

The World Bank's Strategy for Reducing Poverty and Hunger

A Report to the Development Community

Prepared by Hans P. Binswanger and Pierre Landell-Mills

Foreword by Lewis T. Preston

Preface by Ismail Serageldin



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Foreword

Hunger in the midst of plenty is one of the most difficult development challenges of our time. Aggregate food production continues to increase; yet hunger also continues to blight the lives of hundreds of millions of people. Hunger is sometimes caused by drought, disease, or war—and there is always a need for a strong humanitarian response in those cases. But the more widespread and deep-rooted form of hunger is caused by people having neither the capacity to produce food, nor the income to buy it. Fundamentally, hunger is caused by poverty.

If we want to reduce hunger effectively, we have to reduce poverty—and that requires action across a broad spectrum:

- Supporting government policies that encourage growth and employment for the poor, and removing policies that discriminate against agriculture and peasant farmers
- Investing in people's capacities through education, health, family planning, and nutrition

- Implementing better agricultural technologies and research—through stronger support for the Consultative Group on International Agricultural Research (CGIAR) and for national agricultural research systems (NARS), for example
- Focusing on the vital link between environmental sustainability and increased food production
- Expanding the participation of the poor in development through increased access to credit, land, and services.

The Bank, working with our partners, is deeply engaged in supporting these efforts. But much more needs to be done. The discussions at the Conference on Overcoming Global Hunger held in Washington, D.C. November 30–December 1, 1993 provided a useful platform—and many good ideas—for strengthening collaboration and intensifying action.

*Lewis T. Preston
President, The World Bank*

Preface

Outrage over hunger in the midst of plenty drove U.S. Congressman Tony Hall to a hunger strike in April 1993. This action sparked the World Bank, long committed to the fight against global hunger, to join forces with Hall and to organize the Conference on Overcoming Global Hunger, which took place in Washington, D.C., November 30 to December 1, 1993.¹ The conference was organized in close collaboration with a number of nongovernmental organizations (NGOs), including Bread for the World, InterAction, Results, and World Vision. Its participants included Hall, President Ketumile Masire of Botswana, United Nations Secretary General Boutros Boutros-Ghali, former U.S. President Jimmy Carter, and World Bank President Lewis T. Preston. The conference's objective was to raise awareness about the problems of hunger associated with extreme poverty as opposed to hunger caused by natural disasters such as drought. For the Bank, the conference was intended to review and reinforce the array of tools the Bank deploys in the fight against hunger.

The conference and subsequent activities have greatly enhanced cooperation between NGOs and the Bank. Attended by more than 1,200 participants, the conference yielded three

important outcomes. First was a reaffirmation by the Bank of its commitment to fight global hunger, expressed in the present document. The second outcome was an in-depth exploration of the possibility of the Bank's joining forces with other donors to create a new Consultative Group to Assist the Poorest of the Poor (CGAPP), funded with \$100 million to promote the replication and growth of NGO-managed programs that provide financial services for the poor. Third, multilateral consultations have begun among national governments, NGOs, bilateral and international agencies, and the World Bank on country-specific programs to combat poverty and hunger, starting with Mali, Nicaragua, and the Philippines.

This report is the result of discussions within the Bank as well as dialogues with NGOs and other international agencies concerned with poverty and hunger. It was prepared by Hans Binswanger and Pierre Landell-Mills with inputs from many colleagues. The report summarizes Bank policy on these issues and details a coordinated program of actions that the Bank, in collaboration with other organizations, will promote in the next few years. This program will be evaluated periodically and refined based on new knowledge and further consultations inside and outside the Bank.

These actions stem from a profound commitment to ending the continued presence of hunger in our midst. In the nineteenth century some people declared that slavery was unconscionable and unacceptable, that it degraded the free as well as the slaves, and that it must be abolished. They were called abolitionists. Today hunger associated with extreme poverty in a world that

has the means to feed its people is unconscionable and unacceptable. We must become the new abolitionists.

