

PRACTICAL MECHANISMS FOR POVERTY REDUCTION

Paper prepared for the Commonwealth Secretariat



Commonwealth Secretariat

INSTITUTE FOR DEVELOPMENT POLICY AND MANAGEMENT

PRACTICAL MECHANISMS FOR POVERTY REDUCTION

Paper prepared for the Commonwealth Secretariat

by

Joseph Mullen and David Hulme

University of Manchester

June 1996

The views expressed in this document do not necessarily reflect the opinion or policy of the Commonwealth Secretariat or of Commonwealth Governments.

Copyright Commonwealth Secretariat 1996

Printed and Published by the Commonwealth Secretariat
Marlborough House
Pall Mall
LONDON SW1Y 5HX

All Rights Reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic or mechanical, including photocopying, recording or otherwise, without prior permission of the publisher.

PREFACE

Commonwealth Heads of Government, during their November 1995 Meeting in Auckland, focused their attention on the persisting problem of poverty occurring in many Commonwealth developing countries. They agreed to support the Secretariat in its efforts to identify policies and programmes which had made a direct impact on the alleviation of poverty in Commonwealth countries and which might provide an insight into the formulation of new initiatives and strategies.

In this regard, the Commonwealth Secretariat has been engaged over the past six months in a Commonwealth wide study of the mechanisms employed to tackle the seemingly intractable problem of poverty. International consultants from the Institute for Development Policy and Management (IDPM), based at the University of Manchester in England, have visited a number of Commonwealth countries with well established poverty programmes, discussed the issues with interested donor agencies, listened to the views of a number of leading Non-Governmental Organisations (NGOs), and attended key international meetings to learn more of the current thinking on this topic.

This document is the final report of that study written by Joseph Mullen and David Hulme of IDPM. The document has at its centre an overview of Commonwealth experiences in poverty alleviation and this leads to a number of recommendations for Commonwealth action. The Commonwealth Secretariat will be seeking ways in which to implement these recommendations in the near future beginning with the suggestion that the Secretariat should adopt a catalytical role to facilitate exchanges of experience within regions.

I am sure this document will be useful in informing the debate on poverty issues which will take place in a number of Commonwealth fora in the future. The views expressed in the paper are however the considered conclusions of the consultants and are not intended to represent the policy of the Secretariat or of individual member governments.



R N Gold
Director
Export and Industrial Development Division

London
July 1996

CONTENTS

| | |
|--|-----|
| Executive Summary | vii |
| Background to the Study | 1 |
| Section A: Focus on Poverty Reduction in the Commonwealth | 1 |
| 1. Overview | 1 |
| 2. Examples of Best Experience | 3 |
| 3. Strategies of the Commonwealth | 3 |
| 4. The Next Step Forward – A Regional Workshop | 6 |
| Section B: Mechanisms for Poverty Reduction | 8 |
| 1. Introduction | 8 |
| 2. A Dedicated Poverty Policy Assessment Capacity | 8 |
| 3. Linking Poverty Reduction to the Budgetary Process | 9 |
| 4. Community Participation and Public Action | 9 |
| 5. The Growing Role of Non-Governmental Organisations | 10 |
| 6. Access to Productive Resources | 10 |
| 7. Environmental Conservation | 13 |
| 8. Safety Nets and Targeting | 14 |
| 9. Education and Health Provision | 14 |
| Annex A The Poverty Debate | 17 |
| Appendix 1 Terms of Reference | 27 |
| Appendix 2 Consultative visits undertaken by consultants | 29 |
| Appendix 3 Progress Reports Submitted | 30 |

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.

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) |

SECTION B: MECHANISMS FOR POVERTY REDUCTION

1. Introduction

A mechanism is understood to be a means of translating policy into action; its effectiveness therefore is closely allied to the quality of the policy itself and its particular relevance to the social and spatial reality to which the policy is being applied. Specifically in poverty alleviation, it is the means by which initiatives are undertaken to generate opportunities for the poor. The context of each mechanism requires careful study in order to identify the generic aspects which could potentially be reproduced elsewhere and that which is specific to the place, culture and needs of beneficiaries. An associated caveat when examining specific experiences, with replication in mind, is the personal charisma of inspirational leaders and organisational synergies, both of which are not readily transferable to other geographical, cultural or administrative settings.

