

## IV. Eradicating Poverty and Hunger

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## IV. ERADICATING POVERTY AND HUNGER<sup>1</sup>

At the beginning of the 21st Century, over 800 million people around the world were suffering from food insecurity and chronic malnutrition. Most of those suffering from hunger do not have enough income to buy food (absolute poverty); hunger in turn causes poverty, through disease, and by limiting the ability to work and restricting children's potential to grow and learn.

Because hunger and poverty are linked, world attention has been centered on the struggle against both in recent years. The goal of eradicating poverty was originally proposed as the second of the ten commitments assumed in March 1995 during the World Summit for Social Development in Copenhagen organized by the United Nations. That commitment proposed to eradicate poverty in the world by a target date to be determined by each country through vigorous national action and international assistance. It also specified that efforts to deal with the basic causes of poverty include the elimination of hunger and malnutrition. Subsequently, the Millennium Declaration, paragraph 19, further specifies that goal stating that it is "To halve, by the year 2015, the proportion of the world's people whose income is less than one dollar a day and the proportion of people who suffer from hunger."

The goal of reducing the number of people suffering hunger is based on the commitment made at the World Food Summit organized by the United Nations in 1996 in Rome. Box 1

### BOX 1. POVERTY AND HUNGER MDGs

Targets	Indicators
<p><i>Target 1:</i> Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day.</p>	<p>1. Proportion of population below \$1 (PPP) per day. 2. Poverty gap ratio. 3. Share of poorest quintile in national consumption.</p>
<p><i>Target 2:</i> Halve, between 1990 and 2015, the proportion of people who suffer from hunger.</p>	<p>4. Prevalence of underweight children under five years of age. 5. Proportion of the population below minimum level of dietary energy consumption.</p>

1. This chapter was prepared by César P. Bouillon with input from Mauricio Saavedra and contributions from Alfredo Solari and Mark Wenner.

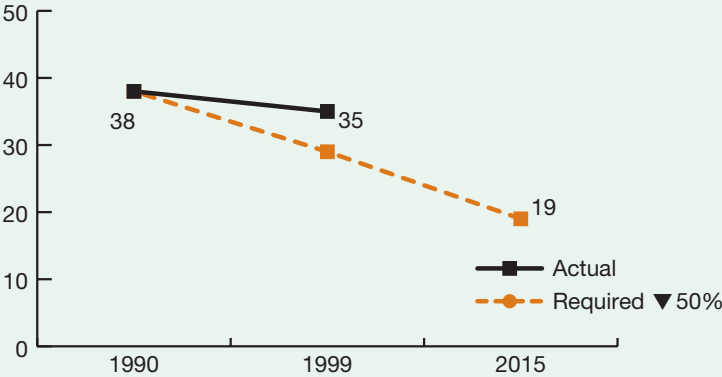
summarizes the targets and measurement indicators. Achieving them will depend, among other things, on annual growth rates in population and gross output, as well as income distribution and changes in food prices.

**1. PROGRESS OF THE REGION ON THE POVERTY REDUCTION MDG**

***Trends in Poverty during the Past Decade***

As mentioned in the previous chapter, there is a consensus that Latin America and the Caribbean achieved limited poverty reduction in the 1990s, not enough to reach the target of cutting in half the population living in extreme poverty between 1990 and 2015. Measured by the two-dollars-a-day line in terms of purchasing power parity (PPP), which is considered more relevant than the one-dollar line for poverty comparisons in Latin America given the economic characteristics and relative level of development of the region's countries, the proportion of poor people in the region fell by approximately 10 percent<sup>2</sup> (similar trends are found for poverty indicators measured by the one-dollar a day PPP line).

**FIGURE 1. PROGRESS TOWARD REACHING THE TARGET OF REDUCING BY 50% THE PROPORTION OF THE POPULATION LIVING IN EXTREME POVERTY BETWEEN 1990 AND 2015 (PERCENT OF THE POPULATION WITH INCOMES OF LESS THAN 2 DOLLARS/DAY PPP, 1985).**



Data available for 19 countries indicate that only five of them would succeed in cutting poverty in half measured by the two-dollar PPP line based on performance during the past decade (for the percentage of poor people measured by the one-dollar line only five countries from a total of 13 would succeed in cutting the percentage in half based on the

2. Estimated by Behrman, J., Birdsall, N. and M. Székely (2001) "Poverty, Inequality, and Commercial and Financial Liberalization in Latin America," Inter-American Development Bank, using household surveys from the region and poverty lines of one and two dollars per capita monthly PPP based on 1985. It should be noted that the description of recent poverty trends in the region is sensitive to methodological problems. Nevertheless, other recent studies using different methodologies also agree that poverty in the region decreased moderately in the 1990s.

performance of the past decade). The distance between the average income of the poor and the poverty line remained at 46 percent of the line, or US\$0.92 a day PPP, throughout the decade (figure 1 shows the progress of the region toward reaching the target measured by the two-dollar line, and the trend required to reach the target by 2015).<sup>3</sup>

Unfortunately, the pace of poverty reduction in the region does not seem to have accelerated during the first years of the current decade. A preliminary estimate on the basis of the region's economic growth rate in the 2000-2002 period, and assuming stability in income distribution, finds that the declining trend in the poverty rate (the percentage of people living on less than two dollars a day PPP) continued to the end of the 1990s, but halted between 2001 and 2002. While the contraction in regional per capita income in 1999 caused a moderate increase in poverty, solid growth in 2000 brought it below the level recorded in 1998. Specifically, projections tentatively suggest that the poverty rate in the region fell four percentage points between 1998 and 2000. However, poverty grew by two percentage points between 2001 and 2002 due to the moderate drop in per capita gross domestic product in that period.