Ismail Serageldin
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Chairman, Conference on Overcoming Global Hunger

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Abbreviations

CBO	community-based organization
CGIAR	Consultative Group on International Agricultural Research
FAO	Food and Agriculture Organization of the United Nations
FINCA	Foundation for International Community Assistance
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
NGO	nongovernmental organization
T&V	training and visit
UN	United Nations
UNDHA	United Nations Department of Humanitarian Affairs
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
WFP	World Food Programme
WHO	World Health Organization

Notes on Sources

This report draws heavily on World Bank publications, including *Poverty and Hunger: Issues and Options for Food Security in Developing Countries* (Washington, D.C., 1986); *World Development Report 1990: Poverty* (New York: Oxford University Press, 1990); *Poverty Reduction Handbook* (Washington D.C., 1992); *World Development Report 1993: Investing in Health*

(New York: Oxford University Press, 1993); *Investing in Nutrition: With World Bank Assistance* (Washington, D.C., 1992); and *Adjustment in Africa: Reform, Results, and the Road Ahead* (Washington, D.C., 1994). Boxes without attribution were written for this report by the authors listed in the Acknowledgments.

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Executive Summary

Hunger is the most deplorable manifestation of poverty.² It can take three forms, all of which are considered in this report:

- *Starvation*, a life-threatening condition caused by insufficient food often associated with famines
- *Chronic undernutrition*, due to a persistent lack of calories and protein
- *Specific nutrient deficiencies*, from inadequate protein and micronutrient intake, often combined with infections and inadequate nutritional knowledge.

A staggering 750 million men, women, and children go hungry every day. This need not happen. For those of the poor who are unable to produce their own food, avoiding hunger depends primarily on income to buy food: selling cash crops or obtaining other cash income or income transfers. Evidence indicates that broad-based, sustainable economic growth is the best strategy for reducing poverty and hunger.

For these reasons, the World Bank strives to relieve hunger by promoting sustainable agriculture and seeking other ways to assist poor people increase their incomes. Given its mandate, the Bank is well-suited to support medium- and long-range projects to alleviate hunger, leaving famine relief to better-equipped international organizations such as the United Nations Department of Humanitarian Affairs (UNDHA), the World Food Programme (WFP), and the Red Cross.

While research has shown that broad-based growth is the most important factor in reducing poverty and hunger, many cost-effective targeted interventions can substantially accelerate the reduction of poverty and hunger and should be implemented along with broad-based growth policies. Country-specific conditions and the special characteristics of the subgroups of the poor determine the most appropriate interventions.

Despite the efforts of many international organizations, nongovernmental organizations (NGOs), and donor and recipient countries, hunger persists. Recognizing this problem, the World Bank, in collaboration with NGOs, held a Conference on Overcoming Global Hunger in Washington, D.C. on November 30–December 1, 1993. The goals of the conference were building on past initiatives, moving from rhetoric to actions to reduce global hunger, determining how the Bank can better support such actions, and raising public awareness about the seriousness of global hunger. Drawing on the conference deliberations, this report states the Bank's actions and plans to help countries overcome hunger. The Bank recognizes that it cannot carry out these actions alone. Defeating hunger requires the active participation and collaboration of national governments, international organizations, bilateral agencies, NGOs, community-based organizations (CBOs) and the empowerment of the poor.

Broad-Based Growth

Hunger reduction is an integral part of a two-pronged approach to sustainable poverty reduction consisting of broad-based economic growth across income groups and improved access to education, health care, and other social services. The two elements are mutually supporting; one without the other is insufficient. As the NGOs emphasized in their submission after the conference, "...it is equitable *patterns* of growth which are essential to ending poverty and hunger."

Broad-based growth can generate sustainable income opportunities for the poor. It can enable the poor to become more productive, and thereby help eliminate hunger. Caloric intake increases with income and reduces the number of underweight children. Broad-based growth relies on using the poor and hungry's most abundant resource—labor. Countries that have succeeded in reducing hunger have sustained rural development and emphasized urban employment. This has increased livelihood security, reducing morbidity and mortality in the process.

