1 Introduction:
Stimulating policy change

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A t the dawn of a new millennium, all significant actors in the development process have converged their agendas upon this — the importance of poverty reduction as the cornerstone of all development efforts. The renewed attention to issues of poverty and distribution constitutes a welcome departure from the themes that dominated much of the development discourse during the last quarter century, when concern with macroeconomic stabilisation and adjustment was at the centre of the policy agenda.

Despite expectations that countries undergoing adjustment would be able to resume economic growth after a few years and thus pesumably reduce poverty, growth has eluded a large number of developing countries — and poverty rates today remain largely what they were a decade ago. The persistence of massive poverty is morally unconscionable, since the world has the resources and know-how to vanquish it. It is also a major challenge to governance, a contagion increasingly unchecked by national frontiers as the pace and density of global exchange increases. Poverty inevitably spills over from one country to another in various guises — disease, conflict, child trafficking and exploitation, as well as the unrelenting surges of refugees and other migrants seeking livelihoods.

The publication of the first *Human Development Report* (HDR) by the United Nations Development Programme (UNDP) in 1990 played a critical role in refocusing attention on poverty and its distribution. By demonstrating that development involves much more than economics alone, the HDRs have helped shift the development debate back to what matters most — people and their choices. In 1995, the first World Summit for Social Development (WSSD) sponsored by the United Nations in Copenhagen, Denmark, gave leaders from over 180 countries an opportunity to commit themselves to the fight against poverty as an 'ethical, social, political and economic imperative'. Actions taken at both the national and international levels during the latter part of the 1990s further reinforced the impetus created by the 1995 Summit, culminating in the United Nations Millennium Declaration of September 2000, through which the international community unambiguously endorsed the goal of halving extreme poverty by the year 2015.

Poverty reduction has now returned to its proper place — at the centre of the development agenda. There is now a clear understanding that success in meeting this challenge requires mobilising all national actors behind common policy goals embodied in a national strategy or plan against poverty. As the lead development agency of the United Nations system, UNDP has a major responsibility to assist countries in fulfilling this task. This requires close cooperation among all donors but, above all, the creation of space for a truly nationally driven process of change. Only through national debate and consensus can solid foundations be laid for a sustained attack on poverty.

A catalyst for poverty reduction strategies

To fulfil this mission, UNDP launched its Poverty Strategies Initiative (PSI) in 1996 — a global programme that supported country efforts to diagnose poverty, improve their capacity for policy analysis and implementation, and develop national and local strategies for reducing poverty.[1] Offered in more than 100 countries, the programme had two key objectives: the establishment of the technical, institutional and political foundations for policy action, and the mobilisation of local constituencies so as to expand public discourse on poverty. The PSI not only responded to the appeal made at the World Summit for Social Development; it became a precursor of subsequent initiatives, most recently one adopted by the World Bank and the International Monetary Fund (IMF) in 1999 that requires the preparation of a Poverty Reduction Strategy Paper (PRSP) as a condition for country eligibility to concessional assistance or debt relief.[2]

When the PSI was launched five years ago, the 100 countries it addressed found themselves in very different stages of preparing poverty strategies. At one end of this spectrum, some had already incorporated poverty *per se* into their development planning frameworks. At the other were countries in which virtually no public debate about poverty had taken place. In some of these, the phenomenon had not even been explicitly recognised. Wide variation therefore existed in the nature of PSI activities, making every country initiative unique. This, of course, reflects the fact that the programme was a fully country-driven exercise. For purposes of analysis, however, PSI activities may be grouped under the following headings:

Qualitative poverty assessments

Many countries — from Grenada and Latvia to Papua New Guinea and Uganda — have undertaken qualitative assessments and profiles of poverty and of specific vulnerable groups — indigenous communities, unemployed youth, persons infected with HIV/AIDS, women, and street children. What makes these activities distinctive is their use of a range of non-traditional approaches — among these, participatory techniques drawn from anthropological and rural development research — that set them apart from studies based on the conventional quantitative survey

methodology. Qualitative assessments generally aim at examining poverty from the perspective of the dispossessed, at discovering the causes and effects of poverty within the local context and the many ways in which poor people cope with uncertainty. Many of the assessments have shed light on crucial dimensions hitherto neglected — such as social isolation as both an outcome of poverty and a cause of further impoverishment, or the economic contribution of women's activities in household subsistence, as well as in the informal sector.

