector efforts and policy dialogues with client countries.^{1/} These reports should cover the last, the current and the next financial year;

^{1/} DPS might be asked to complement these reports by providing an annual review of research on poverty and related issues.

- b) regions should be encouraged to assign clear responsibility for the conduct and the reporting on their UPP efforts to a lead person or service. The existing poverty coordinators or the urban projects divisions, once regionalized, might be appropriate for this role. In time, this lead person or service might also be charged with an overall coordinating role for all major urban related lending operations in the region;^{1/}
- c) the key CPS sector department, presently URB, TWT and EDC and, for their UPP potential, EGY and PHN should be asked to develop, in agreement with their regional colleagues, an information base for poverty project work in their sectors;
- d) any sectoral information base for poverty work should include poverty impact analysis during and at the end of project execution. Standing instructions for including a poverty impact statement in staff appraisal and President's reports should be reaffirmed, since they are not fully complied with;
- e) the UIS should be abolished unless individual regions decide to adapt the system for their use. If the Bank continues to set UPP targets for its operations, many of the features of the UIS will have to be retained, such as information on the locational impact of Bank lending operations, and some measure of the amount of poverty lending. Work on target group definition and poverty concepts will also remain a key to any reporting system and should, therefore, be pursued with vigor;

f) a forthcoming OVP meeting should review the Bank's UPP objective and adapt it to the new situation. In particular, a realistic objective should be set for supplying goods and services to the poverty group. Consideration should be given to setting regional UPP objectives in recognition of regional differences in the severity of urban poverty problems;

g) the OVP's should also discuss and decide how the resources for reaching UPP objectives are to be made available;

h) The CPS/Urban Department should be instructed to retain the capability of assuring the coherence of the Bank's UPP and the seriousness with which the concepts are being applied. It should also continue to be able to respond to queries on the UPP from senior management and to requests for conceptual assistance from other Bank services.

9. Finally, I take this opportunity to attach some factual information on the UPP during 1979.

THE URBAN POVERTY PROGRAM IN 1979 - FACTS AT A GLANCE

Presidential Work Assignments on Employment Promotion in Bank Activities

1. The remaining reports assigned by the President's Council meeting in May 1978 were issued as follows:

- a) A Progress Report on Research on Urban Poverty, January 16, 1979;
- b) Assistance to Extension Services for Small-Scale Enterprise, February 5, 1979;
- c) Assistance to Small Labor-Intensive Enterprises Through Government Procurement and Encouragement of Subcontracting, February 8, 1979;
- d) Review of Concepts to Monitor Employment Impacts of Bank Lending, June 11, 1979;
- e) Urban Poverty Lending: Interest Rate Problems - A Country Analysis, June 12, 1979;
- f) Employment in Country Economic and Sector Work, October 22, 1979.

2. The suggestions and recommendations made in these reports have led to the following action:

- a) Arising from paper c) above, IDFD has produced a first implementation report on government assistance to small-scale enterprise through procurement and subcontracting (memo from Mr. Tolbert to Mr. Stern of January 11, 1980);
- b) As suggested by paper b) above and in a preceding report on the impact of policy differences between the Bank and other external financing agencies regarding SSE development (issued November 2, 1978), an exchange of experience and views with these foreign assistance agencies was held in late October 1979 in Berlin in cooperation with the German Foundation for Developing Countries. The summary record of the meeting has been distributed and the dialogue with other assistance agencies continues. Some concrete areas of cooperation are developing.

- c) The OVP meeting of November 7, 1979 considered report d) above and decided to change the monitoring of employment impacts of Bank lending from review under the UPP to an annual report to be prepared by IDFD. Instructions to this effect were issued in a memorandum by Messrs. Churchill (URB) and Tolbert (IDFD) on January 17, 1980;
- d) Preparatory discussions were held to define the mandate and composition of a Bank-wide steering group to guide and harmonize research on employment and urban poverty as suggested by papers a) and f) above. Creation of the group has been suspended pending experience with similar steering groups recently created for other research areas;
- e) EDI has been preparing a course on SSE development, partially meeting the recommendations made in paper b) above. The course will take place in April/May 1980.

General Programming, Economic and Sector Work

- 3. General urban (and rural) poverty concerns were introduced in the CPP process by a new OMS 112, issued in November 1979.
- 4. Incorporation of UPP and poverty-oriented employment analysis in country economic and sector work (ESW) has progressed slowly. On the basis of the functional review of the FY80 budget completed in July 1979,^{1/} it was concluded that the traditional functions of ESW, i.e., support to the Bank's lending program and its dialogue with borrowing countries on macro-economic management, would be significantly impaired, if work on social and

^{1/} Memo to Mr. E. Stern, VPO, re: Employment in Country Economic and Sector Work, July 6, 1979.

distributional issues were to be further expanded in an unchanged total of regionally-managed ESW resources. In FY80 it is estimated that only 3-1/2 to 4 manyears of regionally managed ESW resources (including IDF) have been allocated for analysis of employment issues. The most significant employment and poverty-oriented study to be undertaken and completed in FY80 is the Philippines Poverty, Basic Needs and Employment - A Review and Assessment.

5. A review of the FY81 indicative statements of economic and sector work suggests no increase in manpower allocations for this type of activity. The resource constraint is clearly the primary obstacle to expanding the required groundwork on social and distributional issues in general and employment problems in specific. This constraint is more clearly evident now as a result of the shift of regional priorities toward studies dealing with policies and programs for structural change to facilitate balance of payments adjustment.

6. Urban sector work is now being stepped up to about twice its recent level. Urban sector reports or memoranda are under preparation for Mauritius and planned for Senegal, Nigeria (state level studies), Kenya, Egypt, Algeria, Indonesia, Philippines (housing), Korea (urban transport), India (state level studies and urban employment), Chile, Ecuador.

7. Work on city-level public investment programs and strategies which was judged inadequate in the Urban Poverty Program Status Report of January 24, 1979 (see paragraph 4) and recommended for priority attention (paragraph 7 b)) is now rapidly increasing, following a joint initiative by URBOR, the operating divisions of URB and the regions. Work of this type has been completed in the Thailand Secondary Cities study and is underway or will start shortly in Bombay, Calcutta, Lagos, Kano, Florianopolis (Brazil) and Colon (Panama). The objective of this work being to promote employment-led urban growth through a pipeline of mutually supportive projects, cross-sectoral coordination within the Bank is essential. This is being developed and is most advanced for Cairo.

8. Poverty concerns are at the core of the World Development Report 1980. One staff member of URBOR has been co-opted to the core group of WDR III and URBOR has prepared a background note on the URB Project Department's approach to urban poverty.

Sector Issues

9. URBOR support to poverty analysis and targeting in water supply/sanitation projects has developed rapidly and support requests amounted to four manyears for FY80. Poverty concerns have taken hold in most of the regional projects divisions. However, the withdrawal of URBOR support that has started after the mid-term budget review and will be total with the beginning of FY81, is casting doubt on the continuation of this encouraging development. URBOR is preparing to make available the poverty analysis and mapping that was completed for these projects to other interested Bank services.

10. A small group of regional and CPS staff have produced a report on "Measuring and Monitoring Education Poverty Lending", issued on June 28, 1979. The following are the main conclusion and recommendations:

- "(1) There is at present neither adequate country/region specific, income distribution/poverty group data frames

nor sufficient location mapping of poverty groups to afford a worthwhile and meaningful measure of education poverty lending;

(ii) that monitoring and forecasting of future quantitative trends beyond a year or so in education poverty lending becomes even more hazardous;

(iii) that if, in spite of these severe and serious reservations, a quantitative country measure is still required, then the methodology already in use by EMENA and LAC, which requires a minimum of staff time, should be adopted for the sector in the first instance; and finally,

(iv) that while a quantitative measure of education poverty lending would be ideal as a monitoring tool, this is no substitute for sensitizing staff more fully to possibilities in increasing poverty lending, strengthening sector work in this area and monitoring carefully references to future poverty lending in education sector memoranda, project briefs and appraisal reports."

11. This recommendation was discussed with the Regional Education Division Chiefs and Education Department Advisors on September 18, 1979 with the following result: "it was agreed that in view of the general weakness of country specific data and difficulties in project component forecasting (i) a poverty lending measure should be avoided to the extent possible, (ii) should it be necessary to provide a "sector return", the methodology currently used by regions to develop an urban poverty measure should be adapted for sector use, and (iii) such a return should be limited to a "by project analysis" and inter-country aggregation avoided."

12. Work has been initiated on energy problems of the poor. Background work indicated that, in target group budgets, expenses for energy exceed those on water and reach an average 25% of income. Project-related work in Bujumbura showed that expenditure on energy by the poor can be as high as 47% of income. It is expected that Urban Project components will increasingly be formulated to address energy problems. In addition to Bujumbura, work on energy for the target group is underway in the Cameroon, Liberia and Ivory Coast. Cooperation is being established with the Energy and Agriculture Departments.

Target Group Concepts

13. EPD is investigating methods and approaches for poverty target group definition. In cooperation with country economists, this work is expected to refine or modify the methods presently being used and to produce more solid target group estimates. A review of concepts for defining poverty groups has also been prepared as background for WDR III.^{1/}

^{1/} Surjit S. Bhalla: Measurement of Poverty - Issues and Methods, January 29, 1980, preliminary draft.

Statistical Highlights

14) Bank-wide UPP from the UIS - unadjusted

	<u>AS \$ Million</u>			<u>Percentages</u>		
	Actual FY79	FY80	FY81	Actual FY79	FY80	FY81
Total lending	10,006	14,271	16,326	100.0	100.0	100.0
Urban-related lending	2,802	3,718	2,736	28.0	26.1	16.8
(of which UPP)	(755)	(1,127)	(987)	(7.5)	(7.9)	(6.0)
Unknown as to locational input	755	2,543	3,942	7.5	17.8	24.1

15) Regional Urban-related and UUP lending from the UIS - unadjusted

a) US \$ Million

	<u>Urban related</u>			<u>UPP</u>		
	Actual FY79	FY80	FY81	Actual FY79	FY80	FY81
East Africa	72	236	170	38	43	36
West Africa	195	254	274	35	84	53
EMENA	469	806	581	145	285	344
LAC	945	1,364	689	273	392	283
East Asia/Pacific	626	553	559	141	180	168
South Asia	495	504	423	123	144	103
All Bank	2,802	3,717	2,736	755	1,127	987

b) Percentages

Urban-related as %
total regional
lending

UPP lending as % of
Urban-related
regional lending

	<u>FY79</u>	<u>FY80</u>	<u>FY81</u>	<u>FY79</u>	<u>FY80</u>	<u>FY81</u>
East Africa	10	20		53	18	21
West Africa	36	26	18	19	33	19
EMENA	20	27	15	31	35	59
LAC	43	36	20	29	29	41
East Asia/Pacific	29	21	24	23	32	28
South Asia	24	18	12	25	29	24
Bank-wide	28	26	17	27	30	36

16) Sectoral Contribution to UPP - Bank-wide - in FY79

Sector	<u>UIS Unadjusted</u>		<u>Adjusted</u> (1)	
	<u>US \$ Million</u>	<u>% of total UPP</u>	<u>US \$ Million</u>	<u>% of total UPP</u>
IDF	147	19.5	---	---
Industry	26	3.4	---	---
Urban	228	30.2	214	45.1
Water Supply/ Sewage	251	33.2	157	33.1
Education	52	6.9	52	11.0
All Others	51	6.8	51	10.8
Total Bank UPP	755	100.0	474	100.0

(1) Elimination of the national K/L threshold and adjustment of water supply/sanitation data.

Fritz

OFFICE MEMORANDUM

TO: Mr. Anthony Churchill

DATE: March 21, 1980

FROM: Friedrich Kahnert, Chief, URBOR

SUBJECT: Your Draft of March 20 on the Urban Poverty Program

1. On the premise that the memo is intended to promote the continuation of a meaningful Urban Poverty Program, I believe it is indispensable that at least two major points from my draft of March 11 are retained:

- (a) Senior Bank Management must reformulate and reaffirm a concrete UPP objective, preferably on a regional basis; and
- (b) Senior Management must decide on how the resources for reaching these objectives are to be made available.

2. If these issues are not resolved, I firmly believe that the UPP will deteriorate into a meaningless whitewash, creating unnecessary paperwork. I also recall that these two points were strongly supported by the Regional Urban Poverty Coordinators in the preparatory discussions held with them. If we wish to keep them on board - and little will happen if we don't manage that - these points must be made.

3. The two main suggestions in your draft memorandum remain equally essential. The "Background" section of the memo, however, presents a much too rosy picture of the UPP effort and leaves a contradictory flavor.

4. First, I don't believe all Regions have made a serious effort to increase the poverty impact of their urban lending (your para. 2). Certainly, South Asia has not and there are some doubts about other regions as well. More importantly, not all sectors have made a serious effort and favorable regional data essentially reflect the growth in the IDF poverty program, now deleted from the UPP. Urban Projects' poverty impact is shown to peak in FY79 (69.5%) and it is optimistic to call it "stable" for FY80 (55.6%) and beyond (61% to 64%). Raw data for water supply are projected to be fluctuating and refined data would revise this down sharply. No real effort is being made in Education, nor in the potentially important EGY and PHN sectors. X

5. Secondly, I am personally unaware of any "lead" role taken by DPS. What is true is that EPD has very reluctantly started an enquiry into the methods now in use to define the poverty target groups. It did so after at least two attempts to get the information deleted from the social data sheet, where we had managed to introduce it with substantial help from RORSU. I still believe their objective is to scuttle the publication of target group figures, which is why I inserted a suggestion in my draft that this work remains essential and should be pursued vigorously (para. 8c)).

6. While I was not consulted or otherwise involved in the cut-back of URBOR's outreach resources, my reading of what happened is not consistent with your last sentence in para. 2. Together with the rest of para. 2, the phrase is in contradiction with paragraphs 5 and particularly 6. In the latter, it is undoubtedly clear that the UIS overstates the seriousness of the effort, not understates.

Mr. Anthony Churchill

- 2 -

March 21, 1980

7. It is also very questionable whether the new OMS 112 could form the basis of the Regions' reporting system (your para. 7). References to poverty concerns are buried in various parts of the text and no quantitative assessments are explicitly required. Requirements for qualitative assessments are loose and weak.

8. One factual correction is required in para. 6. After review of the data, the removal of employment impacts will reduce the UPP lending to below 6 (not 5) percent of total Bank lending. It falls below 5% if water supply/sanitation is assessed realistically.

9. Finally, I believe that nothing short of a discussion in the President's Council or, at least the OVP's meeting can provide the impetus to get the new system accepted.

cc: Mr. Dunkerley, URBOR Staff.