It should be pointed out that a more disaggregated analysis shows greater heterogeneity in poverty projections between 1999 and 2002 resulting from differences in trends in per capita income and income distribution between the countries of the region. While some countries showed sustained growth, others suffered major declines in per capita income during the 1999-2002 period. Thus the relative stagnation of most countries in South America stands in contrast to the high growth rates of other countries of the region in the past three years.<sup>4</sup>

### ***Profile of Poverty in the Region***

Poverty in the region is strongly associated with low levels of education. The poverty rate in households headed by people who have only completed primary education (41.3 percent) is over eight times as great as in households headed by people with higher education (5.1 percent). Likewise, the poverty rate is more acute in rural areas, where it is more than double that of urban areas (59.1 percent versus 26.1 percent). Poverty is concentrated in households headed by someone who works in agriculture and in nonfinancial urban services (33.5 percent and 29.1 percent, respectively, of the region's poor population).

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3. The poverty gap indicator, which measures the distance between the per capita income of the population and the poverty line (assigning to the non-poor a distance of zero) and which is proportional to the funds required to eliminate poverty through monetary transfers, fell by around 10 percent during the past decade. This performance is due exclusively to the decline in the proportion of poor people, inasmuch as the distance between the average income of the poor and the poverty line remained constant. With regard to the figure for the proportion of national consumption of the lowest quintile, while there are no aggregate data, the figure for national income received by the poorest quintile rose by around 30 percent (from 3.03 to 3.96) during the past decade (source: World Bank).

4. The gap between the different subregions becomes sharper if it is noted that the countries with a higher growth rate in Central America and the Caribbean have relatively lower levels of inequality, thereby resulting in greater adjusted growth-poverty elasticities.

Children (0-17 years) bear the heaviest burden of poverty. Almost 44 percent of children (compared with 27.7 percent of adults and 28.6 percent of older adults) live in poor households. Factors determining child poverty and helping to transmit it between generations are higher birth rates and lower education levels among low-income families, and scant earning opportunities, especially for mothers. Especially worrisome is the situation of single mothers, many of them heads of households, and their children. In urban areas, poverty is greater in female-headed households (30.4 percent) than in male-headed households (25 percent). Finally, insofar as figures are available, an ever more visible aspect of poverty in Latin America and the Caribbean is its ethnic and racial origin. The poverty rate in Bolivia, Brazil, Guatemala and Peru is twice as high for indigenous persons and Afro-descendants than for the rest of the population.

#### ***Growth, Inequality and the Poverty MDG***

The effectiveness with which growth reduces poverty depends particularly on the initial level of inequality and on the pattern of growth. Because many countries in the region are among the most unequal in the world, a considerable growth effort is required to reach significant reductions in poverty. If growth takes place without changes in income distribution, in order to reach the target of cutting in half the proportion of people living on less than one dollar and two dollars a day in terms of purchasing power parity by 2015, the region would need an average annual growth rate in per capita income of at least 4.0 percent, which is more than double the average recorded during the past decade and projections for medium-run growth in the region. Countries with a high poverty rate require even faster growth. Thus, to reach the target, per capita income in Central America would have to grow three times as fast as the 1990s regional average.

Growth requirements to reduce poverty would notably diminish if the region makes efforts to reduce its high levels of inequality. In most countries inequality surpasses the levels that could be expected given the level of per capita incomes. For example, in 1995, the region's Gini coefficient was 25 percent more than would be expected given its per capita GDP. If income distribution in Latin America and the Caribbean were in keeping with its level of development, the number of poor people would be cut in half.<sup>5</sup> A recently published report estimates that 16 out of 18 countries in the region could achieve the Millennium Development Goals in the area of poverty reduction if GDP were to grow at a rate of 3 percent or less, combined with cumulative reductions in inequality of less than 4 percent (UNDP, ECLAC and IPEA, 2003). Likewise, economic simulations show that minimum reductions in the Gini coefficient (from 2 to 3 percent) can bring about declines in poverty levels equivalent to 60 or 70 percent of those gained by cumulative increases in per capita income.

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5. Londoño, J. and M. Székely. 2000. "Persistent Poverty and Excess Inequality: Latin America 1970-1995." *Journal of Applied Economics* Vol. 3, No. 1:93-134.

