



# Pro Poor Policy: A Selected Annotated Bibliography

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July 2006

## Acknowledgements

This annotated bibliography has been produced by Karishmah Bhuwanee under the Overseas Development Institute's internship programme. It was first produced as a contribution as a contribution to backstopping the Livelihoods for Equity team within SDC.

The author would like to thank Kate Bird and Helena Turgel (both with the Poverty and Inequality Cluster, Poverty and Public Policy Group, Overseas Development Institute) for their inputs and support.

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## 1. Introduction

## 2. What is pro-poor policy?

### 2.1. Policies to support the development and maintenance of human capital

#### 2.1.1. Health

**Begum, S. & B. Sen. (2004). 'Unsustainable Livelihoods, Health Shocks and Urban Chronic Poverty: Rickshaw Pullers as a Case Study'. Chronic Poverty Research Centre Working Paper 46. London: Overseas Development Institute.**

Five ideas constitute the central message of this study. First, urban rickshaw pullers come from a *very poor economic background* consistent with the characteristics of chronic poverty. Second, rickshaw pulling provides a route of *modest upward mobility* for those among the rural chronic poor who come to the city for work. Third, the rickshaw pullers are susceptible to systematic health risks. Deteriorating health combined with *health shocks* can impose a significant burden on the urban poor, dragging down the pace of upward mobility during their lifetime. Fourth, the activity of rickshaw pulling represents an *unsustainable livelihood*, as the initial welfare gain tapers off with length of involvement in the sector. As longitudinal data is lacking, this story has emerged through an inductive comparison of younger, recent joiners and long duration, older rickshaw pullers, as well as current and former pullers. Fifth, *intergenerational mobility* of rickshaw puller households is constrained by very limited schooling and the poor range of occupational choices for children. Public policy has an important role to play in mitigating health shocks, as well as supporting targeted education for the urban poor in the informal sector, for sustainable urban poverty reduction.

*(Authors' abstract)*

#### Keywords

Chronic poverty  
Upward mobility  
Health shocks  
Livelihoods

**Bloom, G. (2005). 'Health and Social Protection: Meeting the needs of the very poor'. Sussex: Institute of Development Studies.**

This paper examines the policy implications of bringing together the work on reducing the disease burden and reducing poverty. The author argues that social protection policies need to be more integrated with health policies than is currently the case in developing countries. All negative health impacts are not the same and the effect of different aspects of health on poverty are examined: severity/ intensity, frequency/ duration and correlation of illnesses.

In addition, policies to help the poor cope with health shocks should consider the "large structural inequalities and highly segmented health and social protection systems" (p. 6). Whilst the non-poor may well have access to a health system governed by rules and regulations which are well enforced and adhered to, the poor often have access to health systems which operate outside the law and are influenced by local norms and enforcement mechanisms: this exposes the poor to risks of overpayment for ineffective services as well as the lack of protection offered by formal rules and regulations.

The paper then examines possible responses to health-related shocks using the social risk management (SRM) framework of prevention, mitigation and coping.

- Prevention
  - Direct government provision, using a rights based approach to hold them accountable for minimum level public health standards

- Involving “individuals and communities in public health through social marketing of soap and insecticide impregnated bed nets and participatory methods to engage poor rural communities in improving the disposal of human waste” (p. 8)<sup>1</sup>
- Mitigation
  - Improving the performance of unorganised health systems
  - Expanding coverage of organised services
  - Reducing the financial burden of major illness
- Coping
  - Community based support, especially for AIDS patients, the elderly and disabled
  - Assistance for home carers (cash transfers, supervision, respite care)
  - Low cost care in community nursing homes

In conclusion, “countries need to define priorities on the basis of analyses of both burden of disease and the impact of health-related shocks” (p. 13). Countries need to be more aware of the impact of different types of health shocks and the way in which informal arrangements are currently helping the poor cope with health shocks. Health strategies should be part of a broader effort to help the poor which shock-management. As such, health and social protection policies should be implemented in tandem. One step towards this would be to encourage greater co-operation between governments with complementary responsibility in health and social protection.

### Keywords

Social Protection  
 Social Risk Management (SRM)  
 Shocks  
 Risk-management

### Castro-Leal, F. et al. (2000). ‘Public spending on healthcare in Africa: Do the poor benefit?’ Washington: World Bank.

This report finds that current spending on curative care in Africa is favouring the non-poor over the poor. The reason for this weak targeting is due to the positive income elasticity of demand for health services: the latter implies that health policy should encourage private sector providers of healthcare so that public resources can be used to invest in health services most used by the poor. The report’s main argument is that reallocation of healthcare spending to favour the poor is not enough – the factors influencing households’ use of health services need to be better addressed.

#### Instruments to improve targeting

- Reallocation of public subsidies – since many of the poor do not use primary healthcare, this strategy would only improve targeting if the reallocation also encouraged more of the poor to use the health services available. Possible ways of encouraging greater use of health services by the poor
  - Education and changing household perceptions of illness and health care
  - Public awareness campaigns
- Changing the characteristics of health services (i.e. the quality and access).
  - Here, user fees are only appropriate where the price elasticity of demand for health services is low (or inelastic) and where the quality of service is high. There is evidence that user fees, when accompanied by increased quality and access of service, can increase the poor’s use of health services

### Keywords

Africa  
 Health expenditures  
 Accessibility  
 Targeting

<sup>1</sup> Kar, 2003 quoted on page 8

**Cohen, D. (1998). 'Poverty and HIV/AIDS in Sub-Saharan Africa'. HIV and Development Programme Issues Paper 27. New York: UNDP**

This paper discusses two key relationships - the relationship between poverty and HIV/AIDS, and the relationship between HIV/AIDS and poverty - in terms of the gender dimensions of poverty, the intergenerational aspects of poverty, the qualitative and quantitative measures of poverty, and the ways in which the HIV epidemic alters the relationships between the poor and the wealthy. An intergenerational approach to poverty is defined as seeing poverty as part of dynamic social, economic and political processes.

The focus for these questions is sub-Saharan Africa due to the staggering rates of HIV infection in this region and the AIDS epidemic which directly affects more than one quarter of Africans. The trends of mother to child transmission and HIV orphans are identified as directly affecting intergenerational poverty, and thus presenting a particular challenge to policy makers. The HIV/AIDS epidemic intensifies poverty and leads to its persistence over time and across generations. This happens due to the risky behaviours adopted by the poor, a more limited capacity to deal with morbidity and mortality, the erosion of human resources, social exclusion and the damaging effect on childhood development. The authors warn that large numbers of children growing up in poverty will adopt those behaviours which lead to HIV infection, and become the next generation of those infected with HIV.

They conclude that: "[t]he next step has to be the development of policies and programmes that address the inter-relationships between poverty and development and to actually put in place those activities that can make a difference for development outcomes. Central to these activities are programmes that address poverty today so as to facilitate future socioeconomic development tomorrow. For unless the intergenerational effects of HIV are addressed now then it is optimistic in the extreme to assume that Africa will become a pole of development in succeeding decades".

*(From CPRC Annotated Bibliography No. 3)<sup>2</sup>*

**Keywords**

HIV / AIDS  
Sub-Saharan Africa  
Intergenerational poverty

**Dodd, R. and L. Munck. (2006). 'Dying for Change: Poor people's experience of health and ill-health'. Geneva: World Health Organisation.**

Dying for Change reports on the health aspects of Voices of the Poor<sup>3</sup>, an extensive World Bank study of people's perspectives and experiences of poverty. The aim of this report is to present and summarise the views and testimonies that relate to health. Health emerged as a key issue in the interviews and discussions, often to the surprise of the World Bank researchers involved, since no probing questions on health or disease were included in the study's research guides. We believe that this reflects the centrality of health to poor people's lives.

A number of valuable lessons emerged from the study, which we attempt to summarise in the second part of this document. Three should be mentioned here. First, poor people view and value their health in a holistic sense, as a balance of physical, psychological and community well-being. This view, consistent with the WHO definition of health as "a state of complete physical, mental and social well-being and not merely the absence of disease or infirmity", is remarkably consistent across age, gender, nationality and culture. Second, people overwhelmingly link disease and ill health to poverty. Poor people define poverty in the conventional way – lack of income – but also as instability, worry, shame, sickness, humiliation and powerlessness. All these manifestations have consequences for health. Third, good health is not only valued in its own right, but also because it is crucial to economic survival.

*(Extracts from author's introduction).*

<sup>2</sup> Smith, B. (2006). Intergenerational Transmission of Poverty in Sub-Saharan Africa: A Select Annotated Bibliography with special reference to irreversibilities associated with poor nutrition, health and education

<sup>3</sup> Participatory Poverty Assessments are qualitative studies that use participatory methods to explore poverty and its causes from the perspective of poor people and other stakeholders.

The second part of the document also includes strategies recommended by WHO, based on the findings of Voice of the Poor.

- Understanding health within a broad development framework
- Revitalising public health
- Making sure that health systems serve the poor and protect them from impoverishment
- Focussing on poor people's health problems

The main tenet behind these strategies is that the poor face specific health problems and specific barriers to accessing health care. Health policies and wider development strategies therefore, should be specifically tailored to the poor if they are to have pro-poor impacts.

### Keywords

Participation  
Public health  
Pro-poor health policies

### **Filmer, D., J. Hammer & L. Pritchett. (1997). 'Health Policy in Poor Countries: Weak Links in the Chain'. Washington: World Bank.**

There is broad consensus that a mix of public health, preventive and simple curative activities provided through low-level facilities is the right policy for public expenditures on health in developing countries. Yet this near unanimous consensus is in sharp contrast to a mixed record in practice and consistent disappointment in implementation. We show how the recent theoretical and empirical literature on the economics of health sheds light on both the disappointment and the consensus by emphasizing various links in the entire chain of events from public spending to health status. First, incorporating the analysis of the health seeking behaviour of individuals can completely change conclusions about the appropriate role for, and the expected impact of, public sector interventions. Second, highlighting the key role of providers' incentives in determining the actual efficacy and quality with which the consensus around something like primary health care (PHC) is implemented also changes the expectation of effectiveness of public interventions. Both aspects emphasize the deep difficulties encountered with bringing incentives, whether for suppliers or for users, to bear on the delivery of PHC.

*(Authors' abstract)*

Public policy to reallocate resources from ineffective tertiary to effective primary health care depends on three factors

- The efficacy of the public sector under existing institutional arrangements – if existing public sector capacity and efficacy are low, then health policies requiring high levels of public sector engagement is questionable
- Pure public provision of health care may not always be the best policy: in the case of effective demand, alternatives that leave consumers with more choice and power, may be more suitable
- The responsiveness of individuals' decisions to public actions will determine the impact of health policy

### Keywords

Primary Healthcare (PHC)  
Public sector interventions  
Incentives

### **Gwatkin, D. (2000). 'Targeting Health Programmes to Reach the Poor'. Washington: World Bank.**

In this report, the author tries to provide a defence of targeted health programmes e.g. it is estimated that a perfectly targeted programme can have the same poverty impact as a universal programme, but at 10% of the cost<sup>4</sup>. While the author recognises that targeted programmes may not be so perfect, the purpose of the report is to explore the possibilities of their validity nonetheless.

<sup>4</sup> Martin Ravallion and Shaohua Chen, "What Can New Survey Data Tell Us about Recent Changes in Distribution and Poverty?" The World Bank Economic Review, Vol. 11, no. 2 (May 1997), pp. 357-82, as cited in Dominique van de Walle, "Targeting Revisited," August 1997 (manuscript), p.32.

After exploring the targeting literature, different types of targeting are explored: individual, geographic, age, and disease.

The paper concludes with four suggestions

- First, overall, well-designed and -implemented targeting can make a noticeable difference e.g. in Latin America, targeted programmes ensured that 70-75% of benefits went to the poorest 40% of households. Targeting is no panacea, however; and if done poorly, it can have little impact
- Second, targeting directly on poor individuals can work; but it requires particular care and effort, often requiring years of trial and error
- Third, individual targeting is by no means the only option available. Targeting by age and disease also have considerable potential, even if unlikely to be sufficient in themselves to achieve precision
- Fourth, targeting mechanisms are not mutually exclusive. While firm evidence is lacking, several targeting methods applied simultaneously appear likely to prove more effective than reliance on a single mechanism, at least in reducing errors of inclusion.

### Keywords

Targeting  
Inclusion errors  
Cost

**Lawson, D. (2004). 'The Influence of Ill Health on Chronic and Transient Poverty: Evidence from Uganda'. Chronic Poverty Research Centre Working Paper 41. London: Overseas Development Institute**

The paper uses nationally representative household panel data to investigate if ill health is important in influencing poverty persistence and transitions in Uganda, a country that was both at the centre of Africa's HIV/AIDS pandemic and experienced impressive poverty reduction during the 1990's. Through a combined discrete choice and micro growth level approach we find that ill health and long term sickness, such as that associated with HIV/AIDS, is particularly associated with households moving into poverty.

However a combination of demographic activity and asset based factors also appear to be associated with a household's poverty status, and are accentuated with sickness. One possible interpretation could be that the negative effect of a household losing the most productive aged labour is also being compounded by increases in the proportion of young people in the household. The loss of working age labour and the increase in young dependants are then confining the chronically poor households, or those moving into poverty, to agricultural own account employment. This in turn then leads to lower returns, as the most productively aged labour no longer work the land.

Households affected by ill health also experience larger land and livestock reductions, providing some support for participatory evidence that has found land and asset sales to be a major coping mechanism for Uganda's poor. Asset decreases for all households headed by the sick are distinctly larger than the decreases for the non-sick households and suggests an accentuated depletion of assets during the process of immiseration. This is likely to be partly reflective of the relatively large increases in the sick moving to 'other' categories of activity which represent generally lower return activities states, such as unemployment.  
*(Extracts from author's abstract and conclusion)*

### Keywords

Uganda  
Chronic Poverty  
Transient Poverty  
Dependants



## 2.1.2. Education and skills

Adult literacy

**Abadzi, H. (2003). 'Adult Literacy: A Review of Implementation Experience'. Report No. 29387. The World Bank Operations Evaluation Department. Washington: World Bank.**

[http://www-](http://www-wds.worldbank.org/external/default/WDSContentServer/IW3P/IB/2004/06/23/000011823_20040623120016/Rendered/PDF/293870Adult0literacy.pdf)

[wds.worldbank.org/external/default/WDSContentServer/IW3P/IB/2004/06/23/000011823\\_20040623120016/Rendered/PDF/293870Adult0literacy.pdf](http://www-wds.worldbank.org/external/default/WDSContentServer/IW3P/IB/2004/06/23/000011823_20040623120016/Rendered/PDF/293870Adult0literacy.pdf)

This study uses three sources of data (i) the outcomes of Bank projects from the 1990s; (ii) evidence from programmes funded by other donors and (iii) research results on adult literacy to examine the extent to which Bank-financed literacy projects making progress towards achieving the Millennium Development Goals and the Education for All goals.

The study focuses on the following evaluation criteria:

- *Relevance*: In what respects is adult literacy strategy fulfilling various human development needs?
- *Efficacy*: To what extent have adult literacy projects of the 1990 met their stated goals?
- *Efficiency*: How do the Bank's adult literacy project costs and benefits compare with the costs and benefits of projects financed by other donors? How well are participants trained in literacy, given costs and effort?
- *Sustainability*: Will adult literacy programs continue to deliver efficient training as long as necessary? Will the reading skills of neo-literates become stable and useful?
- *Institutional development*: What institutional support is needed for successful adult literacy programs and to what extent have Bank projects developed adequate structures?

### Keywords

Millennium Development Goals (MDGs)  
Cost efficiency  
Sustainability  
Institutional support

**Archer, D., & L. Fry. (2006). 'Writing the Wrongs: International Benchmarks on Adult Literacy'. Based on research funded by the Education for All Global Monitoring Report 2006 & UNESCO. November 2005. London: ActionAid.**

<http://www.actionaid.org/wps/content/documents/Writing%20Wrongs%20Literacy%20Benchmarks%20Report.pdf>

This paper is an advocacy document, encouraging greater attention on adult education and non-formal literacy programmes. Their main arguments are

- Literacy is vital to reducing gender inequality
- Adult literacy is critical for the healthy development and education of children, especially girls
- Literacy is vital to human and economic development.
- Literacy is vital for fighting HIV/ AIDS
- Adult literacy programmes work

### Keywords

Informal literacy  
Gender inequality  
HIV/ AIDS

**IIEP (2004) Promoting skills development: Report of an Interregional Seminar, Paris, 22-23 January 2004.** <http://www.unesco.org/iiep/PDF/pubs/G114.pdf>

This book reviews the status of skills development in the Education for All process. It presents the findings from two sources:

- A project in 4 developing countries (Lao PDR, Mali, Nepal and Senegal) which focused on reinforcing institutional capacities and support policy formulation around education. The project was developed by UNESCO's Division of Secondary, Technical and Vocational Education and the International Institute for Educational Planning (IIEP).
- An interregional seminar held in Paris on 22 and 23 January 2004.

This publication draws attention to many conceptual issues, policy challenges and policy options relating to skills development. Alternative modes of delivery and strategies for skills development both within and outside formal school systems are also examined.

#### Keywords

Institutional capacity support  
Skills development  
Policy formulation

**Kabeer, N. & R. Subrahmanian. (2004). 'Needs or rights? Education and the working child in South Asia'. ID21 Research Highlight.**

<http://www.id21.org/zinter/id21zinter.exe?a=0&i=e2nk1g1&u=44773814>

Key themes explored in the book show how:

- Attitudes to children vary significantly by class, caste, religion and regional location and different models of childhood emerge, the constructions of which reflect the interplay between local processes and global forces. Understanding the dynamics of these constructions is necessary for designing effective social policy.
- The factors which explain exclusion from school and inclusion in the labour force are related but not identical. Standardised approaches which focus on a single trigger - e.g. education - may not be sufficient.
- Work and play for poorer children do not fall into neat dichotomies. While working children value school and play, they often view work as an integral part of their lives, vital to helping parents who are struggling to make ends meet.
- Global standards are often based on idealised constructions of childhood that put children in danger of pushed out of visible forms of work into hidden, often more dangerous work forms. Context-sensitive instruments which enable both rich and poor countries to collaborate to eliminate child labour are a preferred option.

#### Keywords

Childhood  
Child labour  
Exclusion

**Lauglo, J. (2001). 'Engaging with adults: the case for increased support to adult basic education in Sub-Saharan Africa'. Africa Region Human Development Working Paper Series. The World Bank. Washington: World Bank. <http://www1.worldbank.org/education/adultoutreach/Doc/ENGAGING.pdf>**

This paper was produced as part of a wider activity designed to stimulate greater interest in adult basic education in the World Bank. It focuses on countries in Sub-Saharan Africa, but draws evidence and examples from developing countries in general. Although there is much variation ABE programmes have a good record of implementation and internal efficiency. Programmes managed by governments can, under the right conditions, be as successful as programs managed by the private sector or NGOs.

It finds that adult basic education (ABE) generates positive results. The weaknesses identified in many programmes in the past can be successfully addressed. So, investments in ABE deserve strong support.

#### Keywords

Adult basic education (ABE)  
Implementative efficiency  
Public vs. private provision

Ouma, W (2004). 'Education for street children in Kenya: the role of the Undugu society'. International Institute for Education Planning. <http://www.unesco.org/iiep/PDF/pubs/T27.pdf>

This study evaluates the impact that the work of the Undugu Society of Kenya has had through delivering education for street children in Kenya, through four schools. The schools aim to be accessible to street children – they are located in slums, children are not required to wear school uniforms and they are given free meals during the school day. Findings identified low morale amongst teachers, the need for curriculum development for non-formal education, the need for school leavers to be followed up so that the long-term impact of their education could be assessed, and the need to identify why such high demand for non-formal education remains, despite Kenya now providing free primary school education for all.

#### Keywords

Non formal education  
Street children  
Kenya

Oxenham, J. et al. (2002). 'Skills and Literacy Training for Better Livelihoods: A Review of Approaches and Experiences'. Africa Region Human Development Working Paper Series. The World Bank. Washington: World Bank. <http://www1.worldbank.org/education/adultoutreach/Doc/Skills%20and%20Literacy.pdf>

This study examines at the intersection between training in livelihood skills and basic education for illiterate and semi-literate youth and adults. Can effective training in livelihood skills be developed as an add-on to large scale literacy programs? Or, are the effective combinations those that add literacy education to (usually small scale) programs which are set up mainly to teach livelihood skills to begin with? The study reviews 18 programmes which served very poor people, mostly women, and has an additional country focus on four countries: Senegal, Guinea, Uganda and Kenya.

The study concludes that combinations of livelihood skills training and adult literacy education help improve poor people's livelihood. Firstly, there is a widely noted "empowerment effect"—that learners acquire enhanced confidence and social resources which help them take initiatives to improve their livelihoods. Second, literacy and numeracy skills are a clear advantage in market transactions in the informal economy, and thus especially important for entrepreneurship. Thirdly, more productive agricultural or livestock practices result from learning new vocational skills. These conclusions also gain support from other reviews on adult basic education or about how people make ends meet in the informal economy.

The study found that different kinds of staff are needed for teaching vocational skills and literacy and that livelihood skills training is a better vehicle for teaching literacy than the other way around. This suggests that combined livelihood skills and literacy teaching requires intensive support and is not easily scaled up quickly.

#### Keywords

Literacy  
Skills development  
Livelihoods

World Bank. (2004). 'When Governments Get Creative: Adult Literacy in Senegal'. Education Notes. World Bank. Washington: World Bank. [http://www1.worldbank.org/education/pdf/EdNotes\\_Senegal\\_3.pdf](http://www1.worldbank.org/education/pdf/EdNotes_Senegal_3.pdf)

This publication reviews the experience of an adult education programme in Senegal which was developed in partnership between civil society and the state following the development of a literacy policy in 1993. The state ensures policy leadership, overall coordination, monitoring and evaluation;

- The providers (civil society organizations, such as non-profits, village associations, and language associations) implement local literacy activities;
- An independent contract-managing agency handles contracts and rapid transfer of funds to providers.

Students are actively involved in the design of the literacy course through the use of participatory methods. An independent committee evaluates the providers' proposals and selects the best ones for financing.

Two projects (one World Bank financed and one funded by CIDA) achieved similar results. In the World Bank project:

- About 190,000 participants, of which 87 % were women, enrolled in literacy classes over a five-year period;
- Capacity in government and civil society organizations improved consistently;
- The dropout rate averaged 15 % (much lower than for most adult literacy programs);
- Most participants achieved learning mastery levels for reading (although not for math).

Lessons included:

- Political support is needed to implement the partnership approach. The government should guarantee transparency, grassroots involvement, and effective monitoring and evaluation systems;
  - Village associations and participants must be involved during all phases of planning and implementation to ensure that the program is not provider-driven;
  - Provider associations must ensure fairness in selection and in conflict resolution;
  - An independent contract-managing agency can ensure timely transfer of funds;
  - Decentralized monitoring and evaluation are key to high-quality project performance;
  - Poor implementation performance or misuse of funds must be linked to a system of sanctions, rigorously implemented;
  - Results improve when literacy training is linked to other development activities;
- Peer tutoring and group-work methods ensure better and more rapid acquisition of reading and writing skills.

### Keywords

Partnership  
Partnership  
Political support

### Pro-poor technical and vocational education and training (TVET)

**World Bank. (2006). 'Vocational Skills Development in Sub-Saharan Africa Project Overview'. Washington: World Bank.**

<http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTSOCIALPROTECTION/EXTLM/0,,contentMDK:20295653~pagePK:210058~piPK:210062~theSitePK:390615,00.html>

The Africa Region of the Bank has completed a series of studies about skills development in Sub-Saharan Africa (SSA) a decade after the World Bank published a major policy study on skills development, Vocational and Technical Education and Training: A World Bank Policy Paper (1991). The objectives of the study were to (a) update knowledge about the status of technical - vocational education and training in the region, (b) explore issues and recent developments, and (c) distil a set of lessons and policy messages to guide skills development in the region.

### Keywords

Skills development  
Sub Saharan Africa (SSA)

**Palmer, R. (2006). 'Beyond the Basics: Balancing Education and Training Systems in Developing Countries'. Journal of Education for International Development Vol. 2(1).**

This paper uses data from Ghana in an attempt to explain why returns to lower levels of education in Sub Saharan Africa have been so low. This paper argues that it is very timely to revisit the evidence for supporting P[ost] B[asic] E[ducation] and T[raining] in developing countries. But, as will become clear, this paper is not advocating a funding shift to *prioritize* PBET per se, rather it is commenting on the need to take a holistic view of funding education – that in order to achieve the correct skill-mix for poverty reduction and growth, all levels of education and training need to be supported.

- Firstly, this paper notes how a combination of international education target setting, supported by research findings on the importance of primary education, and the climate of opinion during the last 25 years, has affirmed a focus on primary, and later basic, education above other sub-sectors. This is

despite the recognition among many agencies of the importance of looking beyond basic education (in both directions).

- Second, we examine research evidence from Ghana, and elsewhere, on the direct impact upper secondary education has on poverty reduction and growth.
- Third, we look more widely at the pathways by which PBET, including, but not limited to, upper secondary education, can contribute to poverty reduction and growth.
- Fourth, we examine a key concern regarding PBET in developing countries; that if PBET should be given more priority in educational financing, what is the right balance to achieve, and how is it achievable and sustainable? This section will take the example of SSS provision in Ghana and examine the issue of increased demand in the face of problems of access, quality, financing and relevance.
- Fifth, we examine the environment within which the education and training system operates in Ghana and assess the degree to which it catalyses education's developmental outcomes.

*(Author's introduction)*

The author provides the following considerations

- The lower returns to basic education highlight the need to improve the quality of primary education. Good quality primary education is especially important as it provides the basis for further learning
- PBET here is taken to include TVET and not just formal secondary and tertiary education. The author argues that TVET has been especially neglected by developing countries, partly due to the focus of the Millennium Development Goals on primary education
- The government needs to place a much greater focus on what happens to children after they leave school, to help transform education into poverty-reducing employment.

### Keywords

Ghana  
Post Basic Education and Training (PBET) Returns to education

### **GTZ. (2006). Non-Formal Skills Development in Uganda: Briefing Paper for Advisory Board for BTNET. Germany: GTZ**

This paper looks at the problem of under-education and under-trained (usually rural) population who are being further marginalised. The authors propose a three-pronged approach to improving skills training and development

- Formal skills through structured and qualification/ certificate oriented system of schools, training colleges and universities
- Non-formal skill development focussing on particular vocations which can help make the poor more employable/ qualifies them for self-employment
- Informal training e.g. apprenticeships, teaching by family members, which can be particularly valuable when combined with non-formal skill training

The Ministry of Education together with GTZ have developed the following pilot project to try to bring skills to the majority of Ugandans who have not had any post-primary training

- Facilitating the development of skills within communities among those who do not necessarily meet the academic and/or financial requirements for entry to formal post-primary or even non-formal institutions;
- Building the capacities of people to engage with the economy in a productive way that responds to immediate need. Poor people need skills to make an immediate difference to their lives;
- Meeting market-related needs. The first question must be: Is there a demand? If there is, are there value chain opportunities? If those exist, how can skills training maximize the opportunities?
- Combining the flexibility of informal training with the advantages of non-formal training to improve outcomes in terms of the economy and the direct impact on the lives of individuals.

The authors suggest that the Uganda Vocational Qualification Framework (UVQF) be viewed in the three pronged lens mentioned above for enabling, funding, and monitoring the quality of skills development to have the most impressive impact on education its people.

The following next steps are proposed

- Acceptance of informal skills development as an important pillar in post-primary skills training, particularly in combination with demand driven non-formal skills development which provides a link to the UVQF;

- Government support for this form of skills development through carefully contained and focused investment in supporting mechanisms;
- Extending the GTZ pilots to all C[ommunity] P[olytechnic] P[rograms] over a period of three years;
- Full evaluation of impact, including tracer studies, during and after the three years;
- A review to decide on systematic mass extension.

*(Adapted from article)*

#### Keywords

Education (formal and informal)  
Vocational Qualification  
Vocational Training  
Uganda

#### **Dyankov, A. (1996). 'Current Issues and Trends in Technical and Vocational Education'. UNEVOC Studies in Technical and Vocational Education No. 8. Paris: UNESCO.**

This report presents the current issues and trends in Technical and Vocational Education (TVE), based on a series of questionnaires conducted by UNESCO in 1985 and 1992. The major issues studied are

- Vocational guidance and counselling - extending guidance and counselling services beyond schools, to parents, minority groups, migrants, young women and girls and the unemployed have achieved significant advances
- Promoting the access of girls and women to technical and vocational education, providing training in separate schools where appropriate
- The role of technical and vocational education for enhancing rural development
- Co-operation between technical and vocational education institutions and the world of work
- Professional preparation of teachers for TVE, dealing with the differences of theoretical and practical subjects
- International co-operation in the field of TVE - exchanging information and experiences, fellowships.

#### Keywords

Technical and Vocational Education (TVE)  
Teacher training  
Female participation  
Co-operation

#### **UNESCO. (1997). 'Promotion of Linkage between Technical and Vocational Education and the World of Work'. UNEVOC Studies in Technical and Vocational Education No. 10. Paris: UNESCO.**

As the final report accompanying the International Expert Meeting on the Promotion of Linkage between Technical/ Vocational Education and the World of Work, this paper commences with a discussion of the main issues that emerged from the meeting

- Implications of Multimedia and the use of networks
- The use of multimedia or network approach to develop competencies through self-learning
- Financing these multimedia approaches
- Evaluating the achievement of students using multimedia methods
- The new role of teachers in helping develop a competency for self learning and preparing them to deal with large amounts of information

The paper ends with general and more specific recommendations to UNESCO and member states.

Some key recommendations for member states:

- Secondary schools – organising work experiences to encourage learning in and out of school, developing key competencies
- Curricula – Should be made more job related, with key competencies as the core

- More general measures – the right incentives should be in place to attract the best teachers, TVE should become more integrated with the school education system, national employer associations should co-operate with schools.

### Keywords

Multimedia  
 Networks  
 Education-Work linkages  
 Work experience  
 Incentives

### 2.1.3. Social policy

**Barrientos, A. (2003). 'What is the impact of non-contributory pensions on poverty? Estimates from Brazil and South Africa' Chronic Poverty Research Centre Working Paper 33. London: Overseas Development Institute.**

This paper examines the effect of non-contributory pensions on poverty in households with an elderly member in Brazil and South Africa, the two developing countries with the largest of such programmes. Using data collected specifically for this purpose, the survey finds that these cash transfers had “a measurable and significant impact upon poverty reduction and poverty prevention”<sup>5</sup>.

Whilst the South African programme began in the 1900s, it only achieved parity amongst all ethnic groups in 1996. A pension benefit of 640 Rand is given to all men of 65 years and over and all women of 60 years and over. This benefit is based on means testing of the relevant individual and his/ her partner, but not other members of the household.

The Brazilian programme is split into rural and urban areas. In rural areas, as of the latest reforms in 1991, all men over 60 years and women over 55 years are entitled to the pension. Access to these entitlements does not depend on earnings/ unemployment tests. All disabled and abled people above 67 years of age, living in households earning less than one quarter of the minimum wage are entitled to a cash benefit equivalent to the minimum wage.

Following econometric analysis, the author concludes the following:

- Poverty headcount would be 4.2 percent higher for the Brazil sample and 2.8 percent higher for the South Africa sample if pension income is removed and there are no off-setting changes
  - Indigence headcount would rise by around 9.6 percent in the Brazil sample, and 2.3 percent in the South Africa sample in similar circumstances.
- The impact of non-contributory pension programmes is stronger on poverty and indigence gap measures. The poverty gap would be 40 percent larger for the Brazil sample and 81 percent larger for the South Africa sample if pension income is removed and there are no off-setting changes.
  - The indigence gap would be almost three times larger in the Brazil sample, and over fifth larger in the South Africa sample in similar circumstances.
  - The impact of the non-contributory pension on the poverty gap is greater in the lower income quintiles. This confirms the vital contribution of these programmes to the standards of living of the poorest, and suggests these have a key poverty protection role among households with older persons.

### Keywords

Headcount  
 Income gap  
 Pensions  
 South Africa  
 Brazil

**Harriss-White, B. (2003). 'Poverty and Disability, with special reference to rural South Asia'. Paper presented at 'Staying Poor: Chronic Poverty and Development Policy' International Conference, IDPM, University of Manchester, 2003.**

The author introduces this paper with an examination of the ways in which the disabled are let down due to the intellectual and political neglect, following which some important insights into disability are provided.

#### Key thoughts

- Wider definitions of disability need to be recognised in policy. Definitions of disability emanate from the medical definition or state legitimated definitions. However, the author argues that both definitions exclude groups of people which the poor themselves describe as 'disabled' e.g. in many communities disability is measured against capacity to work rather than the strict medical definition, such that even mild to moderately disabled people not defined as disabled by the state are considered disabled by a community where much of the economic productivity depends upon physical dexterity. Therefore, "until voluntary and government service providers modify their perception of who the disabled are and what their needs are, the private and social costs of disability will remain high" (p. 17).
- Caste and gender are significant determinants of disability in India, such that "Identity as a disabled woman or as a disabled colony inhabitant indicates a much higher degree of physical debilitation than is the case for disabled caste men" (p.17).
- Disability of a person has wide reaching implications and affects abled members living in the same household
- There is a two way relationship between poverty and disability – disability perpetuates (if not creates) poverty by increasing the number of dependants in a household and impoverished household are more likely to become disabled through "malnutrition, defective access to preventative and curative medical care, exposure to disabling disease and an increased risk of occupation-related accident" (p.17).
- The author finally calls for greater involvement of professionals, the local state, and even international aid agencies in making disability higher on the list of policy priorities/ to become a more influential narrative, because the constraints of the disabled are far "greater and more debilitating than those which curb the opportunities of women [and other marginal groups]" (p. 17).