Policies to achieve broad-based growth and develop human resources include eliminating antiemployment biases in trade policies, market regulations, the tax structure, labor laws, and financial sector policies. They focus government expenditures on basic education, health care, and other social services for boys *and* girls, and on growth-enhancing public investments and programs. They promote investment in safe drinking water and sanitation. They provide education, credit, productive resources, and employment opportunities to women, who play an especially important role in reducing hunger. They ensure sustainable resource use through cost-effective environmental policies and programs, and avoid the despoliation of natural resources.

In many countries the largest number of the poor and hungry live in rural areas, and even in other countries hunger is often more pronounced in rural areas than in cities. Often the explanation lies in persistent urban bias. Agricultural sectors have been taxed by a combination of overvalued exchange rates, industrial protection policies, and sometimes export taxes. Policies and programs to offset this taxation have not been able to compensate the rural areas. In addition, many of the programs intended to compensate farmers,

such as subsidized credit or parastatal marketing, have favored the better-off. The Bank's poverty reduction strategy therefore advocates eliminating exchange rate and trade policies that result in urban bias. Liberalizing agricultural trade, especially trade in food, is often controversial, and many NGOs believe that smallholder production of food should be protected.

Eliminating urban bias also involves redirecting public expenditures in rural areas toward primary education and health care and focusing agricultural support toward the smallholder sector. Government farm credit, for example, should be targeted to small-scale farmers and to the poor who would be left out if credit was left entirely to the private sector. Such support can enhance the competitiveness of small farmers and increase the demand for labor, indirectly helping agricultural workers. Efforts to reduce urban bias in public expenditures have been less successful than reducing the bias in exchange rate and trade policies, even in some of the strong adjusting countries.

If developing nations were to grow at the rate East Asia did in the mid-1980s, 500 million fewer people would be poor in 2000 than currently projected. Even then, there would still be hundreds of millions of hungry people. Cost-effective actions targeted to improve the health, nutrition, and income-earning capacity of the poor are necessary to reduce this suffering, while simultaneously pursuing broad-based growth and human resource development.

Poverty assessments are the major analytical tool for adapting the Bank's poverty strategy to specific country conditions. Understanding the relationship between hunger and other economic factors in a country requires a thorough treatment of hunger in the Bank's country poverty assessments. The accuracy and depth of poverty assessments can be improved with NGO and CBO participation.

Poverty and Hunger during Structural Adjustment

Many countries have been hit by external shocks and have postponed adjustment to lower external earnings. Others have veered off the road to broad-based growth by creating unsound economic structures and neglecting human resource development. Symptoms of inappropriate poli-

cies include unsustainable government expenditures and balance of payment deficits. Other symptoms include large social spending imbalances in favor of the middle and upper classes and urban biases in exchange rate and trade policies and in the allocation of public expenditures. These countries must undergo structural adjustment to return to broadly shared growth and poverty reduction. Delay is particularly costly for the poor, who are hit hardest by economic decline. Structural adjustment uses a country's resources more efficiently, including the labor of the poor and the agricultural and human resources of rural areas. The process is often painfully sluggish and full of political conflicts.

Structural adjustment provides many opportunities to reform policies and programs so that they enhance the income and livelihood security of the poor. Examples include focusing agricultural extension on household food security of small and marginal farmers (especially women), reorienting health systems to primary care, and ensuring that the ultra-poor have access to these services. The capacity of countries to respond to international food price increases and weather shocks, and to monitor the nutritional status of the poor, can also improve during reform.

Structural adjustment often has immediate positive impacts on rural incomes. But it also may be associated with a transitional recession and lay-offs brought about by reductions in government spending and the elimination of protection of inefficient industries. These effects hurt certain vulnerable groups unless actions are taken to mitigate the impact on these groups.

