



Making Markets Work for Poor

International development cooperation: seeking common principles that underpin a coherent approach to poverty reduction

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Disclaimer

This paper was prepared on behalf of the FAUNO Consortium (Skat, Springfield Centre, Swisscontact, Facet, Inbas), which is a mandate of the Employment and Income Division of the Swiss Agency for Development and Cooperation (SDC).

This paper is one of three exploring synergies, complementarities and divergences between the M4P and Sustainable Livelihoods approaches. This document represents the views of the author and does not imply the expression of any opinion whatsoever of the SDC, Employment and Income Division.

Table of Contents

Preface.....	5
1. Introduction.....	6
1.1 The purpose of these notes.....	6
1.2 The organisation of these notes.....	6
1.3 A common thread: systemic thinking.....	6
2. Envisaging impact on a large scale.....	7
2.1 Leveraging aid.....	7
2.2 The systemic perspective.....	8
2.3 Core principles behind pursuit of large-scale impact.....	8
3. An institutional orientation: tackling causes rather than symptoms.....	10
3.1 Defining Institutions.....	10
3.2 Why Institutions Matter So Much.....	11
3.3 Core principles behind adopting an institutional orientation.....	12
4. Sustainability: pursuing deeper change in complex systems.....	12
4.1 Dimensions of sustainability.....	13
4.2 Intervening in complex systems.....	14
4.3 Core principle of sustainability in complex systems.....	15
5. Empowerment and participation: a systemic perspective.....	15
5.1 What is “empowerment”?.....	15
5.2 Participation as process or outcome of empowerment.....	17
5.3 Empowerment with sustainability, institutional orientation and large-scale impact in mind.....	18

Preface

Poverty reduction is the ultimate objective of both Market Development and Sustainable Livelihoods approaches. However, the means by which to achieve this goal often differ. Realising the need to find common grounds of understanding between the two approaches, the Employment and Income (E+I) Division of the Swiss Agency for Development and Cooperation (SDC) has jointly organised a seminar with the Social Development (SoDev) Division.

The seminar was the culmination of a series of activities conducted by the E+I division under the FAUNO consortium¹, and it was the third of its kind conducted on an annual basis. It engages relevant SDC partners in a discussion on *Making Markets Work for Poor* (in short: M4P), looking for complementarities, divergences and synergies with other approaches to poverty reduction. This seminar in particular focussed on the Sustainable Livelihoods Approach (SLA).

These briefing notes are one of three publications:²

Briefing notes: The briefing notes describe the analytical framework under which the M4P and SL approaches were compared to each other. These essentially focus on how both approaches interpret and implement a) achievement of impact at scale, b) focus on institutions and institutional change, c) sustainability and d) empowerment/participation.

Case studies: Once the framework for comparison had been agreed on, The Springfield Centre commissioned Mike Albu from Practical Action and Helen Schneider from the Institute of Development Studies (IDS) to compare two projects in Bangladesh: KATALYST for M4P and LEAF/SAAKTI for SLA. The findings were written up into two case studies, which are part of this publication. A further case study reports about a joint initiative between KATALYST and LEAF/SAAKTI – i.e. outlining potential areas of collaboration.

Main paper: The findings of the field research as well as discussions within the FAUNO consortium further lead to a paper written by Mike Albu with contributions from David Elliott, outlining the conceptual framework used to assess the two projects as well as summarising the discussion on synergies, divergences and complementarities between SLA and M4P. It laid the foundation for the seminar in which representatives of both approaches were given the opportunity to express their views on each other.

Believing that the comparison between M4P and SLA frameworks and the case studies also provide useful insights to other development partners, the E+I division of SDC has compiled these documents into a publication. It thereby hopes to stimulate a discussion on how best to achieve significant poverty reduction towards the UN Millennium Development Goals.

The publication is the result of the work of many people involved. Particular acknowledgement has to be made to David Elliott from The Springfield Centre for his contributions to the publication and also organisation of the seminar; to Jean-Christoph Favre (SDC, E&I division) who has been the driving force for the seminar within SDC; Reto Wieser (SoDev, SDC) for his contributions and presentation of SLA, Peter Tchumi (E&I, SDC) for representing E&I, Urs Eggers (SKAT) for his moderation of the seminar, and finally Anne Berberat for her patience and organisational talent.

¹ The Fauno consortium is a thematic backstopping mandate under the Income and Employment division of the Swiss Agency for Development and cooperation. The consortium consists of SKAT, The Springfield Centre, SwissContact, INBAS and FACET, and has been in operation from 2004 to 2005.