#### Keywords

Disability  
Poverty  
Caste  
India

**Otoo-Oyortey, N. and S. Pobi. (2003). 'Early Marriage and Poverty: Exploring links and key policy issues'. Gender and Development Vol. 11(2).**

This article explores the connections between poverty and the early marriage of girls. These links are rarely acknowledged in development research, policy and practice, despite the fact that in parts of sub-Saharan Africa, where women form the majority of the poor, it is estimated that over 60 per cent of girls under 19 are married (UN 2000). Poverty is characterised by both economic and social factors; in this paper, social factors are the primary focus because of the gender disparities in these social indicators. Early marriage perpetuates the feminisation of poverty, preventing girls from attaining their full potential in terms of developing their social capabilities. Hence, it violates girls' human rights, especially their right to sexual and reproductive choice and health care. The article ends by proposing an agenda for change.

*(Authors' abstract)*

This agenda for change encompasses addressing the social dimensions of poverty i.e. providing girls with the opportunity to earn their own livelihood. This includes girls at risk of early marriage and those already in marriages. The authors propose that gender equity and women's human rights should be the key principle behind policy. Three policy areas are recommended for breaking the vicious cycle of poverty and early marriage.

- Education, including vocational education and education in 'life skills' to improve their confidence and their ability to negotiate and make decisions
- Youth friendly (community based) health services should be set up to deal with the sexual and reproductive health needs and concerns of young people, especially girls
- Creating an environment of respect for girls' rights



## Keywords

Feminisation of poverty  
Sexual and reproductive health  
Human rights  
Gender equity

**Panda, P. & B. Agarwal. (2005). 'Marital Violence, Human Development and Women's Property Status in India'. *World Development* Vol. 33 (5).**

This paper focuses on a hitherto unexplored factor underlying women's risk of marital violence, namely, women's property status. Many studies have examined the scale and correlates of marital violence, but neglected this dimension. Based on a household survey in Kerala (India), the authors assess the prevalence and correlates of both physical and psychological violence—long term and current. Women owning immovable property (land or a house) are found to face a significantly lower risk of marital violence than property-less women. This has implications for development policy.

*(Author's abstract)*

The paper highlights that domestic violence not only reduces the capabilities of the battered women but that this also transfers to the next generation, such that "children witnessing marital violence grow to adulthood with diminished capabilities". Whilst social support and husband's unemployment were also important factors relating to domestic violence, this paper suggests that improving the property status of women not only directly improves the capabilities of women (by increasing their earning opportunity) but also improves their capabilities via a lower likelihood of suffering from domestic violence. "Moreover, women's property status could prove to be complementary to social support in that the ability of neighbours and gender-progressive groups to help a woman would be greater if she had a property support base of her own" (p. 846). Land and property reform could therefore be crucial for improving the poverty status of women in this generation, and their children when they reach adulthood.

## Keywords

Marital violence  
Capabilities  
Human development  
Women's property status  
India

### 2.1.4. Food security and nutrition policy

**FFSSA. (2004). 'Achieving Food Security in Southern Africa: Policy Issues and Options'. *FFSSA Synthesis Paper. Forum for Food Security in Southern Africa.* <http://www.odi.org.uk/food-security-forum>**

This Synthesis Paper sets out methodological issues in understanding food security in Southern Africa (Chapter 2); facts and figures on the nature of the 2001–3 crisis (Chapter 3); and discusses options from the policy 'toolbox' that could be appropriate for addressing the major long-term food security issues highlighted by the 2001–3 crisis, and principles for policy choice (Chapter 9). In Chapters 4–7, the Synthesis Paper develops material originally presented in Country Issues Papers and in Theme Papers produced by the Forum on the four systemic factors underlying the crisis: politics in the policy process; market development; human vulnerability; and social protection; as well as other evidence and analysis relating to regional coordination and integration, and to research-policy linkages which is presented in three Discussion Papers. Annex 1 contains summarized data relating to the Forum's major themes. All Forum publications and other outputs are available on the Forum website.

The Theme Papers bring together economic, institutional and political analysis of evidence from the region, informed where relevant by evidence from other parts of the world, to explore the policy implications of the priority food security issues raised in Country Issues Papers produced for the Forum by resident specialists

in Lesotho, Malawi, Mozambique, Zambia and Zimbabwe. The focus has been on identifying generic policy options for strengthening long-term food security in the countries of Southern Africa, as a contribution to more detailed debate within individual countries on specific priorities and options at country level.  
(Extracts from author's introduction)

#### Keywords

Food security  
South Africa  
Food crisis

**Harper, C. (2004). 'Breaking Poverty Cycles - The Importance of Action in Childhood'. CHIP Policy Briefing 8. London: Save the Children.**

This paper highlights the 'crisis in childhood poverty of staggering proportions which has significant long-term implications'. Focusing on the role of nutrition, health and education, the irreversibilities of 'early insults to the growth and development of children' are explored (p.1). It demonstrates the importance of child, adolescent and maternal nutrition in determining health across a lifetime, and thus one of the key drivers of chronic poverty at the individual and household level. Missed or poor education is shown to have long term affects on other efforts to escape poverty, and childhood nurturing on aspirations and welfare.

Key policy recommendations include: addressing damage in childhood that is irreversible; ensuring economic policies do not undermine social policies; public commitments to government accountability; public provision of social services; and addressing discrimination.

(From CPRC Annotated Bibliography No. 3)<sup>6</sup>

#### Keywords

Irreversibility  
Childhood Poverty  
Education  
Health  
Nutrition

## 2.2. Anti-discrimination policy

**Alexander, J. (2003). 'Inequality, Poverty and Affirmative Action: Contemporary Trends in India'. Paper prepared for the WIDER conference Inequality, Poverty and Human Well-being. Helsinki: United Nations University.**

The overall results of affirmative action in India now pursued for more than five decades present a mixed scenario. While it has been quite effective in breaking the monopoly of the upper castes in political, social and educational spheres of society, it has not been able to positively better the lives of most of the backward classes. It has enabled a small section of the least disadvantaged or the relatively better off among the backward classes to move towards economic development and social inclusion but has left the vast majority with a false sense of social advancement. This is a stark reminder both to policy makers as well as the backward classes that affirmative action cannot be a universal remedy for the problems of inequality and poverty in India.

(Author's abstract)

The author examines the consequences of the three types of affirmative action currently in place in India for the *Scheduled Tribes* (physically isolated), *Scheduled Castes* (socially excluded) and *Other Backward Classes*

- Political reservation – here the author argues that quantitative representation has not been matched by qualitative representation because (i) the politicians elected to represent the marginalised groups are still significantly different from the groups they represent e.g. they often come from a well-to-do background and have not experience 'untouchability' themselves and (ii) the lack of unity between the Scheduled

<sup>6</sup> Smith, B. (2006)

Castes due to a perceived hindrance from the upper castes. It is argued that horizontal representation, where every citizen has equal rights, must be accompanied by vertical representation, where all groups of citizens must have equal power in their ability to influence officials.

- Job reservation – This scheme has helped to move much of the Scheduled Tribes and Caste to move to the ‘middle-class’ by providing them economic opportunities through employment. Secondly, it has been a means of promoting social inclusion e.g. as the different castes interact during working hours and out of work hours.
- Educational reservation – the educational attainments of the beneficiary groups have been varied, with much disparity between rural and urban areas, men and women, and between states. Whilst it is difficult to attribute improved literacy rates directly to the affirmative action, the author argues that “what cannot [...] be overlooked is the fact that various educational schemes ranging from free mid-day meals to different kinds of stipends and scholarships have contributed to the general drive towards the awareness of the importance of basic education” (p 11).

In recognition of these advancements though, the author concludes with the warning that affirmative action cannot last forever given the backlash it creates amongst the non-beneficiaries and in light of the fact that affirmative action goes against equality of opportunity.

### Keywords

Affirmative action  
Public Policy  
Inequality  
Caste system  
India

**De Haan, A. (2005). ‘Social policy: Towards Inclusive Institutions’. Paper presented at Arusha Conference “New Frontiers of Social Policy: Development in a Globalising World”. Washington: World Bank.**

Donors have paid little attention to capacity of partner institutions, how they exclude, *and* influence patterns of exclusion and inclusion. This paper tries to develop a framework for interrogating practices of public institutions, how do they include and exclude, and how donors relate to these. This is done partly through an analysis of policies for affirmative action.

In many contexts, deep-rooted differences and inequalities continue to pervade progressive public policy practices. The paper shows how in India, social differentiation has been reinforced by policy and political practices, including by donor engagement: through categories and classifications used, official inaction or delays, attitudes of officials, and modes of representation including through civil society organisations.

Policy recommendation revolve around strengthening our understanding about social policy institutions, how they include and exclude, *and* how they impact upon often informal practices of inclusion and exclusion. Engagement with welfarist policy arenas is important, as these provide important battle grounds for marginalised groups, and lessons from these areas provide insight about broader public policy instruments and their ability to promote inclusion. Realism is key, as changing deep rooted attitudes is extremely difficult, and donors need to become more strategic and self-aware in addressing this.

*(Author’s abstract)*

### Keywords

Social policy	Affirmative action
Exclusion	Social categories
Inclusion	Attitudes

**DFID. (2005). ‘Reducing Poverty by Tackling Social Exclusion’. London: Department for International Development.**

Social exclusion deprives people of choices and opportunities to escape from poverty and denies them a voice to claim their rights. This policy paper describes how DFID intends to build upon the work it has undertaken tackling social exclusion in Latin America and Asia, and ways it can enhance the work it has

recently begun in Africa. The paper looks at the challenges posed by social exclusion, and the ways governments, civil society and donors can help to tackle them.

Recommendations for action include:

- creating legal, regulatory and policy frameworks that promote social inclusion
- ensuring that socially excluded groups benefit from public expenditure as much as other groups
- improving economic opportunities and access to services
- promoting the political participation in society of the excluded, and their capacity for organisation and self-mobilisation
- increasing accountability to protect citizens' basic human rights
- tackling prejudice and changing behaviour.

The paper outlines ways that DFID can step up its efforts in areas including research and analysis on social exclusion and its impact on poverty reduction, cooperation with governments, regional organisations and international bodies, and opportunities for assisting the excluded in fragile states.

*(Abstract from Eldis, available at*

*<http://www.eldis.org/cf/search/disp/docdisplay.cfm?doc=DOC19724&resource=f1>)*

**Osman, A. M. K. (2002). 'Challenges for integrating gender into poverty alleviation programmes: lessons from Sudan'. *Gender and Development* Vol. 10 (3): 22-30**

Integrating gender into poverty alleviation programmes requires a thorough understanding of gender relations, and well-crafted strategies by development organisations. This article discusses some of the strategies used to promote gender-fair development in the context of Sudan, with specific reference to Oxfam's work in Sudan during the 1990s. The gender dimensions of poverty in rural communities of Sudan limit women's entitlements and capabilities. An understanding of these is, therefore, critical in creating development strategies that transform social and political processes to enhance women's capabilities and rights. These strategies need to be found for every aspect of organisational functioning, from the management structure to methods and approaches used in working with communities.

*(Author's abstract)*

The author provides his recommendations on strategies which are likely to be useful in addressing gender inequality in poverty alleviation programmes

- Programming strategies to address women's poverty
  - Finding an entry point which brings quick benefits
  - Conducting a thorough gender analysis of the context in which poverty alleviation work is being done
  - Consider setting up women-specific projects
  - Conduct gender awareness training among community members and staff
  - Female development groups vs. community development groups
  - Promotion of female leadership
- Transformation and the structural levels of organisations
  - Gender focal points versus the generalist approach
  - Recruitment and promotion of female staff
  - Monitoring and evaluation.

**Keywords**

Gender inequality  
Entitlements  
Capabilities  
Sudan

**Overseas Development Institute. (2003). 'Social Exclusion, Rights and Chronic Poverty in Bolivia'. London: Overseas Development Institute.**

This paper presents some of the key findings of the project "Towards an Inclusive Elections Process", from March through August 2002 in Bolivia, implemented by the "Pro Citizens' Participation" Consortium. The

project's purpose was to "lay the foundations in terms of knowledge and co-ordinated institutional capabilities, so that those currently most excluded from the decision-making process in Bolivia may achieve greater enjoyment of their economic, social, cultural and civil rights, through the realisation of their political rights".

Our main hypothesis in this paper is that *social exclusion ratifies poverty and encourages dynamics of chronic poverty*. This paper explores the connections between social exclusion and poverty, and how this relationship is linked to dynamics that tend to make poverty chronic. We highlight the problem of lack of personal documentation, as both a symptom and a cause of social exclusion and chronic poverty, explaining the causes of un-documentation and the extent of the problem uncovered during our work.

We also highlight the importance of institutional capital in analysing social exclusion, and present a typology of social exclusion in terms of different forms and options of relations to the state. The specifics of social exclusion and the electoral process of 2002 are outlined, before exploring the costs of social exclusion on governability and chronic poverty.

*(Author's introduction)*

### Keywords

Social exclusion  
Chronic poverty  
Bolivia  
Institutional capital

**Piron, L-H and Z. Curran. (2005). 'Public Policy Responses to Exclusion: Evidence from Brazil, South Africa and India'. Background paper for DFID Exclusion Strategy. London: Overseas Development Institute.**

This paper provides evidence on current social exclusion policies in Brazil, South Africa and India for DFID's Exclusion Strategy. The following are examined

- How policy responses to social exclusion arose
- What effects these policies have had
- What challenges these policies have encountered.

In Brazil, "the influence of social movements and initial institutional responses; the need for data and the role played by academics; international pressure for change [... and] the emergence of a broad-based political party, the Workers Party" (p. iii) forced the government to pay explicit attention to the existence of racism. New anti-racism policies since 2003 include quotas for university entry, as part of a plan to fight the link between racism and education and income opportunities.

"South Africa highlights some of the difficulties of implementing affirmative action programmes, and the trade-offs between growth and social spending" (p. iii). Whilst there have been much affirmative action in the public and private sectors, there is criticism that these policies have only benefited the coloured middle class and there has been an overemphasis on numbers at the cost of quality. This case study also highlights the case for complementary support e.g. to address the quality issue, especially in the education sector.

The case of India shows how pervasive entrenched institutional, social and political constraints can inhibit a commitment to fighting for equality, which has been in existence since independence. The report highlights that some progress has been made, e.g. better representation of the 'untouchables', but a more effective monitoring and evaluation system is required, as well as a systematic way of removing these policies once discrimination has been reduced. Despite greater political representation, clientelism in the Congress party is still a major constraint.

The following points are noteworthy

- Firstly, there needs to be a recognition that discrimination is a problem and one that deserves attention because it goes against the 'social contract'
- There should be greater acknowledgement of the variety of technical responses available - constitutional guarantees and an appropriate legal framework, affirmative action policies and social protection programmes

- Effective implementation is dependant on the political economy – ideology and a democratic government is not sufficient. “Political constraints include the nature of the party system, patronage structures – including between the administration and elite groups – and the need for broad-based coalitions” (p. iv).

#### Keywords

Racism	Brazil
Affirmative action	South Africa
Political economy	India

**Office of High Commissioner for Human Rights (UNOHCHR). (2004). ‘Universal primary education through alternative basic education for minorities – ABEK Uganda’. Paper presented to seminar on “Good Governance Practices For The Promotion Of Human Rights”, Seoul, 15 – 16 September 2004.**

This short paper provides an overview of a government scheme in Uganda to bring basic education to nomadic groups, in the Karamoja region, as part of its aim to achieve universal primary education. The program is called Alternative Basic Education (ABE) for Karamoja and is an informal education programme, designed together with local communities and implemented by district governments. As part of the seminar on “Good Governance Practices for the Promotion of Human Rights”, the ABEK programme is cited as “an example of how to work with local communities and ethnic minorities to make education more relevant and the right to universal free primary education achievable. The development of a curriculum that recognises and builds on the wealth of indigenous knowledge with immediate relevance to the pastoral lifestyle, is an example of creating appropriate teaching and learning materials. Community participation and involvement of local and central government in developing appropriate education provisions for pastoral populations were particularly important” (p. 3).

In an attempt to provide education that is sensitive to the groups’ needs and lifestyles, the programme includes the following:

- Flexible timetables to allow children to attend schools and perform their housework
- A context-relevant curriculum e.g. livestock and crop education
- Community participation in the entire scheme
- The use of local resources in implementation
- Local people are selected and specifically trained as teachers
- Learning centres that are located close to the communities

The programme has managed to increase the numbers of children participating in education, from 5,000 in 1998 to 21,000 in 2002. In addition, more than 50% of the children attending are now literate and numerate. Community participation has also helped to make education more desirable amongst the Karimojong. In 2001, the ABEK programme was extended to four more communities with UNICEF as a partner and USAID as donor. There are ongoing plans to integrate this scheme into the formal school system.

#### Keywords

Basic education
Universal access
Curricula
Community participation

### 2.3. Social protection

**De Neubourg, C. and C. Weigand. (2000). ‘Social Policy as Social Risk Management’. Paper presented at The Year 2000 International Research Conference on Social Security, Helsinki, 25–27 September. Geneva: International Social Security Association.**  
[www.issa.int/pdf/helsinki2000/topic4/2deNeubourg.pdf](http://www.issa.int/pdf/helsinki2000/topic4/2deNeubourg.pdf)

With the growing sophistication in social policy instruments and the advances made in the analysis of their impact, it became clear that the analytical separation of social policy and social security policy from other policy areas is increasingly difficult. The paper discusses a new analytical approach based on the social management of risks. It redefines social policy as public interventions to assist individuals and households to

cope with their risks. The conceptual framework starts with the notion of main needs and defines and subdivides the risks threatening the satisfaction of these main needs. An important feature of the framework is that social policy is not only linked to the satisfaction of the main needs at a certain moment, but to the risk that, at a certain moment in the life-course of an individual, the needs cannot be satisfied. Social policy is then no longer solely focussed on the guaranteeing that all individuals in an economy can fulfil their main needs in a static framework. Quite the contrary, social policy is focused on preventing contingencies to materialise, on mitigating the effects before they materialise and on coping with the unfortunate moment bad luck, shocks or unfortunate events strike. The social risk management framework rests on the observation that the satisfaction of main needs and the management of risks, is not the sole responsibility of public authorities. Social welfare is produced by at least three institutions symbolically summarised as the social welfare triangle of which markets, families and public authorities form the corner-points.

*(Authors' abstract)*

**Keywords**

Risk management Social welfare Social policy
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**Devereux, S. (2002). 'Can Social Safety Nets Reduce Chronic Poverty?' *Development Policy Review* Vol. 20(5): 657-675.**

This article highlights distinctions between three determinants of poverty – low labour productivity, vulnerability and dependency – and two categories of anti-poverty interventions – livelihood promotion and livelihood protection. Within this framework, social safety nets can be conceptualised as publicly funded transfer programmes with 'consumption smoothing', rather than 'mean shifting', objectives. However the article hypothesises that safety nets can have both 'protection' and 'promotion' effects. Three southern African case studies confirm that even tiny income transfers are often invested in income-generating activities, education, social networks, or the acquisition of productive assets, suggesting that social safety nets, far from being a merely residual welfarist intervention to alleviate transitory and livelihood shocks, can play a significant role in reducing chronic poverty.

*(Author's abstract)*

**Keywords**

Chronic poverty Livelihood protection Livelihood promotion	Consumption smoothing Income generating activities
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**Holzmann, R. and S. Jørgensen (2000) 'Social Risk Management: A New Conceptual Framework for Social Protection and Beyond. *Social Protection Discussion Paper 0006*. Washington, DC: World Bank.**

This paper proposes a new definition and conceptual framework for Social Protection grounded in Social Risk Management. The concept repositions the traditional areas of Social Protection (labour market intervention, social insurance and social safety nets) in a framework that includes three strategies to deal with risk (prevention, mitigation and coping), three levels of formality of risk management (informal, market-based, public) and many actors (individuals, households, communities, NGOs, governments at various levels and international organizations) against the background of asymmetric information and different types of risk. This expanded view of Social Protection emphasizes the double role of risk management instruments - protecting basic livelihood as well as promoting risk taking. It focuses specifically on the poor since they are the most vulnerable to risk and typically lack appropriate risk management instruments, which constrains them from engaging in riskier but also higher return activities and hence gradually moving out of chronic poverty.

**Keywords**

Social Risk Management Basic livelihood protection Risk taking	Prevention Mitigation Coping
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### 2.3.1. What and where

**Behrman, J., Segupta, P & Todd, P. (2001). 'Progressing Through Progres: An Impact Assessment of a School Subsidy Experiment'. PIER Working Paper 01-033. Penn Institute for Economic Research, Department of Economics, University of Pennsylvania.**

A new anti-poverty program in Mexico, PROGRESSA, provides monetary transfers to families that are contingent upon their children's regular attendance at school. The benefit levels are intended to offset the opportunity costs of not sending children to school and vary with the grade level and gender of the child. The initial phase of the programme was implemented as a randomised social experiment.

This paper uses a Markov schooling transition model applied to the experimental data to assess the impact of the educational subsidy program along several dimensions, including effects on initial ages of school entry, dropout rates, grade repetition rates, and school re-entry rates. The findings show that the program effectively reduces drop-out rates and facilitates progression through the grades, particularly during the transition from primary to secondary school. Results based on a simulation evaluating the effects of longer terms of exposure to the programme indicate that if children were to participate in the program between ages 6 to 14, they would experience an increase of 0.6 years in average educational attainment levels years and an increase of 19% in the percentage of children attending junior secondary school.

*(Authors' abstract)*

#### Keywords

PROGRESSA  
Educational achievements  
Subsidy  
Opportunity costs

**Mehrotra, S. (2000). 'Integrating Economic and Social Policy: Good Practices from High-Achieving Countries'. Innocenti Working Paper 80. Florence: UNICEF Innocenti Research Centre.**

This paper examines the successes of ten 'high-achievers' – countries with social indicators far higher than might be expected, given their national wealth – pulling together the lessons learned for social policy in the developing world. Some of them have immense populations, others small. Most are market economies, but one is not. Their cultures, languages and histories are varied. They have little in common, except in one crucial respect: they have all managed to exceed the pace and scope of social development in the majority of other developing countries. Their children go to school and their child mortality rates have plummeted. The paper shows how, in the space of fifty years, these countries have made advances in health and education that took nearly 200 years in the industrialized world. Indeed, many of their social indicators are now comparable to those found in industrialized countries. UNICEF-supported studies examined data on the evolution of social policy, social indicators and public expenditure patterns in these countries over the 30-40 years of the post-colonial epoch. The studies pinpointed policies that have contributed to their successes in social development – policies that could be replicated elsewhere.

*(Author's abstract)*

Interestingly, the author argues that none of the high achieving countries prioritised economic growth and macro-economic stability at the cost of postponing social development. The report concludes with the five principles of good practice common to the high achieving countries (which could be replicated to other developing countries).

- "The pre-eminent role of public action, regardless of whether it took place in a centrally planned economy or a market economy. The experience of the industrialized countries from a comparable period of development offers the same insight.
- While the level of social spending is important for health and education outcomes, the equity of the intra-sectoral spending pattern matters even more<sup>7</sup>. The social investment was also protected during times of economic crisis as well as structural adjustment.

<sup>7</sup> The level of social spending is often determined by such unproductive expenditures as defence (which we found is generally low in the high-achievers) and external debt servicing (of particular significance today in the Highly Indebted Poor Countries).



- Efficiency in the utilization of human and financial resources needs to be practised if social spending is not to become a burden on the state exchequer. A number of specific good practices in both health and education sectors ensured both allocative and technical efficiency in resource use
- There seemed to be a sequence of social investment: educational achievement preceded, or took place at the same time as the introduction of health interventions. The separate sectoral interventions had a synergistic impact on health, educational and nutrition status of the population, i.e. the sum of their impact was greater than the effects of the individual interventions.
- Women were equal agents of change and not mere beneficiaries of a welfare state” (p. 32).

The synergies of economic growth and poverty reduction cannot occur if economic growth is prioritised and social protection is left trailing. The author argues is that if there is to be any significant trickle down effect, economic growth and social policy must be integrated. The report suggest that “economic growth is a necessary condition of *sustained* improvement in health and education indicators and in the quality of social services, but it is neither a necessary nor a sufficient condition for the ‘take-off ’ in social development” (p. 33).

#### Keywords

Economic growth Social development Synergies
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### 2.3.2. Changes over the last decade

**Devereux, S. (2002). ‘Social protection for the poor: lessons from recent international experience’. IDS Working Paper 142. Sussex: IDS.**

Governments and donor agencies increasingly recognise the need to provide protection for the poor against income fluctuations or livelihood shocks. In this context, ‘social protection’ is an umbrella term covering a range of interventions, from formal social security systems to *ad hoc* emergency interventions to project food aid (e.g. school feeding, public works). This paper synthesises current thinking and evidence on a number of issues around the design and impact of social protection programmes, including: the case for and against targeting resource transfers; alternative approaches to targeting; what form resource transfers should take (cash, food, agricultural inputs); the ‘crowding out’ debate; cost efficiency of transfer programmes; whether these programmes meet the real and articulated needs of their ‘beneficiaries’; impacts on poverty and vulnerability, and fiscal and political sustainability.

#### Keywords

Targeting Resource Transfers Crowding out	Vulnerability Sustainability
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**Marcus, R. and J. Wilkinson. (2002). ‘Whose Poverty Matters? Vulnerability, Social Protection and PRSPs’, Working Paper 1, Childhood Poverty Research and Poverty Centre. London: Save The Children. [www.chronicpoverty.org/pdfs/CHIPWorkingPaper.pdf](http://www.chronicpoverty.org/pdfs/CHIPWorkingPaper.pdf)**

This report examines the ways in which I[nterim]-PRSPs and PRSPs are tackling social protection issues. By social protection, we mean public policy concerned with the livelihoods and welfare of particularly poor and vulnerable groups – those who have been bypassed or who have lost out in other economic and social policy, and those who, for various reasons, are particularly vulnerable to the effects of poverty.

There are now many reports analysing different aspects of PRSPs. Why produce another? Firstly, the treatment of social protection issues in PRSPs and I-PRSPs has not been systematically examined despite their vital importance to poverty reduction. Secondly, in recent years, international development discourse has started to recognise more fully the importance of adequate social protection<sup>8</sup>. Given the involvement of

<sup>8</sup> For example, the World Bank and Asian Development Bank have produced revised policy statements committing themselves to stronger action in this area (World Bank, 1999; ADB, 1999).

donors and lenders in the development of I-PRSPs and PRSPs in many countries, these strategy documents are one window on how far international policy discourse and commitments are influencing national policies and strategies<sup>9</sup>.

Finally, this report examines the extent to which PRSPs and I-PRSPs developed to date include specific commitments to tackling childhood and youth poverty, an area which despite its importance has received little attention. By protecting children from some of the harmful effects of poverty on nutrition, health and education, effective social protection can play an important role in both immediate and long-term poverty reduction.

Overall, we find that little systematic attention is paid to social protection issues, though many IPRSPs and PRSPs present some elements of existing policies or plans in this area. We sympathise with concerns that a desire or pressure to cover every aspect of poverty may result in strategies that are unnecessarily detailed, are unworkable, duplicate other processes, or yet again may undermine country ownership, as external donors and creditors press issues of their particular concern. We recognise too, that PRSPs are intended as a framework, which draws on and refers to existing strategies and plans without spelling out the detail of these for some other IFI- or donor-led process. At the same time, there is an opposite danger – that a concern to avoid burdensome detail leads to the development of poverty reduction strategies which once again, deliberately or inadvertently, prioritise the better-off at the expense of more marginalised groups. It is worth recognising that social equity is a key concern of many civil society groups engaging in PRSP processes and that this is neither an externally driven nor trivial agenda. Furthermore, a substantial section of the PRSP sourcebook (World Bank, 2000) – a guidance manual on PRSP development – is devoted to social protection; in this context it is thus both surprising and a concern that this area seems to be receiving so little systematic attention.

This paper is primarily based on an analysis of I-PRSPs. I-PRSPs are preliminary documents, which do not contain the same depth of analysis or degree of detail on policy priorities as full PRSPs, and to treat these as if they were final statements of poverty reduction policy would be misleading. At the same time, there is no guarantee that social protection and equity issues will come higher up the agenda as full PRSPs are developed, not least because of the short time frame allocated for this in many countries, the international institutional context in which they are being developed which historically has not prioritised social protection, and the limited space for genuine debate on development strategy. While civil society involvement has varied substantially from country to country, civil actors are often some of the strongest advocates of inclusive and equitable development policies, including adequate social protection, and their limited role in many PRSP processes to date may also help account for the limited treatment of these issues<sup>10</sup>.

*(Authors' abstract)*

## Keywords

PRSPs  
I-PRSPs  
Childhood poverty

**Moser, C. & O. Antezana. (2001). 'Social Protection Policy and Practice in Bolivia: Its Implications for Bolivia's Poverty Reduction Strategy Paper (PRSP)'. Working paper 156. London: Overseas Development Institute.**

This paper was commissioned by the United Kingdom Department of International Development (DFID) office in Bolivia, as a contribution to the design and implementation of Bolivia's Poverty Reduction Strategy Paper (PRSP).

The objective of the paper is to document the nature and scope of social protection policy and practice in Bolivia, utilising the World Bank's social protection framework. In addition it assesses the inclusion of social protection in the government's recently completed PRSP. This highlights limitations in the existing framework and provides the opportunity for recommendations relevant to its further elaboration in Bolivia.

## Main findings:

<sup>9</sup> Analysis of PRSP implementation will indicate how far such changes in thinking and policy orientation translate into changes in on-the-ground practice.

<sup>10</sup> There is some evidence that this is changing in some countries developing PRSPs at present, with greater involvement of people living in poverty, as well as civil society groups in particular

- Risk analysis – a more Bolivian-specific risk analysis is required. In addition, the different levels of risk (micro level idiosyncratic risks, meso level covariant risk and macro level risks) must not be seen as distinctive types, but rather as a continuum of risk.
- Risk management – The paper notes the small coverage of formal social protection, in most cases probably reaching only in the region of 20 per cent of the population. It also comments that the perimeters of formal social protection are those defined in the World Bank’s strategy and not the Bolivians’. For instance while health is included, education is not.
- The paper provides a more detailed examination of informal mechanisms highlighting the critical role they play in poor people’s well being
- Bolivian PRPS and social protection
  - It notes that the introduction of social protection as one of four objectives in the PRSP, rather than a residual add-on, is an important achievement, with the associated components identified relevant to vulnerable populations
  - The PRSP remains conservative, focussing on coping strategies rather than risk reduction and mitigation
  - The PRSP lacks a comprehensive assessment of the causes of risk and vulnerability, ignoring important aspects such as gender, age and ethnicity.

The paper concludes that the identification of the importance of social protection in the PRSP is a first necessary step. However, the next stage requires a radical redesign of the framework for implementation that includes the development of new, more targeted, instruments and those that strengthen informal risk management strategies. Institutional arrangements for social protection require further clarification, including the donor community, international and national NGOs and the Church—each of which plays a crucial role in social protection in Bolivia.

The goal is that five years from now, by 2006, poor people in Bolivia better manage the risks that affect them than is currently the case. This includes both idiosyncratic risks such as ill health, unemployment, domestic violence and old age, as well as covariant risks, of which floods and landslides and their associated harvest failure are of importance in rural areas, along with high levels of underemployment in urban contexts. However to ensure prioritisation and implementation of this new poverty reduction approach to social protection requires a comprehensive strategy with a number of associated interventions. These relate to the development of a more robust social risk management framework. This needs to better identify both the causes of risk and vulnerability in Bolivia, as well as a more appropriate set of interventions that adequately balance risk reduction, prevention and coping. It also requires more appropriate, realistically targeted provision from government and the private sector, and increased recognition and support for informal social risk management strategies.

*(Extracts from authors’ executive summary)*

### Keywords

Bolivia  
Risk analysis  
Risk management  
PRSP

### Barriers to uptake

**Asian Development Bank. (2003). ‘Social Protection: Our framework – Policies and Strategies’.**  
**Manila: Asian Development Bank.**

This strategy paper reflects three years of research and consultations at ADB and its D[eveloping] M[ember] C[ountry], to build strategies for effective social protection for the Asia and Pacific region. The paper begins with a discussion of the social protection needs in Asia and the Pacific, the components of social protection, the social protection systems in the region, and the work of ADB and other development agencies. It then focuses on the criteria that might be used to prioritize social protection interventions in a determined DMC. Social protection policies will vary from one country to another owing to variations in needs, available resources, institutions, and the political economy of reforms. Once a specific intervention is chosen, or a mix of them, selected programs will have to attend to critical principles such as coverage, targeting of vulnerable populations, sustainability, good governance, and institutional and political capacity for reforms, this topic is

explored next. The paper ends with the recommendations to ensure proper implementation of this Social Protection Strategy in ADB's DMCs.  
(Extracts from author's introduction)

### Keywords

Asia and Pacific  
Social protection needs  
Targeting  
Sustainability

### **Farrington, J. and G. Gill (2002) 'Combining Growth and Social Protection in Weakly Integrated Rural Areas', Natural Resource Perspectives 79, London: Overseas Development Institute.**

Growth-focused strategies, especially for rural Africa, are making a comeback. One important question is what such growth might do to reduce rural poverty, and, increasingly, what potential it offers for reducing the risks of civil strife in neglected areas. For some countries, rural areas will continue to contain the majority of poor for many decades, and the majority of these live in areas weakly integrated into markets, so that the size and timing of impacts from growth in better integrated areas are uncertain. Is social protection (in the form of resource transfers) the only viable strategy for the more remote areas in the meantime, or are there worthwhile interventions for these that promote appropriate agricultural or non-farm growth, perhaps incorporating wider interpretations of social protection? The responses to these questions discussed below are piecemeal and tentative, and some are far from new, but this area of debate is here to stay, and merits more detailed study if the best use is to be made of scarce resources.

