

ANNEX A

THE POVERTY DEBATE

A.1 Introduction

The phenomenon of poverty has become increasingly associated with a number of factors: these include inadequate incomes and productive resources to achieve sustainable livelihoods, which in turn is translated into lack of access to, or availability of income-earning opportunities, basic health and education, food security, lack of adequate shelter, water or sanitation, lack of land or employment opportunities, and gender discrimination. It is also associated with a lack of participation in civil society, social exclusion, alienation, political instability and conflict. At its core, however, absolute poverty "is a condition characterised by severe deprivation of basic human needs, including food, safe drinking water, sanitation facilities, health, shelter, education and information. It depends not only on income but also on access to social services".²³ Gender is a significant factor in poverty analysis, complementary to variables of incomes, employment and ownership of assets. Indeed, Sen (1987) argues that "to concentrate on family poverty irrespective of gender can be misleading in terms of both causation and consequences."²⁴ Women constitute 70 per cent of the poor in the world in a global feminisation of poverty which is likely to continue growing into the next century. The link between gender and poverty is emphasised in the Secretariat's pronouncements on poverty which is articulated in The 1995 Commonwealth Plan of Action on Gender and Development as part of a Commonwealth Vision for Women Towards the Year 2000. Table A.1 gives a listing of poverty indicators in a number of Commonwealth countries.

Poverty is also a state of vulnerability.²⁵ Vulnerability may be situated at two levels; the institutional level refers to the quality of the socio-political environment, both in terms of threat of violence to the person or property and the instability that negatively affects private and public investment. Vulnerability is affected at the household level both in terms of seasonal deficits and of exposure to crises such as natural disasters, droughts, illnesses, or death. Women are disproportionately prone to vulnerability which is a significant factor in the feminisation of poverty. Studies of vulnerability have revealed the mobility of significant numbers of people in and out of poverty at different times and the changing composition of the poor – this has profound implications for poverty reduction programmes.

The causes of poverty are international, national and local, including structural factors such as commodity pricing systems, terms of trade and indebtedness. The complexity of the actual

²³ World Summit for Social Development, Copenhagen 1995.

²⁴ Sen A. (1987) *Gender and Cooperative Conflicts*, WIDER Working Papers.

²⁵ An excellent analysis of vulnerability in the case of Bangladesh is presented in Hossain Zillur Rahman (1995) 'Crisis and Insecurity: The Other Face of Poverty', Chapter 7 in *Rethinking Rural Poverty*, Hossain Zillur Rahman and Mahabub Hossain (eds.), University Press, Dhaka.

mix between exogenous and endogenous factors in specific country situations makes it virtually impossible to suggest general policy prescriptions applicable universally to all countries. The precise nature of the interface between a set of generally accepted poverty reducing policies and national development priorities can only be worked out at the level of the individual country in terms of identifying a specific set of policy instruments intended to reduce and eventually eradicate poverty. What is feasible in this context, and what this paper outlines are a number of broad policy positions subscribed to by Commonwealth member countries and development agencies as a framework for poverty reduction at the country level.

A.2 Formulation of an Enabling Policy Framework for Poverty Reduction

The World Summit for Social Development acknowledged the centrality of economic growth to the achievement of sustainable development and poverty eradication. This position reflects the conclusions of the Commonwealth Consultation on Rural Poverty Alleviation (1993)²⁶ that 'poverty reduction must be a central concern in the growth process'. These approaches recognise that economic growth is not an end in itself. It should be achieved within a broader context of equitable distribution of the benefits of development by all socio-economic groups. The World Bank strongly advocates economic growth as an essential precondition to poverty reduction, based on a dual approach of pro-poor policies of growth and expenditures (see Figure 1). IFAD argues that growth needs to be balanced structurally and ecologically²⁷ with sensitivity to inter- and intra-sectoral distribution and complementarities and to conserve and regenerate the natural resource base.

