

PRACTICAL MECHANISMS FOR POVERTY REDUCTION

Executive Summary

The study on Practical Mechanisms for Poverty Reduction was developed in response to a request from the Commonwealth Secretariat in order to:

- (i) identify 'successful' examples of practical mechanisms of poverty reduction which are potentially replicable;
- (ii) identify the funding mechanisms applicable to such assistance; and
- (iii) review the role the Secretariat could play in assisting member countries to promote poverty reduction.

The consultants discussed these issues with a number of Commonwealth governments in Asia and Africa and visited the World Bank (WB), the Consultative Group to Assist the Poorest (CGAP), International Fund for Agricultural Development (IFAD), Food and Agriculture Organisation (FAO) and World Food Programme (WFP).

With over one billion people currently living below the poverty line, a significant proportion of which are in Commonwealth countries, the problem of poverty assumes dramatic proportions, with the potential for social and economic destabilisation. While poverty reduction efforts have shown some success in Asia, poverty in Africa has grown more intense and is projected to increase in magnitude, depth and severity. In particular, the status of the bottom 40 per cent of the population, in terms of income, has worsened disproportionately; this group, referred to as the 'hard-core poor' includes an over-representation of women, the elderly and children.

Examples of Commonwealth "best experiences" with poverty reduction mechanisms are presented in Section A which then continues to address the issue of strategies for the Secretariat. The strategies developed at the Cyprus and Auckland Summits are endorsed and complemented by similar approaches adopted by other multilateral organisations. The comparative advantage of the Secretariat may be that it operates with modest resources, but is strong on influence with member states. In this context, the Secretariat could make a strategic contribution to poverty reduction by:

- (i) strengthening member government commitment to coherent poverty reduction strategies;
- (ii) strengthening member government capacity to formulate poverty reduction policies and monitor poverty levels;
- (iii) liaising with and disseminate findings of knowledge networks relating to successful case studies;

- (iv) reviewing levels of public expenditure and promoting an enhanced role for government in poverty action programmes;
- (v) strengthening implementation capacity in areas relating to policy formulation programme design and implementation.

In concluding Section A, the report endorses the initiative to hold a workshop for East African countries to exchange experiences of poverty reduction at country level and review the strategies outlined in this report, inter alia. An in-depth discussion of the conceptual background to poverty policy is presented at Annex A.

Annex A provides a conceptual background to the discussion of poverty reduction by introducing the different factors involved. The causes and manifestations of poverty cannot be generalised but vary according to geographical region, group composition, gender, spatial and policy configurations and national resource endowments. Given the disparate character of poverty, this study suggests that national and sub-national profiles of poverty be developed and reduction strategies elaborated at that level in terms of policy frameworks and programmes. Successful examples may emerge endogenous to particular regions or sub-regions but their transferability to other regions will be contingent upon careful sifting of the specific and generic characteristics.

The second part of the paper addresses the issue of an enabling policy framework for poverty reduction. The importance of a balanced approach to growth, which reconciles growth with poverty reduction is elaborated upon and combines a cluster of growth policies relating to the macro-economic framework, sectoral trade and marketing and good governance with investments in social infrastructure, safety nets and access to land, water and employment. A case study of Malaysia discusses a successful experience of poverty reduction utilising a mix of growth and social policies. In this context, the respective roles of the state and the market are debated.

Consideration is given to factors at meso-level which shape the transmission of national policy either through sectors or institutions. The linkages between macro- and micro-level include factors such as decentralisation, aid agency programmes, poverty assessments and the role of NGOs and civil society. Primary emphasis is placed on the quality of service delivery to the poor and the mediation process of national policy into specific actions at the point of consumer interface.

In closing the Report, Section B provides a compendium of poverty reduction mechanisms which serves to put into their proper context those examples of Commonwealth experience. In considering the mechanisms for poverty reduction, the heterogeneity of poverty and the consequent initiatives to reduce it, is emphasised. It is recognised that successful poverty reduction requires a strong national commitment at both political and resource levels. This commitment should be translated into policy statements and institutional frameworks which would include social audits, poverty assessment units, poverty monitoring and training. The policy agenda would then be 'mainstreamed' into the resource allocation process. Community participation and public action by civil society would play a prominent role in both policy formulation, programme design and implementation. Problems of change in the culture of bureaucracies to accommodate stakeholder participation by the poor themselves is discussed.

Germane to this is the growing influence of NGOs, particularly Southern NGOs, in service delivery and their relationships to the state. Specific initiatives to reduce poverty are outlined with a view to enhancing the creative potential and productive capacity of the poor; these include land reform, financial services, technology transfer and food security, gender sensitivity, agricultural services and initiatives that generate rapid growth in the demand for labour. The relationship between environmental conservation and poverty is explored. Recognising that resources may be diverted from reaching the most needy, the issues of targeting are discussed, particularly in terms of safety nets for the poor and focused education and health services.