

## LA LIBERTAD BRIEFING DOCUMENT

### Introduction

The country of La Libertad lies nestled between the Pacific Ocean and the Caribbean Sea. Throughout much of the last century the nation remained virtually “invisible” geopolitically, pursuing isolationist policies that avoided political and economic integration (and confrontation) with neighboring states and the wider global community. Though easy to overlook on even the most detailed map, the country has recently attracted the attention of the World Bank (WB) and other multilateral donors. Under pressure from a public frustrated with the Bank’s seeming lack of transparency in its decision-making, WB staff has selected La Libertad to be a ‘model’ of collaborative and open policy-making. The Bank’s latest initiative intends to use new media information technologies to publicly broadcast both the formal and informal aspects of designing and implementing a package of safety nets for La Libertad, intended to mitigate the adverse social effects of an ongoing structural adjustment program (SAP); their professed interest is to protect food consumption during this potentially difficult economic transition.

As a world-renowned food policy expert, you have been commissioned to join a crack team of policy analysts who will provide recommendations to the World Bank and the La Libertad Government (LLG) regarding the appropriateness, feasibility, and design implications of implementing a program of food-based social safety nets. Your team does not have the mandate to affect agriculture pricing or foreign trade (supply side) policies. The Bank has selected you based not only on your technical excellence, but also on your ability to use data in order to think logically and analytically through a series of complicated policy options – a desirable attribute particularly when the details of your methodology will be broadcast globally to ‘virtual’ stakeholders.

Your assignment is detailed in the following terms of reference.

### Specific Objectives/Activities:

- 1) Determine whether a food-based transfer program is an appropriate means of protecting food consumption in La Libertad during the anticipated five-year period of economic transition. If yes, which program type (or types) appears to be most cost-effective and why?
- 2) Determine whether this intervention should be targeted and, if so, describe how and to whom. Discuss your rationale for these recommendations.
- 3) Detail how the LLG should design and administer the intervention(s). Depending on the program type, you should consider such issues as:

How does the program work? What impacts might you expect to achieve from this intervention? What are the application and screening procedures? What are the entrance and exit criteria? What is the size and frequency of the transfer? How can

leakage be minimized? What types of complementary program activities might be important to multiplying the program impact? How well can this intervention be adapted to a more acute crisis? Is this intervention politically feasible (i.e. what groups would be likely to support or oppose it)?

- 4) The WB/LLG have jointly allocated an annual budget of 500,000,000 Guevaras (the La Libertad currency) for a 5-year safety net program(s). This amount represents approximately 1% of the country's Gross Domestic Product (GDP) and meets the international community's target for national public spending on food and cash transfer programs.

How much do you expect your proposed intervention to cost annually? Will it fit within your budget? Be prepared to justify the anticipated expense.

- 5) Consider the long-term sustainability of your proposed program(s). Should it continue after the projected five-year period? If yes, how might it be modified at the time? What additional information might you require to make this recommendation?

### Deliverables and Timeline

You have 1.5 hours to complete this assignment. At the end of this time, your team is expected to deliver a 10 minute oral presentation to a group of key stakeholders from within the World Bank and the La Libertad government, who will have the opportunity to ask questions and provide their feedback. Your presentation should detail your recommendations and should specify the methods you used to reach your conclusions.

### Getting Started:

Included in the briefing packet is a two-page fact sheet (pp. 3-4) that provides a useful overview of some of the key socioeconomic and political features of La Libertad. This free information is published by the government and is updated annually.

Because you will probably need more specific data in order to complete your assignment, the World Bank has given you a total budget of 180 WBIs (a special convertible currency accepted worldwide) to purchase additional data collected through national surveys and private research. A complete list of data items and their corresponding costs is attached in the La Libertad Data Price Sheet (p. 5). You may purchase up to 180 WBIs of data from the information clearinghouse teller in exchange for your WBI bills (to be distributed as you commence the assignment). Data can be purchased throughout the 1.5-hour assignment and should not be traded with other consulting groups.

Hint: Not all the data items listed on the Price Sheet will be useful to your team. Your first task is to distinguish what information you will need and what is extraneous. If you have purchased "useless" data it will be readily apparent.

## La Libertad Country Overview:

### Geography

La Libertad, situated somewhere between Washington DC and the moon, comprises approximately 112 088 square kilometers, or an area roughly the size of the state of Louisiana. The country's most marked topographical feature is the large mountain range that runs through the country from north to south. A full fifty percent of the land in La Libertad is mountainous, influencing all aspects of political, economic and cultural life. The Western region of the country, where most of the mountainous land is concentrated, is characterized by low population density and poor road infrastructure. The majority of the population living there is engaged in small-scale agriculture and earns its living from the marginal, degraded soils found on steeply sloping hillsides.

### Agriculture

Though only 32% of the total land area in La Libertad is considered suitable for farming, agriculture makes the largest contribution to the country's GDP. Over 60% of the country's workforce is engaged in this sector and, due to shrinking farm size, men often migrate in search of waged farm labor. The country produces several crops for export, including bananas, coffee, beef, shrimp, sugar, and tobacco. Unemployment rates are high, averaging 20% between urban and rural areas.

### Health, Nutrition, Education

The per capita GDP of La Libertad is US \$400, rendering the country one of the poorest in the hemisphere. Much of the population suffers from a few common health problems, including intestinal parasites and infection, inadequate diets, upper respiratory infections, and immuno-preventable diseases. Approximately 80% of women breastfeed their children exclusively for 5 months, and 50% of them continue to breastfeed exclusively for a sixth month. Sanitation and hygiene is inadequate in much of the country, with very few households having access to clean running water. Surprisingly, the public primary health system in La Libertad is relatively well developed due to a government emphasis during the 1970's on decentralizing its health infrastructure. Maternal/child health and antenatal care clinics are largely accessible, well staffed and supplied, yet they remain underutilized – possibly due to a lack of sufficient outreach services. In contrast, the educational system in La Libertad has suffered the neglect of an educational minister with other things on his mind..... Primary schools are poorly distributed and not well staffed, yet those that exist are well attended.

