

NUTRITIONAL CONSIDERATIONS IN WORLD BANK LENDING FOR ECONOMIC ADJUSTMENT

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Introduction

Whether causally connected or linked by coincidence, many of the early criticisms of structural adjustment programs in the 1980s have become outmoded; experience has led to program reorientation. In particular in the second half of the decade the need for special attention to poverty issues induced or overlooked by adjustment programs was acknowledged widely in World Bank documents. This evolution has been noted both within the Bank (Ribe and Carvalho 1990; Ribe and others 1990) and outside it (Stewart 1991).

One component of the current approach to poverty with adjustment is an attention to investments in human capital in general and in nutrition in particular.¹ In recent years such investments have regularly been included in structural adjustment loans (SALs) as well as in social funds that accompany some adjustment programs. These funds are, in themselves, an example of the attempt to set up compensatory programs during periods of adjustment.

These trends are easily illustrated. It is more difficult to assess their impacts. In a few cases it is appropriate to ask whether nutritional considerations are solutions searching for a context, whether they address the more accessible rather than the more pressing problems, or whether they are more political than substantial. More concretely, future interventions might benefit from continued assessment of whether explicit nutrition programs are more appropriate than broad policy considerations,² whether targeted programs are more effectively implemented than broadly based measures in all environments, and whether nutrition is best promoted by food policy and food oriented subsidies or by health and sanitation programs.

Clearly this is a large agenda and the current paper does not propose to find definitive answers to all these and related questions. In part this is because many of the most interesting programs are not completed or evaluated. Moreover, the evolution of new approaches ensures that any perspective will not be definitive. The paper does, however, review the role of nutrition in recent structural and sectoral adjustment lending. Although particular attention is given to the latter, in part because the number of sector adjustment loans is increasing relative to SALs, a sharp conceptual distinction between sector adjustment and SALs is not drawn. It is well known that agriculture is

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often affected more by changes in trade policy than by specific sectoral measures; similarly, poverty and malnutrition are not confined to a sector and solutions are not easily compartmentalized.

The main body of the paper begins with a perspective to support this latter view. A review of trends in Bank programs follows. Because these trends mask the heterogeneity of the different approaches adopted, a few illustrations are also offered subsequently. It is not possible to be exhaustive; examples are chosen on the basis of available information and the approaches that can be illustrated with them.

It is also not our intention in this paper to monitor the impacts of various adjustment strategies per se, or of counterfactual macroeconomic scenarios, on poverty and nutrition; a meaningful contribution to the evidence cannot be done en passant. We take the need to consider poverty impacts as given, or at least revealed preference, in a number of Bank policy statements. It is not difficult to find country studies which indicate reduced earnings for many of the poor over a number of years due to stabilization measures' policies or declines in real income following food price increases. It is as easy, or easier, to document examples where the opposite has occurred. It is not yet possible, however, to find cases that show that economic recovery has made consideration of nutrition interventions redundant.

It is of interest, then, to review how these considerations have led to action. Moreover, the discussion draws the distinction between changes in welfare as measured by income and those indicated by nutritional impacts. Many economists argue that the former is the most appropriate welfare measure, but society in general and policymakers in specific often have greater tolerance for inequality of income than of food or health maldistribution (Tobin 1970). Specific attention to nutrition by policymakers reflects both consideration of long-term investments in human potential as well as immediate concerns of public support for adjustment measures and provides additional rationale for the specific focus of the study.

Conceptual Framework: Policy Levers to Influence Nutrition

A first step in considering the linkage between adjustment and nutrition is to recapitulate the pathways between policy and nutritional outcome. A prevailing model of health and nutrition production is based on the same approach used in modeling production and consumption choices in agricultural households (Singh, Squire, and Strauss 1986). In this approach utility is derived both from purchased goods and home produced goods including health and nutrition (Schultz 1984). Some of the inputs into the production of nutrition and health provide no direct satisfaction, that is, are not consumer goods themselves. Others, such as food, are desired both for their impact on health production and for the direct utility they provide. A household is constrained both by its budget and the available health technology in determining its investment and consumption choices. The technology constraints are relaxed as information is acquired and new processes are devised. The budget constraint reflects returns to assets and market prices (including wage rates). Regarding health and nutrition, one needs to consider not only food prices but the price of obtaining health and sanitation services. Both the quality adjusted price of services and the stock of knowledge reflect public investments over a number of years.

A number of implications for the adjustment process can be derived from this basic model. First food is only one input into the production of better nutrition. Changes in food supply change food consumption through their impact on prices; this is a distinct pathway from the change of food

demand through changes in income. Moreover, even when food policy diverges from a narrow definition of agricultural policy by focusing on consumption as well as production, it is not synonymous with nutrition policy. Complementary inputs of health and sanitation as well as education often determine the success of nutritional strategies.

This bears on a second point. While family income may be an important determinant of nutritional status of the household, changes in income may not always lead to corresponding changes in nutritional status.³ Not only are impacts mediated by aggregate household responsiveness and intrafamily distribution, but also nutrition production possibilities are influenced strongly by the availability of public goods. Modest increases in household income generally do not change the availability of quality health care or the ability of a household to live in a sanitary environment.

Third the nutritional status of a population often responds slowly to changes in the economic environment. Household consumption is buffered from short-term income changes by savings, credit, and other coping measures. These, however, become less adequate over time and when shocks are correlated throughout the community. Similarly, changes in net investment in health or education have a cumulative, but lagged, impact on the availability and quality of health infrastructure and on the prices that a family faces.

Fourth the technological frontier in health, as in agricultural production, is partly a function of these lagged investments. In general the stock of knowledge does not deteriorate rapidly, although its dissemination may. Nevertheless, the rate it is accumulated slows when health investments slow.