The significance and indeed the centrality of household-level considerations in enhancing rural and urban livelihoods and eventually becoming a key engine in the economy through enhanced productivity is a central objective. Growth at the household level is viewed in a holistic manner whereby increases in incomes and productivity are integrated with employment generation, meeting basic human needs, gender awareness, environmental conservation and a robust macro-economic framework. The linkage between an enabling policy environment and poor households, which is mediated through the meso- and micro-level interventions, is heavily dependent for its effectiveness on implementation capacity and participant responsiveness.

The poverty-environment relationship is emerging as a critical factor as increased depletion of natural resources threatens future global productive capacity. Increasing population pressures on cultivable land and reduction of holding sizes leads to more intensive exploitation of marginal lands, leading to degradation and depletion of watersheds, forests, pastures and fishing resources. Industrial pollution and unregulated disposal of toxic waste has a disproportionately damaging effect on the resources and health of the poor by land and water contamination and inhalation of toxic fumes.

²⁶ Commonwealth Secretariat (1993) Strategies for Poverty Reduction, C Easter (ed.).

²⁷ IFAD (1993), p.3.

An example of an enabling policy framework complementary to Figure 1, presented in Box 1, illustrates the case of Malaysia which has succeeded in reducing the incidence of poverty from 60 per cent in 1970 to 13.5 per cent in 1993 while registering an annual GDP growth rate of 6.7 per cent. It also presents an interesting example of the government providing a guiding hand to the market (as in the case of Singapore), while achieving high levels of growth.

Box 1

The National Development Policy of Malaysia (NDP) 1991-2000

The New Economic Policy (NEP) 1971-1990, which was the forerunner of the NDP, emphasised growth with equity and active government participation in the economy and not maximum growth through a laissez faire or free market system. A policy of total laissez faire would only exacerbate entrenched group differences, create resentment among those left behind by the forces of growth and eventually lead to a breakdown in social cohesion and hence has to be counter-balanced by a certain degree of government intervention to ensure equitable growth.

The National Development Policy (NDP) introduced in 1991 as the successor to the New Economic Policy (NEP) introduced several elements for national development; in particular that increasing consideration be given to non-materialistic factors in national development such as the strengthening of social and spiritual values and protection of the environment and ecology so as to achieve balanced development. The principal policy objectives of the NDP include the following:

- an optimum balance between the goals of economic growth and equity by eradicating hard-core poverty and reducing relative poverty;
- ensuring a balanced development of the major sectors of the economy;
- reducing and ultimately eliminating the social and economic inequalities and imbalances in the country;
- promoting and strengthening national integration by reducing disparities between states and between urban and rural areas and increasing the meaningful participation of low income groups in the modern economy;
- developing a progressive society based on material welfare, social and spiritual values;
- promoting human resource development based on skill development for a productive labour force through a culture of merit and excellence to achieve the twin objectives of growth and distribution;
- making science and technology an integral component of socio-economic planning and development.

Source: Malaysia: National Report for World Summit for Social Development, Copenhagen 1995, EPU, Prime Ministers Department, Malaysia.

The problems of the poor require urgent redress and policy statements on their own without effective action will have little impact on improving the livelihoods of the poor. Therefore a public commitment to a timetable for poverty reduction is required from governments to

help prioritise poverty reduction at the national level "as an ethical, social, political, and economic imperative".²⁸

At the World Summit for Social Development, national representatives of Commonwealth countries resolved, as a matter of urgency, to formulate or strengthen by the end of 1996 (International Year for the Eradication of Poverty) "national policies and strategies geared to substantially reducing overall poverty in the shortest possible time, reducing inequalities and eradicating absolute poverty by a target date to be specified by each country". This requires that in each country a poverty eradication plan be launched to address the immediate and long-term causes of poverty. Typically, this would include an articulation of the criteria for poverty assessment, the establishment of a poverty profile for the absolute poor (with related criteria applicable to different regions and environments), measuring the level and intensity of gender-differentiated poverty and an understanding of the livelihood systems of the poor with their support and participation. The involvement and participation of poor people in the formulation of such a plan can greatly enhance its effectiveness. Parallel to the diagnostic analysis of a poverty assessment, there should be an action plan involving the realignment of national policies to prioritise poverty eradication within a definite time-frame and with adequate resources to undertake its task in terms of concrete programme priorities.²⁹ The Secretariat should be willing to play a catalytic role in stimulating regional dialogue on exchanging country experiences of policy implementation.³⁰

