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Folder Title: Urban Poverty Program - General - 1975 - July / December

Folder ID: 30146442

Series: Urban Poverty Program files

Dates: 07/11/1975 - 12/29/1975

Fonds: Records of the Urban Development Sector

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

Digitized: 12/08/2022

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Urban Poverty Program - General, 1975 (Jul - Dec)



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URBOR - Urban Poverty Program - General - 1975 - July / December

Morag

Mr. S.H. Tolbert

December 29, 1975

Martial H. van Gent

Urban Poverty Task Group Report

I reviewed the above report and my comments and suggestions are as follows:

A. General Remarks

1. The report clearly defines and proposes solutions for a problem that, to a large extent, has been the Bank's concern for many years.

2. The existing problem of the urban poor is taken as a starting point and the report seeks solutions within the urban context (communities having more than 20,000 persons). No thought has been given to ways of limiting the rural-urban migration which, according to table 1, is very important. I believe that several countries (e.g. China) have experimented in this direction. An analysis of such efforts would complement the report.

3. After having focussed for a few years on the rural poor, getting involved with the urban poor provides certainly good publicity. Also for study purposes it appears judicious to distinguish between the rural and the urban poor. However, I doubt if this distinction should be maintained if it comes to lending operations and project priorities. I feel that the problem of the absolute poor, both rural and urban, could better be approached on an integrated regional (geographical area) basis. I, therefore, do not see the need for creating, in addition to the rural advisory staff, another urban advisory unit, but would rather have a combined "Regional Development" task force.

4. With respect to the redirection of investment and policy, (page 22) the report is not clear as to whether, and if so on what basis, a balance should be obtained between lending for productive projects which increase incomes permanently (industry and tourism) and projects which alleviate the symptoms of poverty and increase incomes only during the construction period (water supply and urban improvements).

B. Tourism Projects

5. The role of tourism projects in achieving the objectives of the reports "creating employment for and increasing income of the absolute poor" is obvious, although it is not so clear whether the absolute poor reached by tourism projects are urban or rural. Most of the tourism projects combine activities in industry (direct and indirect lending), urbanization, other infrastructure and education (pages 16 to 20) and could meet the targets set for innovative projects.

6. The investment per created job in tourism projects is relatively low: in the order of US\$10,000 to 26,000 ^{1/} (e.g. The Corchia project shows total investment costs per job from US\$10,000 to US\$17,000 depending on how much infrastructure is included on the investment side and whether or not indirect employment is included on the job side. For the Dominican Republic project the figures vary from US\$11,000 to US\$26,000.)

7. About two thirds of the new jobs created by tourism projects are permanent, although sometimes seasonal; one third is temporary (during construction of infra- and superstructure). For an estimated 20% ^{1/} of the permanent jobs and 30% of the temporary jobs unskilled labor (the absolute poor) can be recruited; 75% of the remaining jobs require some training, which can be given to unskilled labor.

8. Tourism infrastructure projects have an unique catalytic impact (page 43) since the Bank's lending is generally less than 20% ^{1/} of total project cost; another 20% is provided by the Government and the remaining 60% are private investments ^{2/} (in superstructure).

9. For the "Research Work Program" I propose:

- a) Analysis of numbers of permanent and temporary jobs, directly and indirectly created by tourism projects, analysis of seasonality of jobs in tourism and proposal for calculation-methodology;
- b) Analysis of investment cost per job in tourism projects, comparison with costs in other sectors (industry and agriculture) and proposal for evaluation-methodology;
- c) Analysis of poverty level of employees in the tourism sector, before and after their employment; enquete on whether the employees belong to the rural or urban poor and how much they benefit from the new employment.

I estimate that a rough analysis of the above subjects would require some 8 man/days of work and a more intensive study from 20 to 40 man/days.

cc: Mr. Odona

^{1/} Figures are estimates and have to be verified.

^{2/} DFC's, IFC and Governments sometimes participate in these investments.

WORLD BANK GROUP

ROUTING SLIP

DATE Nov. 10, 1975

NAME

ROOM NO.

Harold Donkerley

D 621

APPROPRIATE DISPOSITION	NOTE AND RETURN
APPROVAL	NOTE AND SEND ON
COMMENT	PER OUR CONVERSATION
FOR ACTION	PER YOUR REQUEST
INFORMATION	PREPARE REPLY
INITIAL	RECOMMENDATION
NOTE AND FILE	SIGNATURE

REMARKS

Just a few comments on the Task Force Paper on Urban Poverty.

I enjoyed meeting you the other day and hope to keep in touch

Jenny

FROM	ROOM NO.	EXTENSION
J. YENNY	# 420	2479

Harold:

I read with interest the Action Program and Interim Report of Urban Poverty Task Group. I noticed a rather greater emphasis than previously on employment and connection with general country economics which I believe is good. I only have a few general comments:

First I wonder whether the paper does not put too much emphasis on defining the target group of "absolute poor" with great precision. I do not think precision is very important here and even question whether this focus on "absolute poverty" is needed at all? By concentrating too much on the extremely poor we may lose sight of the larger urban context and its problems. There will always be some poor for a variety of reasons which can be regrouped under the general term of "inadaptation" (i.e. weak health either physical or mental, low education, low motivation etc.). It seems to me that by attacking the urban problem through the middle i.e. possibly the 60 percent between the lower and upper 20 percent may do more to help the absolute poor than trying to do something for them directly which resorts more to welfare.

By easing access to services and employment for those who can afford them (but cannot get them because of bottlenecks of all kinds) or are potentially capable and interested in bettering their condition would relieve the social pressure on the bottom poor by relieving competition for even the lowest level of services and housing found in slums. Also by attacking the urban problems through the large mass of low incomes but not necessarily "absolute poor" one could hope that after priming the pump some of the activities could become self supporting i.e. water supply or site/ services could generate enough funds for further investment or for independent borrowing at commercial rates. This of course requires that rates for the services be set high enough to cover costs and more but also that efficiency be increased in delivery of all

municipal services to keep costs low. Lower standards will probably also be a basic requirement ^{in most cases} and this leads to my second point; the acceptability of our programs.

All our planning for massive action on urban poverty is well and good but are the member countries really interested. As mentioned throughout the report the proposed actions will require substantial policy decisions and changes from the Governments in many fields ^{probably including major resources reallocations}. Many may feel with reason that this is their own business and we should not tell them how to run their house, and/or who are we to tell them? Do we know what works (see New York City)? For this reason also, a more general approach not so intent on "absolute poor" may be generally ^{more} acceptable.

Last, I was surprised how little coverage is given to education in the report (one paragraph, 70, together with Nutrition and Population). I recognize that the need for technical assistance is prevalent through the report, but I believe "education" (in its broadest sense, not necessarily formal but informal and including training) is actually one of the basic inputs to development. I was interested a few days ago by an article in the Washington Post saying that a survey had demonstrated that a high percentage of the U.S. population was totally unadapted to today's life. This is surely even more true for the urban poor and not so poor in LDC cities.

This is in fact rejoins my two points above. Education should be geared mainly to assist people to adapt. But adapt to what? Western style urban culture? if it can be defined! That is where some Governments may object. I noticed in East Africa the attempt to go back to more traditional forms of doing everything, and reject imported values. This is very difficult to do while wanting to keep all the imported amenities, water supply, motor cars, trains ^{etc.} in running conditions both physical and financial.

In conclusion, I believe we should be fairly open and willing to:

(a) try a variety of approaches (with proper monitoring) and (b) listen very carefully to what the countries say and want, inserting proper guidance where we feel appropriate and competent to do so. In this field we can probably learn more by doing than by endless studies which soon become massive and may obstruct the view of what we are trying to do. Too great refinements in measurements may be irrelevant when the problems are so massive. Because the problems are so large (12 million people added every year to the ranks of urban poor, without counting the not so poor) may be the Bank should concentrate in developing self supporting institutions to handle them rather than try to reach one third of this increase (para 63) or any other specific figure. Technical assistance becomes more important and capital only incidental; but is this possible, desirable, acceptable?

Sorry this is a bit rambling and you have surely discussed all these points before.

November 10, 1975

Jacques

OFFICE MEMORANDUM

TO: FILES

DATE: December 16, 1975

FROM: Alastair Stone (Chief, Urban Operations, Review
and Support Unit)SUBJECT: Meeting with the Regions on the Urban Poverty Program

1. A meeting chaired by Mr. Jaycox was held on December 11, 1975, to review, with the representatives of the Regions, tasks required for the implementation of the Urban Poverty Program. In attendance were: from the Regions, Messrs. Dubey, Howell, Morse, Rajagopalan, Wyss, Yenny; from IFC, Messrs. Kuczynski, Berney; and from CPS, in addition to Mr. Jaycox, Messrs. Dankerley, Churchill, Middleton and myself.

2. The following agreements were reached:

- (a) That the criteria and methodology for defining the target population, to be completed by the CPS/DPS/Regional Working Party, will be sent to the Country Economists for their reactions by January 31, 1976; and a timetable for completion of the new estimates of target population, rural and urban, will be set in consultations with the Regions. It was further agreed that these target populations would subsequently be refined in the course of scheduled economic, sector and project missions to the respective countries.
- (b) That the development and refinement of sector lending targets by Regions would begin by the relevant CPS Sector Department initiating discussions with their regional client project divisions, and the outcome of these discussions would then be presented to the regional management with the assistance of the regional coordinators. New deadlines for the finalization of these targets will be established sector by sector, to reflect the situation pertaining to each case.
- (c) That the development of the guidelines, for urbanization/employment and spatial aspects of country economic work, is progressing on schedule with a view to the completion of a working draft by January 31, 1976, for discussion with Country Economists.

AStone:rm

cc: Messrs. Baum, Jaycox, Dankerley, Churchill, Middleton, Strombom, Singh, Venkateswaran, McCulloch, Dubey (EMENA), Howell (EA&P), Morse (E.Africa), Gilmartin (S.Asia), Wyss (IAC), Yenny (EA&P), Kuczynski and Berney (II Regional Vice Presidents, Regional Directors, Urban Poverty Task Group)

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: October 29, 1975

FROM: Hollis B. Chenery *HBC*SUBJECT: Development of Urban Analysis and Research

1. In anticipation of your approval of the Report of the Urban Poverty Task Group, I have taken steps to organize the DPS staff that will be required to carry out the several analytical tasks that are specified on p.28 of the report. These include: (1) definition of the target populations; (2) development of a macro-economic analytical framework; (6) Guidelines for Country Economic Work; and (8) development of an Urban Research Program.

2. I have asked Ardy Stoutjesdijk, the chief of the Special Topics Division of the Development Research Center, to take responsibility for designing and conducting the analytical and research work on behalf of the DPS as a whole. He has an outstanding record of organizing research on new topics and producing operationally oriented results-- as in the recent studies of fertilizer requirements, petroleum prices and industrial project selection. He will head up a DPS Working Group that includes members of the Urban Development, Employment and Industry Divisions of the Economics Department as well as the Projections Department and the Development Research Center. The major objective of this group will be the preparation of the urban research program described in item 8 (p.29) of the Report. The other analytical assignments will be closely integrated with this research program.

3. In developing guidelines for the urban aspects of country economic work (tasks 6 and 7, p.28), the existing arrangements for DPS participation seem adequate. The Program Review Division has overall responsibility for exercising functional control of country economic work and Mr. Chernick, the chief of this division, participates in the working group described in paragraph 81.

4. I think that these arrangements will meet the need identified in paragraph 91 to "establish a clear division of labor between CPS and DPS in urban policy, research and sector work".

OFFICE MEMORANDUM

W Churchill

TO: Mr. H.B. Chenery, VPD

DATE: October 29, 1975

FROM: Ravi Gulhati, ECDDR *RG*SUBJECT: October 23 Report of the Urban Task Group: Some Worries!

1. We have collaborated in preparing this document and a great deal of the analysis and the numbers can be traced to DPS research and policy papers. However, there remain a number of points in the report which are worrisome. Kim Jaycox mentions that a "lively and useful debate" took place among Task Group members. Some of the issues debated have not yet been settled to our satisfaction.

2. The report defines the target population as the absolute poor in income terms (147 million in 1975 compared to the 612 million rural poor) plus those who do not have access to basic needs for which safe water is said to be an "easily observable proxy". (p.6). These considerations lead the Urban Task Group to conclude that there are 190 million urban poor. This calculation is not easy to defend on logical grounds, the WHO data on access to safe water are admittedly faulty and there is no comparable figure for the rural poor on this basis. We do not know what practical implications follow from this expansion in the size of the urban poor target group (from 147 to 190 million) but we fear that the report may create a misleading impression about its relative size and it may muddy the basis for designing and evaluating projects.

3. After reviewing the results of a simple three sector (agriculture, industry, services) consistency model, the Urban Task Group report presents the main elements of the strategy underlying the action program (p.10). We feel that a number of crucial aspects are not even raised in this statement of strategy. These are:

- what proportion of national resources should be devoted to the urban sector as against rural areas and how should this allocation issue be approached at the country level?
- within the urban sector, how should resources be deployed as between small towns and big metropolitan centers? More than half of the target group is in settlements of less than 200,000 population.
- how much emphasis should be given to "direct" measures focused on the target group as against "indirect" ones?
- what should be the mix between measures with a pay-off, say, during the next five years and measures which will have an impact over the longer-run?

4. The section on Programming of Bank Activities in Industry and Small Enterprises (p. 13 onwards) follows closely some text we have supplied, except for the part on targets (p. 16). Here too the emphasis

on reducing investment per job is coupled with the phrase (inserted at our insistence) "there would of course be no relaxation of economic, technical or financial criteria". We regret the fact that in 1975 the Bank feels the need for resurrecting a decision-rule which had its day in the literature of the 1950s. One would have thought that after all the efforts of Little, Mirrlees, Balassa and van der Tak it would be possible to agree on a more sensible approach to the design, appraisal and evaluation of industrial projects.

5. "Urban lending" by the Bank is said to constitute 49% of the amount of Bank lending (paragraph 37). This gives a misleading impression as the term "urban" is defined rather broadly in this context. If "rural lending" was calculated on the same basis, it would add up to much more than the 26% mentioned in the footnote on page 12. The Urban Task Group recommends an alternative Bank lending program for FY 1976-80 (p. 22). The implications of the proposed alternative for the rural-urban mix of Bank lending are not spelled out yet. I assume that the Bank will not wish to tilt further in favor of urban areas; in fact recent policy papers on education, population and water supply have emphasized the importance of diverting lending to rural areas.

6. The report calls for a "more operationally-oriented" research program focused on the problems of the urban poor (p. 25). Such a reorientation in favor of short-gestation studies is desirable but if this emphasis is pushed too far it can be counter-productive. The fact is that our intellectual capital in this field is not all that impressive and there is a need to improve our understanding of economic processes and to forge new analytical approaches. The battle for reducing poverty--urban or rural--will still be on for many decades and we should bear that perspective in mind.

7. The report calls for a policy or issues paper on employment (p. 26). Its scope and timing have not yet been agreed and there are other customers besides Kim Jaycox. We have been asked to write a policy paper on a closely related topic--non-farm employment (see your memorandum to Mr. McNamara dated October 15, 1975).

cc: AKaraosmanoglu, VPD
AStoutjesdijk, DRCST
RWebb, ECDER

DPS Directors
ECD Division Chiefs
Task Group Members

JKearns, OPDDR
JHojsen, EPDDR

RG/mo

OFFICE MEMORANDUM

TO: Mr. Warren C. Baum, Vice President, Central
Projects Staff

DATE: October 23, 1975

FROM: Edward V.K. Jaycox, Chairman, Urban Poverty
Task Group

SUBJECT: Action Program and Interim Report of Urban Poverty Task Group

1. INTRODUCTION

1. In July Mr. McNamara established an interdepartmental Task Group under your general direction to develop an Action Program for implementing his Board of Governors' Speech. At that time we proposed that by Oct. 15, 1975 the Task Group would deliver to Mr. McNamara an Action Program including:

- a tentative definition of the target population, the urban poor.
- a tentative statement of global and sector objectives with respect to the target population.
- a working estimate of the resources required to meet these objectives.
- a preliminary statement of a Bank strategy and goals over a reasonable period of time.
- a detailed description of the other tasks to be performed as part of the Action Program, including timetables, who would be responsible and the manpower costs involved for the various units of the Bank.

2. This report contains the promised estimates and recommendations. However, virtually every aspect of this work is "in progress" at this time and the results so far must be viewed as merely indicative. The report, we believe, represents a rough consensus of Task Group members' views. Many points have engendered lively and useful debate, and undoubtedly will continue to do so. Decisions, or at least initial reactions, with respect to these indicative lines are, nevertheless, necessary for future development of the work program. The proposals outlined in what follows cumulate to calling for some important changes in various aspects of Bank practice and will involve substantial shifts in the attitudes and sensitivity of Bank staff as well as of our Borrowers. If the objectives are to be achieved, the changes in the character of many Bank operations should not be underestimated.

3. The work of the Task Group now has considerable momentum, by virtue of setting ambitious targets for its work and short timetables, and because of the very cooperative reception of the Group's initiatives throughout the Bank. But to shift into a higher gear, the Task Group now requires Management decisions and support for an agreed Action Program.

4. Apart from this introduction, the report is divided into five sections. The first section (pp. 2 to 7) deals with the definition and determination of an operationally reachable target population--about 190 million people currently growing by over 11 million people per annum.

5. The second section (pp. 7 to 11) discusses the global objectives that appear to be dictated by an attack on urban poverty. These boil down to the rapid creation of off-farm employment, increased productivity in the informal sector, and much increased efficiency of urban areas in absorbing population in productive employment with low-cost, low-standard solutions to basic service requirements.

6. The third section (pp. 11 to 22) outlines an approach and the tentative features of recommended Bank Group programming objectives, on a sector-by-sector basis and summarizes the recommendations by running out an alternative, and again very provisional FY76-80 lending program. This program would further increase industrial, education, urban, water supply, nutrition/population lending at the expense of real increases in the level of transportation and power lending.

7. The fourth section (pp. 23 to 27) "Implementation and Supporting Activities" sets out the recommended courses of action with respect to implementing the Action Program. It discusses the work program for providing operational support to achieve the objectives with respect to the lending program, the target population, and project design, and to monitor the actual progress. Here we recommend the setting up of a unit for this purpose and for providing assistance to operating divisions in launching/reorienting their programs. It also sets out the program for country economic and sector work, research and policy work, coordination with other agencies, and the study of certain organizational questions.

8. The final section (pp. 28 to 30) summarizes the Action Program in terms of individual tasks to the extent it has now been defined and sets out the budgetary implications of this program for the remainder of FY76 (a budgetary request) and FY77 (an indication of future requests). The implications for manpower requirements of the operating divisions have not been estimated at this point in time and can only emerge from iteration through the development of agreed lending targets.

11. THE PATTERN OF URBAN POVERTY AND DEFINITION OF THE TARGET GROUP

9. The task of defining and locating the urban poor is proceeding fairly well. We are attempting to determine their numbers and location in a manner that is consistent with the Bank's estimates of rural poverty, and we are describing the poor in three different but closely related ways: in terms of income, access to basic services, and employment. We believe that acceptable orders of magnitude have been established for some of the features most relevant to global allocations and basic policy design. Greater accuracy and detail will require specific country analysis.

A. Absolute Poverty

10. In line with the ongoing work on rural poverty, we have adopted an "absolute poverty" measure based on the local cost of minimum nutritional and non-food requirements. This measure was preferred to a dollar income cut-off because it permits direct international comparisons of poverty without the difficulties introduced by local differences in tastes, product availabilities, and exchange rate distortions, and because it draws a line at a very low income level, thereby isolating a more manageable problem.

11. As shown in the Table below, on the basis of this measure of standardized minimum needs, roughly 25 percent of the urban populations of Bank developing countries, or 150 million, are in absolute poverty. Some 46 percent of these poor are in South Asia, 24 percent in Latin America, 13 percent in EMENA, 10 percent in East Asia & Pacific, and 8 percent in Eastern and Western Africa combined.^{1/} The estimates are rough and need to be treated with considerable caution. The estimates for Asia, for example, are probably understated. In that region, the bulk of the population has incomes very close to the poverty line so that minor changes in the definition of minimum needs move a large number of people from one side of the line to the other.

B. Lack of Access to Basic Requirements

12. Information on access of the urban populations to water, sanitation, and minimum nutrition is fragmentary. Studies in various cities indicate, however, that those with incomes below those necessary to purchase minimum needs are also likely to be those without access to these basic requirements. The Table below also gives estimates by region of the urban population now lacking adequate access to various basic requirements or services. It is based on 1975 populations and 1970 proportions; this may lead to some underestimation of the shortfall in the poorer countries and overestimation in a few of the richer countries.

^{1/} A more detailed breakdown is given in Annex Table 1. Alternative definitions of absolute poverty, e.g., \$100 per capita, or one-half the national per capita income, give different pictures of poverty. While the total numbers are affected significantly, even more important differences occur in the regional patterns, the shares of the urban poor in Latin America and South Asia being particularly affected. (Annex Table 2.)

URBAN POPULATIONS IN ABSOLUTE POVERTY AND
LACKING ACCESS TO BASIC REQUIREMENTS

Region	Total Urban Population (millions)	Absolute Poor		Lacking Access To				Severely Under- nourished ^{/1}	
		(millions)	(%)	Safe Water (millions)	(%)	Public or Private Sewerage Systems (millions)	(%)	(millions)	(%)
Eastern Africa	20.1	4.3	(22)	7.8	(39)	11.6	(57)	25.0	(56)
Western Africa	24.3	7.3	(30)	8.6	(34)	12.8	(53)		
EMENA	110.0	18.6	(17)	16.2	(15)	19.2	(17)	16.0	^{/2} (15)
Latin America and Caribbean	186.5	35.2	(19)	47.0	(25)	68.5	(37)	29.0	(16)
East Asia and Pacific	69.3	14.0	(20)	30.9	(45)	24.5	(35)	31.0	(45)
South Asia	<u>167.8</u>	<u>67.7</u>	<u>(40)</u>	<u>78.9</u>	<u>(47)</u>	<u>45.7</u>	<u>(27)</u>	<u>76.0</u>	<u>(45)</u>
Totals	578.0	147.1	(25)	189.5	(33)	182.3	(32)	177.0	(31)

^{/1} Those with per capita daily deficit of over 300 calories below minimum daily requirements.

^{/2} Not including Europe.

Sources: UN Population Statistics
WHO
Staff Estimates

13. The numbers of those lacking these basic requirements are greater than those estimated to have incomes insufficient to meet basic needs. At this stage it is not clear to what extent these discrepancies are due to poor data, lack of consistency in the definition of what is "basic," failure of delivery systems to meet effective demand, or behavioral patterns of expenditures which do not give the highest priority to these "basic" needs. In refining our definition of absolute poverty over time, we must strive for a sufficiently unequivocal and consistent definition of what is basic to permit: (i) the appropriate distinction between poverty resulting only from insufficient incomes and poverty caused by "failure" of the delivery system for a particular basic requirement; and (ii) consistency in application of our measures for both urban and rural populations. In the meantime, even though there is clearly not a complete overlap between access to each of these basic needs and the absolute poor as defined by income, the degree of overlap is undoubtedly high enough for a close identity among the groups covered by the two sets of criteria to be taken as an operating assumption. ^{1/} It is unlikely that many in the upper income levels will lack access to safe water and conversely it is highly likely that most of the poor will lack this access.

C. Employment Characteristics of the Urban Poor

14. The employment characteristics of the urban poor can only be roughly outlined at this point in time. The poor quality of employment data on a worldwide or country-by-country basis, conceptual difficulties, and lack of correlating data on incomes have hampered this work and will undoubtedly continue to do so. What we have been able to do at this stage is to generalize from several city studies completed in recent years. These studies reveal an employment profile of the urban poor of considerable diversity within countries but a fair degree of similarity among countries. The poor are to be found across a wide variety of occupations in both the informal and formal sectors. In larger cities the distribution of the poor is similar to that of the distribution of occupations in the city as a whole--about 50 percent in services, 20-25 percent in manufacturing and the rest across transportation, construction, and miscellaneous categories. ^{2/}

15. In the cities of lower income countries (e.g., in Asia) 40-50 percent of the poor can be described as self-employed or own-account workers. In higher income countries (e.g., Latin America) over two-thirds are employees. A surprising number, particularly in large cities, are low-paid employees (both casual and regular) in medium and large firms and in government.

^{1/} This assumption will be tested in the immediate future through a research program on Latin American cities which will correlate income and access to certain basic services (RP0:285).

^{2/} See Annex Table 3.

16. It is thus difficult to point to any one sector as containing the urban poor. They are often in those activities where productivity is low and constrained by virtual freedom of entry and by the growth in aggregate demand. They are often operating at the margin where any one individual, e.g., a market vendor, can increase his productivity only at the expense of others in his group. On the other hand, the fact that the poor are usually a minority within each sector implies that there is room for a redistribution of productivity and income within each subsector, e.g., by equalizing access to capital and skill. In large cities, apart from these possibilities, the prospect for income growth in such activities depends mostly on the growth in overall modern sector output and incomes. In smaller urban areas a larger proportion of the poor are in craft and service activities that are linked to the growth of farm income and to a lesser extent to regional government spending.

income group dependence will diminish

D. Definition of the Target Population

17. It is clear that on the urban side we will have no equivalent of the small farmer, i.e., one fairly homogeneous group of producers with access to the basic factors of their production process. We propose that the target for the attack on urban poverty be the absolute poor as we have defined them in income terms plus those who may theoretically have the income to purchase the standardized minimum needs but who are being "impoverished" by the failure of the delivery systems for basic requirements. This definition of the target population is the best overall concept we have available for aggregating the multidimensional characteristics of urban poverty.

18. In any case, income alone is a difficult concept to use for operational location of the poverty group because income distribution estimates are basically statistical abstractions. We need something similar to farm size, an empirical standard, which when applied in conjunction with income, allows us to get people-specific even though the purity of the poverty concept may suffer a little. We therefore propose that for field identification the urban target group be defined in terms of an easily observable proxy. Lack of access to a safe water supply is an obvious choice because of the very likely strong overlap between the absolute poor and those without access to safe water, and the very likely strong overlap between those without access to safe water and those without access to other basics--absorbed nutrients, sanitation, tenure of location, basic education, etc. The fact that for operational purposes we may find it convenient to define the boundary of the target population in terms of access to safe water does not imply that the operational strategy for dealing with urban poverty is to concentrate entirely or even primarily on the provision of basic services.

*No
Can't define
& compare
too simple*

19. Identified and located by means of this proxy, the target group would approximate 190 million people at present. This, however, is a dynamically changing picture. In the next decade, the gross additions will include the natural increase in the urban absolute poor of about 46 million and a sizeable portion of the 128 million migrants who will come to the towns and cities, and who will be absolutely poor and/or unable to gain access to basic

requirements. ^{1/} By 1985, we estimate, on an admittedly crude basis, a gross addition of some 115 million newcomers to the target population will have taken place and the gross yearly addition will be about 12 million. The net growth in the target population (there is no doubt that given present trends it will grow) will of course be less, depending on the success of governments and economies in "graduating" people from its ranks.

20. We intend to test the utility of this definition empirically and work on refining or modifying the definition of the target population will continue (see Research and Economic Work Programs below).

III. GLOBAL OBJECTIVES

A. The Background--Growth of Income and Employment

21. The Task Group has tried to devise objectives with respect to the target population which are as production- and employment-oriented as possible. In order to define the objectives in a meaningful and monitorable way, it is necessary to see them against the perspective provided by a broad macro-economic framework. It is only within such a framework that the trends and prospects for output and employment by sector can be examined in a systematic way.

22. The overall macro-economic problem as we have come to see it is the creation of productive non-farm employment at a rate which can absorb both the increasing populations of the cities and the excess farm labor implied by desirable increases in production and per capita incomes in agriculture. If there is to be any improvement in the lot of the poor, rural or urban, the towns and cities will have to absorb and employ the bulk of the increase in the labor force in the future.

23. We have tried to estimate the order of magnitude of the growth of income and employment required to generate a growing and more equitable distribution of incomes in both rural and urban areas. To do this, we have developed a simplified model (covering 25 developing countries containing 80 percent of the total LDC population) to give us a broad perspective on sectoral employment, output, and productivity. ^{2/} The model uses the historical relationships between sectoral growth rates to examine the consistency of overall rates of growth with output, employment, and productivity trends in individual sectors. It is not possible to separate, at this level of aggregation, the urban sector per se; non-farm output or the combined industrial and service sectors can be viewed as a crude proxy.

24. Historically (1960-70), the rate of growth of the labor force was 1.7 percent (see Annex Table 5). About 19 percent of the new job opportunities for this growing labor force occurred in industrial activities where levels of productivity and output are relatively high. The rest of the increase in the labor force was split evenly between agriculture and services.

^{1/} See Annex Table 4.

^{2/} The analysis is now being expanded to include additional countries and to analyze differences by region and income level; the results, together with a proposed work program to follow up the implications of this work will be completed by December 1, 1975. For individual countries it is possible to provide more sector detail, but inter-country classification differences greatly limit sector detail for any group of countries.

	<u>Agriculture</u>	<u>Industry</u>	<u>Services</u>	<u>Total</u>
<u>Value Added (billions of 1970\$)</u>				
1960	54.8	40.3	63.1	158.2
Growth rate	3.1%	7.0%	5.6%	5.2%
1970	74.1	79.5	109.3	262.9
<u>Labor Force (millions)</u>				
1960	245.2	42.6	72.5	360.3
Growth rate	1.0%	2.6%	3.2%	1.7%
1970	271.5	54.9	99.2	425.5
<u>Value Added Per Worker (1970\$)</u>				
1960	223.0	946.0	871.0	439.0
Growth rate	2.1%	4.3%	2.3%	3.4%
1970	273.0	1,449.0	1,103.0	618.0

25. In the decade of the 1970s the rate of growth of the labor force is accelerating to an estimated 2.4 percent. This is of crucial importance. A 5.6 percent overall growth rate for the decade,^{1/} with the rate of growth of agricultural productivity increasing to a modest 2.5 percent while the rate of growth of productivity of industry remains the same as it did in the 1960s, results in a decline in growth of average productivity in the service sector to -0.2 percent because of the large pool of manpower surplus to agriculture and industry that must be absorbed in marginal activities.

26. This does not mean that anyone will necessarily be worse off than before. To the extent that the labor force is transferring from a low productivity sector (agriculture) to a higher average productivity sector (services) and provided the productivity gains of this sector are distributed equitably, average increase in the value added per worker could be low and still no workers in this and other sectors would be worse off. In fact, throughout the period, the model shows average per capita incomes increasing. Unfortunately, it is unlikely that there will be an equitable distribution of income in the service sector and by definition it will be those employed in very low productivity jobs or totally unemployed who will be among the urban poor.