TO: Mr. Warren C. Baum, CPSVP
FROM: Anthony A. Churchill, URB
SUBJECT: The Urban Poverty Program (UPP)

1. In view of the recent decision to exclude employment components from the monitoring of the UPP and in view of our growing experience with the present monitoring system, I would like to propose a number of changes in the way in which the management of the UPP is handled. Essentially:

- (1) Responsibility for reporting on the UPP should be shifted to the Regions. This Department would be responsible for summarizing, for management review, the reports of the Regions.
- (2) CPS sector departments should undertake to advise and assist the Regions in preparing for their relevant sectors the necessary guidelines for monitoring the poverty efforts in that sector.

Background

60 2. When the urban poverty program was put together in 1975, this Department was given the job of assisting the Regions in developing poverty-oriented projects in urban areas and in monitoring the results. A great deal of progress has been made on the first front - all Regions have made a serious effort to increase the poverty impact of their urban lending; the DPS has taken a lead role in defining and improving targetting information; and a variety of papers has been prepared on different aspects of the UPP. In light of this progress, the decision was made to reduce the promotional efforts taken by this Department.

3. On the second front, that of monitoring this effort, there is still room for improvement. We need to devise a monitoring system that is more sensitive to the needs of Regional management and at the same time one which will provide the Bank as a whole with the necessary information on the implementation of this effort.

4. At present we are monitoring the UPP through the use of the urban information system (UIS). This system requires that each project in the five-year lending program be identified in terms of its location (rural, urban, unknown) and in terms of the percentage of the loan benefitting the target group.

5. We have not been satisfied with the results of this system. It has been used with varying degrees of seriousness by different Regions. It is not always updated at sufficiently frequent intervals to be even reasonably accurate. Spot checks indicate that data are often highly questionable and a growing proportion of the lending program is not being identified as to its location or poverty impact. The information provided on the outer years of the program, given these problems, is of little use even as a statement of intentions.

6. In addition, the quantitative results now reported fail to provide a sufficient amount of information on the quality of the program and undoubtedly ^{over} understate the seriousness of the effort. In FY79 we estimate that 28% of all lending went specifically to urban areas, of which 27% was poverty lending, i.e., between 7% and 8% of total Bank lending was urban poverty oriented. The removal of the employment impacts will reduce this figure to less than 5%. Such a small figure stands the danger of being misinterpreted.

6

Proposed Action

7. The most important step that needs to be taken is to have the Regions clearly made responsible for reporting on the results of their efforts to direct their lending toward the urban poverty groups. We ^{now} have neither the resources nor the knowledge to accurately reflect the efforts made by each Region. The recently issued OMS 112 explicitly introduces urban (and rural) poverty concerns into the CPP process and could form the basis of the Regions' reporting system. *and preliminary and data.* *just was*

8. Concomitant with this devolution of responsibilities to the Regions would have to be the acceptance of a greater variety in reporting styles and formats. I believe the Regions would welcome the opportunity to develop a monitoring system that meets their own management needs. I do not anticipate any undue difficulties in assimilating information generated in this fashion into an overall report to management. *likely*

9. CPS sector departments would have to be prepared, however, to assist the Regions in developing the necessary criteria for each sector. In the past the lack of any generally agreed criteria among the Regions, ourselves, and the sector departments on, for example, what is or what is not included in urban poverty lending, has been a constant source of difficulty. Only for the water supply sector have we managed to make some progress by using our own limited resources.

Timing

10. I suggest we confine our qualitative information-gathering to three years: the past fiscal year, the one in progress, and the coming fiscal year. Trying to extend information beyond the coming fiscal year has proven to be inaccurate enough to be of questionable value. A statement of intentions would be more useful and could reflect the qualitative judgments more accurately.

11. The most convenient and useful timing for such a report would be for the Regions to report by the end of January each year and this Department to summarize the results by the end of February. This would permit the report to contribute to the annual budgetting and programming efforts. In addition, by scheduling it in the middle of the fiscal year, sufficiently accurate information would be available on the past and future fiscal year as well as the one in progress. The first such report could be in January 1981

cc: Messrs. Dunkerley, Kahnert

ROUTING SLIP		DATE: 10/5	
NAME		ROOM NO.	
Mr. Charles L. ... ✓			
Mr. Jacobson			
APPROPRIATE DISPOSITION		NOTE AND RETURN	
APPROVAL		NOTE AND SEND ON	
CLEARANCE		PER OUR CONVERSATION	
COMMENT		PER YOUR REQUEST	
FOR ACTION		PREPARE REPLY	
<input checked="" type="checkbox"/> INFORMATION		RECOMMENDATION	
INITIAL		SIGNATURE	
NOTE AND FILE		URGENT	
REMARKS:			
FROM: V. de la Torre		ROOM NO.:	EXTENSION:

1. ~~Shapiro~~ *Shapiro*
 2. *Kahane*
 3. Version File

OFFICE MEMORANDUM

TO: Distribution Below

DATE: October 2, 1980

FROM: Shahid Javed Burki, Division Chief, Policy Planning

SUBJECT: Country Poverty Estimates

1. As a part of our follow-up work on basic needs, we have engaged Professor Wilfred Beckerman, of Oxford University, to carry out a study that is chiefly concerned with the way in which poverty is estimated in the Bank and the uses to which the estimates are put in our country economic and project work. In the course of his work, he has naturally come across the estimates made by country economists in response to the memorandum, by Helen Hughes and H. van der Tak, of November 16, 1979, to Regional Chief Economists, on the "Bank's Poverty Estimates." Although a common methodology for making these estimates has been specified, it is impossible to apply it in most countries on account of data limitations. Furthermore, as some country economists have explicitly pointed out in their responses to the above memorandum, the resulting estimates of the poverty lines in their countries (and hence, also of the incidence of poverty therein) are very sensitive to some of the assumptions that have had to be made in the course of the calculations.

2. Mr. Beckerman would like to illustrate this point rather more fully, with the aid of the estimates and data used in a group of countries (those for which some of the relevant details of data and methods seem to have been available). However, on account of the annual Bank/Fund meeting this week, country economists have not been able to devote much time, if any, to discussing this matter with Mr. Beckerman, who has to return to Oxford tomorrow (October 3). I would be very grateful if you could spend an hour or two discussing your estimates with Mr. Norman Hicks, who will be contacting you in the course of the next week. Mr. Beckerman will be returning to the Bank for a couple of weeks in December, and will discuss with you the conclusions reached based on his analysis of these estimates, particularly their sensitivity to alternative assumptions. We also plan to hold a Bank-wide seminar at that time to discuss these results.

Cleared with and cc: Mr. Chernick

Distribution

Messrs.	Bergsman	Porter
	Carter, M.	Mrs. Saito
	Meo	Mrs. Tsakok
	Oubouzar	

cc: Mr. Haq
 Mrs. Hughes
 Messrs. van der Tak
 Beckerman
 Hicks

OFFICE MEMORANDUM

TO: Mr. William J. Cosgrove, Division Chief, WAPEW

DATE: February 15, 1980

FROM: Friedrich Kahnert, Chief, URBOR

SUBJECT: Urban Poverty Targetting in Power/Water Sectors -
Operational Support for FY81

1. In reply to your memoranda of January 9 and February 4, I have to advise you that URBOR will no longer be able to supply support for urban poverty analysis and targetting.

2. Senior Management has indicated that, in view of the importance it continues to attach to the urban poverty program (UPP), the required analytical/targetting work should be fully integrated into the regular project work of the departments concerned and that the conduct of the UPP will become the exclusive responsibility of the regions. Starting with FY81, URBOR's involvement will be restricted to regular reporting to management on the UPP. Accordingly, URBOR's resources for operational support outside the Urban Projects Department have been eliminated for FY81.

3. I hope that the very good poverty-orientation of your program can be continued and developed. We will fulfill our commitments to you for FY80 as agreed.

cc: Messrs. Churchill, Strombom, Dunkerley, D. Jones, Cook, Rathnam, Sandstrom, Sud, Madavo, Simmons, Courtney (URB); Scott (LCPUR); Thalwitz, Bouhaouala, Prenoveau, Soumohoro (WAP); Willoughby, Kalbermatten (TWT); Sheehan (EGY).

FKahnert:bb

Mr. John Edelman, PPR

June 20, 1980

John Courtney, URBOR

Urban Poverty Figures

Please find attached a revised set of UPP figures reflecting the latest updated urban poverty lending for the key contributing sectors. Note that IDF and Industry have been deleted as they are no longer monitored as part of the Urban Poverty Program.

Cleared and cc: Mr. Kahnert , Mr. Strombom, URB

JCourtney:bb

MAJOR URBAN-RELATED LENDING SECTORS WITH
FY78-80 LEVELS OF URBAN POVERTY LENDING

	Total Lending in Sector			Urban Poverty Amount			Percentage Urban Poverty of Sector Lending		
	FY78	FY79	FY80	FY78	FY79	FY80	FY78	FY79	FY80
Urban	282	310	349	203	211	202	72	68	58
Water Supply	375	1,018	625	53	161	129	14	16	21
Education	229	496	673	7	52	85	3	10	13

Source: URBOR's estimates based upon Urban Information System and Appraisal Reports.

- N. 1: IDF/Industry are no longer being monitored as part of the Urban Poverty Program.
 2: These are estimates from Appraisal Reports. Figures for Water and Urban follow a reasonably clear concept for measuring urban poverty impacts. Concepts for measuring urban poverty lending in education are less clear.
 3: The drop in poverty percentages in urban project lending is due to random changes in project mix and does not reflect a trend.

URBOR

Revised
6/20/80

File

OFFICE MEMORANDUM

TO: Mr. Friedrich Kahnert, Chief, URBOR

FROM: John M. Courtney, URBOR *JMC*

SUBJECT: COSTA RICA: San Jose Water Supply Project
Urban Poverty Analysis

DATE: June 18, 1980

Please find attached, for your information, a copy of the preliminary draft report prepared by Tony Penfold (Cons) for the above project.

Attachment

cc: Messrs. Zavala, Costa, Roach, MacEwan, Morris, LCP/WS
Scott, LCPUR

JCourtney:dkm

D1- file

OFFICE MEMORANDUM

TO: Assistant Directors, Agriculture & Rural Development DATE: February 13, 1980

FROM: Montague Yudelman, Director, AGR *myd*

SUBJECT: Poverty Impact Analysis in Appraisal Reporting for Agricultural Projects

1. You will recall discussion of draft guidelines for the above late last year. A new draft, Attachment A, is now available for your endorsement/final comments and suggestions. It is addressed primarily to the project economist who would (it is assumed) in most instances, carry out the analysis.
2. The guideline recognizes the practical difficulties in assessing the anticipated (probable) impact of project actions on poverty and, therefore, the need for considerable flexibility/latitude in responding to the reporting objective. It is hoped - with respect to data inadequacy - that some improvement should be feasible in the longer term, with more effort addressed to data collection at the preparation stage (a point made in several of the regional submissions).
3. There is also an Attachment B that reviews and responds to some of the specific questions and points raised in regional comments on the earlier draft.

DTurnham:hrv

Attachments

*Fritz,**I got these guidelines from Ted Davis. They will be officially approved by end of this month**Michael Spivey*

A Guideline for Poverty Impact Analysis in
Appraisal Reporting of Agricultural Projects

Introduction

1. This guideline is focussed on the appraisal reporting of likely or expected project impact with reference to the socio-economic status of the beneficiaries. The wide range of actions and investments subsumed under the general category of agricultural projects, uncertainties inherent in project design, and considerable differences in the quality and availability of data pertinent to the questions at issue argue for a cautious approach. No single standard of analysis or approach is likely to be appropriate or feasible. In practice, the quality of appraisal reporting of these questions will continue to depend heavily on the judgment and initiative of the individual project officers responsible. This said, the guidelines and illustrations attempt to take into account some of the variations, and it is hoped that it will prove useful in most project situations.

Farm Income Analysis

2. Most agricultural projects rely on incremental farm output for their economic and financial justification and the main focus of interest for poverty impact analysis is the expected project impact on farmer (and farm worker) income associated with the output increase. It is usually convenient to measure farm income benefits at full development; i.e. incremental output at farmgate financial prices (net of indirect taxes) less farmer costs incurred for inputs and maintenance, including labor, also measured at market prices.^{1/}

^{1/} The "market price" of an incremental family labor requirement is measured as the opportunity cost i.e. alternative and foregone earnings possibilities (if any) that would have been taken up by family members in the absence of the project.

3. In cases where information on the local farming systems - including holding sizes and cropping patterns - is reasonably complete (typically where surveys are undertaken as part of preparation or are otherwise available) it is often possible to estimate "without project" incomes to an acceptable level of approximation and to determine an acceptably rough breakdown of incremental project income, utilizing the country poverty income threshold (PIT)^{1/} to distinguish low income farmers from other farmers. Analysis along these lines is already undertaken in many cases. A typical appraisal analysis might be along the following lines:

"From surveys undertaken (or information collected) during project preparation, it is estimated that there are some ____ farm holdings, comprising some ____ ha, that might benefit in some measure under the proposed project. Given a considerable diversity of farm size and cropping pattern, plus significant off-farm supplementary earnings in some cases, the range of income among farm households is wide.

Farm budget data indicate that a holding of about ____ ha is usually required to generate incomes approximating to the country poverty income threshold (PIT) of US\$ ____ equivalent, although many smaller holdings under relatively high value crops provide higher incomes and some larger holdings of poorer quality land generate smaller incomes. Based mainly on farm size criteria, it is estimated that low income farmers

(incomes below the PIT) comprise some ____% of the total and command ____% of the farmland. Project actions have been designed with the low income producer in mind, and there is no reason to suppose that small farmers as a group would be less receptive or less able to benefit from the program than larger farmers. Nevertheless, the main factor is likely to be the

^{1/} Calculation and updating of the PIT is a responsibility of the country economist to whom the project analyst should refer for latest data.

availability of land on which to apply improvements so that the incidence of project benefits would tend to follow the pattern of landholding size. It thus anticipated that ____% of the projected farm income benefits would accrue to low income farmers, in line with their aggregate share in farmland."

4. The specifics of the project situation will demand various modifications to this general statement. Among the more common complicating factors are those associated with (a) differences in land capability and use, so that holding size is not a good guide to farm enterprise income (with or without the project); (b) land tenure conditions, and (c) systematic factors affecting access to or resort to off-farm income activities. One example would be resort to casual (seasonal) employment by small farmers to supplement on-farm income.

5. In practice, these questions may not present any great difficulty since such features are often built into project design, via reference to various specific farm development models. In many cases, poverty impact discussion built around these models will be an appropriate approach:^{1/}

"The expected impact of project activities was described (section ____ above) in relation to farm models that reflect the major features of the different types of farm enterprise likely to be most affected. The models show an expected income impact ranging from US\$ ____ in the case of ... , to US\$ ____ in case of The models also illustrate the range in initial conditions with the models for farms showing incomes below the PIT (US\$ ____) while other models, for example for ... , show incomes above this level. Utilizing the

^{1/} This approach can also be used for many agricultural credit projects, where the viability of projected investments (sub-loans) is also often shown in the context of farm development models, and the total loan portfolio can be treated as an aggregate of the various classes of sub-loan.

estimates of expected income increase together with the likely contribution to total output and farm income of the various farm types, indicates an aggregate income share accruing to low income farmers likely to be of the order of _____%."