The relative roles of state intervention and markets in poverty reduction requires careful consideration in the light of specific country situations. The retreat of the state from service provision often coincides with ineffective market liberalisation, removal of subsidies and the introduction of full cost recovery. This presents a dilemma in terms of protecting the livelihoods of poor and vulnerable groups and stimulating economic growth at the same time among these very groups. Allowing the market unrestricted influence in determining resource allocation could result in the erosion of social cohesion, the collapse of local bases for livelihoods and collective security and the loss of cultural values. A delicate balance lies between a relatively unfettered market (which is rare) and a judicious level of intervention by government in order to ensure an acceptable level of growth parallel to an enabling but non-threatening socio-economic environment. The case of Malaysia presented above illustrates one such approach.

The co-relation between democratic institutions and poverty reduction indicate that an open political environment may be more conducive to adopting the policy reforms likely to result in narrowing the differentials between rich and poor. Open political systems are more likely to encourage a broader participation of institutions representing civil society, marginalised

²⁸ World Summit p14.

²⁹ An example of specific targets for the SADC region is given in the Final Declaration of the IFAD/World Bank/SADC Workshop on Rural Poverty Alleviation held at Capetown, February 1996.

³⁰ An initiative to hold a consultative meeting for East African countries is currently being studied by the Secretary General.

groups (including women), NGOs and political and religious groupings in development initiatives.

A positive role for government in supporting poverty-focused rural development could be outlined as follows: a non-discriminatory policy environment for agriculture, the informal sector and unskilled labour; provision of basic physical infrastructure; back-up of services under-provided by the private sector due to market failure; a proactive approach to rural and urban sector policies that facilitate access to assets; security of property rights and strengthening infrastructural provision of health, education and training.

The ethical imperative to protect human life from hunger, poverty and disease provides a moral basis for protective mechanisms within mainstream policy, rather than relying exclusively on an adjunctive form of safety nets (whose performance record to date raises certain concerns). The ideal of a caring as well as a growth-oriented economy, (which is reflected in certain aspects of India's rural development policy) may be achieved by focusing especially on specific backward areas and deprived groups, including women, so as to redress and mitigate acute poverty.³¹

A.3 Meso-level and Sectoral Considerations

By meso-level is meant the intervening factors between the macro and the micro which shape the transmission of national policy, either through sectors or key sectoral or intermediary institutions.

The relationship between the macro-economic environment and sectoral policy-making is a critical link in translating wider policies into a specific framework. In this respect a symbiotic relationship needs to be developed on a continuing basis between broad macro-policy and sectoral policy in order to assess the impact of these policies upon sectors and sub-sectors and the down stream effects of their impact upon the poor.³²

An unstable or inappropriate macro policy framework can have immediate negative effects upon project performance, and consequently upon micro level livelihoods despite efficient management and good organisation.³³ However, commonly it takes longer for beneficial effects to feed through the system to low income groups. The critical question is how to deliver the priority services the poor need, assuming that the 'correct' policies are in place?

³¹ See Government of India/Ministry of Rural Areas and Employment 1994 *Annual Report*, New Delhi, P.I.