27. It is also doubtful that the slower rate of growth of value added per worker will be confined to the service sector--the residual of this model. A far more likely event is the spreading of these low productivity jobs across all sectors and in particular agriculture, the traditional "home" for low productivity labor--in other words, average productivity in agriculture would grow at less than the assumed rate.

^{1/} This is the more favorable "Case II" contained in the Prospects for Developing Countries: 1976-80 (Report 802).

28. This is a stark picture which carries over into the 1980s, when, in addition to absorbing the modest further increases in the labor force growth rate, there will be the need to absorb this decade's excessive concentrations in the service sector. If, for example, we assume an overall growth rate of 6.5 percent and an increase in agricultural productivity (output per worker) of 3 percent (the target for small farmers) with the growth of productivity of the industrial sector remaining at its historical level, the growth rate in service sector output per worker would be 2.0 percent. This implies in 1990 an average output per worker in the service sector that will be only marginally higher than the average for 1970. To achieve the type of balance in the sectoral growth rates prevailing in the past (the linkages between the labor market will insure this outcome) would require an overall growth rate of just over 8 percent.

29. These higher rates of growth are not likely to be attained in any except a few countries. It implies either a much greater savings effort or a much more efficient utilization of capital (i.e., a reduction in the capital/output ratio) and human resources than has occurred in the past. Taking existing relationships between capital and output, for example, would mean that for LDCs as a whole the additional amount per annum of capital required to accelerate the growth rate to 8 percent in 1980 would be approximately 100 billion 1975 dollars.^{1/}

30. The above analysis, rough as it is at this stage, nevertheless points out the interdependency of the problems of rural and urban poverty. Urban poverty problems are in important respects closely connected with the relative rates of development in both rural and urban areas. Successful efforts at increasing productivity and incomes in rural areas imply a shift into non-farm activities and more urbanized areas.^{2/}

31. The above conclusions indicate the magnitude of the task. More careful study of these problems is obviously required. The aggregation of the data hides considerable regional and country differences; excluding India and Bangladesh from the sample is likely to reveal a quite different and more manageable picture. Although at present the models are of a highly aggregative nature and thus useful only for drawing very general conclusions, they can, if developed at a country level, provide a useful

^{1/} This figure is of the roughest order of magnitude and should be used as merely indicative of the size of the problem. It is equivalent to about 8 percent of GDP of all LDCs in 1980.

^{2/} Although it is the largest cities that are growing most rapidly (see Annex Table 6) and absorbing an increasing number of the poor, it is not possible to generalize on whether this is or is not a desirable strategy. The desirable strategy is likely to vary from country to country and should emerge from country economic work.

background for development planning at both the macro and project level. The expanding and more systematic use of this analytical framework for country economic work will be promoted in the course of developing the country economic work programs.

B. The Strategy--Its Main Elements

32. It is obvious that accelerated creation of productive employment opportunities in non-farm production will be central to progress in reducing poverty in both rural and urban areas. Although more rapid rates of overall growth are essential to absorb the rapidly growing labor force, it is unlikely that this growth will be rapid enough given the present organization and use of the factors of production. There is substantial evidence to indicate that modern large-scale enterprise will not provide employment opportunities for more than a minor fraction of this growing labor force. Although additional efforts are required to insure that such enterprises exploit every opportunity for expansion utilizing efficient labor-intensive techniques, it is clear that the incomes of a large part of the non-farm work force will depend on the growth of earnings opportunities in the small-scale industrial, construction, trade, transport, and other service sectors.

33. In this context the success of any strategy to promote this growth will be as dependent on an appropriate policy environment as it will on the levels of investment. The main elements of such policies are well known: removal of capital market imperfections (such as artificially controlled interest rates) which limit the capital available to small-scale, labor-intensive industries and skew technological choices toward capital-intensity; modification of legislation that discourages labor use; and the introduction of realistic prices for the major market variables in the economy--from foreign exchange to farm products. It is also clear that any efforts to increase the absorptive capacity of urban areas and the productivity/welfare of the urban poor will not be effective unless there are significant changes in the attitudes of governments toward self-help activities, the acceptability of low-standard, low-cost solutions to water supply, sanitation, shelter, transportation, and health care, the management of urban land and the pricing of urban services in general.

34. On the basis of the above discussion, the general lines of a global strategy to attack urban poverty emerge fairly clearly:

- Emphasis in industrial development on the use of policies and technologies which will create as much direct and indirect employment as possible and which will generate aggregate demand for agricultural and service sector outputs.
- Increased productivity and employment in the service sectors, which will have to absorb the mass of the increase in the labor force.
- Efficient delivery of basic urban services to a large and growing population at standards and costs that can be afforded by the majority of the population.
- Increased efficiency of urban centers in creating employment and in accommodating massive migrations of poor people through the development and application of sound policies and management.

C. Global Targets

35. We have attempted to find a methodology for postulating meaningful global targets with respect to the productivity/income of the urban poor. The macro-economic analysis outlined above cannot yield outputs that are specific to the target population. We can calculate, however, that the income of the target group would have to grow at the rate of about 2.5 percent (assuming no change in the distribution of income within this group) in order for the number of people in the group to remain constant over time. Assuming that a 6.5% growth rate in overall GNP is about the best that can be achieved in the 1980s, we must conclude that this growth in income for the target group could only be achieved with an important redirection of investment and policy toward this group. This is a very crude and mechanical analysis based on poor statistics, which yields striking anomalies on a less aggregated basis. Before working further on any global objectives, we will attempt to develop more meaningful operational targets on a country-by-country basis.

IV. BANK PROGRAM OBJECTIVES

A. Review of Past Lending

36. Preliminary to tackling the question of setting Bank program objectives in line with the global strategy outlined above, the Task Group has attempted to analyze past Bank Group lending to determine: (a) what parts of our lending typically have significant--and identifiable--implications for urban development; and (b) to what extent this "urban" lending has been contributing to the achievement of the broad objectives. Defining "significant urban implications" is inevitably arbitrary since few projects do not have some urban implications; similarly many urban-located "urban" projects, fertilizer plants for example, are closely related to rural development. For the purposes of this exercise, however, "urban" has been taken to include projects with a physical location in urban areas, those outside urban areas but providing inputs specifically for urban areas such as hydro-electric or water supply projects, and network projects such as power and telecommunications projects or DFC loans where the locations were not readily identifiable but are clearly urban in the great majority of cases.

37. On this basis, urban lending accounted for 42 percent of the total number of Bank projects (excluding IFC) in the five years (FY71-75), 49 percent of total loan amounts and about 62 percent of total project costs. ^{1/} Power, transportation, and telecommunications together account for about half of the urban loan total. DFCs and industrial projects are responsible for about 35 percent. Education, urbanization, water supply/sewerage and tourism projects make up the remaining 15 percent. Among the Bank's sectors, only agriculture and population are excluded in their totality. It should be emphasized that these estimates are very rough. Lack of sufficient data on the division between urban and

^{1/} If all IFC is deemed urban, the percentages are 50 percent, 51 percent and 64 percent.

other elements added to the conceptual difficulties. 1/

38. The data and conceptual difficulties and the subjective judgments involved were even more serious in the attempt made to assess which of these "urban" projects over the FY1973-75 period had important benign or adverse impacts on urban poverty. Indirect effects can often be more important than direct effects, not only to industrial projects but also of some infrastructure projects improving urban efficiency. Yet data limitations precluded even an adequate assessment of the more direct impacts. With this proviso, which probably implies some underestimation of benefits to the urban poor, about one-third of the urban projects provided clear evidence to substantial unskilled employment during construction but only half that number of longer term unskilled employment. Less than a quarter could be said to have favorable impacts for the urban poor in improving their relative access to urban services. In about one-third of the cases, some positive impact on urban institutions and/or policies could be deduced.

39. What stands out from this very rapid and rough attempt at analysis of past lending is not only that a very large part of Bank lending--about 50 percent without allowance for non-specific categories--has been concentrated in or had significant effects on urban areas. Perhaps more striking is the concentration on large infrastructure and industrial projects providing little evidence of direct benefits to the poor or of direct increases in the capacity of the cities to absorb the target populations. Of the sectors to which a more direct beneficial influence on the urban poor can be attributed, DFCs were responsible for 18 percent of urban lending (25 percent of total project costs) while education, urbanization and water supply together accounted for only 13 percent of urban lending and 7 percent of total project costs.

40. The review of past lending has highlighted a lack of any systematic attention in project appraisal or program development to urban absorption, income distribution or employment characteristics. To generate a greater awareness of the issues involved in reducing urban poverty will require more explicit attention to these urban impacts, including relevant data collection and monitoring during project preparation and a consequent modification of project design criteria.

41. Proposals are made below for sector-specific action, changes in the sector balance of the overall lending program, and for an operational review and advisory unit to assist in accomplishing this reorientation, with support from changes in economic/sector work emphases, and in research and policy work. These proposals are intended to be considered as a whole. The setting of targets, inevitably largely of a proxy nature, without the accompanying emphasis on design will not yield the results we want.

1/ The "non-specific" category accounted for 25 percent of the total Bank Group lending in FY71-75, agriculture and rural for the remaining 26 percent. Many of the import program loans are designed to utilize existing capacity and provide substantial direct urban employment.

B. Programing of Bank Activities in Industry and Small Enterprises ^{1/}

General

42. Greater weight needs to be given to increasing the productivity of the urban poor in designing Bank Group lending to the industry and small enterprise sectors. The objective is not merely to increase employment per se, for open unemployment is only a part of the real problem, but rather to increase the productivity of employment and thereby the incomes earned as well. Also, it is not sufficient merely to concentrate on projects which directly employ the urban poor at higher levels of productivity, for the industrial sector is a highly interdependent system in which firms of varying sizes and capital intensity play mutually supporting roles. The indirect effects of a project--through forward and backward linkages and through the generation of savings and foreign exchange--may be far greater than its direct effects. Thus a large scale, capital-intensive project in the modern sector may in some circumstances indirectly increase the productivity of the urban poor by more than a number of smaller, more labor-intensive projects having the same investment cost. However, the point is that the potential for the directly labor-intensive types of project has been largely neglected. While Bank support for large capital-intensive projects must continue, it will be necessary to expand Bank lending for smaller and more labor-intensive enterprises. Specific targets are spelled out at the end of this section.

43. It is equally important to recognize that the Bank's contribution through its lending to increasing the productivity of the urban poor will be very small in relation to the magnitude of the task. On the most optimistic assumptions, the number of jobs both directly and indirectly associated with Bank projects in industry would be no more than 500,000 per annum by 1980, compared to an annual increase in the urban labor force of over 8 million. Given the limited nature of our project impact, our objective must be to influence industrial policy in the right directions and to seek replication through the demonstration and catalytic effects of what we do. This requires strengthening industrial sector analysis at the country level as well as making fundamental changes in the process of project design within the Bank's industrial units and the IFC. ^{2/}

44. The following paragraphs accordingly look first for improvement of the basic analysis that should underly country programing in this sector, secondly at the changes needed in project design for traditional capital-intensive industrial lending, thirdly at the need for a larger program directed towards labor-absorptive branches of industry and small enterprises, and finally at innovative support to the informal sector.

^{1/} This includes the work of the industrial units of the Bank Group (Industrial Projects Department (NDP), DFC, and IFC) and Tourism plus the emerging small (informal) enterprise lending in Urban projects.

^{2/} The overlap and need for coordination amongst these units is growing and requires immediate attention. It is the Task Group's understanding that review is now underway.

Completed by [Signature]

Improved Industrial Sector Work

45. A systems-type analysis is often required to fully identify the effects of a project within the industrial sector taken as a whole. Thus there is need for more careful industry sector analysis at the country level. Likewise, the importance of policy improvement in the industrial sector points to considerably greater emphasis to this subject than has been given in the past. At the moment, the locus of responsibility for programming and carrying out the necessary work for the Bank's dialogue with member countries on industrial sector issues is not clear and the Bank's potential influence in this field is not being fully exercised. An examination should be made of how the activities of influencing country policies and programming Bank Group industrial lending operations are conducted to determine how best they can be strengthened, particularly in connection with poverty alleviation. The examination should also include an assessment of whether more staff resources should be devoted to this work.

Design Improvement for Direct Capital-Intensive Industrial Lending

46. Support for the large, capital-intensive projects in sectors such as mining, fertilizer, pulp and paper, steel, and cement should continue at the high level presently planned, though co-financing opportunities should be exploited as much as possible. These industries have very important impacts on overall growth and contribute, albeit indirectly, to increasing the productivity of the poorest. However, the indirect effects of investments in these and other capital-intensive industries should not be taken for granted; in particular, more effort needs to be expended in project design to maximize positive indirect effects and minimize negative ones. Along these lines, and more specifically, investigation of the possible negative and positive impacts of industrial plant siting--on shelter, transportation, and secondary employment opportunities of the poor--should be systematically integrated into appraisal methodology. Guidelines for improving industrial project design along these lines will be prepared as part of the Action Program.

Increased Activity in Labor-Absorptive Branches of Industry

47. The Bank Group industrial and enterprise lending should move increasingly into the more directly labor-absorptive branches of industry. Bank performance in terms of direct employment per dollar invested in the projects we have financed is not very good. Although the direct and indirect employment impact of our past lending has not been and cannot be measured, it is clear that even under very generous assumptions as to net indirect effects, the average cost of employment creation in Bank projects is very high relative to the amount of capital likely to be available for creating employment for the urban poor. This may well be due to the fact that the more capital-intensive projects have been easier for the Bank to handle while employment aspects of industrial lending have not received specific attention in the past; greater impacts should be possible through explicitly focussing on employment considerations in future projects. The industrial branches that have flexibility as to the technology that can be utilized (textiles, wood working, food processing,

transportation equipment, farm implements and metal working, to name a few) and those which naturally absorb large numbers of unskilled labor (transportation, construction, assembly, etc.) should be determined for their suitable promotion and support on the basis of country economic and sector work.

Increased Support to Small Enterprises

48. Bank Group support to small enterprises though now growing has been very limited, while practically no effort has been directed toward the informal sector. These areas have also been neglected by government as well as the regulated private sector financial institutions. Since small enterprises tend to be relatively unskilled labor-intensive, efforts to accelerate their growth and improve the efficiency of their operations should directly increase the productivity of the urban poor. Equally important are the effects on increasing the pool of effective entrepreneurial and managerial talent needed to organize the productive units in which the urban poor must find employment.

49. Because of the number of units to be serviced and the diversity of their specific circumstances, lending to small enterprises requires locally based intermediaries. The design of financial intermediaries that can successfully lend to small enterprises is the most urgent task in this area. Of the 20 new DFC type institutions that are expected to be established over the next five years, most of them should be structured specifically to play a substantial role in supporting small enterprises engaged in non-agricultural production. In addition, lending to small enterprises through conventional DFCs should be increased, and the IFC should continue to experiment with the use of commercial banks to reach small firms.

50. More than financial support is required to strengthen small-scale productive units and encourage their growth. It has long been recognized that technical assistance of various types needs to be integrated with lending, and this is reflected in some of the existing Bank loans to small industry. The institutional innovations that are planned must take this into account as well. Likewise, the establishment of industrial estates can play an important role, and a number of projects should be undertaken in this field. NDP should increase its lending through other non-Bank intermediaries as well.

Innovative Support of Informal Sector Enterprise and New Enterprise Forms

51. The Bank should also move into credit and technical assistance to the informal sector. Most of the efforts so far outlined call for trying to generate income and employment for the urban poor as part of a top-down approach. We should also try to approach the problem from below through projects and institutions which incorporate the poor in decision-making and control at critical levels. The main vehicle for this support of the informal sector and new enterprise forms will be the basic urbanization package projects (sites and services and slum upgrading), utilizing "grass roots" community agencies and organizations as intermediaries. In addition, the DFC divisions will develop several such projects on a pilot basis through hire-purchase schemes, cooperative programs, and the like. We still have

a great deal to learn, however, about how to promote the growth of the small enterprise and informal sectors effectively, and experimental projects and a process of trial and error will undoubtedly be required for some time to come.

Targets for Innovative Projects

52. The industrial units within the Bank have tentatively agreed to targets respecting the number of innovative projects to be undertaken in FY76-80. Most of the activities targeted will have to be compressed into the period FY78-80, given the fixed nature of the early part of the program and the long lead time for this type of project. An expanded effort can be made in the 1980-85 period on the basis of the experience gained and through the intermediaries that have been developed. The targets have been specified largely in terms of numbers of projects which will create direct employment at less than a specific cost per job, or which will be for enterprises with less than a specific amount of fixed capital assets. The actual figures chosen reflect past experience in the sector, but they derive from the outlooks of unit managers for potential movement in these directions and are ambitious.

53. The targets are not ends in themselves; they are viewed as powerful, composite, proxies for desirable outcomes in terms of income and employment through new ways of doing business. They imply, and, indeed, cannot be achieved without, new approaches and criteria for project design, exploration of technology choices, development of new kinds of intermediaries, and finding new kinds of enterprises to be supported. It must be stressed that the proxies are not to become disembodied from these more qualitative "true" objectives and there would of course be no relaxation of economic, technical, or financial criteria. Again, we should not underestimate the complexity of this task.

54. Direct Bank Lending to Industry (NDP). In this historically very capital-intensive type of Bank operation (\$200,000-\$300,000 per job) the objective would be to move marginally (about 5 percent of proposed NDP lending) toward more labor-absorptive branches by completing 6-9 projects with loans totalling about \$90-\$135 million during the period FY76-80, which create direct employment at less than \$50,000 per job. 1/

55. Indirect Bank Lending to Industry Through Non-Bank Intermediaries (NDP). It is proposed that NDP operations in support of small enterprises through non-Bank intermediaries such as industrial estates, should aim at achieving at least 12-15 such projects with loans totalling about \$120-\$150 million in the period FY76-80--again, about 5 percent of the NDP program. 2/ The enterprises to be assisted would create employment at no more than \$8,000 per job or would have fixed assets of no more than \$250,000.

1/ All dollar values in this section are constant 1975 dollars.

2/ This, however, implies a six-fold increase in the number of such operations and about a thirteen-fold increase in the amount of such Bank lending compared to FY71-75.

56. Indirect Lending through DFCs. During FY76-80, the Bank's lending through DFCs will aim at achieving the following targets:

- (i) at least 25 loans, totalling at least \$150 million, specifically directed to small enterprises (as defined by local conditions) with fixed assets of no more than \$250,000. This implies a five-fold increase in the number of SSE operations and about a seven-fold increase in the amount of Bank lending involved.
- (ii) at least 10% (by amount) of Bank lending to other DFCs to benefit small enterprises (defined as above). This implies a doubling of the existing SSE share which we estimate at about 5% of the amount disbursed to DFCs.
- (iii) at least 5 experimental projects, totalling at least \$20 million, which will involve largely new types of intermediaries and technical assistance arrangements and/or new types of programs such as hire-purchase schemes, cooperative programs or cottage industries.
- (iv) at least 25% of total Bank DFC lending (by amount) to benefit DFCs whose Bank-assisted projects or whose total subprojects have an average fixed investment per direct job of no more than \$15,000.

57. The cumulative amount of DFC lending to meet targets (i) through (iv) is estimated at \$750 million. This figure is about 30% of total Bank DFC lending during FY76-80 (as recommended below in "Indicative FY76-80 Lending Program"), or equivalent to 60% of the estimated increase in Bank DFC lending over the coming five years.

58. Support to the Informal Sector. Each of the 48 basic urbanization projects planned for FY76-80 will include credit and technical assistance components focussed on the informal sector. In addition, DFC will develop on a pilot basis at least five projects in this area by FY80 (para 56, iii above).

59. Direct IFC Lending. The IFC still has its program under review, but is committed to moving in the directions outlined in the preceding discussion.

60. Tourism Lending. The Task Group has not as yet made any attempt to assess the potential role of this sector in the attack on urban poverty, although that role could be significant in many countries.

61. The above targets are preliminary and some are as yet unquantified or expressed as ranges; these must now be firmed up and agreed with the regional managements and internalized as regional targets at the operating division level. This will be done by January 31, 1976. To realize the full impact of these initiatives will require that sufficient attention be paid to monitoring and evaluation and to disseminating the lessons learned, both positive and negative. To expand industrial lending and move in the new directions indicated will require a substantial expansion of staff inputs.

C. Programing of Bank Activities in Other Sectors with Major Direct Impacts on the Urban Poor.

62. For the purpose of setting Bank program objectives for other (non-industrial) sectors with important urban impacts, these sectors have been divided into two groups: those which can make a direct contribution to alleviating the most pressing conditions of the urban poor; and those which, through employment during construction and facility expansion, or through providing inputs to the productive sectors, make their contribution less directly. Grouped into the former category are basic urbanization (sites and services and slum upgrading), water supply and sewerage, education, nutrition and population. For these sectors, we have developed or are developing specific physical targets in terms of population to be reached or served. For the latter group (transportation, telecommunications and power) although some projects may be clearly oriented toward the target population (e.g., buses, bikeways, slum electrification), and these should be encouraged, the main objectives will be, as for projects in all sectors, to improve project design so that positive impacts on the poor and on the absorptive capacity of cities are enhanced, and negative impacts are avoided or minimized.

63. Basic Urbanization and Self-Help Projects. The number of sites and basic services and slum upgrading projects should be increased rapidly in the next five years. The numbers of people being added to the 190 million squatter and unserved slum populations of today amount to about 11 million per annum, rising to 11.5 million per annum by 1980 and 12 million by 1985. To cure the backlog would cost about \$50 billion, and to just keep up with the increase would cost nearly \$2.5 billion per annum. The Bank target should be to be able by 1980, to implement projects that reach people at the rate of at least a third of this annual increase. In 1974 dollars, this would amount to lending on the order of \$380 million per annum (3.8 million people) (16 projects) for this purpose by FY1980 and some \$900 million over the five-year period (about 48 projects) reaching a total of 9 million people, assuming a 50% financing by the Bank Group. This increase would imply a quadrupling of project preparation and implementation capacity over the five-year period. It is this sector which, because of its 100% urban and 100% target population orientation, will bear a major responsibility for the bottom-up and informal sector side of a direct attack on urban poverty. The figure of 1/3 of the rate of increase would give the Bank a truly catalytic, as opposed to token role, and is a very challenging goal. Quite apart from the problems of building up Bank staff strength (approximately 16 professional slots for this purpose over the four budget periods), there are the problems of developing receptive borrowers, making important advances in project design criteria, and finding suitable intermediaries for "sector loans" to develop small subprojects in intermediate and small urban areas. To try to reach more than 1/3 of the rate of increase would be unrealistic given these constraints. The next step will be to "regionalize" these targets and translate them into specific targets for the operating divisions. This will be accomplished by the end of January 1976.

64. In addition to the basic urbanization projects, the Bank should continue to emphasize overall urban efficiency, with special focus on institution building, urban finance, and effective land use management. The basic

urbanization projects, and all urban lending in other sectors, would serve as vehicles for exercising the influence needed for these reforms. Urban transportation projects and "integrated urban projects" of the Calcutta model would continue to be a feature of "urban" lending where and to the extent that receptive and capable borrowers can be developed.

65. Water Supply and Sewerage Projects. Future Bank projects must place increasing emphasis on bringing people over the threshold of minimum access to safe water and sanitation facilities; this has a clear (even if now unquantifiable) impact on productivity, health, and quality of life. To reach the target group will require the expansion of water supply to consumers presently outside the supply systems of most cities. This will not be an easy task. In many cities existing systems already fail to meet adequately the demands of those presently connected. These groups usually have the financial and political resources to insure they will be first in line for any additional supplies.

66. Our policies must be carefully tailored so that the priority of water supplies for the target group is not frustrated by the effective demands of the higher income groups. On the other hand, a policy of providing water only to the poor is bound to be self-defeating. We will therefore continue to pay close attention to the systems effects inherent in any water supply projects. We will, however, develop policies and projects that will use these systems effects to divert as large a portion as possible of new investments toward those with the greatest social needs. This means that we will have to pay increased attention to the pricing and distribution policies of utilities.

67. The target for operations in this sector is that by FY78, 1/ at least 50 percent of the personal consumption beneficiaries (non-industrial) from individual projects are of the target population. This percentage reflects the average ratio of the growth of the target population to the growth of total population in LDC cities. In meeting these targets there would be no relaxation of financial targets for the utilities involved, thus placing maximum pressure on design and service standards, utility efficiency, and on pricing policy reforms that would differentially load the overheads on those consumers most able to pay.

68. At present, the FY76-80 water supply and sewerage lending program amounts to \$1.33 billion, of which \$1.23 billion is estimated to be for urban areas (\$750 million for water supply and \$480 million for sewerage). 2/ Assuming

1/ This target may be met in some projects of the FY76-77 program; however, it cannot be applied to all operations before FY78.

2/ The Task Group has not yet had the opportunity to address fully the problems of targets for sewerage lending.

40 percent financing by the Bank Group, these projects could connect about 25 million people to safe water and 16 million people to public sewerage. By FY80 this would imply a rate of increase in the access of the urban poor to water and sewerage of about 4 million and 2 million persons per annum respectively. In 1980 the target population will increase by 11.5 million people. Thus, if the water supply and sewerage and the basic urbanization project targets are met, a sizeable proportion of the annual increase in the target population will be benefitted by these programs. Nevertheless, this would amount to not more than about 3 percent of the target population in 1980.

69. Some increase in urban (and probably rural) water supply lending should be considered to the extent that the increase can be concentrated on the poverty groups. (See the "Indicative FY76-80 Lending Program" below.) Discussions with regional managers will proceed with this end in view and with the aim of identifying specific opportunities to expand this poverty orientation. By the end of January 1976, the Public Utilities Department, in collaboration with regional managers will recommend a revised lending program which will include regional and country-specific targets for serving the target population. At present the regional breakdown of water and sewerage lending bears little relation to the regional pattern of lack of access to these basic services. There may be many good operational and other reasons for this apparent discrepancy. However, in the process of "regionalizing" the physical targets for water and sewerage lending, this regional pattern of lending may and probably should undergo some change in the later years of the FY76-80 period.

70. Education, Nutrition, and Population Projects. The setting of reasonable targets in these sectors is now underway, but is still at too early a stage to report on in any detail. Education targets will be set in terms of basic education places for primary schooling of a minimum of four years for the relevant urban age group and participation in functional literacy or other basic education and training programs for the age group 15-44. This will be premised on maintaining a balance between rural and urban enrollment ratios. Early indications are that a substantial increase in education lending may be in order. Nutrition targets will relate to the severely undernourished, especially those of the most vulnerable groups: pregnant and lactating women and children under five years of age, or some 40 million people in 1975 out of a total severely undernourished urban population estimated at nearly 180 million. In Population, the work on establishing reasonable targets is at a very early stage; indeed, it is not clear at this point in time that establishing global targets would be feasible. Nevertheless, the possibilities of doing so are being given serious attention. As with all other sectors, the aim is to get the Bank programming goals for education, nutrition, and population internalized by operating units at the divisional level. The Task Group will be in a position to report on the results of these efforts to develop sectoral programs after January 31, 1976.

D. Indicative FY76-80 Lending Program

71. The sectoral targeting of Bank Group lending as outlined above would imply some important changes in the sectoral composition of the overall lending program. The Table below outlines the currently planned FY76-80 lending

program as compared with the FY71-75 program, and a rough indication of how that part of the Bank program that already has a strong urban orientation could be altered to focus more on the target population and to reflect the strategies outlined above.

72. The main features of this alternative, indicative FY76-80 program are: a much faster growth of DFC, IFC, urban and water supply lending operations than now contemplated; and, to the extent that overall lending is restrained to presently planned levels, holding of power, and transportation lending fairly constant in real terms. The Bank Group's assistance to the directly productive non-farm sector would rise in real terms from about \$3.4 billion in FY71-75 to at least \$6.2 billion in FY76-80, and more to the extent that IFC operations are further expanded beyond that currently planned.

73. On the basis of decisions taken on this Action Program and more precise definition of sectoral targets in the coming months, a more definitive review of the future lending program will be completed in conjunction with P&B by the end of February 1976.

Bank Group Lending Program

FY71-75 and FY76-80

Adjusted to FY74 Base by Commitment Deflator

Sector IBRD/IDA	FY71-75		FY76-80 Currently Planned		% Change	FY76-80 Implied		% Change
		% Share		% Share			% Share	
Agriculture	3,612	24	7,123	29	+97	7,123	29	+97
Telecommunications	699	5	494	2	-29	494	2	-29
DFC	1,351	9	1,873	8	+39	2,500	11	+92
Education	760	5	1,003	4	+32	1,300	5	+58
Industry	1,261	8	2,569	11	+104	2,569	11	+104
Population	97	1	267	1	+175	267	1	+175
Nutrition						100	1	
Power	2,147	14	2,646	11	+23	2,150	9	+0
Tourism	132	1	267	1	+102	267	1	+102
Transport	3,295	22	4,107	17	+25	3,300	14	+0
Urban	195	1	792	3	+306	1,100	5	+465
Water Supply	701	5	1,326	5	+89	1,500	6	+115
Other	<u>1,034</u>	<u>7</u>	<u>1,681</u>	<u>7</u>	<u>+63</u>	<u>1,624</u>	<u>7</u>	<u>+ 58</u>
Total IBRD/IDA	15,284 ^{/1}	100	24,194 ^{/2}	100	+58	24,194	100	+58
IFC	629		952		+52	<u>/3</u>		<u>/3</u>
Total Bank Group	15,913		25,146		+58			

^{/1} Supplementary loans not included.

^{/2} This total is taken from P&B Standard Table IV of 8/12/75, which has been revised slightly since and which includes a small amount (about \$85 million (current)) not allocated to individual sectors at that time.

^{/3} IFC lending/investment expansion above the currently planned level is dependent upon expansion of its capital base which is now under active review.

V. IMPLEMENTATION AND SUPPORTING ACTIVITIES

A. Assistance and Review of Progress Toward Objectives

74. It is proposed that a new ^{small} Operations Review and Support Unit be set up immediately in the Transportation and Urban Projects Department ~~com-~~prising ~~five senior professional staff (chief, one expert each in transport, public utility, small-scale industry, one economist)~~. Its tasks would be:

- setting up the review system;
- providing advisory support on selected projects, including collaborative support from other CPS departments and consultants, and on development of related programs;
- reviewing and reporting on progress in adapting programs and projects to urban poverty objectives and specific sector targets.