### Policy conclusions

- Growth-focused visions have the potential to reinvigorate rural areas, but tend to underestimate the gulf between areas well integrated and weakly integrated into markets, and the small relative size of the former, especially in Africa.
- Weakly integrated areas contain the majority of rural poor, and are the most prone to civil strife, especially where they contain ethnic minorities. Frequently they are also the most ecologically fragile.
- The impacts of growth in well integrated areas on poverty elsewhere, whether through a 'trickle-out' of price or income effects, or through migration into them, will be at best be gradual.
- Although social protection measures are an intuitively appealing alternative, they face severe fiscal and implementation constraints and are likely to be limited to those (i.e. the destitute) who cannot readily engage in productive activity.
- More viable alternatives are those which are growth-oriented but incorporate social protection measures. This paper suggests how these might be pursued in respect of agriculture, indicating how environmental and citizenship perspectives might also be built in
- These will require province-based visions and participatory arrangements for planning public investment and service delivery, which will complement the national-level perspectives of PRSPs.
- Initially, such measures will be largely publicly funded, but may be implemented by private non-profit or commercial agencies. They will need to address more fully than hitherto the interactions among sectors or resources, such as the health/nutrition/drinking water nexus (and its implications for agriculture), and spatial interactions, especially between small/medium towns and their rural hinterlands.
- There is no case for 'writing off' agriculture in the more remote areas, nor, at the other extreme, for assuming that the private sector will 'look after itself' by filling in all the gaps in production chains (which it will not, until adequate infrastructure and enabling conditions are in place, which will take decades in some areas).

(Extracts from authors' abstract)

### Keywords

Rural poverty  
Agricultural growth  
Civil strife

**DFID/ ODI. (2003). 'Social Protection: Policy, Planning and Implementation'. Sheet No. 20. DFID Key Sheets for Sustainable Livelihoods. London: ODI.**  
[http://www.keysheets.org/red\\_20\\_social\\_protection.html](http://www.keysheets.org/red_20_social_protection.html)

This key sheet provides an overview of the key issues in social protection. With regards to definition, there is no universal definition of social protection. At its broadest, it can refer to any developmental policy or intervention, including social services (such as health and education) and community driven development. However social protection is defined though, there are some key questions which must be answered:

- Who is to be covered by social protection?
- What kind of risk is the social protection to mitigate against?
- Who is responsible for provision?
- Is social protection aimed at livelihood protection (safety net) or promotion (springboard)?
- Should provision be universal or targeted?

Some key issues in decision making

- The degree to which universalism is an appropriate strategy in developing countries will depend on affordability and the extent to which it can reach the informal economy
- Many developing countries still consider universal provision of social protection as secondary to economic growth – social protection is regarded as being for particular vulnerable groups and relevant only during times of shock
- PRSPs currently fail to integrate social policy into national poverty reduction strategies
- The livelihood approach to social protection focuses on enhancing the capacity of the poor to remove themselves out of poverty (livelihood promotion) as opposed to maintaining the poor at an acceptable level (livelihood protection). Livelihoods approaches also aim to build on existing mechanisms, whether of informal social protection, the role of the non-profit sector and even now the private sector.

Some key lessons emerging from current experience

- “Ways to determine efficiency of resource transfer (the ratio of benefits to costs) now exist. Administrative targeting is expected to raise costs, but in Latin American programmes this added only 8% (Devereux).
- Cost–benefit ratio measures do not always analyse leakage potential. In India, pensions transfer small individual sums, and have a better record than housing schemes, which transfer larger amounts (Nayak).
- Such measures need to account for costs which can be offset by additional benefits, such as the creation of physical assets (through public works schemes) or enhancements to other assets – social, natural or financial.
- There are also decisions on the form of transfer. In employment schemes, for instance, men may prefer cash, while women may prefer food or inputs (this also may depend on the season). Food aid may entail risks resulting from a supply-led orientation.
- Setting benefits at such low levels (or at such high costs of time) helps ensure that the poor self-select: the non-poor will not make the effort. This also avoids driving up wages for casual labour.
- No matter what form social protection takes, there is always a risk of introducing measures inappropriate to the intended recipients. This can be minimised when SP strategies are based on participatory planning, responding to the priorities of the vulnerable, and building on their own assets”.

**Keywords**

Livelihood protection  
Livelihood promotion  
Cost benefit analysis

**Deacon, R. (2000) 'Socially Responsible Globalisation: The Challenge to Social Security', Paper presented at the International Research Conference on Social Security, International Social Security Association, Helsinki, September 2000.**

This paper argues that the earlier phase of neo-liberal globalization that took no account of its negative social consequences has given way in terms of the dominant global discourse to a “socially responsible globalization” which seeks to address some of the issues of increasing inequity and increasing social risks. This dominant discourse and associated practice is, however, one that favours only a residual role for the state, a targeted focus on only the poor and an aggressive privatization of social provision for the global middle class. This “socially responsible globalization” is undermining the prospects for establishing a social

contract between the middle class and the poor in emerging market and developing economies. The historical conditions that fostered universalistic and equitable social security arrangements in Europe will not be replicated elsewhere unless a concern with equity is reinserted into the global social policy and social development discourse. This poses a challenge to social security institutions and policy makers to re-examine their original purpose and consider how this might be applied within a global context.

*(Author's abstract)*

### Keywords

Globalisation  
Social contract  
Universalism

## 2.4. Rights, Culture and Empowerment

### 2.4.1. Human Rights

**Bandyopadhyay, K. R. & A. N. Mukherjee. (2005). 'Impact Assessment of Poverty Alleviation Programmes from Human Rights Perspective: A Case Study of Bolangir District, Orissa, India'. Sussex: ELDIS Document Store.**

The case study [of the Bolangir district of Orissa] is an attempt to reconcile the principles of rights-based approach to development with a practical application in the context of state supported programmes of rural poverty alleviation in a poor underdeveloped district of India. Adding the dimension of rights to the discourse of development signifies attaching specific duties on the part of the state to respect and protect at the first instance and promote and fulfil, if need be, the rights of the people. The immediate implication of such addition is that the formulation and implementation of development policies by the state need to be undertaken with the knowledge that it is accountable to the people for any violation of human rights arising from such policies. The rights-based approach to poverty reduction is basically about empowerment of the poor and the most fundamental way such empowerment can occur is by sticking to the salient features of the international human rights normative framework like indivisibility, non-discrimination, participatory decision-making process and universal obligations.

In fine, a rights based approach is primarily a framework of governance. It is built on the fulcrum of protecting the interests of the 'worst-off', whose voices must be heard through participation in the process of decision-making that affects their lives. It aims at a system where a collective of potential beneficiaries through institutions such as village meetings ensures that the development policies undertaken by the state are responsive to people's needs and aspirations and also scrutinizes irregularities in implementation, such as corruption and inadequate targeting.

*(Authors' conclusion)*

### Keywords

India  
Rural poverty  
State accountability  
Empowerment  
Governance

**McKay, A. & P. Vizard. (2006). 'Rights and economic growth: Inevitable conflict or 'common ground''? Human Rights and Poverty Reduction: Realities, Controversies and Strategies Meeting Series. London: Overseas Development Institute.**

There remains a wide perception of a conflict between realising rights on the one hand and economics concerns on the other – with fundamental freedoms and human rights often viewed as being in tension with development, growth and the optimal allocation of resources. This paper considers this issue specifically in relation to achieving economic growth.

Re-igniting growth, particularly in regions of the world that have experienced little or negative growth (as in much of sub-Saharan Africa), has again become an important focus in international development

discussions. However, this growth focus raises concerns, partly based on some past experiences, about whether seeking to achieve and accelerate growth will conflict with the realisation of key rights. This emphasises the now widely recognised fact that the nature of growth matters, in particular its distributional pattern and its sustainability (coupled with the ability to manage downturns).

We argue here that there is much less conflict between the realisation of rights and economic concerns than is often assumed. Much of this perception of conflict is a matter of different language and approach, and there is considerable space for dialogue. Rights-based approaches and frameworks of analysis of economic growth are much more compatible than is sometimes supposed by detractors, and they often address very similar issues. This is not to deny that there are still real issues and choices to face, but these arise just as much within a rights approach or within an economic perspective as between the two.

The paper highlights an established and growing body of literature in economics, including identification of ways in which freedoms and rights can be instrumentally important for economic growth (as well as the reverse relationship). The underlying rationale is the identification of the ways in which these established lines of enquiry might be extended and linked more explicitly to a research programme on human rights and economic growth. It is important to note, however, that we deliberately take a broad view of the terms freedoms and rights – their usage in economics is often different from internationally recognised meanings in the field of human rights. Some of the lines of enquiry discussed here do not make explicit reference to the international human rights framework, nor do they necessarily reflect internationally recognised interpretative principles relating to indivisibility, ‘progressive realisation’ and the ‘minimum core’. Nonetheless, the approach we take here maps out a basis for dialogue. This choice is also dictated by the evidence currently available.

This paper briefly discusses the apparent conflict, both in conceptual terms and by drawing on frequently quoted examples of apparent conflict, such as fast growth in China. It then sets out an analytical framework; identifies some of the ways that growth is important in realising freedoms and rights; and denotes the ways in which key freedoms themselves can be instrumentally important for growth. This leads into a review, by way of specific examples of evidence, on the extent to which a rights perspective has helped to achieve freedoms and growth. The conclusion includes identification of priority areas for taking this dialogue forward. *(Extracts from authors' introduction)*

### Keywords

Economic growth  
Rights based approach  
Economics-Human rights discourse  
Instrumental role

### **Moser, C. & A. Norton. (2001). 'To claim Our Rights'. London: Overseas Development Institute.**

The aim of this paper is to examine the potential contribution of a rights-based approach to formulating development policies which encourage sustainable livelihoods. The paper begins with an overview of the key issues in the human rights, livelihoods and sustainable development debates. The livelihoods and sustainable development debates require a greater acknowledgement of power relations: whilst a human rights approach may not fully provide the missing link, the authors argue it is a useful entry point for the analysis of asymmetries in power and the institutions that reinforce those relations. The third section then develops a conceptual framework for the analysis of the human rights dimensions of livelihoods, supported by case study material. This operates at three levels; normative, analytical and operational.

In conclusion, the following points are noteworthy

- Rights matter – and a framework that focuses on rights helps policymakers to understand the power dimensions of development processes
- For poor people to effectively make claims requires a number of complementary strategies and elements including:
  - Access to information
  - Group solidarity
  - Development of skills and capabilities (these help in making claims, especially organisational and communication skills)
  - The help of allies capable of providing advocacy at other levels and in distant institutional domains

- Access to a 'fair regulator' capable of assessing competing claims according to rights provisions without being captured by elite groups
- Civil society is critical to the success of a livelihood rights approach to sustainable development
- The state can act as an enabler of livelihood-related human rights
- Donor agencies can make a difference
  - Using the leverage that their position provides with partner agencies to promote initiatives that facilitate poor people making claims
  - Using leverage in policy arenas to strengthen the poverty and gender aspects of legal and regulatory frameworks e.g. resource tenure
  - Promoting programmes that enhance the accessibility of the justice system and rights of recourse in the event of discriminatory practice for poor people.

*(Adapted from authors' abstract and conclusion)*

### Keywords

Livelihoods  
Sustainable development  
Power asymmetries

### **Office of High Commissioner for Human Rights. (2004). 'Human Rights and Poverty reduction: A conceptual framework'. Geneva: Office of High Commissioner for Human Rights**

This paper provides a framework for integrating a human rights based approach into poverty reduction strategies. This is based on the Committee on Economic, Social and Cultural Rights' belief that "Anti-poverty policies are more likely to be effective, sustainable, inclusive, equitable and meaningful to those living in poverty if they are based upon international human rights" (p. 2). Since 1997, the UN has been striving to include human rights into all of the Organisation's work. This means that all poverty reduction policies are based on the norms and values within international human rights law. Poverty reduction strategies already incorporate aspects of human rights: emphasis on civil society participation reflects ones ability to participate in ones development, safety nets resonates with the right to a decent standard of living, transparent budgetary processes are consistent with the right to information.

Contrary to criticism that incorporating human rights may be overloading the PRSPs, the authors here argues that poverty reduction and human rights are so closely interlinked that are in fact "two mutually reinforcing approaches to the same project" (p. 3). Applying the normative framework of international human rights law to poverty reduction helps ensure that key issues, such as accountability, equality and non-discrimination, participation and empowerment, are not forgotten.

The paper explores the definition of poverty, using Amartya Sen's capability approach. The main features of a human rights approach to poverty reduction are presented. This includes empowerment and participation; recognition of the national and international human rights framework; accountability; non-discrimination and equality; and progressive realization.

### Keywords

International human rights law  
Capability approach  
Empowerment  
Accountability

### 2.4.2. Culture

### **Carr-Hill, R. & E. Peart. (2005). 'Educating Nomadic Herders Out of Poverty? Culture, education and pastoral livelihood in Turkana and Karamoja'. African Development Bank and UNESCO International Institute for Educational Planning.**

This paper provides a literature review of the failure of education provision to nomadic groups. Explanations for this failure have ranged from those who see the problem as one of the pastoralists, i.e. they shun



schooling because it is not felt to be appropriate or not conveniently located, to those who see the problem stemming from the education system, which is too confrontational for nomadic children and irrelevant for what they need to know. Either way, both sides of the argument assume that the education is designed to change them / alter their way of life.

The authors argue that informal education programmes in this regard have been more successful and cheaper to implement than formal programmes. This is because they

- They are delivered in a non-antagonistic environment
- They are two-way processes and are flexible in structure
- They take place in informal settings, which allows the parents to monitor the physical and moral security of the children
- They acknowledge the social, economic and political hindrances to pastoralists' livelihoods, which are beyond their control – these programmes aim to increase their control in this regard
- They are linked to existing government institutions.

However, better integration of these programmes into the formal schooling system is required. It is argued that nomadic culture is not against education per se, but merely against the Western delivery system. The curricula need to be adapted to meet the needs of the pastoralists if they are to succeed. In addition, the pastoralists must be involved in planning, implementing and monitoring their education programmes.

### Keywords

Pastoralists  
Participation  
Informal schooling

### **Rao, V. & M. Walton. (2004). 'Culture and Public Action'. Chicago: Stanford University Press.**

How does culture matter for development? Do certain societies have cultures which condemn them to poverty? Led by Arjun Appadurai, Mary Douglas, and Amartya Sen, the anthropologists and economists in this volume contend that culture is central to development, and that cultural processes are neither inherently good nor bad and never static. Rather, they are contested and evolving, and can be a source of profound social and economic transformation through their influence on aspirations and collective action; yet they can also be exploitative, exclusionary, and can lead to inequality.

*Culture and Public Action* includes case studies from Africa, Asia, and Latin America, which examine the role of culture in community-based development, ethnic conflict, famine relief, gender discrimination, and HIV-AIDS policy. The editors conclude by proposing how a "cultural lens" can better inform future research and public policy on development. Accessible, balanced, and engaging, this book will be of interest to anyone concerned with the relationship between culture and economics, and the design and implementation of development policy.

*(Abstract from Stanford University Press)*

### Keywords

Culture  
Public policy

### **Tchoumba, B. (2005). 'Indigenous and tribal people and poverty reduction strategies in Cameroon'. Geneva: International Labour Organisation.**

The Cameroonian poverty reduction strategy paper (PRSP), approved in 2003, is presented as a document developed in a participatory manner. However, beyond official discourse on participation and consultation with the population in this process, questions still arise as to the consideration of indigenous and tribal peoples' interests and aspirations in this context. This issue becomes even more important as official approaches to the development of indigenous peoples have often focused on their assimilation or conversion to the dominant lifestyle, rather than on a genuine social integration with due respect to their cultural identity. This study assesses the participation of indigenous peoples in poverty reduction efforts, particularly the PRSP, in Cameroon.

The author finds that indigenous peoples are marginalised and excluded from poverty reduction efforts in Cameroon. Their basic concerns are, consequently, not taken into consideration. Further to this, the author concludes that:

- When specific projects or programmes are developed for minority groups, they are not informed of their contents and their implementation is always delayed compared to other programmes
- The proposed development initiatives are often aimed at assimilating indigenous and tribal peoples or converting them to the dominant way of life rather than truly integrating them through the respect of their cultural identity
- Efforts are being made in the areas of agriculture, education and health without taking into account the basic rights of these populations and following culturally unsuitable approaches
- National poverty reduction efforts must include the perceptions and strategies of indigenous peoples and should adopt an approach based on the recognition of their collective rights as a people with their own cultural norms
- National efforts to reduce poverty must take into account the land and resource use patterns of indigenous and tribal peoples, including those of the nomadic people and shifting cultivators
- National poverty reduction efforts must integrate an approach based on basic human rights, in particular the internationally recognised rights of indigenous and tribal peoples
- It is vital to have political will to recognise their rights as governed by international legal instruments - with a particular emphasis on capacity building.

### Keywords

Cameroon	Integration vs. assimilation
PRSPs	Human rights approach
Participation	

### 2.4.3. Empowerment

See Anti discrimination policy in section 2.4

## 2.5. Utilities

### 2.5.1. Water and sanitation

**Cain, A., M. Daly & P. Robson. (2002). 'Basic Service Provision for the Urban Poor: The experience of development workshop in Uganda'. London: International Institute for Environment and Development (IIED).**

This paper describes water and sanitation programmes that have been developed in Angola over a 15 year period, designed with community organisations, local government, and the official water and sanitation agencies. The paper provides a specific history of the projects in Angola which include:

- a public stand post programme that serves some 20,000 households
- family latrine programme that built 5,000 latrines
- programme to improve solid waste collection.

The authors argue that poverty reduction cannot rely on trickle down of the benefits of economic growth, or the end of an emergency. Instead, poverty reduction is more likely to come about through “improving the poor’s access to livelihoods assets and building local capacity and institutions” (p. 33). As such, sustainable water and sanitation services are important for the poor as they improve public health and the time budget of the poor. They can also help to encourage collaborative action.

The paper also discusses strategies for programme sustainability and expansion, even in situations of weak local government and resource constraints. The potential of local community involvement should not be underestimated – they can manage a range of activities and can be trusted to manage money, but the appropriate institutions which facilitate this collaboration must be in place. This is especially the case in urban areas, where there may not be ‘natural’ communities. Therefore, the authors also call for the

strengthening of institutions, and collaboration between them e.g. developing rules for collective activities, developing management and financial skills for the handling of finances.

In addition to community participation, community 'partnering' is also necessary. This involves the collaboration of all stakeholders, including the companies providing the water and sanitation services as well as local government. Here, again, the appropriate institutions must be in place to facilitate this partnership.

The authors therefore highly regard the role of the local community and local institutions in water and sanitation service provision. With time, collaborative action will help to "transform communities into managers of their own services, and of their own development, rather than users" (p. 35).

In light of these findings, the authors propose that international organizations must broaden funding channels for local pro-poor organizations, while remaining responsive to them, and while strengthening the capacities of the local organizations themselves.

(Adapted extract from *Eldis*, available at

<http://www.eldis.org/cf/search/disp/docdisplay.cfm?doc=DOC15970&resource=f1>).

### Keywords

Uganda  
Institutions  
Capacity building  
Partnering

### Gutierrez, E., et al. (2003). 'New Rules, New Roles: Does PSP Benefit the Poor? Synthesis Report'. Location: Water Aid and Tear Fund

Given the ongoing debate about private sector water provision, this report provides the main issues in water provision, from the view of field practitioners and the poor themselves. The authors argue that the increased role of the private sector has been due to the perceived failure of public provision, rather than based on the merits of the private sector. This move has created cause for concern in the following areas:

- *Capacity building*. This section argues that private sector provision (PSP) is often imposed without the necessary pre-conditions.
  - PSP is undermining public sector skills and capacity to deliver water. Whilst private sector provision may sometimes be justified on the grounds of greater efficiency and efficacy, this is not yet the case; therefore, public sector provision, especially in rural areas, is taking place at the expense of public capacity building. PSP is being imposed as part of aid conditionality, despite private sectors being underdeveloped and in need of capacity building as well.
  - Once private water provision is established, governments are often then ill-prepared to regulate the industry and to negotiate effectively with large trans-national companies.
- *Community involvement and transparency*. Often the poor are not involved in their own provision of water and sanitation – large trans-national companies therefore face no accountability. There is a need for a greater sense of ownership by the beneficiaries and greater transparency in the decision making process: the authors argue responsibility for this lies with governments.
- *Financing*. The authors argue that present cost analysis of water by donors is inappropriate as it ignores important externalities incurred by the poor e.g. not included in the price of water is the cost of queuing hours for water or children missing school in order to travel miles to access water. Whilst the authors are not against contributions by the poor (e.g. capital cost contributions can create a sense of ownership), they argue that user fees can be reduced by cheaper technology options and financing schemes.
- *Institutional reform*. The authors relate the failure of utilities to "lack of monitoring, benchmarking, quality control and supervision or target-setting by both political authorities and consumer representatives" (p. 33).

A context-determined approach is called for, which sees the local environment as the starting point, rather than starting from a general principle. In addition, multi-stakeholder review of PSP is called for.

### Keywords

Private Sector Provision (PSP)      Institutional reform  
Participation                              Capacity building  
Transparency

**Overseas Development Institute. (2004). 'From Plan to Action: Water Supply and Sanitation for the Poor in Africa'. Briefing Paper. London: Overseas Development Institute.**

Research in four countries in sub-Saharan Africa<sup>11</sup> has investigated key stages along the 'journey' from Water Supply and Sanitation ('WSS' or 'WatSan') 'allocations' in Poverty Reduction Strategy Papers (PRSPs) to budget allocations and actual expenditure on sector outputs, and has observed the kind of events or factors which may disrupt and delay the flow of funds and their translation into poverty reduction outcomes. The country studies show that WSS-related objectives and costing in PRSPs are in many instances being lost, or disregarded, in the process of national budget preparation and execution. 'Activation' of the pluri-annual promises in PRSPs depends upon satisfactory operation of the annual budgeting cycle.

To address existing service gaps, there needs to be improved coordination within the sector and the final destination of sectoral resources needs to be carefully identified. Various tools designed to enhance sectoral decision-making processes and implementation have been piloted during this research. Such tools need to be combined with more coherent institutional and financing arrangements to strengthen existing systems of sectoral planning, monitoring and evaluation ('M&E').

Uganda, with its Joint Sector Review process supported by donors, and its relative advances in development of systems for sector performance assessment, and performance benchmarking of local governments, points to the way forward.

*(Author's own)*

**Keywords**

Poverty Reduction Strategy Papers (PRSPs)  
National budget allocations  
Intra-sectoral co-ordination  
Uganda

**Redhouse, D. (2005). 'Getting to Boiling point: Turning up the Heat on Water and Sanitation'. London: Water Aid**

The author calls for the prioritisation of water and sanitation in poverty reduction policy for two reasons:

- Using the case of participatory exercises in Uganda, the poor identified water as their most important need during national poverty reduction planning processes
- As well as an important end in itself (i.e. access to water and sanitation as a human right), water and sanitation are also a significant means to achieving poverty reduction. Poor access to water results in poor health and reduce economic growth, by taking children out of school and by reducing the hours spent on income-generating activities.

The report runs through the following issues, with corresponding recommendations:

- Lack of information on resources being spent and their effects (often by Ministries responsible for water) is leading to inaccurate, if any, needs assessment. This leads to inefficient use of resources as places needing water the most do not receive any funding, and those already with water provision receive duplicate funding
- Inequality in funding i.e. funding is currently not proportional to need. This is a problem at all levels of decision making: less than 40% of international aid for water goes to 90% of the population without water and sanitation. In Malawi, areas already well served are receiving more funding at the cost of areas without water provision. Donors often do not invest in the most cost efficient and 'equitable' water technologies e.g. piped water supplies, which are most appropriate for the non-poor are favoured by donors over wells and springs.
- Lack of co-ordination between government agencies is duplicating time and resources: unwieldy networks of funding and reporting streams overburdens civil servants and results in inefficiencies
- Responsibility given to local governments is not being matched with the necessary resources
- Provision must consider sustainability (which involves achieving a balance between affordability and financing necessary repairs and maintenance)
- Sources of financing for water and sanitation are falling, including development aid and financial markets.

<sup>11</sup> The 'WatSan & PRSPs' project was coordinated by the Overseas Development Institute (ODI), in partnership with WaterAid, and in collaboration with the Water and Sanitation Program-Africa, as well as with researchers and policy specialists in the region – and was supported by the UK Department for International Development-DFID.

## Keywords

Poverty reduction Information Co-ordination	Sustainability Financing
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### Water Aid. (2006a). 'Private sector participation.' Web-based resource.

[http://www.wateraid.org/uk/what we do/policy and research/private sector participation/default.asp](http://www.wateraid.org/uk/what_we_do/policy_and_research/private_sector_participation/default.asp)

This resource outlines Water Aid's view on private sector participation in water provision. Water Aid argues that there is insufficient evidence to suggest that private sector water provision benefits the poor in developing countries. As such, Water Aid argues that water privatisation should not be imposed upon developing countries, especially when tied to aid, trade rules and debt cancellation. Even where there is private sector involvement, ownership and control of water and sanitation provision must always remain in public hands. It calls for more attention and resources on "improving the performance of in-country public services or supporting local community-managed services". It calls for national governments to take responsibility for overall water provision and management, the approach to which should be decided through a participatory approach involving all key stakeholders.

## Keywords

Public vs. public sector provision Ownership Control
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### Water Aid (2006b) 'Financing the sector.' Web-based resource.

[http://www.wateraid.org/uk/what we do/policy and research/financing the sector/default.asp](http://www.wateraid.org/uk/what_we_do/policy_and_research/financing_the_sector/default.asp)

Water Aid predicts that \$30bn is required if the Millennium Development Goal of halving the number of people without access to water and sanitation is to be met. Currently, only \$14bn is being spent on this goal. Water Aid calls for (i) more financial resources dedicated to improving access to water and sanitation and (ii) eliminating wastage of current expenditure, "from money being spent in the wrong places, on unnecessarily expensive or unsustainable technologies, or being lost in overly complex and lengthy bureaucratic procedures of government or donors".

Other recommendations include:

- Greater coordination between major donors so that all money directed to water and sanitation is managed efficiently through the relevant national government processes
- There should be equitable access to water and sanitation. This means programmes to expand services should be targeted on those without facilities
- Those providing the services must ensure that they use appropriate and affordable technologies to ensure they are sustainable
- Information on the water sector must be made publicly available each year so that there is transparency about the money used in, and results achieved by, the water sector.

## Keywords

Financing Co-ordination Sustainability
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**Water Aid. (2006c). 'Water for All: A study on the effectiveness of Asian Development Bank funded water and sanitation projects in ensuring sustainable services for the poor'. Synthesis Report. London: Water Aid**

This report provides a review of the 'Water for All' project funded by the Asian Development Bank (ADB) which commenced in 2001, to be fed into the ADB's own review which started in 2005. Eleven ADB funded water supply and sanitation (WSS) projects in India, Nepal and Bangladesh were studied.

The reports main findings are:

- On the effectiveness of projects in ensuring sustainable services for the poor
  - Whilst there were improvements in WSS, there is a distinct poor/ non poor divide in access as the poor face barriers of affordability, project design and budget allocation
  - Sustainability of projects were mixed, with user groups becoming inactive soon after completion
  - Community participation is low
  - Local executing agency staff and government institutions still lack knowledge of the barriers facing the poor in WSS access and how to address these
- On the quality of ADB's monitoring and evaluation (M&E) systems
  - It is not possible to tell from ADB's M&E reports whether WSS provision have been implemented in a participatory manner and whether the poor are benefiting
  - Different indicators are used for different projects, for all projects in one area, which makes comparability misleading
  - There are weak feedback loops between M&E reports and project design and implementation
- On the financial implication for ADB funding
  - There are several intermediaries in the lending process: on-lending of ADB concessional loans means that the end borrower faces high interest rates
  - Cost recovery is so strictly applied that users often end up paying up to 50% of the capital costs, as well as operating and maintenance costs

Given the above findings, Water Aid's suggestions can be summarised as follows:

- Support the integration of pro-poor approaches in national sector policies by financing studies and supporting consultative forums with active participation of a wide range of stakeholders
- Prioritise coverage of sanitation and sewerage infrastructure, not excluding slums and poor populations, and track and report on investment in sanitation
- Design for and monitor the sustainability of services provided under projects
- Open up discussions with local government and the public on tariff policies to get agreement and commitment
- Attempts at recovering costs should include safety nets for the poor, tariffs should recover at least O&M costs to ensure sustainability, and in using any additional revenue priority should be given to expand services to unconnected poor areas rather than repaying loans
- Review on-lending terms of concessional ADB loans for affordability
- Continually monitor implementation of the pro-poor components of Water for All, by reporting against them in Project Completion Reports and other evaluations and by carrying out a further participatory Review after five years.

**Keywords**

Water Service and Sanitation (WSS)  
Sustainability  
Monitoring and Evaluation (M&E)  
Cost Recovery

**World Bank. (2006). 'Approaches to Private Participation in Water Services: A toolkit'. Washington: The World Bank.**

Approaches to Private Participation in Water Services will aid governments in developing countries that are interested in private participation in water supply and sanitation. Written for an audience that includes officials, consultants, and donors, the toolkit illustrates options for the design of policies that facilitate the

delivery of good quality water and sanitation services to the poor and discusses the main advantages and disadvantages of the options. Among other things, it discusses stakeholder consultation; the trade-offs among tariffs, subsidies, and service standards; the allocation of risks and responsibilities; and the selection of the operator.

In addition to nine chapters that set out and analyze options for private participation, the toolkit includes an appendix of examples that illustrate the choices made by sixteen governments, a spreadsheet-based policy simulation model that illustrates three of the issues discussed in the text (stakeholder analysis, balancing tariffs and service standards, and the allocation of risk).

*(Author's abstract)*

## 2.6. Pro-poor growth

### 2.6.1. What makes growth pro-poor?

**AFD, BMZ, DFID<sup>12</sup> & World Bank. (2005). Pro-Poor Growth in the 1990s: Lessons and Insights from 14 Countries. Washington: International Bank for Reconstruction and Development & World Bank.**

This report, the main output from the Operationalising Pro poor Growth Programme[KB1]<sup>13</sup>, uses evidence from fourteen countries to highlight the importance of economic growth in poverty reduction. Countries with higher, more sustained economic growth (Vietnam) have achieved faster reduction in poverty rates and countries with little or no growth (Zambia, Indonesia and Romania) over the period studies saw poverty headcounts rise. Particularly impressive has been Vietnam's performance, who achieved an annual poverty reduction rate of 7.8% between 1993 and 2002, halving the poverty rate from 58% to 29%. The successful countries are portrayed as liberalised and market oriented e.g. the pursuit of macroeconomic liberalisation such as cutting inflation, reducing trade imbalances and exchange rate distortions as well as trade reforms and price liberalization. Increases in infrastructure and human development improvements (particularly in health and education) have also contributed to economic growth.

However, whilst the general positive relationship between economic growth and poverty reduction is accepted, some positive growth countries have been more successful in reducing poverty than others. Poverty reduction is most significant where the poor have been able to participate in and benefit from growth. Country examples are used to show how (i) making agricultural activities more productive and (ii) taking advantage of non-agricultural and urban employment opportunities helped to increase the participation of the poor in growth. The 14 country cases presented provide important lessons about what has and has not worked in these countries to increase the participation of poor households in growth.

"[S]everal policies that can help poor households take advantage of growth opportunities [are presented]. The analysis also underscores that the priority-setting and phasing of these policies will differ across countries-according to their conditions" (p. 10).

#### Keywords

Economic Growth  
Liberalisation  
Human Development

Infrastructure investment  
Participation

**Anderson, E., P. de Renzio & S. Levy. (2006). 'The Role of Public Investment in Poverty Reduction: Theories, Evidence and Methods'. Overseas Development Institute Working Paper 263. London: Overseas Development Institute.**

This paper uses the existing evidence, theories and models on public investment, growth and poverty reduction to guide policy makers on the information and techniques available to set priorities for public investment. Existing channels through which public investment affects the economy are explored (macro effects such as growth, investment and productivity and micro effects at the firm and household levels) – it is suggested that public investment is not always pro-poor and careful analysis of the level and allocation of

<sup>12</sup> French Development Agency (AFD), Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung (BMZ) and Department for International Development (DFID)

<sup>13</sup> A work program co-funded by DFID, AFD and (BMZ)

public investment is required. When the impact of public investments in specific projects is required, a cost benefit analysis method is proposed to guide decision making. Where a decision on inter-sectoral allocation of public investment is needed, a computable general equilibrium (CGE) model is suggested. CGE models are a simulation tool, which depict a country's economic structure through all the flows that occur in a given year between its different actors. It allows a government to understand the impact of its public investment decisions by accounting for feedback effects.