These latter two points help explain why there is not a strong immediate link between adjustment processes and measures of nutrition and health at the national level, even in those countries where poverty can be shown to have increased and public investment in health to have declined.⁴ Downward trends in infant and child mortality rates or levels of malnutrition which were observed in Latin America through the 1970s did not in general reverse in the 1980s despite the widespread economic contraction that accompanied adjustment.⁵ Nor did the crises that preceded economic restructuring in Africa halt the improvement in life expectancy in that continent.

Over time, however, the cumulative impact of reduced school enrollment or an inability to maintain investment in infrastructure or a household's exhaustion of its financial reserve would be expected to show in health statistics. Available data, however, generally are insufficient to estimate the extra deaths from a slowdown in these rates of improvement, nor the distribution of changes in mortality over subregions.⁶ Nevertheless, such a potential cumulative impact provides one justification for including attention to human capital investments in adjustment programs.

Approaches to Nutrition in Adjustment Lending

Trends in Program Objectives

One of the most detailed analyses of the consideration of social impacts in adjustment lending is presented in Ribe and Carvalho (1990).⁷ This section follows that study in attempting to summarize a large body of Bank lending in a few matrices. It differs not only in the years of coverage, but also by its particular focus on nutrition and food policy as well as by its coverage of social funds along with two types of adjustment lending, SALs and agricultural structural adjustment loans (AGSALs). Anyone acquainted with a single project in the three tables which follow will note the degree of

abstraction and judgement calls necessary to construct such tables; appraisal reports are not a substitute for familiarity with a specific project. To some degree this limitation is countered in the specific illustrations which follow.

Looking first at AGSALs (table 1), one notes that roughly one-half of the total number of programs between 1983 and 1991 include an explicit consideration of nutrition. However, only 20 percent of the loans prior to 1987 have a nutrition component, while virtually all of the programs since 1987 do. One exception, Tunisia, includes the targeting of food subsidies as part of its 1988 SAL and its 1992 economic and financial reform program.

While recent SALs do not have as many explicit mentions of nutrition, there has been a clear tendency since 1987 to include poverty programs targeted to low-income households, or regions and employment categories believed to be associated with low incomes (table 2).⁸ Roughly one-third of the loans since 1987 (inclusive) explicitly address nutrition, while two-thirds have targeted poverty programs. To a degree this may be the result of a change in format; appraisal documents prepared since 1985 rarely fail to include an explicit section on social impacts from which it is comparatively easy to discern the specific poverty alleviation measures. Nevertheless, even assuming that some of the earlier SALs contained targeted poverty measures that were omitted in table 2, it remains apparent that in the first half of the 1980s, macroeconomic stabilization was addressed in relative isolation from specific poverty programs compared to later years. Social issues were not necessarily ignored; public expenditure reviews accompanying many SALs often stressed health and education investments (Sahn 1992). Similarly, many SAL documents stress that price policy and marketing reforms, including trade policy, would remove biases against middle-income, and often low-income, producers. However, specific programs to deliver services or to target employment creation were seldom delineated. For example, none of the eight loans prior to 1987 that plan for a removal of generalized food subsidies mention targeting or other compensations to low-income households.

The contrast between earlier and later SALs is not only a sequencing of policy measures that begin with fiscal and trade reforms and progress to interventions on a more microlevel as steps toward macroeconomic stabilization are achieved. Targeted poverty measures and explicit consideration of nutrition are slightly more likely to occur in first SALs in 1987-91 than in second or subsequent SALs.

Many of the more recent loans address poverty by means of a complementary social fund or social action program. Such parallel funds have the potential to address poverty and its manifestation in high mortality rates and levels of malnutrition without scaling back or redirecting the reform program.⁹ Virtually all of these funds have some explicit nutrition programs as well as targeted programs aimed at raising incomes (table 3).

Another difference between earlier SALs and more recent ones is apparent in the manner in which reforms of food subsidy programs have been handled. As mentioned earlier SALs seldom included compensatory measures when generalized subsidies were reduced. Since 1985, however, targeting of subsidies has been addressed even when the main motive of the reform is to relieve pressure on the exchequer more than to provide additional resources to the poor. Note that there are some, but not many, examples of a targeted subsidy program being designed where a general subsidy was not being scaled back. The substitution of a targeted program for a generalized subsidy is clearly more efficient from the perspective of aggregate social welfare. Poor households, which were originally in the program, however, do not necessarily receive significantly more resources than they had previously, although they receive more than if the subsidy was to be removed across the board.¹⁰ Moreover, in a number of programs, reforms of generalized subsidies have led either to an increase of resources for each recipient or to an expansion of subsidies to bring additional households into the transfer programs. Examples include Mexico and Jamaica in table 1 and Venezuela in table 2.

Table 1. Nutrition Action in AGSALS

FY	Country	Preceded by SAL	Nutrition component	Subsidies		Food distribution e.g food aid/FFW	Other targeted nutrition/health	Other targeted poverty
				Removal of GFS	Add/expand targeted FS			
83	Uganda							
83	Malawi	x						
84	Brazil							
85	Ecuador		x	x	x	x		
85	Uruguay							
85	Burkina Faso							
85	Zambia							
85	Turkey	x						
85	Morocco							
86	Madagascar		x			x		
86	Kenya	x		x				
86	Brazil							
86	Somalia		x		x	x		
86	Colombia							
86	Argentina							
87	Mauritania	x	x			x		
87	Morocco		x	x	x			
87	Tunisia							
88	Mexico		x	x	x		study	
88	China		x	x	x			x
89	Burundi	x						
89	Somalia							study
89	Tunisia	x						
90	Kenya		x		study			
90	Cote D'Ivoire	x						pilot
90	Malawi	x	x	x				x
90	Mali		x			x		x
90	Jamaica	x	x	x	x			
91	Mexico		x	x	x		pilot	x
91	Tanzania		xx					xx
92	Burkina Faso	x	x			x	x	x

Note: x Indicate presence of corresponding program in the loan design.
xx Complementary social action program supported by the World Bank.

