



Social Policy with Economic Responsibility / Economic Policy with Social Responsibility

Cardoso Highlights the Advances in the Region's Long Term Social Development. V Social Equity Forum Meeting

By CÉSAR P. BOUILLON AND PAZ CASTILLO-RUIZ

The Fifth plenary of the Social Equity Forum was held at IDB headquarters in Washington, DC on February 27. The event was inaugurated by IDB's President, Enrique V. Iglesias and included a magistral presentation by Brazil's former President, Fernando Henrique Cardoso, about the "Challenges of Social Policy for the promotion of Equity in Latin America". Cardoso's presentation pointed out the need to recognize the persistent and gradual social development achieved in the region during the last 4 decades in the face of frequent reverses in economic growth. The presentation also highlighted the crucial role of public institutions to secure sustainability.

The meeting launched the new phase of the Social Equity Forum. Miguel de la Madrid, former President of Mexico, will be the SEF President during this new phase, replacing Eduardo Aninat, Deputy Manager at the International Monetary Fund. Lourdes Flores Nano, President of Alianza Electoral Unidad Nacional of Peru, will act as the new Forum's Vice President.

The Social Equity Forum is an initiative of the Inter-American Development Bank, coordinated by the Poverty and Inequality Unit of the Sustainable Development Department. The goal of the Forum is to situate social equity concerns at the forefront of the debate on social and economic policy reform in Latin America and the Caribbean. The Forum also aims to promote policies tackling the issue of social equity in

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Recession and Poverty: The Increasing Importance of Social Protection in Latin America

By CÉSAR P. BOUILLON AND LUIS TEJERINA

2002 was a difficult year for the economies of the region. According to CEPAL, regional GDP decreased by 0.5% during the year and per-capita GDP by 1.9%. These disappointing results imply that the average growth of the region will have to be of at least 4.0% in per-capita terms for the next 13 years to fulfill the millennium goal of reducing the extreme poverty rate by half by 2015. This rate is more than twice the growth obtained by the region during the nineties. The expected growth rates for 2003 fluctuate between 1.5% and 2.1%, which imply a per-capita growth rate of between 0% and 0.5%. Although contagion from the Argentine crisis, where GDP fell by 11.0%, has not been as severe as that of previous crises, such as the Tequila shock in 1995 or the Asian crises of 1997, the MERCOSUR economies have been greatly affected, particularly Uruguay and Paraguay where GDP falls of 10.8% and 10.5% were registered. In Venezuela, a GDP fall of around 7% was also registered, due to political crisis and adverse external conditions.

Poverty levels and household living standards are strongly affected in situations of negative growth. For example, the severe Argentine recession has had deep effects in the levels of indigence and total poverty of the country, which, in greater Buenos Aires rose from 7.5% to 22.7% and

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Fernando Henrique Cardoso (left) Ex President of Brasil; Enrique V. Iglesias, IDB President (center); and Miguel de la Madrid former President of Mexico and President of SEF (right)

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Recession and Poverty

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from 29.7% to 49.7% between May 2000 and May 2002 respectively; reaching higher levels than those observed by the end of the eighties, during hyperinflation. In Paraguay, the 2002 real remunerations index reached its lowest level since 1994. In Uruguay, unemployment almost doubled between mid 1998 and October 2002, going from below 10% to 19.2%, while poverty increased from 16.7% to 23.7% just between 1998 and 2001. In Venezuela, although indigence was slightly reduced from 28.8 to 28.1, total poverty increased from 57.6% to 62.2% between 1998 and 2002.

These recent economic developments in the region have led experts to identify “systemic” problems in the international financial architecture that increase the volatility of growth by increasing the volatility of capital inflows. The appearance of a new pattern of economic cycles associated with the volatility of international financial markets highlights the importance of social protection mechanisms during periods of economic crisis.

As a response to the severe crises that some economies of the region experienced through 2002, the Bank recently approved emergency loans in Argentina, Colombia and Uruguay designed to maintain macroeconomic stability while protecting basic social spending from crisis induced fiscal adjustments and avoiding backtracking in social sector reforms. Bank’s support is important to maintain coverage of basic social programs and to avoid associated deterioration of human and social capital of the poorest households. While crisis lending has temporarily met needs, both the Bank and borrowing member countries should assess the feasibility of permanent social protection networks, with appropriate financing mechanisms to protect human capital investment and to guarantee minimum consumption levels for the populations most affected by the crisis, particularly those in chronically vulnerable conditions.