The report concludes with four suggestions for improving impact assessment of public investment

- Less information-intensive methodologies need to be developed to aid public decision making. Many governments often do not have the technical capacity and the information to conduct cost benefit analysis
- Existing data should be made more accessible, so analyses on past projects can be viewed
- The use of CGE models should be broadened to include (a) trade-offs and complementarities among different investment portfolios; (b) 'threshold effects' that could affect the effectiveness of different investment choices; and (c) cross-country implications of public investment at the regional level.
- "There needs to be a better understanding of the dynamics of policy-making processes in poor countries, to make sure that information and methodologies are better suited to providing relevant inputs to policymakers, and enhancing the poverty orientation of public investment choices" (p. vi).

### Keywords

Public investment  
Cost benefit analysis  
Computable General Equilibrium models

### OECD. (2006). Promoting Pro Poor Growth: Policy Guidance for Donors. Paris: OECD.

Sharing good practice in advancing the pro poor agenda has been the focus of the Development Assistance Committee (DAC) through its Network on Poverty Reduction (POVNET) since 2003.

The 2001 DAC Guidelines on Poverty Reduction show that poverty has multiple and interlinked causes and dimensions: economic, human, political, socio-cultural, protective/security. The work of POVNET since then has given priority to addressing strategies and policies in areas that contribute to pro-poor economic growth such as infrastructure, private sector development and agriculture.

Task teams were set up and met over a period of two and a half years to improve understanding of the constraints and opportunities in these areas with a view to developing policy guidance for donors. In addition, the POVNET sought to reach consensus on the key underpinnings of pro-poor growth as well as to explore recent thinking on risk and vulnerability and ex ante poverty impact assessment.

This report summarises the conclusions and recommendations coming out of POVNET's work on pro-poor growth. The key messages are as follows:

- Rapid and sustained poverty reduction requires pro-poor growth, *i.e.* a pace and pattern of growth that enhances the ability of poor women and men to participate in, contribute to and benefit from growth;
- Policies to tackle the multiple dimensions of poverty, including the cross-cutting dimensions of gender and environment, are mutually reinforcing and should go hand-in-hand;
- Empowering the poor is essential for bringing about the policies and investments needed to promote pro-poor growth and address the multiple dimensions of poverty.

For donors, the pro poor growth agenda is not business as usual and more of the same will not be sufficient. This report contains recommendations to donors on how to make their support to pro-poor growth more effective. More detailed conclusions and recommendations coming out of work by POVNET task teams on private sector development, agriculture and infrastructure are presented in separate reports.

*(Authors' own abstract)*

### Keywords

Economic Growth  
Gender  
Environment  
Empowerment  
Participation



## 2.6.2. Enabling environment

### Enterprise regulation

**Aryeetey, E. & A. A. Ahene. (2005). 'Changing Regulatory Environment for Small-Medium Size Enterprises and Their Performance in Ghana'. Centre on Regulation and Competition Working Paper 103. Manchester: Institute for Development Policy and Management, University of Manchester.**

This study discusses the influence that public regulators and self-regulatory agencies have had on the performance of SMEs in the last decade. It is recognised that the experimentation with different modes of regulation in such areas as taxes, production, standards, labour laws, location of firms and prices will have some impact on the production methods that firms choose. The study also addresses the evolution of regulatory environment in Ghana as well as identifies how the regulatory choices made by firms affect their performance.

The paper is structured as follows: In section 2 we discuss the scope of SME activity in Ghana. This is followed with a presentation in section 3 of the institutional developments and the evolution of regulatory agencies. Here we emphasize the fact that most of the institutional developments have addressed largely the concerns of larger enterprises and these have been usually related to the issues of either attracting investments or promoting the payment of taxes. In section 4 we focus on recent changes in the regulatory environment where considerable self-regulation has emerged to complement state regulation. In section 5, we present findings on how small enterprises have responded to the new institutional developments in terms of organization and performance.

*(Extracts from authors' introduction)*

#### Keywords

SMEs  
Ghana  
Self-regulation

**Ogus, A. (2005). 'Towards Appropriate Institutional Arrangements for Regulation in Less Developed Countries'. Working Paper No. 119. Manchester: Centre on Regulation and Competition, University of Manchester.**

As the globalisation of markets has grown apace, so Western ideas of regulation and deregulation have had a growing influence on governments in developing or "transitional" countries. Indeed, donor institutions, such as the World Bank and the International Monetary Fund, have applied pressure for Western models to be adopted. The assumption, sometimes explicit, sometimes implicit, is that these models serve to improve economic performance. Yet actual or attempted applications of Western models have often, it seems, been insensitive to the key question, to what extent the recipient country is able successfully to integrate the models, particularly with reference to their institutional implications. My primary concern in this paper is, therefore, to examine how conditions prevailing in less developed countries (LDCs) may impact on the institutional arrangements for regulation, and how these might be taken into account in designing regulatory regimes.

I begin by sketching the background to these issues: the importance of the legal system and regulatory arrangements for economic development; and how views have diverged over time in how LDCs should solve problems in this respect. By way of critical commentary on such views, I identify some characteristics of LDCs which may inhibit the effectiveness of the transplant of Western models of regulation. I then relate those characteristics to some key features in general strategies for regulatory design and reform. In the remaining part of the paper, I draw on particular studies which I have undertaken on licensing and corruption, to illustrate the general themes and to provide concrete examples of how they might influence regulatory design.

*(Author's introduction)*

#### Keywords

Institutional arrangements  
Regulatory design  
Licensing  
Corruption

## Taxation policy

**Addison, T., A. Roe & M. Smith. (2006). 'Fiscal Policy for Poverty Reduction, Reconstruction, and Growth'. Helsinki: UNU-WIDER.**

Growth, poverty reduction, and social peace are all undermined when public expenditure management and taxation are weak and when the fiscal deficit and public debt are not managed successfully. And large-scale aid and debt relief cannot work without a good fiscal system. The macroeconomic frameworks of many poor countries are improving, but fiscal policy's full potential will not be realized until good and accountable expenditure and taxation systems are built. Good fiscal policy can raise economic growth through well-chosen public investments provided that the spending is large enough. Growth itself increases the tax base generating the potential for higher public spending on poverty reduction. Fiscal reform can be a tool for peace when an unfair distribution of spending and taxation generates grievances that turn violent. Overall, fiscal policy reveals more about the political priorities underpinning a country's development strategy than any other area of policymaking.

*(Authors' abstract)*

### Keywords

Fiscal policy  
Public Expenditure  
Taxation system

**Deverajan, S. & S. Hossain. (1995). 'The Combined Incidence of Taxes and Public Expenditure in the Philippines'. Policy Research Working Paper 1543. Washington: World Bank.**

Incidence studies of fiscal policy in developing countries typically examine either the distribution of tax burdens or the incidence of public expenditures. But the central issue for policymakers is the combined or net incidence of fiscal activities.

Even if a tax is regressive, the impact of increasing it may not be, if the revenue raised is spent in a progressive manner. But even if the beneficiaries of public spending are poor, the net effect may not be pro-poor, if the spending is financed by a highly regressive tax.

For 20 years, the Philippine economy has experienced a series of balance of payments crises triggered by fiscal crises. It has had an unsatisfactory record of poverty alleviation. As the government tries to maintain fiscal discipline by raising taxes and cutting spending, how will poverty be affected? Devarajan and Hossain examine net fiscal incidence to find out. Their findings:

- The incidence pattern of taxes is basically neutral. Contrary to expectations, indirect taxes are only slightly regressive. The poor consume taxed goods such as energy directly, but the rich consume them indirectly by purchasing goods the production of which requires energy and other taxed goods.
- It is the pattern of expenditures that drives the combined incidence, which is progressive.

*(Extracts from authors' summary)*

### Keywords

Taxation  
Public expenditure  
Regressive  
Progressive  
Philippines

**Fjeldstad, O., I. Kolstad & K. Nygaard. (2006). 'Bribes, taxes and regulations: Business constraints for micro enterprises in Tanzania'. Working Paper 2006: 2. Norway: Chr. Michelsen Institute.**

This article summarizes the findings from a survey of 160 micro enterprises in Tanzania. While acknowledging some obvious limitations of an essentially exploratory study, the survey data suggest the following results:

High tax rates, corruption, and regulation in the form of licences and permits, are found to be the most important constraints to business operations of micro enterprises. There are, however, marked differences between sectors. The service sector is relatively more concerned with taxes, corruption, infrastructure, and import/export regulations, than the trade sector. We also find that corruption is related to the other constraints. Firms that interact more with public officials in terms of regulation and infrastructure, are more likely to pay bribes. Moreover, firms that interact more with officials in terms of taxation and regulation, pay higher bribes. Further, sales and investment are positively correlated to bribes paid, indicating that the amount of bribes extracted depends on the firm's profitability.

Reported constraints also vary according to specific firm and owner characteristics. Firms that have been started recently are more inhibited by licences and permits, than more mature firms. High tax rates and tax uncertainty is more of a problem to entrepreneurs in the small town of Moshi, while regulation and corruption are greater problems for firms in the larger city of Dar es Salaam. Business owners with a higher educational attainment appear to be more constrained by regulations, which might relate to the nature of the industry they are in. Finally, the system of licences and permits appears to be more detrimental to female than to male entrepreneurship.

According to our data, access to finance and property rights, are not deemed to be important constraints by Tanzanian micro-entrepreneurs. This suggests that policies to formalize property rights, or expand existing micro-credit schemes, do not address the binding constraints currently facing small enterprises in Tanzania. Other policies aimed at simplifying tax codes and regulatory requirements, and combating corruption, appear to be far more effective in promoting private sector development. It should be noted, however, that since our dataset includes only existing firms, and not firms that have been prevented from being started or closed down (due to e.g. financial constraints), and there is a possible selection bias here. Whether controlling for such a bias would increase the relative importance of these types of constraints, is a question our data does not permit us to address, and is thus left for future research.

*(Authors' conclusion)*

#### Keywords

Micro-enterprises	Regulation
Tanzania	Corruption
Taxation	

#### **GTZ. (2003). 'Summary of the Series Evaluation "Tax systems and revenue authorities in developing and transition countries as an instrument of poverty reduction" Synthesis Report'. Germany: GTZ**

This short paper provides a summary of the series evaluation, which aims to sum up the main findings from the individual evaluations and provide general conclusions on the current value of taxation projects (tax systems and revenue authorities) and the contribution they make to poverty reduction within development co-operation. It should also make recommendations on how future projects of this type should be designed, linked with other activities and integrated into the system of priority areas within which the BMZ operates in order for them to have a greater impact on poverty.

Despite the heterogeneity of the projects evaluated in Bosnia-Herzegovina, the Dominican Republic, Nepal, Nicaragua and Tanzania in terms of the focus of advisory activities, the cross-sectional evaluation does also allow some general findings/conclusions to be drawn and recommendations made with regard to "classic" evaluation aspects.

As far as **poverty focus** is concerned, there is a consensus that the projects evaluated have no direct poverty impact. That they had an indirect impact on poverty is undisputed; that impact depends, however, on a number of very specific conditions. Since their impact on poverty is only indirect, it is absolutely vital for taxation projects to be integrated into a larger package of advice in the public finance sector so as to ensure a poverty focus. This can either take place within a bilateral programme or by donors co-ordinating and sharing out tasks. Independently of the potential for greater networking, stringent demands should be made of the political, economic and social **environment**, particularly in the public finance sector, in order to ensure that projects have a pro-poor environment within which to operate.

As such, the author recommends that taxation projects only be implemented where the preconditions exist i.e. when the general environment indicates that a credible poverty reduction policy is in place and/or the

recipient country can show that it has a transparent budgeting procedure that includes a target-oriented system of expenditure management and initiatives to combat corruption and that it is decentralised. (Adapted from author's summary and conclusion)

#### Keywords

Expenditure management  
Corruption  
Preconditions

#### Infrastructure

**Bery, S., et al. (2004). 'The Nature of Rural Infrastructure: Problems and Prospects'. India: National Council of Applied Economic Research.**

Rural infrastructure assumes great importance in India because of the country's predominantly rural nature, the crucial linkages of infrastructure to economic growth, poverty alleviation and human development, and the poor availability of rural infrastructure. This paper looks at rural infrastructure facilities in India, the lack of which is demonstrated to be an impediment to sustained economic development.

The paper argues that problems of rural infrastructure provision are different from those of the urban, given the smaller size, density and per capita incomes of rural agglomerations. While privatisation is now being considered as the giver of increasing efficiency in the provision of urban infrastructure, this policy recommendation has to be modified in the case of rural infrastructure. Private investors will tend to shun rural areas, especially the ones remote or those that have low incomes or low population density, because of low expected rates of return. It is necessary, therefore, to have a public-private partnership where subsidies or incentives provided by the government would help to direct private investment towards these disadvantaged areas.

The paper looks at a few cases including the issue of power/electricity and notes that it might be more efficient to use mini-generators instead of wired networks connected to the main grid. Similarly, in the case of telecom, mobile phone services might be more economical than landlines. Setting up large water treatment plants, modern piped water supply, and sewerage networks can also be ruled out. Instead, it may be necessary to have small water treatment plants, water supply through stand posts, and sanitised pit latrines.

Several reforms are suggested by the paper:

- industry structure: structural reforms primarily concerned with the introduction of competition into a sector or the removal of barriers to entry so that contestability is a real option
- operation: conduct reforms, whereby a natural monopoly is constrained by rules covering areas such as quality, pricing and access
- ownership: reforms are often associated with a change in the ownership of previously state-owned enterprises to some form of private sector ownership
- change in regulations: regulations can often have an adverse impact on welfare, for example, regulations aimed at controlling prices and entry into markets are likely to reduce the average standard of living.

The concept of universal access to infrastructure needs to be changed from time to time. For example, universal access in telecommunications might involve community access at first, followed by institutional access, and then household access. It is hoped that this kind of staggered introduction of infrastructure will also encourage the generation of local knowledge and debate as to what process of rural development will work best for the individual community.

(Abstract from *Eldis*, available at

<http://www.eldis.org/cf/search/disp/docdisplay.cfm?doc=DOC17422&resource=f1>)

#### Keywords

Rural infrastructure  
Public-Private Partnership  
Ownership  
Regulation  
Industry structure

**DFID. (2002). 'Making Connections: Infrastructure for Poverty Reduction'. London: DFID.**

Some national Poverty Reduction Strategy Papers (PRSPs), whilst acknowledging the link between poverty and infrastructure, have a tendency to treat the two levels of infrastructure separately (national and cross border infrastructure vs. local infrastructure), with different strategies and timescales. This paper argues for an approach which integrates the two.

The paper first examines how infrastructure can benefit the poor. Lessons learnt from past experiences and ways to finance and manage infrastructure are the presented. Finally the donor's role is discussed: DFID argues that donors need to (i) reverse the declining trend in assistance and (ii) helping to establish links with local and international private partners including the informal sector and users themselves to collaborate with governments.

The paper concludes as follows:

- Infrastructure provision must remain a key part of poverty reduction processes. Donor assistance should be complementary to local infrastructure.
- As well as infrastructure investment, there is a need to reform areas which have previously constrained the efficacy of investment i.e. accountability, the environment and institutional development.

**Keywords**

Poverty Reduction Strategy Papers (PRSPs)  
Donor assistance  
Accountability  
Institutional development

**Jahan, S. & R. McCleery. (2005). 'Making Infrastructure Work for the Poor: Synthesis Report of Four Country Studies Bangladesh, Senegal, Thailand and Zambia'. New York: UNDP.**

Infrastructure is a general concept that encompasses many of the obvious, physical features of civilisation. But more relevant to the goal of poverty reduction are infrastructure services, which include the social and economic benefits associated with infrastructure per se. This paper reports on a UNDP/Government of Japan study focussing on the infrastructure-poverty reduction-governance nexus in the context of small-scale community-level infrastructure. It synthesises four country studies - Bangladesh, Senegal, Thailand and Zambia.

The studies highlight various lessons and policy implications including the issue of scaling up. Yet there are certain areas of weaknesses:

- each country study examines projects from various sectors - whilst providing diversity to analysis and results, the report reflects some difficulties in undertaking a comparative analysis
- the number of projects in each country study is relatively small - any conclusions derived may not claim the broad applicability that one would hope for
- for all practical reasons, ranging from data availability to nature of projects, the case studies have been forced to deviate in their methodologies - inter-country comparisons are therefore difficult to establish
- the issue of scaling up, even though touched on, has not been addressed in terms of the coverage and depth that it deserves.

The four country studies do, however, imply the following overall policy approaches:

- pursue small-scale infrastructure initiatives which either have complementary components and/or aim to achieve multiple objectives
- even when there is a one-to-one relation between the activities of a small-scale infrastructure project and its objectives, make sure that all the necessary complementary elements are in place
- integrate gender issues through policies into small-scale projects at all levels - women should not only be beneficiaries of the project, they must be active stakeholders in the design, implementation and management of the project
- small and large-scale infrastructures are complementary - adopt policies to forge that complementary relationship so that large-scale projects can learn from the experiences of the small-scale ones and vice versa
- create a wider recognition of dependence of almost all Millennium Development Goals on infrastructure - achievement of the MDGs partly dependent, and in some cases critically so, on infrastructure

- recognise and help clarify within the political process the important choices that are sometimes faced in infrastructure between maximising growth and improving income distribution.

*(Abstract from ELDIS, available at*

*<http://www.eldis.org/cf/search/disp/docdisplay.cfm?doc=DOC21338&resource=f1>)*

#### **Keywords**

Governance  
Small scale infrastructure  
Millennium Development Goals (MDGs)

#### **Jones, S. (2006). 'Infrastructure Challenges in East and South Asia'. Asia 2015 Conference Hosted by ADB, DFID and WB.**

This paper looks at the relationship between infrastructure, economic growth, and poverty reduction in Asia. It examines the policies required to stimulate the necessary investment and ensure it is employed in the most effective ways to promote poverty reduction.

The importance of physical infrastructure in fostering economic growth and poverty reduction is well recognised but the provision of infrastructure is patchy, showing marked differences between and within countries in terms of both the extent of access to, and the types of, infrastructure provided. Furthermore, current levels of investment in infrastructure fall well below those estimated as being necessary to meet projected demand in relation to future growth prospects.

What is also becoming apparent is that particular benefits accrue to specific investments, such as water, sanitation and roads. Although the impact of different infrastructure spending varies from context to context, a frequent finding is that investment in roads and education has most impact on rural poverty reduction, closely followed by investment in agricultural research and development. Attention to both public and private investment is required in order to provide both the amount and type of infrastructure needed. Private investment in particular has fallen short of expectations and appropriate policy and institutional environments therefore need to be established that will promote and support private investment.

Key findings include:

- Infrastructure is crucial to economic growth and poverty reduction
- Current levels of investment in infrastructure are insufficient to meet projected demand
- Certain types of investment provide greater direct benefit to the poor than others
- More private investment must be attracted
- Public sector infrastructure investment must be improved and made more accountable
- Institutional reforms that enable effective infrastructure investment must be put in place.

Key policy conclusions relating to infrastructure provision in East Asia encompass rationalisation of subsidies, coordination challenges, accountability, regulatory independence, corruption, the predictability of the policy environment, and a continued role for aid donors, among others. Attention also needs to be paid to encouraging participation of the poor in decision-making about infrastructure.

*(Extract from ELDIS, available at*

*<http://www.eldis.org/cf/search/disp/docdisplay.cfm?doc=DOC21168&resource=f1>)*

#### **Keywords**

Public and private sector investment  
Rural poverty  
Asia

## Insurance

**Ahuja, R. & J. Jutting. (2004). 'Are the Poor Too Poor to Demand Health Insurance?'. India: Indian Council for Research on International Economic Relations (ICRIER)**

Community based micro-insurance schemes are increasingly being seen as a solution for meeting the health care challenges of the poor. Can they protect the poor from health related shocks? This paper provides a brief overview of community based micro-insurance schemes. In particular, the paper looks at how institutional rigidities affect the demand for health insurance among the poor, and how insurance could potentially prevent poor households from falling into a poverty trap. Finally, it discusses the role of public health interventions.

The paper examines whether the poor are too poor to afford health insurance. Using a simple analytical model, the paper demonstrates that lack of demand for insurance need not necessarily be the result of affordability. Institutional rigidities, such as (and in particular) credit or borrowing constraints, may prevent low-income households from demanding insurance that they can otherwise afford. The paper also shows that the absence of insurance can increase a poor household's vulnerability, and push them into a poverty trap.

However, the paper emphasises that the findings are only applicable to low income households near or on the poverty line, who could fall into a poverty trap if they face a major health shock. For the poorest of the poor, affordability of insurance is still a major issue.

Given these findings, the paper argues that the appropriate public intervention to generate demand for insurance may not be to subsidise premiums. Instead, the paper recommends that public intervention should remove institutional rigidities, for example, in labour, credit and product markets.

The paper also suggests that:

- it is important for the poor to have appropriate savings and borrowing instruments
- when extending the reach of micro-insurance schemes as a means of reducing health related shocks facing poor households, it is essential to make a distinction between those who can afford health insurance and those who cannot (since for the poorest of the poor, affordability is still be an issue)
- donor agencies need to examine the potential for embedding micro-insurance schemes in existing micro-credit schemes rather than building micro-insurance schemes from scratch.

The paper recommends that further empirical research should be conducted to analyse if micro-insurance schemes have performed better in an environment where a credit facility is inbuilt into such schemes than those in which availability of credit is more restricted.

*(Extract from ELDIS, available at*

<http://www.eldis.org/cf/search/display/docdisplay.cfm?doc=DOC14598&resource=f1>)

### Keywords

Affordability  
Credit Constraints  
Micro-insurance  
Micro-credit

**Ahuja, R. (2006). 'Health insurance for the poor: India'. Policy Brief No. 12. Inter-Regional Inequality Facility. February 2006. London: ODI/DFID.**

In India, individuals and families on low incomes face significant barriers to accessing quality healthcare. Public health facilities suffer from poor management, low service quality, and weak finances. On the other hand, private health facilities are expensive, so that households typically have to borrow or sell assets to meet hospitalisation costs. At the same time, insurance companies have until recently shown little interest in offering health insurance products to poor groups.

A search for alternative mechanisms for meeting the healthcare needs of the poor in India has given rise to a variety of new health insurance initiatives. This paper describes three such initiatives, namely micro-health insurance, the Yeshasvini scheme in Karnataka state, and the national Universal Health Insurance scheme.

Each has the overriding objective of increasing the access of poor individuals and families to quality healthcare at an affordable cost.

The three initiatives considered in this paper suggest that three conditions are essential for the success of health insurance for individuals and families on low-incomes. These are: the provision of healthcare services of a reasonable quality; the possibility of resource mobilization from the targeted population, so that part of the cost is recovered, and the presence of an intermediate agency to overcome the informational disadvantages and high transaction costs involved in providing insurance to low-income groups. The positive impacts of health insurance schemes for the poor can also be enhanced, by the strengthening of public health facilities through structural and institutional reforms, the provision of public subsidies to health insurance schemes in their initial years, and greater regulation of the growing number of micro-health insurance schemes.

*(Extracts from article)*

#### **Keywords**

Health insurance  
Cost recovery  
Informational asymmetry  
Transaction costs

**Dercon, S. (2005). 'Vulnerability: A micro-perspective'. Oxford: Department of Economics, University of Oxford.**

High downside risk to income and livelihoods is part of life in developing countries. Climatic risks, economic fluctuations, and a large number of individual-specific shocks leave these households vulnerable to severe hardship. The paper explores the links between risk, vulnerability and poverty, taking a micro-level perspective. Risk does not just result in variability in living standards. There is increasing evidence that the lack of means to cope with risk and vulnerability is in itself a cause of persistent poverty and poverty traps. Risk results in strategies that avoid taking advantage of profitable but risky opportunities. Shocks destroy human, physical and social capital limiting opportunities further. The result is that risk is an important constraint on broad-based growth in living standards in many developing countries. It is a relatively ignored part when designing anti-poverty policies and efforts to attain the Millennium Development Goals. The paper discusses conceptual issues, the evidence and the policy implications.

*(Author's abstract)*

#### **Keywords**

Risk  
Vulnerability  
Shocks  
Poverty trap

**Loewe, M. et al. (2001). 'Can Micro-insurance be a Substitute of Social Assistance in Jordan?' Germany: Deutsches Institut für Entwicklungspolitik (DIE) (German Development Institute)**

This study examines the potential of micro-insurance as an approach to reducing the vulnerability of urban population groups that are difficult for conventional social protection strategies to cover in Jordan. It argues that this is a promising new approach, but that social assistance and social insurance still have their role to play.

Findings include:

- the vulnerability of households to risks is a major factor contributing to widespread poverty in Jordan
- private insurance is too expensive for low-income people, traditional mutual support is limited in scope and not sufficiently reliable, and social assistance reaches less than 4 % of the population
- micro-insurance is a feasible approach to closing part of this gap: a high number of urban households would be willing to provide for the future and are able to pay small insurance primes but lack adequate provisioning offers



- a design based on the cooperation between non-governmental organisations and commercial insurance companies, with the backing of the state, would be able to offer a term life and work disability micro-insurance product at an affordable price
- however, micro-insurance cannot provide for comprehensive social protection
- the micro-insurance approach is not an appropriate approach to covering the entire urban population: while it can reduce the vulnerability of the non-poor, it does not present a solution for the desperately poor, who have no extra-income for insurance

The study therefore recommends a three-fold strategy:

- launch of micro-insurance for the vulnerable non-poor
- widening of the outreach of social assistance to all of the desperately poor
- reform of the operating social insurance schemes with an eye to restoring their financial sustainability and making them fit for a future step-by-step extension of their coverage to additional groups of the employed

(Abstract from ELDIS, available at

<http://www.eldis.org/cf/search/disp/docdisplay.cfm?doc=DOC14158&resource=f1>)

### Keywords

Micro-insurance  
Urban poverty  
Social assistance  
Jordan

### **Wagstaff, A. & M. Lindelow. (2005). 'Can Insurance Increase Financial Risk? The Curious Case of Health Insurance in China'. Washington: World Bank.**

The most basic argument for insurance is that it reduces financial risk. But since insurance opens up new opportunities for consuming expensive high-tech care which permits health improvements that are valued by the insured, and because in many settings the provider is able and has an incentive to exploit the informational advantage she has over the patient, it is not immediately obvious that insurance will in practice reduce financial risk. We analyze the effect of insurance on the probability of an individual incurring 'high' annual health expenses using data from three household surveys—one a cross-section, the other two panels. All come from China, a country where providers have until recently largely been paid fee-for-service (often according to a schedule that encourages the overprovision of high-tech care and the under-provision of basic care) and who are only lightly regulated. We define annual spending as 'high' if it exceeds 5% of average income in the sample and as 'catastrophic' if it exceeds 10% of the household's own per capita income. Our estimates of the effect of insurance on financial risk allow for the possible endogeneity of health insurance in the panel datasets by allowing for a time-invariant fixed effect capturing unobserved risk that may be correlated with insurance status, and in the cross-section dataset by using instrumental variables, where we use availability of and eligibility for health insurance as instruments. Our results suggest that during the 1990s China's government and labor insurance schemes increased financial risk associated with household health care spending, but that the rural cooperative medical scheme significantly reduced financial risk in some areas but increased it in others (though not significantly). From our results, it appears that China's new health insurance schemes (private schemes, including coverage of schoolchildren) have also increased the risk of high levels of out-of-pocket spending on health. Where we find evidence of health insurance increasing the risk of 'high' out-of-pocket expenses, the marginal effect is of the order of 15-20 percent; in the case of 'catastrophic' expenses, it is even larger.

(Authors' abstract)

### Keywords

Health insurance  
Financial risk  
China

## Financial services

**Cull, R. (2001) Financial Sector Reform: What Works and What Doesn't. Washington: World Bank**  
<http://siteresources.worldbank.org/INTINTERESTBEARINGNOTES/Resources/bcull.pdf>

This paper addresses three simple questions: Where have financial sector lending operations been most successful? Why? And has financial development come at a cost in terms of stability?

It summarises the Bank's experience in financial sector lending operations from 1985-1996, including the types of loans issued, the reforms covered in the loans' conditionalities, and the extent of financial sector development in the wake of the lending operations. It also seeks to test whether variation in financial development is best explained by the characteristics of the recipient country or by features of the lending instrument. In its final section the paper examines whether the probability of banking crisis increased in those cases where improvement occurred across a variety of financial indicators.

### Keywords

Financial sector lending  
Stability  
Conditionalities

**Hulme, D. and Mosley, P. (1996) 'Finance Against Poverty. Volumes 1 and 2.' London: Routledge**

These two volumes are the result of a research project to establish some much-needed empirical evidence to test the hypothesis that lending to micro-entrepreneurs can assist in poverty alleviation, and to identify what makes those institutions successful. The field research, documented as case studies, is presented in the second volume and covers many of the better-known institutions in Kenya, Bangladesh (not Grameen Bank), Bolivia, Indonesia, Malawi, India and Sri Lanka. Although these volumes are entitled Finance Against Poverty, they are mainly concerned with an analysis of a number of micro-credit institutions, their performance and sustainability, and the impact on their clients.

Hulme and Mosley tackle one of the central dilemmas in development finance: how to unite the seemingly incompatible objectives of social welfare and commercial success. They examine the extent to which micro- and small-scale lending can be a tool for poverty alleviation, and whether there is a trade-off between this goal and the need to minimize risk and establish a financially viable loan portfolio. The volumes link a solid theoretical discussion with practical examination - a welcome change from the many descriptive studies which, as Hulme and Mosley note, often 'idealise' the chosen institution.

Group schemes have a number of theoretical advantages over individual lending, and the argument for averting the 'moral hazard' of default is plausibly made. This does not exclude the possibility of successful individual lending, and one example (Indonesia) is included. Incentives to repay are calculated, including a refinancing factor with a direct association between timely repayment and size of potential increase of future loans (progressive lending coefficient), as well as a direct incentive to pay (refund), which amounts to 12 per cent of the loan size. Savings and insurance are only reviewed in the context of providing security against unforeseen risks but, taken a step further, saving can be a valuable financial service for the poor in its own right, and can overcome the dilemma of whether to lend for consumption or emergency purposes.

The contribution of micro-credit (and the wider role of micro-enterprise development) to poverty alleviation is not taken as given. Policy makers should take note that it is the particular design features of the schemes that will define the extent of the anti-poverty effect. The theoretical link between lending and poverty alleviation appears through the generation of employment and the creation of income. Provision of credit is one of the few ways the poor can access productive resources but, as with many poverty alleviation mechanisms, it can result in exclusion of the poorest, and retention of benefits by the 'middle' and 'upper' poor. This may increase inequality between the poor, and can certainly lead to tension at village level. The size of the income effect is shown to be determined by the initial income of the borrower; and the mechanism for this result is the likelihood of taking risk, i.e., the assumption that the poorest are more risk averse, and prefer what are termed 'protectional' rather than 'promotional' loans, with a lower level of risk but a concomitant lower return. The two may be linked and stabilization of household income, through a loan of the former type, may increase the possibility of the entrepreneur taking a further loan for a more risky, but better paying, investment. The introduction of new technology as a result of micro-lending is shown to affect

borrower income positively. But small proportions of borrowers adopt new production methods, and it tends to be restricted to larger investment made by richer borrowers. This will always be a limitation while households adopt a portfolio approach and engage in a number of activities to achieve as they perceive it, their best survival strategy.

The books conclude with cautious praise for the 'new wave' institutions, combined with a tacit recognition that micro-finance, of the nature currently being provided, is not a panacea for poverty alleviation. In all of those countries studied, credit is not reaching the poorest of the poor and other interventions may be necessary - caution for the welfarist approach that should be heeded by its many proponents. This is not a 'how to' book, but a theoretical and practical examination of the factors affecting the success and failures of institutions and their poverty alleviation effects.

*(Extracts from book review by Presland, C., 1997, in Public Administration and Development Vol. 17: 541-564).*

#### Keywords

Micro-credit institutions  
Financial viability  
Risk  
Moral hazard

#### **Johnson, S. & B. Rogaly. (1997). 'Microfinance and Poverty Reduction.' Oxford: OXFAM.**

The provision of credit and other financial services has become increasingly seen as the answer to the problems facing poor people. Microfinance interventions have the capacity to increase incomes, contribute to individual and household security, and change social relations for the better. However, it may not be assumed, argue the authors of this book, that they will do so and it may often be more effective in terms of poverty reduction to combine credit provision with other development activities. Considering various types of finance schemes, this text compares the effectiveness of different approaches in aiding poverty reduction. The book emphasizes the importance of first studying the local context, and then considering the macroeconomic factors which may be operating upon the economy of a particular country. Five extended case studies, in the Gambia, Ecuador, Mexico, Pakistan, and the UK, are examined, with reference to further aspects of sustainability and impact assessment.

#### Keywords

Microfinance institutions  
Credit provision  
Context

#### **Marr, A. (1999). 'The Poor and Their Money: What Have We Learned?'**

<http://www.odi.org.uk/publications/briefing/pov4.html>

Informal credit arrangements tend to improve the informational asymmetries commonly characterising finance provision for the poor. Since members of an informal group know each other, they are more likely to maintain payments and monitor each other appropriately. These schemes seem to solve the problem of finance provision for the poor, whilst being profitable. This suggests that if conventional banks could adopt this strategy, by working with local NGOS, it could help make provision financially self-sustainable.

The author examines the new challenges facing the micro-finance institutions. It questions whether attention on reducing lenders' costs has come at the price of reducing the net benefit of the poor. The following issues are brought up

- Is self selection too costly for the poor? Groups will tend to self select homogenous members. Nevertheless, individual risks will diverge and lack of payment by some (usually the poorest) may threaten the survival of the whole group and destroy the mutual trust.
- Is credit all that the poor need? A wider range of flexible services will tend to increase the longevity of the informal arrangements.