In order for a poverty alleviation policy to work there has to be an adequate government institutional framework to support it. Given that resource allocation is highly competitive between and within sectors, it is important to focus attention on the decision-making process itself; this would include: political action, public administration, the socio-cultural values of a particular society and the relative influence of particular individuals. Poverty reduction should become a shared policy objective, transcending political boundaries and recognised as a common goal to be achieved in a broad coalition of policy-makers and civil society.

The following are a selection of mechanisms which, though not exhaustive, summarise key modalities of poverty reduction.

2. A Dedicated Poverty Policy Assessment Capacity

Without expanding bureaucratic structures, governments should consider poverty reduction a strategic goal and develop a clearly articulated policy and culture for poverty reduction which would be subject to public scrutiny by:

- linking poverty reduction with sustainable economic growth;⁸
- carrying out a social audit of all policies in relation to their impact on the poor;
- drawing up a poverty profile at country-level which would identify target groups, deprived areas and gender differentiation;
- developing poverty impact statements for every sector with measurable achievement indicators;

⁸ A useful exercise in this respect would be to assess the opportunity cost of dislocation, civil strife and production foregone in order to quantify an order of magnitude of the benefits accruing to poverty reduction.

- creating a high-level poverty monitoring body which would assess the performance of the poverty-proofing process and would include substantive participation by the poor and citizens groups;
- providing training in poverty assessments at policy and operational levels.

3. Linking Poverty Reduction to the Budgetary Process

Reducing poverty will have significant implications for the allocation of scarce resources in terms of their end use; it is therefore imperative that national poverty reduction goals are 'mainstreamed' into the resource distribution and budgetary processes of government and be given priority in the national public expenditure plan and departmental budgets. Poverty criteria should be utilised by the National Audit Office and/or Public Accounts Committees as measures against which the performance of public expenditure should be gauged.

4. Community Participation and Public Action

Mechanisms must be put in place to ensure that the experiences of poor people are adequately taken into account and that the potential impact of social and economic policies upon them are carefully considered. People-led action against poverty would include establishing entitlements that will provide the poor with access to the physical, social and spiritual means to develop their capabilities. One way of achieving this outcome is by establishing representative and democratic organisations at the local level which would articulate the views of marginalised and poor communities. As the CIDA Discussion Paper suggests "political and economic participation in the broader society, and in the design and implementation of programming is essential for the empowerment of the poor and sustained poverty reduction".⁹ The object of empowerment according to the World Bank's Learning Group on Participatory Development is "a process through which stakeholders influence and share control over development initiatives, discussions and resources which affect them". Popular participation in the design of policies, programmes and projects bears a strong correlation to positive outcomes and successful performance, while failures are often attributed to a lack of involvement of beneficiaries.

Such a seismic shift in decision-making power cannot be achieved without a supportive politico-economic environment and this would typically include decentralisation or devolution of administrative and fiscal power. The 73rd Constitutional Amendment relating to Panchayati Raj in India has been an interesting initiative to endow local level institutions with "financial and other powers to function as effective institutions of local self-governance in rural areas".¹⁰ Local level institutions should represent the interests of the poor, and advocate their legitimate interests in resource allocation decisions at local level, to the point where 'the

⁹ Canadian International Development Agency (1994), Poverty Reduction Policy Discussion Paper.

¹⁰ Govt of India: 1994/95 Ministry of Rural Areas and Employment, *Annual Report 1994-95*, p.5.

end result of these changes could be the replacement of a system of people's participation in public-initiated development with one of public participation in people-initiated development'.¹¹ In order for rhetoric to be replaced by administrative reality, the capacity of administrations to absorb change has to be evaluated while policies relating to poverty reduction have to be accorded the highest priority backed up with resource availability. Possible resistance to change from vested interests in civil society or from bureaucracies would require careful diagnostic planning in advance and a detailed stakeholder analysis. Systematic involvement of the poor in policy and every stage of the project cycle makes for greater effectiveness in planning and implementation, generates an ethos of communal control and self-management leading to enhanced institutional performances, better local governance and accountability and sustainable resource flows.