## 2. FUTURE CHALLENGES AND INVESTMENT PRIORITIES FOR REACHING THE TARGETS TO ERADICATE POVERTY

While sustainable economic growth, macroeconomic stability, and governability are essential ingredients for poverty reduction, they are not sufficient. Specific actions to promote greater equity and increase the impact of growth on poverty are also needed. Such actions are urgent in our region, because despite major political and institutional changes in recent decades, great disparities still remain in the distribution of assets among the high- and low-income population, different ethnic groups, men and women, rural and urban areas, and/or more advanced and more backward regions. In particular, while inequalities in ownership and access to land and credit are important, various studies show that a very significant portion of income inequality is due to great differences in the level and quality of human capital and in its returns, and to wage gaps associated with gender and ethnicity.

In keeping with that priority, the region must pursue specific actions aimed simultaneously at creating productive opportunities for the poor and excluded groups; expanding their access to physical and social infrastructure; confronting structural inequalities in asset distribution (especially in education); dealing with social problems that disproportionately affect the quality of life of the poor; eliminating the social barriers that keep ethnic groups and women at a disadvantage; promoting a more efficient, effective, and inclusive State that is sensitive to the needs of the poor, is more accountable and recognizes their human rights; and establishing comprehensive social protection systems (box 2 presents a summary of the new Poverty Reduction Strategy prepared by the Bank which sums up the set of actions that the Bank must prioritize for reducing poverty and promoting social equity).

### **BOX 2.** **IDB STRATEGY FOR REDUCING POVERTY AND PROMOTING SOCIAL EQUITY**

The strategy proposes a set of priority actions for poverty reduction in the region and is a guide for optimizing Bank support to countries in achieving this goal.

The new poverty strategy recognizes the importance of economic growth for poverty reduction (envisioned in the Sustainable Economic Growth Strategy) and presents a multidimensional vision of poverty that encompasses various interrelated aspects that influence well-being. They are: a level of income and assets insufficient to cover basic needs; inability to avoid and deal with adverse shocks that have a negative impact on income or assets; low development of human capital; high rate and high level of vulnerability and exposure to social ills; and constraints on their political and social participation under equal conditions. A comprehensive poverty reduction strategy requires specific actions in all these areas to ensure the economic, social, and political inclusion of the poor.

**BOX 2. *continued***  
**IDB STRATEGY FOR REDUCING POVERTY AND PROMOTING SOCIAL EQUITY**

The strategy recognizes the value of comprehensive poverty reduction strategies as an essential element for alleviating it. It also highlights the importance of initiatives to protect the poor from adverse shocks (economic crises, natural disasters, etc.) by setting up mechanisms to improve management of the risks they face. This will help lessen their vulnerability, which usually reduces their social progress. In addition, the strategy recognizes the focused contributions and actions needed in the four priority areas of Bank action, taking into consideration environmental sustainability, with the aim of responding effectively to the various causes of poverty:

- In the area of *competitiveness*, the strategy highlights the Bank’s support for actions to increase the economic opportunities and productivity of the poor, including: providing access to financial resources for productive activities; reforms to improve employment options; infrastructure for productive activities, new technologies, and instruments of cooperation for competitiveness; and productive investments in rural areas (technology and technical assistance, irrigation, crop reconversion and diversification, access to land, and activities based on the quality of natural capital).
- In the area of *modernization of the State*, priority actions include: support for institutions that promote the political inclusion of the poor; ensuring equitable access to justice; generating synergies between the State and the market to promote equity; responding to the needs of excluded groups and increasing the capacity to legislate, design and implement effective poverty alleviation policies and programs; and promoting environmental governability in poor areas.
- In the area of *social development* the emphasis is on actions to eliminate structural inequalities in human capital, especially in health and education; equalize opportunities throughout the life cycle; eliminate the social barriers that keep ethnic and racial groups and women excluded; promote local and territorial development of marginalized areas; and rehabilitate and preserve ecosystems in poor communities.
- In the area of *regional integration*, the priority actions are those that ensure that market opening and other benefits of integration reach the poor; promote regional infrastructure in less developed areas; promote the creation of institutions with an ability to negotiate inclusive integration agreements; foster regional cooperation on behalf of the poor; and ensure the environmental sustainability of transnational ecological corridors in poor regions.

To deal with the food needs of the region in coming years, agricultural production and trade will have to be increased, while food research and production systems will have to satisfy the increased demand for food and changes in food preferences as urbanization increases in Latin America.

The Bank's new set of strategies, and especially the Strategy for Poverty Reduction and Promotion of Social Equity, provide an agreed-upon and updated foundation that will serve as an operational guide for Bank activity, responding to needs and demands and optimizing its contribution to the development process, and especially, to efforts to reduce poverty and promote equity in the region. These strategies serve as the basis for guiding Bank officials, member country governments, executing agencies, and civil society in general, about how the Bank seeks to meet its institutional agenda. The preparation of the strategies itself has been a valuable exercise in generating consensus in the areas mentioned.