- Will 'financial sustainability' lead to more diverse financial services for the poor? Pressure to remain financially sustainable is leading to lending services which are easier to allocated and recover the costs – but these new products are attracting the richer clients, at the cost of poorer clients.
- What role for donors and governments? Better impact assessment data is required before projects such as those designed at the 1997 Micro-Credit Summit (a global campaign to reach 100 million poor people - particularly women - by the year 2005 with estimated required funding of US\$22 billion) are implemented. The author suggests a 'twin-track' approach as an experiment, e.g. programmes designed for micro-finance purposes would run in parallel with programmes directed towards geographically isolated people and the very poor, followed by an analysis of the livelihood impact in each case.

### Keywords

Information asymmetry  
Self selection  
Financial sustainability

### 2.6.3. Agricultural and forest policy

**Bird, N & Dickson, C. (2005). 'Poverty Reduction Strategy Papers: making the case for forestry'. ODI Forestry Briefing 7. London: Overseas Development Institute.**

Poverty reduction strategies have become a major framework for national planning and international development assistance. However, forestry coverage is limited within most Poverty Reduction Strategy Papers. Very few papers examine the links between poverty and the use of forest resources. There is also little exploration of the links between poverty reduction strategies and sector processes, such as national forest programmes. It is therefore unlikely that forestry issues will appear high on the national political agenda, which is now much influenced by the poverty reduction debate. This may affect budgetary allocations to the sector, and reduce the opportunities for cross-sectoral coordination. The contribution that forestry can make to poverty reduction has to be better understood and then communicated effectively in national policy circles. Sustainable forest management can probably play only a minor role in a growth-orientated, nationally accountable poverty reduction strategy. Yet through tenurial reform forests have the potential to provide significant, long lasting benefits for the rural poor.

### Policy Conclusions

- Without established ownership or precisely-defined rights over forest resources there is little incentive for poor people to invest in forest management. Poverty reduction strategies present a valuable opportunity to prioritise tenure reform in forested areas, although this is rarely acknowledged in existing PRSPs.
- There has been a tendency in the literature to see the strength of PRSPs as lying in the process of their formulation, not in their factual content. In relation to resources such as forests, however, there is a real danger that over-concern with process over content will simply serve to legitimize the status quo.
- When setting the priorities for pro-poor forest policy, the benefits of sound forest management should be valued in terms of harm avoided as well as of benefits gained. This means giving greater attention to the social safety net functions of forests and their role in reducing the vulnerability of the poor.
- Sector-led frameworks tend to be the most powerful lever of improved management practices within the bureaucratic structure of government. Poverty reduction strategies therefore need to strengthen links to sectoral planning processes. The national forest programme (nfp) represents the main planning framework for forestry in many countries. Nfps can provide the necessary broad platform to engage with the poverty reduction agenda by working towards coherent sector policies that have widespread support.
- Public consultations conducted as part of poverty reduction strategies may well understate the importance of forestry issues to the poor. Improved methodologies are required to compensate for the disincentives for the poor to reveal the extent of their dependence on resources which are often state assets to which they have no official right of access.

*(Author's abstract)*

### Keywords

PRSPs  
Tenure reform  
Ownership  
Forest management

**Brown, D et al. (2002). From Supervising 'Subject' to Supporting 'Citizens': Recent Developments in Community Forestry in Asia and Africa. Natural Resource Perspective 75. London: Overseas Development Institute.**

Major investments have been made in recent decades in the development of community forestry. Drawing on two contrasting cases – Nepal (multiple purpose, relatively low value upland forests) and Cameroon (humid lowland forests of high commercial value) – this paper argues that policy development has involved many unknowns, necessitating a learning process orientation and considerable flexibility. This involves substantial cost, but the benefits may be significant, as regards both rural livelihoods and the proper husbandry of hitherto under-managed resources.

**Policy conclusions**

- There is growing evidence that participation in forest management can contribute significantly to rural livelihoods.
- The levels and types of benefit vary according to the context, as do the risks associated with them; in general, the higher the marketed benefits, the more hostile the policy environment is likely to be.
- Different phases of establishing community forests require different forms of support – flexibility is required by donors if they are to respond to these varying needs.
- Despite the policy emphasis on shifting control over forests from government forest departments to local communities, forest officials often deploy a number of tactics to retain control.
- Ambiguities in the notion of 'community' are common and need to be resolved at an early stage.
- Significant investments in local institutional development may be needed to prevent capture of benefits by elites.
- Despite community involvement, public controls over forest exploitation may still be needed, but with some shift in balance, away from authoritarian policing and towards support for local monitoring.
- The process of policy innovation in such a contentious sector requires external support, not least for 'progressive' constituencies within recipient countries; this may be problematic in the current development assistance environment, with its emphasis on rapid delivery and short-term impact.

*(Extracts from authors' abstract)*

**Keywords**

Forest management  
Participation  
Community

**Brown, D & K. Schreckenber. (2001). 'Community Forestry: Facing up to the Challenge in Cameroon'. Rural Development Forestry Network 25a. London: Overseas Development Institute.**

The Cameroon case presents one of the greatest challenges to community forestry in the tropics, and has generated exceptional interest in the international community. A radical overhaul of the forest legislation in 1994 opened the way for community involvement in the management of forests for commercial timber production. This paper highlights that, despite the enormity of the challenges, real progress can be made where there is a critical mass of local and international concern, and that the benefits to be had may spread beyond the forest sector, and extend into the wider realms of public governance. But progress takes time, and demands tenacity and long-term financial commitment from local actors and international funders alike. The paper concludes with some lessons learnt and recommendations in the following areas

- The need to consider forest resources in their totality
- The process of policy innovation
- Community forestry requires good governance.

*(Adapted from authors' abstract)*

**Keywords**

Cameroon  
Good governance  
Community  
Participation

**Byerlee, D, X. Diao & C. Jackson. (2005). 'Agriculture, Rural Development, and Pro-poor Growth: Country Experiences in the Post-Reform Era'. Washington: World Bank**

Using case studies of 12 developing countries (five in Africa, four in Asia and three in Latin America), this paper studies the contribution of agriculture and rural development to poverty reduction, through its effect on economic growth. Agricultural and rural development can be pro-poor if it can produce productivity improvements for small-scale farmers and if it results in low food prices for the poor.

The paper provides a record of pro-poor growth since 1990 in the case study countries. Asia has seen steady growth in food and agricultural production per worker and agricultural productivity per worker but rural-urban disparities continue to increase. Low per capita growth in food and agricultural production is still a problem in Africa although the cases of Ghana and Uganda provide some optimism.

The paper then reviews the case study countries with respect to five core themes for pro-poor growth: (i) the response of the sector to liberalization and its impacts on pro-poor growth, (ii) drivers of agricultural productivity growth, (iii) the contribution of the rural non farm sector and migration, (iv) the effects of initial asset distribution, and (v) management and impacts of shocks.

Pro-poor agricultural policy priorities are highlighted

- Deepen reform efforts to allow agricultural sector to achieve its growth potential – liberalisation of pricing and marketing policies
- Increased investment in public goods such as infrastructure, education and R&D
- Reforming price subsidies
- Pro-active role of the state in making markets work e.g. institutional innovations, 'smart subsidies'
- Making growth more pro-poor – improving farmers' access to markets, investment in skills and education so poor can participate in more high value add activities, market based redistributive land reform
  - Asia – managing transition away from small farms
  - Africa – improving farm productivity
- Increasing the voice of the rural poor through national policy dialogue

**Keywords**

Pro-poor growth  
Agricultural reform  
Rural non-farm growth  
Linkages

**DFID. (2005). 'Growth and Poverty Reduction: the Role of Agriculture'. London: DFID**

This report provides the case for the central role of agricultural development in poverty reduction. This is justified on the grounds of its direct impact on farmers' incomes and its indirect, 'spillover' effects such as greater supply of cheap food and increased employment, stimulating growth in other sectors.

DFID's Guiding Principles for Agricultural Development Strategies

- *Reflect the stage of a country's development.* improving agricultural productivity is especially important for countries at the early stages of development to stimulate economic growth;
- *Give priority to agricultural development in places where significant productivity gains are possible and the potential links to the wider economy are strongest;*
- *Give priority to strategies designed to overcome the most significant obstacles to increased productivity and employment;*
- *Focus on demand and market opportunities.* This means adapting the agricultural sector to the local market e.g. where countries are self-sufficient in food, the sector should move towards producing higher value-added goods;
- *Make social protection complementary to agricultural growth.* Well targeted and well timed social protection will encourage farmers to take more risks and to cope with uncertainties;
- *Ensure the sustainable use of the main productive resources such as land and water and minimise any adverse impact of increasing productivity on the environment.*

DFID's Seven Priority Areas provide a framework for Policy

- Create policies that support agriculture, with particular focus on exchange rates, export taxes, policies to keep prices low for consumers;
- Target public spending more specifically to agriculture;
- Tackle market failure;
- Fill the agricultural finance gap (providing better access to credit for the poor);
- Spread the benefits of new technology;
- Improve access to land and secure property rights;
- Reduce distortions in international agricultural markets

### Keywords

Productivity  
Demand-led approach  
Public investment

**DFID. (2004). 'Making agricultural markets work for the poor'. Working paper for the Renewable Natural Resources and Agriculture Team, DFID Policy Division. London: Imperial College and Overseas Development Institute**

The arguments for and against state intervention and liberalisation in 'market co-ordination' are presented. Market co-ordination describes the effectiveness of markets for inputs, outputs, credit, labour etc. Therefore, high market co-ordination facilitates the transmission mechanism through which agricultural growth can reduce poverty. This transmission mechanism consists of (i) direct impact on rural incomes, (ii) lower food costs for rural and urban poor, (iii) stimulating non-farm economy and (iv) stimulating and sustaining economic transition.

The paper brings together evidence on how improved market co-ordination can make markets work better for the poor. Policy prescriptions for the two main schools of thought, market failure vs. embedded markets, are provided. The 'market failure' school, whilst advocating state intervention in the provision of public goods, call for completion of the liberalisation process in developing countries which was previously hindered by excessive state intervention. Liberalisation policies include removal of trade barriers, sound macro-economic policies and introducing trade-able property rights for land, water and buildings. With respect to Structural Adjustment Policies (SAPs), it is argued that their implementation was poor and incomplete.

In contrast, the 'embedded markets' school questions the logic of liberalisation and calls for greater state intervention to make markets work ("markets need to be 'embedded' in a sensible policy framework" (p. 14)). "States should not only provide roads, health care, education, property rights, information and anti-monopoly regulation. In this view, they should also address issues of risk insurance, social capital building, intermediation and coordination between market parties, and make initial investments to establish a minimum market size that will attract private players" (p. 14). With respect to SAPs, liberalisation went too far – whilst reducing rent seeking and corruption, it generally left the economies with little or no market co-ordination.

As well as poor market co-ordination, *exclusion* (political, economic and social) is what causes the transmission mechanism to function poorly. This exclusion leads to two processes that prevent the poor from benefiting from markets: segmented markets (where poor are discriminated based on non-economic factors such as gender, ethnicity and caste) and interlocking markets (which lock the poor into unfavourable patron-client relationships), thereby tying the poor into a dependency trap. Policy options for mitigating the adverse effects of social exclusion are presented.

### Keywords

Social exclusion  
Market co-ordination  
Market failure  
Embedded markets

**Dorward, A. et al. (2004). 'Institutions and Policies for Pro Poor Agricultural Growth'. *Development Policy Review*, Vol. 22 (6).**

Whilst increased productivity in small holder agriculture is necessary for growth in rural areas, it is not sufficient to guarantee rural poverty reduction. Significant poverty reduction will only be achieved when initial agricultural growth can fuel growth in other rural non-farm sectors, the degree of which will be dependant upon multiplier effects of agricultural growth. Where agricultural growth is not poverty-reducing it still has a role in maintaining livelihoods and the natural resource base.

#### Conclusions

- “In most poor rural areas both the farm and non-farm sectors are critical for poverty reduction, with different but complementary contributions to pro-poor growth. Both sectors must grow so that the non-farm sector can build on, but increasingly take over, smallholder agriculture’s initial dominant influence on real wages and food security.
- Critical conditions necessary for the initial stages of P[ro] P[oor] A[gricultural] G[rowth] are labour demanding technical change that delivers significant productivity gains, and access to stable input, output and financial markets supporting such technologies; and transmission to the poor of the benefits from the widespread adoption of technology through a tightening of labour markets and falling grain prices (which must not proceed ahead of and choke growth).
- The process of structural change requires policy analysis to differentiate between stages of development in poor rural areas and between different categories of rural people, and needs careful sequencing and targeting of policies. The early stages of growth require an active co-ordinating role by some central player(s) with larger hierarchical structures. In the past the state has both financed and attempted to deliver such co-ordination, achieving outstanding success in some cases but abject failure in others. Finding new and more effective co-ordination mechanisms with different roles for the state, the private sector and civil society presents major technical, administrative and political challenges in the design and implementation of policy.
- Further subsidies may often be necessary to make input purchases for improved technologies both profitable and affordable (provided that basic infrastructure and viable technologies exist, but supporting market systems are weak, with low volumes and high costs and risks). The design and implementation of subsidies for output price stabilisation and credit delivery pose challenges, but if effective such subsidies will often be more efficient than blunter input subsidies” (p. 621).

#### Keywords

Complementary non-farm growth  
Labour intensive technology  
Input and output market access

**Hobley, M. (2005). 'Where in the world is there pro-poor forest policy and tenure reform'? Washington: Partnership for Rights and Resources.**

The purpose of this paper is to provide the Partnership for Rights and Resources (PRR) with an analysis of the opportunities and threats to increasing pro-poor tenure and policy reforms in the global forest sector over the next decade. The analysis examines the international, national and local arenas and the drivers of change at these different levels. It questions the extent to which there is already pro-poor policy in place. It examines critically the nature of poverty as a basis from which to assess the extent to which changing ownership and access patterns are bringing greater livelihood security to the rural poor. It uses poverty as the starting point for looking at forest policy rather than looking at forestry and seeing how it can be made to accommodate a more pro-poor approach.

The paper first considers what is meant by pro-poor forest policy and how to assess whether it is in place. The remainder of this first section is devoted to unpacking the assumptions underpinning much of the support to 'pro-poor' forestry. The second part develops an approach to pro-poor forestry. It analyses the critical factors that shape the potential for pro-poor policy including an analysis of the nature and understanding of poverty to ensure clarity in debate about who are the poor and thus what the differential effects on them are of forest policy and tenure change. It builds on notions of vulnerability, insecurity and



well-being<sup>14</sup>. It examines the nature of the state and its structures, civil and political society and some of the over-arching trends that enable or disable pro-poor policy. The third part of the paper uses the analysis developed in part two to provide a rough guide to different country contexts and to use this as a basis for recommendations to the PRR for identifying places and arenas in which to work.

*(Author's abstract)*

### Keywords

Forestry policy  
Vulnerability  
Insecurity  
Tenure reform

**IFAD. (2001). 'Rural Poverty Report 2001: The Challenge of Ending Rural Poverty'. Rome: International Fund for Agricultural Development.**

<http://www.ifad.org/poverty/index.htm>

This report calls for a multi-targeted approach to poverty reduction, which increase the productive potential of the poor so that the poor can help themselves out of poverty.

Four important aspects to reducing rural poverty are noted. Firstly, institutions, markets, technology policy and asset arrangements need to reflect the importance of food staples. Food staples provide the poorest with most of their income, employment and calories. Secondly, better quality, reliability and distribution of water is required for farmers to secure output. Given the pre-existence of high levels of inequality, agricultural growth is necessary but not sufficient to reduce poverty in line with the Millennium Development Goals – growth with redistribution is needed. The authors advocate more empowering methods (participation, decentralisation), with particular attention on marginalised groups (women, ethnic minorities, geographically remote groups) to promote more efficient use of resources. The key to addressing these four themes is to promote labour-intensive rather than labour-replacing methods of agricultural development.

The report focuses on what the authors believe to be crucial but often neglected themes of rural poverty reduction

- Access to assets (putting land reform back onto the agenda for more equitable distribution but authors argue that both communal land tenure and private tenancy can be pro-poor, access to water and complementary support services);
- Technology and natural resources;
- Markets for the poor (improving physical and financial access to input and output markets);
- Institutions for the poor (building partnerships with key stakeholders, empowering the poor through more representative institutions).

### Keywords

Water  
Redistribution  
Market access  
Institutions

**OECD. (2005) Enabling Pro-poor Growth through Agriculture. Paris: OECD.**

The OECD paper focuses on the agricultural potential for poverty reduction in the context of the MDGs and Poverty Reduction Strategy processes. It sets three objectives for a pro-poor agricultural growth agenda: (i) enhancing agricultural productivity, (ii) addressing risk and vulnerability, and (iii) facilitating diversification out of agriculture. Policies to address these three objectives are to be tailored to the specific livelihood needs

<sup>14</sup> 'Well-being is used to describe all elements of how an individual experiences the world and their capacities to interact and includes the degree of access to material income or consumption, levels of education and health, vulnerability and exposure to risk, opportunity to be heard and ability to exercise power, particularly over decisions relating to securing livelihoods' (World Bank, 2001:15)

and constraints faced by the different categories of rural households – the paper distinguishes between five ‘rural worlds’<sup>15</sup> – with a special focus on improving the livelihoods of smallholders and landless farmers.

One of the main constraints to achieving pro-poor growth is said to be the nature of the relationship between the public and private institutions and the rural poor with regards to service provision (in extension, research, marketing and finance): ‘institutional support by the state has been widely discredited’ (p.66) but ‘the introduction of private sector institutions to more central roles in agriculture has only been partially successful and many poorer producers have been left without any form of support or access to markets’ (p.67). To overcome these constraints it is recommended a ‘realignment’ of the institutions providing these services and the establishment of new and innovative institutional arrangements based on ‘public-private’ and ‘public-NGO’ partnerships. This applies not only to marketing and financial services provision but also to areas typically under the public sector exclusive domain such as investments in rural infrastructures and agricultural research – ‘[e]ven though government must pay for many goods and services, it does not have to deliver them. Recent years have seen considerable success in using NGOs and CSOs to deliver targeted assistance to the poor and private firms can be contracted to build and maintain schools, health centres, roads and the like’ (p.28).

The paper concludes with a comprehensive list of public actions for addressing each of the three pro-poor agriculture objectives. They all stress the need for reframing public sector intervention (with emphasis on trade liberalisation, removal of subsidies, trade barriers and punitive taxes, and decentralisation of governance structures), exploring synergies between public, private and NGO sectors (in developing and disseminating agricultural technologies and in providing financial and agricultural marketing services) and ensuring greater intervention of the poor in policy design and implementation.

*(Summary from Cabral, L. & Scoones, I. (2006). Narratives of Agricultural Policy in Africa: What Role for Ministries of Agriculture? London: Future Agricultures(ODI))*

#### Keywords

Productivity	Risk
Diversification	Institutional support
Vulnerability	State intervention

#### USAID. (2004). ‘USAID Agriculture Strategy: Linking Producers to Markets’. Washington: USAID

Good governance is highlighted as a key element in creating an enabling environment for “science-based, market-led, sustainable agriculture” (p. 3).

However, the report also highlights USAID’s particular role in agricultural development – it aims to increase agricultural productivity and increase participation of small farms in global markets through four strategic themes:

- Expanding trade opportunities and trade capacities
- Increasing the social, economic and environmental sustainability of agriculture
- Exploiting science and technology and fostering innovation
- To strengthen agricultural training and education, outreach, and adaptive research.

U.S. business and cooperative sectors, international science and technology organizations, other U.S. Government agencies, U.S. colleges and universities, and NGOs are highlighted as potential partners. The motivation behind this strategy may well be driven by a business perspective - ‘increasing agricultural growth and productivity not only reduces hunger and adds to rural incomes but can save billions of dollars now being spend on emergency food assistance’ (p.23).

<sup>15</sup> The ‘rural worlds’ framing draws on work by the London-based International Institute of Environment and Development, drawing on a long tradition of work that takes a broader livelihoods approach to agricultural issues. Thus Rural world 1 is made up of commercial large-scale farmers; rural world 2 is made up of competitive, large or small-scale farmers; rural world 3 is made up of traditional small-scale farmers; rural world 4 is made up of landless labourers; and rural world 5 made of people with depleted assets, many no longer economically active. (OECD, 2005: 17-20)

## Keywords

Small farm productivity  
Technology  
Governance

### **World Bank. (2002). 'Sustaining Forests: A Development Strategy'. Washington: World Bank.**

This report provides the World Bank's revised Forest Strategy following criticisms of its 1991 and 1993 reports. These reports were criticised for being too passive and for their failure to address the active management of forests e.g. the 1991 report's main focus was on not financing commercial logging and the 1993 report took a "do not harm forests" approach rather than pro-active recommendations to manage forests. One of the main changes to this updated report is the recognition that supporting policy reforms outside the forest sector, e.g. rural development and infrastructure programs, can be just as effective in protecting forests as direct forest sector policies.

'[T]he revised Forest Strategy has been built on three equally important and interdependent pillars:

- Harnessing the potential of forests to reduce poverty
- Integrating forests in sustainable economic development
- Protecting vital local and global environmental services and values

Addressing these three aspects together makes a Forest Strategy complex and multifaceted. It is not only about growing or protecting trees but also involves a complex interaction of policy, institutions, and incentives. A narrow perspective on forestry—even sustainable forestry—is insufficient. To be effective, the strategy demands a multi-sectoral approach that addresses cross-sectoral issues and takes into account the impacts of activities, policies, and practices outside the sector on forests and people who depend on forests for their livelihoods' (p. 2).

'Within these three pillars of engagement, the Bank must be selective in the activities it supports. In broad terms, the Bank will focus on economic policy and rural strategies that embrace both conservation of vital environmental services and sustainable use. It will provide institutional and policy support for community and joint forest management, governance and control of illegal activities, building markets, and financial instruments in support of private investment in sustainable forest conservation and management. It will emphasize the development of new markets and marketing arrangements for the full range of goods and environmental services available from well-managed forests. For the IFC [Intergovernmental Forum on Forests] and the MIGA [Multilateral Investment Guarantee Agency], the major focus will be to support private investments in sustainable forest management (SFM), conservation, and rural forest industries' (p. 3).

## Keywords

Rural development  
Infrastructure  
Multi-sector approach  
Institutional support  
Sustainable Forest Management

### **Wunder, S. (2001). 'Poverty Alleviation and Tropical Forests: What Scope for Synergies'? World Development Vol. 29(11).**

This paper explores the 'state-of-the-art' of the two-way causal links between poverty alleviation and natural tropical forests. Micro-impacts of rising poverty can increase or slow forest loss. At the macro-level, poverty also has an ambiguous effect, but it is probable that higher income stimulates forest loss by rising demand for agricultural land. The second question is what potential forest-led development has to alleviate a country's poverty, in terms of producer benefits, consumer benefits and economy wide employment. Natural forests widely serve as 'safety-nets' for the rural poor, but it proves difficult to raise producer benefits significantly. Urban consumer benefits from forest, an important target for pro-poor agricultural innovation, are limited and seldom favour to the poor. Absorption of (poor) unskilled labour is low in forestry, which tends to be capital-intensive. Natural forests may thus lack the comparative advantage for poverty alleviation. There are few 'win-win' synergies between natural forests and national poverty reduction, which may help to explain why the loss of tropical forests is ongoing. This may have important implications for our

understanding of 'sustainable forest development' and for the design of both conservation and poverty alleviation strategies.

(Author's abstract)

#### Keywords

Forestry  
Conservation  
Environment

#### 2.6.4. Land ownership, registration and inheritance policy

**Besley, T & Burgess, R. (2000). 'Land Reform, Poverty Reduction and Growth: Evidence from India'. Quarterly Journal of Economics p389-430.**

Using econometric analysis, from panel data from sixteen main Indian states between 1958 and 1992, this report tests whether the large number of land reform have had any significant impact on poverty reduction. The authors find that there is a robust link between poverty reduction and two specific forms of land reform: *tenancy reform* and the *abolition of intermediaries*. Large scale land redistribution has a greater effect but partial, 'second-best' projects can still play a major role by helping to raise agricultural wages. The authors find that a 1% reduction in the all-India poverty gap (one tenth of the actual poverty reduction) can be attributed to land reform, even after accounting for the possibility that some kinds of land reform may reduce output per capita. They suggest that implementing land reform can have the same effect on poverty reduction as a 10% increase in per capita income.

#### Keywords

Tenancy reform  
Intermediaries  
Impact assessment

**Chimhowu, A. (2006). 'Tinkering on the Fringes? Redistributive Land Reforms and Chronic Poverty in Southern Africa'. Manchester: Institute for Development Policy and Management.**

This paper presents key observations from studies on the impact of land reform on chronic poverty in Namibia, South Africa and Zimbabwe, with policy implications. For example, current land reforms in Southern Africa are sustaining the poverty trap – the poor are not able to generate sufficient income from land due to unfavourable terms of access and low quality of land.

Problems with current land reforms in Southern Africa are put forward. Five 'failures' are noteworthy

- Technical and design failures
  - Land reforms have been implemented in a top down fashion, without consideration for local conditions e.g. despite the importance of water, land has been treated in isolation in the reforms
  - The cost of participating in land reform is high such that it excludes the poorest of the poor
  - There has been too much focus on land purchases, without consideration for creating a land market i.e. facilitating land sales, land rentals
- Process failures
  - Land reforms policies suffer from poor implementation, given weak bureaucratic capacities
- Project capture – land reforms are still vulnerable to elite capture as the poor lack voice in to campaign for more resources to back land reforms
- Lack of lucid programme theory
  - There is no clear articulation of how land reform will reduce poverty at the outset, resulting in lack of support for the poor once they do acquire land

- Lack of critical mass – the authors suggest that land reform on a larger scale may have more of an impact on poverty reduction, citing Japan and South Korea as examples.

#### Policy implications

- The authors suggest a livelihoods approach to better understand the role of land and open up the black box of how land reform can lead to poverty reduction
- Land reform should go beyond land purchases to explore the land rental market – many of the poor currently use informal land rental markets in informal areas
- Land reform needs to be more poverty focused rather than the de-racialisation focus it has received thus far
- More comprehensive monitoring and evaluation systems is required to fully understand the impact of land reforms on livelihoods

#### Keywords

Rental markets  
Capture  
Livelihoods approach  
Monitoring and evaluation

#### **De Soto, H. (2001). 'The Mystery of Capital'. Finance and Development.**

<http://www.imf.org/external/pubs/ft/fandd/2001/03/desoto.htm>

Article derived from Chapter 3 of the author's book, *The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else*. New York: Basic Books and London: Bantam Press/Random House, 2000.

This seminal article presents the arguments for the creation of formal property rights in developing countries, as it allows the poor to use the assets they own as capital. "Developing and former communist countries' principal problem is clearly not the lack of entrepreneurship: the poor have accumulated trillions of dollars of real estate during the past forty years. What the poor lack is easy access to the property mechanisms that could legally fix the economic potential of their assets so that they could be used to produce, secure, or guarantee greater value in the expanded market".

#### Keywords

Property Rights  
Assets  
Capital

#### **DFID. (2004). 'Land Reform, Agriculture and Poverty Reduction'. London: DFID.**

This report firstly discusses two main issues with land reform: tenure insecurity and governance and institutions. State intervention to improve agricultural productivity, e.g. providing the necessary legal and institutional capacity, and, where necessary, to redistribute land is suggested. Current evidence and lessons learnt on the three main aspects of land reform are provided: land redistribution for productive use, strengthening tenure security and improving the efficiency of the land market.

The authors postulate that the mixed outcome of land reforms is partly attributable to the lack of focus on the transmission mechanism through which land redistribution affects poverty reduction. The authors suggest that land reform (in particular land redistribution) may not always be appropriate. Using evidence from India, consolidating land into larger farms and promoting alternative livelihoods for small farmers may have greater poverty reducing effects. The landless are not always the poorest due to higher wages from the Green Revolution and owning land does not guarantee higher incomes. Two questions are proposed

1. What are the precise transmission mechanisms by which land reform contributes to poverty reduction (and how far is increasing agricultural productivity part and parcel of the process)?
2. What are the synergies and/or trade-offs between greater equality in land ownership and increasing agricultural growth for poverty reduction?

The two motivations behind land redistribution (promoting social justice and agricultural growth) may well be complementary but not necessarily so. There is a need for greater effort at reconciling equity with agricultural growth e.g. equitable security of tenure to promote investment and exploiting greater social justice to make the voice of the rural poor heard. Appropriate policies for taxation of land are also suggested.

#### Keywords

Equity  
Land redistribution  
Security of tenure  
Transmission mechanism

**Griffin, K, A. R. Khan & A. Ickowitz. (2002). 'Poverty and the Distribution of Land'. Journal of Agrarian Change Vol. 2(3).**

Redistributive land reforms have begun to attract the attention of scholars and policy makers once again. In this paper, we review old arguments and bring them up-to-date in the light of recent research. We begin with the case in favour of redistributive land reforms focusing on fragmented factor markets and systems of labour control, of which concentration of land ownership is but one aspect. We then examine land reform in practice, focusing on distinct regional features and outcomes in sub-Saharan Africa, Latin America and transition economies of the former Soviet Bloc and, as examples of success, East Asia (including China and Vietnam). Next we discuss the macroeconomic context and the two way direction of causality between a redistribution of productive assets and the overall performance of the economy. We underline the importance of weakening system of labour control, eliminating landlord bias and correcting urban bias. Finally, we argue that a prominent feature of all successful land reforms has been a high degree of land confiscation; full compensation and various types of 'market-friendly' land reform are unlikely to be successful. (*Author's abstract*).

#### Keywords

Landlord bias  
Urban bias  
Redistribution

**Melmed-Sanjak, J & S. Lastarria-Cornhiel. (1998). 'Land access, off-farm income and capital access in relation to the reduction of rural poverty'. USA: Food and Agriculture Organisation (UN)**

The current framework of economic growth and development includes a general trend towards the privatization of land rights and a collapse of collective structures in agriculture as well as a move towards reliance on land markets as the means of peasant access to participation in the development process. Despite the removal of land reform as an explicit part of the policy agenda, it is clear that the situations which led to the activation of land reforms in past decades are still in place. This article discusses the relevance of looking at land tenure systems when evaluating macroeconomic policies that affect agriculture. Also discussed are the link between land tenure security and access to income and assets; the nature and performance of land markets with regard to the participation of the rural poor; and the link between agrarian organizational structures and off-farm income. The conclusion reached is that rural poverty reduction requires multifaceted policy efforts that recognize the linkages among household asset access portfolios, household income strategies and macro-structural changes. (*Authors' abstract*)

#### Keywords

Agrarian structure  
Land tenure  
Land markets  
Agrarian structures

**Ravallion, M & A. Sen. (1994). 'Impacts on Rural Poverty of Land Based Targeting: Further Results for Bangladesh'. World Development Vol. 22(6).**

This report provides an assessment of the indicators used in guiding land reform and their impact on poverty reduction, using data from Bangladesh. They question the current assumption that redistribution of land from land rich to land poor will increase productivity (due to the negative correlation between size and productivity of land). Policies based on such indicators can “constrain the impact on poverty [...] notably incentive constraints (whereby the “land-rich” alter their behaviour to gain from the policy) and political economy constraints (whereby the “land-rich” undermine the policy by political means)” (p. 836).

The authors propose an alternative approach which takes into consideration the marginal productivity of transfers and the poverty measure. Using the landholding indicator to guide redistributive policy can have higher poverty reduction effects. “Under these idealized conditions, redistributions from land-rich to land-poor households will reduce aggregate poverty in rural Bangladesh (even without productivity effects)” (p. 836). Productivity effects from land transfers will have an additional impact on poverty reduction.

**Keywords**

Redistribution  
Landholdings  
Poverty measures  
Productivity

**2.6.5. Industrial policy**

**McCulloch, N., L.A. Winters & X. Cirera. (2001) 'Trade Liberalisation and Poverty: A Handbook.' London: Centre for Economic Policy Research.**

In general, trade liberalization is an ally in the fight against poverty: it tends to increase average incomes, providing more resources with which to tackle poverty. And while it will generally affect income distribution, it does not appear to do so in a systematically adverse way. Nevertheless, it is important to recognise that most trade reforms will hurt someone, possibly pushing them into, or deeper into, poverty, and that some reforms may increase overall poverty even while they boost incomes in total. Thus, despite the general presumption in favour of trade liberalization, there remain important public policy questions of how to implement it in a way that maximizes its benefits for poverty alleviation and what to do about any poverty that it does create or exacerbate.

The Handbook considers the matter both from a general perspective and by exploring specific types of trade liberalization. It draws on economic analysis, empirical evidence and practical experience to construct a broad framework to explain links between trade liberalization and poverty. It shows how countries and liberalizations are likely to vary from case to case, and how to use the framework to identify the critical features of specific cases in practice. It then discusses the sort of effects that liberalization may have on the ground and the appropriate policy responses to problems that might arise.

The framework outlines three pathways through which trade liberalization can have a direct effect on poverty:

- Price transmission.
- Enterprises
- Taxes and spending

Four further issues are fundamental to the overall impact of trade liberalization on poverty.

- Economic growth
- Cost of adjustment
- Risk and uncertainty
- Supply response

Having laid out the framework for analysing the links between trade and poverty, the Handbook explores ten specific aspects of trade liberalization – key sectors, policy instruments and issues.