5. The Growing Role of Non-Governmental Organisations

Non-governmental organisations (NGOs) have been accorded a significant role in poverty-reduction strategies in recent years by some Commonwealth countries and by aid donors. In part this relates to their perceived comparative advantage in using participatory techniques and promoting community action (see previous point) and in part from the belief that they are a more cost-effective means of providing services to poor people than governments. It must be noted, however, that where international NGOs are involved the evidence of reduced unit costs is far from proven.

NGOs provide a representative forum for women and minorities in many countries and are sometimes the only alternative medium for public expression to a powerful central state.

The initial emphasis on NGOs fostered the expansion of "Northern" NGOs (i.e. NGOs based in advanced economies) operating in poorer countries. However, recently the focus has moved on to the promotion of "Southern" NGOs (SNGOs) with national governments seeking to strengthen indigenous intermediary organisations and aid donors seeking to make grants directly to SNGOs. In Bangladesh, this process is now well advanced with the Bangladesh Rural Advancement Committee (BRAC) employing more than 12,000 staff and operating a mass primary education system. It has led to questions about whether the capacity of the Bangladesh state to provide basic services to its citizens is being fundamentally undermined.

In the past advocacy and lobbying about poverty and poverty-reduction policies has been a preserve for NNGOs. It seems increasingly likely, however, that in the future such work would be more appropriate for networks of SNGOs.

6. Access to Productive Resources

A key strategy for poverty reduction is to increase the returns on the assets of the poor thereby increasing the level of disposable income available to the household. Given that assets are limited, the choices therefore are either to raise the productivity levels and output

¹¹ IFAD Overview Paper to the Brussels Conference on Hunger and Poverty (1995), (p.11).

of these assets or increase the sale price of the market transaction. Field experience suggests that poverty can be reduced through the efforts of the poor themselves raising savings and investments and matching these to their under-utilised productive capacity. However, while recognising that the poor already possess two principal assets, labour and creativity, these however, may be severely constrained by the lack of access to capital or low levels of human productivity caused by malnutrition, gender discrimination or human disasters. A number of mechanisms are outlined below which could contribute to reduced poverty.

(a) Land Reform

This could include land redistribution (either belonging to the state or large landholders), ownership ceilings (as in India and Egypt), resettlement schemes or tenurial reform, to include usufruct rights and common property resources. Considerable difficulties have faced land redistribution which have not been accompanied by programmes of credit, technology transfer and training. Singular success has been achieved by Malaysia for the resettlement of the landless on rubber and oil plantations.¹² Land reform in India, and in particular West Bengal, has enabled individual tenants to assume rights of owner cultivation. Outside of the Commonwealth, land reform has been identified as a key factor in the economic development and reduction of poverty in Taiwan and South Korea.

(b) Financial Services

Over the last decade a number of specialist institutions have evolved offering credit and savings services to people who were viewed as being 'too risky' for orthodox banks. NGOs and donors have spearheaded these initiatives to prove that 'the poor are bankable' and there has been particular success in South Asia. Although the Grameen Bank approach is now the best-known model, there are other effective approaches: solidarity groups, co-operatives and schemes for individuals. There are important distinctions between schemes that seek to promote incomes of poor women and men by granting them an income-generating loan and others that seek to help them accumulate personal savings that can be used for investment, or to cope with adversity, in the future.

These innovations have attracted support for two particular reasons. First, because of the evidence that they can improve livelihoods of poor people in areas where more radical approaches (e.g. land reform) are not feasible. Secondly, because they promise the possibility of being 'self-financing' poverty-reduction mechanism if the spread between their deposit and lending rates is sufficiently wide. In reality, financial sustainability for such institutions must be viewed as a long-term (15 to 25 years) goal and they are more appropriately viewed as having a high potential for cost recovery.¹³

¹² See Govt. of Malaysia (1995) *National Report to World Summit for Social Development*, p.17.