Crises can have irreversible effects on the poor's capacity to generate income and achieve adequate levels of living standards. A recent study for Argentina, using data from the crisis in the middle of the nineties shows how the households most affected by the crises do not recover their losses when the economy grows. The crisis especially affected single mothers and low human capital households, which, in the Argentine case, should be the main beneficiaries from the social compensation programs implemented in response to crises. Similar findings have been reported from Colombia.

Efficient social protection networks combine poverty reduction programs that protect the structural poor and guarantee their human capital accumulation (such as, targeted programs to improve the supply of health and education, conditional money transfers, and/or Social Investment Funds), with assistance programs for the new poor or extreme poor affected by the crises (such as emergency employment programs, and other social assistance programs) and programs in the labor market oriented to reinserting workers in productive activities who are affected by the crisis (such as youth training programs). Financing for these networks can be assured through instruments, in the context of adequate fiscal management, fiscal stabilization funds and budgetary protocols for assignment and cuts in spending during crises.

Sources: FMI (World Economic Outlook), CEPAL (Preliminary overview of the economies of Latin America and the Caribbean 2002), INDEC (Argentina), IBGE (Brazil), IIES (Venezuela).

Events

Fifth Meeting of the Poverty Reduction and Social Protection Network.

The V Meeting of this Network of Latin American and Caribbean policymakers took place on May 22-23, 2003, at the Bank’s Headquarters in Washington, D.C. The goal of the Network is the creation of a forum in which the region countries can share experiences, learn about practices being implemented outside the region, and explore opportunities for regional cooperation in poverty reduction and social protection. This fifth meeting included presentations and dialogues on social inclusion and employment programs under fiscal constraints among others. For further information, please contact Hilda Guerrero, hildag@iadb.org (202) 623-2539.



**Inter-American
Development
Bank**

**Sustainable
Development
Department**

Poverty and Inequality Unit

Mission Statement

The mission of the Unit is to provide technical leadership for the Bank and its member governments’ work in the area of poverty reduction, and to contribute to enhancing the quality of the Bank’s lending and non-lending activities so as to increase their poverty reduction impact.

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Cardoso

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the region, and knowledge on technical tools and political factors needed for their design and implementation.

The Social Equity Forum is composed by ministers of economics and finance, planning and other sectors, as well as leaders of civil society, academics, other professionals who have proven influential in shaping public opinion, and leaders both in and outside the government who have promoted or successfully implemented reforms to improve social equity in Latin America and the Caribbean. SEF members have exchanged experiences and knowledge at a number of meetings between 2000 and 2003. They have expressed commitment to the exercise of intellectual leadership, advice at the highest level and dissemination of the knowledge acquired on the incorporation of social equity in the shaping of public policy in the region.

Cardoso's speech

The presentation of former President Cardoso highlighted the evolution of the concept of development during the last decades. Throughout the 1960s, it had an almost exclusive economic focus. Since then, the concept has become a more comprehensive conception that includes social, environmental and quality of life components. This new approach to development allows for the recognition of the strides that the region has made since the sixties and seventies to improve social and quality of life indicators. Unfortunately, as former President Cardoso pointed out, many of the analyses on the region's achievements in development do not take into account these advances in social development and quality of life.

Cardoso pointed out that there is a tendency among development studies of the region to emphasize the negative aspects of growth during the last years. There are two different interpretations that obscure the assessment of progress in the region: the perverse angle, which maintains that everything that was done in terms of development only worsened the situation; and the futile angle, which maintains that everything that was done was a waste. In the case of Brazil, for example, the pessimism that resulted from the end of the nineties crisis minimized the important development achievements during the decade. These include: a per capita GDP increase of 30%; a reduction of poverty from 40% to 32%; of the Gini coefficient from .60 to .57; of infant mortality from 38 to 28 per thousand births; and a higher than average growth in school

attendance among the population of African descent and those living in poverty.