Finally, it is important to note that while different countries in the region have also made significant advances in the area of social development policies and poverty reduction strategies, many of them still face shortcomings, including the absence of a multidimensional, comprehensive, and strategic focus; shortcomings in program targeting systems; insufficient attention to the issue of equity and its relationship to the low impact of growth on poverty reduction; inadequate attention to social protection mechanisms and the gender dimension and social exclusion by race and ethnicity; and shortcomings in program monitoring and evaluation systems. The lessons learned in this area in the past decade point to the importance of having institutionalized social and poverty reduction policies to ensure the resources and legal and institutional framework required for the efficient design and implementation of programs in this sector.

### **3. RECENT BANK ACTION TO HELP REACH THE GOAL OF REDUCING POVERTY**

In recent years, the Bank has aimed a significant portion of its financial activities directly at poverty reduction and the promotion of equity, focusing on reaching the loan targets indicated in the Eighth Replenishment of Resources and on fulfilling various regional commitments. This section briefly describes the Bank's support through financial activities, support for the elaboration and implementation of National Poverty Reduction Strategies (PRS), especially in the context of the Highly Indebted Poor Countries Initiative (HIPC), and support through other nonfinancial activities.

##### ***Financial Activities to Support Poverty Reduction***

The volume of Bank loans aimed at poverty reduction and the promotion of social equity (SEQ) (which include loans in social areas, loans in non-social areas with significant impacts on poverty reduction and equity promotion, and other investment loans targeted to the poor) approved between 1995 and 2002 reached more than US\$22.4 billion (around 46 percent of the total sum of regular Bank loans during the period). If the trend in the total volume of loans over these years is maintained, the Bank would provide a minimum of US\$31.8 billion between 2003 and 2015 in loans aimed at poverty reduction and the promotion of social equity in fulfillment of the mandate of the Eighth Replenishment of Resources.

The volume of investment loans targeted directly on the poor, which are a subset of SEQ loans, totaled US\$14.8 billion between 1995 and 2002 (around 43 percent of the total sum of investment loans approved in that period). If the trend is maintained, between 2003 and 2015 the Bank will devote around US\$24 billion to investment loans targeted to the poorest.

Besides this direct support for poverty reduction through its regular loan portfolio, the Bank also provides support through the Multilateral Investment Fund (MIF) and the Inter-American Investment Corporation (IIC). The MIF has directed a significant portion of its resources to projects in the areas of microenterprise, microfinancing, youth labor training, and remittances, with substantial benefits for the region's poor. Likewise, the lending and capital investment operations carried out by the IIC have promoted the establishment, expansion, and modernization of many small and medium-size private businesses in Latin America and the Caribbean.

When mentioning the Bank's financial support to programs to reduce poverty, it is important to point out a set of key interventions aimed at improving the capabilities, opportunities, and risk management of the poorest. In the area of capabilities, the Bank has supported a set of innovative programs in the region, such as Social Investment Funds, which began in Bolivia in the late 1980s, and have been implemented with the support of the Bank in most countries of the region. The IDB has also supported innovative programs for training low-income youth such as *Chile Joven* [Young Chile] in Chile and similar programs in the Dominican Republic, Guatemala, Mexico, Panama and Peru. Finally, support has been given for conditional cash transfer programs that foster investment in human capital through nutrition, school assistance, and health monitoring. These kinds of programs were begun in Mexico with PROGRESA and continued, in many cases with Bank support, in Brazil, Colombia, Honduras, Jamaica and Nicaragua. Likewise, the Bank has supported a variety of projects to improve the health and nutrition of the poorest in the region. These programs range from financing of recurring costs in primary medical care for the poor and infrastructure improvement in rural and marginal urban areas to institutional reforms intended to improve access to care provided to low-income groups as well as its quality. The Bank has also financed various projects aimed at increasing schooling

among low-income populations and improving equity in the stock of human capital in the region; operations have taken place in various areas including sector reform, promotion of equity and diversity, and support for improving the quality of education in marginal rural and urban areas.

In the area of productive opportunities, the Bank's financial support has included training programs for the unemployed and support for microfinancing and micro-enterprises. The Bank has strongly supported the microfinancing sector for the last 25 years. This sector holds a significant potential for poverty reduction and equity promotion efforts in the region because microenterprises and small businesses (the most important microfinancing customers) employ around 70 percent of the region's working poor. The supply of financial services to smaller businesses and low-income households helps reduce poverty and inequality in four ways: by increasing income through the use of credit for productive activities; by increasing the stock of assets through the use of non-credit financial services, especially savings services; by reducing the volatility of consumption by providing access to financial services; and by indirect impacts resulting from the expansion of microenterprise activity (greater employment, for example).

The results of evaluations of the impact of projects to create capacities and broaden productive opportunities leave a clearly positive image in terms of products and results of the projects financed, both with regard to targeting benefits and achieving increases in incomes and development indicators in education and health.