### Political Organization

These socioeconomic troubles persist in La Libertad despite the well-developed political and administrative structure of a government intent on realizing social justice and well-being for its populace. One example of the how the government has organized in support of equity is the tax system developed and implemented over the last decade. This system

uses a means test derived from a land holding indicator and wealth index in order to delineate a poverty line. The two major political parties have long agreed to the policy that any household falling below the poverty line is exempt from paying taxes. The cost of implementation of the means test is subsumed under the Ministry of Revenue budget. Though the system is working effectively, after this year the Ministry is discontinuing its means testing due to budget cuts. The party in power, whose political constituency is centered in the rural countryside, touts the urgent need to combat poverty and to develop the country's human resource base. It claims it is constrained in social spending only by the need to service its external debt.

### Recent Events

The La Libertad government, under guidance by the World Bank, initiated a program of structural adjustment and economic stabilization one year ago in response to sluggish economic growth, rising inflation, and mounting foreign debt. Much of the country's current economic woes represent the fallout of instability in neighboring countries and unfavorable terms of trade that began to afflict La Libertad over a decade ago. After two currency devaluations, food prices have risen at a rate that has outstripped the rate of inflation. The debt service ratio in La Libertad is 42%, meaning that for every one dollar in foreign exchange earned in exports, 42 cents must go to pay down the principal and interest on foreign debt. The resulting foreign exchange scarcity has caused the exchange rate to decline against the dollar and has constrained the nation's ability to import enough food to meet aggregate demand. Though the government has long had in place a policy of food price stabilization, relying partially on donated food, this program has been threatened under the current economic restructuring.

#	Data item	Cost (WBIs)
1.	ANNUAL BUDGETARY DATA FROM MINISTRIES OF REVENUE AND ENERGY, 1999	5
2.	AVERAGE ADULT EQUIVALENT CALORIC INTAKE BY ECONOMIC STATUS AND REGION, 1998	15
3.	BUDGET OF THE DEPARTMENT OF FORESTRY, 1999	10
4.	COST OF A 40% SUBSIDY ON SELECTED FOODS PER PERSON PER YEAR, (DERIVED FROM 1999 CONSULTANT REPORT IN NEIGHBORING NERUDIA)	10
5.	COST OF FOOD SUPPLEMENTS FOR VULNERABLE GROUPS, 1998 (CHILDREN AGED 6 MO -11 YRS, PREGNANT WOMEN)	10
6.	DECLARED NATURAL DISASTERS 1988-1998	10
7.	GOVERNMENT-PROCURED COMMODITIES, 1998	10
8.	ECONOMIC STATUS BREAKDOWN BY REGION, 1999	15
9.	ESTIMATED COST PER DAY OF A NUTRITIONALLY ADEQUATE, CULTURALLY SENSITIVE, LEAST COST/LOW-INCOME DIET FOR A HOUSEHOLD OF SIX PERSONS, 1997	15
10.	ESTIMATED DAILY COST OF A FOOD-FOR-WORK RATION; INCLUDING LOGISTICS, TRANSPORT, AND OTHER NON-FOOD EXPENSES, 1998	10
11.	FOODS CONSUMED OUTSIDE THE HOME, 1994	15
12.	GEOGRAPHIC DISTRIBUTION OF RETAIL FOOD STORES , 1998	10
13.	HEIGHTS OF PRESCHOOL-AGE CHILDREN, 1996	15
14.	INCOME-SPECIFIC INCOME ELASTICITIES OF DEMAND FOR COMMONLY CONSUMED FOODS IN LA LIBERTAD, 1999	15
15.	LA LIBERTAD GROSS NATIONAL PRODUCT, 1996	5
16.	LIFE EXPECTANCY IN LA LIBERTAD, 1996	10
17.	LOCATION OF TRAINED LA LIBERTAD MEDICAL PERSONNEL, 1998	10
18.	MARKET PRICES PER 500 KCALS COMMONLY CONSUMED FOODS IN LA LIBERTAD, 1999	5
19.	MONTHLY HOUSEHOLD FOOD AND NON-FOOD EXPENDITURE BY ECONOMIC STATUS AND REGION, 1998	15

#	Data item	Cost (WBIs)
20.	NUMBER OF WORLD BANK OFFICE PHOTOCOPY MACHINES PRESENTLY FUNCTIONING IN LA LIBERTAD, 1995	15
21.	PREVALENCE OF OBESITY IN URBAN AREAS, 1998	15
22.	PERCENTAGE CALORIC ADEQUACY FOR CHILDREN BY AGE GROUP AND FOR PREGNANT WOMEN, BY SEASON, 1998	15
23.	PERCENTAGE CALORIC AND VITAMIN A ADEQUACY FOR CHILDREN BY AGE GROUP AND PREGNANT WOMEN, BY REGION, 1998	15
24.	POPULATION DISTRIBUTION BY AGE AND REGION, 1999	5
25.	RICE MILLS IN EAST LA LIBERTAD, 1998	5
26.	SELECT ANTHROPOMETRIC DATA FOR VULNERABLE GROUPS, 1997 (WEIGHT-FOR-AGE Z-SCORES OF CHILDREN 6 MO-11 YRS.; BMI OF PREGNANT WOMEN)	10
	<b>TOTAL</b>	<b>290</b>

World Bank User  
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