



Choices for the Poor

Executive Summary

Choices for the Poor is the result of independent country evaluations commissioned by UNDP in 1999-2000 in order to assess the results and impact achieved by the Poverty Strategies Initiative (PSI) — a programme launched in 1996 to support country efforts to develop national anti-poverty strategies — and assist in determining the nature and extent of absolute poverty. The purpose of the PSI evaluation was twofold. First, it was important to gauge the progress made in bringing the poverty agenda forward, particularly from the point of view of national partners. Second, UNDP wanted to draw lessons from the policy and analytical work sponsored by the PSI to inform its advice and support (and that of other donors) in the future.

Choices for the Poor presents the results of the evaluation. Part I draws on the findings from a literature review based on poverty assessments and surveys, national human development reports and poverty reduction strategies prepared in some 50 countries around the world. Part II is based on an assessment of the activities sponsored by the programme in 18 countries visited by the evaluation team in early 2000: Angola, Bulgaria, Guatemala, India, Laos, Latvia, Lebanon, Lesotho, the Maldives, Mali, Mauritania, Nepal, Palestine, São Tomé e Príncipe, Tajikistan, Uganda, Uruguay and Zambia. The book demonstrates that despite comparable objectives, there is wide variation and contrast in the activities supported by the PSI from one country to another. Most of the lessons, therefore, apply to specific national circumstances. There are, however, some general lessons that could be of great value for donors engaged in a process of stimulating policy change in their partner countries.

As a trusted advisor of governments and civil society, UNDP had to make strategic decisions in order to leverage policy change in these countries. Deciding how to use the limited funding provided under the PSI forced UNDP offices to make some critical choices aimed at facilitating and supporting pro-poor policy reform processes. How should the resources be used? And how could they be used most effectively? Drawing from findings from the evaluation, *Choices for the Poor* attempts to answer these questions.

Part I: Thematic findings

An elusive consensus: Definitions, measurement and analysis of poverty

It is generally recognized that poverty is a multi-dimensional phenomenon, but attempts to capture this multi-dimensionality with the help of composite indices have usually been vitiated by the problem of arbitrary weighting of the components.

Most analyses focus on the economic or political dimensions of poverty, yet a wide variety of relation-

ships — such as those between the poor and non-poor, between the powerless and the powerful, and even the difference between people's current and past status — all feed into the dynamics of poverty. The poor in extremely diverse situations experience a loss of social contact, humiliation and stigma that results in isolation and exclusion, eventually cutting them off from opportunities and support.

In addition to the importance of relationships, PSI studies have highlighted the risk of exposure to violence to be an important modification to current conceptualisations of poverty. In addition to the physical hardship that results from war, several studies demonstrated how conflict leads to the loss of assets, population displacement and constrained economic opportunities. Conflict also affects social dynamics. The PSI studies are a forceful reminder that a large proportion of the poor are affected directly or indirectly by conflict, and that the political context has to be integrated into any poverty analysis.

Private Adjustments: Household, crisis and work

While much has been made in the literature on coping strategies of the resilience of the poor in the face of adversities, the PSI studies provide the sober reminder that their resilience has severe limits. Emphasis on the 'agency' of the poor should not make us oblivious to the fact that the actions implemented by the poor to secure a livelihood take place in a context of structural constraints, and under certain conditions these constraints can be overbearing. Households are then forced to make costly 'private adjustments,' with potentially serious implications for their wellbeing.

The PSI studies offer strong empirical support to the common perception that household restructuring called for by coping strategies typically carries unequal burdens to its members, and significant differences can be found according to gender and age. The accumulated evidence suggests that women, in particular, have endured a heavy share of the social cost produced by adjustment and change. They have increased considerably their participation in the labour force and become important contributors to the household economy, often as the main breadwinners. This, however, has not improved their position within the household, where they continue to play a subordinate role. Domestic burdens have also risen, as households often become more crowded and its members have to devote more time and effort to self-provisioning than before.

PSI studies reveal that falling incomes and rising poverty are also eroding the capacity of poor people to be part of social networks of support, leaving them unable to engage in and maintain social exchange. By cutting people off from vital sources of support, social isolation — a critical but often neglected outcome of poverty — makes them even more vulnerable to adverse shocks and crises.

Rural-urban Linkages and Poverty Analysis

PSI studies reveal that researchers engaged in poverty analysis mostly ignore rural-urban linkages, despite their importance to understanding poverty. Furthermore, there appears to be no overall consensus emerging on how to address poverty problems associated with escalating urbanization and growing rural-urban disparities. Thus, while one study suggests assisting rural smallholders with government guaranteed prices on certain crops (Angola), others recommend continuing to hold back the state from interfering in the agricultural market even

though current policies have caused the marginalization of an increasing number of rural small holders (Zambia). One constructive suggestion, however, came from the South Africa report, which highlighted the importance of ‘intermediate cities’ for balanced spatial development.