In the case of Brazil, these achievements were based on a strong public policy commitment to equity; unfortunately, they were not reflected in economic growth, mainly because of the unfavorable international environment characterized by abrupt slow downs in capital flows. The commitment in favor of equity required very important changes in government budget priorities, which were reflected in a significant increase in social expenditure financed through tax increases to maintain the fiscal prudence required by macroeconomic structural adjustment. Additionally, social expenditure was oriented towards key actions to combat social inequity and exclusion. In particular, given that the first step towards inclusion is the school system, Brazil centered an important part of the fiscal effort in developing a social protection network, through the expansion of priority programs to accumulate human capital, such as *Bolsa Escola*.

Former President Cardoso's speech also highlighted the connection between equity and democracy. The LAC region has advanced significantly in this respect during the last decade. Nevertheless, it is important to mention that freedom is not enough, that people can have freedom without having the possibility to

fully exercise their rights. Therefore, development not only lies in basic freedoms but also the construction of institutions that are needed for people to have access to their rights, and their ability to organize themselves around unions, churches and parties.

Cardoso also emphasized the need to guarantee the sustainability of social policies through institutionalization as a crucial action to promote equity and inclusion in the region. After this recommendation, reiterated by the former Forum President, Eduardo Aninat, and as a result of the dialogue produced during the fifth meeting, the SEF members took the decision to focus their activities during 2003 on the theme of "The Institutionalization of Public Policy Programs for the Promotion of Social Equity". The results of the meetings and research will be made known in the next plenary meeting of the Social Equity Forum that will be held in early 2004.

News at SDS/POV

SDS/POV is pleased to welcome Carlos Eduardo Vélez, Wanda Engel, and Marcos Robles, who joined us recently. Carlos Eduardo will be the new Unit Chief after a successful academic and government career in Colombia and the World Bank, where he was a Senior Economist in Poverty and Economic Management for Latin America and the Caribbean. Wanda will be a Poverty Alleviation Specialist and joins the Bank after a career in the Public Sector, University and Civil Society. Before joining the Unit, Wanda served as Secretary of State of Social Assistance in Brazil under president Fernando Henrique Cardoso. Marcos will join us as Specialist in Household Surveys in the MECOVI program. Previously, he served as a consultant and coordinator of the MECOVI program in Paraguay.

Also, we wish the best of luck to Gustavo Yamada and Omar Arias, our appreciated colleagues at SDS/POV who recently moved on to new opportunities. Gustavo, who has been Acting Chief of the Unit, has taken a temporary leave to teach at the Pacifico University in Lima, Perú. Omar has taken a position as a Senior Economist in Poverty and Economic Management for Latin America and the Caribbean at the World Bank after working as Economist at the Poverty Unit. To both we wish success in their new positions.

Remittances: Who Gets Them?

By JOSE ANTONIO MEJIA AND MARCOS ROBLES

According to the latest figures presented by the Multilateral Investment Fund (MIF), immigrants from Latin America and the Caribbean living in developed countries sent about US\$32 billion in remittances to their countries in 2002. There is information about who sends the remittances but, how many households in the Region are benefiting from these resources? What are their characteristics? How do they use this money? The answers to some of these questions can be extracted from data derived from the household surveys implemented by the countries' statistical offices.

General analyses of the surveys that have information on remittances as a source of income show the following percentages of households reporting the reception of remittances in 2000: El Salvador 19.7%; Honduras 10.4%; and Nicaragua 19.3%.

Some surveys provide information that allows more detail in the analysis of the households that receive remittances. For example, in the

case of El Salvador the "Encuesta de Hogares de Propósitos Múltiples" (EHPM) executed by the Dirección General de Estadística y Censos (DIGESTYC) has a special module to collect information on remittances. In 2000 it shows that 5.5% of recipient households reported having two or more members abroad. It also indicates that households who receive remittances on average spend 87.4% of the funds on consumption (food, clothes, etc.), 4.3% on education, and 2.6% is saved or invested in a business. Worrying figures considering that present flows have no guarantee of being permanent.

The richness of information available in household surveys is enormous. A more in depth study and the combination with other sources of information would allow a more detailed analysis of the impact that remittances from abroad have in the Region.