¹³ For example, the Grameen Bank absorbed US\$156 million of grants before it acquired its millionth borrower, and only Indonesia's BRI unit desas have achieved a negative score on Yaron's subsidy dependence index, to date.

While well-designed institutions can help relatively large numbers of poor people, especially women, to improve their livelihoods, the claims that such initiatives are a virtual panacea for poverty need to be treated with caution. Attempts to replicate such schemes have met with problems;¹⁴ in most cases successful participants only go 'one step up' the economic ladder and do not experience sustained income growth; and, these schemes do not reach the poorest because of the particular constraints they face and the processes of self-exclusion, social exclusion and professional bias.¹⁵

(c) *Technology Transfer and Food Security*

Food generally absorbs from 75 per cent upwards of total expenditures of the hard-core poor.¹⁶ It is a critical resource, both in terms of biological survival and as a determinant of labour productivity. Increasing the control of the poor over food resources would focus primarily on rural markets and improving their productivity and output in a situation where land availability is diminishing, environmental degradation increasing and population growth is at unacceptably high levels.

IFPRI studies indicate that a huge food gap is developing; in its 2020 Vision document¹⁷ it identifies an increased demand for food grains of 75 per cent and for animal products of 155 per cent and suggests that "productivity gains will be possible only if agricultural research systems are mobilised to develop improved technology; if extension services are strengthened to assure passing on the improved technology to farmers; and if farmers' own capacities for innovation and creativity are recognised and bolstered".¹⁸

The following mechanisms are therefore suggested as critical to increasing food and agricultural production generally for small-scale farmers:

- (i) farm-based adaptive research responsive to farmers' needs;
- (ii) improved varieties commensurate with smallholders' absorptive capacities;
- (iii) diverse extension approaches consistent with poor farmers' resource base;
- (iv) incorporation of traditional knowledge in matters such as environmental management, plant diversity, water resource management and climatic cycles;

¹⁴ In Malawi the Mudzi Fund has collapsed, whilst the Grameen Bank approach adopted by Sarvodaya in Sri Lanka is facing major problems.

¹⁵ See Hulme and Mosley (1996) Volume 1, Chapters 5 and 8.

¹⁶ See World Bank (1994) Tanzania: A Poverty Profile.

¹⁷ IFPRI (1995): A 2020 vision for Food Agriculture and the Environment, Washington DC. Also reiterated by the Director General of IFPRI to the Capetown Conference of SADC Countries, February 1996.

¹⁸ IFAD (1995) Conference on Hunger and Poverty, Brussels p.16.

- (v) micro-irrigation systems and bio-mass regeneration;
- (vi) farmer-controlled marketing systems;
- (vii) provision of off-farm employment opportunities;
- (viii) achievement of household food security with appropriate investment in regional and national early warning systems, climate and crop forecasting, strategic grain reserves and off-farm employment opportunities, crop storage facilities and reduction of post-harvest losses;
- (ix) market information being made available to low-income producers, free movement of foods and services and liberalisation of marketing systems.¹⁹

7. Environmental Conservation

It is estimated that around 60 per cent of the world's poor live in areas which are either marginal or at least environmentally sensitive. The displacement of population due to land degradation, population growth rates or emergencies has led to new concentrations of poor populations in ecologically fragile zones. The livelihood security of these populations is constantly threatened by uncertain precipitation and cyclical drought patterns.

Poverty and environmental degradation are closely interlinked. The intensive exploitation of natural resources in arid and semi-arid areas often leads to soil exhaustion and productivity decreases which in turn trigger further human migration. "Poor people press on the land and forests, over-exploiting them to survive and undermining the resource base on which their well-being and survival depend".²⁰ Recurrent drought and natural disasters lead to a worsening of food security, thus increasing pressure on an already stretched natural resource use, forcing a choice between immediate food requirements and environmental sustainability. However, while poverty is instrumental in causing environmental stress, a major cause of the continued deterioration of the global environment is the unsustainable pattern of consumption and production in many industrialised countries.