Similarly, the studies reveal a lacuna in terms of policy advice when it comes to labour migration. This is a major element of the coping strategies of rural households, yet the researchers seem ambivalent with respect to policy implications — whether to support households to increase their opportunities in these labour markets, or, to the contrary, develop rural-based alternatives for income generation.

Participatory Governance and Poverty Reduction

Decentralized governance has recently been emphasized as an essential precondition for successfully executing plans and programmes for poverty alleviation. There are good reasons for doing so. The PSI studies confirm the findings of other which show how genuinely participatory governance at the local level can yield benefits in terms of both efficiency and equity, by giving the people a sense of ownership, by allocating resources according to people’s preferences and by utilizing their skills and knowledge.

But the goal of genuinely participatory decentralization remains a distant one in most developing countries despite the efforts made during the last half century. The PSI studies have identified two major obstacles. The first lies in the reluctance of politicians and bureaucrats at the higher echelons of governance to relinquish power to the lower levels. The second lies in the inability of the weaker segments of the population to make their voices heard in the face of elite domination of the traditional power structures.

Two components of a strategy for empowerment have been emphasized by the PSI studies. One component is to improve the economic security of the poor as an integral part of the drive towards decentralization, because an economically insecure group of people can hardly be expected to exercise effective bargaining power against the powers that be. The second component is social mobilization — the poor need to be organized so that their collective voice can overcome the weaknesses of their separate voices.

One potential problem here is that in the process of fostering civil society, the state may feel tempted to co-opt it, make it work as an instrument of the state, and prevent it from playing an adversarial role when needed. The PSI studies indicate that there is real danger that this might happen. If it does, it will defeat the whole purpose of empowering the poor. Much depends, therefore, upon how much autonomy the state is willing to grant to civil society.

Poverty in transition: Lessons from Eastern Europe and Central Asia

The PSI studies on the transition economies confirm what has often been suspected all along, namely, that poverty already existed in these countries before transition but was not reflected in public debate and was perceived as a result of personal failure. At the same time a relatively egalitarian income distribution and lack of unemployment alleviated the sense of impoverishment.

The non-recognition of the existence of poverty persisted even at the first stage of transition. The unfortunate result was that these countries lost valuable time in properly measuring and monitoring poverty, and thus failed to

prepare the groundwork for undertaking measures against accentuating poverty in the wake of transition.

The studies reveal a serious lack of capacity in these countries for formulating meaningful strategies for poverty reduction. What generally passes for a strategy document is often no more than an extensive menu of aims, goals and proper ways, containing little by way of realistic, quantifiable goals and a selection of priorities.

Financing Basic Social Services

Contrary to popular perception, PSI studies show that in most countries social spending overall represents an extremely high proportion of discretionary expenditures. The fact that the proportion of public expenditure devoted to basic social services nevertheless remains well below the stipulated 20 per cent underlines the extent of misallocation of resources that occurs even within the social services category.

The burden of debt servicing is often blamed for the inability of poor countries to invest in basic social services. But the PSI studies show that the diversion of resources towards defence expenditure is no less of a constraint than debt servicing.

Budgetary reallocation, combined with relaxation of governmental resource constraints through debt relief, reductions in unproductive (e.g. defence) expenditure, and increased domestic and international revenue mobilization can significantly promote the 20/20 objectives.

The level of public spending in most countries is below the level assumed in the original 20/20 calculations. As a result, attention to increased revenue generation is essential. In this light, evaluation of progress toward 20/20 targets should take place in the overall context of the assessment of national economic strategies, including mechanisms of tax collection.

The studies reveal that a serious obstacle to monitoring progress towards the 20/20 goal is the archaic budget accounting system that prevails in most countries, as well as among the donors. The prevailing system makes it exceedingly difficult to isolate the resources that go towards activities defined as basic social services. A complete overhauling of this system is essential.

Part II: Country case studies

The second half of the book focuses on specific country cases. Because of reasons as diverse as historical and institutional context, current politics, and personalities of key individuals, each country is unique. Is the presence of poverty considered a national embarrassment — or is it tacitly tolerated by politicians? Has the country come out of civil conflict or war? Does society consider poverty a personal, rather than a structural problem? How much do institutional shake-ups affect the process of policy formation? These sorts of questions had a profound impact on the ability of PSI projects to influence policy in a positive manner. The following represent some of the general lessons that emerged from the case studies.

Politics

The fight against poverty is a deeply political issue. Poverty in most societies is about disparities in the distribution of power, wealth and opportunity. These disparities always carry the potential for pitting certain groups or

regions against others. Even when groups are not deprived in any absolute sense, they may have a sense of deprivation when they compare themselves to their better-off neighbours. Attempts to reduce poverty are likely to be resisted by those who benefit from existing arrangements and may see their position threatened by any changes in the status quo. Given the fact that resources are limited, attempts to address the plight of certain groups may also be seen as unfair by others, who may feel equally entitled to public support but are denied support because of their marginally better position. For these reasons, countries are typically at different stages of political readiness to address the structural causes of poverty and to welcome the adoption of a participatory approach for its diagnosis and eradication.