Programs with Conditional Transfers: Design and Impact on Household Welfare

By ASHU HANDA* AND PAUL WINTERS**

Conditional cash transfer programs (CCTs) have become increasingly popular in the region as an alternative to traditional broad-based policies such as subsidies, and as a more efficient mechanism for sharply targeting interventions for poverty reduction. These programs generally condition transfer payments upon specific human capital enhancing actions such as school attendance or health check-ups. Programs of this nature are currently being implemented in Brazil, Colombia, Honduras, Jamaica, Mexico, and Nicaragua. Although not as common, CCTs have also been linked to agricultural activity as compensation to households for policy changes such as the termination of agricultural subsidies via output and input prices and trade liberalization. Mexico and Turkey have implemented conditional cash transfer programs linked to agricultural reform.

Conditionality comes at a cost because of the need to monitor the actions of the recipient population. In the case of agricultural programs, there is a debate about whether coupling payments with land use and production is necessary or even optimal (OECD, 2000)¹. In the case of anti-poverty programs, some question whether monitoring schooling enrollment and visits to health centers is necessary to bring about desirable outcomes since demand for schooling and health care is likely to rise with increases in income regardless of whether attendance is required. Providing transfers without conditions may be sufficient. Additionally, conditions may lead to limited responses by recipients and even unintended consequences. In the case of agricultural programs, the concern is that conditions placed on transfer payments may induce farmers to invest in agricultural production instead of more profitable non-agricultural activities.

Even if conditions alter recipient behavior in a positive manner, there is the question about what conditions should be placed on

households. While we would like to be able to determine the "best" conditions to place on recipients, defining such conditions depends on the particular objectives of the transfer scheme, as well as assumptions about the best ways to meet those objectives and the predicted response of recipients. In addressing poverty, cash transfer schemes tend to focus on schooling and health outcomes under the assumption that long-term human capital development is the best way to address poverty and that school attendance and health visits are the best way to improve human capital. An alternative approach would be to focus on the shorter-term productive capacity of recipient households by using transfers to encourage investment. One argument for this approach is that investment will lead to higher income in the medium-term and reduce poverty more quickly than long-term investment in human capital.

In a recent paper², we examine how the design of cash transfer schemes influences household welfare outcomes with particular reference to conditioned outcomes, such as schooling, health and investment. We examine two innovative cash transfer schemes initiated by the Mexican government in the last decade: PROGRESA, which is a national anti-poverty scheme directed at chronic rural poverty, and PROCAMPO, which is a scheme designed to compensate farmers for the negative price effects of NAFTA. The schemes differ in that PROGRESA is targeted at women and conditioned on schooling and health outcomes and PROCAMPO is generally targeted at men and conditioned on land use.

The results of our analysis suggest that both programs boost total consumption expenditure and food expenditure and that there are no evident program differences for these two outcomes. This is an important result – two cash transfer programs, with different

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1 OECD (2000) *Decoupling: A Conceptual Overview*. OECD Committee for Agriculture. [http://www.olis.oecd.org/olis/2000doc.nsf/LinkTo/com-agr-apm-td-wp\(2000\)14-final](http://www.olis.oecd.org/olis/2000doc.nsf/LinkTo/com-agr-apm-td-wp(2000)14-final)

2 *Conditionality and the impact of program design on household welfare: Comparing the effects of two diverse cash transfer programs*, Benjamin Davis, S. Handa, M.R. Arranz, M. Stampini, & P. Winters.

Conditional Transfers

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conditionality requirements have the same impact on total short run household welfare.

In terms of human capital investment, our results indicate that PROCAMPO households have significantly lower outcomes than PROGRESA ones. For example, PROCAMPO households display school enrolment rates that are significantly lower (by approximately 6 percentage points for kids age 10-15 years) than their PROGRESA counterparts. On the other hand, PROCAMPO leads to a significant increase in agricultural spending relative to PROGRESA households. While this is a positive result, it is not clear if PROCAMPO conditionality leads to an over investment in agricultural production. PROGRESA also leads to a significant increase in non-agricultural investment but not nearly to the degree that PROCAMPO increases productive spending.