- Trade in agriculture

- Trade-related Intellectual Property Rights (TRIPs)
- Trade in services
- Trade in manufacturing
- Export and domestic subsidies
- Anti-dumping
- Labour standards
- Environmental standards
- Competition policy
- Investment and trade-related investment measures (TRIMs).

Finally, the Handbook contains two key messages for policy-makers. First, the impact of trade liberalization on poverty is very country-specific; although the Handbook presents the pathways through which each aspect of liberalization might affect poverty, policy-makers themselves will have to identify which of these pathways are the most important in their particular circumstances.

Second, although the range and complexity of the potential linkages between trade liberalization and poverty may appear daunting, the most important effects in any given country are likely to be relatively simple and reasonably obvious. In short, it is possible for policy-makers to develop suitable responses to ensure that the poor gain from trade liberalization.

*(Extracts from author's executive summary)*

### Keywords

Trade liberalisation  
Trade-poverty linkage  
Trade-induced poverty

**Abreu, M de P. (2005). 'Which 'industrial policies' are meaningful for Latin America?'. Brazil: Departamento de Economia, Pontificia Universidade Católica do Rio de Janeiro.**

This paper's main concern is to assess which "industrial policies" would be meaningful for Latin America nowadays. The first section considers definitions of "industrial policies" and their nature in the past. It analyses policies that are designed to correct market failures and how new proposals have widened the traditional understanding of the scope of these "second best" policies. The second section centers on national growth experiences that may serve as paradigms for L[atin] A[merican and] C[aribbean] economies. It considers growth in a long-term perspective but focuses first on the post-1960 and then on the post-1990 periods in an effort of identification of paradigmatic experiences based on the actual growth performance of different economies. Section 3 is on economies which are growth paradigms and on their relevant policies. It analyses which specific policies were adopted by economies particularly successful in terms of growth performance and to what extent other factors may have explained growth. It includes an effort to compare, population and GDP-wise, the size of economies in LAC and those of economies which may serve as growth paradigms.

Section 4 is on present multilateral constraints on "industrial policies", especially in the case of subsidies and trade-related investment measures, as these have been considerably tightened as a result of the Uruguay Round of multilateral trade negotiations. The following section analyses the link between macroeconomics and "industrial policies" both in relation to limitations imposed by macroeconomic instability on industrial policy and to how growth depends on the cost of investment on both micro and macroeconomic factors. Section 6 analyses industrial policy alternatives. The paper concludes with section 7 which is on policy recommendations seeking to improve criteria to pick winners where market failures are especially costly.

*(Author's abstract)*

### Keywords

Industrial Policy  
Horizontal and vertical policies  
Macroeconomic stability



**Economic Commission for Africa / Southern African Regional Poverty Network (SARN). (2005). Harnessing Globalisation to Create Decent Jobs and Reduce Poverty. Chapter 6 in 'Economic report on Africa 2005: Meeting the challenges of unemployment and poverty in Africa'. Addis Ababa: Economic Commission for Africa.**

This paper examines how African countries can exploit the opportunities created by globalisation. Despite being integrated into world markets, Africa's share of global trade and global FDI still remains disproportionately small at 2%. In order to increase this share, and to increase the potential for economic and employment growth, it is suggested that Africa must diversify into manufacturing and must become more competitive.

Four lessons are outlined:

- African countries need to focus on productivity growth
- Improvement in infrastructure, especially in telecommunications and especially in rural areas, are essential for improving competitiveness and attracting FDI
- Industrial policies need to be carefully designed, adapted to local conditions and discipline exercised in its monitoring (East Asia is cited as a successful example)
- Attracting FDI should be targeting towards labour intensive sectors, and industries with strong inter-sectoral linkages, to increase the multiplier effect of investment.

Whilst increasing competitiveness and efficiency is crucial for accruing benefits from globalisation, the latter also has its costs. As such, governments should focus on stimulating industries for globalisation but also protect the more vulnerable against its adverse effects. This includes basic social security and the provision of education and retraining to allow workers to participate in more productive activities. Governments can also help by fostering cross border networks: these will help to link local SMEs with regional and international markets and will allow the flow of new knowledge.

Some concluding lessons

- Increasing efficiency and competitiveness must be accompanied by protection against globalisation's adverse effects
- Competitiveness is more sustainable when it is based on greater flexibility and stronger links with the local economy and across borders, rather than just on low costs
- Improving productivity requires greater investment in human capital and physical infrastructure
- A possible first stop in reaping the benefits of globalization is to prioritise trade and private sector development in Poverty Reduction Strategy Papers.

### **Keywords**

Globalisation  
Infrastructure investment  
Competitiveness  
Productivity

**Humphrey, J. & H. Schmitz. (1996). 'The Triple C Approach to Local Industrial Policy'. World Development Vol. 24(12) p1859-1877.**

This paper provides one approach to improving the growth prospects of small scale firms. Any attempt to address this issue should not focus purely on individual firms but rather small- and medium-sized enterprises (SMEs) as a group. Clustering and networking (in sectors and localities) amongst small firms can develop a new kind of efficiency - collective efficiency – which can improve their competitive advantage. The paper uses evidence from developed and developing countries to highlight the benefits of networking and clustering. The main lesson is that intervention, particularly at the local and regional levels, to develop SMEs is most effective when it is *customer-oriented, clustered and cumulative*.

The eight main findings can be summarised as follows:

- "Clustering matters in developing countries. While a fairly recent focus in research, the case material available suggests that it is common in a wide range of developing countries and sectors. Some of the case studies contradict the widespread export pessimism concerning SMEs.

- Research on clustering in developing countries has been inspired by the competitiveness of industrial districts in advanced countries. The European success stories of the 1970s and 1980s exemplify the power of collective efficiency focused on the need of demanding customers.
- The European industrial district experiences contributed to a double shift in the industrial policy debate: toward more concern with (i) the role of regional and local government, and (ii) joint public/ private sector initiatives. They do not provide policy lessons however, for making embryonic clusters grow.
- More can be learned from elsewhere in Europe and in developing countries, where public policy helped to bring about cooperation of enterprises even though the critical mass was sometimes small and previous linkages were few. The examples of network promotion in Denmark and in Chile show that specialization and cooperation between SMEs can be promoted through public institutions,
- Assisting groups of enterprises is more cost effective than assistance to individual enterprises. The *collective* approach has lower transaction costs and facilitates mutual learning. The approach can be used for both the formation of new networks and upgrading of existing clusters.
- Public support for SMEs in developing countries tends to be overly supply-oriented (training, credit, raw materials, technology) and not sufficiently focused on demand. The paper shows examples of successful *customer-oriented* assistance programs which work through participation in trade fairs, public procurement and SME delivery contracts with large enterprises.
- In summary, intervention is most effective when it is based on the “Triple c”: customer oriented, collective and cumulative. The three “Cs” do not necessarily go together, but an SME support approach which is guided by customer orientation and targets the collective is more likely to achieve *cumulative* improvements in competitiveness.
- Effective interventions aimed at fostering collective efficiency are already proceeding apace in developing countries. While sometimes inspired by the success of industrial districts in advanced countries, some of the most interesting insights for policy are emerging from experiments in developing countries themselves. Therefore, as regards policy lessons. South-South channels seem to be at least as important as North-South channels for learning from each other” (p. 1873).

#### Keywords

Customer oriented  
Clustering  
Networking  
SMEs

**Kaplan, D. & R. Kaplinsky. (1999). ‘Trade and Industrial Policy on an Uneven Playing Field: The Case of the Deciduous Fruit Canning Industry in South Africa’. World Development Vol. 27(10). P. 1787-1801.**

This report examines the deciduous fruit canning industry (DFCI) in South Africa and the implications of trade distortions. This should also be useful for the study of any commodity based industry in developing countries. Whilst having the potential to be a major source of foreign exchange earnings and employment, several factors have constrained these potentially beneficial effects.

At the macro level, trade distortions put in place by developed countries are harming the competitiveness of the DFCI industry in developed and developing markets. At the meso level, ‘systemic efficiency’ is also low in South Africa: the competitiveness of different links in the production chain (from fruit farming to final product) is low, as is co-ordination between these links e.g. relationships between canners and their suppliers are at arms length. In addition, the challenge of moving to higher value activities still remain e.g. although South Africa acquired the Del Monte brand in the 1990s, it was not permitted to use the brand in Europe and North America. At the micro level, firm efficiency is low and variable. It is suggested that government focus on trade policy has shifted the focus away from possible productivity improvements which could be made within the local economy.

Policy features which are noteworthy:

- “There is a clear need for a close integration of trade and industry policy. It is of critical importance to deal in a coordinated manner both with strategic trade policy and firm- and value-chain upgrading” (p. 1787)
- “The obsession with trade policy by DFCI management deflects attention from upgrading their own activities, and low levels of trust make it unlikely that value-chain coordination will happen autonomously” (p. 1787)
- “On the trade front, a coordinated approach to global markets is required in which the government, perhaps in cooperation with other affected countries, specifically challenges the ability of EU producers to

cross-subsidize in third-country markets on the back of high levels of protection and fruit subsidies to growers” (p. 1787).

Despite the drawbacks of focusing on basic resource industries (including low value add, limited opportunities for product development, declining prices), some hopeful points emerge. Some successful firms have become more strategic and global in their vision e.g. by setting up marketing arms abroad and diversifying into other food products. Ownership, and hence strategy of firms, also affect profitability: the most profitable firm in the industry is family owned and focuses on productive efficiency rather than increasing scale through global markets. The authors conclude with the suggestion that the search for a dynamic, rather than static, competitive advantage still remains the most sustainable way of increasing profits.

### Keywords

Competitive advantage  
Systemic efficiency  
Productive efficiency

Trade and industrial policy  
Commodity industries

**Nadvi, K. & S. Barrientos. (2004). 'Industrial Clusters and Poverty Reduction: Towards a methodology for poverty and social impact assessment of cluster development initiatives'. Vienna: United Nations Industrial Development Organisation.**

This study addresses the relationship between industrial clusters and poverty. The study also seeks to develop a methodology to conduct poverty and social impact analysis of cluster development initiatives.

Industrial clusters, or geographical concentration of firms and ancillary units engaged in the same sector, can generate various advantages for small firms, from agglomeration economies to joint action benefits. External linkages also matter, global buyers can help local clusters access distant markets, acquire new forms of knowledge and upgrade. The nature of governance in the relationship that local clustered firms have with buyers in global value chains is critical to this, determining the autonomy and power of local actors.

Industrial clusters lend themselves to poverty concerns both directly—through employment, incomes and well-being generated for the working poor, and indirectly, through their wider impacts on the local economy. Conceptually, clusters and poverty are related in three distinct ways. Through cluster features, cluster processes, and cluster dynamics. Certain types of clusters may have a more direct impact on poverty. These include clusters in rural areas and in the urban informal economy, clusters that have a preponderance of SMEs, micro-enterprises and home-workers, clusters in labour intensive sectors and clusters that employ women, migrants and unskilled labour. For a poverty agenda, it is critical to note which types of firms and workers gain over time and which lose.

It is in the more advanced clusters, those which evolved from poorer incipient clusters, where employment growth is most substantial. The limited evidence on counterfactuals suggests a relationship between clustering and gains in employment and incomes.

In incipient clusters, small producers advance by taking small riskable steps in coordination with others in the cluster. This allows small producers and workers to survive and to grow, thus raising their income and well-being. Joint action is also important, especially in the context of assisting local producers and workers to confront external shocks as seen in Sialkot, Pakistan and the Palar Valley, India. There is evidence that social capital can contribute to strengthening cluster capacities and the well-being of local workers and producers.

In order to further our understanding of the effects of cluster development programmes (CDP) on poverty, it is necessary to develop a methodology for poverty and social impact assessment for CDP. This paper combines a value chain mapping and capabilities approach to do so, arguing that the impact assessment perspective adopted should be one that is designed as a means of *improving* impact. A value chain mapping of clusters helps identify links between key cluster stakeholders, both entrepreneurs and workers, and cluster institutions.

Cluster development initiatives need to distinguish between incipient clusters where poverty incidence is high, and growth engine clusters that can generate incomes both directly and indirectly for the poor, and have strong local institutions that strengthen the ability of clustered actors to engage in pro-poor collective

action. Thus, a pro-poor policy agenda needs to be engaged at two levels. First, the tweaking of existing cluster policy initiatives to make them more effective for a pro-poor agenda—such as poverty targeting, training, and microcredit provisioning. Second, concentrating on particular areas where cluster development programmes have often tended to ignore. These include, in particular, labour and ethical standards, conditions of work, and health and safety issues.

*(Extracts from authors' abstract)*

### Keywords

Industrial clusters  
Incipient clusters  
Internal and external linkages  
CDP

**Velte, D. W. de. (2005). 'Regional Integration and Poverty'. Overseas Development Institute Briefing Paper. London: Overseas Development Institute.**

It is often suggested that regional integration is good for poverty by increasing trade and investment and creating jobs for the poor. At the same time, the number and scope of regional trade agreements is increasing rapidly. However, there is little about whether and how regional integration provisions affect development and poverty in poor countries. The findings of a multi-country research project reveal that while there is a role for regions, expectations relating to poverty effects should be tempered. The trade effects from developing country regional integration are expected to be small because of the low importance of intra-regional trade for most developing countries. While regional integration does tend to raise investment from outside, the bigger countries tend to capture most of the benefits. Capacity constraints further limit the ability of poor countries to benefit fully from trade and investment liberalisation. In addition, regional integration processes affect the incentives to engage in multilateral integration. On the positive side, regional groupings are well placed to address poverty by providing appropriate regional public goods and dealing with liberalisation of sensitive services sectors. Thus the scope of regional integration matters.

*(Author's own abstract)*

### Keywords

Regional integration  
Multi-lateral integration  
Trade  
Investment  
Liberalisation

**Velte, D. W. de. (2002). 'Promoting TNC-SME linkages: the case for a global business linkage fund'. Overseas Development Institute Online Paper (Paper delivered to the [B24b\\* meeting series](#) at ODI). London: Overseas Development Institute**

This paper examines the case for a Global Linkage Fund as a way of enhancing links between Transnational Corporations (TNCs) and Small and Medium sized Enterprises (SMEs). The idea of the GLF would be to (i) increase Foreign Direct Investment (FDI) into developing countries by increasing the private and social rates of return and (ii) increase the pro-poor impact of FDI by improving productivity and increasing employment.

Linkages provides mutual benefits: SMEs can learn better production methods from TNCs and TNCs can in turn expect to gain from better quality and more timely supplies. Well developed suppliers may also help to encourage local investment.

However, "full appreciation of the opportunities that a GLF could offer requires further work:

- Full evaluation of existing linkage programmes. This will involve creating an understanding of the process of linkage creation and the role public actors should have and have already had, and what how and why business currently do.
- An inquiry of the feasibility and relevance of a GLF with policy makers in developed and developing countries" (p. 19).

## Keywords

Global Linkage Fund  
TNC-SME Linkages  
Foreign Direct Investment

### 2.6.6. Labour market policy

**Coudouel, A & P. Paci. (2006). Selected Labour Market Reforms. Poverty and Social Impact Analysis, Chapter 3. Washington: World Bank.**

Empirical evidence suggests that labour market policies protect the prospective earnings of workers in the sectors that are covered at the expense of employment opportunities in that sector and earning levels in the rest of the economy, that is, the sectors that are not covered, whether formal or informal. As long as such an imbalance exists between earnings and employment opportunities in the covered sector, the risk is that labour market policies may lead to greater inequality and more poverty. This is particularly true in the case of labour market policies that are not directly targeted at low-income earners, but it also applies to policies designed to protect the most vulnerable workers, such as workers at minimum wage.

An increase in the minimum wage can have both a positive and a negative effect on inequality in household incomes. First, an increase in the incomes at the lower end of the range of the formally employed typically tends to reduce inequality in individual earnings. However, it might also result in a reduction in employment among low-paid workers, for whom the minimum wage is binding, or in the transfer of some of these workers to the uncovered, lower-pay informal sector. This could increase inequality in labour incomes both among individuals and at the household level, especially if workers at the minimum wage live in households with a high proportion of low-skilled, potentially low-pay individuals. The overall direct effect on income inequality depends on labour market conditions, demographics, and household composition. The effects are also compounded by indirect changes in the uncovered sector. If labour is mobile across sectors, then the standard covered-uncovered adjustment mechanisms will come into play, and an increase in the minimum wage will lead to an increase in earnings inequality. In this situation, the overall impact on the distribution of household incomes will depend on the employment dynamics operating between the covered and uncovered sectors, as well as on the impact of the reform on the two segments of the labour market.

Similarly, reforms of the minimum wage are also expected to have a typically ambiguous impact on the poverty rate. An increase in the minimum wage, for example, will usually boost the earnings of low-paid workers who maintain their jobs, and, *ceteris paribus*, this will bring the poverty rate down if the individuals are the only income earners within their households or if all low-paid earners within households maintain their employment at the pre-reform level. However, the increase in the minimum wage is also likely to reduce employment in the covered sector, and this will result in lower labour incomes among households if any wage earners in the households lose their jobs as a result of the policy or are forced to transfer to the lower-paying uncovered sector. This may increase the vulnerability to poverty of households that are close to the poverty line.

Thus, the impact of labour market policies and reforms of these policies on the distribution of household incomes and on poverty depends crucially on the existence of a trade-off between labour market protection and employment, that is, a trade-off between intervention and efficiency. This is not as clear cut as the advocates of liberalization would like one to believe. The arguments presented in this chapter show that both intervention and the lack of intervention may lead to inefficient and inequitable outcomes.

The desirability of a particular sort of labour market intervention therefore depends crucially on the type and characteristics of the policy. Some policies and intervention designs generate improvements on both efficiency and equity grounds; others result in a trade-off between efficiency and equity, and still others lead to a definite worsening in both areas. Similarly, it is unwise to argue in favour of or against a particular reform without careful evaluation of the potential impact of the new policy on labour market efficiency, income distribution, and poverty.

This chapter has provided the tools required to conduct such an evaluation by (1) identifying the main channels through which the redistributive and poverty impacts of three labour market policies—the minimum wage, employment protection legislation, and the unemployment benefit—affect earnings and household incomes and (2) reviewing the existing empirical evidence on the magnitude and direction of the impacts of these policies on each link in the chain.

The evidence points to a number of cases in which the labour market interventions analyzed here may have negative effects on income equality and may increase poverty rather than reducing it. However, this is clearly not the case across the board. This leaves policymakers faced with the challenge of designing interventions that strike the right balance between reducing income inequality and curbing poverty on the one hand, while continuing to protect the living standards of workers. This can only be done effectively by mastering the factors that lead to the existence of tensions between labour market interventions and employment. It requires policies that are at once pro-growth and pro-equity. Some of the innovative policies introduced recently by a number of countries in Central Europe and Latin America to maintain the incomes of the unemployed seem to answer this challenge. Among these are conditional transfer programs and employment activation programs.

*(Extracts from authors' conclusion)*

#### **Keywords**

Minimum wage  
Income and earnings distribution  
Unemployment benefit  
Employment protection legislation

#### **Fiszbein, A. (1992). 'Do Workers in the Informal Sector benefit from a cut in the Minimum Wage'? Policy Research Working Papers. Washington: World Bank.**

This paper analyses the effect a change in the minimum wage has on the earnings of workers in the informal sector who are supposedly not covered by minimum wage legislation. The standard view is that reducing the minimum wage, which increases employment in the formal sector, reduces the effective supply of labour to the informal sector, increasing the wage in the informal sector.

But Fiszbein argues that the effect of the minimum wage on earnings in the informal sector does not depend exclusively on its effect on labour mobility between the formal and informal sector. Demand for goods also links the two sectors – and this demand is seldom factored into theoretical discussions.

Based on a general equilibrium approach, Fiszbein builds a dual economy model in which the two sectors are linked not only through the labour market but also through the goods market. In this framework, reducing the minimum wage affects informal sector earnings both through changes in labour productivity and changes in relative prices. Once these two factors are considered, a minimum wage could result in reducing informal sector wages, even if formal sector employment increases.

If workers in the formal sector are the main buyers of the goods produced in the informal sector, and their income elasticity of demand is relatively large, workers in the informal sector could be hurt by a cut in the minimum wage. They could similarly be hurt if the informal sector employs a large part of the urban labour force and if demand for the goods produced in the informal sector is price-inelastic.

Fiszbein's model, however, does not affect the case for cuts in minimum wages on the grounds of efficiency. Reducing the minimum wage does increase jobs and output in the formal sector.

#### **Keywords**

Minimum Wage  
Informal Sector  
Labour Supply

#### **Ilahi, N., P. Orazem & G. Sedlacek. (2005). 'How Does Working as a Child Affect Wage, Income and Poverty as an Adult'? Washington: World Bank.**

This study assesses the future poverty impact of child labour. Drawing on empirical evidence from Brazil, the report examines the trends and tradeoffs between education and child labour. It concludes that, although some instances of improved adult earnings can be found, early entry into the workforce generally reduces future income thus increases the incidence of adult poverty.

Particular findings of the study include

- child labour is particularly damaging for those adults who entered the workforce before the age of 12, by reducing years of schooling and reducing the productivity of school years attended
- increased years of education appear to mitigate the impact of early labour market entry
- child labour could self-correct its adverse consequences on adult earnings by inducing additional years of schooling
- whilst evidence exists that child labour may create occupational human capital which can raise individual adult income, such benefits are swamped by the adverse effects it has on education.

A number of policy recommendations are made. These include:

- policies that delay age of entry into the workforce such as truancy laws or child labour prohibitions may have a significant impact on adult incidence of poverty
- the enhanced future earnings of children who remain out of the workforce as a result of these laws may provide sufficient revenue to justify the potentially high cost of implementation
- the potential enhanced future earnings could also justify provision of income transfers to parents who do not allow their children to work
- educational policies which delay drop-out even if the child is working, e.g. through night schools or teaching at work, may be partially effective at lowering the likelihood of adult poverty for current working children.

*(Adapted from Eldis' abstract)*

### Keywords

Child labour  
Labour market entry  
Productivity of schooling  
Human capital

**Islam, R. (2003). 'Labour Market Policies, Economic Growth and Poverty Reduction: Lessons and Non-lessons from the Comparative Experience of East, South-East and South Asia'. Issues in Employment and Poverty Discussion Paper. Geneva: International Labour Organisation.**

This report provides a critical analysis of the East Asian experience of poverty reduction (both during periods of high growth and during the financial crises), in order to extract useful lessons for those, and other, countries to consider.

### Lessons

- Recognition of the importance of employment intensive economic growth
- Investment in human capital, both for contributing to growth and to allow the poor to benefit from growth. Whilst investment in primary education may have higher returns at lower levels of development, investment in higher levels of education becomes more important as countries grow
- The lack of affordability of employment insurance should be more carefully considered given the vulnerability of even the high growth countries to suffer from economic shocks
  - Provision of social insurance in the informal sector should also be considered: many workers fall into the informal sector during times of crises and basic informal insurance can help to avoid a relapse into poverty
- Active Labour Market Policies - policies and programmes to improve skills, create jobs, and place job-seekers - should be established during normal economic conditions to provide a strong base so they can be more effective when applied during economic crises
- Whilst an active political and civil environment is useful to facilitate dialogues, labour market institutions should be free of political influence

### Keywords

Active Labour Market Policies  
Human Capital  
Employment Intensive Economic Growth  
East Asia  
Insurance

**Khan, A. R. (2001). 'Employment Policies for Poverty Reduction'. Issues in Employment and Poverty Discussion Paper. Geneva: International Labour Organisation.**

Poverty can be defined as a shortfall of the following resources<sup>16</sup>: human assets (e.g., capacity for basic labour, good health and skills); natural assets (e.g., land); physical assets (e.g., physical capital and access to infrastructure); financial assets (e.g., savings and access to credit); and social assets (e.g., informal or formal social security and political power). With the exception of social assets, the common mechanism through which these resources can help to reduce or avoid poverty is employment.

Employment therefore provides a fundamental route to poverty reduction where many countries do not have the capacity to have formal insurance for those with insufficient labour endowments, and where informal insurance (e.g. social networks) can only feasibly protect the unemployed population for a short period. Labour market policy should consider the multifaceted nature of the employment-poverty linkages:

- an increase in wage employment;
- an increase in real wages due to a rise in demand for labour and/or a rise in the productivity of labour;
- an increase in the opportunity of the poor to employ themselves;
- an increase in the productivity of the poor in self employment; and
- an increase in the terms of exchange of the output of poor's self employment.

A market economy model is assumed, whereby economic growth creates remunerative employment, which then feeds into poverty reduction. This link depends on: (i) the rate of growth of the economy; (ii) the output elasticity of demand for labour; and (iii) the ability of the poor members of the labour force to respond to increasing demand for labour, especially for more productive categories of employment. Whilst employment creation is possible without economic growth, achieving poverty reduction from employment creation is only possible if the employed have the means to reduce poverty i.e. if their labour is productive. This is only possible if there is economic growth. Policies which guarantee employment, regardless of labour demand, in excess of output growth, e.g. in the former socialist countries, has "at best, a weak effect and, at worst, an adverse effect on poverty reduction due to its unfavourable impact on economic efficiency and growth" (p. 2).

Whilst economic growth is a necessary condition for employment to reduce poverty, it is not sufficient. This paper uses contemporary evidence to showcase scenarios where economic growth has not contributed to poverty reduction, due to the type of employment that growth creates. A framework is then developed for suitable employment-related interventions in poverty reduction policy

- Rapid labour-absorbing growth providing the poor with productive and remunerative employment
- Conversion of the poor into productive entrepreneurs engaged in self employment
- Increasing the productivity of the poor workers both in wage employment and in self employment
- Improvement and adjustment in the skill composition of the poor members of the society so that they can compete for employment in a labour market in which the skill composition of demand for labour changes rapidly
- Appropriate terms of exchange for the produce of the poor
- Orderly dismantling of the past systems of inefficient excess employment, especially in state-owned enterprises
- Specially designed employment opportunities for the labour-disadvantaged households.
- Caution in the design of labour market interventions in protecting vulnerable workers by ensuring security of employment at living wage.

The report then provides an empirical analysis of employment policies for poverty reduction in East and South East Asia, Latin American and the Caribbean.

**Keywords**

Productive Employment  
Remuneration  
Labour intensive economic growth  
Labour endowments

<sup>16</sup> World Bank, 2001



**Wahba, J. (2001). 'Child labour and Poverty Transmission: No Room for Dreams'. Working Paper 108. Egypt: Economic Research Forum.**

It is widely believed that poverty is the main reason for child labour. Children work to ensure the survival of their families and themselves. However, little is known about the impact of child labour on poverty transmission. This paper explores the transmission of poverty through child labour. The main findings of the paper are that parents who were child labourers themselves are more likely to send their children out to work. Children are twice as likely to work if their parents were child labourers. Thus, the results suggest that child labour perpetuates inter-generational poverty.

**Keywords**

Child labour  
Inter-generational transmission of poverty

**3. Pro-poor policy formation**

**3.1. The presence or absence of the “developmental state”**

**Doner, R., B. K. Ritchie & D. Slater. (2005). 'Systemic Vulnerability and the Origins of Developmental States: Northeast and Southeast Asia in Comparative Perspective'.**

[http://info.worldbank.org/etools/docs/library/207464/doner\\_ritchie\\_slater\\_systemic\\_vulnerability.pdf](http://info.worldbank.org/etools/docs/library/207464/doner_ritchie_slater_systemic_vulnerability.pdf)

Scholars of development have learned a great deal about what economic institutions do, but much less about the origins of such arrangements. This essay introduces and assesses a new political explanation for the origins of "developmental states" - organizational complexes in which expert and coherent bureaucratic agencies collaborate with organized private sectors to spur national economic transformation. Conventional wisdom holds that developmental states in Korea, Taiwan, and Singapore [NICs] result from "state autonomy," especially from popular pressures. Yet we argue that these states' impressive capacities actually emerged from the challenges of delivering side payments to restive popular sectors under conditions of extreme geopolitical insecurity and severe resource constraints. Such an interactive condition of "systemic vulnerability" never confronted ruling elites in Indonesia, Malaysia, the Philippines, or Thailand [ASEAN-4] - allowing them to uphold political coalitions, and hence to retain power, with much less ambitious state-building efforts.

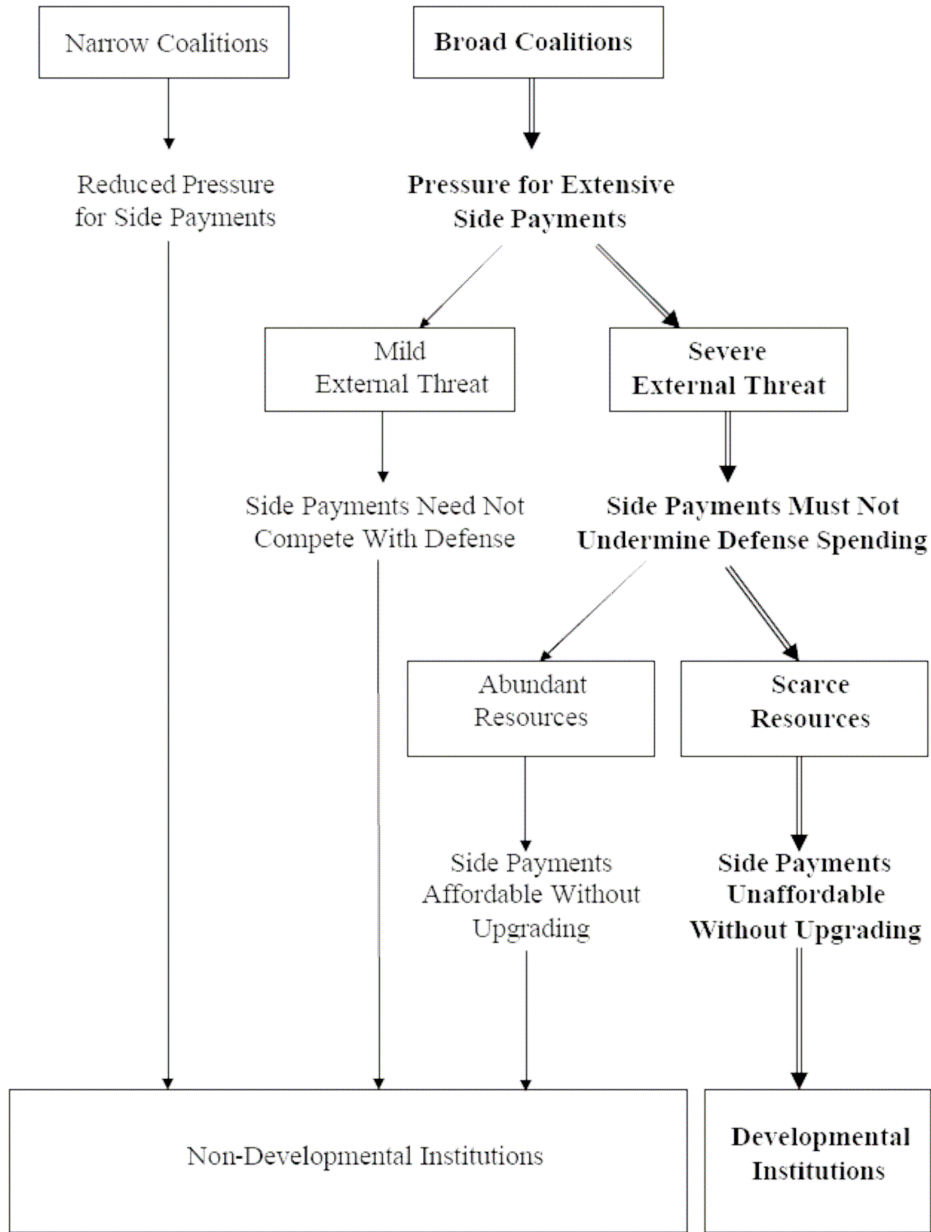
*(Author's abstract)*

**Keywords**

Institutions  
Capacity  
Systemic vulnerability  
Geopolitical insecurity

The following chart clearly depicts the authors' argument:

Figure 1: Argument Flow



**Ghani, A., C. Lockhart & M. Carnahan. (2005). 'Closing the Sovereignty Gap: An Approach to State Building'. London: Overseas Development Institute.**

Building capable states is critical for achieving global security as well as sustainable progress in poverty reduction. However, despite much discussion about the importance of a sovereign state, the authors argue that a “sovereignty gap” remains, representing the gap between de jure and de facto sovereignty. Many states defined as legally sovereign states do not in practice perform the functions expected of one. Currently, this sovereignty gap is being maintained by the way in which development aid is distributed: either aid bypasses states or aid is only given to effective states, presenting a vicious cycle for ineffective states. Thus, little focus is given in practice to how failed states can be transformed into capable ones. “The challenge is to harness the international system behind the goal of enhancing the sovereignty of states – that is, to enhance the capacity of these states to perform the functions that define them as states. Long-term partnerships must be created to prepare and then implement strategies to close this sovereignty gap” (p. 4).

The paper presents a framework which proposes the key functions of a modern sovereign state. The authors posit the following as the key functions for any modern sovereign state

- A legitimate monopoly on the means of violence;
- Administrative control;
- Sound management of public finances;
- Investment in human capital;
- The creation of citizenship rights and duties;
- Provision of infrastructure;
- Market formation;
- Management of the assets of the state;
- Effective public borrowing;
- Maintenance of rule of law.

This framework should then form the basis of a sovereignty index, which would allow countries to monitor progress in the sovereignty gap over time.