² The three publications are separated for the electronic version, but available as one publication in print

1. Introduction

1.1 The purpose of these notes

The battle to reduce global poverty is taking place of necessity on many fronts. This is reflected in the inter-disciplinary programmes of international development cooperation agencies. SDC's work, for example, covers fields as diverse as economic management, social and political development, governance, agricultural production, environmental protection, education and health. Naturally these programmes bring together practitioners from very disparate professions and disciplines.

Managing inter-disciplinary programmes can be a major challenge. It is not easy to lead, advise or inspire teams whose members' professional values, assumptions and visions may be relatively incongruent. The strategic task is particularly difficult for any centrally-located structure – such as SDC's 'F' Department – which might sometimes be perceived as a bit cut off from the real *coal-face* of practical development activities.

The assumption behind these notes is that the strategic role - played by structures such as SDC's 'F' department - is likely to be more effective and influential when it is seen to be grounded in a coherent and consistent approach to poverty reduction. That is, if it demonstrates an internally-consistent vision, backed up by cohesive sets of principles, work rationales and methods.

Negotiating and articulating these sort of core principles and rationales that underpin development cooperation in an inter-disciplinary environment is itself a significant task. These notes aim to contribute to this process within SDC, by stimulating discussion and debate.

1.2 The organisation of these notes

These notes are divided into four sections whose subjects are:

Poverty reduction on a large scale, as a primary goal of international development cooperation.

Institutions and institutional change in poor people's socio-economic livelihood systems, as a crucial element of our analysis of poverty and how to tackle it in practice.

Sustainability of improvements in poor people's engagement with socio-economic livelihood systems, as an essential objective and key measure of success for development interventions.

Empowerment and more equitable participation of poor people in socio-economic livelihood systems, as an key objective and strategy of development cooperation

The ultimate intention of these notes is to help tease out the core shared principles and working rationales which all the professional disciplines involved in development cooperation might agree upon. However, since this is a major undertaking, this initial version will concentrate in particular on exploring the common ground among practitioners backing programmes concerned with social development and livelihoods, income, employment and pro-poor economic growth. (i.e. as represented by SDC's SoDev and E&I divisions within 'F' Department)

1.3 A common thread: systemic thinking

These notes will try to connect the subjects above with a common analytical thread. The thread that weaves through these notes is the idea that with very few exceptions, people's lives and livelihoods are pretty much always enmeshed in links and relationships with complex wider 'systems'. These various systems – which are social, political, economic and even ecological – are obviously enormously diverse. However they share the basic characteristics of

- a. involving networks of other actors, who may have more, less or no direct relationships with poor people and
- b. being shaped by sets of institutions, rules or behavioural practices, over which poor people may have limited influence.

One of the main arguments in these notes is that a thorough understanding of the systems in which poor people find themselves engaged is essential to a good diagnosis of the causes of poverty.

Another is that efforts to transform these various systems in more or less subtle ways so that they are more 'pro-poor' in future, should lie at the heart of poverty reduction programmes which seek to tackle the causes rather than the symptoms of poverty. These two arguments thus flag up what can be referred to as a systemic perspective in these notes.

2. Envisaging impact on a large scale

This section is about the nature of the challenge facing organisations committed to reducing global poverty. We know that acute poverty is a large-scale phenomenon - blighting billions of lives. Even if agencies confine their work to the lowest income countries (e.g. those eligible for IDA assistance) the scale of the problem is daunting: 1.5 billion people subsisting on less than \$2 per day.

Yet the direct resources available to bilateral agencies - such as SDC - are by comparison meagre. Excluding emergency assistance and debt relief, average annual official development aid (ODA) commitments by multi- and bi-lateral donors to IDA-eligible countries in 2000-2004 was around \$37 billion³. This is equivalent to less than seven US cents per day (\$25 p.a.) for each person living on less than \$2 per day in these eighty countries.

The point of highlighting this ODA figure is not merely to bemoan the paucity of funds, but to draw attention to the relative importance of other resources. In most low-income countries private investment flows and remittances are much larger than ODA flows. So too are the revenues of their own governments. But more importantly, "7 cents a day" highlights the easy to overlook fact that poor people's own micro-investments in tools, inputs, services for their own livelihoods, dwarf the sums which development agencies have to disperse. Even if ODA were doubled or tripled – e.g. to \$75 p.a. - this will remain the case. This ought to force us to think very carefully about how aid is used.