These results have a number of interesting policy implications. First, if the primary interest of policy makers is in increasing the level

of total or food consumption for poor households in the short-term, conditionality may be unnecessary. That is, a cash transfer will bring about the same results regardless of the conditions, and the cost of maintaining such conditions will not be worthwhile. However, if policy-makers are interested in effects beyond the very short-term, conditionality may be a useful instrument. Tying transfers to schooling and health outcomes appears to lead to greater investment for long-term gains while tying transfers to productive assets appears to enhance investment for medium-term benefits. An alternative to conditionality for promoting productive investment may be complementary actions that improve conditions for investment. Even without conditionality related to productive activity, PROGRESA has led to an increase in non-agricultural investment. This effect may be enhanced if investment conditions are improved.

Integrating Gender Analysis in Poverty Reduction Strategies

BY PAZ CASTILLO-RUIZ

Incorporating gender analysis into the assessment and conceptualization of poverty may significantly improve the impact of poverty reduction strategies (PRS). This improvement stems from accounting for both the key role that women play in poverty reduction and the social and economic costs that discrimination against women produces in the region. Understanding the differing roles, needs, potential and incentives of women and men is key to tackle the multi-dimensional problem of poverty in an efficient and more equitable manner. Ignoring gender differences and potential in the design of poverty programs risks missing important opportunities to improve the living conditions of not only poor women but also, the poor in general. In addition, given the focus of PRS on key public policy areas, they are essential instruments to improve gender equity in the region.

The Beijing +5 Platform for Action (PFA) maintains that poverty reduction requires gender specific goals and effective monitoring. PFA recommendations and prescriptions, especially in the area of Women and Poverty, should be included in PRS to mainstream gender issues. Policy and public action to reduce poverty should incorporate the specific constraints that women confront when trying to escape poverty such as labor markets that direct women towards low wage occupations, salary discrimination, and discrimination that limits access to credit. Public action and policies to reduce poverty should also consider the positive impact generated by investing in women such as the role that women's education has in reducing the intergenerational transmission of poverty, increasing the level of family welfare, and even economic growth. Unfortunately, the current level of gender analysis and consideration in the design of poverty reduction strategies has been insufficient.

Several studies undertaken by the World Bank, the International Center for Research on Women (ICRW), the *Deutsche Gesellschaft für Technische Zusammenarbeit* (GTZ), and Oxfam have called attention to key issues that countries and organizations confront when incorporating the results of gender analysis into poverty reduction strategies. The studies are different in their objectives and scope, but the recommendations extracted and the problems noted provide important clues to improving

the incorporation of gender analysis into future poverty reduction program designs. Particularly highlighted is the importance of: (i) integrating gender analysis from the beginning of the diagnosis and design; (ii) incorporating women's groups and experts on gender issues in the design of poverty reduction strategies; (iii) strengthening gender perspective in monitoring and evaluation mechanisms; (iv) avoiding the portrayal of women as a vulnerable group as this obscures the potentiality of their contributions; (v) incorporating other strategic partners; (vi) improving quality of available information on gender topics due to its impact on the design of gender sensitive strategies; and (vii) accumulating knowledge about good practices and lessons learned on gender and poverty reduction.

The IDB has taken steps to implement these recommendations through initiatives such as MECOVI and SDS/WID's Gender Facility for Project Preparation, among others, which will contribute to improve the effectiveness of actions and policies to reduce poverty in the region.

MECOVI News

The MECOVI Program's Ninth Regional Course on "*Design, Implementation and Analysis of the surveys on Living Conditions in Latin America and the Caribbean*" co-organized by Argentina's "Instituto Nacional de Estadística y Censos" (INDEC) was held in Buenos Aires, Argentina, on May 5-23, 2003.

The MECOVI Program's Tenth Regional Workshop on "The Practice of Sampling for the Design of Household Surveys" hosted by Argentina's "Instituto Nacional de Estadística y Censos" (INDEC) was held in Buenos Aires, Argentina, on November 27-29, 2002. Representatives from 18 countries attended the event.