Household surveys and poverty maps

Measuring and monitoring poverty have been central to many projects, from Angola to Indonesia and Turkmenistan. Household surveys were designed — and sometimes conducted — with funding from the PSI, using a combination of income, consumption and welfare indicators. Surveys were needed for different reasons. Where poverty had not been a specific focus of past policies, basic data on its breadth and depth were often missing. Even where surveys had been conducted, conflicting data or unclear definitions of poverty often hampered the formulation of policies and programmes. New indicators were constructed in many countries to reflect the impact of such complex phenomena as rights on poverty or to capture the changing dynamics of poverty and vulnerability more accurately. Apart from improving the countries' databases on poverty, many projects created poverty maps to highlight disparities within national borders so as to better identify specially disadvantaged groups or regions.

Poverty reduction strategies and programmes

In countries from Kyrgyzstan to Mali, where the necessary policy conditions appeared to be present, PSI funds directly supported the development of national poverty reduction strategies. This took the form of technical assistance for the selection of appropriate poverty indicators and targets, as well as for defining policy priorities and institutional mechanisms for implementing these strategies. Since national ownership was a key premise of the programme, these countries emphasised involving a variety of local actors in processes of public debate and consultation at all stages of planning and formulation. What UNDP brought to the process was its ability to work with different parties and to act as an honest broker in debates on politically sensitive issues.

Analyses of social spending and aid flows to basic services

PSI also earmarked funding for the preparation of social sector expenditure reviews in almost 30 countries, particularly in sub-Saharan Africa and Latin America. These reviews aimed at examining the volume of public and aid resources spent on providing basic social services, the equity and efficiency of such spending, and the flexibility for devoting more resources to the social services, as well as improving

their effectiveness and impact. These studies have encouraged debate on social policy goals and the financing of priorities by providing options and recommendations for mobilising additional funding to expand the coverage and improve the quality of services. The studies also provide baseline information on budget expenditures and social outcomes that may be used in future for tracking a country's performance in meeting the basic human rights of its citizens.

National Human Development Reports

As a contribution to the national debate on development priorities, the PSI programme sponsored many Human Development Reports at the national and even provincial levels in countries ranging from Botswana to India. While the process of preparing these reports has varied from one country to another, they have often brought into focus issues around which new constituencies could mobilise politically for the first time. These range from the rights of minorities and indigenous groups to gender disparities through failures of governance. National HDRs have proved particularly useful in environments where poverty and related issues are politically charged; they have often provided vehicles for airing questions that appear less controversial to those involved, thereby permitting indirect discussion of poverty.

Capacity development for planning and coordination

PSI aimed explicitly at using local institutions and expertise. Local participation in preparing assessments and strategies was viewed not only as a vehicle for enhancing local capacities for poverty analysis and planning, but also a means of nurturing the commitment of local actors to the outcomes of the exercise. Government planners, district authorities and community leaders in countries as varied as Romania and Zimbabwe were sensitised and trained in poverty analysis and monitoring, gender statistics, budgeting, participatory evaluation and other areas of policy and programming to ensure the sustainability of anti-poverty actions. With the same goal, national machineries were created or strengthened to coordinate policy among the various governmental and non-governmental actors involved in poverty reduction.

Evaluating the past

To assess the results and impact achieved by PSI, UNDP commissioned an independent evaluation in 1999-2000. Its purpose was twofold: first, to gauge progress in bringing the poverty agenda forward, particularly from the point of view of the national partners; second, to draw lessons from PSI-funded work in policy and analysis so as to inform future UNDP advice and support, as well as that of other donors.

