

PRACTICAL MECHANISMS FOR POVERTY REDUCTION

Background to the Study

This study on Practical Mechanisms for Poverty Reduction has been commissioned by the Commonwealth Secretariat with a view:

- (i) to identify major examples of practical mechanisms of poverty reduction, review the conditions associated with success and assess their potential replicability;
- (ii) to identify donor agencies which finance these practical mechanisms and examine the conditions that apply to such assistance; and
- (iii) to review the role of the Secretariat could play in assisting member countries to promote poverty reduction.

In October 1995, Dr J Mullen and Professor D Hulme of the Institute for Development Policy and Management at the University of Manchester were appointed to advise the Commonwealth Secretariat on poverty reduction on the basis of the Terms of Reference outlined in Appendix A.

The consultants subsequently collected information from the Secretariat, reviewed the available literature and collected information from the Governments of India and Malaysia, the World Bank (WB), the Consultative Group to Assist the Poorest (CGAP), International Fund for Agricultural Development (IFAD), Food and Agriculture Organisation (FAO), World Food Programme (WFP), United Nations Development Programme (UNDP), and non-governmental organisations. They also attended major conferences on poverty and hunger in Brussels (IFAD/WB) and Capetown (IFAD/WB/ Southern African Development Community (SADC)). For a list of visits see Appendix B.

The consultants provided interim reports on these activities and provided a preliminary draft report on 4 March 1996 and an Executive Summary on 3 April. Details of these progress reports (with the exception of the draft report which is superseded by this document) is included in Appendix C.

SECTION A: FOCUS ON POVERTY REDUCTION MECHANISMS IN THE COMMONWEALTH

1 Overview

It is estimated that 1.1 billion people were below the poverty line as defined in Table A.1 in 1990. Asia has the highest share of these, some 633 million (of which 371 million are in India and China alone), followed by 204 million in sub-Saharan Africa, about 76 million in Latin America and the Caribbean and the balance in the Near East and North Africa. In percentage terms, the proportion of the rural population whose income and consumption fell below nationally defined poverty lines was estimated at 31 per cent in Asia (46 per cent if China and India were excluded), 60 per cent in sub-Saharan Africa, 61 per cent in Latin

America and the Caribbean, and 26 per cent in the Near East and North Africa. However, the proportion of Africa's share of the world's poor is set to reach 27 per cent (from 18.5 per cent) by the year 2000, the only region of the world where poverty is projected to increase and become more intense. The IFAD study suggests that 85 per cent of the world's poor currently live in rural areas, although the trend is towards an increasing urbanisation of the problem. A significant proportion of the world's poor live in Commonwealth countries. Annex A analyses the poverty situation of a large sample of Commonwealth countries in terms of GNP per capita, life expectancy, poverty line and measurement on the scale of an Integrated Poverty Index. (Source: IFAD (1992) *The State of World Rural Poverty*).

Although the proportion of the poor in relation to the total population below the poverty line has decreased over the last twenty years, despite an increase numerically, this aggregate assumption masks two important facts; one, that poverty has substantially increased in Africa; two, the bottom two quintiles (40 per cent) of the population have not benefited from overall growth and certainly in Africa and probably in Asia, poverty may have become deeper and more intense in this group. Further, the potential for poor groups within countries to be drawn into ethnic strife, violence and activities that threaten national and international stability is indeed great. Poverty could indeed become a major threat to a safe and investment-oriented national and international environment - a cost which would dwarf poverty reducing expenditures.

Experience suggests that mechanisms to be applied to poverty reduction should take the following characteristics into consideration:

- (a) there are different forms of poverty which require appropriate but different solutions dependant upon their causes, characteristics and duration.
- (b) since poverty results from an interaction of processes occurring at international, national and local levels, poverty reduction mechanisms should address the constraints and opportunities occurring at each of these levels¹ in specific country situations commensurate with the root causes and structural factors in each case.
- (c) the exchange of information relating to successful examples of poverty reduction should be disseminated worldwide so that lessons of experience may be applied more widely with appropriate local adaptation.²
- (d) the effectiveness of mechanisms for poverty reduction is substantially determined by the level of involvement of the poor themselves, especially women, and the focusing of such mechanisms on the enhancement of assets of the poor, such as small amounts of capital, family labour and human ingenuity.