The data for Africa, Latin America, and Asia indicate no major change in the share of social spending during adjustment. But the data suggest little progress in the reallocation of social spending from the better-off to the poor. Reforming public sector spending to protect the hungry and poor and to improve their social and economic development remains a major unfinished task, even where other components of structural adjustment have already been implemented.

Evaluating the impact of structural adjustment on incomes, food production, and food consumption of the poor is difficult. If food prices rise as a consequence of adjustment, the urban poor lose. In the rural areas the net buyers of food lose, at least in the short run, while the rural poor

who are able to sell some of their food production gain. Any change in producer prices of food, whether up or down, therefore has an immediate adverse impact on some of the rural poor.

In the longer run increases in food prices may not affect net rural buyers adversely if structural adjustment also leads to increases in the demand for their labor and in higher rural wage rates. Such wage increases are often delayed, leading to sequencing and safety net issues. Evaluating the impact of structural adjustment on the poor must look at the joint net impact of structural adjustment on food production, labor demand, food prices, and wage rates of different subgroups among the poor.

Structural adjustment usually leads to increases in the price of tradable agricultural commodities. The question becomes whether the poor can participate in the production and income gains that become available in export sectors. The worry is that women engaged in non-tradable food production will not benefit, and that smallholders in general may not be able to respond to the new opportunities. Even worse, these vulnerable groups may be squeezed out by more powerful producers who become interested in the production of profitable exportables. Policymakers need to focus on supporting smallholder development and preventing anticompetitive behavior in output markets and distortions in the input and land markets, which constrain the poor's participation in adjustment gains.

Opening of the trade regime sometimes reduces the price of domestically produced goods, either because they were heavily protected prior to adjustment, or because it takes time for private markets to emerge after the withdrawal of a parastatal. Sometimes producer prices have fallen because international prices fell just when a country was trying to liberalize international and domestic agricultural trade. In several African and Latin American countries all three factors have recently coincided, limiting rural gains from structural adjustment and imposing losses on some producers. If these difficulties are transitory it becomes appropriate to temporarily restrain imports and help poor producers over the transitory difficulties in marketing and storing their crops.

If a country has little comparative advantage in a specific food crop, the benefits of importing

the food for poor buyers may outweigh the losses of the poor engaged in its production. This is one of the reasons why free trade in food is so controversial. Special assistance to help the poor engaged in the production diversify or find nonagricultural livelihoods is then needed.

Specific targeted measures can counter the adverse effects vulnerable groups suffer in the short- to medium-run. Protecting or increasing public expenditures that benefit the health and nutrition of the poor is especially important. Where food prices are likely to rise, safety net actions such as social funds and other employment-oriented programs must be accelerated. A cautious goal is ensuring that the most vulnerable do not suffer a further decline in their welfare. A more ambitious objective is creating conditions that will start them on the road to more secure livelihoods. Careful analysis is required to identify the vulnerable groups most likely to lose at the beginning of adjustment, to strengthen existing safeguards, and to implement new protections where existing programs are inadequate. CBOs and NGOs often can help identify the likely victims and help implement the safety net and targeted development measures.

Participation and Decentralization

Development programs are far more likely to succeed when governments, communities, and individuals are active partners in the conception, design, and implementation of the programs. Participation makes development more client-oriented, building local ownership of programs. This promise has too often been neglected.

Beneficiary assessment is a highly useful tool for collecting information on the sociocultural, demographic, and gender dimensions of a program. Assessing the beneficiaries or a program strengthens program design and monitors progress. It is only one step from a top-down approach to one that fully involves the various stakeholders. Consultation is necessary but insufficient by itself.

Decentralization of decisionmaking and resources is another key ingredient in creating local ownership of poverty and hunger reduction programs. The intended beneficiaries must play a part in the decisionmaking process through local assemblies and CBOs and NGOs. Only in

this way can local communities take control of their lives and program outcomes. Greater responsibility must be accompanied by greater accountability through reformed local government. This is essential to reducing the risk that local elites will appropriate resources placed in their stewardship to the detriment of the vulnerable members of the community.