Eighteen countries were selected for in-depth evaluation and visited in early 2000:

- India, Laos, Maldives and Nepal from Asia;

- Lebanon and Palestine from the Middle East;
- Angola, Mali, Mauritania, Lesotho, São Tomé e Principe, Uganda and Zambia from sub-Saharan Africa;
- Guatemala and Uruguay from Latin America;
- Bulgaria, Latvia and Tajikistan from Europe and Central Asia.

Broadly, these countries represent the full range activities summarised above. In addition to the country visits, the evaluation team undertook an extensive literature review of poverty surveys, Human Development Reports and a large number of policy and strategy documents sponsored by the PSI in another 32 countries. In short, the evaluation exercise covered a total of 50 countries — a sample large enough to permit a distillation of many lessons relevant to both poverty analysis and the formulation of anti-poverty policy.

Choices for the Poor presents the results of the evaluation. It is divided into two parts. Drawing on the findings from the literature review to investigate a number of issues that affect policy formulation, Part I attempts to distil lessons that may inform the development of anti-poverty policy. By contrast, Part II represents the findings of the evaluation team in their visits to the 18 countries listed earlier. Part II therefore focuses on the results and impacts of PSI activities in those countries, so as to clarify the roles that development organisations can play in supporting countries' own efforts to stem poverty.

Part I opens by exploring the concepts, analytical approaches and methods used in developing countries to define and measure poverty and vulnerability. In Chapter 2, Julian May questions the notion of a broad-based consensus among experts on these issues. Researchers from developing countries have deepened conventional definitions by revealing the inadequacies of measures based on income or consumption. These new investigators point to other dimensions of poverty, both measurable and elusive, above all its context-specific nature. They look at poverty as a phenomenon of many layers, determined by cultural norms and practices and by relations of power and dependency within social groupings that range from the household unit to the nation. They also show how seasonal changes and short-term shocks affect people's movements into and out of poverty. Analyses draw our attention to the importance of such intangibles as trust and solidarity and thereby illuminate the concepts of exclusion, stigma and powerlessness and the ways in which these shape both people's lives and development outcomes. Not surprisingly, researchers from developing countries also highlight phenomena that no longer dominate daily life in the most of the industrialised world, such as war and civil strife and physical infection, including the HIV/AIDS pandemic. Because exposure to violence in particular affects a large proportion of the world's poor, we must look more closely at the social and political milieux that engender poverty.

All these insights have led to a great deal of experimentation with various

approaches to poverty measurement. Among the innovations are the widespread use of composite indices, as well as of relative poverty lines, notions of poverty dominance and qualitative research methods, applied either alone or combined with quantitative survey techniques. While these recognitions of complexity have already enriched the understanding of local realities, May also points to areas in which further enquiry is needed — intra-household distribution of resources and income flows, macro- and microeconomic consequences of HIV/AIDS, or exposure to violence as a determinant of poverty.

Mercedes González de la Rocha and Alejandro Grinspun concentrate on some of these issues in Chapter 3, which examines how poverty is experienced at the household level. The authors demonstrate how economic hardship forces poor people to deploy a number of strategies to protect their level of consumption from deteriorating. Paramount among these is the mobilisation of household labour, which expands the pool of income earners — often to include children — lengthens working hours and diversifies income sources. Other domestic responses supplement these strategies — changing consumption habits, going into debt and, eventually, liquidating property and savings when increased labour fails to offset the shrinking of household resources. Much of the literature on household responses has emphasised the *agency* of the poor, their capacity to adapt to worsening conditions by foregoing consumption and escalating effort. But González de la Rocha and Grinspun remind us that coping usually involves a delicate balance between short-term survival and long-term social reproduction. A coping strategy that relies on intensifying the use of household resources cannot be sustained permanently. It may even undermine a household's ability to move out of poverty. As the authors stress, the resilience of the poor has definite limits. They deploy their livelihood strategies in an environment of increasing constraints that can become crushing. Household restructuring takes a particularly heavy toll on women, who typically assume a disproportionate share of the burden of adjustment without improving their subordinate position within the household. And because women normally constitute the major links of the informal networks of reciprocity based on solidarity and mutual help, their absorption in the survival of their own households weakens these vital support systems of the poor, spreading, deepening and perpetuating poverty itself.