¹ See CIDA's Policy on Poverty Reduction, June 1995, p.2.

² The establishment of a knowledge network dedicated to the exchange of civil society knowledge and experience on fighting hunger and poverty was a major recommendation of the IFAD/WB Conference on Hunger and Poverty, Brussels November 1995; Plan of Action p.3.

- (e) the empowerment of the poor is a process of social change which includes access to, ownership of and control over productive assets and participation in democratic institutions.³

A more expansive discussion of these issues is in Annex A.

2. Examples of Best Experience

Although it is beyond the scope of this paper to assess the effectiveness of individual poverty-reduction mechanisms over time and at the same time acknowledging the wide geographical disparity, Table 1 suggests a classification of mechanisms and proposes examples of good practice. The listing is by no means exhaustive but is indicative of a selection of documented examples of above average performance of poverty-reduction programmes across a range of strategies.

Sri Lanka's experience in the use of social sector provision as a strategy for poverty reduction deserves further study. It has a GNP per capita of \$600, annual growth rate of 2.7 per cent, a life expectancy of 72 years, a male literacy of 88 per cent, and female literacy of 83 per cent.⁴ These social indicators are more commonly found in upper middle income countries rather than among the 40 poorest countries of the world, in which group Sri Lanka finds itself ranked thirty-ninth.

3. Strategies for the Commonwealth

Poverty has emerged as a critical development agenda of the 1990s and the mainstream development agencies, both multilateral and bilateral (including NGOs), have given a high profile to the articulation of this agenda. The World Bank, for example, considers poverty-reduction as its major objective and has enumerated the actions⁵ it proposes to reduce poverty and hunger. The UNDP administrator has outlined five themes which summarise the findings of the various UN Conferences and World Summits; these are: basic social security, access to productive assets for the poor, an enabling environment for poverty eradication, gender equity and sustainable agriculture. The Commonwealth Heads of Government meeting in Auckland (1995) and Cyprus (1993) resolved that poverty reduction was a strategic priority for the Commonwealth. Five key strategies were identified as fundamental to the reduction of poverty and the promotion of sustainable development: well-managed government,

³ IFAD Conference on Hunger and Poverty (1995) Report of the Working Group on Empowerment, Brussels.

⁴ Source: *World Development Report 1995*.

⁵ These actions may be summarised as follows: protecting the poor in adjustment programmes, simple, low-cost targeted interventions, food supplementation, monetized food aid, prompt response to drought and famines, income-generation programmes and agricultural research and extension. See H.P. Binswanger and Pierre Landell Mills (1995) *The World Bank's Strategy for Reducing Poverty and Hunger*, ESD Studies and Monographs Series No. 4.

application of science and technology, priority for women and girls; innovative approaches to resource mobilisation and partnerships between governments, NGOs and the private sector.⁶ The Commonwealth Secretariat's unique contribution at a critical early stage in the debate has been to generate genuine dialogue among governments in fora such as the Colombo Consultation (1993) from diverse geographical regions in respect of national policies and programmes which have successfully contributed to poverty reduction in their countries. Taking into consideration the subsequent broader adoption of the poverty agenda by development and financial institutions, and in particular by the multiple commitments of governments to poverty eradication during the World Summit on Social Development, the Secretariat should, rather than focus on any single prescription, give consideration to a new role of supporting member governments in policy advice to achieve more effective implementation of the poverty eradication targets to which they have subscribed.