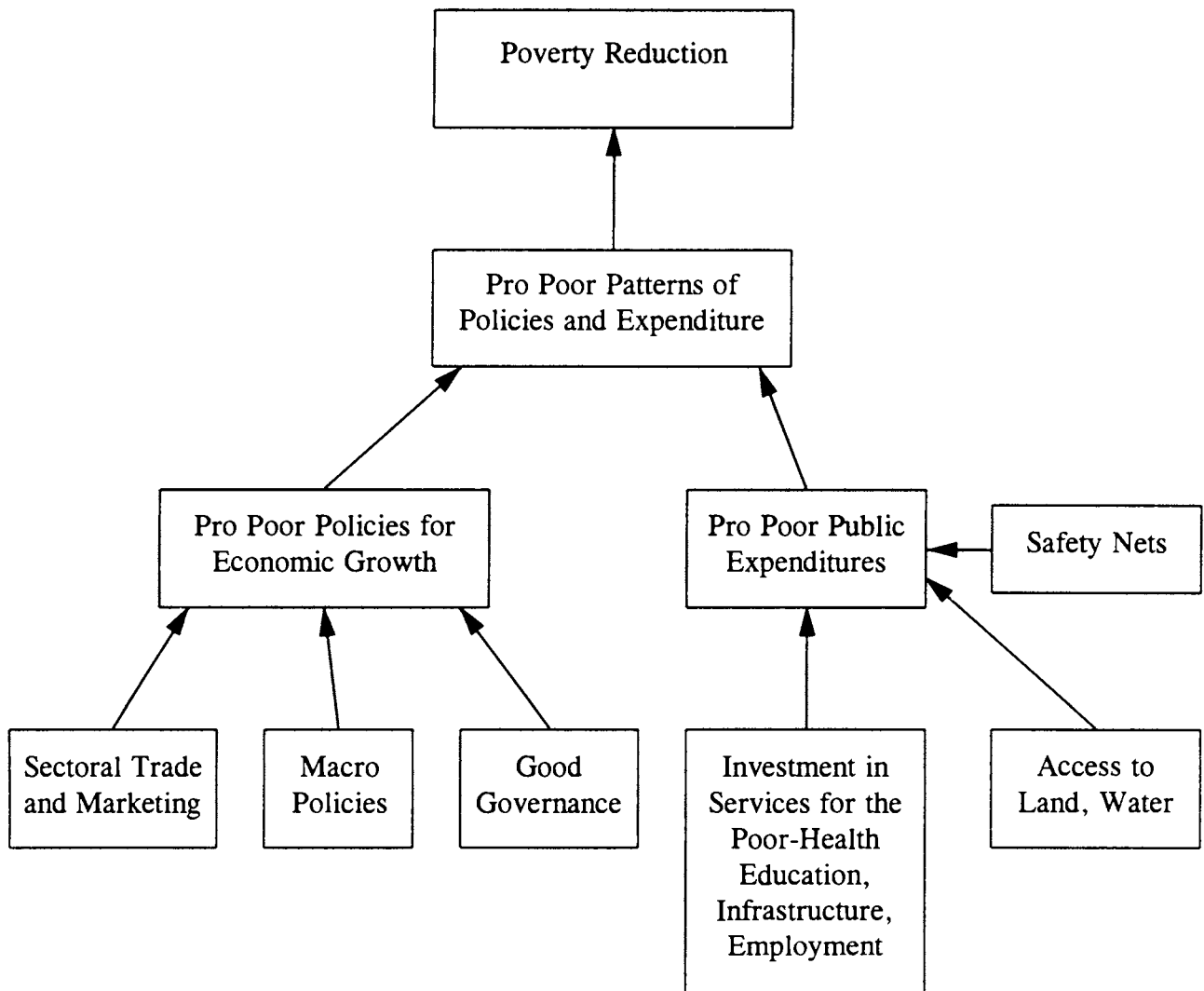
³² Of the 32 poverty-oriented SALS/SECALS during 1989-93 only 11 President Reports made reference to indicators to track poverty issues and only 4 of the 11 included targets for some of the indicators. It would therefore be difficult to monitor the impact of poverty-oriented SALS/SECALS upon indicators such as rural terms of trade or unskilled wage index. See Soniya Carvalho and Howard White (1994) 'Indicators for Monitoring Poverty Reduction' W.B. Discussion Paper No. 254 p.xi.

³³ Speech of World Bank Southern African Regional Director to the IFAD/WB/SADC Poverty Alleviation Workshop, Capetown, Feb. 1996.

A number of issues are particularly pertinent in this context. These include: the role of aid agency policies and programmes as well as endogenous factors such as local institutions and organisations, decentralisation, role of poverty assessment units, privatisation of service functions, technology and the role of NGOs and civil society. While it is beyond the scope of this paper to discuss each of these in detail, the core issue of service delivery to the poor may be encapsulated in four questions: what service and who decides, who finances, who delivers and how and who ensures accountability? Summary responses are given to these questions in Figure 2, which highlights some of the operational actions required in institutional partnerships between the poor, governments and civil society.