Chapter 4 supplements this analysis by addressing an issue often neglected in the poverty literature: the multiple interdependencies between rural and urban spheres. Alf Morten Jerve contends that most poverty research treats the rural and urban spheres as distinct sectors, even though developing countries typically manifest a spatial continuum from remote hamlets to large urban centres that precludes any sharp demarcation between the two. Static poverty measures fail to capture cyclical movements of people and the transfers of resources that bind rural and urban areas together. Because war or economic hardships often divide families,

many adopt a mix of rural-*cum*-urban livelihood strategies that include migration and intra-family transfers. Remittances from the urban economy frequently constitute a vital income source for rural households. At the same time, relatives in the countryside often provide a safety valve for urban residents, especially when labour markets become slack. Neglecting these issues reduces our understanding of poverty and impairs the design of policies to promote broad-based economic growth.

But no consensus exists on how to address the problems associated with escalating urbanisation and rural-urban disparities. Given the dependence of rural families on remittances and wage work, stemming the tide of rural poverty cannot rely solely on developing rural-based alternatives for income generation. The answer, says Jerve, lies in strengthening the ties between the rural and urban economy, and stimulating economic growth in secondary towns so as to create employment for the rural poor. Support to the urban informal sector may create ripple effects in the rural economy, provided urban-rural transfers can be harnessed for reinvestment in agriculture. Women entrepreneurs, who already play a major role in rural-urban trade in many African countries, could emerge as a natural link between the two spheres in that part of the world. There and elsewhere, small town development and peri-urban smallholder farming could also foster new forms of centre-periphery relations, thereby contributing to better-balanced regional development.

Fostering better relations between centre and periphery also calls for a good measure of decentralisation, an issue that S. R. Osmani takes up in Chapter 5. The author demonstrates that local governance can yield benefits in terms of efficiency as well as equity. It gives people a sense of ownership, utilising their skills and knowledge about local conditions and giving them the opportunity to allocate resources according to their perceived needs. All too often, however, the slogan of 'decentralisation' covers various types of administrative reorganisation that do not in fact empower people at the local level. At least in part in many countries, fiscal constraints have driven decentralisation. Politicians at the national level have sought grassroots participation as a means of ensuring the implementation of preconceived plans without changing earlier relations between the centre and local communities.

Apart from the reluctance of the centre to transfer power downwards, elite domination of local government has also obstructed effective decentralisation. Some countries have tried to circumvent this problem of traditional power structures by either bypassing or co-opting the local elite. Others have introduced popularly elected structures at the community level, sometimes fortified by statutory reservations of seats for women and other under-represented groups. Nonetheless, truly participatory governance requires organising people at the grassroots level so that they can not only raise their voices, but make critical decisions about community affairs. Osmani proposes a two-fold empowerment strategy based on social mobilisation and livelihood security. Group formation enables the poor to overcome their fragmen-

tation and convert their numerical strength into genuine bargaining power. However, as long as they have to cope with extreme deprivations on a day-to-day basis, organising for the long term will not rank high among their priorities. NGOs can act as change agents, helping the poor achieve immediate economic gains while simultaneously transcending the immediate tasks around which they initially happen to organise. Creating a civil society where none exists, or strengthening it where it does, is therefore a vital ingredient of participatory local governance.

The next two chapters move beyond poverty analysis into the realm of policy design and implementation. In Chapter 6, Jaroslaw Górniak provides a detailed assessment of the poverty debate in former socialist countries, where a dramatic deterioration of incomes and widening social disparities have accompanied the transition to market economies. To alleviate poverty, these countries have grappled with defining a threshold for social assistance. But because all such thresholds — indeed, all poverty measures — are arbitrary in one way or another, they invite controversy. Choosing a poverty yardstick must meet several criteria: the yardstick must be theoretically sound so as to depict poverty rates accurately; it must also be realistic from a fiscal point of view; and, most importantly, it needs broad public acceptance if society is to agree that certain groups, rather than others, deserve public support.