2.1 Leveraging aid

The implication of this analysis is that donor agencies such as SDC are never going to make a significant impact on global poverty by directly dispersing aid resources among the most needy segments of our planet's population. If we are not to limit aid to just a tiny minority of the poor, we must find clever ways to scale up the impact of aid investments - using aid effectively as a lever or catalyst to achieve more massive and profound pro-poor impacts indirectly.

Incidentally, a strategy of concentrating aid on a handful of communities can appear attractive – especially for organisations preoccupied by generating user-friendly stories about poverty reduction for public audiences. It is very popular among many international NGOs and for

³ IDA (2007) Aid Architecture: an overview of the main trends in ODA flows, World Bank, Feb 2007, p.12

practitioners keen to see direct tangible results from their work. However it is hard to rationalise the inevitable exclusion and inequity for those many people not lucky enough to fall under the beneficial attention of these type of programmes.

The strategy of using aid interventions as a lever for large-scale impact is much harder to put into practice and can be difficult to sell to public audiences and sometimes political masters. However, it is surely a far more credible and legitimate approach for any international donor agency concerned with the big picture of global poverty reduction. Hence we see an increasing emphasis in official development cooperation on approaches that embody a leveraging strategy. Examples include work on:

- governance issues - leveraging better use of public resources
- investment in basic infrastructure - leveraging multiplier effects in economic activity
- trade reform - leveraging economic benefits for commodity producers
- primary health and education services - leveraging economic and social benefits for society as a whole from having a generally healthier, better educated population.

2.2 The systemic perspective

At this point, I want to pick up the common thread mentioned in the introduction. Interventions that embrace a leveraging strategy can be understood in general as being concerned with systemic change. They rely on finding a smart way of achieving a positive impact for large numbers of poor people, by making relatively small but intelligent, well-timed and carefully targeted interventions in the complex social, economic or political systems that surround and shape people's lives. If successful, the interventions work by fundamentally shifting the particular system into a different mode: i.e. one that favours more equitable, productive, pro-poor etc. outcomes for its participants. Ideally this shift occurs on a fairly permanent or enduring basis (i.e. it is sustainable, see section 3).

A myriad examples of catalytic interventions in different kinds of social, economic and political systems can be envisaged. For example:

- The appointments of women or ethnic minority candidates to high-profile positions have been used to attack widespread negative stereotypes or reduce social marginalisation.
- Promoting effective take-up of crucial agricultural technologies, such as disease resistance seeds or low-input cultivars, has been used to improve the resilience of rural farming systems
- Training and capacity building in the police and judicial services has been used to tackle corruption and thus lower various transaction costs for enterprises in all economic sectors
- A change in telecommunications regulation has been used to enable a huge wave of investment in rural mobile communication services with widespread benefits

2.3 Core principles behind pursuit of large-scale impact

The principles I am identifying here, and proposing as a fundamental in international development cooperation, is that our programme strategies should clearly have some kind of plausible vision of large-scale impact. There should be a logic that links donor-funded actions or interventions with our (collective) ambition to ultimately make a difference to hundreds of millions of people's lives.

Two features of this vision and logic stand out immediately: costs and replicability.

First, this logic of large-scale impact should take into account the realistic scarcity of ODA resources. For example, if a form of intervention strategy ultimately would require \$ 1000 p.a. of donor investment to deliver results for every individual who eventually benefits even indirectly, then it is barely plausible to envisage it being scaled up to reach, say, 10 million people. Please note, this is not a crude statement about project budgets: much higher costs may be incurred in initial phases of research, pilot testing and promotion an approach if this leads to lower 'unit' costs in due course. Rather it is about the considering the ultimate cost-benefit ratio of the final scaleable 'product' or strategy (in relation to our notional donor resources constraint of say \$25 p.a. per person)

Secondly, the logic of large-scale impact demands that our programme strategies should explicitly envisage feasible mechanisms for replicating, extending or multiplying results so that, at least potentially, they could reach very large numbers of beneficiaries. These mechanisms do not need to be direct components of our development programmes of course: they may be social, political or commercial processes that our work aims to catalyse. But they should be explicit and feasible.

For example, the cost of agricultural research on pest-resistance in a particular staple crop, may be trivial when compared to the huge numbers of potential beneficiaries. But, if there are no clear and practical strategies for disseminating the take-up of new varieties among subsistence farmers, it can be said to lack a clear vision of large-scale impact. Indeed mainstream agricultural research difficulties in engaging effectively with the knowledge 'systems' of poor farmers has been a key weakness and source of frustration to some donors.