Specific Interventions

While accelerating and broadening economic growth is the best way to reduce hunger, specific targeted interventions can greatly accelerate hunger reduction and the associated suffering and mortality. Cost-effective targeted interventions can reduce hunger directly or indirectly by increasing incomes of the poor. The specific mix of actions depends on the circumstances of each country and on the special characteristics of the diverse subgroups of the poor. The characteristics of the poor and hungry must therefore be analyzed in each country's poverty profile and resulting poverty strategy. The interventions described below come from best practices distilled from worldwide experience. They are not exhaustive, but have been successful in many cases. The actions are ordered roughly by the immediacy of their effectiveness in reducing hunger, and by the cost and complexity of their implementation. Priority setting cannot be done globally. It must be tailored to local or country conditions. It is often unnecessary for governments to execute these programs. They can be implemented by CBOs, NGOs, or the private sector. But they all require partial, if not full, government financing.

Many of these interventions also will improve efficiency and productivity at all levels—individual, regional, and national. These productivity-enhancing actions are not usually done by the market; on the contrary, they usually reflect market or government policy failure. For example, the poor may not be able to buy land in the market because of a lack of savings, nonexistent mortgage banking, or distorted land policies and prices. Mass immunization and deworming are public goods whose benefits cannot be fully captured by the private sector.

When the primary objective is wealth redistribution or poverty and hunger reduction, the

choice of intervention must attempt to transfer resources to the poor in the most cost-effective way. For example, general food price subsidies typically transfer food resources to the poor at a high cost. Targeted nutritional monitoring and feeding programs may achieve the same goal much more cheaply. Relative cost-effectiveness is thus a key factor in choosing how best to intervene on behalf of the poor.

Urgent Low-Cost Actions

The worldwide oral rehydration therapy campaign led by United Nations Children's Fund (UNICEF) has saved millions of children who would otherwise have died from dehydration caused by diarrhea. It was agreed at the 1990 World Summit for Children that priority should be given to a number of other simple, low-cost actions. This conclusion has since been reaffirmed repeatedly. These programs can be implemented through community-led delivery and would usually include nutrition education aimed at behavioral change.

The measures include treatment of intestinal parasites, immunizing against measles and other childhood diseases, and providing vitamin A, iodine, and iron supplements. These programs are affordable and easily implemented in even the poorest countries with assistance from international organizations such as UNICEF and the World Health Organization (WHO). A large body of evidence indicates that diseases, parasites, and other health problems can suppress appetites and rob the hungry of nutrients. The world's hungry should no longer have to wait for these simple, low-cost measures to be taken.

Food Supplementation

Many countries already have schemes in place to subsidize food consumption and nutrition. These programs have benefited many people. However, some methods of providing the hungry with food are more effective and less costly than others. Shifting budget resources to more effective food subsidy and nutrition programs can often drastically reduce hunger at constant or even reduced cost. The most effective targeting mechanism is nutrition monitoring in health posts, schools, and other social programs. This should be combined

with nutrition and health education to change behavior. Programs in Chile, Honduras, and Mexico show that health clinics are the most effective vehicle for targeting food to malnourished children and their families. Health clinics are well-placed to take a holistic approach to hunger, providing medical treatment, immunization, health and nutrition education, and food supplementation. Clinics can monitor hungry children and their parents and provide food to other family members, who are also likely to be hungry.

On-site feeding is most appropriate when the specific vulnerable child or mother is the target. Rather than physically distributing take-home food rations, food entitlements should be provided through on-site feeding, food stamps, or free ration cards. Whenever possible, food entitlements should cover the food deficits of the entire family, not just the affected child or mother. The use of coupons and ration cards avoids the costs and complexities of physically handling food.

Food Aid

Food aid is an important resource which, properly channeled, distributed, or sold, will not undermine domestic food production. Making sure that food from an international organization or a donor country effectively benefits those who need it is a major concern. Transporting donated food long distances in a country is wasteful and costly. Monetizing food aid and using the money to assist the hungry wherever they are is more efficient. The proceeds can finance employment generation or targeted food supplementation.