Figure 1

Pro-Poor Policy Framework



Source: World Bank, modified by authors

Figure 2

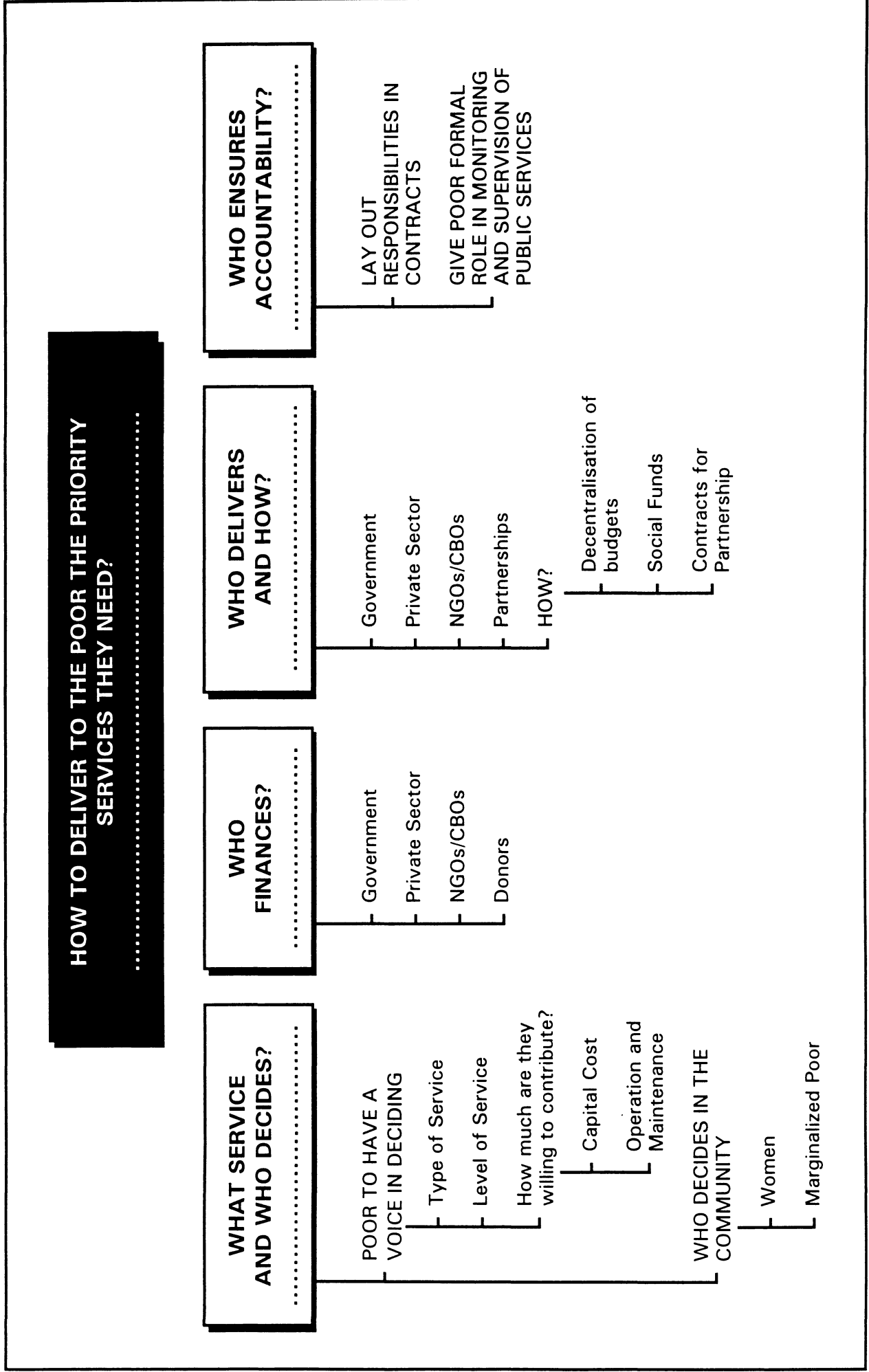


Table A.1

Appendix 1		Poverty Indicators of Selected Commonwealth Countries			
		USD GNP 1988	Rural Pop. below Poverty Line % 1988	Life Expec.	Integrated Poverty Index
1.	Antigua & Barbuda The Bahamas	3,690	50	73	.216
2.	Bangladesh	170	86	51	.841
3.	Barbados	6,010	23	75	.017
4.	Belize	1,500	65	67	.503
5.	Botswana	1,010	55	67	.434
	Britain				
	Brunei Darrussalam				
	Canada				
6.	Cyprus	6,260	9	76	.002
	Dominica				
7.	Gambia	200	85	43	.826
8.	Ghana	400	54	54	.524
9.	Grenada	1,720	25	69	.187
10.	Guyana	420	60	66	.592
11.	India	340	42	58	.480
12.	Jamaica	1,070	80	73	.679
13.	Kenya	370	55	59	.515
	Kiribati				
14.	Lesotho	420	55	56	.497
15.	Malawi	170	50	50	.499
16.	Malaysia	1,940	22	70	.261
17.	Maldives	410	40	60	.373
18.	Malta	5,190	5	73	.009
19.	Mauritius	1,800	12	67	.087
20.	Mozambique	100	65	41	.657
	Namibia				
	Nauru				
	New Zealand				
21.	Nigeria	290	51	51	.490
22.	Pakistan	350	29	55	.271
23.	Papua New Guinea	810	75	54	.678
24.	St Kitts & Nevis	2,630	50	69	.312
25.	St. Lucia	1,540	50	71	.377
26.	St Vincent and the Grenadines	1,200	50	69	.405
27.	Seychelles	3,800	20	70	.085
28.	Sierra Leone	300	65	42	.633
	Singapore				
29.	Solomon Islands	630	60	67	.548
	South Africa				
30.	Sri Lanka	420	64	71	.419
31.	Swaziland	810	50	55	.444
32.	Tanzania	160	60	53	.592
33.	Tonga	830	75	66	.660
34.	Trinidad & Tobago	3,350	39	71	.193
	Tuvalu				
35.	Uganda	280	80	48	.802
	Vanuatu				
36.	Western Samoa	640	60	65	.418
37.	Zambia	290	80	53	.791
38.	Zimbabwe	650	60	63	.543
	Cook Islands				