Table 2. Nutrition Action in SALS

FY	Country	Preceded by SAL	Nutrition component	Subsidies		Food distribution e.g food aid/FFW	Other targeted nutrition/health	Other targeted poverty
				Removal of GFS	Add/expand targeted FS			
80	Turkey							
80	Philippines							
80	Bolivia							
80	Kenya							
80	Senegal			x				
81	Malawi							
81	Korea							
81	Cote D'Ivoire							
81	Guyana			study				
81	Mauritius	x		x				
81	Turkey	x						
82	Jamaica							
82	Turkey	x		x				
82	Pakistan							
82	Thailand				x			
82	Kenya	x						
83	Malawi	x						
83	Mauritius	x		x				
83	Jamaica	x						
83	Panama							
83	Yugoslavia							
83	Togo							
83	Philippines	x						
83	Korea	x						
83	Thailand	x						
83	Turkey	x		x				
83	Cote D'Ivoire	x		x				
84	Turkey	x						
84	Jamaica	x						
85	Chile							x
85	Togo	x						
85	Costa Rica							
85	Malawi	x						x
86	Chile	x						x
86	Gambia							x
86	Cent. Afr. Rep.							x
86	Cote D'Ivoire	x						
86	Senegal	x		x				x
86	Guinea							
86	Niger							x
86	Burundi							
86	Panama	x		x				
87	Guinea-Bissau					civil servants		study
87	Zaire							
87	Mauritania		x		x	x		x
87	Senegal	x					x	x
87	Ghana		x				x	xx
87	Sao Tome		x			x		x
87	Dominica							
87	Nepal		x	x	x	x		x
87	Uruguay							x
87	Chile	x	x		x		x	x

Table 2. continued

FY	Country	Preceded by SAL	Nutrition Component	Subsidies		Food distribution e.g food aid/FFW	Other targeted nutrition/health	Other targeted poverty
				Removal of GFS	Add/expand targeted FS			
88	Cent. Afr. Re	x						x
88	Togo	x						pilot
88	Guinea	x	x				x	x
88	Gabon							x
88	Tunisia		x	x	x			x
88	Congo							
88	Burundi	x	x				x	pilot
89	Laos PDR							
89	Trinidad							study
89	Costa Rica	x						
89	Gambia		x				x	x
89	Guinea-Bissau	x						
89	Benin							
89	Morocco			see AGSAL				
89	Nepal	x						
89	Venezuela		x	x	x		x	xx
89	Honduras							
89	Ghana	x						xx
89	Cameroon							xx
89	Uruguay	x						
89	Guyana	x						xx
90	Hungary							b
90	Papua N. Guinea							
90	Senegal	x						x
90	Yugoslavia	x						
90	Cent. Afr. Re	x						
90	Zaire	x						
90	Sao Tome		xx					xx
91	Honduras	x	x			x		xx
91	Egypt		xx					xx
91	Benin	x						xx
91	Togo							xx
91	Rwanda		xx					xx
91	El Salvador		x		pilot	x		x
91	Poland		x		study			b
91	Mali							study
91	Czechoslovakia							b
91	Burkina Faso							survey
91	Bolivia	x	xx				x	xx
91	Bulgaria							b
91	Uganda						x	xx

Note: x Indicate presence of corresponding program in the loan design.
xx Complementary social action program supported by the World Bank.
b Income-based safety net.

Table 3. Nutrition Action in Social Funds/Social Action Programs

FY	Country	Preceded by SAL	Nutrition component	Subsidies		Food Distribution e.g food aid/FFW	Other targeted nutrition/health	Other targeted poverty
				Removal of GFS	Add/expand targeted FS			
87	Ghana	x	x			x	x	x
88	Bolivia	x	x			x	x	x
89	Argentina		x				x	x
89	Guinea	x						pilot
89	Sao Tome	x	x			x	x	
90	Venezuela	x	x	x		x	x	x
90	Chad		x			work plan/pilot	study	
90	Haiti		x	x		x		x
90	Uganda						x	study
91	Egypt	x	x		study	x	x	
91	El Salvador	x	x		x	pilot	x	x
91	Honduras	x	x		pilot		x	x
92	Rwanda	x	x		x	x	x	x

Note: x Indicate presence of corresponding program in the loan design.
xx Complementary social action program supported by the World Bank.

Design and Implementation

Such subsidy programs are a prevalent component of a number of AGSALs and SALs. Implementation, however, remains tentative. For different, largely political, reasons the plans for targeted subsidies in Ecuador, Somalia, and Morocco in table 1 were scaled back.¹¹ No mention of targeting occurs in Nepal's second SAL nor in the project completion report for the first SAL.¹² Similarly, Tunisia's reform schedule (table 2) was revised, although not abandoned.

While a global review of subsidy programs would indicate that a number of programs reach rural populations (Alderman 1991b), rural market channels are such that it is comparatively difficult to design targeted consumer subsidies to reach this sector. A number of the subsidy reforms in table 1 are designed to protect the urban poor while agricultural incentives are improved.¹³ With a few exceptions such as Mexico, which includes a package of food aid and complementary health services in its pilot program, AGSALs meet the needs of the rural poor through income generation or increased availability of food in deficit areas. For example, although Mali's adjustment plan calls for a reorganization and reduction of the agricultural marketing board (OPAM) the office retains the responsibility of marketing grains in deficit areas. Mali's AGSAL also includes food for work programs linked with an early warning system to monitor emergency conditions.