*multisector
management
mechanism*

It is intended that these functions would be developed in such a way that within two to three years they can largely be transferred to the operating departments and other CPS sector departments.

75. Setting up the Review System. An urban Project Brief ^{1/} is envisaged for each sector, or important sub-sector. The main purpose of these briefs is to focus attention on key issues relating to the urban poor in the sector concerned, to provide management at the various levels with a quick indication of the contribution and/or potential of the project in these matters and toward the achievement of the sector targets.

76. Various considerations have had to be balanced in proposing the introduction of the urban briefs. While the large number of projects in the FY76-80 program which can be classified as "urban" (nearly 800), the current lack of data in project reports, and the desirability of introducing "urban inputs" at an early stage of project preparation point to a fairly extended standardized brief, the need to reduce form-filling to a minimum consistent with demonstratable utility points in the opposite direction. A limited brief, varying with each sector, that can be readily updated as project preparation proceeds, is proposed. Close collaboration with other CPS departments and the Regions will be required in designing the briefs. A timetable for the briefs to become operative stretching from April to August 1976 according to sector is proposed. Briefs will be designed to dovetail with the existing rural development briefs and the proposed general brief to avoid duplication and insure consistency. As an example, a draft of a water supply project brief prepared for discussion with the Regions is attached as Annex 2.

77. Advisory Support. While the aim is that all operating divisions should have the awareness and competence to incorporate the urban poverty dimension into their current work, it is recognized that at the present time much of the expertise required is not available to them. To help build up this expertise, it is proposed that, following the initial work on the briefing system, the Operations Review and Support Unit would concentrate on

^{1/} This would form a part of the proposed overall Project Brief system, now being discussed with the Regions

technical assistance to selected projects where the briefs or issues papers indicate important issues of urbanization impacts to be involved. The Unit should have the possibility of initiating discussions on relevant issues. Responsibility for defining and carrying out appropriate programs must, however, rest squarely on the operating and program divisions, the Unit responding to calls for technical assistance, and taking part in program reviews at the request of these divisions, their departments, or regional offices. Initial selection of projects for the collaborative effort should, when possible, be made on the basis of CPPs to insure that the urban input is available at an early stage of project preparation and to maximize the demonstration and training effect.

78. For this work, the staff of the Unit would be supplemented by drawing on other expertise available in CPS and by use of consultants-- 1-1/2 man-years per annum of consultant time is proposed. It is also proposed that the Unit collaborate with other CPS departments in stimulating the development of low-cost techniques appropriate to the levels of urban poverty. Close attention to appropriate techniques in individual projects will give impetus to this development.

B. Country Economic and Sector Work Program

79. After consultations with Regions, we have drawn up a program of priority country economic and sector work which will establish the basis for future lending programs to address the problems of urbanization and urban poverty (see Annex 1). The countries given priority in this program are those experiencing substantial urbanization problems, including a growing population living below the poverty line. Only a few country economists have the training or experience to meet adequately the demands of this work. Sufficient exposure through training and technical assistance will enable them to undertake more in the future. In order to provide this exposure, considerable demands will be placed upon the resources of the CPS/DPS staff.

80. It is important that much of the assistance given in this respect be strongly operationally oriented and coordinated with the work of the Operations Review and Support Unit. We are accordingly recommending that the Transportation and Urban Projects Department be prepared to augment its capacity to provide assistance to the Regions in the urban aspects of country economic work. Three man-years of assistance to the Regions by FY77 is estimated to be required. A similar volume of additional assistance is also needed for the balance of FY76 but it is unlikely that more than one slot could be filled immediately. We are therefore recommending that one slot plus consulting and travel funds be made available to cover the needs for this year. In addition, three Regions (EMENA, LAC, and EAP) will need one man-year each of additional Regional staff for this work in FY77 and beyond.

81. To assist in carrying out this program, a CPS/DPS/Regional working group has been put together. It will develop by January 31, 1976 a set of guidelines for urban and urban-poverty-oriented country economic work. On completion of this task we will review sector work guidelines for all sectors.

C. Research Work Program

82. While various parts of the ongoing research program have a direct bearing on the problems of the urban poor, there is a need to coordinate the program so that it is more operationally oriented and more directly focussed on the issues of employment and productivity. Specifically, there is a short-run need to advance the development of a consistent definitional and information system to improve the identification and understanding of the target group; and there are longer term demands to improve our urban analytical framework and apply it to refining the new guidelines for lending in the productive and infrastructure sectors. The following paragraphs deal concretely only with a relatively short-term agenda (through June 1976) designed to meet the short-run needs and undertake the necessary preparatory work toward meeting the longer term demands of the Action Program.

83. In the short run, a major effort will have to be undertaken to tackle the conceptual and measurement problems surrounding the definition, location, and characteristics of the target population, in urban areas of all sizes. An initial draft set of guidelines specifically addressed to defining the target population over time will be ready for discussion with country economists by January 31, 1976. (This will be done in coordination with a similar effort to improve the data for rural areas.) ^{1/} By July 1, 1976, we expect to have developed an improved framework for analysis, to be used for both operational and further analytical poverty-related purposes. This information and accounting framework will provide consistent methods of quantifying and analyzing the numerous interrelationships between the many factors influencing poverty.

84. The balance of the effort in FY76 will be devoted to developing a research program which will have an early operational payoff. Although only the broad outlines have been identified at this time, it will be addressed to providing the Bank with information on ways of creating productive employment for the urban poor; improving their access to basic services; and establishing the links between increases in access to these services and increases in productivity. Work is already well advanced on a first effort to improve the broad analytical framework for urban areas. This work will focus first on a single city, developing a policy model to examine options for absorbing large numbers of poor more efficiently and equitably, and applying the approach to evaluating alternative packages of investments and policies. Research toward expanding opportunities for productive employment of the urban poor may proceed along several lines. Particularly promising are research related to project experience in promoting small-scale enterprises; and research toward developing a methodology to trace and quantify the indirect (employment) effects of industrial lending. Research toward increasing access of the poor to basic urban services may similarly go in several directions. Much more research work is required on developing lower cost means (primarily administrative and financial) of delivering known technology in water supply and in the layout of urban neighborhoods; and developing more appropriate technology for, e.g., home water supply, sewerage and solid waste removal, electricity distribution. A beginning will also be made, initially within the research designs of the three ongoing evaluations

^{1/} See Specific Task 1, page 28.

of urban projects, on improving our knowledge concerning the links between increases in access to basic services and increases in productivity. This research program will be defined more precisely during the current fiscal year and presented to the Research Committee in time for financing out of the FY77 budget.

85. The urban research program will be designed to make maximum utilization of Bank research manpower by designing research projects which will increase the leverage of each staff researcher through appropriate management and supervision of external research teams. The specific manpower and budgetary requirements of DPS and CPS research managers will emerge from the research work program as it is developed.

D. Policy Work Program

86. Three priority areas for policy work have emerged from the work of the Task Group to date: Employment; Urban Land; and Technical Assistance and Credit to Small Enterprises. We are some way from being able to produce policy statements on any of these subjects. The first stage would be for issues papers to be written and we cannot rule out the need for subsequent research before policy papers can be prepared. All of these issues papers would have a highly operational orientation.

87. The Employment paper would work from the background of an updated picture of growth and employment of the labor force with special attention to the potential for creating and increasing the productivity of off-farm employment. It would focus, however, on identifying labor-absorptive industries, technologies, and linkages between sectors, and try to come up with better employment-oriented project selection and design criteria sector by sector. Work on this issues paper will be important to specify the research needs in this area, and more needs to be done to clarify our ideas about its scope.

88. Acquisition of urban land and its financial and economic valuation remain a major stumbling block in the development of projects for supporting the urban poor. Land reform is as important in urban areas as it is in rural areas. The Urban Land paper would begin as a survey of the numerous issues involved--ranging from various land use control mechanisms, taxation and valuation, and institutional possibilities such as land banking, to tenure systems, and conflicts between equity and efficiency. Eventually, we may have a number of papers on urban land all aimed at organizing our thoughts and getting policy decisions to guide our urban operations.

89. The Technical Assistance and Credit to Small Enterprise topic is probably more ready for policy treatment than the others. This paper would survey the experience to date on costs and results of various attempts to provide credit and technical assistance to small enterprises, formal or informal. The aim would be to identify the most likely lines of approach for the Bank and the major obstacles and dangers to be overcome or avoided in practice. The assignment of responsibility and a timetable for each issues paper are set out in the Summary Action Program below. Clearly the policy work program will continue to develop in the course of implementing the attack on urban poverty.

E. Coordination of Bank Activity with External Agencies

90. A growing demand on staff time will arise from the partial correspondence between our attack on urban poverty and the themes of the Habitat and the World Employment Conferences in June 1976. Looking beyond the immediate needs placed on our staff by these conferences, the opportunities presented by collaboration with other UN and national agencies are important. We believe this collaboration should be promoted. Some agencies have comparative advantages and many would welcome the chance to fit their narrower expertise or focus into a broader approach endorsed by the Bank. An effort should be made in the coming months to establish liaison with the more likely of these institutions and to see to what extent we may count on their moving with the Bank.

F. Organizational Questions and Work Program

91. The major organizational questions identified by the Task Group are:
- a) The need to locate responsibility for industrial sector and policy analysis to give the Bank and IFC the direction they require.
 - b) The need to create an Operations Review and Support Unit in Transportation and Urban Projects Department to develop and monitor project briefs and country economic and sector work programs, and to provide assistance to operating divisions in economic work and project design.
 - c) The need to establish a clear division of labor between CPS and DPS in urban policy, research and sector work, and in the process to place more emphasis on operational outputs.
 - d) The question of whether or when to separate the Transportation and Urban aspects of the TRU functions, and if a transition period is required, how to give the necessary internal management and advisory support to the departmental front office during the transition.
 - e) The question of when it might be appropriate to regionalize the urban operating units of the Transportation and Urban Projects Department and what must be done in the meantime within the Department to strengthen management and advisory support to the Director.
92. Except for (b) above, these questions are under active analysis by the Organization Planning Department, which will report to Mr. McNamara separately on or about October 30, 1975. The need for the Operations Review and Support Unit has been taken as being obvious and has been agreed in principle with Mr. Kearns.

VI. SUMMARY OF SPECIFIC TASKS IN ACTION PROGRAM AND BUDGET REQUIREMENTSA. Specific Tasks

1. *English* Further Target Population Definition - Concerted effort of CPS (Agricultural and Rural Development, Transportation and Urban Projects), DPS, and the Regions to improve our estimates of the target populations of urban and rural poor through standardized methodology. Target date to Regional offices with request for new estimates country by country - January 31, 1976. Messrs. Keare/Davis (DPS/CPS) responsible.
2. *isd* Further Analysis and Development of Macro-economic Framework - Expanded analysis to include additional countries and explore differences by region and country income level, together with a work program to follow up on the implications of this work. It will be completed by December 1, 1975. Mr. Holson (DPS) is responsible.
3. Development and Refinement of Agreed Sector Targets - The sector-specific targets for industry, urbanization, water supply and sewerage, education, nutrition and population will be refined and agreed at the operating division level. The target for finalization of this work is January 31, 1976. Mr. Jaycox (CPS) is responsible for coordinating this work which will involve CPS sector departments and Regional and COPD divisions.
4. Review of Future Lending Program - A new run-out of the implications for the FY76-80 lending program - or the FY77-81 program if that is more appropriate - on the basis of the agreed sector targets (Task 3) will be prepared by P&B by the end of February 1976 for review by management.
5. Development and Agreement of Monitoring System - Water Supply, Education, Industry and Urbanization sector attachments to the project brief to be designed and agreed by the end of February 1976 and incorporating the agreed sector targets. The other sectors to be included in the system by August 1976. Chief of TRU Operations Review and Support Unit (CPS) will be responsible.
6. Development of Guidelines for Country Economic Work - These guidelines will be developed by a joint CPS/DPS/Regional working party by January 31, 1976. Mr. Churchill (CPS) is responsible.
7. Development of Guidelines for Improving Industrial Project Design - These practical guidelines for looking at indirect employment, and other potentially positive or negative impacts of industrial projects will be prepared by March 31, 1976. Messrs. Kalmanoff/Westphal (CPS/DPS) are responsible. *Industrial*

*Spec. Div.
Statistical*

8. Development of Urban Research Program - The urban research program will be prepared for submission to the Research Committee for its May or June 1976 deliberations. This work will involve all research managers and their client operating divisions. DPS is responsible and will nominate an individual in the immediate future.
9. Policy/Issues Paper Work Program -
 - a) Employment - First Issues Paper to be drafted and delivered for extra-departmental review by March 31, 1976. Mr. Gulhati (DPS) is responsible.
 - b) Urban Land - First Issues Paper to be drafted and delivered for extra-departmental review by April 30, 1976. Messrs. Dunkerley/Keare (CPS/DPS) are responsible.
 - c) Technical Assistance and Credit to Small Enterprise - First Issues Paper to be drafted and delivered for extra-departmental review by May 15, 1976. Mr. Gordon (DFC) is responsible.
10. Organizational Work Program - The first report of the Organization Planning Department on the organizational issues or questions raised by the Task Group is due October 30, 1975. Mr. Kearns (OPD) is responsible.

B. Budget Requirement - Incremental Manpower Costs of Task Group Operations

93. The budget requirements outlined below reflect the estimated incremental manpower and other costs to carry out the Action Program as it is so far defined. The implications for manpower and other budgetary requirements for the operating projects divisions are not included in this statement and can not be quantified at this time. These will only emerge as we develop further and finalize our lending targets. The table sets out fairly firm requirements for the remainder of FY76; the figures for FY77 are only indicative and will be detailed and supported in the context of departmental budget requests for FY77.

	FY76			FY77 ^{1/}		
	<u>Man- years</u>	<u>Slots</u>	<u>Cons. & temp. (\$)</u>	<u>Man- years</u>	<u>Slots</u>	<u>Cons. & temp. (\$)</u>
A. <u>CPS</u>						
1. <u>Trans. & Urban Proj. Dept.</u>						
a. Prep. of Program ^{2/} (expended to 10/31/75)			12,000			
b. Misc. funds to assist other CPS/DPS depts. with further tasks.			12,000			
c. Prog. review & Monitor- ing Unit	2.5	5	50,000	5.0	-	100,000
d. Country economic work program support	<u>1.0</u>	<u>1</u>	<u>50,000</u>	<u>3.0</u>	<u>2</u>	<u>50,000</u>
Sub-Total	3.5	6	124,000	8.0	2	150,000
2. <u>Public Utilities Dept.</u>						
a. Preparation of program, research and training	.5		60,000	1.0	1	107,000
B. <u>DPS</u>						
a. Short-term program (balance of FY76)			69,000			
b. Long-term research starts				3.0	3	
C. <u>Regions (Economic & Sector Work)</u>						
LAC				1.0	1	
EAP				1.0	1	
EMENA				1.0	1	
Total	4.0	6	253,000	15.0	9	257,000

^{1/} Indicative only, to be supported by FY77 budget request.

^{2/} For all departments concerned; to be reimbursed by TRU from supplemental budget allocation hereby requested.

C. Future Reporting by the Task Group

94. The Task Group will continue in existence and oversee the completion of the tasks outlined in this report. New tasks and work programs will undoubtedly emerge in the course of work on the ones at hand. The next report of the Task Group will be on or about March 1, 1976. At that time we hope to report substantial progress in agreeing on specific sector targets and internalizing them to the operating divisions, developing a reasonable set of sector-specific project briefs and guidelines for country economic work, and reflecting our goals in a more definitive run-out of the FY77-81 program of lending. A separate paper on the results of the expanded analysis of the macro-economic framework for labor force employment and productivity by sector, together with a work program to follow up on the implementation of this work, will be circulated in December 1975. M

Attachment (Annexes 1 and 2)

cc: Mr. McNamara
Mr. Knapp
Mr. Chenery

Task Group Members: Messrs. Chernick, Churchill, Dunkerley, Fuchs, Gulhati
Gordon (D), Keare, Kuczynski, Gustafson, Lerdau
Please, Rovani, Rajagopalan

EVKJaycox:ncp/vb/aj

Table 1: MIGRATION AND GROWTH OF THE URBAN POOR

Region	Urban Population with Incomes Below Standardized Minimum Needs 1975 (000's)	Percent of Total Urban Poor in Bank Member Countries (1975)	Estimated Rural-Urban Migration 1975-85 (000's)
<u>Eastern Africa</u>			
Ethiopia	692	0.47	1,993
Zaire	1,964	1.34	4,171
Zambia	263	0.17	766
Remaining E. Africa	1,437	0.98	3,512
Total E. Africa	<u>4,356</u>	<u>2.96</u>	<u>10,442</u>
<u>Western Africa</u>			
Ghana	518	0.35	1,085
Nigeria	3,174	2.16	3,640
Senegal	264	0.18	300
Remaining W. Africa	3,347	2.27	3,552
Total W. Africa	<u>7,303</u>	<u>4.96</u>	<u>8,577</u>
<u>EMENA</u>			
Egypt	3,903	2.65	3,185
Iran	1,993	1.35	2,994
Morocco	1,517	1.03	1,848
Turkey	3,864	2.63	4,532
Remaining EMENA	7,302	4.96	11,447
Total EMENA	<u>18,579</u>	<u>12.62</u>	<u>24,006</u>
<u>Latin America & Caribbean</u>			
Brazil	13,807	9.39	11,174
Colombia	4,255	2.89	2,701
Mexico	6,611	4.49	5,621
Peru	1,951	1.33	1,302
Remaining LAC	8,542	5.81	7,886
Total LAC	<u>35,166</u>	<u>23.90</u>	<u>28,684</u>
<u>East Asia & Pacific</u>			
Indonesia	7,188	4.89	7,520
Philippines	3,769	2.56	3,050
Thailand	911	0.62	2,082
Remaining EAP	2,088	1.42	5,546
Total EAP	<u>13,956</u>	<u>9.49</u>	<u>18,198</u>
<u>South Asia</u>			
Bangladesh	2,648	1.80	1,690
India	56,256	38.24	26,999
Pakistan	4,640	3.15	5,627
Remaining S. Asia	4,210	2.86	3,534
Total S. Asia	<u>67,754</u>	<u>46.05</u>	<u>37,850</u>
Total Bank Member Countries	147,114	100.00	127,757

See Notes to Tables 1 and 2, following.

Table 2: ESTIMATE OF URBAN ABSOLUTE POVERTY BY REGION

<u>Region</u>	Urban Population 1975 ^{/2}		Urban Population with Per Capita Income ^{/1} Below:					
	millions	%	<u>\$100</u> millions	%	<u>One-half</u> <u>National</u> <u>Average</u> millions	%	<u>Minimum</u> <u>Needs</u> millions	%
Eastern Africa	20.1	3.5	7.7	4.9	2.3	1.9	4.4	3.0
western Africa	24.3	4.2	8.7	5.6	4.5	3.6	7.3	5.0
EMENA	110.0	19.0	12.5	8.0	23.5	19.0	18.6	12.6
Latin America and Caribbean	186.5	32.3	15.8	10.1	51.8	41.8	35.2	23.9
East Asia and Pacific	69.3	12.0	14.1	9.0	8.4	6.8	14.0	9.5
South Asia	167.8	29.0	97.1	62.3	33.4	27.0	67.8	46.0
Total	578.0	100.0	155.8	100.0	123.9	100.0	147.1	100.0

/1 Estimated at 1973 prices.

/2 Includes Bank member countries only.

Note: Columns may not add up due to rounding.

See Notes to Tables 1 and 2, following.

NOTES TO TABLES 1 AND 2

1. Tables 1 and 2 summarize the estimates of the extent and distribution of urban poverty. Three estimates have been made reflecting alternative definitions of the "poverty line": (a) a constant worldwide dollar cutoff, (b) a proportion of average national personal income for individual countries, and (c) a basic poverty line cost of living for individual countries.

2. The estimate of minimum needs (cutoff point c, above) was obtained by estimating from country data for each region the cost of minimum nutritional needs per capita. This was applied to all the countries in the region, i.e., including those for which no estimate had been provided. Minimum urban non-nutritional needs per capita were taken as being 75 percent of the minimum nutritional cost, on the basis of a typical low-income expenditure pattern of 55-60 percent on food, 40-45 percent on other items.

3. The urban population in the six Bank Regions with incomes below the three alternative cutoff points is shown in Table 2. These estimates were obtained for each country by:

(a) Estimating average per capita personal income for the urban population from: (i) the estimate of national personal income supplied by country economists in response to the request of the Agriculture and Rural Development Department; and (ii) estimates of the relationship of urban to national personal income.

(b) Applying available household income distribution data to estimate percent of population below cutoff level.

4. These alternatives provide widely differing pictures of the extent of urban poverty:

(a) The constant dollar cutoff at \$100 in 1973 prices indicates a total 1975 urban population below this level of 156 million. Fully 62 percent of this world total is located in South Asia (see Table 2), representing some 58 percent of the urban population of that region.

(b) Using a relative income cutoff, the share of the urban poor in Latin America increases to 42 percent of the worldwide total of 125 million, with South Asia falling to 27 percent. This is a reflection of the higher level of urbanization and greater inequality of income in Latin America.

(c) The estimate based on the cost of basic nutritional and other needs falls between the above two measures. The total urban population with incomes below this level is approximately 147 million, of which 68 million are in South Asia and 35 million in Latin America.

5. The differences between these estimates illustrates their sensitivity to changes in the definition of the poverty level. Thus an increase of 15 percent in the estimated cost of minimum needs (estimate c above) would increase the population in the poverty group by some 20 percent to about 180 million. This would be the approximate effect of adopting a proposed alternative definition of the urban poverty income level, namely, 50 percent above that in rural areas.

Table 3: EMPLOYMENT PROFILE OF THE URBAN POOR: SELECTED CASES (%)

Occupational Groups	Bangkok	Chile	Caracas	Lima	Malaysia	Belo Horizonte
Employees	57	73	71		57	65
Own Account	43	27	29		43	35
Agriculture	29		*	1	15	2
Manufacturing	30		26	24	18	16
Commerce	17		29	15	19	14
Construction	*		10	12	8	11
Transport	3		8	7	12)
Government)))
Services	8)	16	9	11)
)		19	18)
Domestics	5		*	3	*)
Others	7		11	10		12

Notes: 1. Poverty definition varies by country, but it corresponds to about the bottom 2 deciles in most, and refers to per capita family income.

2. Malaysia, Caracas and Chile distributions are of household heads only; others include secondary earners.

* Not a separate category in the study.

Table 4: POTENTIAL GROWTH OF THE POVERTY GROUP

<u>Region</u>	<u>I</u> Urban Population With Income Below Standardized Minimum Needs, 1975	<u>II</u> Natural Growth Of Poverty Group 1975-85 ^{a/}	<u>III</u> Estimated Rural-Urban Migration 1975-85 ^{b/}
Eastern Africa	4,356	1,420	10,442
Western Africa	7,303	2,490	8,577
EMENA	18,579	5,831	24,006
Latin America & Caribbean	35,166	12,200	28,684
East Asia & Pacific	13,956	4,693	18,198
South Asia	67,754	19,353	37,850
Total	<u>147,114</u>	<u>45,987</u>	<u>127,757</u>

a/ National rates of population growth applied to urban poverty group of 1975 as shown in Column I.

b/ Based on national natural growth rates and urban population growth rates as estimated in UN population projections.

Table 5 : TRENDS IN LABOR FORCE AND OUTPUT
(Data for 25 Developing Countries)

	Agriculture	Industry	Services	Total Labor Force
<u>Value Added (billions of 1970\$)</u>				
1960	54.8	40.3	63.1	158.2
growth rate	3.1%	7.0%	5.6%	5.2%
1970	74.1	79.5	109.3	262.9
growth rate	3.1%	7.3%	5.7%	5.6%
1980	100.9	161.4	191.0	453.3
growth rate	3.3%	8.2%	6.4%	6.5%
1990	140.1	355.1	355.8	851.0
<u>Alternative 1981-90</u>				
growth rate	4.5%	10.0%	8.1%	8.1%
1990	156.7	418.5	415.9	991.1
<u>Labor Force (millions)</u>				
1960	245.2	42.6	72.5	360.3
growth rate	1.0%	2.6%	3.2%	1.7%
1970	271.5	54.9	99.2	425.5
growth rate	0.6%	2.9%	5.9%	2.4%
1980	289.2	73.1	177.1	539.4
growth rate	0.3%	3.7%	5.1%	2.6%
1990	298.1	105.6	293.3	697.2
<u>Alternative 1981-90</u>				
growth rate	1.4%	5.5%	3.1%	2.6%
1990	333.5	124.4	239.3	697.2
<u>Value Added Per Worker (1970\$)</u>				
1960	223.0	946.0	871.0	439.0
growth rate	2.1%	4.3%	2.3%	3.4%
1970	273.0	1,449.0	1,103.0	618.0
growth rate	2.5%	4.3%	-0.2%	3.1%
1980	349.0	2,208.0	1,079.0	840.0
growth rate	3.0%	4.3%	2.0%	3.9%
1990	470.0	3,363.0	1,211.0	1,233.0

Table 6 : SELECTED LDCs: DISTRIBUTION OF URBAN POPULATION BY SIZE OF CITY, 1950 AND 1975

Urban Area Size (000s)	Zaire				Nigeria				
	1950		1975		1950		1975		
	Share of Urban Population	Population (000s)	Share of Urban Population	Population (000s)	Share of Urban Population	Population (000s)	Share of Urban Population	Population (000s)	
	%		%		%		%		
Less than 100	47	255	30	2,078	67	2,395	16	1,867	
100-199	53	283	10	703	13	445	17	1,923	
200-499	-	-	10	665	20	716	41	4,688	
500-1,000	-	-	21	1,448	-	-	8	877	
More than 1,000	-	-	29	1,996	-	-	18	2,064	
TOTAL URBAN	100	538	100	6,890	100	3,556	100	11,419	
	Egypt				Morocco				
Less than 100	39	2,530	29	5,111	24	447	20	1,336	
100-199	11	693	4	695	30	556	-	-	
200-499	-	-	15	2,682	11	210	42	2,882	
500-1,000	14	927	-	-	34	633	10	666	
More than 1,000	36	2,377	52	9,334	-	-	28	1,890	
TOTAL URBAN	100	6,527	100	17,822	100	1,846	100	6,774	
	Turkey				Iran				
Less than 100	61	2,747	52	8,988	60	2,898	37	5,398	
100-199	5	218	9	1,638	10	484	7	1,006	
200-499	11	505	10	1,797	9	436	13	1,883	
500-1,000	22	971	4	624	-	-	13	1,837	
More than 1,000	-	-	25	4,279	21	1,041	30	4,423	
TOTAL URBAN	100	4,441	100	17,326	100	4,849	100	14,547	
	Brazil				Colombia				
Less than 100	55	10,324	43	28,256	59	2,488	29	4,615	
100-199	2	455	5	3,403	5	214	10	1,599	
200-499	10	1,930	5	2,984	20	845	18	2,867	
500-1,000	3	650	4	2,744	16	655	5	792	
More than 1,000	29	5,340	43	27,741	-	-	38	6,065	
TOTAL URBAN	100	18,699	100	65,128	100	4,202	100	15,938	
	Mexico				Indonesia				
Less than 100	56	6,284	42	15,553	43	3,843	38	10,052	
100-199	9	1,069	5	1,758	5	462	6	1,493	
200-299	9	982	12	4,434	20	1,825	10	2,556	
500-1,000	-	-	3	1,142	13	1,190	12	3,244	
More than 1,000	26	2,872	39	14,462	18	1,565	34	8,887	
TOTAL URBAN	100	11,207	100	37,349	100	8,885	100	26,232	
	Philippines				India				
Less than 100	59	3,231	52	8,219	56	33,449	46	60,552	
100-199	28	1,532	28	4,405	9	5,675	7	9,126	
200-499	-	-	3	525	11	6,573	13	16,726	
500-1,000	-	-	7	1,139	5	2,906	9	12,382	
More than 1,000	14	748	10	1,549	19	11,256	25	33,581	
TOTAL URBAN	100	5,511	100	15,837	100	59,859	100	132,367	
	Pakistan				Total Selected LDCs 1950-75 a/				
Less than 100	45	2,511	30	5,623	54	73,392	41	157,648	2.15
100-199	14	784	6	1,223	10	12,870	7	28,972	2.25
200-499	8	465	7	1,289	11	14,487	12	45,978	3.17
500-1,000	15	826	8	1,472	6	8,758	7	28,367	3.23
More than 1,000	18	1,028	49	9,332	19	26,227	32	125,603	4.79
TOTAL URBAN	100	5,614	100	18,939	100	135,734	100	386,568	2.84

Source: UN Population projections, Medium Tempo, Medium Variant.

a/ 1975 population of a size category divided by 1950 population of the same category, i.e., small cities approximately doubled, large cities quintupled.

ECONOMIC AND SECTOR WORK

Introduction

Under this category two broad lines of work can be distinguished. The first concerns itself with the urbanization process, that is, with the spatial or locational aspects of development. It asks the question "where" development is taking place. It studies the links between regions and between rural and urban areas, as well as the movements and growth of population in both rural and urban areas. It is more concerned with what cities are growing and why, with the effects of national policies on location, etc., rather than with the problems of a specific city.

This perspective means the work properly belongs with the country economic work, particularly that concerned with the longer run or "basic" issues of development. In most instances this work can be carried out as part of the program of country economic work. In those countries where the problems are large or complex, a special sector report or mission will be required; in others it can be done within the framework of existing missions and reports. In either case the responsibility lies with the country economists.

The extent to which the spatial aspects of development have been taken into account in past Bank work shows considerable variation. Only a few country economists have the training or experience to meet adequately the demands of this work. Sufficient exposure through training and technical assistance will enable them to undertake more in the future. In order to provide this exposure, considerable demands will be placed upon the resources of the CPS/DPS staff, particularly in the next two to three years, after which time the regional economists should be in a position to undertake most of the work.

The second broad line of work concerns itself with the problems of specific cities, for example, the problems of water supply, housing or public transport. At this level considerable detail and specialized expertise are required. This can only be provided within the framework of project preparation and execution. The integration and analysis of city problems should form an integral part of water supply, urban transport, and sites and services projects. The Regions have considerable specialized expertise in many of these fields, but in order to provide a more comprehensive and integrated urban approach, calls will be made upon the manpower of the CPS departments.

The Required Programs

With the above considerations in mind, we have examined and discussed with the Regions their programs of economic and sector work. The focus has been on the balance of FY1976 and FY1977. Within this period much exploratory work will be done and toward the end of FY1977 we should have a better feel for both the required extent and the costs of this type of work. The work program, to the extent it can be detailed, is set out below for each Region.