Yes
It will frequently be possible and useful to supplement the text statement with an illustrative table. Tables drawn from an appraisal of a project in Sri Lanka provide an excellent model (Table A, attached, with appraisal discussion). Note that the "Categories of Beneficiaries" side headings might be farm types (e.g. rainfed, irrigated, upland crops, owner/tenanted farms etc.) rather than farm size ranges.

6. There are many projects - most frequently found in the African context - for which specific and/or representative farm and crop surveys are not readily undertaken during preparation, so that relatively little quantitative data tends to be available for poverty impact discussion. The example (shown below) of a possible approach under these conditions does assume the availability of certain information notably (i) some population data, including the size of the farming population; and (ii) certain generalizations about farming technology, including crop budgets for project crops and total 'with and without project' production of project crops and input costs:

"At full development, farm income from project crops is expected to increase in aggregate from US\$_____ to US\$_____, i.e. by ____%. Such crops are grown (or can be grown) by virtually all of the _____ farm families resident in the designated project area. Only partial and incomplete information is available about cropping patterns, farm size or other factors relating to the range and level of incomes as currently experienced among the farming population. It is known, however, that commercial farming involving extensive use of hired labor is rare and

that the great bulk of farmers rely almost exclusively on family labor (supplemented on an exchange basis during peak periods), coupled in some cases with animal power. The major constraint on farming activity tends, therefore, to be the quantum of able-bodied workers available to the family for farm work. It can be roughly estimated that to earn the equivalent of the country threshold poverty income level (US\$____) would require cultivation of about ____ ha, utilizing a traditional technology, at 'without project' yields and commonly observed crop mixes. Since this in turn would require labor inputs equivalent to a household of ____ persons, and since the median household size is about ____ persons, it can safely be inferred that the (great) majority of farm families currently experience incomes below the PIT. Hence, the majority of beneficiaries (and substantial fraction of project income benefits) would accrue to low income farm families."

7. Finally, there are other cases - relating more to project type than to country conditions - for which quantitative impact analysis is also exceptionally difficult. Such projects typically involve a diffusion of benefits to a potentially very wide range of farmer clients, but with the realization of such benefits depending on locally specific conditions and/or farmer initiative^{1/}. Examples include seeds projects, research projects and to some extent, extension projects and so-called sector lending (time slice financing). Cost saving projects (rural roads, storage projects) often show similarly widely diffused benefits. The poverty impact statement in such cases should serve to indicate (a) why quantification is inappropriate, (b) whether low income farmers would have reasonable access to project benefits (including reference to any specific actions designed to encourage this), and (c) any intention to monitor this aspect of project outcome. For road-user benefits, transportation appraisals

^{1/} The rate of return is often open-ended in such cases, e.g. "if only 50% of farmers respond, the return to the project would be at least 10%".

- 6 -

often distinguish between a short-run impact (benefits largely to transporters) and a long-run impact (benefits more widely distributed, as competition erodes excess transporter margins resulting from cost savings).

Treatment of Hired Labor

8. Many projects generate incremental employment opportunities for farm laborers. Where feasible, it is usually worthwhile to discuss such effects separately since the assumption that all such benefits accrue to low income households is generally a fairly safe one. The income benefits from incremental employment opportunities for hired labor is due to the difference between market wages paid for incremental work and hired labor's opportunity cost (foregone alternative earnings, if any, 'without the project').^{1/} An estimate of the quantum of hired labor required at full development (mandays or manyears - obtained from the farm development models), multiplied by the difference between estimated market and shadow wages, would enable the following statement to be included:

"In addition to farm income benefits, significant employment benefits for hired labor are also anticipated. At full development, incremental income through employment to farm workers, whose incomes are generally below (or well below) the country poverty income threshold (PIT), is estimated at ____% of farm income benefits."

9. It may be possible to supplement this analysis if well defined full-time jobs are created (e.g. in plantation or other commercial agriculture projects), along the following lines:

"At full development, the proposed expansion of activity (farm, plantations, etc.) would require some ____ additional fulltime workers. Most workers would be recruited from markets affording only casual and intermittent employment at earnings typically below those in prospect under the project. Earnings in the relevant markets are estimated at

^{1/} If in the economic analysis, incremental hired labor is charged as a cost at full market wages, no employment or income benefit can be claimed, since such an assumption implies that labor would have been fully employed at equivalent wages in the absence of the project.

about US\$ _____ equivalent, whereas fulltime workers are expected to earn some US\$ _____, an increase of _____ %."

Secondary or Indirect Project Benefits

10. Based on the availability of underemployed labor and sometimes infrastructure used at less than full capacity, there is sometimes a case for supposing that a "multiplier" income impact will be induced by a given project. Elements of such a multiplier may relate to expansion in the supply or service industries depending on farm inputs and outputs (input supplies and marketing), alternatively, the effect may derive simply from the real expenditure increases on the part of project (primary) beneficiaries, as a response to project - induced higher income levels. In practice, this effect is rarely quantified for purposes of economic analysis. Nevertheless, where thought to be important, such an effect is worth describing. Income (and income diversification) benefits would tend to accrue to rural entrepreneurs and to workers through employment.

Social Infrastructure and Services

11. Benefits are not quantified but anticipated coverage is usually well defined. Where such components are significant, inclusion of a statement along the following lines may be appropriate:

"The investments in ... described under section ____ above, will improve and/or extend services to some _____ rural families or family members some of whom also beneficiaries under the production programs. Benefits would flow largely to low income families, in line with the relative importance of low income groups in the communities affected."

Other Considerations

12. In some projects, private benefits to farmers and farm workers account for but a fraction of total benefits. This may be because the Government takes a substantial share through taxes (including implicit taxes on tradeables via

So
i'm
quantifying
these
two.

differences between local market and border prices due to exchange rate policies) or because Government itself takes on a major entrepreneurial role via a parastatal or other agency (e.g. government-owned plantations, storage facilities, processing, etc.). Analysis of budgetary and other public sector project impacts is appropriately dealt with elsewhere than in poverty impact analysis. Nevertheless, where Government is itself a major income beneficiary of the project, it may be worth making the point in the poverty analysis.

Rubber Rehabilitation ProjectIncome Levels of Project Participants (Rs) ^{1/}

Categories of Beneficiaries	Pre-project			Full Project Devt.		
	Household Income	Per Capita Income	% above Poverty Income	Household Income	Per Capita Income	% above Poverty Income
Small (0.4 ha)	2511	474	- 60%	3930	741	- 37%
Medium I (0.8 ha)	4142	781	- 34%	6980	1316	+ 12%
Medium II (2.0 ha)	13010	2455	+108%	20026	3778	+ 221%
Large (12.0 ha)	40239	7592	+544%	74620	14079	+1095%

1/ From Models 1 to 4 in Project File.

Project Impact on Poverty Income Group

Category of Holding (ha)	% Number of Households	% Household in Poverty Income Group	% Household in Poverty Income Group before Project	% Household in Poverty Income Group at Full Development	% Project Benefits Accruing to Each Category	% Project Benefits Accruing to Poverty Income Group
0.4	22	80	17.6	17.6	6	4.8
0.8	42	70	29.4	-	24	16.8
2.6	33	-	-	-	47	-
12.0	3	-	-	-	23	-
	100		47.0	17.6	100	21.6

Project Beneficiaries.

8.03 Some 27,000 smallholders would benefit from the project by replanting. Another 6,000 smallholders would benefit from the processing component of the project. In an effort to determine project impact on the target group (income below US\$76 per capita per year or Rs 1,178), pre-project household income levels of project participants were estimated using results of previous surveys. Data remain uncertain since household incomes were influenced markedly by off-farm earnings for which only average figures were available. Mission estimates of per capita income for the four representative holdings of 0.4, 0.8, 2.6 and 12 ha are shown in Annex 4 Table 19. It shows that prior to the project, household income for the two smaller holdings is below the poverty income level. Given that these figures are averages, one can expect a proportion of these two categories of smallholders to be absentee owners with possibly substantial off-farm earnings. Hence, to be conservative, it has been assumed that only 80% of the 0.4 ha and only 70% of the 0.8 ha project participants would be drawn from the target group. Under these assumptions, 47% of direct project beneficiaries would belong to the target group and would share 22% of total project benefits. ^{1/} At full development, the total income of the first category of smallholders would increase by more than 50% on average but would still be below the poverty income level. The incomes of the next larger smallholders (0.8 ha) would increase 70% which would bring them above the poverty income level. These findings are summarized in Annex 4 Table 19 which indicates that as a result of the project, the proportion of project participants within the poverty income group would decrease from 47% to about 18%.

Regional Comments on the Draft Guidelines

Comments were received from all the Regions on the draft circulated to the Regions on November 30th. Most Assistant Directors chose to comment directly; others passed on the comments of staff members, and some did both. As almost always seem to be the case, the comments span quite a wide range and are not always in the same direction. But here are some common threads:

- (a) A more comprehensive approach would require more manpower and should be introduced flexibly gradually and selectively:

Comment: Some additional data, to be collected during preparation is often helpful; analysis should not be time consuming; actual reporting is a matter of a paragraph or possibly two paragraphs.

- (b) What is the relationship of poverty impact analysis to social cost-benefit analysis? Shouldn't this be clarified?

Comment: See attached memo.

- (c) Country poverty threshold estimates tend to be seriously out of date and no one seems to have a specific responsibility for keeping them up to date.

Comment: Unfortunately true in many instances; these estimates are now part of the standard data package and a new effort is ongoing to upgrade the estimates and provide for their continuing review, re inflation etc.

- (d) Concrete examples of the 'now to do it' kind would be helpful.

Comment: The revised guidelines provide several specific illustrations, including reference to a recent appraisal for and illustrative tabulation of data.

fuzzy as to where responsibility lies.

(e) If we estimate benefits at full development for this analysis, shouldn't we also use an estimate for the country poverty threshold at full development, especially when the gestation period is long and per capita income is growing rapidly?

Comment: It is perfectly valid to bring out the limitations of the analysis in the discussion of particular cases, re the length of time involved before full benefits are achieved and uncertainties relating to possible changes in status among beneficiary groups that might occur within such an interval. However, formal adjustment/projection of the poverty threshold as a practical matter would be very difficult and possibly confusing.

Gre

OFFICE MEMORANDUM

TO: Mr. Friedrich Kahnert, Chief, URBOR

DATE: February 19, 1980

FROM: Jane Kozlowski and Michael Bauer, URBOR

SUBJECT: Results of UPP Monitoring InvestigationIntroductory Remarks

Having reviewed the monitoring system data as available in January 1980, several questions arose in need of further investigation. These are presented here as are major points we feel need to be covered in the UPP Status Report. (Tables refer to draft Bauer 2/5/80)

1. Urban Projects Department contribution to UPP: Table V shows that four of the Regions of urban projects are less than 100% urban-related and two Regions have UPP percentages less than 50%. Telephone calls to project officers revealed that in some projects, i.e. Ghana, Korea, a small percentage is allocated to rural or national. EMENA has only one FY80 urban project - Jordan. The low UPP percentage is because the newest information has not been entered. It is expected to be closer to 70% than 35% as recorded now. The reason given that the three EAP projects have low UPP percentages is that these estimates are appropriate for these countries given their poverty thresholds, and division chief is satisfied with these estimates.

not 2. High percentage of unknowns in the FY79 and FY83 project table: follow-up phone calls indicated that updating of the Information System does not include a re-evaluation of the estimates already entered into the data base or that the officers are asked to again make estimates when they cite unknown the first time.

3. Education phone calls to verify if the 43% in FY80 devoted to UPP was indeed accurate: a look at appraisal reports and working papers showed that poverty income thresholds had not been rigorously applied to get the estimates used for projects. Most reports even had no mention of poverty nor the analysis of it. This occurred although a task force exists in the Region which discusses education and poverty on a theoretical level. (Attached is memo not circulated to URBOR on the subject) In the cases in which estimates are given for poverty these are erroneously categorized as a blend of production/consumption. Conversations with officers revealed this is a loose interpretation of production. That is they expect trained employees may result not necessarily job places.

4. Use of K/L criterion for urban projects assessments: of the seven urban projects of FY79, four are classified as production/consumption, implying that a component of the project generates employment measured by K/L ratio. The Brazil Project does create employment which is below the threshold as does Tunisia II project. Other project officers were not available. However, the major portion of urban projects is housing and services.

Findings

Firstly, the question of the usefulness of a computerized monitoring system arose because of (a) the elimination of K/L ratio, meaning less sectors to UPP; (b) the irregular updating of the system; and (c) the dubious quality of the assessments when the criteria are applied.

If management continues to want to improve the quality and quantity of urban poverty lending and to have a readily available data base, then we suggest the following:

X
a) more thorough supervision of the UPP consumption sectors; namely urban, education; water be undertaken and the computer system continue renewed not to lose the location specific information about projects;

What's new only
b) a new mandate must go out to the project staff and middle management to regularly update and review all project estimates as design is better formulated;

X
c) renewed efforts by URBOR to train Bank staff in interpreting and applying poverty methodology as well. URBOR's increased quality review of every project and occasional sector-wide effort in conjunction with Regions, particularly on sectors like urban and education.

Pole

Measuring and Monitoring Education Poverty Lending

1. On your instructions a small group of regional/CPS staff^{1/} have been meeting to discuss and recommend on the feasibility and a possible methodology on the above.
2. The meetings were begun some 18 months ago by J-P. Jallade and concluded before his departure with a discussion summary (memo of September 1, 1978, Annex 1) which inter alia, identified some of the key difficulties, described "explorative" methodologies as applied to regional lending and articulated from these some critical "lessons" in a normative and open-ended manner.
3. The recent series of three meetings has continued this process by (a) reviewing on-going regional approaches to measurement and monitoring of urban poverty education lending and (b) assessing these in the light of the earlier (Jallade) "lessons" and of additional insights.
4. All regions have at some stage provided poverty lending data to Urban Projects and although^{2/} UP have produced a comprehensive report on urban poverty lending by region and sector (including education) only LAC and EMENA now provide these data on a regular basis (Annex 2 shows the data update form in use) and in addition, provides a comprehensive stock-take on poverty lending as a region.
5. There is now a consensus that this group has gone as far as it can. The following are its main conclusions and recommendations:
 - (i) There is at present neither adequate country/region specific, income distribution/poverty group data frames nor sufficient location mapping of poverty groups to afford a worthwhile and meaningful measure of education poverty lending;
 - (ii) that monitoring and forecasting of future quantitative trends beyond a year or so in education poverty lending becomes even more hazardous;
 - (iii) that if in spite of these severe and serious reservations, a quantitative country measure is still required, then the methodology already in use by EMENA and LAC, which requires a minimum of staff time, should be adopted for the sector in the first instance; and finally,

4

continued

^{1/} These have included variously, Messrs. Lee, Stocker (LAC), Maas (EAP), Farner (Asia), Rees (EMENA), Davies, Verspoor (WAPED), Jallade, Prosser (CPS).