At times the approach to food security in AGSALs is indirect and linked mainly to aggregate supplies, rather than income. In the Mali example, it is the open market operation in grains more than targeted programs that is expected to address food security. Tanzania's AGSAL anticipates that market liberalization will both raise producer prices and lower urban consumer prices. Rural households, which are net purchasers of grain, are expected to benefit only through sectoral expansion.¹⁴ Similarly, Malawi has addressed food security indirectly. Its first AGSAL argues that food security for the poor would be protected by the retention of fertilizer subsidies; the performance audit, however, acknowledged that this was a flawed concept as few small farmers benefited from the subsidy. In Malawi's second loan, food deficient households were to be targeted for agricultural credit.

Tanzania, however, also directly addresses nutrition and rural health care delivery through its complementary social plan. While this particular plan is not included among lists of social funds and action plans in table 3 as it is not a Bank initiative, it receives a portion of its funding from the International Development Association (IDA). As such, it is an example of auxiliary programs planned in conjunction with other reforms.

The role of similar plans and funds is illustrated by the 1991 SAL for the Arab Republic of Egypt, a comparatively late addition to the roster of countries that have undergone major economic adjustment. As with Tanzania, no component of that loan addresses social policies, although a contemporaneous social fund was drafted precisely to deal with this issue. In this particular example, the resources for the social fund exceed that in the SAL; the latter is for US\$300 million while the former is expected to exceed US\$550 million including over US\$400 million in cofinancing.

Such funds are based on a model first tried in Bolivia (Jorgensen, Grosh, and Schacter 1991). A characteristic feature of social funds is that they attempt to be quick disbursing and institutionally innovative means to address poverty and its manifestations. Often they rely on nongovernmental organizations (NGOs) for program design and implementation. They differ from social action programs such as Tanzania's or Ghana's Program to Mitigate the Social Costs of Adjustment (PAMSCAD) primarily in that with social funds the Bank negotiates the criteria for subprojects but not the projects themselves (World Bank 1991b).

The core of most of the funds and social plans reviewed is employment generation with nutrition interventions often being small and unimaginative. For example, only 2 percent of the social fund for Egypt is devoted to increasing the capacity for targeting subsidies and services. Another 8 percent is earmarked for community development, including immunizations, childcare, maternal nutrition, and literacy. Over one-half is devoted to public works, with a priority in poverty areas, and another 20 percent to expanding small enterprises.¹⁵

Of course a small share does not necessarily imply low impact; the pilot food coupon program in Honduras was budgeted for only 0.7 percent of the social fund, yet initial field visits indicate that both components (school- and clinic-based delivery systems) have proven that the mechanisms are feasible. In addition, the distribution of coupons as a means of income maintenance appears to have promoted utilization of clinics and school enrollment.

Performance on social plans is often uneven, partly reflecting the range of implementing agencies. Poor communities often can not make their demand for nutrition sufficiently apparent to become a priority among the wide array of programs. For example, a number of components of Madagascar's Economic Management and Social Action Project, such as malaria control and employment generation, were inaugurated successfully. This was not the case with the various subcomponents for food security. The slow start was in part because the plan did not have the opportunity to draw on subsequent global experience that helped clarify long-term objectives from transitory needs. However, this was exacerbated by the disinterest of the cell within the ministry of agriculture charged with implementation.

Improving Data and Analysis

A number of nutrition components in the various funds as well as in the SALs and AGSALs are pilot programs or studies. In many countries the information necessary for poverty targeting or for choosing program priorities is lacking. In others, there is a need to gain administrative experience before a large-scale intervention can be successfully operated. Thus the food coupon initiative in Honduras is designed to assess the logistics of a larger nationwide 3-year distribution program. Similarly, Mexico's rural pilot nutrition project or the study incorporated in Kenya's AGSAL are clearly designed to provide information on the need or feasibility of more widescale interventions. It is too early to know whether the majority of the pilot programs and studies will lead to sustained programs.

Grosh (1990) indicates that survey data have the potential to feed directly into reforms stipulated in adjustment programs. This indicates a capacity, although to date there are few examples of close ties between data generation and program design. While the data collection and analysis designed to construct poverty profiles may result in useful tools for ex post assessment and for second generation efforts, they often work under different timetables than the appraisal missions. For example, the survey that is one of the few poverty projects in Burkina Faso's 1991 SAL could not realistically be expected to assist the targeting of the nutrition programs that are central to the proposed 1992 AGSAL. In this particular example, the difficulty is inherent in the gestation of a survey. However, in a number of cases, timetables have been unrealistic. Moreover, for institutional reasons, which vary from country to country, data analysis is not closely linked with policy formulation. For example, Mauritania's living standards survey initiated in 1988 has yet to be used for the food aid targeting listed in AGSAL. Similarly, the survey listed in Mali's 1991 SAL has been postponed, in part, because the country has a backlog of unanalyzed data from other projects.

Will the emergency social plans outlast the learning stage? One might extrapolate from the initial, or pilot, social fund; Bolivia's Emergency Social Fund (ESF) was planned with a sunset or "Cinderella" clause to terminate the program after three years. Ultimately, however, a Social Investment Fund (SIF) was established to build on the experience of the ESF. Unlike its predecessor, however, the SIF is to concentrate on health and education rather than employment generation.