This role would be built upon the comparative advantage of the Secretariat as an intergovernmental body, free from relations of structural indebtedness towards its members, and with a corporate culture of acting in the best interests of its members with modest resources. Furthermore, its limited resources enables it to tackle the most pressing problems in partnership with governments. In this context, the Secretariat could consider the following areas of action:

(i) *Strengthening member government commitment to coherent poverty reduction strategies*

In continuing to build upon the poverty statements of the Auckland and Cyprus Summits by highlighting poverty reduction in its communications with member countries, the Secretariat could take a proactive role, in collaboration with other multilaterals, in supporting member countries to furthering commitments to more coherent poverty-reduction policies and practical programmes. Examples of this could include the Secretariat providing constant advocacy on poverty issues, according the poverty agenda considerable prominence in communications with member states and noting that poverty reduction is a permanent policy commitment irrespective of development 'fashions'.

(ii) *Strengthening member government capacity to formulate poverty-reduction policies and monitor poverty levels*

Since all Commonwealth member countries have subscribed to the commitments of the World Social Summit in Copenhagen in respect of 'formulating or strengthening, preferably by 1996, and implementing national poverty eradication plans to address the structural causes of poverty', the modalities of translating the commitments into national and sectoral policies would be a prime area of advisory assistance of the Secretariat by adopting a catalytic role and facilitating exchanges of inter-country experiences. This could be achieved by regional workshops, discussion papers

⁶ Commonwealth Secretariat Report (1993), *Foundations for the Future*; quoted in the 1995 Commonwealth Plan of Action on Gender and Development.

prepared by government and exchanges of experiences/visits between Africa and Asia, and creating an experimental fund for innovative pilot projects in poverty reduction.

(iii) *Dissemination of the findings of poverty reduction "knowledge networks" relating to successful case studies*

A "knowledge network" compiling successful poverty-reducing initiatives among Commonwealth and some non-Commonwealth countries could lead to fruitful interactions, identification of new project opportunities and exchanges of up-to-date information based on experiential knowledge. Rather than duplicate existing initiatives, this would involve the provision of information from groups such as the Consultative Group to Assist the Poorest (CGAP), the IFAD/World Bank Knowledge Network, the Grameen Trust, and others to member states, particularly smaller states. A new and regular 'specialist' section on poverty-reduction issues in existing Secretariat publications, the setting up of a 'poverty group' within the Secretariat and the identification of a list of 'key contacts' in Commonwealth countries to receive information on poverty reduction could both be pursued at low cost.

(iv) *Review of levels of public expenditure and the enhanced role of government*

This study found that many developing member states believe that, overall, there is a need for public expenditure and greater government involvement in a broad range of anti-poverty, health and education programmes which could imply a restructuring of national expenditure priorities to reflect this approach while attracting donor funding. The Secretariat could help member states to analyse their national budgets with a view to strengthening their poverty focus. (This could well link in with related Secretariat work on debt relief).

(v) *Strengthening implementation capacity and good governance*

A particular weakness in the poverty literature is the lack of emphasis given to problems of project and programme implementation. Most donor agencies have focused on policy which has given rise to copious policy recommendations and declarative intentions without linking these to the concrete district and village environments in which these will be implemented and the human capacity of those responsible for implementation. Therefore at the operational level, the *strengthening of implementation capacity* in the following areas would be of critical importance:

- design techniques of poverty-focused projects to include:
 - best practice in monitoring; poverty policy; target groups; poverty assessments and profiles; project planning cycle; capital projects and participatory micro-projects; involvement and management of NGO activity; study of gender implications;
- preparation of training manuals relating to the above and training sessions for those involved in these activities across sectors;

- focus on informal sector activities in both urban and rural environments in relation to micro-enterprises, financial services, market assessments and business plans, development of micro and small industries;
- outline operational strategies appropriate to tackling the intractable problem of reducing hard-core poverty among the bottom four deciles – or the ultra poor as they are often known.

4. The Next Step Forward – A Regional Workshop

In a consultation with the Secretary General and a number of Directors it was proposed to initiate action on the key recommendations as soon as practically possible.