In the second section, the international constraints to building effective states are presented. “The paper then proposes a reorientation of the international community’s approach to fragile states through the introduction of state-building or sovereignty strategies. These would be long-term compacts entered into by a country’s leadership with the international community on one side, and its citizens on the other” (p. 5). These strategies would, paradoxically, be both general (acknowledging that any sovereign state must perform a basic set of functions for its citizens) and specific (the route taken to achieve the latter will depend upon local conditions) in context. This is then where the international donor community becomes important – they can support and monitor the implementation of these strategies.

#### Keywords

Modern Sovereign state  
Sovereignty gap  
Sovereignty index

**Rocha Menocal, A. (2004). ‘And if there was no state?: Critical reflections on Bates, Polanyi and Evans on the role of the state in promoting development’. *Third World Quarterly* Vol. 25(4): 765-777.**

This feature review provides an overview of three key thinkers with respect to the role of the state in development: Robert Bates, Karl Polanyi and Peter Evans.

Robert Bates’ *Markets and States in Tropical Africa: The Political Basis of Agricultural Politics* (1981). Bates has a neo-liberal explanation for the failure of agrarian transition in Sub-Saharan Africa - the state, through ownership or regulation, has intervened too much with the natural workings of the market. This is because whilst states have attempted to make the transition from an agricultural to capitalist industrial economy, key leaders have simultaneously attempted to consolidate their political and economic position at the cost of the rural population e.g. in their attempt to squeeze the agricultural sector to fund industrialisation, food prices, through marketing boards, were kept low which benefited the urban population at the cost of rural farmers. So, states are able to manipulate markets for their personal benefit. “Thus there is a political rationale to an otherwise seemingly incongruent economic logic: state intervention has engendered a predatory state composed of rent-seekers and entrepreneurs in which only the most highly organised aggregation of interests prevails, and in which the individual maximisation of self-interests takes precedence over collective goals” (p. 767).

However, Bates believes that this predatory system is unsustainable, whose longevity will depend upon the ability of the state to generate and squeeze resources from the agricultural sector. Eventually, these policies are likely to adversely affect the majority of the population, thereby turning the states supporters in opposition.

Bates’ view of the state is one that is an aggregation of individual profit maximisers and does not consider the wider socio-political influences. “Catherine Boone, for example, sees the weakness of post-colonial African states as rooted in the extension of the colonial system of indirect rule through local village authorities and the lack of strong political institutions rather than in the self-maximising choices of rent-seekers *per se*” (C. Boone, quoted on p. 768).

Despite these criticisms, Bates' arguments have been highly influential e.g. witness the World Bank's neo-liberal agenda during the 1980s, which called for the roll back of the state in development.

Karl Polanyi's *The Great Transformation: The Political and Economic Origins of Our Time* (1957). Polanyi argues that rather than appearing naturally, markets are in fact constructed. "The transition from a socially embedded market to a self-regulating one involved not only a change in economic organisation, but also a social transformation of gigantic proportions" (p. 770). People were turned into a commodity (labour) and prices were imposed where they did not exist before – this led to the breakdown of social ties and the dehumanising of work, as man was subordinated to machinery. Based on a case study of Speenhamland, he shows how it was in fact *the state* that created the self regulating market e.g. commodification of labour had to be institutionalised. In addition, the self regulating market in fact brought much opposition, leading to a situation with two opposing forces: "attempts at expanding free-market principles were met by a counter-movement bent on 'the conservation of man and nature...using protective legislation, restrictive associations, and other instruments of intervention" (p. 770). The state was responsible for introducing the self regulating market but also protecting its citizens against its destructive forces. Therefore, whilst state intervention may well, on some occasions, be harmful, Polanyi argues that the state plays a crucial role in creating the markets and the regulating them. Indeed, the 1997 World Development Report recognised this and called for a revised role of the state, arguing that whilst the state may not be a direct provider of growth, it is most certainly a facilitator.

Peter Evans' *Embedded Autonomy: States and Industrial Transformation* (1995)

Whilst Bates' analysis could be criticised for self-selection, as only cases of failed state intervention are analysed, Evans provides a more generic framework with which to understand the factors that determine the success of state intervention. He posits that developmental outcomes are dependant upon two variables: internal state structure and state-society relations, the best combination of which is "embedded autonomy". Evans, in line with Weber, argues that a developmental state must have a Weberian bureaucracy to provide workers with the appropriate incentives. However, the bureaucracy must also be embedded in society so they are in tune with society's needs. Embeddedness is subtly different to state capture: the state must be connected to society just enough to be able to response to society's needs following their feedback and to allow it to be monitored by society. He argues that South Korea is exemplary of embedded autonomy, whilst Brazil and India are part way there. Brazil suffers from lack of a meritocratic bureaucracy and India lacks the embeddedness. However, Evans does not go into the human rights aspect of the political system – South Korea, whilst being the most successful on the scale of embedded autonomy – was also the most authoritarian of the three countries. He argues that the success of embedded autonomy will itself lead to the citizens demanding greater democracy. The South Korean example is contrary to the situation of most developing countries today, where democracy is put in place before developmental success. Despite uncertainties regarding the terminology (e.g. embeddedness can be as broad as one wants it to be), it also suffers from causal assertion – how does one know whether it was the embedded autonomy which led to developmental outcomes in South Korea e.g. what is to be made of the role of embedded autonomy in the financial crisis?

### Keywords

Liberalisation	Embedded Autonomy
Predation	State
Self-regulating markets	Weberian bureaucracy

### 3.2. Drivers of change

**Booth, D. et al. (2005). 'Drivers of Change and Development in Malawi'. London: Overseas Development Institute.**

Drivers of change (DoC) is the name being given to a learning exercise at country level that explores the factors underlying the "political will" problem and how they can be taken more centrally into account in country assistance plans. This report is a contribution to such an exercise in Malawi which is being undertaken jointly by the British High Commission, Norwegian Embassy and DFID.

DoC analysis is distinguished by setting out in an open, evidence-based way the main blockers of progressive change in a country, and the likelihood of these being overcome by countervailing forces,

including those external to the national system. It is important to recognise that it is not an exercise in picking winners or a way of discovering decisive once-and-for-all solutions to problems.

Where is Malawi coming from?

This section considers Malawi's trajectory since Independence, with particular attention to the way politics has interacted with economic and social development in different phases. It then explores 1) the impact of these patterns on the quality of policy-making; 2) the role of donors in this; and 3) some implications for understanding the particular situation in the country in early 2005.

Where is Malawi headed?

This section of the report has a limited purpose and no large scientific pretensions. It draws heavily on an excellent piece of scenario-modelling work done for Malawi's National Economic Council [NEC] in 1998 as a follow-up to the Vision 2020 exercise. The modelling is not narrowly economic but includes the interactions between various economic, social and natural-resource sectors. Using the NEC work selectively, we construct three possible socio-economic scenarios for Malawi in 2020.

What are the challenges to the aid relationship?

This section of the report draws out some lessons from the earlier analysis and considers how these findings relate to current "theory" about choice of aid instruments and aid effectiveness. Given the rather dismal projections, this argument is about ways of improving effectiveness at the margin. We discuss 1) ways of improving the substance of aid policy in Malawi, and 2) ways of working, given the new aid policy agenda.

*(Extracts from authors' summary)*

### Keywords

Malawi  
Aid effectiveness  
Budget support  
Aid harmonisation

### DFID. (2003). 'Drivers of Change'. London: DFID.

This short paper summarises the Drivers of Change (DoC) approach, for which DFID has set up a specific DoC team, in order to better understand how change occurs and to use this to improve the effectiveness of their programmes. 'Lack of political will' is often given as a reason for policy failures by donors – the DoC approach is an attempt to disaggregate this term, to understand the underlying factors affecting political will.

"The Drivers of Change approach is a way of understanding the political economy of poverty reduction and change in developing countries. It directs attention to the underlying and longer-term factors that affect the political will and institutional capacity for reform in different countries, as well as factors that affect the incentives and capacity for change that is likely to benefit the poor. This requires that we make the local situation our point of departure, rather than preconceived policies. It also requires adopting a longer-term perspective, while at the same time looking for short- and medium-term opportunities to support strategic change" (p. 2).

"For DFID, a "driver" of change is a factor that has the potential to bring about change that will help poor people" (p. 3), which is the result of interactions between

- Structural features (natural and human resources, economic and social structures)
- Institutions (rules structuring the behaviour of agents, both formal and informal institutions)
- Agents (individuals and organisations pursuing particular interests).

### Keywords

Political will  
Institutions  
Agents  
Political economy

**Eberlei, W. (2005). 'Donor Politics in Zambia: Promoting Poverty Reduction or Fuelling Neo-patrimonialism'? In 'Poverty Reduction in A Political Trap? The PRS Process and Neo-patrimonialism in Zambia' by Eberlei, W., Meyns, P. & Mutesa, F. Lusaka: UNZA Press.**

Given the poor development performance of Zambia since independence, despite significant aid flows, this report asks whether the Poverty Reduction Strategy (PRSs) approach has led to any changes in relations between national and international actors, which are pro-poor.

The case of Zambia presents two implementation problems: donors are failing to implement the principles of the PRSs effectively and the Zambian government suffers from dramatic weaknesses in implementing the PRSs. Change has occurred in all areas of the new approach to the PRSs: stakeholder perspective, operational basis and aid modalities. "But in terms of quality and depth, these developments are lurching somehow between the traditional aid system and the new approach. The operational basis of many donors is still driven by own interests and policy agendas, not or only half-heartedly by the Zambian PRS. The harmonisation of aid modalities is, almost six years after the introduction of the PRS approach, still in its infancy" (p. 15).

It is argued that the stakeholder perspective needs to be taken more seriously, with donors fighting more strongly for the empowerment of reform forces within the country. At present, donors are fuelling and stabilising neo-patrimonial systems. "The conclusion for donors is as follows: supporting poverty reduction requires the consequent empowerment of the poor and their representatives in order to dis-empower neo-patrimonial elites" (p. 16).

#### **Keywords**

Zambia	Stakeholders
Neo-patrimonialism	Empowerment
PRSs	

**Leftwich, A. (2006). Drivers of Change: Refining the Analytical Framework. Part 2: A Framework for Political Analysis. London: DFID.**

This is the second paper of three papers, commissioned by the Effective States Team within DFID, to extend and refine the analytical basis for a further set of Drivers of Change studies. The paper has two main objectives. First, it seeks to build on the first paper (Leftwich, 2006) by outlining a way of thinking systematically and comparatively about politics and political processes as central to developmental outcomes. Second, it offers a flexible conceptual framework for exploring how political processes operate in diverse institutional arrangements to promote or hinder developmental policy and practice.

The central message of the paper, as in the previous one, is that politics is a necessary and pervasive feature of all human collectivities. And just as all human societies require an 'economic system' to generate and sustain livelihoods, so too they require a set of processes and institutions, whether formal or informal, which shape how decisions are made about the use, production and distribution of resources. These institutions and processes constitute the political system. Some political systems promote and enhance growth and development (and can do so in a variety of ways); some do not; some function to create stability; some do not.

However, a political system is not an isolated or autonomous sphere of social action, for all political systems are embedded in wider environments of economic, social and cultural structures, both internal and external to the society, in which agents and agencies are formed which seek to promote policies and programmes in pursuit of their own or wider collective goals and interests. The relations of power which define the interactions between such agents and agencies (drivers and blockers of change) flow through the institutions of the political system and result in particular policy or programmatic outputs.

To understand and analyse how these processes of politics work in any society, it is necessary to conceptualise the structure of the political system in terms of a series of components, and the dynamics between them. The model outlined here provides a conceptual framework for analysing the relations between a political system and its structural environment, for identifying agents of change and resistance within and beyond the political system and for explaining developmental or non-developmental trajectories. The model is both regime-neutral and favours no particular theory of politics. Rather it offers a flexible

comparative framework for deploying a range of interpretative approaches, where appropriate, and provides the basis for a classification not only of political systems but also of the paths of development (or non-development) adopted, or most likely in each instance. And by addressing and trying to organise conceptually the relations of power, this focus on the political system as a set of linked processes whereby decisions are taken about how resources are used, produced and distributed will also help to explain those situations where stagnation, crisis or collapse have occurred.

### Keywords

Political systems  
Institutions  
Agents of change

### McLeod, D. (2005). 'Review of DFID'S Drivers of Change Country Study Reports'. London: DFID.

This review synthesises findings from 14 political economy studies commissioned by DFID country offices as part of the Drivers of Change (DOC) work programme.

#### Findings

- The major recurring themes, found in most or all reports, include the presence of corruption and elite capture of government or resources in every country reviewed; the role of appropriate, poor-representative civil society groups in stimulating change; the potential of media as change agents, and the importance of political opposition or the middle classes in either demanding change or in reinforcing the status quo. External actors and decentralisation, whether forces for good or bad, were also mentioned in the majority of reports.
- Aside from external actors, social discrimination is another frequently-cited structural issue. Regional tensions and resource wealth are also often, but less frequently, cited, as are the colonial legacy and the war on terror. The role of HIV/AIDS, globalisation/technological change, and the environment appear only in a small number of reports.
- Aside from corruption and decentralisation, institutional issues include the growth of political opposition and the middle classes. Agricultural and land reform and macroeconomic or public administration reform issues also arise frequently. Other institutional issues include physical insecurity/human rights abuses, judicial reform/rule of law, and social sector spending. Sectoral interventions, political disenfranchisement, and taxation issues appear in only two or three reports.
- Apart from elite capture, NGOs and civil society, and the media, the most frequently-cited agents include the private sector. Empowerment of poor people and the importance of diaspora populations appear as issues in only a few reports.

#### Operational recommendations

- The need for economic growth, whether broad-based or redistributive, is mentioned in all reports, and many point to the need for a longer time-scale to see results.
- Because of the nature and scale of the changes required, most reports also mention that stimulating demand for change among constituents, rather than relying on supply-side interventions, is most likely to result in reform.

*(Author's Executive Summary)*

### Keywords

Corruption  
Elite capture  
Social discrimination  
Decentralisation

### 3.3. The role of neo-patrimonialism and clientelism in distorting policy formation

**Bird, K. & N. Pratt. (2004). 'Fracture Points in Social Policies for Chronic Poverty Reduction'. Overseas Development Institute Working Paper 242. London: Overseas Development Institute.**

This paper examines the fracture points, or areas of weakness and failure, in social policy formation – from agenda setting through to policy formation and its legitimisation. It suggests why it is that despite clearly identified severe and widespread problems, which have been shown to drive and maintain poverty and which are also clearly associated with marginalisation and vulnerability, policy makers may still fail to generate adequate responses. Social policies have been selected as the focus of this study because they are generally weakly addressed by the development and poverty policies of both donors and developing country governments. Five illustrative case studies in the paper identify the political economy and administrative barriers to policy innovation and implementation in Uganda and India, and from this analysis we draw conclusions of broader application. The selected issues are disability; mental illness; alcohol dependency; inheritance systems that privilege inheritance through the male line, and dispossess women as a result; and the near destitution of older people without support. These have not been selected because they necessarily affect a larger number of people than other issues or because they necessarily have the strongest causal link with chronic poverty, marginality or vulnerability, but rather because they represent a wide range of different groups of people and the policy responses to them are illustrative of the different fracture points in the policy formation and implementation process. Nevertheless, these issues are of considerable importance to many poor people in developing countries, and may prevent more orthodox approaches to poverty reduction – growth, health, education – from having their intended effects.

Neo-patrimonialism and clientelism can create fractures in agenda setting and policy implementation. Neo-patrimonialism is seen to create a weakness in agenda setting by de-prioritising pro-poor policies. Countries where the public and private sector are still closely linked will favour policy agendas that are tailored to personal ties. In neo-patrimonial contexts, political leaders will be more concerned with serving parties of strategic interests rather than the poor. (Or the poor's interests will only be represented where it provides personal and economic security for political leaders). Since policy makers are drawn from the elites, this vicious cycle, where the interests of the poor are undermined, continues. Neo-patrimonialism may also hinder implementation of social policies via distortion by street level bureaucrats.

#### Keywords

Agenda setting  
Implementation  
Policy formulation  
Social policy

**Chabal, P. & J. P. Daloz. 1999. 'Africa Works: Disorder as Political Instrument'. Bloomington: Indiana University Press.**

This book joins the growing literature that challenges the premises underlying Western development assistance. Why have most African countries failed to develop, despite more than a decade of economic and political reforms tied to new aid infusions? Because, say Chabal and Daloz, the continent's informal but durable and culturally rooted "neo-patrimonial" political systems do not depend on development in the Western sense -- and may even be threatened by it. As African leaders adapt to restrictions imposed by structural adjustment and declining law and order, they find ways to translate social disorder into patronage resources that shore up the loyalty of their client networks. "Modernization" is occurring, but not of the kind prescribed or anticipated by the West. It is an illusion, the authors contend, to believe that "civil society," opposition parties, or exhortations about better governance can undermine the viability of neo-patrimonialism. As a system of maintaining power, however antithetical to the public interest, neo-patrimonialism works.

*(Extracts from book review by Foreign Affairs, available at*

*<http://www.foreignaffairs.org/19991101fabook1347/patrick-chabal-jean-pascal-daloz/africa-works-disorder-as-political-instrument.html%3Fmode=print>)*



## Keywords

Political disorder  
Institutionalisation  
Modernisation

### **Cromwell, E. & A. Chintedza. (2005). 'Neo-patrimonialism and Policy Processes: Lessons from the Southern African Food Crisis'. IDS Bulletin Vol. 36 (2). Sussex: IDS**

This paper looks at the role of neo-patrimonialism in the failure of liberalisation policies in southern Africa, and in particular, the failure of implementing food security policies. Much neo-liberal reform in Southern Africa has been 'toned-down', due to the persistent influence of neo-patrimonialism which considers reform as a political threat. "Neo-patrimonial politics have the distinctive quality of structuring policy implementation in a way that systematically diverts public resources for private gain. This frequently leads to inferior implementation, undermining development possibilities that are already restricted by social and economic constraints" (p. 105). The article considers how neo-patrimonialism in policy processes (i.e. "agenda setting, policy formulation, decision-making, policy implementation and policy evaluation" (p. 104)) can be addressed.

Using the RAPID approach<sup>17</sup>, which views (i) the political context, (ii) evidence and (iii) the links between the two as the three main influences on the policy process, the authors' focus is on the evidence aspect i.e. how evidence can be collected and disseminated to reduce the neo-patrimonial influence on the policy process. Practical approaches to increasing 'evidence' are presented e.g. civil society organisations disseminating simplified information on the Poverty Reduction Strategy Papers (PRSPs) such as in Zambia and Malawi and the establishment of civil society watchdog organisations who can monitor and publicise inappropriate activities.

Important lessons for donors which are drawn out:

- Understanding the drivers of change to help dilute rather than fuel neo-patrimonial influences
- Providing long term support for liberalisation policies to offset neo-patrimonial tendencies
- Supporting the participation of civil society organisations at the national policy level
- Donors must be aware of the patronage potential of different policies in order to promote appropriate policies e.g. direct welfare transfers such as pensions may be less vulnerable to corruption than subsidised food.

## Keywords

Neo-liberal reform  
Civil Society Organisations  
Food Security

### **Lockwood, M. (2005). 'The State They're In: An Agenda for International Action on Poverty in Africa'. London: ITDG Publishing.**

Lockwood's fundamental argument is that the root causes of Africa's economic and social underdevelopment are political in nature. In their majority, African states have been anti-developmental, or at best non-developmental, enmeshed as they are in a system of clientelistic ties where elites dole out favours and grant preferential access in exchange for political support. In a context of economic stagnation and structural reform, aid itself has become an important source of patronage, so that in many cases donor interventions themselves have served to reinforce clientelistic tendencies rather than promote the establishment of more developmentally oriented states.

The five experiences [Botswana, Ghana, Mozambique, Tanzania, and Uganda] highlight how difficult it is to identify a set of common factors that may help explain when and how a degree of political transformation, however limited, is possible. In other words, context and historical specificity matter, and matter a lot.

<sup>17</sup> Young, J & Court, J., (2004). 'Bridging research and policy in international development: an analytical and practical framework', RAPID Briefing Paper 1, London: Overseas Development Institute

Lockwood seems to suggest that such transformation may be more easily achieved under a system of centralised political leadership by a strong ruler who can keep a tight(er) rein on clientelistic behaviour. It is not entirely clear, however, that a more centralised system is any less dependent on or subject to patronage for its survival. For every 'enlightened' authoritarian ruler (e.g. a Museveni in Uganda) one can easily identify a much less successful and damaging counterpart (e.g. a Taylor in Liberia), and the risks of such a gamble may be too high. The case of Ghana that Lockwood describes could be used to argue the opposite: that political competition can, under the right circumstances, 'attenuate neo-patrimonialism over time'. The key here is, of course, to identify what these 'right circumstances' might be. For Ghana, the answer seems to lie in the existence of a strong civil society with cross-cutting identities. How and why such a strong associational life was able to emerge in Ghana, and apparently not elsewhere, is a question that Lockwood does not address, but one that surely deserves closer attention.

Lockwood makes a compelling argument that 'much of the thinking on Africa—from . . . official donors and . . . NGOs alike—is flawed because [it] either does not recognise or does not draw out the implications of the central role of politics and the state in Africa's development problems' (p. 5). This is manifested, for example, in the insistence of donors to reduce 'good governance' reforms to a technical exercise, thereby failing to recognise that 'governance problems are symptoms of the politics that underlie African states' (p. 68). International NGOs, for their part, have tended to (over)- emphasise the external conditions that have inhibited the developmental potential of African states (unfavourable terms of trade and IFI conditionality, for example) without giving serious thought to the internal political dynamics that have led to the severe failure of states to promote development through intervention. Their preoccupation has been with pressuring donors to increase levels of aid, reduce trade barriers, and eliminate debt, but as Lockwood puts it, 'if NGOs don't adopt an analysis that engages with politics in Africa, they run the risk of campaigning for change that will not help, or even make things worse' (p. 121).

In the end, Lockwood argues, it is essential for both donors and NGOs to recognise that, if sustainable change is to take place in Africa, it will have to come from the inside and will have to involve a substantial transformation of the clientelistic structures that currently dominate African political systems. Thus, the solutions to the region's developmental challenges need to be political and not merely technical.

So what can the international community do? Lockwood proposes a two-tier approach to aid that includes: (a) a 'floor' of assistance to all countries relative to their poverty levels, based on humanitarian needs and aid efficiency criteria; and (b) significant additional resources to be allocated 'on the basis of very few final outcome indicators of development performance' (p. 107). However, while the author explains the nature of Africa's developmental predicament with remarkable clarity, his analysis of how such (political) problems might be successfully addressed by donors and international NGOs is less clear. Though he tries, for example, to dissociate himself from it, the second aspect of his proposed approach very closely resembles the Millennium Challenge Account (MCA) initiative that has been launched by the USA whereby countries qualify for MCA assistance depending on their performance on a range of conditionalities—both economic and political. However, Lockwood does not specify what those criteria would be, beyond suggesting that his approach would take political considerations into account. Nonetheless, he does point to some areas (arms trade, money laundering, etc.) where the international community can exert important pressure and in that way have a positive impact in supporting the emergence of more developmental states in Africa. (*Extracts from Book Review by Menocal, A. R.. (2006). Development in Practice. Vol. 16(1).*)

### Keywords

Clientelism  
Good governance  
Aid conditionality

**Van De Walle, N. (2001). 'African Economies and the Politics of Permanent Crisis, 1979–1999'. Cambridge: Cambridge University Press.**

This book explains why African countries have remained mired in a disastrous economic crisis since the late 1970s. It shows that dynamics internal to African state structures largely explain this failure to overcome economic difficulties rather than external pressures on these same structures as is often argued. Far from being prevented from undertaking reforms by societal interest and pressure groups, clientelism within the state elite, ideological factors and low state capacity have resulted in some limited reform, but much prevarication and manipulation of the reform process, by governments that do not really believe that reform will be effective.

#### Keywords

Political economy  
Capacity  
Autonomy

### 3.4. Democracy, populism and alternative routes to the legitimacy of leaders and policy makers

**Barbone, L. & K. Sharkey. (2005). 'Strengthening Governance through Engaged Societies: Lessons from the Implementation of Poverty Reduction Strategies'. Washington: World Bank.**

This paper—based on the results of a thorough review of the five-year implementation experience—examines the implementation of the P[overty] R[eduction] S[trategy] approach from the point of view of participation and accountability. For some 50 countries adopting the approach since 1999, it discusses the factors which can facilitate the development of accountability and participatory governance mechanisms. Lessons learned from distinct country circumstances are analyzed, arguing that ownership of the PRS depends on the way countries and their external donor partners handle real tensions in the relationship between country ownership on the one hand, and perceptions of internationally-driven prescriptions on the other.

The central message of the paper is that in several countries the PRS initiative has helped open up societies to forms of dialogue and contestability not previously experienced in-country or observed by external partners. This positive outcome, however, has been largely influenced by the extent to which the PRS process has reinforced existing trends and strengthened institutions already prone to open discussion of policy choices. The paper also shows that even in the best cases change has, to date, been largely in the area of process and that impact of participatory governance on policy-making, while emerging, is still a work in progress. The paper concludes with recommendations for how developing country societies might sustain real achievements in participatory governance/ domestic accountability going forward, with external partners playing a key supportive role through harmonization and alignment.

*(Extracts from authors' abstract)*

#### Keywords

Poverty Reduction Strategy  
Participation  
Accountability

**Keefer, P. & S. Khemani. (2003). 'Democracy, Public Expenditures and the Poor'. World Bank Policy Research Working Paper 3164. Washington: World Bank.**

The successes of reforms in different countries can be said to differ according to the incentives politicians have, either in the provision of public goods for the public's benefit, or diverting resources to private benefit. This paper looks at the impact of voter's incomplete information, lack of credibility of political promises and social polarisation on political incentives.

The authors show that the impact of political competition and political conditions on outcomes for the poor is large, "and largest for those social services such as education and health that are most important to the poor. Information gaps, social polarization and the absence of credible political competitors lead to the under-provision of government services to the least informed, to the most polarized and to the vast majority who do not have personal connections with a powerful patron" (p. 26).

- Problems with imperfect information
  - Lack of access to information on government programmes makes the poor less likely to receive government resources

- The poor are most reliant on the public services on which information is most scarce i.e. transaction intensive and non-tangible services which are more difficult to monitor
- Since the poor heavily discount the future, lack of information is likely to lead to perverse political incentives to spend on increasing the quantity of public services (e.g. schools and clinics) rather than the quality
- Social polarisation - reservations for scheduled and minority castes implemented in India in 2003 led to greater quota of jobs for them, but at the cost of a re-allocation of resources away from education. In addition, "mandated reservations may in fact improve the equity of targeted transfer programs, but worsen overall social service delivery by strengthening clientelist relations and reducing incentives of political competitors to invest in broad policy reputations across the electorate" (p. 16). Affirmative action may therefore be worse for those poor, minority groups who were not the subject of reservation legislations.
- Credibility – the use of clientilism is most common in young democracies, where governments have not had a suitably long tenure to build a credible reputation. Resources are therefore restricted to specific groups to whom the government can make credible promises to, e.g. because of past dealings, at the cost of groups who do not have private networks with the government.

Decentralisation is proposed as a potential solution to the imperfect information and credibility problems: information may be more widely available to local residents under decentralisation and local officials are more likely to be credible due to the close proximity of residents and politicians. Decentralisation is not guaranteed to improve the pro-poorness of policy and so the conditions under which decentralisation can be a suitable alternative to central government are presented:

- Voters must be more likely to use information in making their voting decisions
- Political promises by local governments must be more credible than those of the central government.

#### Keywords

Incentives	Social polarisation
Credibility	Decentralisation
Imperfect information	

#### **Khemani, S. (2004). 'Political cycles in a developing economy: effect of elections in the Indian States'. *Journal of Development Studies* Vol. 73.**

There has been a recent surge of interest in political business and budget cycles in developing countries, motivated at least in part by the notion that political reform in many developing countries may be at odds with economic reform. Although this tension between the two may be warranted in the initial period of reform, analysis of political effects in developing countries in the longer run, when political institutions have matured and elections are regularly held, has been lacking. This paper attempts to fill this gap by identifying the equilibrium effect of elections in one large developing country with stable democratic institutions. Using an instrument for the election cycle that is arguably exogenous to policy choices, we find that politicians manipulate fiscal policies before elections to provide targeted favours to specific interest groups, possibly in exchange for campaign support.

In election years in the Indian states, there is evidence of small manipulations of fiscal instruments to target benefits to narrow interest groups, such that there is no net effect on the overall fiscal deficit. Tax collection from specific producer groups is lower and public investment spending is higher, while spending on what are generally regarded as more populist categories is lower. Hence, there is no evidence of large-scale fiscal profligacy around election times. Instead, the implications for electoral incentives that may be derived from the pattern of political manipulation highlight the importance of special interest groups in determining fiscal policies and is consistent with theoretical predictions in this area.

The results also suggest an alternate theory for why incentives for re-election should be stronger when election times are closer than the ones in the received literature, namely political myopia in the face of high political uncertainties in every year in office. This is more relevant for some political environments than others, adding to predictions about differences in electoral cycles under different institutional regimes. It would be worthwhile to formalize this idea in future research and build upon ongoing work in the area of comparative political economy.

*(Author's conclusion)*

#### **Keywords**

Budget cycles  
Fiscal Policy  
Special interest groups  
India

**Renzio, P de. & S. Mulley. (2006). 'Promoting Mutual Accountability in Aid Relationships'. London: Overseas Development Institute.**

This paper addresses the power imbalance in aid relationships, but which is also relevant in the policy context. It calls for greater downward accountability (donors to recipients) in order to improve donors' aid practices and to increase recipient's ownership and hence use of aid.

The authors define accountability as consisting of answerability (the obligation of decision makers to justify their actions) and enforceability (the existence of sanction mechanisms). This requires the "availability of information, mechanisms for monitoring performance, and the existence of adequate incentives for compliance" (p. 1).

The key challenges to achieving mutual accountability in aid relationships are presented: power imbalances, broken and distorted feedback mechanisms and the need for risk sharing. The paper then goes on to examine country level (Mozambique, Tanzania, Vietnam and Afghanistan) and international level mechanisms which exist to achieve mutual accountability. Recommendations for donors and recipient countries are provided.

#### **Keywords**

Aid effectiveness  
Accountability  
Enforceability  
Answerability

### **3.5. The state-citizen contract and what it means to be a citizen**

**Basok, T. & S. Ilcan. (2006). 'In the Name of Human Rights: Global Organisations and Participating Citizens'. Citizenship Studies Vol. 10 (3).**

As a contribution to the growing literature on citizenship and advanced liberal governance, this paper focuses on how citizens—especially the poor—are brought into new policy platforms and new social relationships of responsibility, accountability, and participation. In making specific empirical reference to a range of global organizations and their poverty reduction initiatives, the analysis emphasizes the diverse ways in which individuals are governed as certain kinds of "free" persons through particular administrative practices. In this analysis, we underline how some organizations encourage citizens to participate in global practices, markets, and institutions, and train them to act in ways that are aligned with the principles and expectations imposed on them by advanced liberal governmental agendas. We argue that global organizations that are formally or informally linked to other organizations, agencies, and governments around the world, such as the United Nations and the World Bank, view citizens' participation in rights claiming and budgetary design practices as a crucial part of their responsibility to improve their well-being.

We also analyse how specific global organizations promote citizens to become consumers of global financial services as a way of solving global poverty. In assessing programmes designed to encourage poor people to participate in global markets and institutions, we contend that these programmes are founded on governing practices that aim to make citizens, non-governmental organizations, and nation-states adhere to advanced liberal principles. We question whether these programmes improve the well-being of poor people. We suggest that future research needs to focus on how global organizations cultivate different discourses of freedom and liberty which serve to govern citizens as responsible consumers and participants.

*(Authors' abstract)*

### Keywords

Citizenship  
Liberalisation  
Citizen participation

### **Brautigam, D. et al. (2005). 'Citizen Participation and Pro Poor Budgeting'. New York: United Nations.**

This book, whilst examining the definition of civil society, looks at the potential for civil society participation in making the budgeting process more pro poor. "the book cautions that the direct citizen/government dialoguing should by no means be seen as an alternative to the established democratic processes, nor should such a process be seen to be by-passing the Parliament, rather it should look for options as to how best to complement the existing framework" (p. iv).

Chapter Three of the book ('The People's Budget: Politics, Power, Popular Participation and Pro-poor Economic Policy') examines five case studies (Brazil, Chile, Costa Rica, Mauritius, and Ireland) to see whether participatory budgeting has any pro-poor impact on fiscal policies. The author concludes that participation is more likely to have a pro poor impact under certain conditions i.e. "when a pro-poor, left of centre political party won power, and when it then used that power to negotiate a shift in priorities" (p. 52). Active participation also makes it more likely that the public will critique/ embarrass a government that is not pro poor. In combination with a free media and active civil society organisations, participation can increase awareness and education of pro poor policies and thus be the stepping stone towards making economic policy more pro-poor. The author also calls for the engagement of donors as well as the private sector to support civil society participation.

### Keywords

Ownership  
Participation  
Pro-poor budgeting  
Civil society  
Fiscal policy

### **Das Gupta, M., H. Grandvoinnet & M. Romani. (2003). Fostering Community Driven Development: What role for the state? Policy Research Working Paper 2969. Washington: World Bank.**

States can do much to tap community-level energies and resources for development if they seek to interact more synergistically with local communities. The broader spin-off is creating a developmental society and polity. Using case studies from Asia and Latin America, Das Gupta, Grandvoinnet and Romani show how:

- State efforts to bring about land reform, tenancy reform and expanding non-crop sources of income can broaden the distribution of power in rural communities, laying the basis for more effective community driven collective action; and
- Higher levels of government can form alliances with communities, putting pressure on local authorities from above and below to improve development outcomes at the local level. These alliances can also be very effective in catalysing collective at community level, and reducing "local capture" by vested interests.