The transition contains a challenge likely inherent in similar programs. One factor that contributed to the successes of the ESF was that it was outside of normal government channels (Jorgensen, Grosh, and Schacter 1991). Skillings, Marc, and Makonnen (1991), however, point out that the institutional autonomy of the ESF may pose problems for the transition to the SIF, especially because the pay scales differed from normal government service. Similarly, the reliance on NGOs, a feature of social funds as well as many social plans that complement SALs, may work at cross purposes to any objectives of a SAL that include upgrading institutional capacity within a government in so far as efforts are diverted from the latter.¹⁶

Case Studies

Mexico (AGSAL I and AGSAL II). In many respects Mexico's experience with adjustment in the 1990s is the archetype of structural adjustment. Beset with both interest rate and terms of trade shocks and burdened by inefficient state-owned enterprise and a protectionist trade structure, the country had much to adjust. By many measures the process has been successful; by many others the transition has also been difficult for the population. For example, official gross national product (GNP) per capita declined cumulatively by 12 percent between 1981 and 1989. Industrial wages declined by 50 percent. Per capita social (health and education) spending declined by 30 percent in 1983 alone and failed to make up that loss in the ensuing years in the decade (Lustig 1991). One component of fiscal reform was a reduction of generalized food subsidies, particularly those on maize and maize tortillas. Existing for over a decade prior to the macroeconomic crises and costing over 1 percent of GNP in many of those years (Lustig 1986), these subsidies were untargeted but primarily accrued to the urban population. As such they had little impact on the poorest groups in the country (Lustig 1986).

One objective of the 1988 AGSAL was the elimination of global subsidies and the establishment of a targeted food subsidy distribution. The loan also had as conditions for second tranche disbursement the undertaking of a study on the expansion of nutrition programs and a pilot introduction of subsidies in rural areas. Most noteworthy, this pilot explicitly addresses sanitation and nutritional knowledge as well as food availability in keeping with the broad approach to nutrition referred to in the conceptual framework. The specific focus on nutrition was continued in AGSAL II with an evaluation of food and nutrition programs and agreement on an action plan conditions for second tranche release.

Some indication of the effectiveness of these measures can be found in table 4. While generalized subsidies were reduced briefly in 1987, the basic marketing structure was not reformed and the subsidies persisted. Targeting on the basis of income, however, was implemented in 1986 and restructured in 1991 (figure 1). Since November 1990, the growth of the means tested tortilla distribution (based on family income under twice the minimum wage) has been achieved with the expansion of the program into smaller cities.¹⁷

Table 4. Mexico: Government Expenditure in General and Targeted Subsidies
(As percent of gross domestic product)

	1983	1984	1985	1986	1987	1988	1989	1990	1991*	1992*
Targeted	0.000	0.000	0.000	0.031	0.067	0.118	0.126	0.175	0.23	0.31
Tortilla	0.000	0.000	0.000	0.013	0.050	0.047	0.041	0.045	0.12	0.18
Milk	0.000	0.000	0.000	0.018	0.017	0.071	0.085	0.130	0.11	0.13
General	1.253	1.061	0.513	0.238	0.005	0.370	0.736	0.490	0.23	N.A.
Total	1.253	1.061	0.513	0.269	0.072	0.488	0.862	0.665	0.46	

Note: * Unofficial projections based on conversions with officials at CONASUPO and Leche Industrializada CONASUPO (LICONSA).

Source: Compania Nacional de Subsistencias Populares (CONASUPO), Direct information. General subsidies correspond to subsidies in grain and oilseeds.

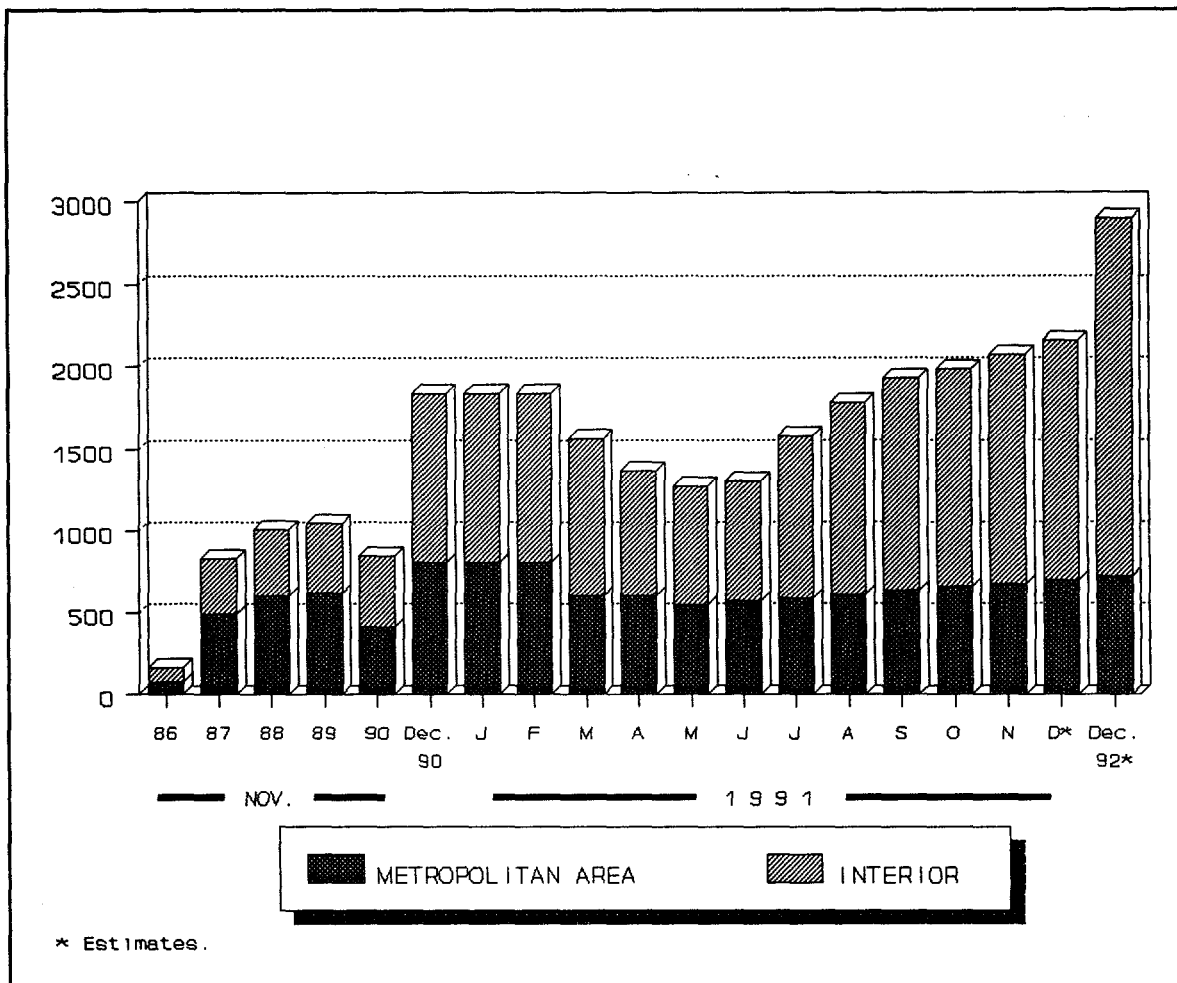
This ambitious and apparently successful program reorientation can be used to illustrate a number of points about nutrition components of adjustment programs in general. First the program indicates that an AGSAL can be used to address fiscal reforms (subsidy reductions) and improved urban targeting, addressing objectives often considered the domain of a SAL. Conversely, similar program objectives included in SALs, for example those in Tunisia, could be justified in an AGSAL. Food consumption need not be relegated to agriculture, nor are subsidy issues strictly the concern of finance ministries.¹⁸ Recent social funds often linked to SALs, of course, can bridge between the two, but the placement of targeted subsidy programs in SALs or AGSALs still depends on individual initiatives as well as institutions.