We are recommending that the Transportation and Urban Projects Department be prepared to provide an additional three man-years of assistance to the Regions by FY1977 for economic and sector work. For the balance of FY1976, three man-years could be applied to high-priority work. It is unlikely, however, that staff could be recruited sufficiently quickly to meet this need and we are therefore recommending that two man-years of consulting funds be made available immediately and an effort be made to recruit the additional manpower as soon as possible.

In addition we are recommending that three additional positions be allocated to three Regions (one each to EMENA, EAP, and LAC), where there is a sufficient volume of work to warrant specialized manpower in each Region.

Summary of Recommended Additions (man-years)
For Country Economic and Sector Work

	<u>FY1976</u>	<u>FY1977</u>
1. <u>East Africa</u>		
CPS/DPS Support	.25	.5
2. <u>West Africa</u> *		
CPS/DPS Support	.5	.5
3. <u>EMENA</u>		
CPS/DPS Support	.5	.5
Regional Manpower		1.0
4. <u>LAC</u>		
CPS/DPS Support	.5	.5
Regional Manpower		1.0
5. <u>EAP</u>		
CPS/DPS Support	.3	.5
Regional Manpower		1.0
6. <u>South Asia</u>		
CPS/DPS Support	.25	.5
<u>Total</u>		
CPS/DPS Support	2.3	3.0
Regional Manpower	-	3.0

*Excluding Nigeria - see text.

1. East Africa Program

Only a small percentage of the world's urban poor are to be found in the East Africa Region. At present four million urban dwellers can be classified as falling below the poverty line, but this number could easily double in slightly more than a decade. Urbanization is occurring at a rapid rate and the low resource base of most of the countries makes it imperative that this process be as efficient as possible. At present this process is anything but efficient. While the majority of Eastern Africa is expected to have a rapid growth of their urban populations, virtually all of them are likely to have predominantly rural populations through the turn of the century.

An urbanization study has been completed for Zambia and a second urban project is under consideration. Urban projects are in the process of implementation and second projects being prepared in Kenya, Tanzania, and Botswana. In addition, the present loan program contains a number of water supply and small industry projects in Kenya, Malawi, Tanzania, Zaire, and Zambia.

In view of the obvious priorities of agriculture and rural development, the Region is taking a low-keyed operational approach to urban development in most countries, with the notable exception of Zambia, Botswana, Mauritius, and Swaziland. It is planning to include in its program of country economic work an examination of the importance of the urbanization process and other aspects of the spatial implications of national development in all countries. In the initial stage of identifying target groups and problems, this will be done to the extent possible by existing regional staff, but it is already clear that some specialized inputs will be required from the CPS/DPS. These have not yet been identified.

Two countries, Ethiopia and Zaire, with more than half the urban poor in Eastern Africa, should be regarded as priority countries for further work on urbanization. The two major cities, Addis Ababa and Kinshasa, may well become unmanageable problems in the foreseeable future, even though in the context of these countries urban improvements at the present time command a relatively low priority. A reconnaissance mission is visiting Addis Ababa in October to make preparations for a sector review in CY1976. A sector survey has already been completed for Zaire and a project proposal is under preparation.

Until a detailed work program has been further defined, we would propose to allocate a notional manpower addition to the economic work program as follows:

	<u>FY1976</u>	<u>FY1977</u>
Additional DPS/CPS support (man-months)	3	6

2. West Africa Program

This Region has been aware of the spatial implications of the development process. In particular the concern has been expressed in terms of the excessive pace of urbanization. All cities in the Region except Lagos are relatively small by world standards, but growing rapidly. In many cases, it is suspected that their rapid growth is the result of inappropriate agricultural and industrial policies.

Approximately 5 percent of the world's urban poor are concentrated in West African cities. Two countries, Nigeria and Ghana, account for 55 percent of the West African total.

In addition to the problems created by rapid urbanization, there are substantial net inter-country movements of people, both rural-to-urban and rural-to-rural, particularly among the countries that make up the Sahelian region.

Several recent economic reports (Upper Volta, Ivory Coast, Niger, and Senegal) have given serious consideration to the spatial aspects of development. The Economics Department has a research project underway on West African migration.

The capacity of the Regional economists to undertake any further additions to an already ambitious work program is limited. The Region would like some assistance with two forthcoming missions, one to Mali and one to Ghana. The Mali mission (February 1976) is to review the proposed plan. The Region would also like to examine the implications of the increasing concentration of population in the region surrounding Bamako and is requesting assistance for this (an estimated two man-months). In the case of Ghana the Region considers that the most expedient way to develop a better understanding of the country's urban poor problems is in the context of the preparation and appraisal of a proposed small industry project. A pre-appraisal mission is scheduled for October 1975.

Nigeria is the biggest question mark in West Africa. It is urbanizing rapidly and no doubt the oil boom will increase the pace of urbanization. Some existing urban centers are already overburdened and unable to cope effectively with the problems of the large influx of mostly poor people. The Government, however, has changed recently and is still in the process of developing its relationship with the Bank. Meanwhile, it has appointed a high-level committee to study urban problems in Lagos and to make recommendations on the possible relocation of the Federal capital. There is no indication so far that the new Government would welcome our involvement in urban development projects other than the Kaduna water supply project which is in our lending program for FY1977. Our economic work program for Nigeria includes urbanization issues but this has to remain tentative until the RVP has had an opportunity to discuss and clarify all aspects of Bank/Nigeria relationships, including economic work to be undertaken by the Bank, with the new Government. During the Annual Meeting last September, the Nigerian delegation indicated that May 1976 is likely to be the earliest convenient time for such discussions.

Recommended Additions to Program, FY1976-77

	<u>Additional Support from CPS/DPS or Consultants (man-months)</u>	
	<u>FY1976</u>	<u>FY1977</u>
Mali	2	
Ghana	2	
Nigeria		6*
General (support for migration studies, review of present program of work, etc.)	<u>2</u>	<u>6</u>
Total	6	6 (excluding Nigeria)

*This should preferably be located in the Region.

3. EMENA Program

Sixty percent of the urban poor (11.3 million) in the EMENA Region are located in four countries, Egypt, Turkey, Algeria, and Morocco. Altogether, the urban poor of this Region account for 17 percent of the world total.

A sizeable program of projects designed to improve urban living conditions is carried out by the Region. The most important ones are in Iran, Turkey, Morocco, Syria, and Tunisia. These projects are mainly for the construction of water supply and sewerage facilities and for studies relating to urban transport, other services, and housing. Further, a more comprehensive approach is being taken regarding urban growth and patterns in the cases of Istanbul, Casablanca, Tunis, and Sfax. In the case of Istanbul, Tunis, and Sfax, the necessary studies are included under project loans, while in the case of Casablanca, the IBRD is executing agency for UNDP-financed projects. Finally, sector missions are planned in current CPPs to support lending as follows: Turkey (FY1977), Morocco (FY1977), and Syria (FY1979).

Country economic work in the countries of the Region has examined the spatial aspects of development (also known as regional development). This was done for Turkey (1973 basic report), Yugoslavia (1973 basic report), Tunisia (1973 basic report), Morocco (1974 plan review report), and Algeria (1975 plan review report). In Yugoslavia a program of regional studies was started in 1972 and is planned to be completed in 1976. These reports discussed and commented on the regional investment programs and policies followed by the governments concerned. The focus, however, was primarily on the issue of giving equal chances of development to the most disfavored regions and rural population groups and acquiring sufficient knowledge of urban development to underpin sector and project work programs in urban areas.

Sector work addressing the urban poor, though not exclusively, is already planned. What seems needed now is additionally to focus analysis on the lot of the urban poor and on the constraints restraining their contribution to development. Future economic work will therefore have to gather more detailed knowledge of population movements and urban population characteristics than has been acquired so far. For this and for the sector surveys noted above, the Region will need support from DPS/CPS. More specifically, the planned activities that will require such support are as follows:

- basic economic mission to Egypt (FY1976);
- plan review in Syria (FY1976);
- urbanization survey in Morocco (FY1977);
- urbanization survey in Turkey (FY1977);
- plan review in Tunisia (FY1977);
- plan review in Algeria (FY1978);
- urbanization survey in Syria (FY1979).

Priority should be given to the situation in Egypt. At present the numbers of the urban population below the poverty line amount to 3.2 million. This could increase by an additional 2 million over the next decade. Algeria may be out for political reasons. Given the large urban component in the lending program in Morocco and Turkey, it would appear essential to have the whole urbanization process reviewed as soon as possible.

Recommended Additions to Program (man-months)

	<u>FY1976</u>	<u>FY1977</u>
Additional support from CPS/DPS	6	6
Additional Regional staff		12

4. LAC Program

Most Latin American countries are among the most highly urbanized countries in the world. The present urban population (196 million) will increase to 464 million by the year 2000, when, on average, 75 percent of the total population will live in cities. Approximately 35 million or 18 percent of the total urban population now live below the absolute poverty line. These are concentrated in four countries which contain nearly 80 percent of the urban poor: Brazil (13.8 million), Colombia (4.3 million), Mexico (6.6 million), and Peru (2.0 million). In these four countries alone in the next ten years, the estimated migration from rural to urban areas is 29 million.

The Region has an active program of country work aimed at addressing the issues raised by this rapid urbanization process.

Mexico - A review of the spatial aspects of Mexican development has been completed as well as the review of one region within the country. Further work is in the process of identification. Water supply, industrial sites, and an urban project are in the loan program. High priority should be given to work in Mexico City and in the development of alternatives to its further growth.

Brazil - Various regional studies have been done or are underway. No comprehensive look at the longer term implications of urbanization have been undertaken. It is planned to initiate this work early in 1976 and on the basis of this develop a program of future work.

Colombia - The position in Colombia is similar to that of Brazil. A review of the situation should be completed by early 1976 and on the basis of this review of urbanization a work program will be proposed.

Peru - The basic report planned for Peru (to be completed in FY1976) will place a strong emphasis on studying the urbanization process and the alternative strategies open to the country. This report will also indicate the direction of future work.

The Region will necessarily have to place a strong emphasis on the problems of urbanization and urban poverty. The first steps are underway and involve essentially the identification of problems and the development of future work. In six months' time, we should be in a better position to estimate the longer term staffing and budgetary needs. In the short run, some assistance will be required from the centralized Departments (CPS/DPS). At a minimum, an additional man-year should be located within the Region.

Recommended Additions to Program FY1976-77 (man-months)

	<u>FY1976</u>	<u>FY1977</u>
1. From CPS/DPS support (El Salvador, Brazil, Mexico, Colombia)	6	6
2. Additions to Regional staff		12

5. East Asia and Pacific Program

Urbanization is occurring rapidly in this region at relatively low levels of income. In Indonesia, in particular, the growing pressures of population on land could generate an even faster pace of urbanization. The provision of services, particularly safe water supplies, lag well behind existing and projected demands. In the coming decade it is estimated that over 18 million persons will migrate to the cities.

At present, the economic and sector work in the Region is characterized by the large number of basic missions. In Indonesia there is a substantial follow-up effort on last year's basic mission in the fields of investment and employment. Basic reports on Papua/New Guinea, the Philippines, and Malaysia are in preparation, and a basic mission for Korea is planned for the end of FY1976. These efforts occupy a very large proportion of the Region's economic manpower and limit its short-run capacity to focus on urban problems. While outside manpower could be attracted to work on urban problems, there should be very close integration with the country work, and in that sense the current heavy load on most country economists may pose an effective constraint on the ability to do urban work.

By country, the situation is as follows:

Indonesia

The very high level of underemployment on Java calls for action on many fronts. For analytical purposes one can distinguish the problems of Jakarta, of the other cities (say, from half a million population up), and of smaller towns. The Bank has had substantial involvement in Jakarta and has a successful project there (the Kampung Improvement Project). Many studies on the city are going on or have been completed. These should now be drawn together and a comprehensive long-term program for development and investment in the Jakarta Metropolitan Area formulated. If the Government agrees (this is to be explored shortly) the work could start this spring. Tentatively, close to one man-year would be involved, mainly economist time. The Region could contribute very little to this.

At the same time, the Region has started work on strategies for the development of rural agro-industrial centers and small towns on Java (see Form 700), as well as on the formulation of a regional development project on Java. One country economist will be involved for about half time. It is the intention to employ Indonesian consultants, but in addition about half a man-year of non-regional Bank manpower is tentatively required.

The Migration and Urbanization study planned for FY1977 (see CPP) would draw upon the inputs discussed above, study the problems and potentials of the other cities, analyze the trade-offs between development of different types of cities and come up with a long-term strategy and investment program. Up to two man-years of time will be needed if the overall problem is to be addressed meaningfully.

The Bank's operations program for FY1976-78 in urban areas now contains two urban projects, a sewerage project, a water distribution project, and a power distribution project, for a combined amount of \$265 million.

The Philippines

The Basic Economic Report is now being drafted and will continue to demand primary attention till February. It will contain a separate chapter on urban problems. For the future, the mission has tentatively identified the need for development of a number of industrial centers outside Manila. It is the intention to mount an industrial/urbanization study toward the end of FY1976. It is expected that about one man-year of non-regional manpower will be required for the study.

In November, the Transportation and Urban Projects Department is making a follow-up appraisal mission to Manila which will discuss with Government, *inter alia*, the technical assistance requirements for preparing a metropolitan plan for Manila, the financing of services, the level of infrastructure to be provided, and the most desirable form of metropolitan government organization.

Urban project activities for the Philippines in the fiscal years 76-78 include two urban projects, a water supply project and a sewerage project. The total amount involved is \$120 million.

Thailand

The Government is putting great emphasis on urban development outside Bangkok. While Bangkok's problems are severe, the lack of a strong city government would make Bank involvement in that city costly. The Region therefore intends to follow the Government's lead. Much information on secondary cities already exists in a number of reports, but could be usefully drawn together as an input into the work of the basic mission which is now planned for end-FY1977. About half a man-year of non-regional staff time, mainly on desk work, would be required. The urban sector mission initially being planned for FY1978 may then no longer be required.

In Thailand, we expect, over the three years 1976-78 to do three urban projects and water supply as well as sewerage in Bangkok. Total amount: \$135 million.

Korea

Korea is relatively well advanced in tackling its urban problems. As part of the UNDP-IBRD Planning Assistance effort, consulting services are being provided to the Government to analyze urban problems. No further activities (except for those in a project context) are planned before the basic economic mission (April 1976), which will review the need for further urban work. Tentatively, an urban sector study is planned for FY1977.

In Korea, we expect to do one housing and one sewerage/water supply project (total amount \$40 million) in the period FY1976-78.

Malaysia

Malaysia's urban problems are relatively small in relation to those of other countries in the Region, but the Government is actively interested in them. The lending program for FY1976 contains an urban project and two sewerage projects. There is also a regional development project (including sites and services for a small town) in FY1977 and another one in FY1978. The priority of urban sector work in Malaysia will have to be assessed in the light of the basic mission's findings (which will only emerge over the next several months), the Government's interests, and the priorities within the Region.

Recommended Additions to Program in FY1976-77

The proposed Regional work program is ambitious and broad in its coverage. Additional manpower could easily be absorbed in high-priority work. This work will be of a continuing nature and we therefore recommend the addition of one man-year in FY1977 to the Regional staff. In addition, we foresee the need for at least six man-months of CPS/DPS input in FY1977.

	<u>FY1976</u>	<u>FY1977</u>
Additional CPS/DPS support (man-months)	4	6
Additions to Regional staff		12

6. South Asia Programs

This Region contains the major portion of the world's urban poor. India alone has an estimated 38 percent of the world's urban poor and in the coming decade, the migration from the countryside to the cities could, at a conservative estimate, reach 27 million. The problems of urban poverty cannot be divorced from the national problems of economic stagnation and population growth.

An active urban program of loans is projected for both India and Pakistan. In India the program calls for \$350 million spread over 7 projects in the next 3 years; in Pakistan \$160 million over 8 projects in the next 5 years.

Various reports have been prepared on specific issues and on some of the major cities in India and Pakistan. A report on urbanization in Pakistan is almost completed. An issues paper on Indian urbanization will be prepared in FY1978. It will look at the long-run implications of the process and identify specific issues for study. This issues paper will form the basis of a future work program. In FY1977, one man-year has already been proposed for this work with manpower to come largely from outside the Region.

Recommended Additions (in man-months)

	<u>FY1976</u>	<u>FY1977</u>
Support from CPS/DPS (India)	2	6

PROJECT INFORMATION BRIEF - URBAN, WATER SUPPLY AND DISTRIBUTION PROJECTS

PART A: Benefits

1. Urban Benefits

What proportion of the increase in water provision will benefit urban populations?
 0-10% 20-30% 40-60% 60-100% Specific Estimate
 If the answer to this question is "0-10%", do not answer any of the following questions.

2. Service and consumption

Complete the following table regarding service and consumption before and after the project

	Existing		After Project	
	% Served	Share of Consumption	% Served	Share of Consumption
(a) Domestic total population (of town)				
target population				
Industrial and Commercial	 	 	 	
Government	 	 	 	
	Existing		After Project	
	Number	Share of Consumption	Number	Share of Consumption
(b) Standpipes <i>Public</i>				
Household connections				
	Existing		After Project	
	Amount		Amount	
(c) Total approximate consumption (in m ³ /day)				
Total available supply (in m ³ /second)				
% losses				
(d) What are the hours per day of reliable service (for domestic use)?				

3. Communicable Diseases

- (a) What communicable diseases are found in the town(s)?
 (b) How will the project affect these diseases?

4. Sewage Facilities

Are complementary investments in sewage disposal proposed: No Yes
 Explain:

5. Unskilled Employment - Direct Benefits

Will the project generate significant unskilled employment during construction?
 No Yes: a. Estimate average annual number of such jobs *man-yrs*
 b. What is the expected construction period?

6. Unskilled Employment - Indirect Benefits

Will additional water provision (supply or distribution) allow a significant increase in unskilled employment opportunities in the affected areas? No Yes

PART B: Location, Land Use and Urban Services

1. Location:

- (a) Which town(s) will the project affect?
 (b) What is its (their) total population?
 (c) What is expected population growth rate(s)?
 (d) What is target group population area(s)?

2. Land Use

Will the additional water service increase or decrease the availability of urban serviced land to the target population? Increase Decrease

3. Other Urban Services

Will the water service lead to or require complementary investments in other urban services (excluding sewerage)? No Yes

NPS

NPS

Out
Out
man-yrs
man-yrs

4. Housing Displacements

(a) Will the project require the removal of low-income housing (either squatters or legal housing)? No Yes

(b) Estimate the approximate numbers of target group populations so displaced:
 (i) Displaced from legal homes _____
 (ii) Displaced from squatter residences _____

(c) Will there be relocation assistance? No Yes

(d) Will the costs of displacement to the displacees be included in the economic evaluation? No Yes

5. Employment Displacement

(a) Will the project require the relocation to other areas of businesses which employ significant unskilled labor? No Yes

(b) How many jobs will be lost by the target population in the service area as a result of business relocation?

6. Institutional Changes

Will the project involve changes in the institutional arrangements for the provision of water supply and other urban services? No Yes If "Yes", how? (Check one or more of the boxes below)

(a) Distribution of functions

(b) Delegation of authority

(c) Administrative jurisdiction

Explain:

PART C: Costs and Financing

1. Average Usage Costs and Charges Complete the following table:	Now		After Project	
	Charge/m ³	Cost/m ³	Charge/m ³	Cost/m ³
Industrial users				
Commercial users				
Government				
Household connections > standard need				
Household connections < standard need				
Hydrants				
Total System				

Key: "Charge" refers to average cost to user; "Cost" refers to average allocated cost per unit delivered.

2. Metered Usage Complete the following table:	Now	After Project
% Industrial usage metered		
% Commercial usage metered		
% Government usage metered		
% Domestic usage metered		

3. Connection Charges

(a) What is the existing connection charge to households?

(b) Will this increase/remain the same/decrease after project?

(c) Will credit be provided to households for connection charge?

4. Municipal Finance

(a) Are water revenues earmarked exclusively for water service expenditures? No Yes

(b) If costs exceed revenues (Question C.2.) what revenue source finances deficit?

(c) Will the project directly increase or decrease revenues from the following sources?

	Increase	Decrease
Tax Revenues	<input type="checkbox"/>	<input type="checkbox"/>
Base	<input type="checkbox"/>	<input type="checkbox"/>
Rate	<input type="checkbox"/>	<input type="checkbox"/>
Non-Tax Revenues	<input type="checkbox"/>	<input type="checkbox"/>
Base	<input type="checkbox"/>	<input type="checkbox"/>
Rate	<input type="checkbox"/>	<input type="checkbox"/>
Government Transfers	<input type="checkbox"/>	<input type="checkbox"/>

GENERAL

Some questions on this brief ask for specific figures. There will be situations where data does not exist to quantify responses. In these cases, give the best estimate. Where no estimate is possible, indicate the magnitude of direction of effect by writing comments such as "high", "low", "increase", or "decrease".

PART A

1. "Urban Populations" live in communities having more than 20,000 persons. If unsure of specific percentages, check the box giving the closest estimate. If the exact percentage can be accurately identified, write this percentage in the box marked "Specific Estimate".

2. All figures to be inserted into this table should apply to the town as a whole, even if the water system affected by the project serves only a portion of the town's area.

Data to be included in the "After Project Completion" columns should include benefits provided by the project itself and benefits which will be feasible as a direct result of the project.

(a) In the row labelled "total population" (of town)", indicate the percentage of the total population of the town which is presently served by public water supplies; (persons are considered served if public water can be obtained through a house connection or through a public hydrant located no more than 300 meters from the household); ii) the share of total water consumption which the water system will supply after project completion; and iv) the share of total water supply for domestic consumption after project completion. The same information should be completed with respect to the target population. In the rows labelled "industrial and commercial" and "government", indicate the share of consumption.

(b) Indicate the number of standpipes and household connections which will exist in the town(s) before and after the project. Under the columns headed "share of consumption", indicate the percentage of total consumption which each type of connection now consumes and is expected to consume after project completion.

(c) Information is requested on the total consumption in the town and the total available supply (bottleneck capacity) in the town. In addition, information is requested on the percentage losses (from leakage, etc.) which occur between the total supply and the amount actually available for consumption.

3. (a) Consider the following diseases and give the incidence, if possible:

- cholera
- intestinal parasites (worms)
- typhoid
- adult diarrhea
- infant diarrhea
- skin diseases
- eye diseases
- malaria

- (b) After the notation of incidence of each disease, indicate if the project will:
- (i) very significantly decrease incidence (reduce 50% or more)
 - (ii) significantly decrease incidence (reduce 10-50%)
 - (iii) not significantly affect incidence
 - (iv) increase incidence
4. Under "Explain", briefly mention what arrangements (if any) are being made to provide either sewerage facilities or sewage disposal. If arrangements are not being made to provide these facilities, indicate why they are not being made.
6. Under "Expected construction period", indicate the number of years.
7. Where the lack of public water is the only serious constraint to the use of additional land for industrial purposes, and where it can be reasonably expected that significant unskilled employment will be made possible through the provision or expansion of industry in the serviced area, the answer to this question is "Yes". Where the project increases residential water distribution only, the answer would probably be "No".

PART B

1. Write the name of the town(s) or the metropolitan area directly or indirectly affected by the project. This area may be larger than the area served by the particular water service system under study. The questions on population, growth rate, and target population similarly apply to the town(s) or metropolitan area as a whole.
2. To increase the availability of urban serviced land to the target group, the price (coupled with density) of the land must be affordable by the target group.
- In cases where a project will permit squatters to gain legal rights to the land they are inhabiting, the project is considered to increase the availability of serviced land to the target group.
3. This question seeks to discover (i) whether the project will increase demands on other urban services, and (ii) whether plans have been made to meet these additional demands. For example, an improvement in quality of water for low-income persons may improve health and will lead to a decreased demand on health service facilities. On the other hand an extended water distribution system may lead to increased residential or industrial densities which in turn lead to increased demands for transport, education and housing. The provision of at least the following urban services should be examined: electricity, transport, health facilities, education, and housing. If the project will increase demands on any of these services, the "Yes" box should be checked. Under "Explain", discuss the following:
- (a) which service demand will be increased (or decreased)
 - (b) what arrangements have been made for meeting additional demands -- either:

- (i) arrangements have been made outside the project for handling these increased demands
 - (ii) a future project will handle the increased demands; or
 - (iii) the demands will be left unfilled.
4. The removal of low-income housing may be the result of construction or changed land uses associated with the project.
5. Only businesses which employ a significant number of target population groups should be considered.
6. Indicate transfers of functional responsibility ("distribution of functions"). Indicate changes in the geographical service area ("Administrative jurisdiction"). Indicate if the legal or financial or fiscal authority for the provision of urban services has been transferred from one agency to another ("Delegation of authority"). Under "Explain", please indicate specific changes associated with the project.

PART C

1. Under the columns labelled "Cost/m³" write the average cost per unit delivered for the system as a whole. If unable to specify future average costs, fill in the boxes marked "Cost/m³" by indicating whether the average costs, are greater than, equal to, or less than the existing average charges or cost. Costs referred to are full costs and must include cash operating costs, depreciation and return on investment. Under the columns labelled "Charge/m³", give the approximate (average) rates for each category of service.
- "Households > "standard needs" refers to households with individual water connections which use more than the amount of water considered necessary for minimum health and sanitation needs. "Households < "standard needs" refers to households which use approximately (or less than) the amount of water considered necessary for minimum health and sanitation needs. After "Households < standard needs", please specify the amount of water (in m³/month) which is considered necessary for the average household's minimum needs.
2. Of the shares of water consumed by, respectively, industrial users, commercial users, government users, and domestic users, what percentage is metered?
3. (a) If more than one connection charge applies, give the one most applicable to low-income residential users.
- (b) Indicate effect
- (c) A 'yes" answer also implies that the terms of such financing will be affordable by many of the poor.
4. Question 5 seeks to assess the direct effect of the project on overall arrangements for financing urban public services. For example, in addition to

generally increased revenues (through user fees) for water supply and sanitation, (as a result of which service specific government transfers may be reduced), the project may increase general property tax revenues by development of a new sites and services project or regularisation of existing unauthorized settlements.

OFFICE MEMORANDUM

TO: Mr. Edward V.K. Jaycox

DATE: October 13, 1975

FROM: Pedro-Pablo Kuczynski

SUBJECT: Your Draft Paper to Mr. McNamara

1. You asked for comments on this most interesting piece. The numbers on the rural poor (pages 1-5) are particularly informative, making allowances for the expected margin of error in such calculations.

2. I am less sure about the prescriptive part of the paper, although I hasten to add that this is a difficult area:

i) Lending to industry. Let us say, for purposes of argument, that the Bank Group disburses during the period FY1976-80 \$500 million to industries which create direct employment at \$8,000 or less in capital costs per job (these are roughly your figures on pages 14-15, but I have lowered the average capital cost in the case of NDB to \$8,000 for purposes of illustration). Let us further assume that this lending supports a total investment of \$1.5 billion, including the World Bank Group portion. This sum would then create about 200,000 jobs for the urban poor, or about 0.1% of the urban poor projected for that year. The first question is whether in fact this type of lending would reach the urban poor, but I recognize that there is at least some reasonable presumption that some of it will. If we assume that, the next question is whether this kind of effect is significant in relation to the much bigger effect which might be obtained by reforms in basic policies of major countries, in areas such as agricultural prices and exchange rate distortions (which keep agricultural incomes low), interest rate subsidies and tax breaks for capital investment (which make investment in industry unduly capital intensive), and other distortions mentioned on page 11 of your paper.

ii) I think that the paper should pay more attention to institutional constraints. A properly administered municipality and an effective system of expenditure management and local tax collection will do more for many cities than the limited funds which we or others can put in. The examples abound, from Calcutta to Caracas, not to mention New York City or Washington, D.C. Perhaps we should start by proposing reports (which could be done in part by outside consultants) on eight or ten major LDC cities, such as have been done in the past on Calcutta, Lima and Belo Horizonte. I think that the Bank will need to expand its knowledge of how major cities work if it is to embark on the proposed lending program.

iii) Two areas which I think might be spelled out more are
a) the policies on which we would expect to have an understanding with governments before getting into major lending to help the poor in urban areas (for example, taxation in urban areas; urban transportation, plus some of the areas mentioned above in i)), and
b) the type of countries

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which the Bank Group ought to focus on. Roughly half the problem is in the Indian Subcontinent, without taking into account the fact that the "absolute urban poor" there are in much worse shape than in some other areas. Should we be concentrating on India and Bangladesh? Can something really be done there? Incidentally, I find it difficult to believe that there are 2-1/2 times as many "absolute urban poor" in Latin America as in East Asia.

cc: Members of the Task Force

OUTLINE OF PAPER TO McNAMARA

I. Introduction - i/2 page or less.

II. Target Population

- Statement of where we are in getting this - Tables -

- Income
- Employment
- Access to Services

- First cut at definition of target population

- Next steps and work program

- short run
- long run and country economic work

III. Objectives - Repeat desirable types -

- Discussion of difficulties here - (down beat)

and Resources - Lay out sets of objectives - Tables -

(1) Macroglobal - consistency - data bank
- country analysis - model

- non-farm production
- non-farm employment
- income distribution

(2) Sectoral Need Inventory

- Jobs, water, school places, houses, sewers, etc.

(3) Bank Sector Targets

S&S slums
water
education
industry
nutrition?
(population
(power

Discussion of how targets
will be framed - rough cuts
now but intend to iterate
and derive regional targets

Work Program

IV. Brief statement of Bank Strategy

V. Review of Lending Program and Monitoring

- Description of work to date

- Broad picture - trends - (past and future)

- Design of future system - integrated with P B.
and work program.

VI. Country and Sector Work

- What done
- present program of economic work
- future steps and work program

VII. Policy Work

- proposed immediate needs
- work Program

VIII. Research Work

- limited capacity
- short-run needs
- immediate starts on long-run needs
- work program

IX. Organization

- agenda of issues and some discussion of each item in fairly neutral terms.

X. Budget FY 76 FY 77

Task Group retroactive
(per se) projected

Other Units: FY 76 FY 77

(program launched by
T.G. but now
managed by regular
line offices)

Other topics to be put in somewhere

- a) Role of other international agencies, etc.