The emerging strategy of sustainable development, addresses the multiple factors leading to population concentrations of poor people in marginal areas of both urban and rural locations. International support for the effective implementation of Agenda 21 of the UN Conference on Environment and Development held in Rio in 1992 should be matched with specific aid packages to low-income countries in order to be effective at national level, particularly through the Global Environmental Facility. Other actions leading to an enhancement of purchasing power of the poor, off-farm employment, land reform, demand driven production

¹⁹ FAO (1995) *Food for Consumers: Marketing, Processing and Distribution*, provisional paper for World Food Summit p.9; outlines a successful case study of the communication of market information to farmers on local radio.

²⁰ Report of the Commission on Global Governance (1995) *Our Global Neighbourhood* OUP, p.29.

services, social infrastructure, promotion of the rural and urban informal sector, could all lead to reducing population pressure on marginal lands.

8. Safety Nets and Targeting

Cost-sharing or cost recovery from users of social service provision is a common recommendation during a period of economic reform²¹ and public expenditure constraints. Within this context, safety nets are provided as a mechanism for preserving access to these services by the vulnerable section of society such as the elderly, the infirm and the destitute. However, the costs of emergency care provision have to be realistically costed and budgeted for, as too often the affordability of safety nets provision becomes problematic over the long term due to political pressures to widen their constituency of users.

Targeting benefits to the poor promises to be a more cost-effective way of reaching the most needy, provided it is administratively feasible and recurrent cost levels are sustainable. Screening mechanisms such as means testing, are difficult to operate due to weak fiscal databases and problems associated with cross-eligibility from other poverty programmes whose criteria of assessment are equally unreliable (food stamps or ration cards are among the most common). This has led to a high level of leakage of benefits to middle-income groups.

Self-targeting remains a more cost-effective way of reaching the poor, either at the household level or even at the area level when this is justified. Examples may be food-for-work or school meals in food deficit areas. Similarly, programme targeting towards production or social sub-sectors, such as off-farm income generation for the landless or near landless, could provide the basis for improved productivity.

9. Education and Health Provision

Social sector provision remains critical to maintaining a healthy labour force and provision for basic human needs remains a moral obligation of the state. Education and health services contribute to improving productivity and are instrumental in increasing the level of returns on the assets of the poor.

There are strong arguments to focus attention on the provision on basic facilities; in particular primary education and basic health care. In a recent 58-country study it is suggested that primary education can make a substantial contribution to aggregate output. An increase in one year of education at the primary level could lead to an increase of up to 3 per cent in

²¹ Market-led structural adjustment measures which many African and Asian countries have adopted, create an economic environment in which resources are allocated by markets and state intervention is perceived as providing an enabling environment for investment and complementing the lacunae of the market.

GDP or 8 per cent for a four-year primary course.²² This would suggest that access of the poor to primary education, particularly female education, is an attractive investment in resource use, effectiveness in terms of growth and it, in turn, contributes to socially empowering the poor and removing discrimination on gender or ethnic grounds.

Sickness is a major debilitating factor in lowering the productivity of the poor; morbidity being a more pressing problem than mortality "... health care-related crises significantly destabilise the household resource base and survival calculations and constitute a major barrier to the prospects of economic graduation of the rural poor" (Rahman and Hossain p.124). Losses of production could be reversed and labour productivity improved by a progressive health policy which focuses on primary health care which addresses the most preventable diseases such as diarrhoea, malaria and water-borne diseases. Governments may need to respond to the specific needs of women in primary health care and include sexual and reproductive health care, maternal and child health packages. A pure market approach to health care may be offensive to local family values and the issue of safety nets is particularly applicable to the provision of community services.

²² Source: *World Development Report* (1990).

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.