Assuming that a vision of large-scale impact is needed, does not imply that development activities necessarily have to be conducted at a large-scale. I am not arguing that large-scale action is essential. Quite the opposite perhaps: major programmes of direct assistance to large numbers of people may be relatively costly in practice: e.g. asset transfer programmes. Given our meagre resources, we really have little choice but to adopt a leveraging strategy.

There are many potential mechanisms for using relatively small actions to change different systems in ways that ultimately may benefit large numbers of people. For example:

- research that breaks new technological ground, producing knowledge relevant to many,
- lobbying that changes government legislation or policy affecting large numbers of people,
- social marketing that kick start knowledge dissemination through social networks,
- market development that facilitates mass commercialisation of services or products
- institutional reforms that create a more enabling environment for social or economic activities
- advocacy campaigns that build citizenship or widespread political awareness

As a matter of principle, therefore, it ought to be possible to describe the 'scaling up' mechanism envisaged in any serious programme of work on poverty reduction. It is not that every intervention has to directly reach the large scale, but rather that the envisaged route to large-scale impact is credible. Whatever scaling up logic is envisaged should be explicit in the design of programmes and interventions. Even small pilot schemes and research projects should be designed with the ultimate mechanisms and relevance to outcomes benefiting large numbers of poor people in mind.

3. An institutional orientation: tackling causes rather than symptoms

This section is about how development agencies understand poverty fundamentally – its causes, rather than just its symptoms; and therefore how to set about addressing these. It is concerned with the analysis and appreciation of ‘institutions’, as a crucial dimension of the social, economic and political systems discussed in the introduction.

‘Institutions’ are understood here as the formal and informal rules, norms and processes that shape peoples interactions with governments, with markets, with the natural environment and with each other. Institutions are crucial in defining how social, political and economic systems work. The form of these institutions, their strength or weakness, whose interests they serve, is often a key factor in the perpetuation of poverty. Institutional change is therefore crucial to addressing the causes of poverty and achieving pro-poor outcomes that are sustainable (see note 3).

Most development approaches (whether livelihoods, rights-based or market-orientated) expect practitioners to consider the role of ‘institutions’. Despite this, intervention strategies that encourage pro-poor institutional reform and institutional innovation often struggle to achieve as much emphasis as more direct forms of development assistance (service delivery) for the poor. One reason is that institutional change is usually a complex, slow and unpredictable process. Successes are difficult to attribute to specific activities. This makes it a poor fit to conventional donor preferences for short rigid project timeframes and predictable logical frameworks.

A second reason is the confusing array of the institutional analyses used in different disciplines. Diverse concepts and emphases can lead to inconsistencies in how people interpret poverty situations, and thus in their diagnoses of the underlying development challenges faced. Not surprising, many organisations, practitioners and beneficiaries shy away from the intangibility, complexity and uncertainty of institutional change objectives. They prioritise direct tangible interventions to alleviate poverty even when these interventions really only address symptoms not causes, and have little prospect of achieving impact at a large scale (see Note 1).

3.1 Defining Institutions

Institutions can be defined as “complexes of norms and behaviours that persist over time by serving some collectively valued purposes⁴”. Institutions, in this sense, are not organisations or physical edifices. They are the processes and rules which people and organisations abide by, more or less, depending on the strength of the institution. Institutions arise in and influence every sphere of human activity: playing a part in social and political life, in business and trade, in technological innovation and in the management of our natural environment.

Some institutions are defined in a relatively visible, formal, codified ways, for example in statutory legislation and regulations. Many institutions, however, are informal and tacit, sometimes hidden from obvious observation or even unconsciously ‘internalised’ in the way people think. For example, in some rural African settings traditional systems of village “elders” have just as much influence on key issues such as land tenure, access to water or forests, as the statutory system of laws enforced by local political chiefs and administrators. In the absence of effective enforcement regimes even formalised rules often rely on informal norms and behaviours for compliance. Hence the frequent disconnect between official policies and practices in reality.

In many circumstances is also useful to distinguish between the institutional environment which comprises the rules governing general behaviour, and institutional arrangements which are particular forms of relationship, contract or terms of agreement arising among specific individuals, groups or organisations.