Because poverty reduction is embedded in local politics and governance structures, donor organizations may inevitably be drawn into the murky currents of politics in the countries in which they operate. Some donors may lack an intimate knowledge of the local political setting, generating unexpected difficulties in their activities. Donors are sometimes treated with suspicion in countries where fears of external interference are strong, especially if there is a perception that they may be trying to impose policy conditionality or pursue their own agendas. It does not matter whether or not these perceptions are justified — as long as they exist, they need to be reckoned with.

To the extent that poverty reduction is a politically charged issue, multilateral organizations — especially those of the United Nations — may be best placed to play the role of trusted and impartial advisers of governments and civil society in convening national debates on poverty. But this trust cannot be taken for granted, nor exercised at the expense of seeking a broader engagement of the donor community at large in a constructive manner — and in accordance with countries' development priorities.

Institutions

Politics is only one aspect of the problem. Another concerns *institutions*, especially as one moves from merely initiating policy change to sustaining it. As *Choices for the Poor* shows, the establishment of official Working Groups or National Commissions with a poverty reduction mandate was a significant spin-off effect of the knowledge and policy processes generated by the PSI in many countries.

A particular type of institutional problem derives from the disruption that is sometimes caused by the regular business of politics — such as presidential elections. As the donor community seeks to promote the twin goals of poverty reduction and democratic governance, it will need to pay greater attention to the consequences of the political cycle on policy making.

Institutions can play a decisive role in translating knowledge relevant to policy-making, often funded by donors, into actual policy. Institutionalizing and embedding this knowledge in policy-making are critically important. The question of where to house a project, for instance, is bound to have a significant bearing on ensuring that knowledge and information have the desired impact on policy formulation. Institutions take time to develop and mature. A long-term commitment is required, as well as tight coordination among development agencies to ensure that their investments in institutional support reinforce one another.

Capacities

A capacity development agenda has the potential to overcome the institutional gaps present in many countries. This issue is of great relevance because success in policy reform depends, in great measure, on building the long-term capacity of key local actors to analyze problems correctly and design the best solutions.

Capacity development does not involve every instance in which some local actor simply uses information and analyses funded by a particular donor in formulating policy. A bolder capacity development agenda would require strengthening the ability of local actors to *identify* a problem in need of action, *commission* work as required, *interpret* its results, and finally use them for policy purposes. More generally, it is important to distinguish between funding a one-time poverty assessment and undertaking a more systemic effort to build long-term technical capacities for poverty monitoring.

The ability of donors to leverage policy reform is obviously related to the overall quality, relevance and soundness of the policy analysis and advice provided. While it is true that inclusive processes are needed to ensure policy impact and ownership, it is also the case that high quality policy inputs are necessary to feed into a national consultative process. Consultations can hardly stand on their own feet in the absence of policy inputs that are credible, sound, timely and relevant to country context. As might be expected, one finds great variance in the quality of the policy and analytical work assisted by the PSI programme.

Lessons for the Future

There appear to be three critical factors needed to facilitate financial contributions to nurture policy change and encourage public commitment to poverty reduction. First, it is important to choose the right institutional ‘home’ for a project. This implies selecting some local *actor*, either within or outside the government, who commands sufficient credibility and stature to somehow become the standard-bearer of policy reform — at least within its own jurisdiction. Choosing a weak counterpart can easily doom the prospects of any policy-oriented project, no matter how well it might otherwise be designed.

A second factor is the ability to broker *processes* that can ensure the sustainability of policy reforms beyond the short term. An emphasis on policy processes implies looking beyond the designated institutional counterparts for a particular project, focusing instead on key societal actors and the dynamics of policy change country-wide. Whether a country is recovering from conflict, facing elections, undergoing rapid socio-economic or adopting a decentralized governance structure can have major implications for how to manage the policy change process. For development organizations trying to facilitate such a process, there is no substitute for country presence. The long-established presence of UNDP in the countries covered in this book is perhaps the single most important factor in explaining why it has often managed to achieve so much with such small projects.

Third, it is crucial to contribute to some form of *institutionalization* of the policy reform process. Only then will policy actions be sustained and implemented irrespective of the political vicissitudes of the moment. What kind of institutional set-up is most conducive to sustaining the political will to reform cannot be foreseen. Institutionalizing the impetus to reform requires a deliberate effort to take the issue of poverty beyond narrow

agendas to make it a truly national concern — and a subject of national debate and decision making. In other words, it means transforming poverty reduction into a non-partisan issue, well beyond the concern of the current government — or, for that matter, of particular donors and their funding modalities.

In short, donor agencies need to recognize the specificity of each country and the dynamics of policy change in which they are likely to get entangled, as well as the constraints that may be encountered and the opportunities that could be seized.

Although each country provides a specific picture of the process of the PSI, the lessons drawn from the case studies are useful beyond individual countries; they point to the importance of a myriad of factors that those involved in poverty reduction too often overlook. The case studies teach us that effecting change that will improve the lives of the poor requires, above all, flexibility, imagination and cooperation. ■