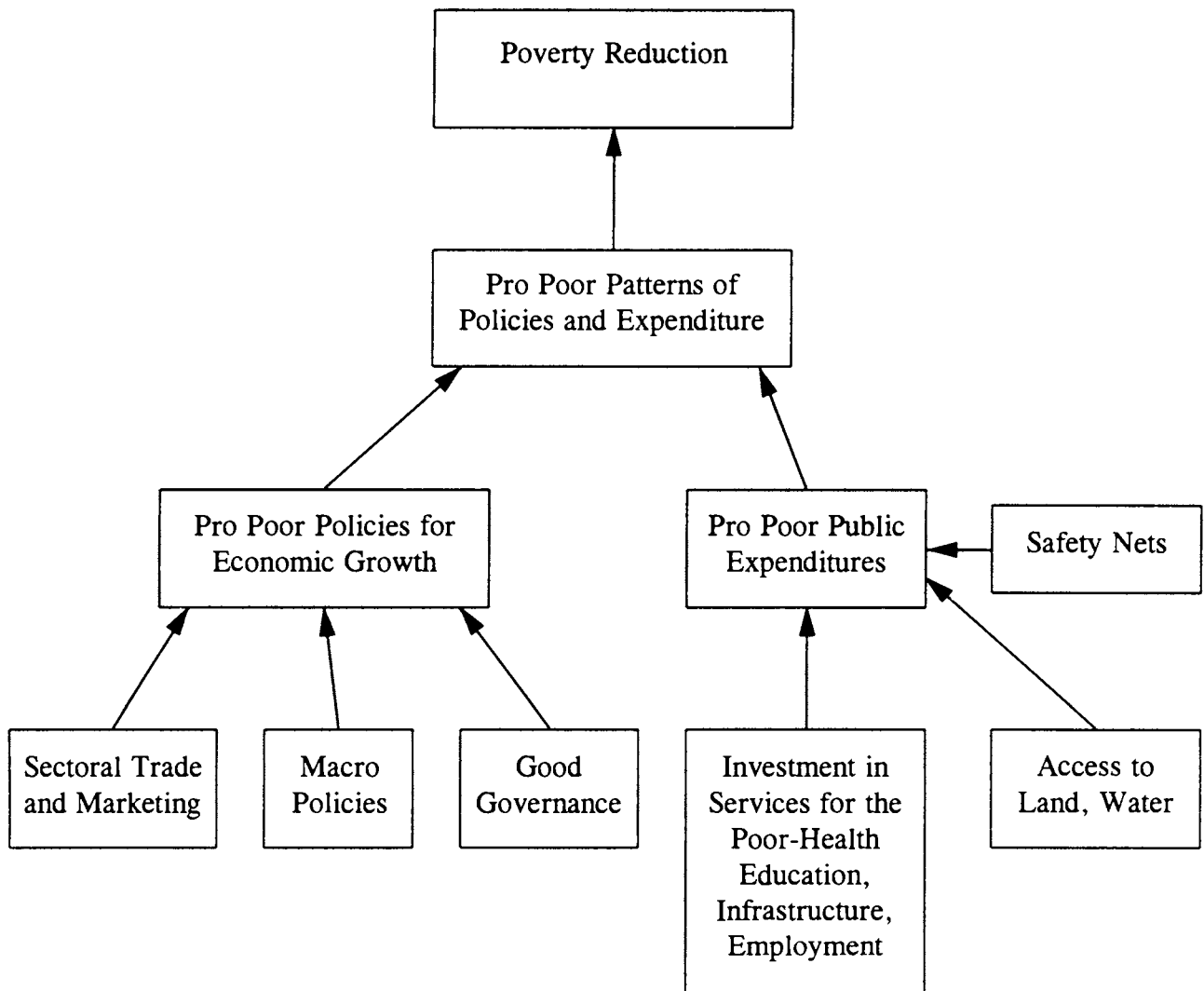
³² Of the 32 poverty-oriented SALS/SECALS during 1989-93 only 11 President Reports made reference to indicators to track poverty issues and only 4 of the 11 included targets for some of the indicators. It would therefore be difficult to monitor the impact of poverty-oriented SALS/SECALS upon indicators 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