⁴ Uphoff 1986

Box 1: Examples of Formal and Informal Institutions	
Formal Institutions	Informal Institutions
Statutory laws	Caste / gender roles & norms of family life
Judicial processes	Reciprocity conventions
Property rights & contract enforcement	Community conflict-resolution processes
Electoral Rules	Communal decision-making processes
Financial policies	Trust / collaboration in business transactions
Land and agriculture policies	Traditional land tenure systems
Trade rules and tariff regimes	Community water resource management
Environmental regulations	Knowledge sharing practices

3.2 Why Institutions Matter So Much

Institutions are pivotal to poverty reduction, because they have such a strong impact on people's social and economic livelihoods. For example, in the political realm, institutions can determine poor people's involvement in decision-making, the setting of governmental priorities and resource allocations, the degree of accountability of duty-bearers. In the social realm, institutions can shape the experience of marginalised or excluded groups, determine power-relations and people's access to assets and opportunities, strengthen or undermine resilience. While, in the economic realm, institutions can reduce the transaction costs facing producers and other market actors, with profound implications for incomes, economic viability, prices and competitiveness.

In all these contexts strong institutions matter because they influence the underlying incentives and capacity of individuals, groups, public and private organisations to continue performing important roles (i.e. they enable and reward behaviour that is 'collectively valued' and discourage actions that are not). Many existing institutions are far from being equitable or pro-poor, of course. The bureaucracy associated with small business start-ups or access to public services is a classic example. So the challenge is to align incentives with pro-poor objectives, as well as to strengthen them.

Pro-poor institutional change can be as much about innovation at a community level or market-system scale (i.e. institutional arrangements) as it is about national policy or legislative reform (institutional environments). While national policies intrinsically have a large-scale remit, hence advantages for achieving large-scale impact (see note 1), they also often have a much weaker influence on poor people's livelihoods than the norms and behaviours of officials and others actors on the ground.

It is not hard, of course, to achieve temporary behaviour change in other ways: such as by creating artificial incentives with subsidies, grants or asset transfers. However, if such interventions are disconnected from a strong institutional incentives to maintain the subsidies or services they promote, they are not likely to be sustainable (see note 3). Better to work from an

analysis of institutions and the incentives they create for the local system actors, and so address the underlying causes of weakness or inequity in the system.⁵

3.3 Core principles behind adopting an institutional orientation

The principle proposed here as a fundamental in international development cooperation, is that our programme strategies should clearly be based upon a rigorous analysis of institutions in the various systems we are seeking to transform. The ability to transform institutions to be more effective and pro poor has to be a fundamental part of our approaches to poverty reduction.

If pro-poor institutional reform and strengthening is a fundamental unifying theme in poverty reduction, it is important to have coherent methods of analysing institutions. We need a consistent way to understand which institutions matter to achieve pro-poor outcomes, how they emerged or might be developed, how they are enforced (internally or externally), what makes them change. An analysis of power (see note 4) will be part of this.

In practice, development practitioners tend naturally to focus their attention on those institutions which are familiar from their professional background and experience. The challenge we face is to ensure a more holistic awareness of institutions. So for economically-orientated practitioners, more thought may need to be given to the role of social institutions in shaping market systems and determining outcomes of development interventions. This includes aspects such as the analysis of market system governance (i.e. how benefits of growth and efficiency are distributed along value-chains), as well as understanding intra-household inequalities and social relations. Similarly socially-orientated practitioners need to take more cognisance of private and economic institutions – and the way these influence transaction costs facing the poor and the demand for their livelihood outputs. Achieving the latter may require stepping outside a people-centred perspective, and focusing on the particular market or economic systems that matter most to poor people.

Naturally there are no blueprints for the process of establishing and transforming institutions. Ultimately it depends on a good understanding of the nature of the collective purpose which the institution's norms and behaviours are serving or are intended to serve. It helps to have a clear vision firstly of the outcomes which are desired by poor people and other stakeholders, and secondly of the mechanisms (however loosely defined) through which the new or modified rules will be maintained, enforced or incentivised. In the case of informal, tacit social and economic institutions, it can be contentious to establish a consensus among practitioners about the purpose or cultural meaning of some practices. The challenge to transform institutions that are deeply embedded in cultures, especially gender and caste roles, for example, is huge. An analysis of power (see note 4) can help in this process.

4. Sustainability: pursuing deeper change in complex systems

This section is concerned with the concept of 'sustainability' in development cooperation; and in particular the depth of our ambition for achieving changes in the underlying social, political and economic systems that create, maintain or help alleviate poverty.