OFFICE MEMORANDUM

W. Churchill

TO: Mr. E.V.K. Jaycox

DATE: October 13, 1975

FROM: Shahid Burki and Sidney Chernick *Sec.*SUBJECT: Action Program for Urban Poverty

1. Listed below are some of the more important reactions that we have to your draft of October 10:

- We should recognize that use of a nutritional standard for defining an urban poverty line portends trouble. For instance, food distribution in the urban areas is subject to government policies regarding subsidies and rationing and these policies change over time. Therefore, use of this definition could mean wide fluctuations in the number of urban poor. Rural and urban poverty being two very different phenomena, there seems little need to force on your own work the definition adopted for estimating the number of rural poor. The "access to basic services" criterion seems much more appropriate. Use of this criterion will help you come out with more consistent numbers -- such as those in Table 4.
- Your section on "Objectives" has a statement on absorption into productive employment activities with which we strongly sympathize. What it does not mention is the very strong link between the rural and urban poor, particularly in the small urban centers of those countries in which agricultural sector is still a large employer and a large contributor to the national product. Any strategy aimed at the urban poor that does not consider the problems and potential of this part of the urban economy would do less than full justice to the subject of urban poor. Your paper continues to have a large city bias which is not appropriate for South Asia. In South Asia, small urban centers not only account for a significant share of the urban population, they also have sound and efficient economic base which can be built upon to capture a large number of immigrants from the rural to the urban areas.
- The paper does not make a case for increasing the Bank's lending program in the urban areas. What does emerge, however, is the need for a qualitative change in the Bank's lending for the urban areas; it is quality rather than quantity that should be emphasized. It follows logically that a major effort in appropriate project design is needed. You call for "...slight revisions to project design criteria..." (p. 10). Some of the suggestions for qualitative change (credit and technical assistance to small enterprises, etc.) that you have already included in your paper need to be spelled out in greater detail.
- You have rightly emphasized the importance of making the Bank's country and sectoral work more effective. Some of the sector work requirements are spelled out. When the sector or country

Mr. E.V.K. Jaycox

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work is added, please bear in mind that Mr. McNamara has already approved a "restructuring" of country economic work. And although an increased focus on spatial economic issues is entirely consistent with the "new style" country economic work structure, the statement should not leave any suggestions that an entirely new departure is being promoted. Furthermore, any proposal on monitoring should be coordinated with the mandate given this Department for monitoring country economic work.

cc: Messrs. Churchill, Dunkerley, Fuchs, Gulhati, Gustafson, Keare, Kuczynski, Lordau, Please, Rovani, Rajagopalan

SJBurki/lmh

Mr. Church

D R A F T
EVKJaycox:nep
Oct. 6, 1975

MAP OF URBAN POVERTY

The task of defining and locating the urban poor is proceeding fairly well. We are attempting to map urban poverty in terms of income, employment, and access to basic services. We have been more successful with income and access to basic services than with employment. However, we believe the "map" is good enough at this point to define and locate, at least roughly, a target population for the Bank's operations. Refinement at the country level will, of course, be required.

Income. Taking advantage of the work already done by the Agriculture and Rural Development Department and the individual country economists, we have settled on an income definition of absolute urban poverty and have been able to estimate the numbers of absolute poor by region and by country. The definition of absolute poverty that has been used is consistent with the one now coming into use for rural poverty--i.e., households or individuals having less income than that required to purchase minimum nutritional needs plus basic non-food requirements. This income threshold varies from country to country and between rural and urban areas. We believe it gives a much more accurate picture of real deprivation than any of the dollar income cut-offs used before. Tables 1 and 2 show the widely differing pictures of urban poverty presented by alternative definitions. While the total numbers are affected significantly, the most important differences occur in the regional patterns of poverty. Note that the shares of the urban poor in Latin America and South Asia are particularly affected.

On the basis of the "standardized minimum needs" definition of the income criterion for absolute poverty the regional picture is as follows:

	Urban Population		Urban Population	% of Total
	'000	% Urban	in Absolute Poverty	Urban Absolute Poverty
			%	%
Eastern Africa	20,071	22.0	4,356	3.0
Western Africa	24,281	30.0	7,302	5.0
EMENA	110,044	17.0	18,579	12.6
Latin America & Caribbean	186,494	19.0	35,166	23.9
East Asia & Pacific	69,304	20.0	13,956	9.5
South Asia	167,843	10.0	67,754	46.0
Total	578,037	25.4	147,114	100.0

Table 3 gives a fuller breakdown by major country, together with an estimate of the urban population with incomes below the poverty line in 1985—some 210 million people. This estimated growth in the urban poor takes into account the natural increase of the present poor (47.4 million), the migration from the countryside (127.7 million in total, of which 68 million will be in absolute poverty) and the "graduation" of some 53 million of the present poor out of the ranks of absolute poverty by 1985, assuming a 2% per annum increase in per capita income. If per capita income grows by only 1% per annum, the number in absolute poverty would rise from 210 million to 233 million in 1985.

Access to Basic Requirements. The state of information as to the access of the urban populations of LDCs to water, sanitation and nutritional requirements is fragmentary and the correlation between lack of access and low income is at this stage only presumed. See Table 4 for estimates of the urban population by region now lacking adequate access to various basic requirements or services. The numbers of those lacking these basic requirements are greater than those estimated to have incomes insufficient to meet basic needs. The number of people without access to safe water is some 40 million greater than the estimated number in absolute poverty, and the urban dwellers that are "severely undernourished" are about 50 million greater. At this stage it is not clear to what extent these discrepancies are due to poor data, lack of

meeting effective demand, or behavioral patterns of expenditure which do not give the highest priority to these "basic" needs. It is clear, however, that over the next decade, given natural increase and migration of the poor, 115 million poor people will be added to the ranks of those in need of these basic requirements.

Employment. The employment characteristics of the urban poor can only be roughly outlined at this [point in] time. The poor quality of employment data on a worldwide or country-by-country basis and lack of correlating data on incomes has hampered this work and will undoubtedly continue to do so. What we have been able to do at this stage is merely to generalize from several city studies completed in recent years. These studies reveal an employment profile of the urban poor of considerable diversity within countries, and much similarity between countries. (See Table(s) 5.) Major groups include domestic servants, agricultural labor, small-scale commerce and services and craftsmen. Though a majority and those at the lower end of the income scale are in the informal sector, a surprising number, particularly in large cities, are low-paid employees (both casual and regular) in medium and large firms and even in government. There are more employees than own-account workers, particularly amongst secondary income earners. Though many are in apparently "easy entry" occupations, their earning performance is strongly influenced by apprenticeships, access to capital and personal contacts.

At least half appear to be in commercial and service activities that face strong aggregate demand constraints--in which any one individual, e.g., a market vendor, can increase his productivity only at the expense of others in his group. In large cities, the prospect for income growth in such activities depends mostly on the growth in overall modern sector output and incomes.

In smaller urban areas a larger proportion of the poor are in craft and service activities that are linked to the growth of farm income and to a lesser extent to regional government spending.

DEFINITION OF THE TARGET POPULATION

The task of improving our map of urban poverty will have to continue. (See Research and Country Economic Work Programs below.) However, at this point in time it is clear that on the urban side we will have no equivalent of the small farmer, i.e., one fairly homogeneous group of producers with access to the basic factors of their production process. We propose that the target for the attack on urban poverty should be the absolutely poor as we have defined it, plus those who although they may have (theoretically) the minimal income required to purchase basic needs are not in fact gaining access to them due to market distortions and inefficient or inequitable delivery systems. On the assumption that there is a strong overlap between the absolutely poor and those without access to safe water,^{1/} the target population becomes the greater of the two groups--approximately 190 million people. This is a convenient target population because it can be physically located and therefore it can be reached operationally. By and large this target population is employed or underemployed in easily entered, competitive, urban pursuits in the informal sector, and can be physically located in the squatter areas and overcrowded tenement slums of the fastest growing urban areas. The target populations--i.e., poor and unserved will grow to approximately 300 million by 1985. The fact that we have found it convenient to define the boundary of the target population in terms of access to safe water (and by analogy to shelter, sanitation, absorbed nutritional intake and other basics) does not imply that the strategy for dealing with the target population is to concentrate heavily on the provision of basic services.

^{1/} This assumption will be tested in the immediate future through a research program on Latin American cities being conducted by the Brookings Institution. We will have a test of the correlation between income and access to certain basic services by _____ 1976.

BANK STRATEGY

OBJECTIVES

The Task Group has tried to devise objectives with respect to the target population, which are as production and employment oriented as possible and which can be monitored over time. The overall macro-economic problem as we have come to see it is the creation of productive non-farm employment at a rate which can increase the demand for agricultural production and absorb the excess farm labor implied by desirable increases in production and per capita incomes in agriculture. The role of the urban areas in this employment creation is very important; somehow, these towns and cities will have to absorb and employ the bulk of the increase in the labor force in the future, if there is to be any improvement in the lot of the poor, rural or urban. This means that "urban efficiency" in terms of absorbing people and servicing basic human needs is a concomitant goal with employment creation and non-farm production gains; it will be an important factor in achieving these objectives. The approach adopted by the Task Group has been to establish a set of global and Bank program objectives

to have
productivity?

REVIEW OF PAST LENDING

In the process of trying to be specific about Bank program objectives, the Task Group made a quick review of past Bank Group lending to assess the approximate magnitudes and shares of lending which have had significant and identifiable implications for urban development and to see to what extent this urban lending has conformed to the broad objectives. Total Bank lending in the past five years (FY71-75) has been broken down into non-urban, non-specific and urban. 1/ Urban lending accounted for 42% of projects, 49% of total loan amounts and about 62% of total project costs. 2/ "Urban" lending includes projects from all sectors except Agriculture and Population. 3/

For the past three years (FY73-75) a more detailed review was made to assess project impacts of various kinds. In terms of these, 34% provided substantial unskilled employment opportunities during construction and 12% provided permanent unskilled employment opportunities, 23% were judged to have had favorable impacts for the urban poor on the distribution of consumption of urban services, 35% had important (positive or negative) impacts on urban land use, and in 33% of the projects, positive impacts on urban institutions and policies were identified. At least 220 cities (over 20,000 population) were affected in one or more of these ways during the three years reviewed. (Tables __, __, and __ and the notes following, give details of this review.)

-
- 1/ Many loans in the non-specific category will have urban implications but the data did not allow these to be isolated. Similarly, a loan classified as urban may also have direct implications for rural development (e.g., fertilizer factory)
 - 2/ If all of IFC is deemed urban the percentages are 50%, 51% and 64% respectively.
 - 3/ Isolating specific urban effects of Population projects was not attempted hence all such projects were labelled non-specific.

The analysis, while crude and unsatisfactory in its detail, has been quite illuminating in some respects. It has been useful in strengthening our views as to those sectors which have the greater potential for contributing to an attack on urban poverty and in providing an indication of strong and weak points of sectoral performances with respect to key impact variables. It is important too in that it has allowed us to make a quite accurate assessment of the present lack of any systematic attention to urban, employment, and income distributional impacts in current project documentation, and apparently in project design. It is not our intention to further refine this picture of past lending; the quick review has served its purpose. The task now is to devise project design criteria and norms and to develop a review system which will yield the kind of quantitative information on important impacts that we were unable to derive in our review of the past and that will allow the future program to be assessed and adjusted in the light of the agreed objectives. (See Monitoring of Objectives below.)

So, what are the results?

n/b

BANK PROGRAMMING OBJECTIVES

A. General

A major Bank objective must be to improve the effectiveness of our dialogue with member governments on macro-economic policies, industrial strategy and urban issues. While Bank influence on national policies is unlikely to be very large, it can probably be larger than the direct impact of the Bank's loans and credits on the productivity and welfare of the urban poor. Clearly, the Bank's assistance to create productive urban (non-farm) employment will be less effective than it could be unless it takes place in the context of appropriate policies. The main elements of such policies are well known: removal of capital market imperfections (such as artificially controlled interest rates) which limit the capital available to small-scale labor-intensive industries and skew technological choices toward capital-intensity modification of excessively ambitious social legislation that discourages labor use, and the introduction of realistic prices for the major market variable in the economy--from foreign exchange to farm products. It is also clear that the Bank's assistance to increase the absorptive capacity of urban areas and the productivity/welfare of the urban poor will not be effective unless there are significant changes in the attitudes of governments toward the acceptability of low-standard, low-cost solutions to water supply sanitation, shelter, transportation, and health care, the management and betterment of urban land, and the pricing of urban services.

To improve this dialogue and make it as effective as possible, country economic work, industrial sector work, and urban sector work each need to be strengthened and/or given new focus. The program for improving and focussing the contribution country economic work has to make is outlined

in paras. _____ below. The needs of sector work in industry and in the urban and other sectors are outlined in the sections that follow, which divide the Bank's urban-oriented activities along sectoral lines--productive and infrastructure.

B. Productive Sectors 1/

The amount of Bank Group lending in the productive sectors should be increased faster and further than now contemplated by the FY76-80 program. The "indirect" lending of NDP through industrial estates and other non-Bank intermediaries should be increased; DFC type lending through existing and new types of intermediaries should be substantially increased; and IFC operations should be increased generally in both capital markets, projects and industrial loans. 2/

The need for improved industrial sector work and the development of concerted and consistent policy advice and leverage from the Bank Group is a priority need. The importance of policy improvement in the industrial sector has already been stressed but cannot be over-emphasized. At the moment, the locus of responsibility for directing the Bank's dialogue with member countries on industrial policy issues is not clear and the Bank's potential influence in this field is hardly being exercised. An examination should be made of how the activities of influencing country policies and programming Bank Group industrial lending operations are conducted in the Bank to determine how best they can be strengthened, particularly in connection with the employment objective. The examination should also include an assessment of the appropriateness of the resources devoted to this work.

1/ The "productive sectors" include the work of the industrial units of the Bank Group (NDP, DFC, and IFC) and Tourism plus the emerging small (informal) enterprise lending in Urban Projects.

2/ The overlap and need for coordination amongst these units is growing and requires immediate attention. It is the Task Group's understanding that review is now underway.

In industrial lending, support for the large capital-intensive sectors of mining, fertilizer, pulp and paper, steel and cement should continue at the high level presently planned. Co-financing opportunities should be exploited as much as possible so that this lending can continue at a high level and other types of lending can be expanded. These industries have very important impacts on overall growth, and contribute to employment creation for the most part indirectly, though powerfully, through their extensive up-stream and down-stream linkages in the development process. However, much greater attention needs to be given to the indirect effects of these projects, both positive and negative in terms of employment and impacts on urban efficiency. The indirect employment potentialities linked to these major industrial investments should not be taken for granted, but should be investigated and project design criteria should include motivations to break bottlenecks that threaten indirect employment creation and to enhance exploitation of labor-using alternatives in ancillary and peripheral operations. Similarly, investigation of the possible negative and positive impacts of siting the industrial plant, on shelter, transportation, and secondary employment opportunities of the poor should be systematically integrated into appraisal methodology. Guidelines for improving project design criteria along the above lines are an urgent requirement.

The Bank Group industrial and enterprise lending should move increasingly into the more labor-absorptive branches of industry. Bank performance in terms of direct employment per dollar invested in the projects we have financed is not very good. The large capital-intensive projects supported by direct Bank loans have averaged well over \$100,000 per unit of direct employment created. The DFC operations, etc. ...
IFC.....

The branches that have flexibility as to the technology that can be utilized (textiles, wood working, food processing, transportation equipment, farm implements and metal working, to name a few) and those which naturally absorb large numbers of unskilled labor (transportation, construction, assembly, etc.) should be determined for their suitable promotion and support on the basis of country economic and sector work. Similarly, the Bank Group's industrial lending program should give more emphasis to small enterprise which tends to be less capital-intensive and more labor-absorptive. Bank support to small enterprises has been very limited and this is also the area neglected by governments and private sector financial institutions. Specifically, the Bank Group should target a proportion of total industrial lending for labor-absorptive industrial projects--i.e., have low capital/direct employment ratios--or for small enterprise. The following targets are proposed: 1/

Direct Bank Lending to Industry (NDP). In this historically very capital-intensive type of Bank operations the objective would be to move marginally toward more labor-absorptive branches. At least 8 projects with loans totalling about \$120 million (75 prices) during the period FY76-80 which create direct employment at less than \$50,000 per job.

Direct IFC Lending to Industry. 25% of increase in FY76-80 program over the FY71-75 program to projects which create direct employment at less than \$8000 per job, or which benefit firms with less than \$100,000 in fixed assets. If IFC lending is increased by _____% in FY76-80, this would amount to etc.

1/ All dollar amounts in 1975 prices; figures for value of fixed assets pertain to their value prior to the lending operation.

Indirect Bank Lending to Industry (NDP and DFC). NDP, through non-Bank intermediaries: at least 15 projects with loans totalling about \$150 million in the period FY76-80, which create direct employment at less than \$8000 per job or which go for loans to enterprises with less than \$100,000 in fixed assets. DFC, through DFCs and other intermediaries: at least 50% of the increase in the number of projects and 25% in the increase in the dollar volume of lending (real terms) would be for projects which create direct employment at less than \$8000 per job, or which are for sub-loans to firms with less than \$100,000 in fixed assets. If DFC lending increases by the amounts now planned, this would amount to _____, etc.

The Bank should also move into credit and technical assistance to the informal sector. The main vehicle for this activity will be the basic urbanization package projects (sites and services and slum upgrading). All FY76-80 basic urbanization projects will include this feature based on the utilization of existing community agencies and organizations or intermediaries. In addition, DFC will develop on a pilot basis at least 5 such projects by FY80.

The above targets are preliminary and must now be agreed with the Regional managements and internalized as Regional targets. It is obvious that these targets are arbitrary and reaching them will not make any major impact on the employment creation tasks that face the LDCs. However, they are in the right direction, and are very challenging given our present ways of doing business. Most of the activities targeted will have to be compressed into the period FY1978-80 given the locked / ⁱⁿ nature of the early part of the program and the long lead time for projects of the type targeted. In the 1980-85 period, a larger effort may be made. In going after projects in the labor-intensive

branches and for small-scale enterprise, there will be no relaxation of other criteria--economic and financial mobility--and special attention will have to be paid to the indirect employment effects. At this end of the scale, highly negative employment effects in the traditional and crafts sectors are a distinct danger and will have to be guarded against. Success in meeting these targets depends fundamentally on the development of suitable intermediary institutions with the correct mentality and criteria for moving along these lines. Loans to small-scale enterprise and the informal sector will have to be accompanied by heavy inputs of technical assistance. Monitoring and evaluation of the results of these imperatives is called for.

C. Infrastructure Sectors.

For the purposes of setting Bank program objectives for the infrastructure sectors, these sectors have been divided into two groups: those which can make a direct contribution to alleviating the conditions of the urban poor and those which through employment during construction and from facility expansion and through providing inputs to the productive sectors make their contribution less directly. Grouped into the former category are basic urbanization (sites and services and slum upgrading), water supply and sewerage, education, nutrition and population. For these sectors, we have developed or are developing specific physical targets. For the latter group (Transportation and Power) although some projects may be oriented toward the target population, the main objectives will be, as for projects in all sectors, to improve the project designs so that positive impacts on the poor and on the absorptive capacity of cities are enhanced and negative impacts are avoided or minimized.

Basic Urbanization Package Projects. The number of these sites and basic services and slum upgrading projects should be increased rapidly in the next five years. The numbers of people being added to the squatter and slum populations of today amount to about 11 million per annum, rising to 11.5 million per annum by 1980. The Bank target should be able by 1980, to implement projects that reach people at the rate of at least a third of this annual increase. In 1975 dollars, this would amount to lending on the order of \$380 million per annum (3.8 million people) (16 projects) for this purpose by FY1980 and some \$900 million over the 5-year period (48 projects) reaching a total of 9 million people (assuming a 50% financing by the Bank Group). This increase would imply a quadrupling of project preparation and implementation capacity over the 5-year period. It is this sector which, because of its 100% urban and 100% target population orientation, will bear the major responsibility for the infrastructure side of the attack on urban poverty. The figure of 1/3 of the rate of increase would give the Bank a truly catalytic, as opposed to token role, and is a very challenging goal. Quite apart from the problems of building up Bank staff strength (approximately 16 professional slots for this purpose over the four budget periods), there are the problems of developing receptive borrowers, making important advances in project design criteria, and finding suitable intermediaries for "sector loans" to develop small sub-projects in intermediate and small urban areas. To try to go beyond 1/3 of the rate of increase would be unrealistic, given these constraints, and in light of the catalytic nature of the role we see for us in this area, and the need to get self-sustaining programs going in the LDCs.

Water Supply and Sewerage. In addition to the people who will receive water and sewerage services under the basic urbanization projects.

- Mr. Churchill

OFFICE MEMORANDUM

TO: Mr. E. Jaycox

DATE: October 28, 1975

FROM: E. Lerdau

SUBJECT: Urban Poverty - Draft Action Program

1. The "employment profile" of urban poor does not show unemployment (page 6 and Table 5).
2. Page 10 refers to Table 7. I presume Table 6 is meant.
3. Page 11. "Extreme heterogeneity" of service sector still understates misleading nature of data, since all unemployment is stuck into this residual sector for statistical reasons. I believe that text on page 12 hides the basic problem of Table 6 by speaking of a "(7% point) increase in the open unemployment rate," without stating that we don't know whether this means 3+7, 10+7 or 20+7 percent.
4. As I have tried to argue before (see my memo to J. Holsen of Oct. 1) this is critical because the meaning of the productivity assumption in the service sector is quite different when one realizes that this sector is not only a composite of musicians, messengers and ministers (this presumably is taken care of by "heterogeneity") but also of bankers and (unemployed) beggars; assumptions about the productivity of the unemployed are meaningless. Hence the productivity growth of the service sector already assumes something (what?) about the change in the unemployed component of the "service sector".
5. On page 18, ~~the statement that~~ "At the moment the locus of responsibility for directing the Bank's dialogue with member countries on industrial policy issues is not clear." is either ambiguous or incorrect. The responsibility for carrying out the dialogue is clear; it rests with the Regions, just as it does for other policy and operational issues not covered by specific exceptions (e.g. certain discussions with OPEC countries). Responsibility for directing this dialogue is ambiguous as to its meaning; the Regions are, of course, directed by the Management of the Bank, which receives advice - inputs - from quite a few sources, among which CPS and DPS stand out as do the Regions themselves. But does not the CPP process cover all this?
6. The particular work targets of pages 20 and 21 seem to be rather arbitrary and symbolic; why should Industrial Projects be asked to do 6-9 projects in 1976-80, with loans totalling \$90-135 million, which create employment at less than \$40,000 per job? And why should there be a further 12-15 projects through non-bank intermediaries "such as industrial estates", totalling about \$120-150 million, and creating direct employment at less than \$8,000 per job? Similar questions arise for the DFC targets. There is no indication what the merit of or rationale for these particular numbers is, nor what trade-offs between these targets and total benefits are considered acceptable (if in order to achieve them we have to give up projects with higher economic returns, do we do so? Within what limits, if any? Do we concentrate lending on countries where we can make these targets, rather than those where our overall programming priorities lead us?).

7. An answer to the above is given on page 21(a), but it is not fully convincing. The targets "... must now be firmed up and agreed with the regional managements and internalised as regional targets at the operating divisions level ..." throws no light on the criteria by which questions such as the above (there are others) should be answered. Moreover, the FY76 and FY77 programs surely should not be modified in accordance with this paper; we are doing poorly enough carrying out our programs already, not to countenance substantial modifications on the basis of new guidelines. If this is agreed, why not set the objectives for the FY78-80 period?

8. On page 28 an important issue is touched upon rather elliptically: "In setting sectoral lending targets and deriving an indicative FY76-80 program on the basis of these, the Task Group is well aware that these criteria and the approach cut right across the country programming approach. We believe that the potential conflicts between these ways of programming Bank lending are important and should be institutionalized to the extent that we develop better country programs that are responsive to the agreed focus on the productivity and welfare of poverty groups." What does it mean to "institutionalize potential conflicts"?

9. Finally, as far as future work is concerned, I sense the same imbalance between diagnosis and prescription as I felt when Rural Development was discussed. About half the world's urban poor are in S. Asia, but the write-up of present and future work programs and the incremental staffing proposals (zero for S. Asia) are skimpier than in any other region. Does this reflect a sense of hopelessness?

10. I presume that it is acceptable that I am passing the present draft on to the LAC Projects Department for comments at this time?

cc: Messrs. Krieger, Knox, de Vries;
Messrs. Chernick, Churchill, Dunkerley, Fuchs, Gulhati,
Gordon (D), Keare, Kuczynski, Gustafson, Please
Rovani, Rajagopalan.

OFFICE MEMORANDUM

TO: Files

DATE: October 31, 1975

FROM: Dennis Anderson

SUBJECT: Comments on: Action Program and the Interim Report (October 23)
of the Urban Poverty Task Group

1. Two improvements in this report over the previous drafts are that the prejudice for the modern sector is diminished (though it still lingers, e.g., on page 6, lines 9-11), and that it recognizes that employment merits a profounder analysis than that of the simple trend model on which many of the assertions in the report are based.

2. The report continues to neglect, however (i) The relation between agriculture and urban growth, (ii) The growth prospects of small and medium sized towns and cities (and even of villages), and (iii) The regional dimension of urban development. Also, (iv) Some of the changes to the last draft are rather grudging and the reasons for the new convictions in this draft have been omitted. My comments on these points are given below.

3. (i) Agriculture and Urban Growth. Future drafts of the paper might usefully discuss the role of agricultural growth on the development of the non-farm sector (and thus of urban areas) through:-

- (a) The release of the food constraint;
- (b) The effects of increased farm incomes on the demands for non-farm goods and services;
- (c) The demands of agriculture for farm inputs -- backward linkages covering seeds, fertilisers, and an exceptionally broad range of farm equipment, services and social and economic infrastructure;
- (d) The development of agro-industries, large and small;
- (e) The development of factor markets serving (b), (c), (d) and (e).

The size of the agricultural sector, both in terms of output and employment, and the considerable capital, material and non-farm labour resources needed to transform it, point to the importance of agricultural growth as a direct stimulus - as well as a necessary condition, expressed in (a) above - for the growth of the non-farm sector and thus of urban areas. One misses this elementary point entirely from the present draft.

4. (ii) Villages, Towns and Medium Sized Cities. Moreover, this link between agriculture and urban areas is perhaps most strong in the villages, towns and medium sized cities. The report's preoccupation with the big cities is unfounded, since it neglects the overwhelming evidence on the rapid growth of the lesser sized communities and their enormous capacity for employment creation. The evidence in Table 6, for example, is exceptionally misleading and the various assertions that the big cities grow faster are simply untrue. It is not difficult to spot the mistake.

5. The manipulation of the data in Table 6 apparently demonstrates what the writers seem to wish that large cities are growing 2 to 3 times faster than other communities. However, the table keeps constant the size groupings of communities over time, and ignores the point that communities move from one group to another (larger) group over time; thus the largest communities conveniently include (a) communities which were large originally, and (b) small communities which have become large; since (b) are included in the large rather than the small grouping, small communities are "shown" to grow more slowly and large communities more quickly than they actually do. The error is not trivial. Take the task group's data for Mexico and Brazil, for example:-

Urban Area Size 000's	Mexico			Brazil		
	Population 000's			Population 000's		
	1950	1975	Ratio	1950	1975	Ratio
≤ 100	6284	15553	2.4	10324	28256	2.7
100-199	1069	1758	1.6	455	3403	7.1
200-299	982	4434	4.5	1930	2984	1.6
500-1000	-	1142	-	650	2774	4.2
≥ 1000	2872	14462	5.0	5340	2741	5.2

Hence it is made to appear that big cities are growing two to three times faster than the rest. But this is a statistical aberration brought about by changing city classifications over time; the facts could hardly have been more distorted. The historical growth rates of given communities, classified according to their sizes in 1970, allowing for the point that they would belong to a different classification in earlier years, are:

Town/City Size Category 1970 (thousands)	Mexico			Brazil		
	Population 000's		Annual Growth Rate	Population 000's		Annual Growth Rate
	1950	1970		1950	1970	
20-50	1,180	3,416	5.5%	1,641	4,891	5.6%
50-100	1,357	2,636	3.4%	1,047	3,084	5.6%
100-250	2,078	4,661	4.1%	1,350	4,004	5.5%
≥250 ^{1/}	3,454	8,363	4.5%	3,491	11,014	5.8%
Metropolitan	3,419	8,605	4.7%	5,380	14,685	5.1%
	11,488	27,681	4.5%	12,909	37,678	5.5%

Thus the smaller communities are growing as fast as the big ones, sometimes faster. Similar evidence is available for other countries (see attachment). The task group's paper could thus be much more positive about growth and employment prospects outside the big cities.

6. (iii) The Regional Dimension. Once we recognize urban growth prospects outside the big cities, regionalising and decentralising growth becomes attractive. (Isn't it remarkable, incidentally, that decentralised growth is occurring despite the enormously disproportionate share of public resources and subsidies the big cities are obtaining?) The large number of small and medium sized communities shows how extensive decentralisation could be. For the six countries listed in the attachment, for example:

Town/City Size Category 1970 (Thousand)	No. of Towns/ Cities, 1970	Population 1970 000's	%
20-50	383	11,878	12.1
50-100	122	8,523	8.7
100-250	81	12,014	12.2
≥250	46	25,886	26.4
Big Cities	7	39,869	40.6
	639	98,170	100

(This, incidentally, considerably understates the role of small towns/cities, since the largest number is in the 5,000-20,000 range.)

7. The research proposal to concentrate on a single city and look at its absorptive capacity etc., thus seems to me totally misplaced. Regionalisation should be the principal focus.

8. Furthermore, there is the whole question of the benefits decentralised urban growth would have for agriculture (as examined historically in the USA by Tang, for example), in which growing local urban centres:

- a. create demands for local food products, and are thus a positive stimulus to local agricultural growth;
- b. are able to draw efficiently on the surplus off-peak season agricultural labour; and
- c. by providing a competitive demand for labour during the peak seasons, also provide a positive stimulus to the modernisation of local agriculture;

and which for all three reasons, speed the process of structural transformation - precisely what the task group's report is aimed at.

9. Building up on the complementarities between agriculture and regional urban growth would also arguably have the largest multiplier effects on employment, if only because of the strong circular causation process - agriculture's demands for local urban areas' products, and local urban areas' demands for local agriculture's products. It is also likely that these would reach the lowest income groups. Why? Because the agriculture's demands for local urban products are generally met by the non-modern sector (which the earlier drafts of the report snubbed).