39.	Cameroon	1,010	40	56	.340

Table A.1 (cont'd)

Technical Notes on Poverty Indicators

GNP per capita is seen as an aggregate indicator of the level of national production which may be partially reflected in incomes. Longevity is a proxy indicator reflecting overall health levels of the population. The Integrated Poverty Index (IPI) is calculated by combining the head count measure of poverty with the income-gap ratio, the value of income distribution below the poverty line and the annual rate of growth of per capita GNP.

The scoring of the IPI, following the methodology of Amartya Sen registers on a range of zero to one; the higher the score the more acute is the level of poverty. The IFAD Report (1992) suggests the following classification:

0.4 and above	-	severe poverty
0.2 to 0.4	-	moderate poverty
0.0 to 0.2	-	relatively little poverty

The basis of selection of countries has been data availability to the consultants.

STUDY ON PRACTICAL MECHANISMS FOR POVERTY REDUCTION

Terms of Reference

Introduction

In many member countries of the Commonwealth, large numbers of people live in poverty. It remains an intractable problem, with economic reforms putting new strains on the capacities of governments to alleviate or reduce it. They are therefore looking for ways of mobilising the energies of people through self help schemes with non-governmental agencies and others acting as catalytic agents. The Secretariat is currently engaged in examining ways in which its members can share the experience of successful practical mechanisms for the reduction of poverty drawing on the experience within the Commonwealth and the wider world.