The Bank has also made major efforts to raise the risk management capability of the poorest through programs that have helped create social protection networks, such as conditional cash transfer programs; training programs for the unemployed; labor market and pension system reform programs with equity components; as well as by promoting health insurance and mother-child insurance. To these should be added support programs included in social policy reforms and Bank emergency loans (which have protected social spending in poverty reduction programs and set up fiscal policy tools to lessen the procyclical nature of social spending) and emergency reconstruction loans after natural disasters. In social emergency situations the Bank has also made efforts to redirect already approved resources to protect low-income sectors from the impacts of crises. An example of the latter is the restructuring of the Bank's portfolio in Argentina to respond to that country's recent crisis (see box 3).

**BOX 3.**  
**SPECIAL ASSISTANCE TO THE SOCIAL PROTECTION NETWORK IN ARGENTINA DURING 2002**

As part of the Bank's social protection activities, in March 2002, the Board approved a reform of the social loans portfolio in Argentina in order to support the social emergency plan to mitigate the effects on the poorest sectors of the population of the economic and financial crisis facing the country. By reformulating five investment loans, the aim was to increase the efficiency and impact of social spending by targeting efforts on the poorest and most vulnerable population. Examples of these priority actions include funding for scholarships to keep poor students in school, essential drugs and primary care for vulnerable groups, improvements in poor neighborhoods in marginal areas, subsidies to poor families, and an integrated system for the identification, selection, and registry of beneficiaries as well as monitoring and evaluation of social programs.

***Support for the Debt Relief Process for Highly Indebted Poor Countries and for the Design of National Poverty Reduction Strategies***

An important area of Bank support for the poverty reduction efforts of the countries of the region is assistance for the design and financing of National Poverty Reduction Strategies (NPRSs). NPRSs are national action plans for poverty reduction, with medium- and long-range horizons subject to periodic revisions, which are drawn up by national governments within a broad process of consultations with national and international actors. Since the late 1990s, the Bank has supported the development and implementation of these strategies in Bolivia, Guyana, Honduras, and Nicaragua by providing aid and technical assistance within the framework of the Aid to Highly-Indebted Poor Countries (HIPC) Initiative. The Bank has also continued to support the design of strategies in non-HIPC countries such as Guatemala, Paraguay, Peru and the Dominican Republic.

The Bank's support for the implementation of national poverty reduction strategies in HIPC countries has been especially important. Since the Bank is the primary international lender in the region, it has provided the greatest support for the debt forgiveness efforts for this group; of US\$5.7 billion in total relief, the IDB is providing US\$1.1 million (see chapter XI for a more detailed description of debt relief). Besides its majority support for this debt relief process tied to implementation of the NPRSs, the Bank has approved a set of policy reform loans to support the implementation of the strategies in most of the HIPC countries of the region. Box 4 presents an example of such operations for the case of Nicaragua.

**BOX 4.**  
**SOCIAL REFORM PROGRAM**  
**IN SUPPORT OF THE POVERTY REDUCTION STRATEGY IN NICARAGUA**

This US\$30 million program will support the Nicaraguan government in the implementation of the Enhanced Poverty Reduction and Economic Growth Strategy (ERCERP) by establishing specific objectives and annually monitoring the progress of social indicators until 2006. The program gives priority to, and monitors spending on, social programs, and promotes reforms pending in the areas of education, health and social welfare that are necessary for meeting the goal of reducing poverty. The strategy fosters equity and the quality of primary education for the poorest; primary national health care, especially in rural areas; the rehabilitation of urban and rural hospitals; and the supply of surgical instruments for health units. It also gives priority to activities related to the national social welfare networks MIFAMILIA (Ministry of the Family), MECD (Ministry of Education, Culture, and Sports), and MINSAL (Ministry of Health) in order to offer to vulnerable communities food and health coupons, school knapsacks, and other education incentives. ERCERP has the support of Nicaragua's civil society and political parties, and the cooperation of the international community, which gives it legitimacy, and a solid foundation on which to start its implementation.

***Other Nonfinancial Actions in the Area of Poverty***

Bank efforts to reduce poverty and increase social equity in the region also include nonfinancial activities that support countries in meeting these priority objectives. The Bank takes an active stance, involving itself in activities such as analyzing the determinants of poverty in the countries of the region, upgrading the quality of information on poverty and living conditions, and helping build a consensus that will enable countries to design strategies in which poverty reduction is a primary objective.

The Bank has uninterruptedly supported research projects to increase knowledge about poverty reduction and increasing social equity. The crucial issues in the Bank's research agenda include: the relationship between economic growth, poverty, and inequality; effective and sustainable ways to establish adequate networks of social protection against individual and group risks; the relationship between investing in human capital and reducing the transmission of poverty and inequality between generations; the effects of trade reforms on labor markets; the relationship between financial markets and poverty; the role of remittances in poverty reduction; the costs and causes of social exclusion and inequality due to race and ethnicity and policies for combating them; the relationship between gender, poverty, and inequality within the home, including the impact on children; the development of innovative solutions to problems in the provision of basic infrastructure that primarily affect groups in extreme poverty in the region; the distributional effects of the privatization and deregulation of

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public services; the relationship between decentralization and the quality of basic services; government reform and poverty; social capital and poverty; the development of rural economies, and so forth.