10. (iv) The present draft of the report grudgingly gave up the assertion that the "Problem of rural poverty cannot be solved without shifting the problem increasingly to urban areas unless there is faster growth of the economy and the modern, largely urban sectors." The reasons why this is untrue, apart from the obvious points of (a) foreign control over this sector, (b) its capital intensity, and (c) its low employment prospects, are that (d) it is mostly located in big cities, so its relationship with agriculture and regional growth is minimised, (e) because it caters mainly to foreign markets, multiplier and circular causation effects are minimal, and (f) the non-modern sector is the main vehicle for training and for structural transformation, and it is particularly influential outside the big cities - a point which urban policy should not ignore.

cc: Messrs. Gulhati, Leiserson, Webb, Keare

DAnderson:krt

ANNEX 1

Population Trends by Community Size in
Six Latin American Countries

Town/City Size Category 1970 (thousands)	No. of Towns/Cities 1970	Population, (thousands)			% Total Towns/Cities 1970	Growth Rate 1960-70
		1950	1960	1970		
Argentina:						
20-50	50	840*	1,087	1,574	10.0%	3.8%
50-100	15	540*	746	1,072	6.4%	3.7%
100-250	7	630*	816	977	6.4%	1.2%
>250	7	2,040*	2,683	3,493	22.6%	2.6%
Buenos Aires	1	5,190*	6,739	8,353	51.0%	2.3%
	<u>80</u>	<u>9,240</u>	<u>12,101</u>	<u>15,469</u>	<u>100</u>	<u>2.5%</u>
Brazil:						
20-50	160	1,641	2,948	4,891	13.0%	5.2%
50-100	46	1,047	1,896	3,084	8.2%	5.0%
100-250	27	1,350	2,376	4,004	10.6%	5.3%
>250	16	3,491	6,172	11,014	29.2%	5.0%
Rio and Sao Paulo	2	5,380	8,524	14,685	39.0%	5.6%
	<u>251</u>	<u>12,909</u>	<u>21,916</u>	<u>37,675</u>	<u>100</u>	<u>5.6%</u>
Chile:						
20-50	15	230*	372	489	9.3%	2.8%
50-100	10	400*	496	755	14.3%	4.2%
100-250	2	100*	160	236	4.5%	4.0%
>250	2	560*	768	934	17.8%	2.0%
Santiago	1	1,210*	1,907	2,850	51.1%	4.1%
	<u>30</u>	<u>2,500*</u>	<u>3,703</u>	<u>5,264</u>	<u>100</u>	<u>3.5%</u>
Mexico:						
20-50	107	1,180	2,309	3,416	12.1%	4.0%
50-100	37	1,357	1,888	2,636	9.5%	3.4%
100-250	31	2,078	3,015	4,661	16.8%	4.4%
>250	16	3,454	5,407	8,363	30.2%	4.5%
Mexico City	1	3,419	5,564	8,605	31.1%	4.5%
	<u>192</u>	<u>11,488</u>	<u>18,183</u>	<u>27,681</u>	<u>100</u>	<u>4.3%</u>
Peru						
20-50	26	275*	467	799	13.8%	5.5%
50-100	4	85*	153	274	4.7%	6.0%
100-250	7	270*	536	1,031	18.7%	7.3%
>250	1	125*	166	312	5.4%	6.5%
Lima	1	1,000*	1,784	3,318	57.4%	6.5%
	<u>39</u>	<u>1,755*</u>	<u>3,106</u>	<u>5,704</u>	<u>100</u>	<u>5.4%</u>

Town/City Size Category 1970 (thousands)	No. of Towns/Cities 1970	Population, (thousands)			% Total Towns/Cities 1970	Growth Rate 1960-70
		1950	1960	1970		
Venezuela:						
20- 50	25	253	452	709	11.3%	4.6%
50-100	10	229	444	702	11.1%	4.7%
100-250	7	317	623	1,055	16.7%	5.4%
>250	4	547	997	1,770	28.1%	5.9%
Caracas	1	686	1,363	2,053	33.7%	4.3%
	<u>47</u>	<u>2,032</u>	<u>3,879</u>	<u>6,294</u>	<u>100</u>	<u>5.0%</u>
<hr/>						
Total:						
20- 50	383	4,419	7,635	11,878	12.1%	4.5%
50-100	122	3,658	5,623	8,523	8.7%	4.4%
100-250	81	4,745	7,556	12,014	12.2%	4.8%
>250	46	10,217	16,193	25,886	26.4%	4.8%
Big Cities	7	16,885	25,881	39,869	40.6%	4.4%
	<u>639</u>	<u>39,924</u>	<u>62,000</u>	<u>98,170</u>	<u>100</u>	<u>4.5%</u>

Source: R. W. Fox "Urban Population Growth Trends in Latin America" IDB, 1975.

* Obtained by interpolating Fox's census data, which for Chile were obtained in 1940; and for Argentina in 1947 and for Peru in 1952. Data for 1960 and 1970 are actual census data for each country.

11 878
7 635

4 243

50% Brazil

OFFICE MEMORANDUM

Copy 400

TO: Mr. Edward V.K. Jaycock
FROM: George Kalmanoff 93-14
SUBJECT: Industrial Targets - 1976-80

DATE: October 2, 1975

when what is obj?

Following are our reactions to the NDP targets proposed in your memorandum of October 1, 1975:

Direct Employment

We interpret your target here to refer to direct lending by NDP, and estimate that it would mean an annual average of 4 - 5 such projects during FY76-80. This seems to us to be unrealistically high for the following reasons:

- (a) the fact that NDP direct financing of projects in this size category is limited to public sector projects;
- (b) the virtually total absence, past and present, of such projects;
- (c) the fact that FY76 projects and to a considerable extent FY77 projects are already fixed; and
- (d) the need to allow for a period of build-up starting with project identification through country sector studies and continuing with project preparation.

Furthermore, we believe that stating the target in terms of value of lending is undesirable because it would constitute an inducement to maximize the Bank/IDA share of total project costs, run counter to the policy of aiming at as much co-lending as we can get, and hence tend to frustrate the objective of increasing the number of such projects as much as possible.

Our counterproposal is therefore a target of 1/3 of the increase in the number of projects 76-80/71-75, starting with FY78; and the projects involved would create employment at no more than (not less than) \$50,000 per job. We estimate this would mean an annual average of 2-3 such projects per year over the five-year period beginning FY78.

Scale of Enterprise

We interpret this target to refer to indirect lending by NDP for small-scale industry through such intermediaries as industrial estate authorities or small industry corporations. We estimate that the target would mean an annual average of 5 such projects during FY76-80, assuming average lending per project of \$10 million. Except for the early starting date, the number seems acceptable as a target. However, here too

we feel it is far preferable to state the target in terms of numbers of projects, in this case in particular to avoid a bias toward such projects in large countries or in large cities within such countries.

Furthermore, the limit of \$50,000 in fixed assets seems to us to be too restrictive and inflexible, except for small countries such as Mauritius or Yemen. The limit in the definitions of small-scale industry is \$100,000 in Nigeria and Thailand, and \$200,000 in Bangladesh. Since the objective of increasing assistance to small-scale industry is to maximize employment per unit of investment rather than to maximize the numbers of small units per se, it seems to us preferable to state the defining criterion in terms of capital-labor ratios, e.g. as in the limit of \$5,000 per job you propose for DFC sub-lending under "Direct Employment".

Accordingly, our counterproposal is 1/4 of the number of NDP loans as an annual average for the period FY78-82, with a limit for beneficiary firms of \$5,000 per job. We estimate this would mean an annual average of 4-5 small-scale industry projects per year.

General

Assuming no increase in NDP activity beyond that in the present five-year program, the industry mix would be somewhat as follows under our counterproposals:

Direct Lending- Labor Intensive Industry	-	2-3 projects per year
Indirect Lending- Small-Scale Industry	-	4-5 projects per year
Direct Lending- Capital-Intensive Industry	-	10-12 projects per year.

This seems to us to be a reasonable pattern for our operations in the light of the urban poverty objective.

As a general proposition, we think it should be borne in mind in setting targets, as per the consensus in the various discussions of the Urban Poverty Task Force, that the Bank Group must seek to make its impact through the catalytic or demonstration effects of its operations since the comprehensive effect can at best be only small, and that we should not lose sight of the efficiency criterion.

cc: Messrs. Fuchs, Gordon, Kuczynski.

A. General

1. To improve analytical frame for dialogue with member governments on macro-economic policies, industrial strategy and urban issues. While Bank influence on country policy is unlikely to be large, the attempt to convince governments of necessary reforms is of basic importance to the entire urban poverty alleviation program. The pace at which Bank economic intelligence can be improved is discussed in paragraph . Organizational changes necessary are mentioned in paragraph .

2. Improved economic reports for each country should aim at the following:

- (a) statement on urban strategy
- (b) integrated view of economy of selected urban places
- (c) rationale for Bank lending program directed at selected urban places.

A summary of this work should be included in the country program paper.

B. Target for Productive Sectors.

3. Support for key steel, fertilizer, pulp and paper projects should continue at high level as presently planned. However, greater attention should be given to the following:

- (a) impact on urban form
- (b) exploitation of labor-using alternatives in ancilliary and peripheral operations.

4. Bank and IFC direct support for other capital-intensive industrial projects should also continue but on the basis of improved selection procedures which give explicit attention to the following:

- (a) "appropriateness" of the product in the context of country situations; criteria for making these judgements will be established

- (b) choice of technology particularly in textiles, wood working, food processing, transport equipment, farm implements and metal-working, where such choice is known to exist
- (c) maximization of "indirect" employment effects through appropriate sub-contracting arrangements; criteria for this purpose will be established.

5. Bank-Group support for small enterprises has been very limited and this is also the area neglected by governments and private sector financial institutions. The target is to increase Bank-Group small industry projects from 5 in FY 1976 to 15 in FY 1981. This target does not imply major increase in total Bank Group industrial lending; however, it will not be reached without a substantial expansion in staff-inputs. The budgetary implications will need to be worked out by responsible units.

6. Support for small enterprise will be channelled through existing DFCs, new intermediaries and industrial estates. To make this advance requires a combination of policy work (paragraph) research (paragraph) as well as arrangements for monitoring and evaluation (paragraph). Of the 20 new DFC-type institutions that are expected to be established, the target is to structure at least 10 such intermediaries so that they can play a substantial role in supporting small enterprise.

7. The Bank is committed to support the indigenous construction industry in member countries but little effort has been made yet in this area.

(Kim: do you know why?)

8. An experimental program to assist the self-employed (repair shops, tailors, carpenters, etc.) or those who operate using only family labor is also visualized in the context of site and service schemes or, in other ways. The target is to initiate five projects of this kind by FY 1981.

C. Targets for Service Sectors

OFFICE MEMORANDUM

② Copy UPR
③ Copy IFC

TO: Mr. Edward V.K. Jaycox
Chairman, Urban Poverty Task Force

FROM: Pedro-Pablo Kuczynski

SUBJECT: Urban Poverty Task Force: Creating Productive Employment for the Urban Poor - Scope of a possible role by IFC

DATE: September 30, 1975

1. This note supplements that of Mr. Weigel of August 29 and my own of August 15, both of which were addressed to Mr. Kalmanoff (copies attached).

General Policies

2. An attack on urban poverty by the World Bank Group will require ingredients which may be very difficult to provide due the size and complexity of urban poverty, and to the fact that macroeconomic policies have a lot to do with the causes of such poverty. This means that:

a. Bank assistance to create productive urban employment will be less effective than it could be unless it takes place in the context of appropriate policies. The main elements of such policies are spelled out on p.7 of the Weigel paper and are well-known: removal of capital market imperfections (such as artificially controlled interest rates) which limit the capital available to small-scale labor-intensive industries, modification of excessively ambitious social legislation which discourages labor use, and the need to introduce realistic prices for the major market variables in the economy, such as foreign exchange and farm products.

b. Projects assisted by the Bank Group should be chosen because of their high potential demonstration effects, since they cannot by themselves be expected to have more than a small impact on the size of urban poverty. At the same time, comprehensive programs (which tackle all the various aspects of, say, a productive employment project for a particular city) have a better chance of succeeding than those which tackle only one aspect of the problem in isolation. The experience of the various programs in the U.S. in the last decade (pp. 3-6 of Weigel paper) brings out this conclusion and two others: that community organization may be as important as actual investment, and that grant money is essential for the success of comprehensive programs, especially in order to pay for training.

3. If the foregoing is true, it suggests that the Bank should begin by selecting a few countries which it thinks are likely to be particularly receptive to working out an urban economic development program with Bank/IDA assistance. Such programs would include a variety of components, depending on the country, such as: services such as water and sewerage, distribution of electricity, transport (i.e. buses), location of schools; technical assistance facilities; productive investments such as seed money for savings and loan associations, DFC's and central guarantee facilities for commercial bank loans to small-scale industry. The "package" would be contingent upon agreement with the Government about basic macroeconomic policies related to alleviating rural and urban poverty.

A Possible Role for IFC

4. There are obviously limits to what IFC can do (see pages 1 - 2 of Weigel paper). Among the more obvious constraints are:

a. IFC's objective is to promote economic development through the private sector. The private sector acts according to market signals. If national policy is biased against the type of projects which help the urban poor, the market signals will make these projects financially non-viable.

b. Even if the market signals were right, the element of risk in those types of projects may be so high as to preclude financing by IFC, which does not enjoy government guarantees on its financings.

c. The limited volume of resources of IFC.

5. IFC projects have in the past made some (unquantified) contribution to alleviating urban poverty. The majority of IFC investments have been in urban areas, although in a number of cases special efforts were made to locate industries in the less developed poorer regions of particular countries which had the bulk of their industry concentrated in one or two major urban areas. IFC has emphasized investments in sectors which were relatively employment-intensive (12% of commitments have been for textiles, at an average capital cost of \$44,000 per direct new job created in the last 5 years)^{1/} or which had links with labor-intensive industries such as construction. More recently, IFC has begun to look for possible projects in which commercial banks would relend IFC money to small-scale enterprises. The Kenya project due to go to the Board in November 1975 has not so far defined small-scale and medium-sized enterprises, but will limit total borrowing by each to a fixed sum, including the IFC portion.

6. A limited role could be worked out for IFC along the following lines:

a. Obviously, close coordination with whatever program the Bank organizes, especially on the question of what technology is suitable in Bank Group-financed projects to the employment context of a particular country. One element which will place IFC itself in a better position to judge whether and what steps can be taken to adapt the technology in particular project is a research project underway, financed by IFC and due to be completed early next calendar year. The study is being done by a two-person team from the Harvard Business School and compares about 15 IFC projects with similar ones not financed by IFC, attempting to find out if the presence of IFC led to the selection of technology better adapted to local circumstances.

b. If the initial results with projects such as the above one in Kenya are reasonably successful from a development point of view, then IFC might adopt a target to have a percentage (to be defined) of its new lending

^{1/} The range of capital cost per direct job created is quite wide, however: from \$8,000 in several cotton textile projects to \$70,000 in the case of some synthetic fiber projects.

go in that direction. Whatever figure is adopted, it will have to be modest because of the high risk to which IFC is exposed since it has no government guarantee on its loans. If the target were 4 per cent of new lending, for example (or an average of about \$10-12 million per year in the next 4 years), by 1980 3 per cent of IFC outstanding loans would be in this form. In order to do this, IFC would in effect have to be ready to write off at least half this sum (i.e. 1.5%), since the commercial risk of these loans is likely to be very high. The question will then be whether this is an acceptable prospect or not.

c. Helping to organize a technical assistance effort along the lines mentioned in my attached memorandum (p.4). This would respond to the fact that small enterprises in the developing world have few or no agencies which they can turn to in order to get this type of help. How such assistance can be organized is a difficult question (which will have to take into account known experience with vocational training methods) but there is undoubtedly a need for it.

Attachments

cc: Members of the Urban Poverty Task Force
Messrs. Kalmanoff
Webb

Messrs. von Hoffmann
Qureshi
Office of the Economic Adviser

OFFICE MEMORANDUM

2-17-75
UPP

TO: See below

FROM: David L. Gordon, Director, DFCD

SUBJECT: Action Program for Attack on Urban Poverty

DATE: September 30, 1975

Attached is a draft section for inclusion in the Action Program for Attack on Urban Poverty, corresponding to the starting portion/on the bottom of page 6 through page 7 of Mr. Jaycox' outline.

Attachment

Messrs. Jaycox, Chernick, Churchill, Dunkerley, Fuchs, Gulhati, Keare, Kuczynski, Lerda, Please, Rovani, Rajagopalan Ahluwalia, Berg, Burki, Davis (T.), Duloy, English, Holsen, Kalmanoff, Leiserson, Lethbridge, Loeschner, Webb

cc - Mr. Baum
DLC:jm

The object of employment creation, of greatly expanding the productive job opportunities open to the poorest groups of the urban population, must be pursued vigorously and consistently in all aspects of the Bank Group's analytical work and operational programming. This means inter alia --

1. Industrial sector studies in virtually all countries, and the policies and measures we urge upon their governments, should stress the employment goals. Sub-sectors that offer greater prospects for growth and more employment per unit of investment should be identified and encouraged. These criteria do not necessarily coincide; the trade-offs between them, in specific country situations, need to be analyzed. In particular, it will be important to consider, and seek increasingly to quantify, indirect employment effects, up-stream and downstream, of particular industrial investments.
2. Sector policy discussions with governments should focus explicitly on the country strategy and measures to foster labor absorptive industries and remove obstacles to their full utilization and growth. Examples of such obstacles are undue restrictions on the importation of essential spare parts or production inputs; or policies favoring unnecessarily capital intensive technology -- e.g. in credit availability and terms, tax incentives, import licensing, etc. More positive measures would include tax incentives to three-shift as against one-shift operation of existing factories; credit and extension services to smaller, more labor intensive enterprises; easing the access for such enterprises to foreign exchange and import licenses as necessary; development of industrial estates with units of appropriately varied size; etc. These objectives and policy criteria apply not only to manufacturing industries but to

such other non-agricultural activities as construction, transport and trading -- which, indeed are generally more labor intensive than modern manufacturing industry. In general, also, although not invariably, it appears that smaller scale enterprises tend to create more employment per unit of investment than larger ones.

3. Bank Group operations need increasingly to reflect similar criteria. This is not to suggest any relaxation of accepted standards of economic and financial viability for Bank projects, but merely that their employment effects be given substantially greater emphasis and analysis. Potentially useful approaches include the following.

(a) Program and sector loans to finance spare parts and raw materials imports in those situations where it appears that existing industrial capacity is seriously under-utilized because of foreign exchange constraints. Such operations should be contingent upon discussion and agreement with the borrowing country on appropriate strategy and measures to encourage efficient industrial development and job creation.

(b) Giving priority to projects/loans especially directed to the more labor absorptive sub-sectors of industry, construction, transport and tourism. The target should be an investment cost per job (including, insofar as possible, indirect employment) below (say) \$5,000. But even for projects unavoidably involving higher investment costs, relatively more labor intensive alternatives should be examined and favored where feasible.

(c) Orienting the Bank's DFC financing more explicitly toward smaller enterprises. This may require intermediary channels of different character and attitudes than most existing DFCs and, for enterprises and sub-loans at the bottom of the scale, a drastic streamlining of conventional appraisal techniques. Possibilities of using commercial banking systems more extensively,

of promoting and assisting non-agricultural cooperatives, of developing house improvement loan programs, etc., should be actively explored. The credit programs will need to be complemented and supported by practical, easily accessible advice on simple technical and financial problems.

(d) Providing the smallest entrepreneurs -- neighborhood repair men, tailors, corner shops, jitney operators, and the like -- with access to tools, equipment and/or work space and a minimum of working capital. Again more dispersed channels of finance and technical assistance and drastically simplified loan procedures will be necessary.

At best, it cannot be assumed that Bank projects will bring into being more than a small fraction of the urban jobs required over the next quarter century, even taking full account of potential upstream and downstream employment. But we may hope, and must seek determinedly, to achieve a wider impact through the catalytic or demonstration effect of approaches and institutions that we may help to develop and by orienting member governments' policies toward employment creation.

Layout for Proposed Paragraphs on Productive Sectors
For Urban Poverty Section Paper
(ref. pages 6-7 of Mr. Jaycox's September 24 outline)

Action to induce changes in country policies that are biased against labor absorption in industry so as to provide a more employment-oriented framework for operations by the Bank Group's three Industrial Units is of basic importance. This is particularly important for operations in the areas of medium- and small-scale industry. The area of large-scale industry traditionally supported by the Bank/IDA, e.g. steel mills, fertilizer plants, pulp and paper mills, generally provides little room for manoeuvre toward greater labor-intensiveness, is virtually independent of the overall policy environment for entrepreneurial decisions, and contributes to employment creation for the most part indirectly, though powerfully, through extensive linkages in the development process. Nevertheless, the selection of projects for investment even in the large-scale area is subject to policy decisions that can be guided to a greater extent by the criterion of direct employment creation.

Efforts to influence country policies are made in the Bank's country industry sector and general economic studies, which are carried out by NDP, by the Regional Program Divisions, and to an increasing extent by the DFC complex. Although under the best of circumstances the Bank has only limited leverage in inducing improvements in overall country policies affecting industrialization, every effort should be exerted to this end. Accordingly, an examination should be made of how these activities are conducted in the Bank to determine how best they can be strengthened, particularly in connection with the employment objective. Consideration

should be given to the suitability of the present division of labor, the adequacy of the degree of coordination that exists, and the extent to which a reallocation of responsibilities is desirable. NDP believes that it should retain the function of country industry sector studies aimed at identification of projects for direct Bank/IDA financing and for determination of general country investment priorities. On the other hand, it may be desirable to consider regionalization of the aspect of the work relating to the framework of policies affecting entrepreneurial decisions in order to integrate it more closely with overall country economic analysis and DFC operations. The examination should also include an assessment of the appropriateness of the resources devoted to this work. Strengthening of the country industry sector studies should provide a tool for more effective programming of Bank Group industrial lending operations as well as for advising countries on policies affecting industrialization.

It should be an objective of Bank Group operations to increase the share of labor-absorptive branches of industry in total industrial financing, provided this can be done without excessive costs in terms of efficiency. With appropriate improvements in country environments for industrial investment and operations, this can best be achieved through the indirect route of DFC operations. Insofar as direct financing is concerned, IFC is of course the appropriate vehicle where private sector investments are involved. Nevertheless, there is scope for moves along this route in NDP direct financing in the public sector as well. The bulk of NDP direct financing, which now accounts for about half the Bank Group's total lending for industry of \$1.5 billion per year, is in support of capital-intensive projects in which the cost per direct job created averages well in excess of \$100,000. The recent financing of a relatively labor-

intensive public sector textile project in Tanzania, with a capital-labor ratio of about \$34,000, stands out as an exception. It is of course important to stress that the indirect employment and other effects of the capital-intensive projects ---- e.g. efficient resource utilization for import substitution or export generation, stability of supply of industrial or agricultural inputs of prime necessity ---- provide overriding justifications for such operations despite their small direct employment effects. Furthermore, the heavy capital requirements of such projects mean that there is an important role for Bank/IDA assistance both directly and by way of inducing lending by others. Little is known about the indirect employment effects of these capital intensive projects, and an attempt should be made to develop guidelines on how these effects can be measured.

Nevertheless, bearing in mind the desirability of moving toward more labor-intensive branches of industry, it is proposed as a target that NDP move toward having 1/3 of its projects by the end of the next five years in the capital-direct employment ratio category of no more than \$50,000 (in 1975 dollars). This would mean about seven projects per year in this category by the end of the period, compared to their virtual total absence at present. Project identification work in NDP's country industry sector activities would be guided by this target. As previously indicated, the labor-absorption criterion would not be applied exclusively but would be balanced against the efficiency criterion. It is not possible to state categorically which industry branches might qualify on both grounds. Candidates would be determined in individual country studies. The range of branches could span both intermediate goods (e.g. certain types of machinery, metal products, building materials) and finished goods (e.g.

in the categories of textiles, clothing, leather goods, ceramic and glass products, rubber products, transport equipment).

Apart from investments to increase industrial capacity, there is a great need for measures to increase the utilization of existing capacity. Country industry sector studies should be alert to steps that can be taken to meet these needs, whether in the form of foreign exchange to provide imported inputs, working capital, or technical assistance. The program of Bank/IDA industrial loans/credits to meet foreign exchange requirements for this purpose in selected countries should be continued, and the efforts begun in some such recent operations (e.g. India, Bangladesh, Egypt) to link the finance with measures to improve operating conditions in the beneficiary industry branches should be intensified and extended to other cases where "program" lending occurs.

Bank/IDA support of small-scale industry through appropriate intermediary institutions should also be expanded. This is of course the area in which the greatest direct employment effects from capital investments are achieved. For example, in the small-scale industry project in Nigeria which is soon to be presented for Board consideration, it is estimated that the capital-labor ratio may average as little as \$1,200 in current terms during the period through 1980. Such ratios and the cut-off point for industrial enterprises appropriate for assistance programs in the small-scale category obviously vary from country to country and can be defined only on the basis of individual country conditions. Bank/IDA support of small-scale industry schemes has been very limited in recent years. There were two such projects in FY73, one in FY74, and two in FY75. The momentum has built up, however, with a prospective total of

five in FY76. A target of 10 - 15 such projects per year by the end of the next five-year period is proposed. Work in this field is currently shared between NDP and the DFC complex, depending upon the nature of the primary intermediation agencies. Such a target would not have a major effect on the amounts of Bank/IDA lending; the average size of the loans/credits in the FY76 program is about \$10 million. However, the manpower effects are of course disproportionately large. On the basis of the limited experience of NDP to date, it is estimated that it takes 1 - 1.5 man-years to bring such a project to Board presentation.

In view of the limited experience to date of Bank/IDA assistance for small-scale industry, little is known about the most effective approaches beyond the obvious fact that there is need for a package of measures including technical assistance and training; infrastructure facilities, e.g. through industrial estates; and credit facilities. It is essential that future approaches be guided by the lessons to be learned from careful monitoring of ongoing operations.

An experimental approach is also needed for the development of programs of assistance for activities in the informal sector, which has thus far not been dealt with at all in Bank Group activities. For industry, this is interpreted to relate to artisan, cottage, or workshop activities the essential feature of which is that they involve relatively little, if any, division of labor. With appropriate assistance, those employed in this category of activity who may represent a potential source of entrepreneurship, can increase their productivity and the enterprises can evolve into small-scale industry units, resulting in an upgrading of the entrepreneurs as well as in an expansion of employment opportunities for others. With

the widespread employment of the urban poor in such activities, though the total lack of Bank Group experience means that the approach must be completely experimental, it may be possible to aim at a target of five such operations per year by the end of the next five years.

OFFICE MEMORANDUM

TO: Mr. E.K.W. Jaycox, TRUER

FROM: Ravi Gulhati, ECDDR *RG*

SUBJECT: Notes on draft "Action Program for Attack on Urban Poverty"
(September 24, 1975)

DATE: October 2, 1975

We have had several discussions on the basis of your draft of September 24 and there has been agreement that a great deal of revision and reorientation is necessary to get what we have to say in proper shape. The following notes are aimed at providing you with the basis for a revision. Several staff members will be sending you directly drafts of paragraphs which can be fed into the revision. I will refer to these in summary so that you can form an overall picture of the suggestions we are making.

Target Population

1. John English has sent you a revised paragraph on access to basic services on the basis of work done earlier.
2. Richard Webb has sent you a text of the paragraph on employment drawing from numbers assembled for Malaysian cities, Bangkok, Peru, etc. You will also get the tables prepared so that you can get an idea of the specifics of the information available. There has been a delay in getting data on Solo Horizonte from Professor Merrick in Pennsylvania but this tabulation is expected shortly and a revision of the earlier report on Task 1 will be completed and sent to you next week.
3. I have conveyed to you my views on the prospect for improvements in the data base on employment. We will be looking into this question further as we write the Issues Paper on Employment and on the basis of discussions with ILO. Meanwhile, I send you two extracts which sum up the state-of-the-art. One of these is from a recent book by E.O. Edwards and the other is a piece by Amartya Sen specifically on India.
4. You have already heard from Ahluwalia on the status of the Brookings data. Meanwhile, we can test the overlap between poverty as defined by information on income and poverty as borne out by data on access to services in Malaysia and Colombia.
5. At our last discussion on the question of working towards a summary picture, (page 4 of your memorandum) we agreed that while desirable, this was not something that we can hope to achieve in the near future.

Objectives

1. I continue to be extremely skeptical about the value of the Holman exercise.

2. We have agreed that the spelling out of sector specific objectives is only the first stage and that it will be necessary to supplement this by working out target group specific objectives in each sector.
3. I am sending you some text on Bank program objectives. This was drafted last night after reviewing the latest versions from Messrs. Kalmanoff, Kucyznski and Gordon.
4. I feel very strongly that it will be a mistake to set targets in terms of employment generated per unit of capital.
5. On page 8 of your memorandum you have talked about raising the share of lending for DFC, industry, IPC, basic urban, water and education, at the expense of transportation, power and telecommunications. I fail to see the rationale for this proposal.
6. Page 9 of your memorandum says that total urban lending accounted for 40% of projects, 50% of loan amounts and about 65% of total project cost. I have drawn your attention earlier to the fact that this definition of "urban" is far too wide and includes what Lethbridge has characterized as types 1, 2 and 3. We should avoid giving a misleading picture of the relative proportion of urban vs. rural lending by the Bank.

Policy Work

1. Doug Keare will be sending you a statement concerning a paper on employment as part of his contribution on research work. Please understand that this is a very rough version and we fully expect to revise it during the next several months on the basis of discussions with you and among ourselves. Also, please note that we cannot undertake to do this paper without extra budgetary resources (\$30,000).
2. Your memorandum assigns the paper on urban land to Harold Dunkerley. My suggestion is that we undertake this task jointly as follows. The Urban and Regional Economics Division should prepare a background paper on the basis of an outline agreed with you, me and Harold. This paper can be ready by June 1976. Harold will then write the first draft of the issues paper on the basis of the background material as well as his own views. We would then wish to be involved in the review of Harold's draft.
3. The paper on technical assistance and credit to small enterprise and the informal sector is assigned to Loeschner in your September 24 memorandum. Yenal and I had a long discussion with Loeschner yesterday on the basis of a draft outline. My own view is that we are ready now to make a more definite statement of policy than is appropriate for an issues paper format on some topics while on other questions we cannot go very far. A great deal of work has been done over the last two or

October 2, 1975

three years on DFCs and it should be possible to formulate a policy posture on what needs to be done to get existing DFCs to redirect a part of their total lending to small borrowers. Similarly, it ought to be possible to write a useful paper on the kinds of characteristics that should be built into the new institutions so that they can support small industry.