The focus of the Secretariat's effort would be on promulgating best practices based upon successful experiences. It would also seek to identify ways by which the Secretariat can act as a catalyst or a broker in linking donor agencies with funds earmarked for poverty reduction with Commonwealth governments interested in establishing practical poverty reduction mechanisms.

Objectives of the Study

It is the intention of the Secretariat to appoint an experienced consultant to identify:

- * major examples of practical mechanisms of poverty reduction established in developing countries to mobilise the energies of people, particularly women and youth, through self-help schemes; review the conditions under which such mechanisms have been successful in contributing to the reduction of poverty; and assess the extent to which they are replicable in other countries.
- * the donor agencies which may be approached for assistance in the establishment of the above type of mechanisms, including any financial resources needed for launching them; also identify the conditions which need to be satisfied in accessing such assistance; and,
- * the role which the Secretariat can play in helping member governments in the context.

Phasing and Methodology

The consultant is expected to begin work in September 1995, complete the first phase by mid October 1995 and the last by December 1995. It is estimated that this will entail about 8 person weeks of service.

(APPENDIX 1 contd.)

The study will be undertaken in three phases with the first commencing in September, 1995 and consisting of a review of Secretariat and donor experience with poverty programs and the formulation of an appropriate role for the Secretariat to play in reducing poverty among Commonwealth developing countries. The initial phase will also examine initiatives currently underway such as the Commonwealth Youth Credit Initiative, with a view to suggest ways by which the Secretariat could build on its present work in carrying this initiative forward. The initial phase may also include travel to a key player such as the Consultative Group to Assist the Poorest (CGAP).

Following a review of the initial findings from the first phase and upon receiving comment and guidance from the Secretariat, and possibly the Committee of the Whole, (prior to CHOGM), the Consultant will undertake more extensive consultations with the donor community, recipient governments, specialized institutions and NGO's with a view to more clearly defining a practical, unique role for the Secretariat to fill in reducing poverty among Commonwealth developing countries.

After receiving the Consultants final draft report, the Secretariat expects to organise a workshop, involving select NGO's and experts in this area of work to discuss the draft final report. The Consultant will be expected to participate in the workshop and revise the report in light of discussions in the workshop.

A timeframe reflecting the above is attached.

Reporting Requirements

The consultant shall report to the Director of the Export and Industrial Development Division. The Secretariat has established an Internal Task Force, chaired by Mr. Hare, DSG, (Development Cooperation) to carry forward this initiative. When invited, the Consultant would be expected to participate in the meetings of the Task Force from time to time.

The final report, on being accepted by the Secretariat, will be circulated to Commonwealth governments. The Secretariat intends to organize a series of regional workshops for Commonwealth officials to consider the recommendations of the report, and establish the need for practical help by the Secretariat in this area.

Consultative Visits undertaken by the Consultants

CGAP	Washington	(DH)
World Bank	"	(DH)
IFAD	Rome	(JM)
FAO	"	(JM)
WFP	"	(JM)
Conference on Hunger and Poverty - Brussels IFAD/WB		(JM)
Conference on Approaches to Poverty Alleviation in SADC Countries - Capetown, IFAD/WB/SADC		(JM)
UNDP	Kuala Lumpur	(JM)
APDC	" "	(JM)
OPS	" "	(JM)
Prime Minister's Office	Malaysia	(JM)
Andra Pradesh Tribal Project	India	(JM)
National Institute for Rural Development	India	(JM)
Workshop for IFAD Project Managers in India		(JM)
Afro Asian Reconstruction Organisation - India		(JM)
Ministry of Rural Development - India		(JM)

PROGRESS REPORTS SUBMITTED

- (1) Consultants' Comments on Terms of Reference
- (2) Inception Note
- (3) Notes on Consultations with Rome-based Development Agencies (IFAD, FAO, WFP)
- (4) Notes on IFAD/WB Conference on Hunger and Poverty - Brussels
- (5) Report on Meeting with World Bank and CGAP
- (6) Report on Consultation Visit to India and Malaysia
- (7) Report on IFAD/WB/SADC Meeting on Rural Poverty Alleviation in SADC Countries
- (8) Summary of Draft Final Report