^{2/} This report (Urban Poverty Program Status Report, Jaycox to McNamara, January 24, 1979) also contains an exhaustive account of the limitations and weaknesses of the data, together with reasons for the reluctance and reservations of regional staff to collect and submit data.

(4) (iv) that while a quantitative measure of education poverty lending would be ideal as a monitoring tool, this is no substitute for sensitizing staff more fully to possibilities in increasing poverty lending, strengthening sector work in this area and monitoring carefully references to future poverty lending in education sector memoranda, project briefs, and appraisal reports.

Roy Prosser
Education Department
July 20, 1979

Extract from Minutes of Meeting of Regional Education Division
Chiefs and Education Department Advisers held September 18, 1979

Education Poverty Lending

5 "A previously circulated memo on measuring and monitoring the above was introduced by Messrs. Aklilu and Prosser. After discussion it was agreed that in view of the general weakness of country specific data and difficulties in project component forecasting (i) a poverty lending measure should be avoided to the extent possible, (ii) should it be necessary to provide a "sector return", the methodology currently used by regions to develop an urban poverty measure should be adapted for sector use, and (iii) such a return should be limited to a "by project analysis" and inter-country aggregation avoided."

2p 58A. / UPP general

OFFICE MEMORANDUM

Kahnert

NOV 1 1979

TO: Assistant Directors for Agriculture
and Rural Development
FROM: Montague Yudelman, AGR *mmj.*
SUBJECT: Poverty Impact Analysis

DATE: October 30, 1979

(File)

~~Any comments?~~

Further to my memo of July 19 and our meeting of October 3, when we discussed the above issue, the attached draft is submitted for your comments. Hopefully it may help provide some practical guidance to operational staff on how appraisal reports for agriculture and rural development projects will bring out explicitly the degree to which project benefits would accrue to the country-specific rural poverty target group. I would appreciate your comments by November 13, 1979

Attachment

TJDavis/cc

cc: Messrs. D. Turnham, AGR; G. Donaldson, AGR; E. Schebeck, AGR; B. Thoolen, AGR;
T. Churchill, URB; M. Leiserson, DED

POVERTY IMPACT ANALYSIS

1. The analysis of poverty impact as currently undertaken in the appraisal of agricultural and rural development projects shows considerable variation, depending in part on project type, country circumstances and data availability. One common element relates to the continuing effort to distinguish between "rural development" and other "agricultural" projects. This distinction turns on whether or not the majority of quantified project benefits are expected to accrue directly to families at or below an absolute or relative poverty income threshold, as estimated for the country in question. Project benefits taken into account under this approach are those that accrue as income (in cash or kind) at full development of the project and as a direct consequence of it. Such benefits are typically the incremental earnings of farm operator households (as a return to entrepreneurship and labor) but also include any extra income earned by hired laborers - or at the other extreme - increased land rents as may accrue to landlords under tenancy arrangements. Benefits excluded by this definition can roughly be described as any that are not quantified in the economic analysis of the project (e.g., benefits that cannot be given a monetary equivalent, usually including consumption benefits such as those associated with the provision of social infrastructure and services) and any "temporary" benefits of the type associated with a build-up or construction phase of the project, such as temporary employment.
2. In addition to the above, a more extended poverty analysis is now expected for all agriculture and rural development projects. (Memo to Assistant Directors and Division Chiefs for Agriculture and Rural Development from Mr. Yudelman, July 19, 1979. (Attached) Beyond the issue of whether or not 50% of project benefits are likely to accrue to the poverty target group, appraisal reports should now include the "best estimate" of the percentage share of benefits expected to accrue to the poverty target groups, i.e. even if this is less than 50% of project benefits. It is suggested that the estimate resulting from this analysis be appropriately rounded to, say, the nearest 10 percentage point.
3. It is the level of incomes of project beneficiaries at the time of appraisal which is the basic reference point (i.e. irrespective of whether these beneficiaries remain in or are moved out of the poverty group as a result of the project).

Categorization of benefits

4. The first step towards a more extended poverty analysis is to identify clearly those incremental benefits which are to be the subject of the distributional analysis. It is suggested that the "direct benefits" be distinguished from "other benefits". The basic assumption behind this is that all appraisal analysis should be able to estimate the distribution of "direct benefits" among poverty target group(s) while this is perhaps not always feasible for the category of "other benefits".

"Direct benefits" include the increases in net incomes (in cash and kind) which accrue as a direct result of some part of the project to: (a) farm operator families (including single persons); and (b) those who receive significant permanent on or off-farm employment. To avoid double counting, do not include employment-income benefits that farm family members derive on their own farms.

"Other benefits" include income from employment indirectly resulting from project investment, but exclude income from temporary employment during the construction phase of the project. Additional other benefits may also derive from: national or regional storage, marketing or road investment (which have not been attributed to increases in personal income); significant consumption benefits (e.g., improved water supply, health facilities and education); and, improved nutrition to non-farm families (e.g., from increased supplies of milk or significant other nutritious foods).

"Temporary employment during construction" and income therefrom should be analyzed and estimated separately.

Estimation of Distribution of Incremental Benefits to Poverty Group

5. Estimation of farmer operator benefits in agricultural projects have generally been derived from farm models which result in estimates of incremental income from the project. Estimates of direct benefits from additional employment are usually the incremental incomes derived by identifying the various jobs expected to be generated by the project and applying the prevailing wage rates to them. If projects staff feel that the "other benefits" are significant and can be quantified in monetary terms they may also wish to estimate distribution of these "other" benefits separately; otherwise these should be analyzed qualitatively. Having identified and categorized these "direct" and "other benefits", the next step is to estimate the proportion of direct benefits (to the nearest 10% point) expected to accrue to the poverty target group.

6. The income levels for the poverty target group are estimated by the country economists and now appear in the Social Indicators Data Sheet. Two estimates are made: absolute poverty and relative poverty. The operative income level is the higher of the two estimates, but the analysis should always specify which estimate is being used. A table showing the most recent estimates is attached as Annex II. The country-specific poverty estimates are periodically updated; therefore, country economists should be consulted concerning the most current figures.

7. Estimates of poverty income levels are given in US dollars equivalents per capita. Usually project analysis is done in terms of family incomes. Therefore the per capita poverty level is multiplied by the average family size in rural areas for a particular country. Country economists have, in the past, collected data on family size and should be consulted. Thus a poverty level income for India is estimated at US\$73 per capita would be \$401 or RS2449 for a family of 5.5. In the absence of any country specific estimates, the family size can be assumed to be six for purposes of analysis. While these figures for India appear to be highly precise, one should remember that the poverty level estimates are often derived from imprecise data and methodologies. In some cases, countries have set forth their own poverty benchmarks (India at US\$75 equivalent per capita) and in such cases the government's estimates may be adopted if the same orders of magnitude are maintained.

8. The analysis may be done either in local currency or in US dollars converted at the exchange rate used for the other comparisons in the staff appraisal reports. A suggested table for presentation appears as Annex III.

Comparison with the National Distribution of Income

9. In addition to the above, a more illuminating analysis is encouraged on a broader discussion of distribution of project benefits, particularly with reference to estimate for national distribution of income. Where country level analyses of poverty and income distribution are available, the impact of the project can be matched against a national background, thus providing an additional and more comprehensive perspective. Country economists should be consulted on the availability of such national distribution of income estimates. Annex IV suggests a format which may be useful in this comparison. For further clarification on this matter, please contact Jim Goering (Ext. 73495).

Attachments

OFFICE MEMORANDUM

ANNEX I

TO: Assistant Directors and Division Chiefs,
Agri. Division

FROM: Montague Yudelman

SUBJECT: Poverty Analysis in Project Appraisal Reports

July 19, 1979

In response to the suggestion made by Mr. Stern at the OVP meeting of June 6, 1979 (para 7 of minutes from OVP meeting of June 14, 1979), it would be appreciated if you could ask your staff to treat more explicitly the distribution of project benefits in staff appraisal reports. This should be done for both agricultural and rural development projects. Specifically, it is suggested that the appraisal report indicate, perhaps in tabular form, how project benefits at full development are likely to be distributed across income classes. Also, such a discussion should be related to the upper income levels for rural poverty included in the Social Indicator Data Sheet and to the national distribution of income.

cc: Messrs. Baum
Stern's Office (Ms. Duersten)
van der Tak
Pickering
Turnham
Donaldson
T. Davis
CPS Directors

Country by Regions	Absolute Poverty/ ^a				Relative Poverty/ ^a			
	Income Level		% Pop. Below		Income Level		% Pop. Below	
	(\$ per capita)	Poverty Level	Urban	Rural	(\$ per capita)	Poverty Level	Urban	Rural
<u>East Africa</u>								
1. Angola	..	..	..	..	..	..	..	..
2. Botswana	235	113	40	30	..	179	..	30
3. Burundi	213	136	45	85	..	37	..	..
4. Comoros	..	..	..	..	..	..	..	..
5. Ethiopia	115	65	60	65/b	77	37	25/b	..
6. Kenya	122	93	25	80	125	71	25	..
7. Lesotho	226	58	60	26	78	49	..	..
8. Madagascar	150	86	50	50	135	86	..	..
9. Malawi	81	81	25/b	85	50	50	..	..
10. Mauritius	205	205	45/b	45	200	200	..	43/b
11. Mozambique	..	..	..	..	..	..	..	..
12. Rhodesia	..	..	..	..	..	..	..	..
13. Rwanda	148	85/b	30	90/b	..	43	..	..
14. Somalia	132	101/b	..	30/b	40	40	25/b	..
15. Sudan	137	80/b	..	85/b	115	100	25/b	..
16. Swaziland	..	..	..	..	..	193	..	..
17. Tanzania	117	89	25	85	97	61	..	..
18. Uganda	..	..	..	..	..	87	..	..
19. Zaire	..	80/b	..	80/b	76/b	43	25/b	..
20. Zambia	213	145	25	..	..	154	..	50
<u>West Africa</u>								
21. Benin	..	65/b	..	50/b	..	67	..	..
22. Cameroon	189	88/b	15	40	..	..	..	..
23. Central African Empire	..	45/b	..	..	..	83	..	30/b
24. Chad	61/b	50/b	27/b	50/b	..	43	..	..
25. Congo, Peop. Rep.	..	..	..	..	..	167	..	30/b
26. Gabon	..	..	..	..	..	..	..	..
27. Gambia	..	75/b	..	40	133/b	67	25/b	..
28. Ghana	265	137	..	..	152/b	127	16/b	25/b
29. Guinea	..	..	..	..	52/b	..	33/b	..
30. Ivory Coast	217	76	..	..	387	194	25	30/b
31. Liberia	..	75/b	23/b	..	137/b	125	23/b	50/b
32. Mali	98	60/b	27/b	48/b	61	37	..	..
33. Mauritania	..	85/b	..	45/b	216/b	90	50/b	..
34. Niger	133	63/b	..	35/b	133/b	53	35/b	..
35. Nigeria	352	156	..	27/b	286/b	95	33/b	..
36. Senegal	..	72/b	..	..	151/b	..	23/b	30/b
37. Sierra Leone	..	54/b	..	35/b	78/b	67	25/b	..
38. Togo	201	97/b	35/b	..	100	100	..	40
39. Upper Volta	108/b	53/b	35/b	39/b	..	37	..	..

Country by Regions	Absolute Poverty /a				Relative Poverty /b			
	Income Level (\$ per capita)		% Pop. Below Poverty Level		Income Level (\$ per capita)		% Pop. Below Poverty Level	
	Urban	Rural	Urban	Rural	Urban	Rural	Urban	Rural
<u>Europe, Middle East & North Africa</u>								
40. Afghanistan	86	84	18	36	..	53	..	..
41. Algeria	406	152	20	..	195	76	..	20/b
42. Cyprus	..	348/b	..	..	..	512	..	45/b
43. Egypt	116	84/b	21	25	153	65	22	..
44. Greece	..	435	..	..	..	936	..	45/b
45. Iran	..	..	..	..	898	718	25	60
46. Iraq	..	399/b	..	40/b	..	180/b	..	..
47. Israel	..	..	..	..	..	..	..	..
48. Jordan	230	100/b	18	23	206	135	..	..
49. Kuwait	..	..	..	..	..	..	..	..
50. Lebanon	..	219/b	..	..	..	280/b	..	15/b
51. Libya	..	..	..	..	..	..	..	..
52. Morocco	319	167	34	45	242	157	..	..
53. Oman	..	..	..	..	..	..	..	..
54. Portugal	..	..	..	..	480	480	..	20/b
55. Romania	..	..	..	..	378	378	..	15/b
56. Saudi Arabia	..	..	..	..	..	..	..	..
57. Spain	..	..	..	..	..	..	..	..
58. Syrian Arab	..	..	..	40/b	278	278	..	24/b
59. Tunisia	204	97	20	15	193	193	..	15
60. Turkey	320	162	..	18/b	385	367	..	25/b
61. U.A.E.	..	..	..	..	..	..	..	..
62. Yemen Arab	..	..	..	80/b	..	83	15/b	..
63. Yemen Peop. Dem.	..	140/b	..	20/b	90	87	15/b	..
64. Yugoslavia	..	..	..	..	..	420/b	..	30/b
<u>South Asia</u>								
65. Bangladesh	110	91	55	74	..	..	..	..
66. Burma	94	68	35	35	50	36	..	20
67. India	83	73	47	52	..	50	53/b	..
68. Nepal	85	40	55	61	..	37	55/b	..
69. Pakistan	91	77	27	48	63	65	48/b	..
70. Sri Lanka	..	..	..	..	..	..	26/b	..
<u>East Asia</u>								
71. Kampuchea	..	..	..	..	..	..	..	..
72. China, Rep. of	..	..	..	..	..	..	..	..
73. Fiji	..	250/b	..	30/b	..	407	..	..
74. Hong Kong	..	..	..	..	..	..	..	..
75. Indonesia	190	117	59	65	125	88	..	..
76. Korea, Rep. of	220	..	9	14/b	194	..	..	..
77. Lao P.D.R.	..	..	..	..	..	..	..	..
78. Malaysia	246	222	17	44	265	239	..	..
79. Papua New Guinea	329	226	10	75	..	..	..	..
80. Philippines	250	190	39	44	132	87	26/b	..
81. Singapore	..	..	..	..	..	..	..	..
82. Thailand	126	94	15	34	115	108	..	43
83. Viet Nam, S.R. of	..	..	..	..	..	..	..	..
84. Western Samoa	..	..	..	..	..	..	..	..
85. Bhutan	..	..	..	..	..	..	..	..