4. By contrast with our-substantial knowledge of DFCs we know fairly little about commercial banks. However, Yenal has a research project underway and the first report on Brasil should be available some time in March 1976. Other case studies will follow. We already know what the issues are and we are carrying out research which will hopefully illuminate some of them.

5. We have done some work on the informal credit market and when this is finished, we will have something concrete to say about the terms and conditions on which the self-employed poor and small units have to raise credit from the curb market as they have little access to the modern financial sector.

6. We agreed some months ago to follow-up "The Task Ahead for the Cities of Developing Countries" Working Paper No. 209 by airing some of the issues (migration, size structure of cities, etc.) on which controversy persists. This Issues Paper will soon be in draft form and it will be useful to discuss it in the Urban Task Group in late October or early November.

Organization

I have views about the necessary changes in organization to carry out the action program but I guess now is not the time to spell these out.

Coordination Liaison

We should be aware that the ILO World Employment Conference will take place in June 1976.

Attachment

cc: Messrs. Churchill/Dunkerley, TRUDE
ECD Division Chiefs

RC/mo

OFFICE MEMORANDUM

TO: Mr. E. V. K. Jaycox

DATE: September 29, 1975

FROM: J. Lerdau

SUBJECT: Urban Poverty Task Group : Your draft of September 24

Some observations on your draft.

Regarding the Global Macro Economic Objectives (p.4-5):

(1) You may wish to couch the text in normative terms, but this cannot alter the conditional character of the conclusion. In other words, the statement that "... non-farm production must increase at the rate of ___% if entrants to the work force are to be absorbed ... etc" should really read "If agricultural output rises by only ___%, and if agricultural labor productivity rises by as much as ___%, and if non-agricultural labor productivity rises by ___%, non-farm production must increase at the rate of ... etc." Such a conditional normative formulation seems to be necessary to prevent misleading your audience.

(2) I think that a word should be added to your text regarding the non-monitorable nature of these normative objectives. They may have didactic, expository value, but as a guide to action their usefulness is at least limited by the fact that few countries collect usable comprehensive sectoral employment data between censuses.

(3) Regarding the Productive - Service Sector Division, it is far from clear which is which or what the objective of this taxonomy are. Moreover, the continuing small enterprise preference seems to disregard findings of Colombia DFC study (Loeschner, et al).

cc: Messrs. Chernick, Churchill, Dunkerley, Fuchs, Gordon, Gulhati
Gustafson, Keare, Kuczynski, Please, Rovani
Rajagopalan
Ahluwalia, Berg, Burki, Davis (T.), Deloy, English, Holsen
Kalmanoff, Leiserson, Lethbridge, Loeschner, Webb

OFFICE MEMORANDUM

TO: Urban Poverty Task Group

DATE: September 24, 1975

FROM: Edward V.K. Jaycox

SUBJECT: Action Program for Attack on Urban Poverty

This draft (outline) is where we are today in this effort. (Please forgive the roughness of the presentation at this stage.) Obviously, we have a long way to go. And the time is short. I do not propose to seek any extension of deadlines unless some important part of the picture can be gotten much clearer in a matter of a few days. In the text of the attached draft I have placed or reconfirmed responsibility for various aspects of the work. Please give me immediate feedback on this; if anyone cannot make the necessary inputs, let me know so I can shift responsibility to others.

In view of the tardiness of this paper, I have shifted our next meeting to Monday, September 29, 2:30 p.m., Room E655. Work promised for later this week should proceed and be submitted on schedule even though it may not yet fit well with this draft format. We will sort that out in due course.

Attachment

Messrs. Chernick, Churchill, Dunkerley, Fuchs, Gordon, Gulhati, Gustafson, Keare, Ruczywski, Lerdau, Please, Rovani, Rajagopalan, Anluwalla, Berg, Burki, Davis (T.), Duloy, English, Holson, Kalmanoff, Leiserson, Lethbridge, Loeschner, Webb

cc. Mr. Baum

EV:Jaycox:ncp



next mtg. of UPTG
Oct. 6th

[INTRODUCTION]..... to be written later.

Target Population

Work on defining and locating the target population--the urban poor--is proceeding fairly well. We are trying to "map" urban poverty in terms of income, employment, and access to basic services.

a) Income. Taking advantage of the work already done by the Agriculture and Rural Development Department and the individual country economists, we have settled on an income definition of absolute urban poverty and have been able to estimate the numbers of absolute poor by region and by country, and in some cases by major city. (See Table 1.) (Mr. Churchill, Mr. English, to get this in order.) The definition to be used for absolute urban poverty is consistent with the one now coming into use for rural poverty--i.e., households or individuals which have incomes below that required to purchase minimum nutritional needs. This income threshold varies from country to country and between rural and urban areas, and, we believe, gives a much more accurate picture of real deprivation than any of the dollar income cut-offs used before. Note from Table 1--that the share of urban poor in Latin America really depends on this more sophisticated measure. The price for this conceptual advance, however, is somewhat cruder estimates and some relatively important methodological "bugs" to be worked out with the country economists. The next step in refining the income definition of the poor will be taken by Urban Projects, Rural Development, and the DRC/DPS working jointly to iron out the remaining conceptual problems, and then we shall re-approach the country economists with improved guidelines and some technical assistance to get better country by country estimates. [We think January is a reasonable target date

for the next set of estimates of the absolute poor--with urban and rural.]
(Messrs. Duloy, Davis, Keare and Jaycox sign off on this idea.)

b) Employment. The employment characteristics of the urban poor can only be roughly outlined at this point in time. The poor quality of employment data on a worldwide and country basis hampers this work and will continue to for some time. Typically, employment data is collected only on census dates and then cross country or even time series analysis is fraught with definitional problems. What we have been able to do, at this stage, is merely to generalize from [five to six] city studies completed in the past ____ years. [These are "major" cities and therefore could be somewhat misleading.] (See Tables ____, Messrs. Webb/English provide.) These studies bear out the strong indication that the majority of the urban work force is not employed in modern sector manufacturing and that the poorer elements are predominantly in the following lines of employment: [common labor for construction, transportation, food distribution, and personal services. (Messrs. Webb and English, ~~reverse to reflect facts.~~)] These are extremely difficult sectors to deal with in terms of raising overall productivity and output, given the virtually complete freedom of entry entailed at the lower levels of technology being employed, and the demand-constrained nature of the outputs. [Obviously, what we have been able to do so far on the employment "map" is not good enough. However, there are really no "short-run" steps to be taken on this front. A longer-term research and data collection effort is required; this is outlined later in this report (para. ____). *page 4* Messrs. Leiserson/Gulhati to complete. What are you going to do to give the Bank some operationally useful guidance here?]

c) Access to Basic Services. The state of information as to the access of the urban population of LDCs to basic water, shelter, sanitation, education, and nutritional requirements is fragmentary and the correlation between lack of access to services and income levels is at this stage only presumed. [What are we doing with Brookings to test the overlap between poverty and access to services--Gulhati/Ahluwalia, please respond.] See Table _____ for estimates of the urban population by region now lacking adequate access to various basic services ore requirements. [It is noteworthy that in terms of water, shelter and nutrition, those lacking basic requirements are far greater in number than those with incomes estimated to be insufficient to meet basic needs. In some regions the discrepancy is larger than in others.

(Mr. English: please put this discussion in order.) At this stage it is not clear to what extent these discrepancies are due to poor data, lack of consistency or reasonableness in definitions about what is "basic", default of delivery systems to meet effective demands, or behavioral patterns of expenditure which do not give the highest priority to these "basic" human needs.]

The task of defining a target population and improving our map will have to continue. However, it is clear that on the urban side we will have no equivalent of the small farmer. Essentially, we have the following target:-- The absolutely poor defined according to income below that required to purchase a threshold level of nutritional intake, employed or underemployed in easily entered, competitive, largely demand-constrained urban pursuits in the informal sector, plus those who although they may have (theoretically) the minimal income required to purchase basic services and other basic needs are not gaining access to them due to market distortions and inefficient or inequitable delivery systems. By and large, the target population can be physically located in the squatter areas and overcrowded tenement slums of the fastest growing cities.

ab

summary read

cross 1/1/5

We are now going to proceed to define this target population on a country-by-country and sector-by-sector basis. [Detailed Work Program on how the target population will be further defined and located and justification for this effort in terms of operational needs. Here we need the program put on two levels--country economic work and the summary picture--the latter to be taken up by Webb et al. Messrs. Gulhati and Webb, please complete.]

redefi

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1

Objectives

The Task Group has tried to devise sets of global and Bank program objectives with respect to the target population, which are production, and employment oriented and which can be monitored over time. There are major difficulties in establishing reasonable production and employment targets for the urban poor because of the wide variety of urban pursuits and the largely demand-constrained nature of their employment. The approach adopted by the Task Group is to establish a set of objectives on different levels which singly and together are meaningful for various purposes.

Global Macro-Economic Objectives. (Mr. Holson please review and put in shape.)

Using a sample of 40 less-developed countries, comprising 85% of LDC population, DPS has constructed a simple consistency model of sectoral employment, output, and productivity, that will yield highly aggregated outputs for individual countries, regions or for LDCs as a whole. Driven by population growth and reasonable estimates of the demand for agricultural output, this simple model yields (i) the employment that will have to be created in the industrial and service sectors to keep per capita incomes increasing in agriculture, and (ii) the increase in production that these off-farm sectors will have to sustain if this employment is to be absorbed at rising per capita incomes. The output of this macro-analysis is set out in Annex 1. (Mr. Holson please design and complete.) [On a global basis, non-farm production must increase

at the rate of ___% if entrants to the work force are to be absorbed at per capita incomes that will increase at the rate of ___% p.a. (Mr. Holsen this normative dimension is a must--let's discuss the problems.) Some regions are obviously better placed than others. For some countries, the prospects are very dim.] This model is not an urban/rural model; it is an agriculture, industry, service sector model, but it does, we think, provide good insights into the role urban centers will have to play in terms of production and employment. Also, since the service sector is treated as residual in the model, productivity gains or lack thereof in this sector give a good indication of the progress being made by the poor outside the agricultural sector. This model and the data it needs are part of the Bank's data bank, and therefore trends will be observable over time. More importantly, the simple model will force the pace on developing country analyses along the same lines but in more detail in the course of Bank country economic work. The outputs will be useful for both the rural and the urban sides of the Bank's effort to attack poverty.

Sector-Specific Global Objectives/Requirements. Using the UN statistics and forecasts as to the rates of population growth and urbanization, the Task Group has estimated the physical needs in terms of basic requirements that will arise over the next 25 years. Two cuts have been made at this external demand picture: first, what is needed to just keep pace with the increase in urban population; and second, what would be needed in addition to "cure the backlog" by the year 2000. [The external requirements have been worked out in terms of industrial jobs, service sector employment, water supply, and human waste disposal of a basic nature, basic shelter (sites and services, slum upgradings), basic primary and adult education (literacy) places, nutritional intervention requirements. See Annex II. (Messrs. Rovani, Hultin, Jaycox, Berg, and Holsen-- we've got to get together and put this into shape.) The sector-by-sector analysis

is still rough and there is still some inconsistency in assumptions used by the separate CPS/DPS task groups that worked up the estimates. The estimates will now be sharpened up in further consultation with Regional and CPS sector specialists.]

Bank Programming Objectives. The basic objective is to direct Bank urban lending increasingly toward increasing the capacity of urban areas to absorb population in productive employment and raising the productivity and welfare of the urban poor. A quick review of the future program FY76-80 shows that over 45% of total lending can be defined as urban, i.e., will have large direct impacts on the absorptive capacity of cities, and is potentially available to be directed toward the urban poor. (Mr. Lethbridge please give us a sectoral breakdown.) The review of the lending program and the monitoring system proposed is discussed in more detail below (para. ____). The Task Group has attempted to establish detailed and quantitative targets for Bank lending that will be urban poverty oriented on the basis of sector-by-sector analyses, taking into account:

- i) the global requirements outlined in Annex II;
- ii) the existing comparative advantages of the Bank; and
- iii) the time required to build expertise and capacity for new approaches or expanded activity in certain areas.

Productive and Service Sectors. For targeting purposes, the Bank urban lending has been divided into "productive" and "service" sectors. In the urban productive sectors--industry and services (including tourism)--the following approach has been distilled from the internal discussions of the Task Group.

{3-5 paragraphs--this had better be good after ED discussion of DFC policy paper!}

Macro policy - consistent and concerted pressure from Bank based on much improved and focussed industrial sector work.

Problem: Locus of responsibility for organizing this, settling issues and programming Bank Group.

who should write? a)
- G.K. Fuchs

10 me in sector work by Industry

1

b) Move into branches/sectors of industry that are labor-absorbative and buoyant.

- (i) construction
- (ii) textiles--other mfg.?
- (iii) building materials
- (iv) transport enterprise
- (v) housing--upper and middle income
- (vi) assembly industries
- (vii) tourism ?

UNIDO profiles
Leiserson/
Westfall ?
to answer

What do we know about labor intensity of industries: others?

.2 gold stars for loans/projects which create jobs at less than \$4,000 per job targets for various units?

c) Move down scale of industry

- (i) small enterprise to get more employment per \$ invested.
- (ii) technical assistance (extension)
- (iii) loan guarantee programs?

1 gold star for projects/loans to enterprises with less than \$20,000 in fixed assets.

d) Move into informal sector pursuits--very small--help to the poor entrepreneur or potential entrepreneur and self-employed.

3 gold stars for number of loans less than \$1,000 (access to tools and/or work space) technical assistance.

Targets - Quantitative (Worked out with operating divisions and internalized

- Industrial Sector Work - Program
 - New Branches (jobs/\$)
 - Small Enterprise
 - Informal Sector Enterprise
-)
)
)
)
)
- how many
how much
how small
etc.

FY76-80

Annex III (Messrs. Kalmanoff, Loeschner, Jaycox, Kuczynski--please get together, design, and complete.)

For the "service" sectors--i.e., basic urbanization ^{1/}, water supply/sewerage, education, nutrition, population planning, urban transportation, and power distribution, the sector-specific targets aggregate to 55% of total urban lending in these fields by FY 1980 directly benefitting the target group. (See Annex IV. Sector Depts. (CPS) have to get together to put all this on a comparable basis/format.)

The overall balance in Bank Group lending implied by these targets is as follows:

[Run out of FY76-80 program which shows larger (than now programmed) DFC, Industry, IFC, Basic Urban, Water, ^{and} Education at the expense of Transportation, Power, and Telecom.]

The targeting of Bank lending will be further refined and the sector physical targets will be put on a regional and eventually country basis through iteration between CPS and Regional/COPD operating divisions, the idea being for these targets to be internalized at the project and program division level. The "regionalization" of the targets is well advanced in the water supply, education and basic urbanization sectors.

Review and Monitoring of the Lending Program

(Messrs. Lethbridge/ Dunkerley please put this discussion in order.)

As mentioned above, the Task Group has reviewed the Bank Group lending program over the past five years (FY71-75) in order to see: (i) what overall Bank performance has been in terms of urban lending and the impacts of urban lending; and (ii) derive from the review the definitions and procedures that should be used for reviewing and monitoring the future lending program. The results of the review of the past have been quite illuminating in some respects despite the lack of any systematic attention to urban and income distributional impacts in project documentation. For purposes of this

^{1/} This is included here as a part of the "service" sector though the intent is to increasingly move project design in the direction of employment creation and informal sector productivity gains.

review, total Bank Group lending has been broken down into non-urban, non-specific, and urban lending of three degrees. Total urban lending accounted for 40% of projects, 50% of total loan amounts, and about 65% of total project costs. ^{1/} At least 220 cities (over 20,000 population) were affected by Bank urban lending. In terms of impacts 35% of the urban loans were deemed to have important impacts (positive or negative) on urban land use, 34% had important positive construction employment impacts for unskilled labor, 12% had important positive permanent employment impacts for unskilled labor, 23% had important positive consumption distribution impacts on low-income areas of population, and 33% had (claimed) important impacts on urban institutions and policies. (See Annex V.) [Mr. Lethbridge and co. will have to put together a new set of tables and a succinct text.] The review, while crude and unsatisfactory in its detail, was useful in strengthening our views as to those sectors which have the most potential for positively contributing to an attack on urban poverty and in providing an indication of strong and weak points of past sectoral performances with respect to key impact variables. The review has contributed to the setting of sector targets and to the establishment of project design criteria and norms that will be built into the monitoring system. It is not now our intention to further refine this picture of past lending; it has served its purpose. The task now is to review the future lending program and devise a monitoring or review system that will yield the kind of quantitative information on important impacts that we were unable to get in reviewing the past, and that will give the information needed to see whether and how the agreed objectives are being achieved.

^{1/} Not including IFC lending. (If all of IFC is deemed to be "urban", the percentages are 50%, 51%, and 64%, respectively.)

The monitoring system now being designed will be very similar to the Project Information Brief (PIB) being used in the rural poverty effort. It will form an annex to the general project brief that is now being promulgated by CPS for all projects in the lending program. The information required by the urban PIB will be different for different sectors and relate to sector-specific project design criteria and urban impacts as well as to the sector-specific physical targets with respect to the urban poor. [We have completed the first run at designing a PIB for the water supply/sewerage, education and basic urbanization sectors. (See Annex VI.) (Messrs. Lethbridge, Rovani, Hultin, Jaycox) With these PIBs as examples, we will now proceed to design similar ones for industry (DFC, IFC, NDP), Tourism, Power, Transportation, Nutrition and Population planning. [The target is to have the PIB system designed and operating in all sectors by January 1976.]

Country Economic and Sector Work. (Messrs. Churchill/Beier please put in order.) Based on the location and growth of the target population, a priority list of countries of focus for urban and urban poverty oriented country economic and urban sector has been drawn up in consultation with the Regional offices. (See Annex ____ for details of this proposed work program.) In addition, a DPS/CPS/Regional task group has been put together to develop by January 1, 1976 a set of guidelines for the kind of country economic work that will need to be done to further define and locate country target populations and to develop a lending program that is oriented toward this group. Success in this program will depend on an important effort to supplement regional strength, partly by direct increases in regional staff and partly by assistance from centralized units. (See Budget, para. ____ below.)

In my memorandum to you of July 11, I mentioned that the Task Group would also review sector work guidelines in all the traditional sectors.

[Do such guidelines exist? - what would be involved for CPS and others to conduct such a review by January 1? (Mr. Churchill) please respond and sort out.]]

Policy Work. Three priority areas for policy work have emerged from the work of the Task Group on this subject to date: Employment, Urban Land, and Technical Assistance and Credit to Small Enterprise. We are a long way from policy statements on any of these subjects. The first stage would be for issues papers to be written and we cannot rule out the need for subsequent research before policy papers can be produced. [The assignment of issues papers would be as follows:

- | | |
|---|---------------------------------------|
| Employment | - Développement Economics (Leiserson) |
| Urban Land | - TRU (Dunkerley) |
| TA & Credit to Small Enterprise and the Informal Sector | - DFC (Loeschner) |

dates?] (Messrs. Gulhati, Gordon, Burki, et al, please respond.)

Research Work. [Keare to provide.]

Short Run

- arising from needs to improve target population, income employment, access to services picture (how fit with what said earlier?)

Longer Run

- links between services and productivity
- lower cost designs for basic services
- informal sector employment and productivity
- city studies

Work Program FY76-77

end of file

Coordination/Liaison with Other Agencies. A major area of work and demand on staff time will arise due to your Speech and the partial dovetailing of our attack on urban poverty with the themes of the Habitat Conference at Vancouver in June 1976. Quite apart from the immediate needs placed by this conference, the opportunities presented by collaboration with ___ [list of some 20 agencies]. We believe this collaboration should be promoted. Some of these agencies have comparative advantages which do not have and many would welcome the chance to fit their narrower expertise into a broad approach endorsed and diagnosed by the Bank--examples--feelers, etc. [Mr. Dunkerley please complete.]

Organization. Issues for study/decision.

- locus of responsibility for industrial sector and policy analysis giving Bank/IFC the direction it needs.
- creation of monitoring unit 1/ in TRU to develop and monitor PIBs and country economic and sector work, and to provide assistance to Regions in sector work and project design.
- separation of Transportation functions of TRU from Urban functions.
- eventual regionalization of urban projects staff.
- others?

[Most of this will be Mr. Kearns' responsibility to sort out.]

Budget. [We need detailed estimates from those assigned to work up work programs. Please let me have your first cuts by Sept. 30 at the latest, or forever hold your peace.]

1/ For immediate decision on Oct. 15. (4 slots required.)

Task 1. Target Population

units of Bank

- a. TRU
- b. DED
- c. etc.

incremental
manpower
requirements
and consultant
budgets

2. Objectives

- a. TRU
- b. PRD
- c. etc.

under 76
specify
any retro-active
finance needed
to cover research
assistants, etc.
who may have been
hired to get this
far.

3. etc.

OFFICE MEMORANDUM

TO: Urban Poverty Task Group

DATE: September 8, 1975

FROM: Edward V.K. Jaycox

SUBJECT: Status Report for Discussion at Task Group Meeting, September 12, 2:30 p.m., D556

1. Today I have sent you three papers:

- a) Preparation of Statistical Map of Urban Poverty and Employment: Status Report on Task #1 of Urban Task Group.
- b) Review of Bank's Lending Program: Interim Report - Phase (a) on Task #2 of Urban Task Group.
- c) Working Paper on Role of Industrial Units of Bank Group - Task #4 of Urban Poverty Task Group.


I would like to have your reactions to these papers and to the various proposals outlined below at our next meeting, Friday, September 12, at 2:30 p.m.

2. Target Group. In addition to the work by Richard Webb (para. 1(a) above) which focusses on the problems and procedures for developing our analytical framework over time, others are at work to present a "snap-shot" of the best cut we can now make at the definition and location of the target population, the urban poor. John English is working with international statistics and with the output of the recent "Country Profile" exercise done by country economists in response to the needs of the Rural Development Division. We shall have by September 15, the results of this exercise. The intention is that by that time we will have caught up with the rural development mapping exercise and then we can, jointly with rural development, go back to the country economists to iron out anomalies and standardize the methodology. Webb and English will be at our September 12 meeting to explain where their work stands.

3. Objectives. The setting of objectives has proved most difficult, and we are placing great importance on developing some meaningful ones. My ideas at this point are to develop three sets of objectives.

- a) Global ones relating to macro variables--specifically non-farm production; non-farm employment, and income increases for the absolute poor--rural and urban. John Holsen is working on developing an approach to these global targets, which can be monitored over time, and which would be consistent as between rural and urban, and stimulate good analysis on the country level. Holsen will explain where he is coming out at our meeting on September 12.

September 2, 1975

- b) Sector-Specific Targets. Some sectors which the Bank operates in are also amenable to targets driven by the external reality of demand and need--water supply, sewerage, educational places, nutrition, slum upgrading, housing--and others for which targets may be derivable from macro targets for off-farm employment--industry and power, for example. Consultation with the sector departments of CPS are underway and I shall report on these on September 12.
- c) Bank Lending Program Targets. These should be sector-specific with respect to reaching members of the target population directly, aggregating to a reasonable proportion of total lending and of urban-oriented lending. I would like to discuss how we might go about this on September 12. One more word on objectives: it is fairly clear to me that the links between global targets and Bank lending targets might only be arbitrary and/or very tenuous for some sectors, but this is not to my mind a major problem and up to now has not constrained in any way the Bank's assault on rural poverty where the links are necessarily also tenuous.
4. Resources Required to Meet Objectives. Global resources to meet global-macro objectives will probably have to be estimated on the simplest basis--application of a capital/output ratio. At this point, I do not intend to put any more manpower into this task than that. Resource requirements to meet sector objectives should be relatively easy to estimate. I would like your views on this.
5. Lending Program Review. Mr. Dunkerley and Mr. Lethbridge have completed a first phase review of past Bank lending in urban areas. The report on this phase has been sent to you (para. 1(b) above), together with a covering note on immediate next steps. Please note that the task of reviewing the lending program now includes development of a system for continued review or monitoring of the lending program.
6. Country Economic and Sector Work. Mr. Churchill has conducted meetings with regional country economists and more are in process at this time. We shall have by September 15 a tentative work program for "new style" country economic work and urban sector work, with a tentative budget estimate for the next 2-3 years. Also, we shall have proposals for a working group(s) to prepare guidelines for this economic and sector work within a reasonable time frame. Mr. Churchill will report briefly on his task on September 12.
7. Project Design Criteria and New Project Types. No work has begun on these subjects, awaiting firmer framing of objectives. It may be that the project design criteria review will emerge as part of the development of an "urban impact statement" or "project information brief" that is sector-specific.
- 

September 5, 1975

8. Policy Instruments. At this point in time I am still thinking that Urban Land Policy, Credit and Technical Assistance to the Informal Sector and Small-Scale Industry are the two top priority policy issues. I would like to have your views on September 12.

9. Research Requirements. Mr. Keare will begin a review of research requirements on September 8. By September 12 he should be in a position to tell us how he will proceed.

10. Organization and Procedures. The organizational or procedural implications of implementing the attack on urban poverty are just beginning to emerge. On the procedural side we are trying to conform to the arrangements worked out for monitoring the attack on rural poverty. It is a more complex task in the urban case, but procedures can, I believe, be quite similar and thereby reduce unnecessary confusion. As for organization, Mr. Kearns and I have had a brief meeting. Before October 1, we (the Task Group) will have to develop an "agenda" of organizational issues that result directly from the attack on urban poverty. It is not clear to me now, whether other issues not so directly related but perhaps convenient to address at the same time may also be placed on the agenda. We can discuss this briefly on September 12.

11. I expect the Friday, September 12 meeting will be a rather long one. I shall try to keep it to 90 minutes.

Messrs. Chernick, Churchill, Dunkerley, Fuchs, Gulhati, Gustafson,
Keare, Kuczynski, Lerdau, Please, Rovani, Rajagopalan, Burki,
Loeschner, Sheehan, Shipman

cc: Mr. Baum (for info)
Mr. Kearns
Ms. Hughes
Messrs. English, Lethbridge/Patel/Ms. Henneman
Holsen
Webb

OFFICE MEMORANDUM

TO: Mr. Ravi Gulhati, Director, ECD

DATE: August 21, 1975

FROM: Shahid J. Burki, ^{SA} Policy Planning DivisionSUBJECT: Bank Action Program to Attack Urban Poverty

1. You will recall that in the first meeting of the Urban Development Task Group, held on July 24, Mr. Chernick and I made the following suggestions:

- a) Despite Mr. McNamara's initial objection to using "proxies" to establish meaningful objectives, as well as to estimate resources for meeting them, we feel that this would, indeed, be the most appropriate way of accomplishing these two things. We feel that it would be counter-productive to follow the conceptual framework developed in our work on rural poverty. The reason for this is simple: characteristics of the rural and urban poverty groups are considerably different and productivity criteria, while meaningful for the rural poor, may not be so for the poor in urban areas.
- b) We have yet to focus on the very important question of the linkages between rural and urban poverty. Any program in which these linkages do not receive considerable attention could be difficult to defend. For example, we know from the work of Harris & Todaro that investment of resources in urban poverty programs have a considerable spin-off in the rural areas.

2. We hope, therefore, that it will be possible for the Urban Development Task Group to undertake:

- a) choosing proxies for establishing objectives and estimating resource requirements for meeting them, and
- b) studying linkages between rural and urban poverty and the impact on rural-urban migration of investment in urban poverty related programs.

3. As we indicated in the meeting of July 24 our Department may be able to assist in this additional work.

cc: Messrs. Jaycox, Dunkerly, Churchill, Chernick (o/r)

Name	Dept
A Churchill	TUPD
H. B. Dunbar W. J. Martin	South Africa E. A. S. & V.
W. J. Stewart M. J. Jensen	ECLER
Richard Webb	"
Nicolas (E. M. Bridge)	TUPD
Frank Earwaker	LAC
Judian Bharier	PPRD
L. de Bezaroli	WAN
M. J. Brown	WAN
Jan de Wille	EAP
Kathleen A. DiTullio	EAP
J. King K. King	DES
	EMENA

EMENA = Victor Waters, & Chief Economist

OFFICE MEMORANDUM

TO: Messrs. Webb/English/Zachariah, ECD and
Ahluwalia, DRC

FROM: Ravi Gulhati, ECDDR

SUBJECT: Urban Task Group

DATE: August 1, 1975

1. As discussed yesterday, you will carry out the work outlined in Richard Webb's memorandum of July 31, entitled, "Preparation of Statistical Map of Urban Poverty and Employment" in connection with Task 1 of Urban Task Group. The main aim will be to produce a status report by August 25 which will do the following:

a) Illustrate on the basis of available information on three or four countries/cities how to define the urban poverty target group and how to formulate development objectives in relation to this group.

b) Point out conceptual and definitional problems inherent in the available data for the three or four case studies, as well as identify gaps in information and analysis relevant for the definition of the target group and for determining development objectives for that group.

c) Given that the countries/cities chosen as case studies will be relatively well endowed with information, comment on the overall status of statistical data in relation to the problem at hand. This assessment will provide the background for Task 3 - Review of Country Economic and Sector Work for which Tony Churchill is responsible.

2. The responsibility for work on urban services (Task 1) is assigned to John English. However, John Simmons will assist in this task on the education side.

3. The responsibility for coordinating this work and for writing the final status report is assigned to Richard Webb.

cc: Messrs. Chenery/Stern, VPD
Duloy/Pyatt, DECDR
Jaycox/Churchill, TRUDR
Simmons, ECDDH

RG/mo

OFFICE MEMORANDUM

TO: Those Listed Below

DATE: July 31, 1975

FROM: R. Webb, ECDER *R. Webb.*SUBJECT: Preparation of Statistical Map of Urban Poverty & Employment

1. This memorandum suggests how to proceed on Task 1, defined by the Urban Task Group as the creation of a statistical map of urban poverty and employment. The map is to be limited to three or four countries and to aggregate data on (i) population, (ii) income distribution, (iii) employment structure, and (iv) access to basic services; it is to be completed by August 25.
2. I suggest that the final choice of cities and countries be determined in the course of preparation of the map. Data constraints are very dissimilar for each of the four suggested tables: Table I, on urban population, can be filled out for all major cities and urban areas using recent U.N. demographic projections including a projection of city sizes to the year 2000 that is expected to become available next week. Table III, however, on employment and output, could at best be prepared for only three or four countries or cities. The most likely candidates are (i) the urban areas of Peru (for which most of the required data is already available), (ii) the urban areas of Venezuela, and (iii) Kuala Lumpur; the final choice can only be decided after examining data for several countries. Tables II (Income Distribution) and IV (Services) are constrained less by data availability than by the Aug 25 deadline. My suggestion, therefore, is that Table I be filled in for all countries for which data is readily available, and that Tables II and IV be prepared for about six to eight countries or cities for which Table III data may be available: the exact set should be decided jointly by the persons responsible for Tables II, III and IV. This would meet two of the aims of Task 1 which are to see how much relevant information can be readily assembled and to identify problems of concept and definition. The lesser number of countries that will eventually be covered by Table III will be covered also by the other Tables and will thus come closer to the interrelated set of statistics needed for the purposes of Task 1 noted in Jaycox's draft.
3. Data for each of the Tables is available in different offices within the Bank. Table I can be prepared by K. Zacariah (ECDPH) using United Nations demographic statistics, including the forthcoming projection of city sizes. Data for Table II is available in the DRC, partly on tape and partly on print-outs, as a result of the Bank-UN income distribution project. The preparation of that data, however, particularly the conversion to dollar income classes, will be time-consuming. Also

July 31, 1975

income distributions can be related to the standard sectoral (SIC) and occupational categories with existing data, but not to an informal-formal employment breakdown. Unfortunately, the staff member most familiar with the Bank-UN data (C. Chiswick) is presently out of the country and will not return until mid-August.