Likewise, the Bank has continued to disseminate best practices of programs for combating poverty and increasing social equity through conferences, seminars, and publications, and through forums and networks. In this area, special emphasis has been placed on identifying best practices for rural poverty reduction, social inclusion, and the reduction of social ills, and in non-social areas, such as financial products for the poor, infrastructure, and modernization of the State. Special attention is also placed on developing best practices in innovative interventions, such as targeted human development programs, early intervention, social protection, social inclusion, and the utilization of information technologies by the poor.

Because the goal of poverty reduction and the promotion of social equity must occupy a prominent place in the regional political agenda and the agenda of each of the countries of the region, and because one of the Bank's advantages is its ability to promote and maintain long-term agendas in the region (especially when there are changes in government), the Bank promotes and facilitates dialogue processes and consensus building around this ultimate goal through regional policy dialogues between senior government officials on poverty reduction and promotion of equity, regional forums such as the Social Equity Forum, and regional seminars and conferences on issues directly linked to poverty and social equity.

Finally, in the area of support for the generation and dissemination of information on poverty the Bank has played a major role in increasing the availability of information for diagnosing and analyzing poverty and designing targeted projects. In this area, the improvement of household surveys under the Program for the Improvement of Surveys and Measurement of Living Conditions in Latin America and the Caribbean (MECOVI, in its Spanish acronym) has been key. The program has carried out direct support activities for the improvement of surveys of living conditions in ten participating countries (Argentina, Bolivia, the Dominican Republic, El Salvador, Ecuador, Guatemala, Honduras, Nicaragua, Paraguay and Peru) and has organized various regional activities such as technical workshops and annual training courses on carrying out and using household surveys. The program's household survey data bank comprises an inventory of 270 household surveys in 22 countries in the region. During the recent international conference on *Improving Statistics for Measuring Development Outcomes*, organized by the World Bank, DFID, Eurostat, Paris21 and UNDP, the MECOVI program was highlighted as a global best practice in technical assistance to regional statistics institutes.

#### 4. ERADICATION OF HUNGER: NUTRITION AND FOOD SECURITY

The eradication of poverty in the region also entails making a substantial effort to eradicate hunger. It is estimated that 54 million people in Latin America and the Caribbean currently suffer from hunger, one million less than in 1996, when the World Food Summit set the goal of cutting hunger in half by 2015. FAO data for the 1995-1997 period show that the malnutrition rate in the countries of the region varies from a little over 5 percent for the highest per capita income countries to over 30 percent for the lowest-income countries. Likewise, information for 1999 shows that while the richest 20 percent of the population consumes, on average, around 20 percent more than the minimum nutrients required, the poorest 20 percent consumes around 20 percent less.<sup>6</sup>

Malnutrition is one of the most difficult aspects of poverty, because it affects not only health and welfare, but also production capacity. Activities to help improve nutrition must include nutrition education, epidemiological monitoring, use of micronutrients to supply and enhance foods, community interventions, and food transfer programs. Especially important are interventions to improve child nutrition, which must be designed using an early childhood development framework.

During the past two decades, the proportion of preschool children who are underweight for their age, fell in the region, as it did in other developing regions. However, childhood malnutrition in both calories and specific nutrients remains a

**TABLE 1.**  
**RATE OF MALNUTRITION IN CHILDREN IN SELECTED COUNTRIES**  
**(BY INCOME QUINTILE, CIRCA 1999)**

Country	Lower Quintile	Median Quintile	Upper Quintile
Brazil	23.2	5.0	2.3
Bolivia	39.2	22.3	6.0
Colombia	23.7	13.4	5.9
Dominican Rep.	21.5	7.8	2.5
Peru	45.6	18.8	5.2
Guatemala	64.6	53.5	12.1
Haiti	45.5	32.3	12.8
Paraguay	22.5	12.5	3.0
Nicaragua	38.1	22.7	8.3

Source: PAHO/WHO, "Health in the Americas", ed. 2002. Vol. 1

6. Pinstrup-Andersen, P. and J. Babinard 2001. "Alimentación, agricultura y recursos naturales en el año 2020." In Echeverría, R. (ed). Desarrollo de las economías rurales en América Latina y el Caribe. Inter-American Development Bank.

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widespread challenge, especially in some countries like Bolivia, Ecuador, Haiti, Nicaragua, Guatemala, and Peru. In the other countries, as in these, malnutrition affects children in lower-income households.

In recent years nutrition status in the region has been characterized by deficiencies in calories and micronutrients, and by malnutrition, which has led to a growing epidemic of diet-related diseases. In the area of micronutrients and calorie deficiencies, 40 percent of the region's children suffer from anemia for lack of iron; 20 percent display slow growth from caloric malnutrition, and a significant proportion of them are also lacking in zinc; and 5 percent suffer moderate vitamin A deficiency. In addition to reflecting a diet low or lacking in fruits, vegetables, and meats (that is largely based on only one type of cereal or root), these statistics reveal poor environmental conditions, particularly in water, sanitation, and hygiene. Likewise, the availability and relative low cost of foods rich in fats and calories, combined with the residual effects of childhood malnutrition and the decline in physical activity are responsible for a growing obesity epidemic in the adult population, especially those living in poverty. Associated with it is a marked increase in cardiovascular diseases and diabetes.