Country by Regions	Absolute Poverty/ ^a				Relative Poverty/ ^a			
	Income Level		% Pop. Below		Income Level		% Pop. Below	
	(\$ per capita)		Poverty Level		(\$ per capita)		Poverty Level	
	Urban	Rural	Urban	Rural	Urban	Rural	Urban	Rural
<u>Latin America & Caribbean</u>								
86. Argentina	..	..	..	..	653/ ^b	577	21/ ^b	60/ ^b
87. Bahamas	..	..	..	..	518	518	..	45/ ^b
88. Barbados	484	484	23	23	105/ ^b	75	20/ ^b	..
89. Bolivia	..	134/ ^b	..	85/ ^b	465	332	20	55
90. Brazil	..	150/ ^b	..	..	..	..	..	..
91. Chile	270	270	..	..	374	374	19	45
92. Colombia	267	197	34	..	214	267	..	53
93. Costa Rica	235	165	..	..	543	237	20	7
94. Dominican Rep.	..	239/ ^b	24	..	270	280	17/ ^b	..
95. Ecuador	269	183	40	65	307	77	..	56
96. El Salvador	260	185	20	33	281	110	22	..
97. Grenada	..	..	..	..	..	..	..	..
98. Guatemala	230	160	21	25	231	141	21	../ ^b
99. Guyana	..	..	..	..	171	171	21	70/ ^b
100. Haiti	169	144	53	78	62	73	..	..
101. Honduras	240	170	14	10	235	75	..	..
102. Jamaica	501	439	..	80	585	509	38	80
103. Mexico	270	216	..	40/ ^b	332	332	16	..
104. Nicaragua	250	175	19	27	351	147	26	../ ^b
105. Panama	335	170	21	30	424	424	17/ ^b	50/ ^b
106. Paraguay	..	..	..	..	230	230	19	65
107. Peru	235	180	49	..	293	200	50	70
108. Suriname	..	..	..	..	..	..	..	..
109. Trinidad & Tobago	468	371	..	39	869	834	55	30
110. Uruguay	..	288	..	..	425	425	30	30
111. Venezuela	..	318	..	..	2,207	940	25/ ^b	..

Source: CPS and Regions.

Sept. 1979
EPDES^a All data refer to 1977 unless otherwise noted.^b Data refer to 1975.

Estimated Distribution of Project Benefits
at Full Development With the Poverty Target Group

<u>Poverty and Income Distribution Benchmarks</u>			<u>Project Specific Data</u>		
<u>Income Class</u>	<u>Poverty Income Level per Capita</u>	<u>Percent of Rural Pop. below</u>	<u>Distribution of Direct Proj. Benefits %</u>	<u>Without Proj. (# families)</u>	<u>With Proj. at Full Dev. (# families)</u>
Absolute Poverty Level <u>1/</u>	US\$ _____	_____ %	_____	_____	_____
Relative <u>1/</u> Poverty Level (1/3 of per capita)	US\$ _____	_____ %	_____	_____	_____

1/ These poverty levels appear in the Social Indicators Data Sheets. Country economists who are responsible for them should be consulted concerning latest estimates.

Estimate of Distribution of Project Benefits
by Income Classes

Per Capita Income Class	Distribution of National Population by Income Class in Project Base Year (Year _____)	Distribution of Direct Incremental Project Benefits by Income Class at Full Development (Year _____)
Below 1/4 of National per Capita Income	_____ %	_____ %
1/4 to 1/2	_____ %	_____ %
1/2 to 3/4	_____ %	_____ %
Above 3/4	100 %	100 %

Mr. Ernest Stern, VPO
THROUGH: Mr. Warren C. Baum, CPSVP

September 14, 1979

Anthony Churchill, Urban Operations Adviser, URB

State of the Urban Poverty Program - Briefing Note

1. In response to your request, this note briefly highlights the changes that have occurred since the submission of the last Urban Poverty Program Status Report submitted to Mr. McNamara last January 24 (copy attached). Overall, the conclusions and recommendations of that report remain valid. Its statistical content is being updated but the revised data expected to become available in mid-October is not likely to be markedly different.
2. Progress can be reported on some of the issues raised in the status report. Work on city-level public investment programs and strategies, which was judged inadequate in the report (para. 4) and recommended for priority attention (para 7(b)) is now rapidly increasing, following a joint initiative by URBOR, the operating divisions of the Urban Projects Department and the regions. Work of this type is underway or will start shortly in Cairo, Bombay, Colon (Panama), Port Louis (Mauritius), and Florianopolis (Brazil); it is being planned in a number of other cities. The objective being to promote employment-led urban growth through a pipeline of mutually supportive projects, cross-sectoral coordination is essential. This is being developed and is most advanced for Cairo.
3. In parallel, urban sector work is being stepped up to at least twice its recent level. Urban sector work on some ten countries and one state in India will be carried out in FY80. The poverty and employment aspect of economic and sector work (ESW) in general will also increase following the additional resources approved for ESW in 1980. However, there is widespread agreement among the staff of the regions, DPS and CPS that the level of ESW resources devoted to social and distributional issues will still fall short of what is required if significant shifts are to occur in the impact on poverty alleviation of the lending program and other Bank activities. I concur with this view.
4. All the work assigned by the President's Council meeting in May 1978 concerning various aspects of employment promotion in Bank activities has been finished. Of the eight substantive assignments other than the status report, seven have been transmitted to the President or yourself, and one, a review of employment in country economic and sector work, is awaiting clearance by Warren Baum's office. I recall the subjects investigated and discussed in these papers:

- (a) The Impact of Policy Differences Between the Bank and Other External Financing Agencies Regarding SSE Development, November 2, 1979;

- (b) Role of Bank-Financed Credit Institutions in the Development of SSEs and Labor-Intensive Activities, December 21, 1978;
- (c) A Progress Report on Research on Urban Poverty, January 16, 1979;
- (d) Assistance to Extension Services for Small-Scale Enterprise, February 5, 1979;
- (e) Assistance to Small Labor-Intensive Enterprises Through Government Procurement and Encouragement of Subcontracting, February 8, 1979;
- (f) Review of Concepts to Monitor Employment Impacts of Bank Lending, June 11, 1979;
- (g) Urban Poverty Lending: Interest Rate Problems - A Country Analysis, June 12, 1979;
- (h) Employment in Country Economic and Sector Work, awaiting clearance.

5. Some follow-up action is taking place on three of the many suggestions and recommendations contained in these reports. An exchange of experience and views among the major foreign assistance agencies ^{1/} active in SSE support activities will take place during the week beginning October 23 in Berlin, sponsored by IDFD in cooperation with the German Foundation for Developing Countries. Such an exchange of views was suggested by papers (a) and (d) above.

6. The mandate and the suggested composition for the Bank-wide steering group to guide and harmonize research on employment and urban poverty issues, which was proposed by paper (c) above and endorsed by paper (h) are also under preparation. They will be finalized when Management's views are made known on the options developed in the Review of Concepts to Monitor Employment Impacts of Bank Lending (paper (f)).

7. Thirdly, EDI is well advanced in planning a seminar on SSEs in the latter part of this financial year, which will partially meet the recommendations made in paper (d) on assistance to SSE extension services.

8. Finally, I should mention two areas in which the urban poverty program is becoming active since the status report was prepared. The first is concerned with the energy problems of the poverty group. A first overall review of the subject confirmed its seriousness in many LDCs and we are following this up with specific country diagnoses that may lead to support components in a number of forthcoming urban projects. Work has started in Burundi and will start soon in Liberia, Mali, and Indonesia. Problems for which solutions can be identified range from inefficiencies

^{1/} Some recipient countries will also be present.

Mr. Ernest Stern

- 3 -

September 14, 1979

In fuel use or fuel production (e.g., charcoal) to general supply constraints requiring linkages to reforestation or switching to other fuels (e.g., peat, biogas) and needed reorganization of distribution systems. Cooperation is being sought with Agriculture and Energy Departments.

9. The other area concerns building and construction, where previous technological and building materials research is being followed up in cooperation with PAS. Initially, the work will focus on possible Bank action to promote fuller use of local manpower and other local resources and on the apparent inconsistencies in standards for housing and community facilities in Bank-funded projects.

Attachment

cc: Messrs. Jaycox, Dunkerley, Mould, Walters, Singh, Cook (URB);
UPP Coordinators, URBOR Staff.

FKahnert:jm/bb

World Bank

News Service of the Department of Information and Public Affairs

This news item appeared on page 97 of the 7 May 1979 issue of:

- | | | |
|--|--|--|
| <input checked="" type="checkbox"/> THE NEW YORK TIMES | <input type="checkbox"/> THE WALL STREET JOURNAL | <input type="checkbox"/> THE CHRISTIAN SCIENCE MONITOR |
| <input type="checkbox"/> THE WASHINGTON POST | <input type="checkbox"/> THE JOURNAL OF COMMERCE | <input type="checkbox"/> |

SRI LANKA PLANNING 25,000 NEW VILLAGES

Rural Developments Will Replace Slum Settlements and Bring Hope to Country's Poor

By ROBERT TRUMBULL
Special to The New York Times

UDARAGAMA, Sri Lanka — Life for the rice-growing Podihamy family has just undergone a metamorphosis that promises new hope for the poor in the mean villages of the lush interior.

Like countless other families in comparable circumstances in this tropical island nation, the Podihamys always led a grim existence in surroundings of incongruous natural beauty. Their home, a dark and airless hut of mud and wattle, was one of a cluster in Kivula, which is set in a palm grove framed by green hills about 60 miles inland from Colombo, the capital.

The Podihamys and 40 other families recently moved from the hovels of Kivula to neatly constructed houses of brick and cement in the new village of Udaragama, just half a mile away in a breezy defile on the jungled heights.

Udaragama is part of the new look planned for rural Sri Lanka, formerly Ceylon, by Prime Minister Ranasinghe Premadasa, who is also Minister of Local Government and of Housing and Construction in the 21-month-old Government of President J. R. Jayewardene. Mr. Premadasa has planned 25,000 such model villages, each replacing a counterpart of the slumlike settlement at Kivula.

Different World in Half a Mile

"Only half a mile, but it's a different world," Mrs. Podihamy, the mother of three, said to a visitor in Sinhalese through an interpreter. She gazed proudly around the family's quarter-acre plot. Tapioca, a local staple, tomatoes and chilies sprouted in a garden bordered by young banana and mango trees, in addition to the ubiquitous coconut palm.

At the foot of the new village, which spills down a chain of terraces to give each house a soothing view of the green valley, an aged potter was happily turning out graceful clay vessels, a traditional art of Kivula, on a wheel spun by his wife. "Two things make life a lot better here than in the old place," he said. "There's more space to work in and store the pots, and I can sell them right here to the village co-op instead of having to walk miles to market." The saving in time has enabled him to increase his earnings.

Under Mr. Premadasa's direction, the Government is moving with remarkable speed to upgrade a side of life that has changed little over centuries during which powerful kingdoms rose and fell, leaving behind the ruins of great cities like Anuradhapura, which flourished 2,000 years ago.

To short-circuit the delays inherent in a traditionally slow-moving bureaucracy, the Prime Minister put the administration of the village projects under "district ministers" elected by the Members of Parliament of each area from their own number. The vote-getting potential in a post of such visibility is part of the motivation to do a good job.

Mobilizing the Community

The district minister responsible for Udaragama, G. M. Premachandra, mobilized every organization in the area — schools, religious groups, youth and civic bodies, even the police — to work on the project with the people of Kivula. Together they made Udaragama viable in six weeks, building houses at the rate of one a day, and installing a school, the cooperative and other facilities, including a Buddhist shrine at the entrance to the village, where prayers are offered on entering or leaving.

"The tenants pay 15 rupees a month rent for the house and lot, which cost 12,000 rupees," Mr. Premachandra explained. Fifteen rupees is about \$1. "In 20 years they own it, having paid 3,600 rupees. The Government pays the difference."

The accent on speed is the hallmark of the Jayewardene Government, which inherited an economy that was in tatters after seven years under the administration of Prime Minister Sirimavo Bandaranaike. Both foreign and domestic investors backed away in that period, private business stagnated, nationalized enterprises suffered from bad management and the unemployment rate rose to more than 20 percent of the labor force.

Need for Proper Management

"We call ourselves a socialist country, but socialism cannot succeed if you do not have proper management," the 72-year-old President said in an interview in his colonial-style family home in Colombo, which he prefers to the stiffer surroundings of Government House, the official residence.

He established a free-trade zone outside the capital, with tax concessions to foreign investors who set up manufacturing enterprises. The first exports from the zone, a shipment of shirts to the United States from a Hong Kong-based concern, went out March 14. The \$1 billion Mahaweli River irrigation and hydroelectric power project, originally planned for completion in 30 years, has been rescheduled to be finished in six years.

According to Mr. Premadasa, to whom Mr. Jayewardene gives the credit for "inventing" the village program, acceleration of development plans is essential to keep down costs, which rise with inflation, and to provide motivation to the present generation. In a 30-year-program, he said in an interview in his office, "people think, 'Oh, this is not for us,' but when the program is for five or six years, immediately they get the idea, 'This is for us.'"

World Bank
News Service of the Department of Information and Public Affairs

This news item appeared on page **3** of the **7 MAY 1979** issue of:

- | | | |
|--|--|---|
| <input type="checkbox"/> THE NEW YORK TIMES | <input type="checkbox"/> THE WALL STREET JOURNAL | <input checked="" type="checkbox"/> THE CHRISTIAN SCIENCE MONITOR |
| <input type="checkbox"/> THE WASHINGTON POST | <input type="checkbox"/> THE JOURNAL OF COMMERCE | <input type="checkbox"/> |

Competition, pressure in Mideast

Cairo cuts US phone deal

By John K. Cooley

Staff correspondent of The Christian Science Monitor

Washington

The growing difficulties of major American firms operating in the Mideast against European and Japanese competition, and Egypt's growing isolation since it signed the US-sponsored peace treaty with Israel, are highlighted in Egypt's crisis over its antiquated telecommunications system.

President Sadat's government has notified the Carter administration that it is no longer interested in buying integrated new US-supplied telephone and telex systems, but plans instead to allow individual world firms to bid competitively to supply bits and pieces of the system. This entails loss of contracts to US firms which might have been initially worth \$2.2 billion, and much more later on.

The Egyptian decision, given by Prime Minister Mustafa Khalil to US Ambassador in Cairo Hermann Eilts, followed only a few days after the Arab League's communications satellite organization (Arabsat) dropped Egypt from its plans for an integrated world communications net.

The expulsion from Arabsat is a punitive political move, part of the boycott measures decided against Egypt by the Baghdad conference of Arab governments to punish President Sadat's government for its March 26 signing of the US-sponsored Egypt-Israel peace treaty.

Along with rapidly growing disillusionment among Egyptians over the meager fruits of peace for an economy severely clogged by its bad communications, there is also growing apprehension there, according to travelers returning from Cairo, that Egypt may become the pariah of the Arabs, as Israel has been up to now.