Sustainability is ubiquitous as an objective – and measure of success - in the guidance offered to development practitioners in most fields and disciplines. Although definitions vary, it is commonly

⁵ A example underlying problems and possible institutional solutions is described for the Sudanese *karkadeh* sector in the SDC discussion paper: M Abu, 2007, Comparing M4P and SLA frameworks

accepted that projects qualify as contributing to sustainability if their outcomes endure in the long-term and social, political, environmental and economic systems increase capacity to function over time without external support.

The rationale for sustainability is clearly linked to our ambition for impact on a large-scale (see note 1): since if we can not create enduring change, we can hardly hope to extend, replicate or multiply impacts to the large scale.

Despite this basic consensus, vast differences exist in the interpretation and practice of the sustainability principle, sometimes even within the same organisation. This lack of consistency stems in part from the wide range of systems - environmental, economic, political, social – that need to be considered in the frame. When trade-offs are unavoidable, different opinions naturally arise about the relative priority attached to the ensuring sustainability of different systems.

4.1 Dimensions of sustainability

Sustainability has many dimensions, but most analysis tends to concentrate on the variety or “breadth” of the sustainability agenda. Thus for example:

Environmental sustainability may be said to be achieved when the productivity of life supporting natural resources (ecological systems) is conserved or enhanced for use by future generations.

Economic sustainability when market systems are capable of generating incomes and livelihoods for people, and ensuring that relevant, differentiated goods and services continue to be available and accessible.

Social sustainability when social structures, behaviours and networks of relations (the fabric of society) are maintained or continue to evolve in ways which bolster social inclusion, equity and well-being.

Sustainability in all these systems is not just about maintaining the status quo without external support. It is also about the long-term integrity of dynamic processes, the resilience of the system to shocks and stresses, and the capacity to evolve or innovate in response to an inevitably changing external environment.

This dynamic dimension to sustainability is very important, because it suggests that underpinning the outward or superficial performance of any ‘sustainable’ system are a variety of critical but often less visible institutions and functions. This is typical of almost any complex system, but is readily appreciated in ecological systems such as agriculture or forestry, where diverse factors such as soil structure, water-cycles, land-tenure practices or the ecology of pest management are key to understanding long-term fertility and productivity.

Similar degrees of complexity are found in economic and social systems, as in ecological ones, although the functions and institutions are naturally very different. Take the issue of skills development, for example. Superficially, an important measure of sustainability in vocational education is whether pupils graduate with skills that can earn them a living now and in future. However, in a deeper, more dynamic sense it is also important that training establishments are capable of adapting and developing their curricula in response to the evolving needs of the labour market. And beyond that, it matters whether governments are capable of designing and implementing adult education policies that encourage investment in skills development, link private sector and public resources, stimulate innovation etc.

4.2 Intervening in complex systems

Complex systems require different kinds of problem diagnosis and intervention strategy to achieve lasting sustainable change. Simple systems are (at least sometimes) amenable to direct reactive responses: “here’s a gap, let’s fill it”. Complex systems because of their nature, require more subtle, nuanced, often indirect interventions in order to achieve stable, enduring results. Heavy-handed approaches in complex systems tend to merely create transitory changes that rely on continued external support, or worse lead to unanticipated negative outcomes. This is very easily observed in economic systems: for example in the frequently observed way that well-intentioned public subsidies on important goods can actually make access worse for the poor by distorting markets.

Intervening in complex systems: A tale of market distortion

- High price of fertilizer hurts poor farmers, so government decides to subsidize it.
- But cheap fertilizer is diverted through ‘illicit’ markets to rich farmers. Demand soars.
- Government is unable to sustain subsidy at new level, so has to restrict supply.
- In practice, only farmers with “connections” or in “favoured” areas receive cheap subsidized fertilizer.
- Meanwhile, private sector will not supply un-subsidized fertilizer for fear of competition from subsidized fertilizer. Therefore fertilizer availability falls dramatically.
- **RESULT:** poor farmers are denied access to fertilizer from both state and private sector..

Analogous stories can easily be found in many other fields, including clumsy efforts to engineer pro-poor social outcomes e.g. empowerment of women or marginalised groups, that lead to increased domestic violence or conflict. Although mistakes are sometimes blamed on outsiders pushing an ‘external’ agenda, what unites these development initiative ‘failures’ is often an insufficiently deep analysis or understanding of the systems underlying institutions and functions: not appreciating hidden or invisible power (see note 4), informal practices and social norms that are un-codified, the limits of government authority.

Rigorous analysis of complex social, political or economic systems forces programme designers to think about the incentives and interests that encourage individuals to undertake particular roles or functions in systems. Transforming complex systems sustainably is often about finding subtle, innovative and enduring ways to respond to and change incentives or challenge particular interests, rather than directly orchestrating shifts in behaviour en masse.