Second the mechanism of loan preparation often serves the function of explicit conditions. The policy objective of shifting from general to targeted subsidies was largely achieved before the appraisal of AGSAL I. Similarly, the reform of the tortilla program in 1990 preceded the effective date of AGSAL II by more than six months. However, this does not imply that the same reform timetable would have occurred without the process of loan preparation and negotiation as well as the provision of technical assistance.

Third from a managerial standpoint, it is easier to change administered prices (including macroprices) than it is to design a compensatory program that reaches millions of families. Major trade and macropolicy changes occurred before a targeted subsidy program reaching most of the urban poor could be implemented. Logistics, as much or more than will, has meant that programs to directly reach the majority of the rural poor will take even longer.¹⁹

Fourth the Mexico example, as well as a number of other programs in the region (Selowsky 1991; Grosh 1990) illustrates that it is possible to design programs to protect vulnerable groups without modifying the basic macroeconomic and structural reforms of the economy.

Figure 1. Mexico: Evolution of the Coverage of Maize-Tortilla Distribution (1986-92)



Note: * Estimates.

Ghana, PAMSCAD.²⁰ If one seeks to construct a typology of adjustment programs, that of Ghana is unlikely to be classified in the same category as Mexico. As in a number of adjustment programs in Africa, stabilization, in the sense of an economic contraction, was not part of Ghana's recovery program; the economy had contracted prior to the adoption of reforms. For example, the country had neither the creditworthiness to be sensitive to an interest rate shock nor the foreign reserves to maintain a trade deficit. Massive devaluation shifted economic rents and allowed price signals to allocate resources more efficiently, but it was followed by an increase in the volume of imports. Similarly, net government expenditures on health and education rose regularly after the adjustment program began. Other differences with stabilizations in Latin America can be illustrated, but it is sufficient to point out that there are comparatively few "new poor" in Ghana. Poverty is not a result of Ghana's adjustment policies; it is, nevertheless, their challenge.

As originally designed in 1987, PAMSCAD had twenty-three subprojects budgeted at US\$83 million. Only a few of these were directly tied to adjustment conditions. For example, four subprojects were designed to provide retrenched government employees with a compensation package

as well as with training and counseling. Another provided food aid if the redeployees resettled in agriculture. The majority of the programs, however, were not really intended to mitigate impacts of adjustment so much as to ensure that significant groups were not bypassed by economic growth.

As with a number of social funds, programs for employment generation are at the center of PAMSCAD. Public works components were designed to be labor intensive. Similarly, a food for work project was targeted to the savannah belt, a region known to be the poorest in the country and one which has few exports (either crops or minerals) that would benefit rapidly from devaluation.

Nutrition was directly addressed by means of a supplementary feeding program distributed through health centers.²¹ Geographically targeted to two districts in each of the twelve regions in the country, the program is designed to reach 24,000 mothers and young children. The program began initial distribution in January 1990 in two regions. Most noteworthy, this program did not appear in this form in the original PAMSCAD proposal. Little in the project preparation considers the worldwide record of supplementary feeding programs in order to innovate and preempt problems observed elsewhere.

As already discussed some motifs that apply to other complementary social plans can be illustrated with this example. First the package is based on cofinancing from various donors although some components were financed directly by the government of Ghana.²² The necessity to raise such funds delayed implementation, often by more than two years from the initial proposal. Disbursements in 1988 and 1989 were less than 40 percent of plan. It appears that not all the funds, and the projects, were additional. To some degree, for example, the supplementary feeding program replaced distribution by NGOs.

Second the initial proposal was drafted swiftly and in a relative information vacuum. For example, the Ghana Living Standards study did not complete its first round of data collection until September 1988. A similar demographic and health study was not conducted until the following year. Neither study was designed to provide reliable data at a regional, much less a district, disaggregation. Given that a correlate of underdevelopment in services is often underdevelopment in statistics, it is frequently necessary to trade off some statistical precision in order to attempt the degree of disaggregation that is often required for program design.²³

Third although the proposals were prepared in conjunction with the SAL (4 years after Bank supported adjustment efforts were inaugurated) actualization of the plan was delayed. This reflects both the funding delays mentioned already and administrative capacity. This supports the view that the program was less mitigation of adjustment induced hardships as a program to address preexisting and persistent social problems. It also underscores the need for considering planning capacity and the number of new initiatives in social plans and funds.