4. The data required for Table III will have to be developed from diverse sources; there is no office within the Bank, nor a general statistical source that could provide that data. The chief obstacle is the lack of statistics on employment by size of firm, or by whatever other characteristic of business is used to distinguish between the formal and informal sectors (e.g. unionization, or capital-labor ratio). Very crude estimates could be made for a large number of LDC's by using diverse sources - chiefly establishment surveys and census - and filling data gaps with allocation assumptions. More reliable estimates, however, would involve considerable searching for data sources and a careful piecing together of scattered data. It will often be easier to do this for the whole urban sector than for one city. The few existing studies of the informal sector (e.g. for Tanzania, and Belo Horizonte in Brazil) will help, but they must be checked closely to ensure comparability, particularly with regard to the definition of formal and informal employment. The construction of Table III could be assigned to the Employment and Rural Development Division or to some staff member familiar with employment statistics.

5. Table IV could be prepared by the Urban and Regional Economics and the Population and Human Resources Divisions: the latter Division can provide data on access to education and health care in urban areas. It will probably not be possible, however, to link access data to income distribution in more than a small number of countries or cities, and it is unlikely that those places will coincide with the feasible set of places of Table III. It may serve the purposes of Task I, however, if this were done for a different set of places. Future work on the lines of Table IV will be assisted by the U.N. Compendium of Social Statistics, now in preparation.

6. There are several decisions that must be made regarding definitions and coverage. One is the individual vs. household option: ideally, the income distribution and employment tables would link the two, but it would complicate both the preparation and the use of Table II (with its back-up tables). I suggest that Table II be limited to household incomes (preferably, household per capita incomes) with no attempt at present to link those incomes to those of income-earners. Table IV will unavoidably emerge as a mix of household and individual data, though, for some countries, it may be possible to provide schooling and

July 31, 1975

health care data for families. A second decision concerns the definition of the informal sector: all current definitions have limitations for analysis. For statistical purposes, the most practical definition is size of firm and I suggest that formal-informal sector estimates be standardized on that basis. The least useful are definitions based on income levels since they merely duplicate, rather than help to explain, the income distribution. A third decision concerns the desirability of city-size detail: the metropolitan vs. small-town distinction will be critical for most analytical and operational uses of this data. I suggest that all tables seek to provide separate data for "cities" (perhaps as defined in the U.N. projection of city sizes) and for smaller urban areas.

Distribution:

Messrs. Ahluwalia, DRCID
Duloy, DRCDR
✓ Churchill, TRUDR
Gulhati, ECDDR
Keare, ECDRB
King/Zachariah, ECDPH
Leiserson, ECDER
Pyatt, DRCDR

OFFICE MEMORANDUM

M. Churchill

TO: Mr. Edward V.K. Jaycox, Director

DATE: July 29, 1975

FROM: R. Venkateswaran

SUBJECT: Bank Action Program to Attack Urban Poverty

Herewith my reaction to the July 11 memo on the above subject. First and foremost, I am glad that we are finally undertaking the development of Bank-wide action on urban poverty. I hope that this will be an occasion for Bank Management to review and restructure Bank staff input in such a way as to increase the efficiency of our urban operations. I hope that the action program and the work behind it would lead to a development of a more satisfactory role for the Regional Projects Departments and for CPS/DPS in this area.

I feel that there is a particularly urgent need to create an urban infrastructure division within each Regional Projects Department which would integrate the present work of the public utilities divisions with the type of minimum urbanization package projects that would be relevant to raising the quality of life for the urban poor. Considering the major infrastructure deficiencies in slum and squatter areas, these minimum urban packages could be expected, by and large, to consist of secondary and tertiary network improvements in water supply, sewerage and drainage; it would therefore be quite logical and technically more efficient for these packages to be handled by the regional projects units (appropriately strengthened with urban planners and the like). The present divisional responsibility between the CPS and regions is entirely artificial in this regard and I believe that a strong case exists for reducing management/staff overhead in dealing with technical aspects of urban infrastructure projects. Additional benefits of handling such projects by and within Regional Projects Departments themselves would be a much better utilization of other project manpower in the regions through closer integration of education/industrial credit (DPC) type project input into this work.

The role of CPS, and particularly of this department, would be a different one and would in my view consist of the following:

- (i) Overall policy guidelines and review/control of minimum urbanization packages that would be developed and executed by the regions. In order to strengthen this role, relevant senior and advisory manpower from the currently separate CPS departments, i.e. public utilities, industry, education, would need to be reassigned and integrated with senior staff from this department;
- (ii) Urban transport project development. For several reasons I feel that urban transport is one area of urban operations which needs to be handled on a centralized basis; it is a highly specialized operation, there is a little relevant experience or expertise within the regions and the innovativeness of Bank approaches depends intimately on urban transport research which should continue to be handled as a CPS function. However, in order to strengthen this role, additional expertise in areas such as traffic management, public transport operations, and urban transport planning methodology will be required;

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- (iii) Finally, an important element of the department's future activities would be, I hope, integration of urban research functions currently being handled by DPS into the work of this department. This function which also needs to expand to include a greater focus on developing new project approaches, on technical assistance and training programs for urban management as well as more innovative economic/sector work.

I feel strongly that without the separation of policy formulation, review and action program monitoring functions from the strictly project development and supervision functions, the implementation of a Bank-wide action program on urban projects could not be carried out efficiently and could impose an almost impossible burden on the department as presently constituted.

I would be happy to elaborate on this theme if you so desire.

cc: Messrs. Dunkerley, Churchill, Strombom, Singh, McCulbch, Beier.

OFFICE MEMORANDUM

TO: Mr. Warren C. Baum

FROM: Edward V.K. Jaycox *E. V. K. Jaycox*

SUBJECT: Urban Poverty Task Group - Status Report

DATE: July 28, 1975

1. I am on leave from August 1-25. Mr. Gulhati will be in charge of the Task Group during my absence.
2. The Task Group had its first meeting on Thursday, July 24. The agenda is attached. This was primarily an organizational meeting. The attached four tasks were outlined in this preliminary fashion. Mr. Gulhati will submit to me a refined statement of Task #1 before I leave.
3. One of the major developments for me in the past week is the realization that the urban and rural poverty work has to go hand in hand in building the analytical base, in conducting country economic and sector work, and in monitoring developments and our own progress. The Task Group will have to have representation and substantive input from Agriculture and Rural Development Department in the months ahead.

Attachment (2)

cc: Mr. Gulhati
Mr. Churchill ✓
Mr. Dunkerley

EVKJaycox:ncp

FIRST MEETING OF URBAN POVERTY TASK GROUP - JULY 24, 1975

AGENDA

1. McNamara's Speech -
2. Background - Urban Poverty Task Force -
Cohen, Churchill, Beier, Renaud
Working Paper
Technical Note
McNamara's decision
3. Formation of Task Group -
 - draft memo
 - discussion in McNamara's office
 - major points of emphasis
4. July 11 Memo - what in fact is being promised by October.
5. How I intend to organize this effort -
 - Task Group - to form consensus.
 - Composition - to marshal resources.
 - Working Groups - varying degrees of activity over time - bring us the real workers.
 - Evolution of Task Group over time - general statement.
6. Circulate Paper - travel plans - alternates -
Gulhati in charge Aug. 1-24.
7. Circulate first 4 tasks outlined -
 - Gulhati - mentioned need to get rural development into this task.
 - Dunkerley
 - Churchill
 - Fuchs
 - Drafts around in week of Aug. 25.
8. Sept. 8 - Meeting to discuss a preliminary cut at definitions of poverty targets, objective, how they should be framed and more detailed outline of other major tasks.
Sept. 1 week - outline of additional tasks - to get work programs generated for all other major by Oct. 1.

OFFICE MEMORANDUM

TO: Those listed below

DATE: July 28, 1975

FROM: Ravi Gulhati, ECDDR *RG*SUBJECT: Work on Urban Poverty

1. The preparatory phase of Bank work on urban poverty is drawing to a close just as the implementation phase is about to begin. This is a convenient time to report on what has been accomplished during the first phase.
2. The preparatory phase started 15 months ago with the establishment of an Urban Poverty Task Force drawing on several divisions of the Development Economics Department (Cohen, Visaria, Mazumdar) and the Development Research Center (Selowsky). Subsequently, Messrs. Churchill and Beier of the Transportation and Urban Projects Department joined the group. A large number of papers reviewing the literature have been produced. A list of these is attached. I would like to recommend particularly papers by Mazumdar, Reutlinger/Selowsky, Yap, Grimes and Mazumdar/Sant'Anna (items 1-5).
3. In December 1974 Mr. McNamara asked us to prepare a Technical Note on Urban Poverty as a basis for his Speech to the Governors. At his request, the Technical Note was circulated to the President's Council and Department Directors on April 15, 1975. Extra copies are available from Miss Orellana, ext. 6166.
4. May I invite your attention to the piece entitled, "The Task Ahead for the Cities of the Developing Countries" by Messrs. Beier, Churchill, Cohen and Renaud which will soon appear as a Working Paper. While this draws on earlier Urban Poverty Task Force work, it is not a summary and reflects primarily insights of the four authors on urbanization questions. It is intended to supplement this paper with a statement of issues which will distinguish between areas of agreement and controversy. Al Berry is preparing a first draft of the Issues Paper and it is visualized that a Bank-wide discussion will take place soon after the Annual Meeting.
5. The second phase of work on urban poverty began with the establishment in July 1975 of the Task Group chaired by Kim Jaycox to implement the program contained in Mr. McNamara's speech.

Distribution:

Messrs. Chenery, Stern, VPD

Urban Task Group:Messrs. Jaycox/Chernick/Churchill/Dunkerley/
Fuchs/Gustafson/Keare/Kuczynski/Lerdau/
Please/Rovani/Rajagopalan.Urban Poverty Task Force:

Messrs. Beier/Cohen/Renaud/Mazumdar/Selowsky

Attachment

RG/mo

LIST OF UPTF OUTPUT**

<u>Title</u>	<u>Author</u>	<u>Remarks</u>
1. The Urban Informal Sector.	Dipak Mazumdar, ECD	To be issued as a Working Paper. Draft ready.
2. Malnutrition and Poverty: Magnitude and Target-Group Oriented Policies.	S. Reutlinger, ECD and M. Selowsky, DRC	Issued as Working Paper No. 202.
3. Internal Migration in Less Developed Countries.	L. Yap, ECD	Issued as Working Paper No. 210
4. A Task for Life: Housing for Low-Income Urban Families.	O. Grimes, ECD	Expected to be published.
5. Income Distribution and the Household Economy: A Case Study of Belo Horizonte.	D. Mazumdar, T. Merrick and A. Sant'Anna, ECD	October 1974 draft available: Scheduled for Working Paper Series in September 1975.
6. Increasing the Demand for Labour Services of Urban Poor.	A. Anyanwu, J. Mitra and L. Westphal, ECD	Prepared for UPTF Seminar, Nov./Dec. 1974.*
7. The Impact of Institutional Factors on Urban Labour Markets.	P. Gregory, ECD	Revised draft April 1975 available.
8. Urban Marginality	J. Perlman, ECD	Revised draft available scheduled for Bank Working Paper Series, August 1975.
9. Taxation and the Urban Poor.	C. McLure, ECD	Draft, March 1975.
10. Some Approaches to Urban Land Policy.	R. Mohan and O. Grimes, ECD	Revised April 29, 1975.
11. The Pricing of Public Utilities for the Urban Poor.	K. Hubbell, ECD	Prepared for UPTF Seminar, November/December, 1974.

* No further work is contemplated on this paper.

** Copies can be obtained from Miss Orellano, ext.6166.

Title	Author	Remarks
12. Designing Anti-Poverty Strategies: Political Obstacles and Opportunities.	M. Cohen, ECD	Prepared for UPTF Seminar, Nov./Dec.1974.
13. Health and the Urban Poor.	F. Golladay and C. Koch-Weser, ECD	Prepared for UPTF Seminar, Nov./Dec. 1974. *
14. Differentials in Fertility, Mortality and Family Planning Acceptance by Economic Status.	P. Visaria, ECD	Prepared for UPTF Seminar, Nov./Dec. 1974. *
15. Identification of the Urban Poor: Some Preliminary Results and Hypotheses.	C.U. Chiswick, DRC	Prepared for UPTF Seminar, Nov./Dec. 1974.

* No further work is contemplated on this paper.

OFFICE MEMORANDUM

Task 1
copy Task 1

TO: Those listed below

DATE: July 25, 1975

FROM: Ravi Gulhati, ECDDR *RG*

SUBJECT: Urban Task Group

1. The newly established Urban Task Group met for the first time yesterday and it was decided to undertake four tasks. The first of these entitled, "Statistical Map of Urban Poverty and Employment" is spelled out in a draft circulated by Mr. Jaycox. This is attached.

2. In the course of discussion, it was agreed that we should not rush into the preparation of large numbers of tables for each country. Instead, an attempt should be made to assemble relevant statistical information on three or four countries/cities. Examples are: Lima/Peru, Kuala Lumpur/Malaysia, Bangkok/Thailand, Bogota/Colombia. The aim would be (i) to see how much relevant information can be readily assembled, (ii) to identify problems of concept and definition and (iii) to see to what extent inferences can be drawn on the basis of the available information with respect to purposes listed in Mr. Jaycox's draft.

3. Richard Webb will suggest how to proceed on Task 1, on the basis of his earlier work on Lima/Peru. He will send you a memorandum on this subject by close of business Wednesday, July 30, and I suggest that we meet with him on Thursday, July 31 at 4:00 in D-529.

Attachment

Distribution:

- Messrs. Dulcy, DRCDR
- Pyatt, DRCDR
- Ahluwalia, DRCID
- Churchill, TRUDR
- King/Zachariah, ECDFH
- Leiserson, ECDER
- Keare, ECDRB
- Webb, ECDER

RG/mo

TASK #1

STATISTICAL MAP OF URBAN POVERTY AND EMPLOYMENT

Creation of set of tables, describing urban scene of LDCs in terms of population, population growth, size distribution of urban areas, past trends and forecasts (Source - UN) income distribution (DRC?) employment informal and formal by sector, and size distribution of cities and correlated to income distribution? (DRC, ERD?) access to basic services, proportion of urban populations in informal/illegal/un serviced slums access to piped water, sewerage, education, etc. (See attached for first try at table designs.)

These tables have the following purposes:

- 1) Show what is known about urban poverty.
- 2) Working tool to make decisions as to target population.
- 3) Identify gaps that will have to be filled over time by research and country economic/sector work, i.e., generate a work program.
- 4) Form the centerpiece of system for monitoring progress toward objectives.

Major questions:

- 1) Does UN have other census data besides population in tapes that produced the population info?
- 2) Does DRC have income distribution data compatible with urban/rural break that is sound?
- 3) Does DRC (ECLA project and ECIEL project plus some in-house work) have sectoral breakdown of employment/labor force by urban/rural?
- 4) How can Brookings research be structured to serve our immediate and long-term data needs?

Timetable: Design and preparation of basic tables (filled in to the extent that data is already available) - August 25.

Mr. Gulhati - in charge. Leiserson, Ahluwalia, Churchill, King, Pyatt, Keare and staff.

1. URBAN POPULATION

Past Growth Rate Future Growth Rate

Bank Regions

Countries
Cities (major)

breakdown by size
distribution of urban
areas in back-up
tables.

Do UN tapes have
other census data
geared in? *0*

II. URBAN INCOME DISTRIBUTION

Below \$50 \$50-\$75 \$75-\$100 \$100+ Lowest 40%
in nation

Bank Regions

Countries
Cities (as available)

'tied to employment structure
in back-up tables.

III. URBAN EMPLOYMENT/OUTPUT

Formal Sector Informal Sector
Mfg. Comm. Services, etc. Mfg. Comm. Services, etc.

Bank Regions

Countries
Cities (as available)

tied to city size distribution
and tied to income distribution
in back-up tables.

residual?

IV. URBAN SERVICES

Piped Water Piped Sewerage Education Health Care Electricity Illegal/Squatter Unserviced Sett
A B

Bank Regions

Countries (as available)


Cities

tied to income distribution in back-up tables.
differentiate levels of service for each service in back-up tables.

- A. Standpipe
- B. House Connections.

OFFICE MEMORANDUM

TO: Urban Task Group

FROM: Edward V.K. Jaycox 

SUBJECT: Bibliography for Urban Task Group

DATE: July 25, 1975

Yesterday I promised you the attached. There's a lot more if you've got the time to get into it. Also, there have been developments in some sectors--e.g., water supply--where we moved more toward distribution (as opposed to bulk supply) than in the past and these are also of interest. Incidentally, the latest World Bank CATALOG (June 1975) shows what is available in the way of staff papers of all sorts. Lots of good titles.

Attachment

Messrs. Chernick
Churchill (o/r) ✓
Dunkerley (o/r)
Fuchs
Gulhati
Gustafson (o/r)
Keare (o/r)
Kuczynski
Lerdau (o/r)
Please
Rovani (o/r)
Rajagopalan
Burki
Loeschner
Sheehan
Shipman

BIBLIOGRAPHY FOR URBAN TASK GROUP

Latest Published Work

- * Task Ahead for the Cities of the Developing Countries - July 1975, 77 pages, Report of the "Urban Poverty Task Force" - Beier, Churchill, Cohen, Renaud, Bank Staff Working Paper No. 209.
- * Urban Development--Suggestions for a World Bank Strategy Aimed at the Urban Poor in LDCs - July 1975, 44 pages, double spaced draft - Lindahl (I will circulate this next week.)

- Examples of "Integrated" Urban Projects -

- * 1. El Salvador, Appraisal of a Sites & Services Project, Report No. 473a.
- 2. Zambia, Lusaka Squatter Upgrading and Sites and Services Project, Report No. 420a.
- * 3. Indonesia, Appraisal of the Jakarta Urban Development Project, Report No. 475a.

Background Papers

Urbanization - Sector Working Paper - June 1972

Housing - Sector Policy Paper - May 1975


Urban Transport - Sector Policy Paper - May 1975

Sites and Services Projects - Issues and Guidelines - April 1974

-
- * Especially recommended.

OFFICE MEMORANDUM

TO: Urban Development Task Group

FROM: Edward V.K. Jaycox 

SUBJECT: Bank Action Program to Attack Urban Poverty

DATE: July 18, 1975

Attached is the final memorandum sent to Mr. McNamara, and discussed with him on July 16. (The Task Group composition has been revised in light of those discussions.) He has approved of this course of action with reinforced emphasis on ensuring a productivity focus and measurement of progress toward objectives.

The first meeting of the Task Group will be at 3:30 p.m. on Thursday, July 24, in Room D860. Please contact my office if this time is inconvenient or you cannot be present.

Messrs. S. Chernick
A. Churchill ✓
H. Dunkerley
H. Fuchs
R. Gulhati
D. Gustafson
D. Keare
P. Kuczynski
E. Lerdau
S. Please
Y. Rovani
V. Rajagopalan

EVKJaycox:ncp

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: July 11, 1975

FROM: Warren C. Baum

SUBJECT: Bank Action Program to Attack Urban Poverty

In response to your request for a proposal on how the Bank should proceed to attack the problems of urban poverty as outlined in your forthcoming Governors' Speech, I suggest the following approach. The Bank should establish an inter-departmental Task Group, under the executive direction of Kim Jaycox. This Task Group will deliver to you by October 15, 1975 a detailed Action Program for your approval. The Program will include each of the major tasks outlined below and for each task a detailed description of the work to be done, the expected completion date, the persons responsible, and the need for manpower from the various Bank units that will carry out the work. For some of the items in the Action Program we would expect to deliver conclusions at least in preliminary form by the October 15 date. The Task Group will then continue in existence to oversee the implementation of the Action Program in ensuing months, reporting to you the progress made and problems encountered.

ACTION PROGRAM

The Action Program will include the following major tasks:

1. Review of the Analytical Framework and Definition of Objectives

The Action Program will include a review of the analytical framework for a major attack on urban poverty, the determination of practical courses of action given the existing state of the analytical framework, and the development of a program of action on how the analytical framework might be improved over time. This task would include:

- (a) Definition of the Target Population. The Task Group will review the possible alternative criteria of poverty in urban areas, and recommend a target group of people that is most appropriate for an attack on urban poverty, and can be located and reached operationally. This is a difficult task--but as we now see it, the answer could emerge in terms of income levels, and access to public services and may boil down to squatter area/slum dwellers both actual and potential. The target population, both present and future, would be determined and located geographically. This part of the task would be completed at least on a preliminary basis by October 15, 1975.

July 11, 1975

(b) Establishment of Meaningful Objectives. The Task Group will assess the present conditions of the target population, and establish realistic objectives in terms of the productive absorption of this population in urban areas. It may be desirable to establish a number of objectives, some global ones and others specific to certain sectors and project types. These might be set in relation to the growing problem extant in our borrowing countries, or in relation to what the Bank has been doing in the past. As far as global objectives are concerned, it would be best to be able to set these in terms of increased employment, income, productivity and output, as well as the welfare of the urban poor. However, this may not be possible and we may have to rely to a large extent on proxies, such as poor people gaining access to basic services for which they are able and willing to pay--denoting rising income/production and/or consumer surpluses that are deemed to translate eventually into productivity. (Here project design becomes important--i.e., concentration on low cost provision of basic services. See below.) This approach would not rule out subsidized services where there is a demonstrable link between the service and productivity of the poor. Every attempt will be made to establish global and sector specific objectives that are production-oriented, reflecting the main thrust of the Bank's general attack on poverty. It is important that the objectives that are set for the Bank as a whole, for specific sectors, and for projects, are such that progress toward them can be monitored. Recommended objectives will be included, again perhaps on a preliminary basis, in the October 15, 1975 Action Program Paper.

(c) Estimation of the Resources Required to Meet the Objectives.

The Task Group will estimate the amount of global resources needed by the developing countries to achieve the defined objectives. The difficulty of this task will vary, depending upon the chosen objectives. Access to basic services such as sanitation, water, and secure tenure of location can be readily costed. Estimating the costs of creating a productive income stream may be feasible, but at this point in time, we do not know how this might be done. A "working estimate" of required resources will be set out in the October 15 Action Program paper.

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(d) Delineation of the Major Lines of a Bank Approach toward Meeting the Objectives. As a general point, looking at 1(a), (b), and (c) above we have to acknowledge that if we define the target population narrowly and if we set narrow objectives, which have the virtue of being "monitorable" and "costable", we may limit unnecessarily our ultimate effectiveness. The Task Group will address these trade-offs directly and derive from its overall assessment of the problem, and of the resources required to meet the objectives, the major lines of a Bank approach--essentially a statement of the Bank's strategy and goals over a reasonable period of time. A first version of this will be prepared by October 15, 1975, but it will undoubtedly have to be progressively refined over time. Among the issues that ultimately have to be addressed during implementation of the Action Program are:

- the emphasis that should be placed on the reform of national and local policies;
- the extent to which total Bank resources for urban areas should be committed to "integrated, minimum package, urbanization projects" as distinct from the traditional sector projects (power, urban transport, etc.);
- the extent that reliance can be placed on the "trickle down" of benefits/income in urban areas and the extent to which there should be a direct focus on the poor;
- the extent that the Bank's lending program should be focussed on certain countries or on certain cities within countries;
- the emphasis that should be placed on directly productive sectors, as opposed to infrastructure.

The Bank lines of approach will have to account for the activities of other agencies and elements of the national economies which will be directly or indirectly contributing to achievement of the objectives.

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- (e) Definition of Research and Data Requirements. The Action Program will include the definition and implementation of a work program in research and data collection/analysis of a macro nature, designed to strengthen the analytical framework for Bank action over a reasonable time period. (See also Research below.)

2. Review of Bank Lending Program

The Action Program will include a review of the Bank's 1976-1980 lending program in urban areas (i.e., all Bank Group lending now programmed for urban areas) to see how it might be redirected in sectoral composition, geographical concentration, and/or project content or design as necessary to be consistent with and contribute to the achievement of the objectives with respect to urban poverty. The Group will seek over time to have the lending programs redirected along the indicated lines, and to monitor the rate of progress. This task will be carried out in close cooperation with the Regions and with important inputs of Regional manpower.

3. Review of Bank Country Economic and Sector Work

The Action Program will include a detailed review of the conduct of Bank country economic and sector work, and the development of guidelines for this work to address more systematically the people/spatial/employment aspects of economic and sector development and strengths/weaknesses of national strategies to deal with rapid urbanization and urban poverty. The output of this country and sector work would be systematically reflected in the CPPs. The Action Program will include the preparation of at least two sets of guidelines--for country economic work, and for urban sector work--with suggestions for countries of concentration in the immediate years ahead. This task will require important contributions from Regional economic staff. The guidelines and practices of sector work in other sectors (transport, industry, public utilities, education, tourism, population, nutrition and health) will also be reviewed in cooperation with CPS, and a program developed as necessary to expand or modify them over a reasonable future time period.

4. Review of Project Design Criteria

The Action Program will include a review, sector by sector, of the existing Bank criteria for project design, not only in the physical sense, but also in terms of project content, scope, institutional arrangements and technology utilized to see how projects in urban areas might have an enhanced impact on the productivity and welfare of the urban poor. This task will be carried out in close collaboration with the CPS sector departments and DPS.

5. Review of Possible New Project Types

The Action Program will include a review of the possibilities for new types of projects. This examination will include public works projects, projects for the general construction and housing industries, land banking and special projects in human resources to mention a few. A program will be drawn up to follow up on any new types of projects that appear especially promising.

6. Review of Policy Instruments

The Action Program will include a review of the need for new or updated policy papers to gear the Bank up for the greater emphasis on attacking urban poverty. Specific policy papers, together with timetables for their production will be included in the Action Program. Areas which seem at this point to require attention include: Land Use Management and Land Policy, Urban Finance, Small-Scale Industrial Development, Credit and Technical Assistance for the Informal Sector.

7. Review of Research Requirements

The Action Program will include a review of the research program of the Bank, and in addition to the research identified as required to strengthen the broad analytical framework, will identify priority areas which require research and recommend whether particular research tasks would better be carried out inside or outside the Bank. The following areas seem to be likely candidates: low cost, basic service distribution systems; employment and productivity in the informal sector; the links between access to basic services and productivity; and the costs of creating employment--various types, various locations.

8. Monitoring of Performance

The Task Group will examine alternative ways of monitoring performance in the achievement of the Bank's global and sector objectives with respect to an attack on urban poverty, and recommend a particular procedure. Every attempt will be made to build upon existing information and control systems.

9. Review of Bank Organization and Internal Procedures

One of the major requirements arising from the forthcoming Governors' Speech and recent policy papers (Housing, Urban Transport) is the coordination of Bank lending in the urban areas--coordination in terms of programming and getting the needed leverage for major policy reforms in specific cities or countries and coordination in terms of achieving consistent impacts from individual projects (power, water supply, etc.) in the total package of investments in particular locations. The Task Group will organize and oversee a study of this problem. The study would look into how the CPS/DPS

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assignment of "functional guidance" should be performed and what procedures can be followed that will avoid "bureaucratic sprawl" or the placing of a small group of reviewers on the critical path of a major part of total Bank lending. This is a particularly difficult task; one of the promising ideas that may be part of the answer is the introduction in the proposed new "project briefs" and in appraisal reports of a statement as to expected urban and income distribution impacts with sector-specific guidelines on what to look for and how to avoid or enhance certain effects. Apart from coming to grips with this coordination problem, the Action Program will also include examination of (among other things) the internal organization of CPS, the organization and functions of the Transportation and Urban Projects Department, and how the urban research and policy function is best organized and carried out. The Organization Planning Department would have a major role in this study.

10. Examination of Manpower Staffing and Budget Implications

The Task Group will examine the manpower and budget implications of implementing the Action Program, including the demands that will be placed on Regional/CPS/DPS manpower, and the need for consultant services to implement the Action Program per se and any long-run budgeting consequences for the recommended mode of attack on urban poverty. Guidelines (as specific as possible) as to budgetary constraints should be obtained by the Task Group at the outset of its work, so that the Action Program will be set out in as realistic a scope and pace as possible. The manpower requirements for carrying out the Action Program will be estimated in the October 15 paper.

STAFFING OF TASK GROUP

The following staffing and organization is proposed.

<u>Task Group</u>	
E. Jaycox	Chairman
S. Chernick	DPS
A. Churchill	CPS
H. Dunkerley	CPS
H. Fuchs	CPS
R. Gulhati	DPS
D. Gustafson	DFC
D. Keare	DPS
P. Kuczynski	IFC
E. Lerda	LAC
S. Please	EA
Y. Rovani	CPS
V. Rajagopalan	SA

July 11, 1975

SUMMARY TIMETABLE

The Task Group will deliver by October 1 for senior management review the draft Action Program which will be presented to you for approval on October 15, 1975. This Action Program will contain:

- (a) a determination of the target population;
- (b) a set of global and sector objectives for the attack on urban poverty;
- (c) a "working estimate" of the resources required to achieve these objectives;
- (d) arising from (a), (b), and (c) above, an overall preliminary statement of the Bank's strategy and goals over a reasonable period of time;
- (e) a detailed description of the other tasks to be performed as part of the Action Program, including timetables, who would be responsible, and the manpower costs involved for the various units of the Bank.

These proposals have been discussed with Mr. Chenery and he concurs in the arrangements and approach outlined above.

cc: Mr. Knapp

EVKJaycox:ncp
[Handwritten signature]