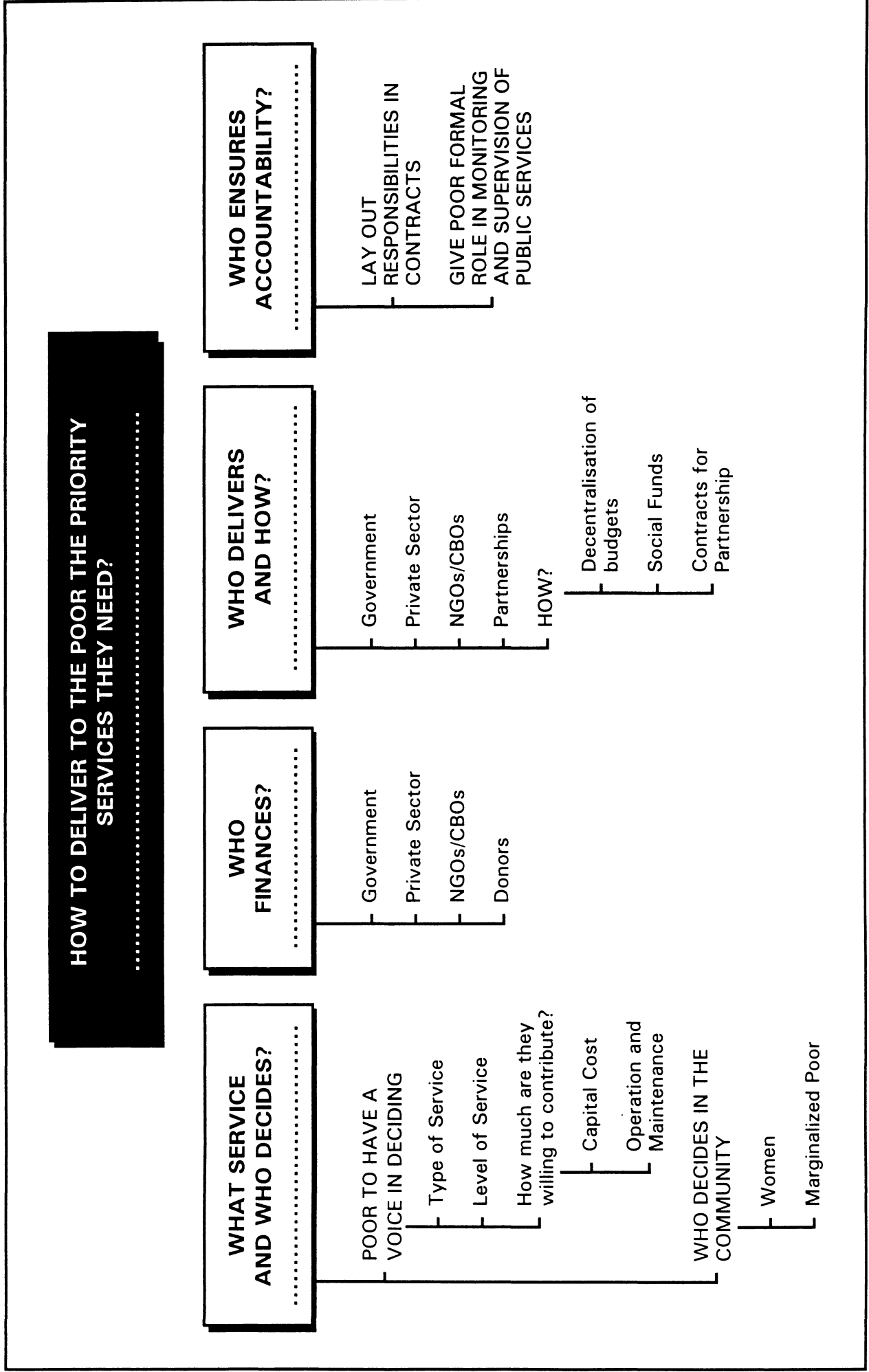


Table A.1

| 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

ISBN: 0 85092 519 3