Alvorada / Brazil: an Integral Policy to Reduce Inequity

By WANDA A. ENGEL

EX SECRETARY OF SOCIAL DEVELOPMENT IN BRAZIL

Brazil, country of contrasts

Even though Brazil is one of the largest economies in the world, it has the greatest absolute number of poor and indigent persons in the hemisphere (using the poverty line of 2 US\$ purchasing power parity of 1985, around 40% of all Latin American poor people live in Brazil) and unacceptably high levels of inequality if compared to other countries of similar GDP.

After the crisis of the beginning of the 1990s, characterized by monthly levels of inflation of 80% and a drop in the GNP per capita of nearly 6%, the country has made consistent efforts to achieve macroeconomic stability and has achieved relative control of inflation and a recovery in the rate of economic growth. These macroeconomic improvements have been followed by important reforms in education, health and social assistance, including increasing levels of program decentralization, the creation of Councils at three governmental levels (national, federal and municipal) that function as public instances of formulation and control of social policies, and a substantial increase in social investment, from 11.8% of GNP in 1993 to 14.3% in 2001.

The nineties: social advance, but persistent inequality

At the end of 1999 when compared to the situation at the beginning of the decade, the results of this effort seem to be significant. Infant mortality decreased from 44 per 1,000 births to 34; the illiteracy rate dropped from 17.2% to 13%; and the average years of schooling of the labor force increased from 5.7 to 6.6. These improvements led to an increase in the Brazilian Human Development Index (HDI) from 0.710 to 0.750 and a reduction of the poverty and indigent index from 44% to 34% and from 21.4% to 14.5%, respectively.

Unfortunately, as in the case of other countries in the continent, behind the success in average indicators hide persistently high levels of inequality by region, ethnic group, race and gender. Using 1999 data and disaggregating social development indicators per region, it can be observed that while only 28% of the Brazilians lived in the Northeast, 48% of poor and 53% of the indigent lived in this region; and, if at the national level 13% of the adults were illiterate, the percentage decreased to 6.2% in São Paulo (the richest state) and increased up to 32.6% in Piauí (the poorest state). When disaggregating by race it is observed that,

while non-whites represented 45% of the total population, they were 63% of poor and 68% of the indigents.

Disaggregating by gender and race, it is observed that unemployment affected 16.5% of the black women and only 7.5% of white men. Finally, disaggregating by age, it is observed that poverty affected 45% of boys, girls and teenagers up to age 15 and only 3% of the population over 60 years old.

The Alvorada project

Faced with these burgeoning inequalities, the government of Brazil implemented an integrated strategy of inequality reduction that has been denominated the Alvorada Project. The first principle of Alvorada was regional targeting, identifying the poorest States, micro-regions and municipalities through the HDI. The project was targeted also in the poorest families of these regions; selecting the family as the basic unit of



The Portal Alvorada a model of a center of reference among cities in Brasil

action and the woman as the main beneficiary of cash transfer schemes and land registry, and guaranteeing a minimum percent of non-white beneficiaries. Alvorada has incorporated 15 existing proven cost-effective programs in education, health and income (literacy, media school, support to family agriculture) and has created, as an operational strategy, centers of program reference that give access to computers and internet to beneficiaries to overcome digital exclusion (called the Alvorada Portal).

Recognizing the existence of a part of the population susceptible to high social risk, Alvorada has consolidated a Social Protection Network with programs structured by the life cycle: Food Scholarship (0 a 6 years); School Scholarship and Eradication of children labor Program (6 a 15 years); "Agente Joven" of Social Development (15 a 18 years); Income Scholarship and Harvest Insurance (adults); Rural Retirement and Continued Benefit (old adults). Also, all families came to have the right of a special subsidy known as Emergency -Gas.

To guarantee the access of all eligible beneficiaries to the social protection network, a unified registry of the universe of 10 million poor families has been set up. The process of registration is still in the initial stages and reaching full implementation. It has identified a wide number of people without documents, which has originated the movement known as "Brazil with Name and Last Name." The registered families have access to banking services through a magnetic card – the Citizen Card –, which in turn has generated the creation of banking agencies (a type of ATM



Women beneficiaries of the Alvorada Project been registered for the "Cadastro Unico" in Brasil

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Alvorada/Brazil

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machine) of the “Caixa Econômica Federal” (State Bank) in all 5,561 Brazilian municipalities.