Fourth the poverty alleviation motive is not incompatible with a second motive, that of political considerations. The decision to have distribution of supplementary feeding in each region is likely to maximize visibility rather than to address the most pressing nutritional problems. This also likely explains PAMSCAD and World Fund Program (WFP) support for 80,000 boarders at secondary schools or why a significant component of Bolivia's ESF was addressed to needs of miners. This need to create a political consensus is not unique to Ghana, nor does this need rule out that a program to address poverty may additionally serve political concerns.

Fifth while community involvement often enhances program design and implementation, it occasionally works at cross-purposes to poverty targeting. The supplementary feeding program includes assistance to communities in constructing nutrition centers. Some poor communities were unable to raise funds to build these centers.

Conclusions

There is little doubt that experience, often reflected in a mirror held by critics, has led to a broadening of the types of poverty programs included in SALs and AGSALs. It is now the exception when a SAL or AGSAL fails to consider programs directed at poverty alleviation or to be explicitly linked to social programs which do so. By design these programs are diverse. Quite often they are specifically linked to nutrition, either as an objective as in Mexico and El Salvador, or as an indicator of groups toward which income generation programs should be targeted as in Mali.

In many cases in which poverty is addressed in an adjustment program, income generation is both a means to an end as well as an end in itself. Targeted poverty programs often are designed not only to reinforce the political consensus for economic restructuring, but as temporary measures to maintain living standards until a sustainable economic base is established. Adjustment lending always sought income generation as an end; it is viewing it as a means that is an innovation.

Under this perspective--implied if not actually stated as such in a number of recent Bank documents including the Poverty Handbook--one need not address the question of whether nutrition should be an objective distinct from poverty alleviation. Whether or not an adjustment program creates new poverty, social investment in health and nutrition as well as education are being seen increasingly as a means to further economic reform as much as an objective. Income generation projects, however, remain more prevalent in the programs reviewed than are programs aimed at enhancing health and nutrition. While this study cannot directly assess the specific considerations which underlay this project mix, we can note that the choice of where and how much to allocate to income generation as opposed to service delivery is rarely decided on the investment potential of each, a question which is distinct from which measures are more suited as welfare indicators.²⁴

To amplify, public works and other employment programs may provide both a short-term income transfer²⁵ as well as an increased capital stock. Moreover, the same can be said for nutrition projects. In both cases the emphasis between current consumption and investment is affected by program design. With nutrition and health projects, however, rates of return are computed less easily. This, along with the view that a money metric is the least ambiguous measure of welfare, may then account for the emphasis on income transfers in SALs and social action plans.

Even within the subset of poverty programs, which explicitly emphasize nutrition, there is a stress on implicit income transfers through food pricing and food distribution. To be sure, this has a greater impact on human capital than an approach that assumes an overall supply of food or overall economic health will automatically reach the poor. Nevertheless, this approach, that separates food policy from health policy, misses some comparatively easily obtained synergisms. These synergisms occur both in the process of combining inputs to produce a nutritional outcome as discussed above, as well as in program design. Can agriculture sectoral adjustment, which is shown to be able to design targeted-based as well as marketed-based approaches to food policy, cover complementary health inputs? Or is this overburdening the administration structure? An AGSAL, however, need not be solely tied to a ministry of agriculture. The Mexico and Jamaica examples illustrate the link between food policy and health care service delivery within an AGSAL; Burkina Faso's planned program will likely show that similar efforts are possible outside of Latin America.

In addition to the few AGSALs, which include health with food subsidies in rural areas, there are a number of specific programs already being undertaken that indicate the potential for synergism of health and nutrition with agriculture. For example, rural credit has been linked with nutritional monitoring and educational programs. Elsewhere extension and promotion of new crops has been linked to both the private sector production of weaning foods and to distribution through clinics.

Some of these and similar projects are covered in Kennedy (1991). Clearly there can be no categorical statement about which programs that link nutrition to agriculture or to employment generation are appropriate in an AGSAL or a SAL, but there are enough successful examples to indicate that sectorial pigeonholing is an unnecessary limitation.

Similarly, social funds and related action programs often are sufficiently comprehensive to address both income generation and the delivery of health services; the latter often, but not always, including nutrition. Social funds, however, often face tradeoffs between short-term and long-term objectives. This not only often runs a risk of failing to achieve sustainable institutional capacity for service delivery, but also poses a challenge for program design in the short term. While experience in Bolivia and Ghana indicates the potential for tying social programs to successful adjustment lending, it also indicates that targeting service delivery to the poorest regions and the poorest families within such regions is a time-consuming process. This does not argue for delays in project initiation but rather for the recognition of gestation periods in project planning. Similarly, given the challenge of reaching the poorest, interim programs need to consider broad targeting as a provisional step toward more narrow targeting. That is, if a narrow but deep safety net will miss many of the poor given initial institutional capacity, a broader, albeit shallower, safety net might be considered.

The challenge of reaching the poorest also points to one of the biggest shortcomings in current programs. A number of programs have been plagued by an underutilization of existing data and significant delays in the planned generation of new information. The potential for improved program design using integrated household studies and more rapid censuses has been demonstrated in a few cases. To date, however, weak links between researchers and policymakers, inside the Bank as well as within governments, has meant that the potential has rarely been achieved.

Unrealistic timetables are a disservice for program design. An accurate assessment of the time for survey preparation, counterpart selection and data analysis can be derived from multicountry experience. It is unlikely that a survey initiated in a SAL or AGSAL will be available for prior project design in later phases of that loan. The survey, however, can be considered as any other infrastructure investment, useful for future work as well as for ex post program evaluation and improvement.