Moreover, in a context of rapid economic change, poverty affects people in numerous ways, and its multiple dimensions correlate weakly with one another. For this reason, countries have resorted to a combination of poverty lines to depict the multi-faceted character of poverty and to identify potential target groups for public policy. The design of such policy has itself been mired in controversy. While these countries cannot maintain the system of universal benefits inherited from the Soviet era, adopting a targeted policy entails many risks. A system based on strict targeting carries high administrative costs and is open to abuse. Groups entitled to benefits may not apply if the system is too complex, while others may question its legitimacy if they feel that they are being punished for not meeting official criteria for eligibility. Means testing, in particular, seems impractical in countries in which the extent of the 'grey economy' equals or exceeds that of the formal sector. It also carries the risk of stigmatising potential recipients who, for that very reason, may not claim their benefits. Given this situation, Górniak concludes, a policy of broad targeting seems a more attractive option, provided that fiscal revenues allow for it.

Chapter 7 explores fiscal policy issues further by examining the share of public resources that poor countries devote to the financing of basic health and education. Julia Harrington, Catherine Porter and Sanjay Reddy show that the absolute level of funding for basic services falls far short of people's needs in many poor countries, even though their governments spend a substantial proportion of their budgets on social sector investments. However, the limited size of their economies, their small revenue bases and their debt service obligations severely limit the resources avail-

able for social expenditures. Without dramatic economic growth or increased revenue generation, these countries have little or no scope for increasing their activities in health and education. The fiscal austerity programmes they have negotiated with the international financial institutions prevent them from expanding total public spending. And, as indicated earlier, their heavy debt burdens siphon off resources that could most effectively be spent on basic service provision. Indeed, some of the poorest countries spend more on servicing their debt than their people — a strong argument for debt forgiveness. Defence, too, absorbs resources for basic services and is therefore another promising target for government budget cuts.

Even within existing social appropriations, spending is not well targeted. Much that now goes to housing, hospital and school construction might be better spent in basic service delivery, which tends to result in higher human development outcomes more rapidly. Donors, too, need to increase their ODA for basic services, especially in countries whose development budget is almost entirely externally financed — as is the case in much of sub-Saharan Africa, where the spread of HIV/AIDS is stretching government resources to their outer limits. Improving the financing of basic services calls for common definitions and standardisation of national budgets and aid reporting. It also requires broad-based public support, which may sometimes call for broader over narrowly targeted approaches to provision.

Chapters 8 to 10 review the experience of seven sub-Saharan African countries, three each from West and Southern Africa, and the last from the continent's east. Five of the countries are eligible for debt relief under the enhanced HIPC Initiative, and all seven are engaged in formulating Poverty Reduction Strategy Papers. Chapter 10 also focuses on Maldives, an Indian Ocean country that provides an interesting counterpoint to the continental African cases.

The experience of Angola is examined in Chapter 8. Despite a history of protracted civil conflict and failure to sustain the implementation of development plans, Angola had a small cadre of highly qualified professionals who could have played a crucial bridging role between policy analysis and design. Acting strategically, UNDP undertook to support these experts through a series of studies that encouraged a fledgling debate on the root causes of poverty and gender discrimination in Angolan society. The chapter shows that donor support may be critical to the development of indigenous technical capacity for poverty analysis, although donor-funding cycles often undercut the process of learning-by-doing that is required. The institutional fragility typical of many countries constitutes an overwhelming constraint to their accumulation of the knowledge and competencies necessary for policy development. As González de la Rocha argues, the establishment of broad partnerships may somehow compensate for the prevailing institutional weakness that undermines policy formation. Unfortunately, in Angola, efforts in this direction failed.