The registration data, defined through preexisting registries (including the Single Health System), made possible the creation of a synthetic indicator that, like the HDI, allows for the evaluation of poverty levels from a multidimensional perspective. The Family Development Index (IDF) is composed of six sub-indicators (vulnerability, access to knowledge, access to employment, income availability, children development and housing conditions) and constitutes an important instrument for targeting programs and designing impact evaluations.

The families served by the Social Protection Network must fulfill specific conditions depending on program design (prenatal care, vaccines, enrolment and school attendance, and community development actions), as well as and general conditions such as participating in group discussions denominated “Debate in the family”, where a social promoter develops topics of interests for the families (food, domestic violence, reproductive health) and the use by some of its different members of economic and human development programs, for which they have priority access.

Alvorada also invested in the increase of social capital, creating a National Center of Community Formation (CENAFOCO), responsible for training local officials and youth in the management of social programs directed to the poor.

The principles and programs of Alvorada will be extended to the poorest families of the country. It is expected that through decentralization; targeting; coordination of human promotion and protection programs (articulated through the life cycle approach) with actions of social and economic development, delivered in the same geographical areas and



”Agente Joven“ of Social Development working with beneficiaries families of the Alvorada Project

in the same poor families (taken as basic units of actions); creation of spaces and of instruments of participation; and adoption of a results oriented approach; it is possible to advance in the fight against inequality in Brazil.

Best Practices for Reducing Poverty and Inequity: Lending in 2002

BY HILDA GUERRERO

More than half of IDB lending operations and volume approved in 2002 were devoted to reducing poverty and enhancing social equity. The following is a sample of best practices in each of the IDB’s priority action areas.

Poverty reduction strategies

The **Social Policy Reform Program in Support of the Poverty Reduction Strategy of Nicaragua** for US\$30 million helps the Nicaraguan Government in the implementation of the Enhanced Economic Growth and Poverty Reduction Strategy (ERCERP) through the establishment of specific targets and annual monitoring of key performance indicators for the social sectors through 2005. The program prioritizes and monitors closely the spending on social programs; and promotes institutional reforms in the areas of education, health and social welfare needed to achieve the goal of poverty reduction. The strategy fosters equity and quality in primary education for the poorest populations, primary health care nationwide, particularly at the rural level, rehabilitation of urban and rural hospitals and provision of surgical instruments for health units; and prioritizes activities related to the social safety net of MIFAMILIA (Ministry of the Family), MECD (Ministry of Education, Culture, and Sports), and MINSA (Ministry of Health) to serve vulnerable communities food and health coupons, school packs and other education incentives. The ERCERP has the support of Nicaragua society, all political parties,

and the international cooperation community, which gives it legitimacy and a solid foundation for future execution.

Social development

The **Multiphase Consolidation and Expansion Program for the Education, Health and Nutrition Program of Mexico (PROGRESA)-PHASE I**, for US\$1,000 million aims to increase human capital accumulation among families living in extreme poverty, by improving opportunities in education, health and nutrition. Created in 1997, PROGRESA (Education, Health and Nutrition Program) is one of the central pillars of government actions to create human capital and it is seen as one of the most innovative counter-poverty programs implemented in the region in recent decades. The program transfers monetary resources to poor families to allow for children to complete basic schooling, increase the transition rates between primary and secondary school and provide assistance in the first years of high school. In the health sector, the program fosters basic health care for all family members; and has a positive effect on the quantity and quality of food consumption among beneficiaries when transferring resources to improve dietary consumption and the nutritional state of family members. The program aims to reduce the prevalence of child labor and strengthens the role of women both in

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Best Practices

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the community and as decision-makers in the household regarding matters that affect the well being of the family. The program indirectly benefits other members of community through the improvements towards the supply of health and education resulting from its implementation and the educational talks on health currently covering basic sanitation issues, including household hygiene, potable water and solid waste management.

Modernization of the state

The **State Modernization and Decentralization Program in Peru** for US\$28 million contributes to an effective process of government modernization and decentralization of the state, to enhance quality of public services provided by the national government, regional and local authorities. The program aims to accomplish a number of objectives aiming to: strengthen capacity to formulate and implement national and sector policies; improve human resources management promoting the design and installation of an integral information technology management system; develop and implement new access to public information; and modernize the Office of the President of the Council of Ministers (PCM) and the Ministry of Transport, Communications, Housing and Construction (MTC).