##### ***Investment Priorities for Reducing Malnutrition and Achieving Food Security***

Achieving the goal of reducing hunger in the region entails major activities to improve food security and nutrition levels. Achieving food security requires lowering urban and rural poverty, enhancing the policy environment, and providing incentives for improvements in food production, including technological development.

Food security exists when all people always have physical and economic access to safe and nutritious foods that satisfy their food needs and preferences in order to lead an active and healthy life. The United Nations Food and Agriculture Organization (FAO) identifies four conditions for guaranteeing food security: adequate supply or availability of food; stability of supply without seasonal or annual fluctuations or scarcity; direct access to food or the ability to acquire it; and food that is both safe and of good quality.

Success in reducing poverty, the elimination of malnutrition and meeting the food needs of a growing and increasingly urban population depend very much on the ability to generate growth based on the diversity and potential of the food production sector at the regional level. The sustainable development of agriculture can contribute a great deal (directly as a source of food, and indirectly by generating jobs and foreign exchange) to overall economic and social development, especially in rural areas where the poverty rate is relatively higher. Because approximately half of the poor in Latin America live in rural areas where extreme poverty is relatively higher, rural investments and incentives are key to the success of any national strategy aimed at alleviating poverty and increasing the availability of and access to food, especially since agriculture is the primary source of food, employment, and income in rural areas.

In order to improve the food security situation the following factors must be kept in mind. First, the quality and quantity of basic products will have to improve through increased investment in technological development that leads to productivity increases and lower real prices of basic foods. Greater supply and more competition in production chains combined with stable macroeconomic policies will make food prices more stable. Raising production and improving distribution channels will require investments in modernizing food production sectors (farming, agroindustry, and food processing). This process entails the reconversion of sectors toward greater diversification of production; upgrading seed industries, especially those that are small and medium scale; granting title to lands; providing effective technical assistance for production; and investing in physical infrastructure and in the management of production services, including research, extension, and certification of quality.

Second, as already mentioned, investment must be made in increasing the income of the very poor so as to reduce hunger and malnutrition. That requires specific (pro-poor) economic growth strategies to ensure strong investments in education and health, and transfers to the target populations.

Third, special attention must be devoted to ensuring that trade integration policies do not have a negative impact on vulnerable populations in the short or medium term. Specific compensation measures in addition to food distribution or payments should be put into place so that households living in extreme poverty can purchase food. Food security is gathering momentum in the policies of various countries in the region. One example of a mechanism for combating hunger directly is the Zero Hunger Program in Brazil (see box 5), which complements the promotion of family farming and other country- and state-level measures. Likewise, several countries in Central America have programs that link work on public construction projects to food and link food distribution to nutrition and education programs.

### ***Recent Bank Action in the Areas of Nutrition and Food Security***

The Bank funds agricultural development programs, which have a two-fold beneficial effect on food security. They benefit the target population, and they improve food quality. The Bank also provides support to programs that improve access to quality food by the poor, such as Social Investment Funds, transfers, and specific programs. One example that may be noted is the support given to Guyana through a project approved in late 2002 to implement a voucher program that allows poor households to purchase food.

In Mesoamerica, the IDB approved projects focused on improving the productive capacity of small farmers, most of whom are poor. In Mexico, the PROCAMPO program tries to improve the capacity and competitiveness of small farmers by providing financing and technical assistance. In Costa Rica, the Sustainable Farming Development Program enhances the profitability of production systems of small and medium agricultural producers and their organizations. In Guatemala, Nicaragua, Honduras, and Panama,

**BOX 5.  
ZERO HUNGER PROGRAM**

In January 2003, President Luiz Inácio Lula da Silva declared the fight against hunger as the highest priority of the Brazilian government. The Zero Hunger Program is a food security proposal drawn up by over a hundred specialists, academics, and representatives of civil society.

The main concern of the Zero Hunger Program is to reduce hunger, malnutrition, and extreme poverty. It seeks to guarantee that all Brazilians have access to quality food.

The Special Ministry of Food Security and Against Hunger (MESA) was created to coordinate this effort. The Ministry directs, improves, and publicizes the implementation of municipal activities for achieving food security. Toward that end, three billion reais have been allocated to benefit 300,000 poor families in 350 cities. The plan includes the distribution of 50 reais (approximately US\$17) a month per family to buy food, and seeks to reach 44 million poor people, or a third of the Brazilian population.

The project draws on an impressive collective effort. Support groups for the Zero Hunger project were created in order to help by collecting food and redistributing it, creating registries of families, and carrying out other actions with the population. This is fundamental, because quickly reducing hunger is completely dependent on nationwide collaboration, involving the entire Brazilian population.

The continued and growing involvement of the various sectors is fundamental for the success of this program. According to FAO, if the program maintains its current pace until the year 2015, the goal of halving the population suffering malnutrition in the country will be achieved.

the IDB is supporting the management of natural resources in high priority watersheds seeking to diversify agriculture and raise income while also protecting the environment (Watershed Natural Resources, Watershed Management and Protection, Socio-environmental and Forest Development Program II, and Sustainable Development of Bocas del Toro).