Government and business sources here say that disintegration of the integrated telecommunications package offered by the US consortium could perhaps still be avoided, despite keen competition from overseas firms offering Egypt various pieces of telephone and telex systems which do not match together well.

The US firms — General Telephone and Electronics (GTE), Western Electric (an affiliate of American Tele-

phone and Telegraph), and Continental Telephone Corporation — have not received the sort of US Government support they sought, nor has the Egyptian Government been communicative about its needs and wishes.

Spurred by President Sadat's desire to attract foreign business and investment, the US Agency for International Development (USAID) mission in Cairo in 1976 asked Continental Telephone to prepare an exhaustive study of how to repair and eventually modernize Egypt's communications. The study cost \$5 million. It concluded that upgrading present systems could be done for around \$2 billion over five years.

Western Electric, GTE and Continental formed a consortium to offer a five-year, \$2 billion package to Egypt. One of their competitors is International Telephone and Telegraph of the US. Like European and Japanese companies already selling to Egypt, it is offering parts and components valued at less than \$500 million, without the systems approach.

The former Egyptian telecommunications minister agreed to study the consortium proposals and discussed them in Washington. However, the Cairo USAID mission, while calling the plan an admirable one, could only contribute \$45 million — later raised to \$75 million — for the year 1979.

Saudi Arabian financier Adnan Kashoggi, acting as an agent for the consortium, agreed to try to raise another \$700 million to \$900 million in Saudi Arabia. But Saudi Arabia now is cutting off nearly all funds to Egypt under the boycott measures. The consortium has dropped Mr. Kashoggi as agent and he now is working for some of its competitors.

Following an Egyptian Cabinet change late last year, the new Egyptian telecommunications minister, a railroad specialist, has shown far less interest than his predecessor in rapid upgrading of telecommunications.

Meanwhile, three years have elapsed since the original USAID study found that less than half the phone calls dialed in Egypt are ever completed, and the strained, now increasingly isolated Egyptian network, is coming under ever-growing stress.

Uppgial 5

World Bank

News Service of the Department of Information and Public Affairs

This news item appeared on page **5** of the **7 MAY 1979** issue of:

- | | | |
|--|--|--|
| <input checked="" type="checkbox"/> THE NEW YORK TIMES | <input type="checkbox"/> THE WALL STREET JOURNAL | <input type="checkbox"/> THE CHRISTIAN SCIENCE MONITOR |
| <input type="checkbox"/> THE WASHINGTON POST | <input type="checkbox"/> THE JOURNAL OF COMMERCE | <input type="checkbox"/> |

POOR NATIONS PRESS RICH TO CLOSE GAP

Representatives of 159 Countries
Will Open a U.N. Conference
on Trade in Manila Today

By JAMES P. STERBA
Special to The New York Times

MANILA, May 6 — Delegates from 159 nations open a three-week conference here tomorrow to measure the chasm between rich and poor countries and debate ways of bridging it.

It is the fifth regular session of the United Nations Conference on Trade and Development, or UNCTAD. The conference is the world's largest regular meeting on wealth and poverty and the major forum for poor countries in telling rich countries how to help them more.

Like lesser-numbered UNCTAD's — the conferences have been held at four-year intervals since 1964 — UNCTAD V is expected by the developed nations in attendance to produce more speeches than substance. But unlike the previous conferences, this one is expected to be relatively free of acrimony, confrontation, and speeches condemning rich nations for their colonial exploitation of poor lands in the past and neo-colonial exploitation in the present.

A Sense of Obligation

In a background paper for the Manila conference, Garret FitzGerald, a former Foreign Minister of Ireland, said that developed countries already knew of their moral obligation and economic self-interest in helping poor nations develop. Previous conferences have helped make that point, he says, adding:

"In recent decades there has emerged for the first time in world history a sense of the obligations in justice that rich peoples owe poor peoples."

But, he asserts, measures now being debated will not do much to bridge the gap between rich and poor. "What is, perhaps, most striking about all the proposals currently under discussion or proposed with this end in view," he writes, "is how puny they appear by comparison with the problem they are intended to alleviate."

In pursuit of their main objective of establishing a "new international economic order," or redistribution of the world's wealth and economic power, the poor nations have focused their attention for the Manila conference on relatively specific issues of trade and aid.

What the Poor Demand

Their demands include less of the protectionism by which rich nations block them from selling their relatively cheap manufactured goods; an international "common fund" for commodities to protect the prices of their raw materials from erratic fluctuations; more financial assistance for their development and fewer obligations in paying it back; easier access to the technology of rich countries; constraints on the "brain drain" of needed professionals from poor to rich nations; and a bigger share of the shipping business involved in carrying raw materials from poor to rich countries.

In 1964, the world's developing nations formed a body called the Group of 77. It now has 119 members, and it has expressed "deep disappointment" about the slow progress in achieving a new economic order since the last UNCTAD conference in Nairobi in 1976.

In general, the developing countries feel left out of the trade discussions conducted by the industrialized nations. For example, last month 20 of the world's advanced nations concluded the so-called Tokyo round of negotiations and initialed a new world trade agreement in Geneva. It is called the Tokyo round because it began in Tokyo in 1973.

The UNCTAD secretariat, speaking for its majority of poor countries, said subsequently that the rich nations largely ignored the poor majority and reached an agreement among themselves that hurts more than it helps the poor.

Protectionism Is Sensitive Issue

The poor countries are expected to make their opposition to the Tokyo round a major topic at the Manila conference. Rich nations, like the United States, insist that they did what they could for poor countries and will not reopen the negotiations on their behalf.

An agreement to establish a common fund for commodity price protection was agreed on in principle in March at meetings leading up to the Manila conference. Here, poor countries hope to obtain pledges of financial backing from rich countries to make the fund operational. The money would be used to allow poor nations to stockpile their raw materials, such as sugar, rubber and tin, when world prices fall.

Perhaps the most volatile subject for discussion here is trade protectionism. Poor countries assert that rich countries have constantly urged them to industrialize. But as soon as they do, and begin to make shirts or pocket calculators, rich countries pass rules prohibiting the importation of their new products.

Rich countries generally assert that they are protecting the jobs of their own workers by limiting these imports. They also assert that poor countries are generally much more protectionist themselves.

World Bank

News Service of the Department of Information and Public Affairs

This news item appeared on page D3 of the 7 MAY 1979 issue of:

- | | | |
|--|--|--|
| <input checked="" type="checkbox"/> THE NEW YORK TIMES | <input type="checkbox"/> THE WALL STREET JOURNAL | <input type="checkbox"/> THE CHRISTIAN SCIENCE MONITOR |
| <input type="checkbox"/> THE WASHINGTON POST | <input type="checkbox"/> THE JOURNAL OF COMMERCE | <input type="checkbox"/> |

New U.S. Agency for Foreign-Aid Loans Is Urged

By ANN CRITTENDEN

Primary responsibility for the position of the United States on individual loans made by the multilateral development banks, which currently disperse the largest single part of American foreign aid, should be taken from the Treasury Department and given to a new agency, according to a Senate staff study.

The report, made available to The New York Times, supports the Administration's proposal for creation of a new International Development Cooperation Agency that would combine the administration of the bilateral American aid program, the Overseas Private Investment Corporation and American participation in the United Nations development agencies into a single independent agency. The agency, which would replace the Agency for International Development, was proposed last month as part of the plan for reorganization of the executive branch.

The reorganization would leave the Treasury Department with primary responsibility for the American role in the development banks, including approval of bank requests to raise money in the American capital markets, and for establishing United States positions on overall policy questions, including the size of the banks and the financial soundness of their lending policies.

The development banks involved include the World Bank, the Inter-American Development Bank and the Asian and African development banks.

An amendment to the Administration reorganization plan, proposed by the Senate Committee on Government Af-

fairs, would give the administrator of the new agency the principal authority to evaluate whether the banks' loans meet this country's development objectives.

The Treasury Department "does not have the perspective, the experience with developmental issues, or the staff best suited to direct U.S. participation in the development activities of the banks," the report says.

It says that a staff of 15 in the department bears most of the responsibility for American participation in the banks, compared with 5,000 employees in the A.I.D., which administers the smaller bilateral assistance program.

According to a Treasury official, the Administration's reorganization plan calls for the administrator of the new agency to advise, rather than instruct, the American executive directors of the banks on individual loans. "We don't think it would be good administration to change that and have instructions coming from two different sources," he added.

The controversy over the role of the United States in the policies of the development banks has been increasing as the proportion of American aid funneled through those institutions has grown. During the 1960's, the report says, only 2 percent of official United States assistance went to subscription payments to the banks. In the early 1970's, however, Congress and the Administration agreed that more assistance should be given on a multilateral basis.

As a result, United States subscription payments increased from about \$404 million in 1968 to \$1.6 billion in the 1979 fiscal year.

This news item appeared on page 23 of the 1 May 1979 issue of:

- ☐ THE NEW YORK TIMES ☐ THE WALL STREET JOURNAL ☐ THE CHRISTIAN SCIENCE MONITOR
☐ THE WASHINGTON POST ☐ THE JOURNAL OF COMMERCE ☒ *The Guardian*

Iain Guest sets the scene for UNCTAD 5
which begins in Manila next week

A time to listen to the hungry Third World chorus

THE FIFTH UN Conference on Trade and Development (UNCTAD) begins next week in Manila against a rising chorus of alarm within the UN system that cannot simply be dismissed as paranoia on the part of committed international civil servants.

While the West has grappled with recession since 1974, the Third World has sunk deeper into poverty that some officials think may well be irreversible. According to World Bank statistics, more than 500 million people—in over 40 countries—earned less than £80 sterling a year in 1975, the latest available figure. UNCTAD itself indicates that between 1970 and 1977 the growth rate of "hard core" Less Developed Countries was 0.7 per cent a year—roughly a fifth of that needed to pull them round.

UN officials in Geneva talk seriously of this poverty as "a time bomb" that could erupt at any time, ripping away carefully laid Western plans more brutally than the revolution in Iran. They point out that the world's population is certain to double by the end of the century, and talk of "bush wars" over raw materials, uncontrollable pressure on cities, which are already encrusted with shanty towns, another recurrence of the 1974 food crisis—the more dramatic in that we have been lulled by good harvests, natural disasters that could catch millions vulnerable and unprotected.

What is clear—more than ever now—is that the world's economic system, fashioned by the West at Bretton Woods after the Second World War, has failed to serve the world's poorest.

Add to this more deliberate omissions—the failure to alleviate the Third World's debts, to offer aid, and to control Western multinationals which still dominate the extraction, transport and processing of raw materials.

As one official in the UN said recently, "it isn't simply the restrictive practices of the multinationals and their abuse of patents that jars, it isn't even the dubious ethics of unloading baby foods and pharmaceuticals in countries where most people can't even read."

"It is," he said, "the sheer lack of balance, of give and take." Thus, in Switzerland, a proposal to lend—not grant £60.6 millions to the World Bank was turned down two years ago. The previous year, 1975, three Swiss drug companies—Hoffman La Roche, Ciba Geigy, and Sandoz—sold \$520 millions of drugs in developing countries.

In the early Seventies, the Third World — negotiating as the "Group of 77" — invaded the UN with the demand for what they termed "a new international economic order."

Three years ago, at UNCTAD 4 in Nairobi, the demand took on a practical shape — a package approach to problems that seemed closely intertwined and common to all developing countries: alleviation of debts, transfer of technology, increase in aid, relief from the dependency on single raw materials, increased manufacturing capacity, and stable commodity earnings.

This package was successfully picked apart by Western ministers, lead by Henry Kissinger. Indeed, three years on the sole survivor has been the proposal for a "common fund" to link a series of commodity agreements. The agreement on a fund reached recently may be sufficient to rescue UNCTAD 5 from recriminations, but all the evidence is that in Geneva only a meagre handful of agreements could take advantage of its finance.

The need for new answers, as UNCTAD 5 begins, is greater than ever. Third World debts have ballooned — on some estimates to \$300 billions. Western aid has sunk to a miserly 0.31 per cent of GNP — the lowest since aid statistics were introduced in the 1950s. The developing countries as a whole depend on 85 per cent of their export earnings upon raw materials.

To this must be added a new and ominous factor — protectionism in the West against the more efficient competitive exporters of the Third World. Between 1973 and 1977 Western countries imposed restrictions on between \$35 and \$50 billions worth of imports.

This trend emerged clearly at the recent Tokyo round of GATT talks, which finished in Geneva before Easter. Western delegations were euphoric and relieved, but Third World delegates were calling a different tune. "From Asia, we see this as the beginning of a possible trade war," said one delegate.

At issue was the determination of Western countries to apply selective safeguards (import controls)

on goods which pose a threat to domestic industries. Talks on this are due to resume after Manila. But either way, the controls will be applied, much as Britain clamped down on TV sets from South Korea two years ago.

Developing countries maintain this is discrimination that strikes at the heart of GATT itself. Bit Western participants in the GATT talks appeared convinced they were championing ailing Western industries — shipping, leather, steel, and above all textiles. It would, said Sir Roy Denman from the EEC Commission, be suicide to flood these industries with cheaper competition, "when one or two countries can produce goods in such quantity they can increase production 1,000-fold in a matter of weeks."

Last year, a delegation of British trade unionists offered much the same argument at the ILO. In a variation of the "sweatshop" theme, they advised the Asian producers—India, South Korea, Taiwan, and Hong Kong—to improve working conditions and make life easier for trade unions instead of pressing for access to western markets. The effect of this, of course, would be to raise production costs and so lessen the threat.

Others have brought up the poor human rights record of many of the producers, and the lack of any evidence that benefits from increased trade would reach their poor.

Anyone who has visited a British textile town would be hard put not to sympathise, but this argument is still seriously flawed. ILO studies have found that a maximum

Continued

of 1.5 per cent of all manufacturing jobs would be lost in the West over a period of between 5 and 10 years if all barriers came down on imports from the Third World—compared with the current loss of between 3 per cent and 4 per cent each year from technological change.

There is also no doubting the importance of expanding trade in certain products to the world's poorest. The most relevant example is textiles. The Multifibre Arrangement, recently extended until 1981, pegs imports of cotton yarn into the EEC at 0.3 per cent a year, which means practically no growth at all. Yet textiles is one of the products whose expansion would galvanise growth in the Third World's villages whose families depend less on textiles.

No fewer than 22 countries have sizeable textile export industries. They share, with all developing countries, one daunting problem—the need to create 1 billion jobs by the end of the century. UN officials are agreed that textiles, furniture, processed food and leather are probably more likely to boost Third World employment than expanding commodity trade.

The GATT talks have revealed the belief that only economic growth in the West will pull the rest of the world round. This can no longer be accepted. UN studies have shown that "North-South" patterns of trade keep poor countries locked into a dismally unproductive cycle—and produce such anomalies as central American countries producing nothing but bananas.