Chapter 9 focuses on West Africa, specifically Mali, Mauritania and São Tomé e Principe, three of the world's poorest countries. Pierre Sanon begins by showing how their existing debt burden obstructs their development efforts. Driven in part by the international agenda and in part by domestic considerations, each of these countries had embarked upon the elaboration of national anti-poverty policies prior to the launch of the HIPC Initiative. Particularly in Mali and Mauritania, this work prepared their governments for subsequent negotiations with the Bretton Woods institutions, paving the way for the approval of their interim PRSPs and their qualification for debt relief under HIPC terms. Each has begun evolving a home-grown poverty reduction drive by establishing an institutional framework that steers and coordinates the process of policy formation. The most notable example is Mali, whose *Stratégie Nationale de Lutte contre la Pauvreté* (SNLP) took almost two years to develop through a countrywide process of consultation and validation. Support from external agencies facilitated and strengthened this national process rather than substituting for it. Nonetheless, as this chapter soberly reminds us, the success of Mali and countries like it depends not only on substantial external support for the implementation and monitoring of anti-poverty policy, but the dovetailing of those contributions. Competing donor agendas may derail the emergence of local responses to poverty.

In Chapter 10, Julian May examines Lesotho, Uganda and Zambia, supplementing these cases with that of Maldives, where UNDP supported a comprehensive assessment of vulnerability as well as poverty for all the islands and atolls that compose this physically fragmented country. May provides a rich comparative analysis of the determinants of success or failure in all four initiatives, identifying four such factors: local ownership through consensus-building, the development of local capacities, the formation of strategic alliances with local actors, and the ability to engage with local processes of policy design.

Most of these elements were present in Uganda, and in varying degrees in Maldives and Zambia as well. Their absence in Lesotho thwarted the prospects for translating the results of a study of urban poverty into concrete policies to improve urban planning and arrest the rise of poverty in the major towns of the country. Like Mali and Mauritania, Uganda and Zambia had developed their respective national poverty reduction plans before the IMF and World Bank announced the terms of the enhanced HIPC, linking debt relief to the elaboration of anti-poverty policy documents. Both countries initiated intense domestic consultation processes to prepare their strategies. However, in Uganda, a strong coordinating ministry led the exercise, while in Zambia, the mandate for coordinating anti-poverty work remained uncertain for a long time, weakening the commitment of many key actors within the government and outside it. This highlights the need to understand the impact of intra-government dynamics on policy change.

Competition between government agencies often reduces the prospects for shared ownership, thereby undermining the process of policy formation. Learning to hone the 'tactics of coordination' becomes essential for preventing policy stalemates that may arise from competing interests within government. To support this process, donor organisations must be willing to learn from and with national actors rather than merely acting as external providers of technical assistance. Ultimately, this is what 'shared learning' means.

The next two chapters discuss three cases from Asia: India, Nepal and Laos. In Chapter 11, S. R. Osmani demonstrates the impact of the elaboration of Human Development Reports on public discourse, strategic thinking and policy formation in both India and Nepal. India's decision to produce these reports at the State level proved particularly interesting because it brought the debate closer to the public at large. In examining the cases of Karnataka, Madhya Pradesh and Rajasthan, the author demonstrates how policy-makers and citizens learned that 'development is more than building roads and dams.' The HDRs drove home the need to redress huge disparities among regions, castes and sexes, and to empower disadvantaged groups through social mobilisation and livelihood security. In explaining the success of the HDRs, Osmani points to two important factors: the process through which policy outputs are generated, and the perception that those outputs are not hostage to narrow political interests or driven by particularistic agendas. The most successful HDRs involved the participation of a range of local actors from government, the political class, civil society, academia and the press. This inclusiveness enhanced ownership and capacities whose value may well outlive the reports themselves. In addition, the absence of political interference contributed to a perception that the HDRs transcended politics because they were guided instead by a genuine spirit of enquiry. This perception gave them credibility and respect, facilitating their acceptance by groups and individuals of different persuasions. Under such conditions, ownership may easily extend beyond government to encompass groups in civil society who can use the reports to advance their own social causes.