Famines

Famines, as opposed to chronic undernutrition, are specific, time-bound events. They often occur without a decline in food availability at the national level. Moreover, sharp declines in food availability do not always result in famine. The poor suffer most in famines. Effective action requires understanding the way markets and governments work in a crisis, and the capacity of people to protect themselves. Alleviating famines requires early warning mechanisms, food supply management, food supplementation, employ-

ment generation, and agricultural assistance. Properly implemented, these strategies can be highly effective.

The main actors in famine relief are the UNHCR, the WHO, the Food and Agricultural Organization (FAO), and UNICEF, along with many CBOs and NGOs. The International Monetary Fund (IMF) has a special facility to finance food imports. The World Bank's role is assisting countries in overcoming poverty and the institutional weaknesses that are most often the root cause of famine. For this, the Bank should coordinate closely with United Nations (UN) disaster relief, show flexibility in lending for the foreign exchange requirements of food emergencies, and help countries recover from such crises and return to normal development.

Famine from desertification and drought develops slowly. It can be greatly mitigated by advance warning and prompt countermeasures. Governments can stabilize prices and food supplies by building up food reserves or the financial reserves for the purchase of food imports. Drought-prone countries can strengthen their capacity to mitigate drought. The Bank is integrating the impact of drought into country assistance strategies and project design.

Another major source of vulnerability is volatile international food prices, such as the world food crises of the early 1970s. The Bank, in conjunction with the IMF Food Facility, the WFP, and others, can help countries design cost-effective strategies and financing arrangements for such emergencies.

Income Generation Programs

Specific targeted interventions to improve the incomes of the poor and hungry can powerfully complement broad-based growth policies. Primary education, especially for women, not only reduces fertility and improves child welfare and nutrition, it also greatly enhances the income-earning capacity of the poor.

Informal sector employment reduces poverty directly and provides safety nets in times of economic crisis. Cities should encourage the growth of the informal sector. Hawkers, microenterprises, artisans, and the like not only generate significant income, they also are efficient channels of marketing, distribution, and waste recycling.

Such growth requires a crime-free environment, improved land rights for men *and* women, and reduced regulation.

Providing the poor with access to credit has been difficult. The Bank has had little success in developing and funding credit for the very poor. Done successfully, credit helps the poor participate in economic growth. The Grameen Bank of Bangladesh is an example of a highly successful program that has helped increase the incomes, and consequently the calorie intake, of the rural poor. It lends primarily to poor women, with excellent credit recovery. This approach is now being extended to other developing nations. The Bank has allocated \$2 million to the Grameen Trust to assist similar programs in other countries. In addition, the Bank is exploring mechanisms to promote other promising nongovernment programs to assist the very poor.

The Foundation for International Community Assistance (FINCA) has helped establish a network of more than 1,800 village banks in Latin America and Africa which provide small loans to self-employed borrowers, many of whom are women. In Bolivia, Thailand, and West Africa, the Freedom from Hunger organizations are pioneering credit with education, again using village banking. In Pakistan the Aga Khan Rural Support Program also combines credit with training to reach women in the poorest villages. In Indonesia the International Fund for Agricultural Development (IFAD) funds a rural credit program to assist poor farmers and landless workers in 2,000 villages, based on self-management principles.

Group-based lending for microenterprises is most appropriate where there is high population density, landlessness, and a thriving urban or rural nonfarm economy. In some countries it is being tested in urban settings. Such credit, however, is not necessarily a powerful or cost-effective tool to assist the very poor in sparsely populated and poor agroclimatic zones, such as the semi-arid tropics.

Where soil, water, and other conditions are poor and growth is slow, special programs can improve the management and income-generating potential of natural resources in a cost-effective and sustainable manner. Such programs should usually be community based. Where this does not create sufficient income, governments must establish policies that help the