This stultifies the kind of regional development that has been an article of faith in Western Europe.

Yet economic expansion in the Third World would create huge opportunities for Western exporters: already, developing countries bought 23 per cent of all Western manufactures in 1977. Increasing the standard of living in the Third World by a notch would have a dramatic effect on Western Industries. The reaction to China's open door policy shows this has been at least partially appreciated.

It is perhaps asking a lot from the forthcoming UNCTAD conference to address these issues seriously, even though they could set the tone for North-South relations, and deeply influence the third UN development decade of the 1980s. UNCTAD 4 at Nairobi turned into nightmare of corridor intrigues for well-intentioned British ministers like Frank Judd—reinforcing the impression that the "new international economic order" (like the North-South dialogue itself) only comes alive in rarefied UN conferences and bears no relation to economic and political realities.

Western governments, confident that the "North-South dialogue" has lost its sting can be expected to try to shift the emphasis from the international sphere to domestic reforms in the Third World—in land, education, and health.

The Group of 77 will resist this, arguing that UNCTAD's mandate is international. Its spokesmen will be galvanised by what they see as betrayal at the GATT talks. Britain, like her industrialised partners, had best be prepared. Given that this will be the first major conference after the election, it might be a good opportunity for the new British Government

This is the complete version of the item which appeared in a previous issue of the *Journal of Development Studies*.

OFFICE MEMORANDUM

TO: See Below

DATE: May 9, 1979

FROM: Alastair J. Stone, Chief, URBOR

SUBJECT: Measurement of Relative Poverty Levels

On May 21, at 2 p.m. in Room D556, Messrs. Hauver and Goodman (from TARP - Technical Assistance Research Projects Institute) will present their methodology for measurement of poverty levels in the United States. TARP is under contract with OMB to develop alternative measures of poverty for use in administering various Federal welfare programs. Their work is based on the standard class approach to expenditure patterns and is being tested empirically. Some of their preliminary results will be presented at the seminar, an outline of which is attached. They have promised to provide an executive summary about the project for circulation before the seminar and I will let you have this as soon as it is available.

You, and anyone you may nominate, are welcome to come.

Distribution: Chief Economists

Messrs. Duloy, Ahluwalia (DRC);

Stoutjesdijk (DED);

Ms. Hughes (EPD);

Messrs. Burki, Isenman, Streeten, G. Brown, Hicks (PPR);

T. Davis (AGR);

Keare, Mohan, Linn, Renaud (DED);

Jaycox, Dunkerley, Churchill, Walters, Mould,

Cook, Singh, Strombom, Sandstrom, McCulloch,

Madavo, Cohen, Beckmann, URBOR Staff.

NALethbridge:bb

SEMINAR OUTLINE

- 5 min. Origin and development of the Market Basket Study
- 5 min. Historical background of levels of living research in the United States
- 15 min. An analytical framework: Concepts and measures of poverty
- 10 min. Absolute measures of poverty
- 15 min. The Standard Class Approach toward developing a social definition of poverty
- 20 min. Empirical test of Standard Class Approach
- 10 min. Construction of new poverty matrix
- 60 min. Discussion and possible applications to World Bank needs

May 9, 1979

TOKYO: The Japanese Foreign Ministry and the Economic Planning Agency disagree with the Finance Ministry over the amount of Japan's contribution to the proposed common fund for stabilization of primary product prices, the "Yomiuri" said today.

It also quoted government sources as saying the ministries differ widely on two other matters.

They are the new target for increasing ODA and any special consideration to be given developing countries in implementing the Tokyo Round agreement to lower tariffs and non-tariff trade barriers such as the general scheme of preference, the article said.

The common fund will be the foremost topic at the coming UNCTAD meeting in Manila.

LONDON: The "Financial Times" reported today that Uganda has sent the first mission to visit Kenya since the overthrow of President Idi Amin.

John Worrall in Nairobi wrote: "Immediately the road from Kampala and Jinja to the Kenyan border is cleared and rail and road communications are renewed, essential goods, including oil, will start moving from Kenya to Kampala. Thousands of gallons of fuel and other consignments are piling up at the Kenyan border."

- 0 -

Hugh O'Shaughnessy, writing for the "Financial Times" from La Paz, said the 18th session of the U.N. Economic Commission for Latin America (ECLA) meeting has developed into a skirmish between the developing countries and the industrialized nations -- on the eve of next month's negotiating battle between North and South in Manila.

The article went on: "Sr. Enrique Iglesias, the ECLA executive secretary, underlined the urgency to redistribute income more progressively in the region. If present trends continued, he said, the number of Latin Americans below the poverty line would have increased in absolute terms by the end of the century and the gap between rich and poor would be alarming.

"At present, he said, some 40% of Latin Americans were below the poverty line and 19% living in absolute indigence. The eradication of poverty would demand the reassignment of only 6% of the personal income of the region."

GENEVA: "Horizontal cooperation" between Western industrialists, Arab bankers and developing countries presents a most interesting possibility for future economic activity, the economic newspaper "Agefi" said today.

It referred in particular to a conference in Rome last week organized by the Italo-Latino-American Institute and grouping industrialists and bankers from Italy, Arab and South American countries.

/...

4/24/79

First steps towards this new form of cooperation have been tentatively taken, the newspaper said in a front-page article, with the establishment of a permanent committee to represent each of the interest groups.

Main aim of the committee will be to sponsor the coming discussion of joint ventures which will undoubtedly come to fruition in the coming years, despite the geographical distances between the three interest groups, "Agefi" said.

MAR 23 1979

March 20, 1979

File
UPP mal

Mr. Alastair J. Stone
World Bank
1818 H Street, NW
Washington, DC 20433

Dear Mr. Stone:

I am enclosing two memos which describe my current research on the World Bank with a focus upon its poverty-oriented work. I have outlined a nine- or ten-chapter book on this subject, six chapters of which are completed. I am currently at work on Chapter 7, which is a project-specific inquiry into the Bank's rural development work, and Chapter 8, which is a similar inquiry into its urban poverty work.

In a meeting with Mr. Jaycox yesterday, in which I discussed with him my future research strategy for research on urban projects, he suggested that it would be very useful to meet with you. The purpose of such a meeting would be to discuss some of the work of the Operations Review and Support Unit. Mr. Jaycox and I discussed, for example, the effort within the Bank to see to it that water supply projects impact to a greater extent upon urban poverty target groups. This and related efforts to attempt to have approximately one-third of Bank urban lending impact upon such groups would provide topics for a discussion which I am certain would be very fruitful for my research purposes. Much of my research is presently concerned with the implementation experience of the Bank's poverty-oriented urban concerns.

I will call your office in several days to see whether it might be possible to arrange an appointment with you sometime in the near future.

Thank you very much for your attention to my work. I look forward to meeting you.

Sincerely yours,



Robert L. Ayres
Senior Fellow

Enclosures

RECEIVED

1979 MAR 22 PM 12: 09

INCOMING MAIL UNIT

1979 MAR 22 PM 12: 09

1979 MAR 22 PM 12: 09

1979 MAR 22 PM 12: 09

1979 MAR 22 PM 12: 09

1979 MAR 22 PM 12: 09

1979 MAR 22 PM 12: 09

1979 MAR 22 PM 12: 09

1979 MAR 22 PM 12: 09

1979 MAR 22 PM 12: 09

March 6, 1978

TO ALL BANK STAFF CONCERNED

Mr. Robert L. Ayres is preparing a monograph to be published by the Overseas Development Council on the work of the World Bank. The Bank and ODC have worked together over the years spreading knowledge about development in the United States. Mr. Ayres is well known to this Department from writings he has previously done on Bank activities. During his 1975-76 academic year he conducted research as a Guest Scholar at Brookings Institution. He is familiar with the Bank and its background materials and is aware of our methods of dealing with official documents.

To complete his work with ODC it will be necessary for Mr. Ayres to do further interviewing as well as consult some Bank documents. I would appreciate it if you would give Mr. Ayres the appropriate courtesies. This serves to give him my support and relieve him of clearing each individual interview. However, if you have any questions, please do not hesitate to call me (72469) or Mr. Sundaram Sankaran (76111).



John E. Merriam
Director
Information & Public Affairs

March 20, 1978

Statement Re: Research of Robert L. Ayres

In the fall of 1975, while an Assistant Professor of Political Science at the University of California in Berkeley, I began a study of the World Bank's involvement in anti-poverty work, particularly in the Latin American area. Initial funding for the study came from a one-year grant from the Council on Foreign Relations in New York, and during the 1975-76 academic year I conducted research on the Bank from the position of Guest Scholar at the Brookings Institution in Washington.

I conducted an extensive round of interviews with Bank staff and officials (through the Vice President level). I also conducted numerous interviews with the Executive Directors. In addition, I was granted access to certain Bank documents, including project appraisal reports, a limited number of country economic reports, sector studies in selected countries, project performance audit reports, and so forth. I solicited these through formal requests directed to relevant Bank officials. With regard to the use of Bank documents, I agreed to paraphrase rather than quote as much as possible; agreed not to make detailed reference to document titles, numbers, and dates in the footnotes of my study; and agreed to submit drafts of my writing to the Bank (through the Information and Public Affairs Department) for perusal and comment.

Following renewed teaching at Berkeley from September, 1976, through December, 1977, I have now returned to Washington as a Senior Fellow with the Overseas Development Council. I have resigned my position at Berkeley. It is my intention to produce at least one (possibly more) manuscripts on the Bank sometime in the next year. The major manuscript, probably of monographic or short-book length, would be produced under the auspices of the Overseas Development Council. This work will necessitate a considerable amount of additional interviewing of Bank staff and officials as well as the consultation of additional Bank documents. I would appreciate it if Bank staff and officials would continue their cooperation with a project which I consider both timely and of considerable importance and interest to the Bank.

Robert L. Ayres

Robert L. Ayres
Senior Fellow

7
upp
sual

World Bank
News Service of the Department of Information and Public Affairs

This news item appeared on page *A10* of the *3 Feb. 1979* issue of:

- | | | |
|---|--|--|
| <input type="checkbox"/> THE NEW YORK TIMES | <input type="checkbox"/> THE WALL STREET JOURNAL | <input type="checkbox"/> THE CHRISTIAN SCIENCE MONITOR |
| <input checked="" type="checkbox"/> THE WASHINGTON POST | <input type="checkbox"/> THE JOURNAL OF COMMERCE | <input type="checkbox"/> |

Tanzania Struggles in Vain to Meet the Needs of Its Poor

By David B. Ottaway

Washington Post Foreign Service

DAR ES SALAAM, Tanzania — As foreign assistance pours into Tanzania in ever-increasing amounts, the debate over the merits of President Julius Nyerere's controversial rural-based socialist approach toward economic development goes on unresolved.

No African government has tried harder to lift its rural population out of poverty en masse, close the enormous gap between rich and poor and direct the main thrust of its development efforts to the destitute countryside.

In fact, it is the near-universal assessment of foreign aid experts that Tanzania has done just about everything the World Bank or the U.S. Congress could expect of one of the world's 25 least-developed nations to help the poorest of the rural poor.

Western donors heap praise upon President Nyerere for his commitment, honesty and vision even if they do not support his idea of *ujamaa* villages, the Tanzania version of China's rural communes that have become the country's basic social and productive units.

Yet, many of his admirers remain troubled by the uneven results of the billion-dollar plus international investment in Tanzania over the past decade.

"I don't understand it," said one puzzled African economist from the Africa Development Bank. "They have done everything by the books just as they should. Yet, we are all still waiting for something to happen. Maybe it's a question of time. I don't know."

The head of a Western aid mission expressed the general assessment of the strengths and weaknesses of *ujamaa* this way:

"There are two issues here in Tanzania, economic growth and how you close the gap between the rich and poor in terms of basic needs.

"So far as closing the gap in terms of per capita income, *ujamaa* is not there yet and neither is most of the Third World. On the basis of economic indexes, *ujamaa* is probably a failure," he said.

"But," he quickly added, "how can you say that when people are drinking clean water, kids are going to school and villages have clinics for the first time in their lives? In these terms, *ujamaa* is a success."

The aid director never got back to the issue of economic growth, which appears increasingly to be the crux of the problem in the Tanzanian approach to development.

Among American theorists of economic development it is fashionable to make a distinction between "development" and "growth" and to criticize many African countries for promoting "growth without development." This means that while economic indexes such as gross national product may be rising, real living conditions for the vast majority of people remain unchanged or deteriorate.

But Tanzania also raises the thought-provoking issue of whether too much emphasis on development without sufficient concern for growth is not as bad as the opposite. Nyerere raised the question two years ago in a frank analysis of the country's poor economic performance.

"Over the last 10 years, we have done quite well in spreading basic social services to more and more people in the rural areas," he wrote. "More remains to be done, but we shall only be able to do it if we produce more wealth. And we have not been doing very well on that front."

Ironically, while Nyerere has made self-reliance a basic tenet of his concept of socialist development, Tanzania has become increasingly dependent on foreign assistance to the point where Western and Tanzanian economists are wondering whether the nation can "afford" all the aid being offered.

Last year, Tanzania received between \$450 million and \$500 million in foreign aid—\$28 to \$31 for every Tanzanian—a rate that puts Tanzania among the highest aid recipients in Africa. The World Bank loaned the country \$140 million in the last fiscal year, more than any other African nation received.

Sweden has put Tanzania at the top of its aid list in Africa, providing \$70 million to \$80 million a year. Other Western countries, such as West Germany, the United States and Canada, are now averaging \$20 million to \$40 million annually.

As a result, Tanzania is depending on foreign assistance to cover between 60 and 70 percent of its current five-year development plan, according to one Canadian economist.

Meanwhile, the government projects a deficit in the current fiscal year of more than \$200 million in its budget resulting from an increase of nearly 20 percent in fixed costs and an 80 percent jump in development spending.

Western and Tanzanian economists agree that the underlying problem is Tanzania's inability to produce enough to support its expensive welfare goals, such as putting every child into school by next year, providing clean water to all 8,000 villages by 1981 and setting up a health system to reach every peasant in the back country.

Other than a small amount of diamonds, Tanzania has no mineral resources to generate capital and depends mainly on six export crops for the bulk of its foreign exchange—coffee, cotton, cashew nuts, sisal, tea and tobacco.

The volume of these six cash crops, however, dropped 21 percent between 1965 and 1973, according to World Bank figures, and the downward trend apparently is not being reversed.

The Tanzania Sunday News of Dec. 31, announcing in banner headlines an overall 6 percent growth in the economy last year, also disclosed that sisal production fell from 88,373 tons to 76,319 tons; pyrethrum, a flower used to make insecticide, from 4,500 tons to 2,500; cashew nuts from 96,000 tons to 68,000 tons and coffee, the country's chief export crop, amounted

Continued

to 845,000 bags instead of the projected 880,000.

This drop, compounded by falling world commodity prices, meant that last year Tanzania used up most of its foreign exchange reserves trying to finance increased output in its light industries, which depend heavily on the import of spare parts and raw materials.