There are several encouraging points that emerge from these case studies. First, these powerful institutional changes do not necessarily take long to generate. Second, they can be achieved in a diversity of settings: tightly-knit or loosely-knit communities; war-ravaged or relatively stable; democratic or authoritarian; with land reform or (if carefully managed) even without. Third, there are strong political payoffs in terms of legitimacy and popular support for those who support such developmental action.

*(Authors' abstract)*

### Keywords

Power  
State-Community alliances  
Synergies  
Institutional change

### 3.6. The role of civil society in developing and implementing pro-poor policy

**Adablah, C. (2003). 'The Role of Civil Society In Decentralised Governance For Poverty Reduction: The Experience In West Africa'. Paper presented at the UNDESA Workshop on Poverty Alleviation and Social Inclusion. Ghana: Organisational Development and Economic Management Associates.**

"This paper examines, through theoretical and case reviews, the purposes, principles, methods and forms of governments' partnership with civil society in decentralised governance for poverty reduction" (p. 5). The experience of civil society participation with PRSPs, NEPAD and Millennium Development Goals are studied, in the context of decentralised governments. Selected models of decentralisation and its implications for civil society participation are examined.

The benefits of participation in the PRSPs are analysed at its different stages: analytical and diagnostic work, formulation of the strategy, approval, implementation and impact assessment. It is found that "[i]ndividual countries' experiences with the participatory approach with civil society involvement have varied on account of the following factors:

- the type of government [and decentralisation] and the extent of democratic culture
- the capacity of national authorities to engage in participatory processes with civil society, the public and key stakeholders
- the extent to which civil society groups exist and are active among the poor" (p. 14).

#### Keywords

PRSPs  
NEPAD  
Millennium Development Goals  
Decentralisation

**Court, J. et al. (2006). Policy Engagement: How Civil Society Can be More Effective. London: Overseas Development Institute**

This aim of this report is to suggest how CSOs can increase their influence on policy in international development. The main proposition is that CSOs can increase their policy influence and their pro-poor impact by more *effective use of evidence*. "Better use of evidence can: (i) improve the impact of CSOs' service delivery work, (ii) increase the legitimacy and effectiveness of their policy engagement efforts, helping CSOs to gain a place and have influence at the policy table; and (iii) ensure that policy recommendations are genuinely poor" (p. iv). The main challenges for CSOs are outlined and possible solutions are put forward. Key obstacles include internal ones (limited understanding of policy processes and institutions, weak strategies for engaging in policy, lack of engagement/ weak communication with other development actors and limited capacity for policy influence) and external ones (adverse political conditions which can restrict CSO work). It is, however, suggested that increasing the influence of CSOs more often than not lies in their own hands – CSOs themselves can overcome these key obstacles to be more effective.

#### Keywords

Civil Society Organisations (CSOs)  
Policy Engagement  
Evidence

**Donnelly-Roark, P., K. Ouedraogo & X. Ye. (2001). 'Can Local Institutions Reduce Poverty? Rural Decentralisation in Burkina Faso'. Policy Research Working Paper 2677. Washington: World Bank.**

Donnelly-Roark, Ouedraogo and Ye present evidence that in Burkina Faso certain high performing local institutions contribute to equitable economic development. They link reduced levels of poverty and inequality to a high degree of internal village organisation. The structure of these high-performing local organisations means that they can exist in a number of African countries because they depend more on internal participation rather than on any one country's cultural assets. The authors find that:

- Service-asset management groups (SAMs)-one of three local institutions identified in the study-have helped to significantly reduce inequality in participating households. SAMs are a fusion of long-standing development committees and indigenous management councils that collectively manage community assets such as water. SAMs have combined the productivity goals of growth with the values of equity and solidarity
- Current development approaches use growth as an initiator, assuming that surpluses will be used to benefit the poor. SAMs and other local institutions in Burkina Faso *start* with equity and solidarity and aim for a result of growth and development
- Internal participation is essential for SAMs to function. Only locally anchored participation can power the realignments and institutional revisions needed to scale up development action.

SAMs and other local institutions have launched their communities on equitable growth paths and are reducing poverty with little or no outside assistance, despite severe resource constraints. Their impact would be enormous if external development resources augmented their potential.

World Bank programmes and policy interventions could build on local strength and make their activities more sustainable by mapping local institutions to guide new initiatives in pro-poor investments and using that mapping to formalise and increase internal local participation-expanding nationwide by using a network of local institutions. SAMs and other local institutions could be the vehicle for ensuring transparency and accountability. Working with the results of local activities, national policies could favour the development of indigenously based but externally oriented local economies.

*(Authors' abstract)*

#### Keywords

Local institutions  
Service asset management groups (SAMs)  
Participation  
Equity

#### **Driscoll, R., K. Christiansen and S. Jenks (2004) 'An overview of NGO participation in PRSPs', Overseas Development Institute Consultation for CARE International. London: Overseas Development Institute**

NGO participation in poverty monitoring is attracting a lot of attention and encouragement by donors as PRSPs move into the implementation phase. There are widespread examples of local, national and international NGOs moving into monitoring roles. Christian Aid officers in Mali carried out a project to build the capacity of their Malian partners in monitoring aid quality. Uganda's Debt Network is helping combat corruption in Uganda through engaging in a budget monitoring process. In some cases governments are promoting the involvement of civil society in monitoring and setting up appropriate institutions; for example the Government of Mozambique invited CSOs to develop plans for monitoring implementation.

In other cases, networks of NGOs are creating their own informal channels to monitor PRS implementation, as in the case in the Civil Society for Poverty Reduction network in Zambia which includes 36 civil society organisations and the 'Red de Desarrollo Local' in Nicaragua which is a network of local development NGOs, funded by GTZ and Oxfam and piloting a social auditing methodology. Civil society capacity for policy advocacy and economic literacy has developed in Tanzania, Zambia, Lesotho, Uganda and Bolivia, among other countries. In Malawi and Bolivia there are efforts by the main civil society coalitions to build grassroots capacity for influencing policy locally.

Concern has been expressed by some NGOs that by moving into watchdog roles, they may compromise recently strengthened relationships with governments that allow for greater policy influencing. This is just one example of the tensions inherent in the changing roles NGOs have taken on through the PRSP initiative.

*(From RAPID's Civil Society Programme Background Paper Annotated Bibliography, August 2005)*

#### Keywords

PRSPs  
Participation  
Monitoring  
NGOs



**Krishnah, A. et al. (2000). 'Changing policy and practice from below: community experiences in poverty reduction'. New York: UNDP.**

This volume of case studies has been put together with the intention of promoting mutual learning among those concerned with advancing civil society solutions for development and poverty reduction. Nine case studies, representing an equal number of projects and countries, have been selected from among a host of instructive and interesting experiences examined by the editors.

Each case study leads the reader step-by-step through the various stages of its particular learning experience, elucidating how particular problems were satisfactorily resolved in a specific situation, and providing insights about how similar processes and programmes can be supported in other countries and contexts. All of these cases report relatively recent experiences, mostly gained during a period in the 1990s.

The authors provide an assessment of the following to support Civil Society Organisations (CSOs) with respect to poverty reduction

- Helping engender a conducive environment to the formation of CSOs,
- Enhancing internal capacities among CSOs, and
- Building bridges among CSOs and between CSOs and state organizations.

*(Adapted from RAPID's Civil Society Programme Background Paper Annotated Bibliography, August 2005)*

### **Keywords**

Civil Society Organisations (CSO)  
CSO-state relationship

**Narayan, D. (1999). Bonds and Bridges: Social Capital and Poverty. Policy Research Working Paper 2167. Washington : World Bank**

Using the lens of social capital-especially bridging or cross-cutting ties that cut across social groups and between social groups and government-provides new insights into policy design. Solidarity within social groups creates ties (bonding social capital) that bring people and resources together. In unequal societies, ties that cut across groups (bridging social capital) are essential for social cohesion and for poverty reduction. The nature of interaction between state and society is characterized as complementarity and substitution. When states are functional, the informal and formal work well together-for example, government support or community-based development. When states become dysfunctional, the informal institutions become a substitute and are reduced to serving a defensive or survival function. To move toward economic and social well-being, states must support inclusive development. Investments in the organizational capacity of the poor are critical. Interventions are also required to foster bridging ties across social groups-ethnic, religious, caste, or racial groups. Such interventions can stem from the state, private sector, or civil society and include:

- Changes in rules to include groups previously excluded from formal systems of finance, education, and governance, at all levels
- Political pluralism and citizenship rights
- Fairness before the law for all social groups together
- Infrastructure that eases communication
- Education, media, and public information policies that reinforce norms and values of tolerance and diversity.

### **Keywords**

Complementarity  
Substitution  
Capacity

**Øyen, E . (2000). 'Social Capital Formation as a Poverty Reduction Strategy'? From 'Publication of proceedings', from International Symposium on Social Capital and Poverty Reduction: Which Role for the Civil Society Organizations and the State? Geneva: UNESCO.**

Øyen cautiously accepts the potential use of social capital as a poverty reduction strategy but argues that this is not relevant at present. This is because, currently, social capital largely exists amongst the non-poor only. Poor people are not able to develop "useful networks for increasing their own social capital on a large scale" nor are they able to enter networks that are rich in social capital. Therefore, current efforts must enhance the level of social capital of the poor. Only when the poor have sufficient social capital, e.g. can participate in political life and have their voices be heard, can social capital be considered a potential poverty reduction strategy.

**Keywords**

Social Capital  
Empowerment

**Renard, R & N. Molenars. (2003). Civil Society Participation in Rwanda's Poverty Reduction Strategy. Antwerp: University of Antwerp-Institute of Development Policy and Management.**

The participation conditionality linked to the PRSP creates a wide range of problems. It is too ambitious to be workable, too vague to be monitored. The pragmatic way out has been for the Bretton Woods institutions to be uncommonly lenient in the verification of this conditionality. Governments can thus get away with a semblance of civil society consultation. Rwanda's a case in point. We try to show that there has been very little civil society participation, and that any other outcome would have been quite unlikely, possibly even undesirable. We argue that donors should dramatically tune down their ambitions, and set country-specific, limited but firm benchmarks that a government must respect in its relations with civil society. If this had been done from the initial stages of the Rwandan PRSP, some small but significant steps forward could have been taken that stand in stark contrast with the hollow 'participation' actually offered to civil society in some limited areas where it was not ready to rise to the challenge, while at the same time the donor community did little to protect civil society when the regime was clamping down on elementary civil liberties.

**Keywords**

Conditionality  
Rwanda  
PRSPs

**VENRO. (2002). PRSP-Prospects and limits of civil society involvement. Berlin: VENRO**

This paper looks at the extent and nature of civil society in formulating the PRSPs, with particular focus on Bolivia, Honduras, Kenya, Rwanda, Zambia and Uganda. It is argued that measures to combat poverty in the PRSPs are still being run parallel to macro-economic adjustments in the Structural Adjustment Policies such that there is "a certain understanding of one's role in which, at best, state actors grant civil society a say in setting priorities in the social sectors of education, health or food" (p. 5). The report highlights quite stark differences in the extent of civil society participation and recommends the following to improve participatory processes over the long term

- Decision making process of PRSPs needs to change to allow an independent committee (with equal representation of developed and developing countries), rather than the present method, where the Executive Boards of the IMF and World Bank dominate (with a developed country bias due to capital-based voting)
- Developing country governments must provide more support to foster participation and promote a legal framework for them

The report implicitly suggests some minimum standards for civil society participation in order to narrow the gap between participatory performances of countries. The IMF and World Bank have so far not set any minimum standards for the involvement of civil society actors, instead assessing participation based on participatory practices that pre-exist in those countries. However, effective participation requires certain pre-conditions

- Actors must be given the opportunity to engage in policies e.g. “comprehensive and timely access to relevant information; sufficient resources; time and space to disseminate information, critically reflect draft policies and develop independent positions; material and legal prerequisites to engage in public debates” (p. 6);
- It requires political rights e.g. freedom of speech, assembly and the press as well as the right to information;
- It requires democratic legitimisation;
- Political structures have to be created within which participation can take place.

The report then goes on to describe the experiences of civil society in the above six countries in the PRSPs. The Ugandan model, with the highest level of participation, is widely seen as an exemplary model. Less participatory PRSPs countries can be characterised, for example, by their failure to provide civil society with the time and information to participate in drafting the strategy papers.

#### Keywords

PRSPs  
Participation  
Representation

### 3.7. The role of international actors in setting national poverty reduction policies

**Booth, D. 2003. ‘Introduction and Overview’. Development Policy Review Vol. 21 (2). London: Overseas Development Institute.**

P[overty] R[eduction] S[trategy] P[apers] have achieved a useful mainstreaming of anti-poverty efforts in national policy processes in Africa. However, the seven country experiences synthesised in this article reveal differences as well as commonalities. Whether or not vicious circles of patrimonial politics, state weaknesses and ineffectual aid can be replaced with virtual ones, based on greater national ownership of anti-poverty efforts, is still uncertain. PRSPs add value to technocratic reforms in public management, by opening new spaces for policy dialogue, but reforms remain vital, especially in regard to the budget. Donors, also, need to take more risks and impose some discipline on themselves. The hypothesis that PRSP processes can promote changes leading to more effective poverty reduction needs refinement, but remains plausible on balance.

*(Author’s abstract)*

#### Keywords

PRSPs  
Policy space  
Ownership  
Patrimonialism

**Emerging Market Economics (eme). (2004). Measuring the Impact of Business on Poverty. Paper for Department for International Development (DFID). London: Emerging Market Economics.**

This report represents Phase II of the work conducted for DFID on increasing the poverty-reduction impact of private sector investment. The first paper identified three ways in which the private sector could impact poverty reduction: contributing to general economic growth, encouraging making economic growth more pro-poor and through direct poverty impacts, e.g. employment policies and corporate donations. This paper examines these three aspects in specific sectors to assess their pro-poor impacts. Methodological issues (i.e. in measuring the pro-poor impact of investment) are also discussed. A specific framework is called for, which identifies specific poverty impacts for each sector which companies should measure themselves against. This will help to avoid intangible, vague reporting based on selective and biased information.

#### Keywords

Investment  
Private Sector  
Impact Assessment

**Hanmer, L. et al. (2001). 'Institutionalising the PRSP Approach in Kenya'. London: ODI**

Chapter 4 of this report examines the potential for institutionalising the Poverty Reduction Strategy Paper (PRSP) in Kenya. The potential impacts of the PRSPs are examined, first in theory and then in practice.

The report claims that PRSPs have increased public participation in the national dialogue on poverty and wider development issues. The PRSPs have also attracted media publicity, which has increased public awareness of the national poverty problem and which has led local NGOs to amend their programmes to become more poverty-focussed. One important trend is that "poverty reduction is beginning to become less vulnerable to partisanship and patronage and more issue-based, with a general shift to assigning responsibility for poverty reduction and emergency relief to technical ministries" (p. 21).

Other external spill-over effects of the PRSP consultation process

- Greater force to the call for more democratic and participatory politics, which could potentially lead to more transparent policy-making
- More participatory decision making at the regional institutional levels e.g. district and divisional levels
- Greater involvement of the government in poverty-reduction politics, given the current demand for the government's inclusion in the PRSP process
- Greater advocacy work on poverty issues, as NGOs reorganise themselves
- Greater attention to poverty issues in national budgets e.g. the 2000-01 budget was the first time funds were specifically identified for Poverty Programmes, and from which no re-allocation of funds was allowed.

**Keywords**

PRSPs  
Participation  
Institutionalisation

**House of Commons International Development Committee. (2005-06). 'Private Sector Development: Fourth Report of Session 2005-06' (Chapter 6). London: House of Commons**

This report was conducted by [ODI] as part of the Parliamentary enquiry into Private Sector Development (PSD). PSD is an approach used by the Department for International Development (DFID) that places economic growth (generated by the private sector) at the centre of poverty reduction strategies.

This chapter of the report examines how the private sector can contribute to poverty reduction and how donors can further support this work. Areas where the private sector can help to improve the impact of growth on the poor:

- International trade – promoting trade justice e.g. removing unfair trade distortions
- Ethical trade – appropriate use of labour and human rights practices by the private sector can have a direct impact on poverty reduction
- Fair trade – increasing the amount of goods that is of a fair trade nature, which guarantees workers in third world countries a decent wage

Recommendations made to DFID:

- Building up a sustainable approach to supporting ethical trading, backed by the necessary long-term funding
- Possible development of an ethical code to govern government procurement policies
- Scaling up pilot programmes and disseminating information
- "Seek to embed its support for ethical trading in a package of wider measures, including improvements to the enabling environment; the widespread implementation of labour standards" (p. 62)
- Supporting better implementation of international codes promoting CSR practices for multinationals and Small and Medium Sized Enterprises (SMEs)
- Supporting the development of co-operatives, who can have a significant impact on poverty by providing marginal actors (workers, consumers, and producers) with economic opportunities that would not otherwise have been available e.g. providing small farmers with access to formal markets
- "The co-operative movement has a particular role in public sector delivery and in making trade work for poor people. [...]The important role of co-operatives in PSD should be adequately communicated

to all DFID country programmes to ensure a coherent approach to this under-recognised PSD model” (p. 67).

- Promoting the expansion of business forums, which can act as a “vital conduit for public-private dialogue and private sector action on poverty reduction” (p. 68) e.g. the Global Business Coalition on HIV/AIDS mobilised the skills of approximately 200 companies to fight AIDS and to help members address the impact of the disease on their employees

#### Keywords

Private Sector Development Department for International Development (DFID) Trade	Co-operatives Business Forums
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### 3.8. Barriers to pro-poor policy formation

**Orenstein, M. A. (2000). ‘How politics and institutions affect pension reform in three post-communist countries’. Policy Research Working Paper. Washington: World Bank.**

The author examines the political and institutional processes that produced fundamental pension reform in three post-communist countries: Hungary, Kazakhstan, and Poland. He tests various hypothesis about the relationship between deliberative process and outcomes through detailed case studies of pension reform. The outcomes of reform were similar: each country implemented a mandatory funded pension system as part of reform, but the extent, and configuration of changes, greatly differed. Countries with more "veto actors" - social and institutional actors with an effective veto over reform - engaged in less radical reform, as theory predicted. Poland and Hungary generated less radical change than Kazakhstan, partly because they have more representative political systems, to which more associations, interest groups, and "proposal actors" have access. Proposal actors shape the reform agenda and influence the positions of key veto actors. Pension reform takes longer in countries with more veto and proposal actors, such as Poland and Hungary. Legacies of policy, the development of civil society, and international organizations, also profoundly affect the shape and progress of reform. The author sees pension reform as happening in three phases: commitment-building, coalition-building, and implementation. He presents hypothesis about tradeoffs among inclusiveness (of process), radicalism (of reform), and participation in, and compliance with, the new system. The hypothesis: including more, and more various, veto and proposal actors early in the deliberative process, increases buy-in and compliance when reform is implemented, but at the expense of faster and greater change. Early challenges in implementation in all three countries, nut especially in Kazakhstan, suggest the importance of improving buy-in through inclusive deliberative processes, where possible.

(World Bank’s abstract)

#### Keywords

Pension reform Veto actors Interest groups	Policy implementation Representation
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**Thomas, J. W. & M. S. Grindle. (1990). ‘After the Decision: Implementing Policy Reforms in Developing Countries’. World Development Vol. 18 (8): 1163-1181.**

Implicit in many reform proposals is a model of the policy process that is roughly linear: a proposed reform gets on the agenda for government action, a decision is made on the proposal, and the new policy or institutional arrangement is implemented, either successfully or unsuccessfully. This article presents an alternative, interactive model of implementation that focuses on the conflict and reactions that are evoked by efforts to bring about changed policy or institutional contexts for development and the resources that policy makers and managers are likely to require to sustain a reform in the face of such reactions. Central to the analysis is the assertion that characteristics of the reform being implemented will largely determine the kind of conflict it engenders, where such reaction is likely to become manifest, and what resources are needed for sustainability. The analysis suggests a framework for the strategic management of reform initiatives.

(Author’s abstract)

The author's interactive model posits that a policy reform may be altered or reversed along any part of its life cycle, by its opponents. The reform agenda is a stockpile of all reforms that have been proposed; this is much larger than the number of reforms that will be implemented because of the "preferences, perceptions, and actions of policy elites and their appreciation of the economic and political environment they face" (p. 1166). Importantly, since a policy initiative may be reversed any time along the implementation process, "the decision process needs to be envisaged as a series of formal and informal stages, with numerous actors, not as a single point with a single decision maker" (p. 1166) e.g. policy makers may try to block the necessary resources for implementation, or political elites may alter characteristics of the policy such that the outcomes are different to what was originally anticipated.

Four case studies follow, showing the different potential outcomes of the implementation process

- Rice pricing in Indonesia (success)
- Devaluation in Ghana (failure)
- Export led growth in Jamaica (an implementing organisation can alter a policy long after the policy formulation stage)
- Urban water supply in India (a reformist initiative may be removed from the agenda if key actors do not believe it can be implemented).

The following section looks at possible reactions to policy reform: these will depend on the nature of the reform and will have implications for how policy is implemented. A reaction is likely to occur in the public arena or the bureaucracy – the stakes will therefore be high in the first stage (because the government's viability is at stake) or low in the second (it is the substance of the reform which is an issue). If the stakes are high, the government's continued role in the process may be questioned and additional resources may be required to counter anticipated reaction or develop the necessary capacity.

The author concludes that implementation feasibility is an important reason why reforms do not go through because "reforms that fail can be worse than no reforms at all" (p. 1178).

### Keywords

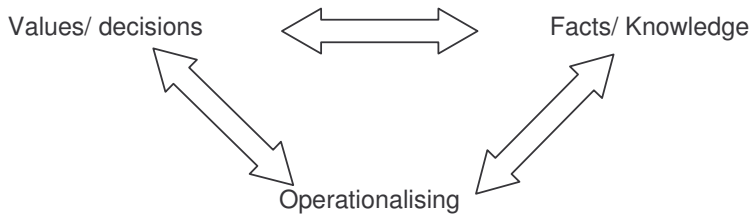
Implementation  
Interactive model  
Feasibility  
Public and bureaucratic reactions

### **Keeley, J. (2001). 'Influencing Policy Processes for Sustainable Livelihoods: Strategies for change'. Lessons for Change in Policy & Organisations, No. 2. Brighton: Institute of Development Studies**

This book is part of the DFID funded project: 'Transforming bureaucracies and understanding policy processes for sustainable livelihoods' and is based on research on land management policy processes conducted in sub-Saharan Africa as well as field work in Ethiopia, Zimbabwe and Mali. It aims to answer two questions: how does policy processes work and how does one shape a policy process to make it more inclusive? The policy process here is defined as more than just defining problems or goals, coming up with policy solutions or choices, and implementing these: the author recognises that the process is political and hence some interests may be represented at the expense of others.

The book begins with an introduction to understanding the policy process, within a sustainable livelihood (SL) perspective: the policy process is complex ("policy processes are often distinctly non-linear, inherently political and contested, and more incremental and haphazard than these [standard] models suggest" (p. 9)) and there are certain new aspects of the SL-policy process interface (cross-sectorality, micro-macro linkages, being people centred, making trade-offs between different aims and placing an emphasis on process). The author suggests a more fluid approach to policy making, from

Policy Processes = Policy Formulation and Implementation, to



The author then provides suggestions on how to influence the policy process (without which, these factors could be seen as barriers to policy formulation).

- *Knowing the governance (political and bureaucratic) context*
  - Understanding the political context will mean that actors engage in the policy process where it is
  - Striking a balance between increasing voice at the bottom and increasing responsiveness at the top
  - Different issues have different policy processes, in terms of the seriousness of the problem, the nature of interest groups/ stakeholders, the number of ministries involved etc.
- *Recognising policy narratives.* Narratives “define a problem, explain how it comes about, and suggest courses of action to avoid disaster or further catastrophe” (p. 15). To engage in policy processes, there needs to be recognition that different actors with different interests will articulate different narratives. In addition, providing simple, “counter-narratives”, which are more inclusionary of marginal groups and which brings new combinations of interest groups together may be necessary.
- *Mapping actor networks.* “Building new networks is one of the key ways of constructing more livelihoods sensitive policy processes. In practice the challenge would be to build networks between macro and micro scales, across sectors, and between worlds of politics and administration, building political commitment alongside improved capacity for engagement of different stakeholders” (p. 18).
- *Identifying policy spaces.* Influencing policy processes effectively requires identifying where there is room for manoeuvre and engaging at the right time (identifying “moments for change” (p. 22)). The above three factors can also help in anticipating future moments for change.

### Keywords

Policy process  
 Policy space  
 Networks  
 Sustainable Livelihoods

## 4. Pro-poorness of policy implementation

### 4.1. Pro-poor budgeting

**Bräutigam, D.A. (2004). *The People’s Budget? Politics, Power, Popular Participation and Pro-Poor Economic Policy.* School of International Service: American University. Washington: American University.**

People’s budgets, alternative budgets, women’s budgets, and participatory budgeting have raised hopes and expectations that spending and revenue generation can be made “pro-poor” by increasing the participation of citizens, NGOs, and other civil society organizations. In some instances, these hopes appear to be borne out. Panel data from the participatory budgeting experiment in the city of Porto Alegre suggests that spending after participatory budgeting was initiated did become substantially more “pro-poor”.

This paper reviews the Porto Alegre experience, and other examples of participatory economic policy-making and pro-poor economic policy-making in Ireland, Chile, Mauritius, and Costa Rica.

This review raises four issues:

- Who participates?
- What impact does the more direct democracy of participation have on the consolidation of representative democracy?

- What kind of institutional framework is necessary for participation to be pro-poor and for it to support other aspects of better governance?

And what role has the private sector been given in a budgeting process that might require its acquiescence in pro-poor taxation?

It concludes by pointing out that making spending and taxation more “pro-poor” has historically depended on pro-poor political parties gaining political power.

*(Author’s abstract)*

## Keywords

Participatory Budgeting  
Expenditure  
Taxation

**Foster, M et al. (2002). How, When and Why does Poverty get Budget Priority? Poverty Reduction Strategy and Public Expenditure in Five African Countries. Working Paper 168 – Overseas Development Institute. London: Overseas Development Institute**

This paper synthesises the key findings from case studies in five countries (Ghana, Malawi, Mozambique, Tanzania and Uganda), each of which examined how public expenditure management has been linked to poverty reduction policy goals. Each of our case study countries entered the 1990s with a pattern of public expenditure in which the efficiency and effectiveness of public expenditure was very low, and its benefits went mainly to the non-poor. The paper focuses mainly on the expenditure side of the budget plus some analysis of user fees.

### Key findings

- Leadership, poverty analysis and policy formulation
  - At the level of political rhetoric, the attention to poverty has reflected the changing climate of international opinion (i.e. SAPs, World Development Reports) in each of our countries.
  - Many of the problems of ineffective budget management that undermine the ability to reorient spending towards the poor, stem from political reluctance to recognise the need for tough choices and for budget discipline.
  - The research looked at the role of participation and of transparent information flows in embedding anti-poverty policies more securely. We found some interesting examples where the sharing of information and a pro-active approach to participation have helped to improve the effectiveness of poverty policies.
  - The requirement to complete poverty reduction strategy papers (PRSPs) in order to qualify for HIPC debt relief has risked undermining some of the improved planning and budget processes achieved to date through patient development over a long period.
- Changing Expenditure Patterns: MTEFs and Poverty
  - Serving the poor more effectively through public expenditure requires a medium term process for budget allocation (to plan changes in strategic priorities), and a public expenditure management capacity (to ensure they are executed).
- Increasing the effectiveness of pro-poor spending
  - Improving the delivery of public expenditure requires attention to major problems of low pay, weak incentives, and weak or non-existent performance management.
  - The poverty reduction rationale for decentralisation is potentially strong, but needs to be supported by measures to build capacity, and by systems to monitor the performance of officials and politicians and hold them accountable to both client communities and central authorities.

Although much of the report focuses on public expenditure management rather than pro-poor budgeting, sound expenditure management is the first step in ensuring governments can budget for pro-poor policies. Some challenges still remain e.g. building capacity and managing performance, institutionalising a poverty focus (highlighting the particularly important role for civil society in exploiting the opportunities to exercise voice).

*(Extracts taken from author’s Executive Summary)*



## Keywords

Public Expenditure Management  
Performance Management  
Capacity  
Incentives

**Fozzard, A et al. (2006). 'Public Spending'.**

<http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTPOVERTY/EXTPRS/0,,contentMDK:20177236~pagePK:148956~piPK:216618~theSitePK:384201,00.html>

This chapter outlines good practices in budgeting and public financial management in the context of implementing affordable pro-poor policies. It considers the influence of institutional arrangements on public spending outcomes at the national, sector, and local levels, and the impact of budget design on the distributional and economic impact of public spending. The discussion also highlights possible solutions to common challenges faced by managers, budget analysts, and ministers when devising ways to finance policies, programs, and service delivery for reducing poverty. Moreover, it provides some guidance on getting started on key issues in the context of preparing a Poverty Reduction Strategy (PRS).

The chapter is organized around three themes in public financial management:

- Understanding the budget system, including the actors involved, associated political processes, and budget coverage and structure;
- Learning how to rigorously assess alternative spending options and re-evaluate the role of government in service delivery at different levels; and
- Improving resource management and public sector performance.

Achieving poverty reduction goals will require adapting domestic budgeting and financial management systems to the needs of the PRS. Countries are at different stages in this process, and capacity building could take time. Developing a system to compile reliable fiscal data is obviously important. More generally, strengthening the country database on poverty and social indicators is critical to building national capacity to determine appropriate policies for poverty reduction and monitoring their impact over time [...].

This chapter analyzes the challenges and best practices inherent in public expenditure management, with a particular focus on integrating PRS goals into budgeting systems and institutional practices. Budget systems and institutions influence outcomes through (a) their impact on aggregate fiscal policy, (b) the particular policies and programs funded in the budget, and (c) the resources allocated to and the effectiveness of service delivery agencies.

*(Extracts from authors' introduction)*

## Keywords

Public financial management  
Institutions  
PRSs  
Budget design

**Mackinnon, J & Reinikka, R. (2000). Lessons from Uganda on Strategies to Fight Poverty Reduction. Policy Research Working Paper 2440. Washington : World Bank.**

Countries receiving debt relief under the Heavily Indebted Poor Countries initiative will be among the first to benefit from the new World Bank -- International Monetary Fund approach to strengthening the impact on poverty of concessional assistance in low-income countries. The new approach features a more inclusive and participatory process for helping recipient countries develop poverty reduction strategies. From these strategies, joint Poverty Reduction Strategy Papers (PRSPs) will bring together the country's own priorities and Bank-Fund assistance to the country.

In Uganda, such a strategy has existed for several years. Uganda was one of the first low-income countries to prepare a comprehensive national strategy for poverty reduction using a participatory approach. Indeed,

its experience contributed substantially to the design of the PRSPs. Uganda's top leadership is heavily committed to poverty reduction. Formulation of Uganda's Poverty Eradication Action Plan (PEAP) in 1996-97 was the executive branch's effort to make that commitment and vision operational.

The authors draw lessons from the drafting of Uganda's PEAP. First, the plan made extensive use of existing data and research about Uganda to refocus a range of public policies and interventions relevant to poverty reduction. Second, the government's approach was highly participatory, with central and local governments, the donor community, nongovernmental organizations and civil society, and academics invited to contribute. Third, the government was quick to translate the plan into its budget and medium-term spending framework. Public expenditures on basic services were significantly increased after adoption of the PEAP in 1997.

The authors discuss the general characteristics of a poverty reduction action plan, drawing on Uganda's experience; discuss what is known about poverty in Uganda and identify shortcomings in the data; examine the macroeconomic and fiscal policies that were considered most important to poverty reduction during the participatory process; discuss the delivery of public services, especially those that directly affect the poor; and highlight problems associated with land issues, including problems with access to credit and financial services and with the security of productive assets.  
*(Author's abstract)*

### Keywords

Participation  
Expenditure Framework  
Poverty Reduction Planning

### **Norton, A & Nelson, D. (2002). What's Behind the Budget? Politics, Rights and Accountability in the Budget Process. London: Overseas Development Institute.**

This Overseas Development Institute (ODI) paper looks at ways in which a rights approach can contribute to strengthening pro-poor voice and outcomes in budget processes. The paper reviews different conceptual approaches for addressing issues of human rights, entitlements, political accountability and citizen participation in relation to the budget process. It also reviews some of the experience with pro-poor and gender-sensitive budget initiatives and draws key operational and policy lessons.

The authors stress that public expenditure management must be considered a political, rather than purely technical, process in order to achieve accountability and a gender-sensitive, pro-poor focus. They identify several factors which are likely to facilitate this focus. These include: a constitutional framework and political culture oriented to citizenship and rights; a system of issues-based political competition; sufficient fiscal resources for wide-scale delivery of some basic services; a clear framework of policy goals, aligned to a vision of society with respect for social justice; and transparent systems of decision-making. The authors also highlight the importance of an active and engaged civil society able to access information, produce analysis, and make claims, and hold government, service providers and policymakers to account.  
*(Abstract from ELDIS, adapted from author)*

### Keywords

Rights based approach  
Public Expenditure Management  
Civil Society  
Participation  
Accountability