Recognising the accelerating spread of poverty in African countries, it was proposed to launch a pilot workshop for the poorest East African Commonwealth countries, with per capita incomes of less than US\$300 (1995 World Development Report)⁷, viz. Tanzania, Mozambique, Uganda, Malawi and Kenya. The meeting would be aimed at the head(s) of the government ministry responsible for poverty reduction in the respective countries. It would concentrate on reviewing the means by which the commitments of the World Social Summit are being implemented at national level and review countries' experiences in reducing poverty. Particular foci of discussion would include: poverty policy analysis at inter-sectoral level, the operational usefulness of poverty assessments and poverty profiles, constraints encountered in implementing their findings and the development of anti-poverty policy formulation and monitoring within countries. Detailed agendas would also be developed in response to the feedback received from governments.

The initial meeting would be held at a convenient East African location and co-ordinated jointly by the Commonwealth Secretariat, a local or regional institution, and the consultants, as required. The choice of the institution might be determined by the location of the meeting. A separate proposal is being prepared relating to this activity.

An important input to this Regional Meeting will be working papers which set out the conditions underlying the success of the "best experience" cases and assesses the likelihood of their replicability in other Commonwealth countries. It may also be possible to identify donor agencies active in these areas and ascertain the conditions required to access donor assistance. These papers will form supporting material to this main report.

⁷ *World Development Report 1995* ranks Mozambique and Tanzania as the two poorest countries in the world with a GNP per capita of US\$90; Uganda and Malawi are in 7th and 9th positions respectively (p.c.i. US\$200) and Kenya occupies 15th position (p.c.i. US\$270).

**TABLE 1
POVERTY-REDUCTION PROGRAMMES AND COMMONWEALTH EXPERIENCES**

TYPE OF PROGRAMME	GENERAL RESULTS	'BEST' EXPERIENCE CASES
1. Land reform and resettlement	Mixed results with many programmes poorly planned and implemented.	Malaysia - FELDA oil palm and rubber settlement schemes (In Taiwan and South Korea land reform underpinned rapid development). Papua New Guinea - Higaturu Oil Palm/CDC
2. Agricultural technology transfer	Has tended to benefit resource rich farmers; e.g. Green Revolution technology. More effective research and extension approaches for resource poor farmers have been recently developed.	Indian Punjab and Pakistan Punjab West Africa - contour bunds made with stones in arid and semi-arid areas
3. Integrated rural development	Poor results; first generation (high cost, rapid implementation) schemes rarely succeeded, but second generation (long-term, institutional development) are reported to be more effective.	Sri Lanka - second generation schemes in Moneragala (NORAD) and Badula (IFAD). Tanzania - Kilosa RDP Uganda - Hoima RDP Ghana - Northern Region RDP
4. Financial services for the poor	Small farmer agricultural credit schemes have usually failed. More recent innovative Asian schemes have helped reduce poverty - Attempts to replicate them in Africa have achieved both good and very poor results.	Bangladesh - Grameen Bank and BRAC India - SEWA, WWF and MYRADA Sri Lanka - SANASA Malaysia - AIM (Also programmes in Indonesia)
5. Food for work and rural public works employment schemes	Full commitment of govt required, involvement of women particularly beneficial, but trade-off between short-term benefits and long-run gains	Botswana - Drought. Relief Programme prevented famine and reduced malnutrition and income decline India - Maharashtra Employment Guarantee Scheme; Zambia - WFP.
6. Food subsidies	Expensive and often poorly targeted but have contributed to levels of welfare in some cases, and have been improved by self-targeting devices (e.g. coarse grain).	Sri Lanka - food subsidies and food stamps India - Public Distribution System.
7. Maintenance or enhancement of common property rights	Much evidence that when commons are 'lost', by state control or privatisation, then poor people become more vulnerable.	Zimbabwe - CAMPFIRE scheme for community use of wildlife resources India - joint forest management - Andra Pradesh Tribal Welfare
8. Safety Nets	Includes food-for-work, food security, health and basic education. Also disaster relief, mitigation and preparedness.	Tanzania, Ngara refugee programme for Rwandese; Malawi - Mozambican refugee programme; Bangladesh - Flood Action Programme; various NGO collaborative programmes in India (Tibet), Pakistan (AKF), Belize and cyclone victims (Caribbean)