In South America, the IDB has financed projects in Brazil and Chile to promote sustainable agriculture and improve living conditions. For example, the Sustainable Development Program in Acre, Brazil, supports the sustainable development of production and employment through technology transfer in rural communities. In Chile, the Program for Comprehensive Development of Indigenous Communities has as its goal improving the productive capacity of the Aymara, Atacama, and Mapuche communities.

The IDB has promoted the reduction of hunger and malnutrition through a series of technical cooperations. For example, the following operations focus on marginalized and extremely poor populations: the Program of Agricultural Diversification in Indigenous Communities in Nicaragua, the Comprehensive Management of the Sixaola River Watershed in Costa Rica, Coffee Cultivation Management in Haiti, Support for Manioc-Producing Garifuna Women in Honduras, Support for Indigenous and Black Populations in Honduras, and the Expansion of Microcredit to Families in Rural Areas in Paraguay.

The Bank has also supported projects focused on improving mother-child nutrition levels. These include mother-child health programs with nutritional components and specific programs for reducing malnutrition in mothers and infants, and conditional cash transfer programs, which provide money to poor families conditioned on a particular behavior, generally investments in human capital such as sending children to school or taking them to health centers with a specified regularity.

Health programs with nutritional components and specific programs for improving the nutrition of mothers and children combine a series of interventions in health, nutrition and education aimed at improving care and the intake of micronutrients for nursing mothers, nursing children, and infants. Box 6 presents an example of such interventions in the case of Guyana.

Conditional cash transfer programs include nutritional and conditionality components aimed at improving the care and micronutrient intake of beneficiary families. The Bank has supported or is supporting conditional cash transfer programs in Colombia, Honduras, Jamaica, Nicaragua, and Mexico. Such programs generally offer basic health care and promote improvements in nutrition through various free programs, by providing nutritional supplements, courses on hygiene and nutrition, and monetary transfers for buying food. The delivery of cash transfers and nutritional supplements

#### **BOX 6.** **BASIC NUTRITION PROGRAM IN GUYANA**

This program, approved in 2002, seeks to reduce malnutrition in mothers and small children through a series of projects in health and education. Food vouchers are distributed in poor districts for children under 24 months with the condition that the family participates in health education programs at local clinics, in which iron supplements are also given to children, nursing mothers and pregnant women, in order to combat anemia. A national information, education, and communication program will be drawn up to encourage breastfeeding and promote child nutrition. Health workers will also be trained on these matters. Likewise, the effect of the project on the nutritional condition of children will be evaluated.

requires people to go for a medical checkup at government clinics. The program's nutritional interventions aim their benefits at children, pregnant women and newborns. The nutritional condition of the beneficiaries is monitored with obligatory visits to health clinics. Children under five and pregnant and nursing mothers are monitored more frequently. Available studies show very positive impacts from such programs in nutritional indicators of beneficiaries (box 7 presents an example of this type of program in Mexico).

**BOX 7.**  
**EDUCATION, HEALTH AND FOOD PROGRAM IN MEXICO**

In Mexico, PROGRESA, which began in 1997, takes a comprehensive focus for combating the different causes of poverty. In early 2000, the program included around 2.6 million families in 31 states. That constitutes around 40 percent of all rural families and a ninth of all families in Mexico. In 2003, the figure reached 4.2 million families. This program has three components: education, health, and nutrition. The education component is designed to increase youth school attendance in the poorest communities in Mexico by granting support to the students' mothers, who must send their children to school.

In the area of health and nutrition, PROGRESA offers basic health care and promotes it through various free programs, whether by providing nutritional supplements, hygiene and nutrition courses or as cash transfers for buying food. The delivery of cash transfers and nutritional supplements requires beneficiaries to get regular medical check-ups at public clinics.

Nutritional supplements are provided to children aged four months to two years, and to pregnant women and mothers of newborns. Where there is evidence of malnutrition in children between 2 and 5 years, nutritional supplements are provided to the households in question. The nutritional situation of the beneficiaries is monitored through mandatory visits to health clinics. As a result of PROGRESA (the program has been renamed and is now called "Oportunidades"), both children and adults are experiencing an improvement in their health. Specifically, children who have received benefits from PROGRESA have a 12 percent lower disease rate while adults report a 19 percent drop in sick days. In the area of nutrition, PROGRESA has had a significant effect on the reduction of hunger in children aged 12 to 36 months. and has had a substantial impact on food consumption. Program beneficiaries increased their calorie intake and are now enjoying a more complete diet, which includes more fruits, vegetables, and meat. Infant mortality likewise fell 18 percent (that is, from 25.9 to 21.5 for every 1,000 live births).

A key factor in PROGRESA's success is that cash transfers are channeled through mothers. This decision was based on the fact that when resources are controlled by mothers rather than fathers, they are more likely to produce significant improvements in the welfare of children and the family.