This does not mean that countries need wait until second or third adjustment loans to initiate programs to address either acute or chronic poverty as has been the case in a number of African countries. Project appraisal takes approximately 18 months or more. If social investment is considered from the onset of the appraisal cycle, existing data as well as rapid assessments commissioned as part of the appraisal process can provide the foundation for a number of nutrition projects and interim poverty measures. In this manner a poverty alleviation plan can be in place when the first adjustment measures begin to affect the population. Similarly, the sequencing of measures can be incorporated into program design as adjustment becomes long-term development.

Proper planning and implementation implies recognizing the difference between addressing the needs of the new poor and of preexisting structural poverty. Regarding the former, a decade of experience in adjustment lending should provide guidelines to assess which policies, both macro and micro, have immediate impact on nutrition and poverty and for which impacts are lagged. There is also a need to avoid the temptation to foster rent seeking under the guise of compensation. For many policy changes such as the removal of generalized food subsidies, the magnitude of the impact on subpopulations can be calculated prior to implementation. An adjustment agenda can then initiate reforms and compensation to the poor, at a size commensurate to the added need, under the same timetable.

On the other hand, programs to address preexisting poverty need a different timetable; not a different starting point but a different horizon. Given that this task requires sustainable programs more attention needs to be devoted to administrative capacity. Adjustment lending serves the function

of putting such programs explicitly on the agenda as well as establishing momentum. Sectoral and other lending can then build on this momentum.

Endnotes

1. This emphasis is also indicated by operation lending. Nutrition lending in 1992-94, exclusive of those included in adjustment lending, is scheduled to be 120 percent higher than the previous 3 years.
2. Stewart, for example, contends that redesign of the adjustment package might be more appropriate than the addition of poverty alleviation compensations.
3. Recent reviews are available in Alderman (1990) and in Behrman (1991). Both reviews also discuss the empirical evidence on the impact of price changes on nutrition; while price changes for one food item often lead to substitution of other foods, overall nutrition is nevertheless affected by price movement.
4. See, for example, Lustig (1991) and also Hoffmann (1991).
5. Where data are good, however, one can often find a deceleration of the rate of improvement. For example, Chile which has excellent monitoring capacity and has achieved low mortality rates, had short-term increases in malnutrition and mortality in 1983 and 1986 (Castaneda 1991).
6. See, however, Macedo's data on Sao Paulo (Macedo 1988).
7. Other studies of a similar format include van Blarcom (1991) and Skillings, Marc, and Makonnen (1991). See also Selowsky (1991).
8. The increased emphasis on targeted programs is discussed in Ribe and others (1990) as well as in the Poverty Handbook (World Bank 1991b).
9. Skillings, Marc, and Makonnen (1991) review such programs. Some of the programs in their study are freestanding projects or otherwise additional to SALs, while others are components integral to the adjustment package (such as in the proposed AGSAL for Burkina Faso). The listing here takes a somewhat broad definition of social funds and complementary social programs.
10. An illustration comes from a proposed reform in Algeria. The reform will decrease food subsidies by 27 percent with households in nine deciles having a net loss in welfare. The lowest decile, however, is projected to receive a 16 percent increase of transfers.
11. The reforms of grain subsidies in Morocco did move ahead, but those on sugar and edible oil were postponed.
12. The limited food subsidies that remained in 1989 went primarily to civil servants and secondarily to transport grain to remote areas (World Bank 1991a).

13. Madagascar's urban rice subsidy does not appear on the matrix; the AGSAL planned for it to be maintained but neither targeted or expanded. In any event its implementation was flawed (Dorosh, Bernier, and Sarris 1991).

14. In a number of cases in Africa, however, market liberalization has reduced rural as well as urban prices. This is not necessarily in conflict with objectives of raising incomes because procurement taxes would also be reduced. A full analysis depends on an understanding of the relationship of marginal (often parallel) prices to official prices.

15. To a large degree, the explicit consideration of nutrition and community development was a product of a tacit alliance between Bank staff members, NGOs, and the Ministry of Social Affairs. That is, the process of designing the program strengthened the position of a relatively less powerful ministry.

16. Anecdotal evidence suggests that NGOs recruit some of their staff from government ranks. If so, one problem would be the need to offer competitive salaries. Another is the potential for revolving door contracting.

17. An optically readable smart card and computerized tracking system was installed in mid-1991.

18. The Mexican AGSAL is particularly interesting because the subsidy administration is under the Ministry of Trade and the design of the rural pilot health project as well as the evaluation of subsidies is under Solidaridad, within the Ministry of Budgeting and Planning. In other contexts, the inherent difficulty in forging interministerial linkages has delayed implementation of food subsidy reforms, for example, in Morocco's AGSAL.

19. The rural pilot project indicated in the 1988 appraisal report for the first AGSAL began distribution of food and expansion of services in late-1991. Similarly, Morocco was able to redirect its wheat flour subsidy fairly easily toward a grade consumed primarily by the poor, both those in rural as well as urban sectors but was less successful in implementing the school- and clinic-based feeding programs in its SAL.

20. This section draws heavily on Alderman (1991a). It is supplemented by the report of a World Bank review mission in October 1990.

21. A deworming program which may have nutritional impacts was also included in PAMSCAD.

22. The supplementary feeding program is not financed by the World Bank.

23. Shortcomings of geographic targeting in Bolivia's social fund are discussed in Jorgensen, Grosh, and Schacter (1991). The authors, however, conclude that short cut methods can go a long way.

24. This poses a major methodological challenge, one that is inherent to a range of human capital investments.

25. Less than actual earnings by the amount the laborer would have earned in lieu of participating (Ravallion 1991).

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