Weak or superficial analysis of the systems we are seeking to change, is problem which is at least amenable to improvement through greater investment in systemic analysis prior to implementation. However, a more intractable problem arises where donors put too much emphasis on measuring success in terms of direct short-term impacts on immediate beneficiaries,

when the real vision should be large-scale, long-term, in-direct outcomes that may be hard to attribute directly to specific interventions.

4.3 Core principle of sustainability in complex systems

The principle proposed here as a fundamental in international development cooperation, is that our programme strategies should understand and pursue sustainability in terms of deep, underlying changes in the complex (economic, social and political) systems which poor people struggle within. The concept of sustainability should be linked to an appreciation of the dynamic nature of these systems and their capabilities. The limits of relatively temporary donor-funded interventions need to be recognised. Enduring change happens when the incentives and interests are clearly understood, and sometimes subtle ways are found to align these with poverty-reducing outcomes.

5. Empowerment and participation: a systemic perspective

This section is about incorporating into the core principles already discussed, the insight that ‘poverty is not just about low incomes, but also emanates from social exclusion and the lack of access to power, voice and security.’ The empowerment agenda is closely associated with gender issues, but is also highly relevant to any groups marginalised by caste, disability and ethnicity. It arises where-ever people are seen to be systematically disadvantaged by unequal power relations. This theme has been central to most development agency agendas for at least two decades, and is the subject of recent briefing paper⁶ commissioned by SDC.

This note is concerned with relating these now widely accepted ideas about empowerment and participation in development practice to the other core principles discussed in notes 1 – 3, and to the common thread of a systemic perspective.

As Luttrell et al. highlight, empowerment is now widely accepted both as a vital outcome of development programmes, and often as a key instrument of poverty reduction processes. However there are a wide range of definitions and approaches used by different organisations, reflecting diverse origins, translations and interpretations of the word. As a result, “empowerment” risks being weakened as an analytically useful concept – and this mitigates against the creation of coherent programmes and healthy operational partnerships for empowerment in practice.

Their contribution is to seek out common principles and generalisable outcomes of empowerment activities, through encouraging development practitioners to be clearer about different forms of power and different types of relationship which occur in various arenas of power – cultural, social, economic, as well as political.

5.1 What is “empowerment”?

Empowerment is defined by Luttrell *et al.* as a process that ‘helps people gain control over their own lives and increases the capacity of people to act on issues that they themselves define as important’.

⁶ Luttrell, Quiroz, Scrutton & Bird (2007) *Understanding and operationalising empowerment*, SDC/ODI

Given the frequent lack of clarity about what ‘empowerment’ means in practice, it is useful to make some analytical distinctions. Drawing on work by Rowlands⁷, Luttrell *et al.* describe the following typology of power relations which is based on how different kinds of power can be applied.

Type of power relation	Implied goals of empowerment	Underlying rationale
Power Over: ability to influence and coerce others	Changes in underlying resources and people’s power to challenge constraints	Power is finite (a zero-sum game). So empowerment means involves transferring power to the less powerful
Power To: organise and change existing hierarchies	Increased individual capacity and opportunities for access	Empowerment is <u>not</u> just about relocating power: it is about changing the nature of power relations
Power With: increased power from collective action	Increased solidarity to challenge underlying assumptions	Makes a distinction between personal and collective empowerment. My power can also be your power.
Power from Within: increased individual consciousness	Increased awareness and desire for change	Empowerment requires change in people’s own perceptions about their rights, capacities and potential.

This typology is useful as a way of more clearly defining the focus of particular empowerment programmes and the nature of their desired outcomes. However, it is also useful to distinguish, as Gaventa⁸, Venklasen & Miller⁹ do between different mechanisms through which power operates:

- **Visible power:** power negotiated through formal rules and structures, institutions and procedures of decision-making, and the people who ensure that the rules are kept (e.g. police, bureaucrats).
- **Hidden power:** the *actual* controls over decision-making, and the way certain powerful groups and individuals maintain their influence over the process and often exclude and devalue concerns and agendas of less powerful groups.
- **Invisible (internalised) power:** influencing how individuals think of their place in society, i.e. internalise its norms and values. Explains why some are prevented from questioning existing

⁷ Rowlands, J. (1997) *Questioning Empowerment: Working with Women in Honduras*, Oxfam

⁸ Gaventa J. (2007) Participation and Citizenship: exploring power for change, presentation for ODI/IDS Development Horizons Seminar, www.odi.org.uk/events/horizons_nov06/22Jan/John%20Gaventa.pdf

⁹ VeneKlasen, L., Miller, V., (2002) Power and empowerment. PLA Notes, 43

power relations, unconsciously control their own behaviour to meet social expectations, or feel that it is not legitimate to act.