In support of decentralization it apportions authority, functions, and financial resources between different government levels. The program ensures long-term fiscal sustainability; designs mechanisms that establish conditions for transferring the corresponding responsibilities and strengthens key institutions responsible for the coordination and oversight of decentralization. The program is particularly useful in supporting the development of crosscutting management systems for use when the new regional governments take office to strengthen management capacities in a selected group of municipalities.

Competitiveness

The **Tourism Development Program in Northeastern Brazil-Second Stage** (Prodetur/Ne II) for US\$240 million improves the quality of life of the permanent population of tourism poles through the appropriate provision of urban services and the improvement of environmental quality. The program finances the infrastructure investments necessary for an adequate provision of public services, with the objective of identifying demand generated by expected tourism growth in the area as well as to improve the quality of life of the local population. The program includes actions at the municipal level to ensure that local governments and populations have the instruments and capacity to ensure sustainable and responsible tourism development and at the state level to ensure that state governments have capacity for strategic planning. Also the program will implement awareness campaigns and training programs to improve the use of benefits from tourism development; consolidate and upgrade basic infrastructure and public services in tourism poles; and promote participation of private investment.

Integration

The **Action Plan of the Regional Infrastructure Integration in South America** for US\$750 thousand supports the process of coordination among governments of twelve countries of the continent to promote regional development in physical infrastructure in the transportation, communications and energy sectors; with components to improve and reconcile their regulatory frameworks. The process of coordination promoted by the program allows the region to focus on a more inclusive goal of infrastructure provision that embraces all relevant sectors and to take advantage of the synergies among them articulating the specific projects into a strategic planning framework that provides for regional development. The program also strengthens countries' capabilities to develop policies, plans, and regulatory frameworks. The project contributes to the development of new regional mechanism for planning, executing and managing physical integration projects and optimizing the use of financial resources for implementing shared strategies. The objective of the project also coincides with the support strategies of the subgroups of Mercosur (Southern Common Market), the Andean Community, and the South American countries of the Caribbean Community.

MDGs Millennium Development Goals Working Progress

The President of the IDB has entrusted the Office of the Manager of the Sustainable Development Department (SDS) with the responsibility to establish within the Bank a coordination mechanism to support LAC countries and Bank's operational divisions in the implementation and follow up the UN-agreed MDGs. Accordingly, the first meeting of a task force, integrated by the Office of the President (PRE); the Office of the Executive Vice-President (EVP), the Strategic Planning and Budget Department (DPP), the Integration and Regional Programs Department (INT), each of the Regional Departments (RE1, RE2 and RE3), the Office of Evaluation and Oversight (OVE) and the Sustainable Development Department (SDS), was undertaken on February 14, 2003 aiming to a) set up guidelines and processes required to implement and follow up the MDGs and country-tailored MDGs (MDG+) at the country and operational level, and b) ensure effective integration of MDGs-related indicators into governmental national strategies, IDB Country Strategies and operations programming. Within this context, SDS is developing a proposal to support governments in the region in the implementation and follow up of MDGs by:

- **Capacity building.** Strengthening the capacity of national institutions for planning, assessing and monitoring national development goals.
- **Consensus building.** Facilitating national consensus around pro-poor policies.

This initiative, in partnership with international agencies, responds to: a) the need to tailor MDGs and their targets to specific national realities, b) the recommendation of the heads of five Multilateral Development Banks, issued at the Monterrey Conference in March 2002, for better measuring, monitoring, and managing for development results, and c) a letter of intent signed between UNDP, ECLAC, World Bank and IDB in June 2002 strengthen partnership to support LAC countries in "evaluating and monitoring the achievement of the MDGs, defining appropriate actions to reach such goals, and strengthening national structures in charge of planning, assessing and monitoring development goals".

Finally, the Poverty and Inequality Unit has identified a set of relevant impact indicators in order to contribute to follow up progress towards poverty reduction and equity enhancement, and build an UNDP-led regional platform for monitoring MDG and MDGs+.

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