Tanzanian and Western economists offer a wide variety of reasons for

this chronic problem of declining production in export crops.

One is the nationalization years ago of many European-owned estates producing these crops and poor state management of them since, including low investment and labor productivity. Another is the fact that Tanzania suffered a serious drought in the mid-1970s.

A third factor often cited, particularly by Western economists, is the

campaign in 1974-75 in which five million peasants were uprooted and moved into villages, often disrupting production.

Apparently, however, this has been largely overcome. Taking advantage of good rains and rising state-set prices, Tanzanian farmers have produced excellent grain crops in the last two years, more than covering the country's needs.

February 14, 1979

Mr. J. Terblanche
South African Delegation
Fund 12-300 J

Dear Sir,

Enclosed are some papers which may be of use in explaining the World Bank's approach to urban problems with special emphasis on the poor. If you have any further questions please do not hesitate to call.

Alastair J. Stone
Chief
Operations Review and Support Unit
Urban Projects Department

AJStone:ba

Enclosed:

- . Interim Report of the Urban Poverty Task Group, March 29, 1976
- . Urban Public Finance in Project Preparation, An Operational Approach, March 1978
- . The Task Ahead for the Cities of the Developing Countries, WP No. 209, July 1975
- . Sites and Services Projects WB paper, April 1974
- . Site and Services Projects, Survey and Analysis of Urbanization, Standards and On-Site Infrastructure, August 1974
- . The Incidence of Urban Property Taxation in Developing Countries: A Theoretical and Empirical Analysis Applied to Colombia, August 1977
- . Valorization Charges as a Method for Financing Urban Public Works: The Example of Bogotá, Colombia. WP No. 254, March 1977
- . Urban Land Policy Issues and Opportunitites, Vols I and II, May 1978

cc: Messrs, Jaycox, Dunkerley, Churchill, Walters, Mould, D. Singh, Cook.

OFFICE MEMORANDUM

TO: Distribution

DATE: November 12, 1980

FROM: Anthony Churchill, Director, URB SUBJECT: Annual Urban Poverty Program Status Report for 1980

1. A meeting of regional coordinators of the Urban Poverty Program was convened this morning to discuss arrangements to meet this year's reporting requirements as set out in Mr. Baum's memos of 9/15/80 to CPS Directors and 9/23/80 to Regional Vice Presidents, and the issues raised in Mr. Strombom's memo of 11/5/80. It was noted in the meeting that the Urban Information System (UIS) used in the past to monitor progress of the program had been found unsatisfactory by the regions as a management tool, in part because the guidelines used to provide the data for UIS did not adequately reflect regional needs or the regional differences in project design in a given sector. Senior Management decided earlier this year that the responsibility for defining and managing an information system suited to each region's objectives for the Urban Poverty Program be transferred to the regions. The issues that needed to be addressed in order for the transfer to be successful were outlined in Mr. Baum's memos and discussed in a number of follow-up meetings.

2. In light of resource constraints, data limitations, and the lack of region-specific program objectives or sector-specific guidelines, it was agreed at today's meeting that each region would submit a two- or three-page report that would discuss, in principally qualitative terms (but quantified to the extent possible with existing data): (i) their UP program for FY80, 81, and 82; (ii) their views on the program and its monitoring; and (iii) their recommendations for the program's future, particularly resource requirements, to make the exercise meaningful by providing the feedback necessary to have an effect on program implementation and project design. It was also agreed that the date for submitting the regional reports to the Urban Department would be 12/12/80, and that these reports would be passed on to Senior Management with only a covering note from the Urban Department.

Distribution: Messrs. Bronfman (EAP); Bouhaouala (WAP); Carmignani (EMP); Wyss (AEP); Geli (ASP); Wessels (LCP); Habte, Prosser, Zymelman (EDC); Rovani, Dosik (EGY); Evans, Warford (PHN); Tolbert, Hyde (IDF); Willoughby, Kalbermatten (TWT); Scott (LCPUR); Sud, Ford (AEPUR); Strombom, Dunkerley, Kahnert, Simmons, Sandstrom, Pellegrini, Serageldin, Madavo, Courtney, Cohen, Noman (URB)
Ms. Hewitt, Kozlowski (URB)

ZShalizi:jm

OFFICE MEMORANDUM

TO: Distribution

DATE: October 28, 1980

FROM: Friedrich Kahnert, Chief, URBOR

SUBJECT: Urban Poverty Program Reporting

1. There will be a meeting on Thursday, 30 October 1980 at 3:00 p.m. in the Urban Projects Department Conference Room D-658 to discuss the present status of criteria and procedures for monitoring the urban poverty program. We will be discussing the timing and form of the Regional reports which will form the basis of the summary report.

2. Attached are three notes to provide background. If you have any questions, please call John Courtney, ext. 74031 or Jane Kozlowski, ext. 75255.

Attachments

Distribution: Messrs. Kennedy, EAP; Bouhaouala, WAP; Ford, AEPUR;
Geli, ASP; Pellegrini, EMENA; Wessels, LCP

cc: Messrs. Churchill, Strombom, Dunkerley, D.Jones, D.Cook, R.Satin,
J.Simmons, Serageldin, Sandstrom, Madavo, D.Singh, Scott,
Sud, URB
Noman, Shalizi, Courtney, Ms. Hewitt, URBOR
Prosser, EDC; Dosik, EGY; Warford, PHN; Kalbermatten, TWT

JEK
JEKozlowski:dkm

WORLD BANK / INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: CPS Department Directors

DATE: September 15, 1980

FROM: Warren C. Baum, *WCB* Vice President, CPS

SUBJECT: The Role of CPS Departments in Supporting the Bank's Urban Poverty Program

1. The Operations Review and Support Unit (URBOR) in the Urban Projects Department was established in 1975 to assist the Regions in developing urban poverty-oriented projects. A part of its function is to keep management informed of progress toward goals established for the urban poverty program (UPP). Much has been accomplished in the past five years in initiating poverty-oriented activities, and the primary responsibility for, one, the conduct of the UPP as well as, two, monitoring and reporting, will now devolve on the operating units in the Regions and the CPS. URBOR's resources for operational support have accordingly been eliminated. This implies an enhanced role for CPS sector departments in providing advice and support to the Regions on (i) the poverty aspects of their urban lending program, and (ii) on monitoring these aspects and with regard to the poverty aspects themselves, the type of assistance required covers among other things establishing in agreement with operating divisions criteria and procedures for:

- (a) developing project design for poverty-oriented components, e.g.:
 - (1) "targetting" beneficiaries,
 - (2) mapping the target group during project preparation,
 - (3) designing specific project components for optimum impact on income or expenditure of the urban poor,
 - (4) setting suitable standards for these components in light of:
 - (i) household budget constraints (i.e., "affordability"),
 - (ii) government budget constraints (i.e., replicability if project includes subsidies),
 - (iii) the trade-off between initial costs and operating/main-tenance costs, etc.; and

(b) developing indicators of poverty impact, e.g.:

- (1) percent of project output/benefits directed to the target group,
- (2) percent of the target group served by the projects,
- (3) percent of project cost producing benefits for the target group, etc.

2. The implications of these activities for the work program of CPS sector departments will need to be examined. To date, three sectors have been the principal sources of urban poverty lending: TWT, EDC and URB. Other sectors, particularly PHN and EGY, offer prospects for significant help to the urban poverty groups.

3. CPS sector departments will also be called upon to an increasing extent to assist the Regions and the Urban Projects Department (which has the responsibility for reporting on the Bank's overall efforts) in formulating for each sector the appropriate reporting and monitoring criteria. The Regions will be responsible for preparing an annual report on their efforts to be consolidated by URBOR. In order to insure consistency of concepts and criteria used across Regions, each CPS sector department, in cooperation with sectoral divisions in the Regions, should take the lead in developing such criteria for the sector for which it is responsible. In general, these criteria will have to allow for the following:

- (a) the need to quantify the impact of the Bank's lending on the suitably defined poverty target group and to trace the magnitude and effectiveness of this effort over time;
- (b) the Bank's desire to emphasize direct impacts on the target group, demonstrably improving the income or expenditure patterns of the poor in relation to their needs;
- (c) the need to make sure that its poverty-oriented lending is affordable by beneficiaries and replicable on the government budget level (if subsidies are involved);
- (d) the desirability of using poverty impact figures that can be aggregated across sectors.

4. The Urban Projects Department will continue to bear the responsibility for an annual summary report to management on the overall UPP progress within the Bank. For this purpose it will consult with the Regions and with the CPS sector departments on the timing and general form of the Regional reports which will form the basis for the summary report. In this connection:

- (a) It is proposed that the summary of the Regional urban poverty program reports be submitted at approximately the same time as the IDF report on employment (tentatively January of each year) and that consideration also be given to the same timing for the report on the rural poverty program.
- (b) In the light of ~~experience with the problems in~~ defining the urban poverty content of projects in "the outer years" of the five-year project budget, it is proposed to limit statistical reporting to the past fiscal year, the current year, and estimates of the next fiscal year. Programs and intentions for years beyond this period should be dealt with in a more general discussion of prospects in both the Regional and summary reports.

5. The URBOR unit of the Urban Projects Department is available to assist the CPS departments in developing the program outlined above.

ACHurchill/FKahnert:vjb

OFFICE MEMORANDUM

Strongman
File
URB 512

TO: Regional Vice Presidents

DATE: September 23, 1980

FROM: Warren C. Baum, Vice President, CPS

SUBJECT: The Urban Poverty Program (UPP)

1. At our meeting of November 7 last year, we agreed to change the way in which the employment impact of Bank projects is to be monitored. The new approach was summarized in Messrs. Churchill's and Tolbert's memorandum of January 17, 1980 (copy attached) to Regional and CPS Directors.

2. At the same time, we agreed that the Urban Projects Department would continue to report to us on the progress of the Urban Poverty Program on the basis of information provided by the Regions (and COPDs). We have been reviewing our experience in providing support and assistance to the Regions, in both developing and monitoring the Bank's efforts to help the urban poor, and have concluded that it would be desirable to modify some existing practices.

(1) Increased CPS Support

3. The resources of the Urban Projects Department are no longer adequate to provide the type of broad-based advice and support required by a large and growing, sectorally diversified program. Other CPS sector departments will have to play a much more significant role in providing this assistance. The attached memorandum of September 15, 1980 from me to CPS Directors outlines the type of assistance to be provided by CPS sector departments.

(2) A Less Quantitative and More Qualitative Monitoring Effort

4. At present we are monitoring the UPP through the use of the urban information system (UIS). We have not been satisfied with the results of this system. It has not always been given the necessary attention, and it is not always updated at sufficiently frequent intervals to be even reasonably accurate. Spot-checks indicate that data are often highly questionable, and a growing proportion of the lending program is not being identified as to its location or poverty impact. The information provided at the outer years of the program in particular, given these problems, is of little use even as a statement of intentions.

5. Instead of looking at the whole five-year program in terms of its location (rural, urban, unknown) and in terms of the percentage of loans benefitting the target group, we propose to limit the statistics-gathering exercise to three years - the past fiscal year, the one currently underway, and the forthcoming year. In most cases project preparation is enough advanced for the forthcoming year to permit the making of reasonable estimates. For the outer years, we propose to limit the review to a qualitative statement of each Region as to its plans and intentions, based on its analysis of the results and immediate expectations for the three years described above.

6. This modification should provide the minimum information necessary for a better qualitative assessment of the whole program. At the same time, it should permit each Region the flexibility to develop a reporting system that is consistent with its own management needs.

(3) Timing

7. The most convenient and useful timing for this exercise would be for the Regions to submit their reports by the end of November each year. The Urban Projects Department would then summarize the results by the end of December. This would permit the report to contribute to the annual budgeting and programming efforts. By scheduling it in the middle of the fiscal year, sufficiently accurate information would be available on the past and future fiscal years as well as the one in progress. The first such report could be completed early in 1981.

8. If you wish, we could discuss these proposals at an OVP meeting.

Attachments

Cleared with and cc: Mr. E. Stern (VPO)
cc: CPS and Regional Directors

ACHurchill/vjb

OFFICE MEMORANDUM

TO: Regional and CPS Directors

DATE: January 17, 1980

FROM: Anthony A. Churchill, Director, URB and
S. M. Tolbert, Director, IDFD

SUBJECT: Employment/Urban Poverty Program

At the Operational Vice Presidents' meeting of November 7, a decision was reached to change the way in which the employment impact of Bank projects is to be monitored. The new approach is summarized below.

1. The Bank will continue to monitor the expected impact of projects that finance the delivery of goods and services to the urban poor. This will be done, as before, by determining the proportion of loans and credits for such projects (e.g. urban water supply, urban power distribution, sites and services) that are intended to reach the target group, using the already agreed-upon poverty income levels.
2. A national threshold for the capital/labor ratio will no longer be used as a criterion to define whether or not projects with industrial employment-creating components (e.g. IPD projects, DFCs, SSEs, industrial import loans) are to be included as part of the urban poverty program. Consequently, there is no longer a basis for monitoring employment-creating projects or components of projects as part of the urban poverty program. Instead their employment impact will now be monitored.
3. All appraisal (and President's) reports of projects containing substantial industrial employment-creating components should therefore contain an analysis of the employment impact of the project or component. This should provide an estimate of the number of "permanent" jobs to be created during the life of the project, and the investment cost per job.^{a/} In the case of industrial program/import and industrial rehabilitation loans, where it may not be possible to quantify jobs created (or saved), a qualitative analysis should be made, e.g., of the employment expected to be generated in the manufacturing sector and the employment intensity of the industrial sectors aided. To the extent possible the project reports will also discuss the policies being adopted or pursued to encourage labor absorption in industry and the contribution to be made by the project/program to the implementation of these policies. While no explicit quantitative targets have been established, the goal remains to allocate capital efficiently, and to spread the limited available capital over the labor force. In most countries this will imply continued attention to reduce the amount of capital per job created.

^{a/} Investment costs for this purpose will exclude land, and will include all other fixed assets as well as permanent working capital requirements. Only employment directly created by the project will be included in the monitoring exercise; however, appraisal reports should continue to include data on indirect employment also whenever feasible.

January 17, 1980

4. Employment promotion components will continue to be included where appropriate in urban sites and services or slum upgrading projects. Such components will be classified as SSEs for monitoring purposes, and should be treated in project reports as described above.

5. Both urban services delivery projects and employment creating projects will generate additional employment during construction. Where this is significant, project reports should also provide an estimate of the number of jobs involved in construction.

6. The Urban Projects Department will report annually on the progress of the urban poverty program, and the Industrial Development and Finance Department on the expected employment impact of Bank urban lending, on the basis of information to be assembled by the Regions (and COPDs).

ACHurchill/SMTolbert/HGvanderTak:1fb

Cleared with and cc: Messrs. Stern and Baum

cc: Mr. Chenery