What is interesting about both these typologies is that they illustrate varying degrees of emphasis between, on the one hand, individual's capacity to act independently and make their own choices (agency), and on the other hand, the rules and social forces that shape or constrain people's opportunities (structure / institutions). Empowerment as an operational approach began very much at the grassroots level and emphasised the importance of individual self-esteem (i.e. agency), but more recently there has been much increased attention to underlying systemic causes or inequalities that affect entire social groups.

This evolution in thinking about empowerment brings us back to the core principles that were discussed in note 2 about institutional perspective. For, to the extent that poverty and disempowerment, are symptoms of biases or simply weaknesses in social, political or economic systems, a clear perspective on the role played by institutions in maintaining those biases or weaknesses is essential. Only by tackling or transforming these institutions can we hope to have an impact on a large scale.

5.2 Participation as process or outcome of empowerment

As noted above, empowerment is both an outcome pursued by development programmes but also an instrument or process for achieving poverty reduction. As a process, the empowerment concept is often associated with efforts to increase the participation of excluded groups in the design and management of donor or government funded development activities. Much attention and resources can and often are invested in "participatory" processes to encourage this, such as building capacity of civil society organisations to play a partnership role. This raises a number of questions:

- Is participation in decision-making and management processes intrinsically empowering, or should more attention be paid to the outcomes which those processes achieve?
- This question is not un-connected to the observation that satisfying immediate basic needs (security, shelter, health, food security) may be a necessary first step to enable people to participate meaningfully in political processes or other forms of empowerment.
- Are there different logics to the role of 'participation' in empowerment. For example is the rationale for participation in programmes aiming broadly to transform social, political and economic systems, the same as for participation / partnership in local management of donor-funded public services or community-led infrastructure projects?

For this author, the way to resolve these questions is to think about the long-term vision of large-scale impact (see note 1) attached to any particular initiative, and the temporary role of donor-funded interventions or activities in enabling this vision to be realised. Gaining power and control over development agency decisions and resources is clearly empowering for those directly involved. However, does the participation (however genuine) of a relatively small number of marginalised people in the management of temporarily donor-funded development activities risk being a weak substitute for a more sustainable long-term participation of large numbers of people in critical economic, social or political systems?

5.3 Empowerment with sustainability, institutional orientation and large-scale impact in mind

How do empowerment objectives look when viewed through the lens of the other core principles discussed in these notes? This section considers economic empowerment as a common priority for both livelihoods and private-sector development practitioners.

Economic empowerment seeks to ensure that people have the appropriate skills, capabilities, resources and access to secure and sustainable incomes and livelihoods. Consider the sort of strategies for achieving this which emerge from the power typologies above. In the realm of 'visible power' one might focus on economic, financial, education or land policies. In the arena of hidden power, strategies might include labour movement building, strengthening of producer organisations, lobbying against corruption. While invisible power issues might be tackled through entrepreneurship training schemes.

How though to prioritise or build a coherent operational response from these options? Adopting a systemic perspective suggests one start by developing a rigorous understanding of the economic sub-sectors which matter most to poor people i.e. those market and livelihood systems which they already rely upon, and/or those which offer the greatest potential for economic empowerment.

If we are seeking a vision of large-scale impact, then our interventions must concern economic sub-sectors (market systems) which are relevant, at least potentially, to significantly large numbers of poor or marginalised people. There is no rationale for investing precious resources in peripheral activities.

An institutional orientation directs us to analyse carefully both the formal regulatory environment and also the informal norms and practices that govern economic relationships in each market system. Particular attention needs to be given to understanding the incentives that different stakeholders have for taking on different productive functions and governance roles in the system. Do certain institutions shape these governance roles in disempowering ways? Are there opportunities to use institutions to create spaces or conditions for greater empowerment?

Finally, a concern for deeper sustainability of a complex system forces us to think cautiously about how to intervene to create change in the institutions or power relationships of the system, without becoming embroiled in the system. We would specifically want to avoid use of short-term donor-funds to support functions, play roles or set up incentives that are actually intrinsically necessary for the enduring participation and empowerment of poor people in the system.