The case of Laos, reviewed in Chapter 12, contrasts markedly with India or Nepal. Public debate on poverty *per se*, which affects a large proportion of the country's 236 ethnic minorities, barely exists. The Laotian government has adopted an ideology of modernisation and nation-building, which has engendered a dominant strategy of rural development based on settled agriculture and village consolidation. It has also given rise over the years to mutual suspicion and mistrust between the government and major donors who contend that the official rural development strategy could lead to forced relocation and assimilation of non-ethnic Lao minorities. Further complicating the picture, a number of institutional problems concerning the management and monitoring of rural policy — notably the apparent competition between state and Party organs — has damaged policy

coherence and the coordination of development planning. By encouraging reformers in government, UNDP has tried to bring ethnic minority issues to the fore. Nonetheless, its efforts to broker agreements between Laos and its donors by shedding the most controversial aspects of the rural development strategy have met with little success. As Alf Jerve points out, Laos illustrates the difficulty of promoting policy change in a context of limited institutional capacity and ownership. Raising the issue of poverty is particularly sensitive for donors, as it implies engaging in basic conflicts over rights and entitlements.

This issue receives further support in Chapter 13, in which Mercedes González de la Rocha explores the cases of Uruguay and Guatemala. Despite very dissimilar trajectories, these two Latin American countries face the challenge of addressing social inequities and poverty as a major governance concern. Indeed, the author argues, developments in the polity and in society are inextricably linked; democratic governance rests upon social equity. In Guatemala, the historic subjugation of the indigenous majority eventually erupted into open violence that, after four decades of armed hostilities, the country finally seems eager to resolve. Restoring peace and building a framework for harmonious coexistence cannot be dissociated from the larger challenge of rectifying the plight of the indigenous poor. By contrast, Uruguay's enduring democracy has been predicated upon a highly integrated and mobile society — yet one that now shows fissures as distinctions among social strata emerge and harden. UNDP illuminated issues each country needs to confront so as to address these larger governance challenges: overcoming both ethnic discrimination in Guatemala and rising vulnerability in Uruguay. The effort in Guatemala was particularly notable because it involved the mobilisation of Mayan organisations through self-awareness. This impetus, it was felt, would spur the landless peasantry to take an active part in the political process — itself a precondition for consolidating the peace process.

The chapter points to a second issue that links poverty reduction to the governance agenda: the impact of the political cycle on public discourse and policy formation. Presidential elections in late 1999 halted progress in addressing poverty in both countries. Because reducing poverty is intrinsically a long process, stretching well beyond the mandate of any particular government, candidates were wary of investing their political capital in a task whose fruits they could not hope to reap during their four or five-year terms. Ultimately, González de la Rocha stresses, political change does not conform to carefully constructed scenarios; it requires accommodation, along with a willingness to forgo expectations of clear dénouements and resolutions.

In Chapter 14, Alf Jerve vividly depicts the difficulties of developing a national discourse and policy on poverty in two conflict-ridden societies: Lebanon and Palestine. In Lebanon, public discussion of poverty raises the spectre of divisiveness, as the fragile post-war governance structure rests on the preservation of pop-

ular images that sanction a power-sharing arrangement among the various religious factions. In Palestine, discussions of poverty are not only tied to the lingering question of formalising citizen's rights in the emerging state, but threaten the prevailing view that attributes poverty to the constraints on nationhood, thereby absolving domestic political actors of responsibility. Because of the issue's volatility, only agencies perceived as neutral and trustworthy partners can act as catalysts of policy change. A flexible funding mechanism such as PSI seems particularly well-suited to this purpose, although work on poverty may have to be conducted under different banners. In Lebanon, for instance, UNDP focussed on living conditions, avoiding direct reference to poverty.

In assessing the conditions that facilitate policy reform, Jerve replays a number of themes from previous chapters: the importance of brokering partnerships among key local actors, of a strong policy-making body with the mandate and capacity to lead policy reform, and of institutionalising the reform process. This last thrust is exemplified by Palestine's creation of a National Poverty Commission. Governments, the author reminds us, cannot be considered monolithic entities; the push to reform often arises from opposing forces within governments as well as societies. Both Lebanon and Palestine show how closely poverty is bound up with questions of governance.

Jaroslaw Górniak reviews the experience of three former socialist countries in Chapter 15: Bulgaria, Latvia and Tajikistan. Despite massive impoverishment, awareness of poverty remained low during the early years of the transition, partly because of a Soviet legacy that ascribed it to individual failings rather than those of the social system. Raising awareness and improving the measurement of poverty were therefore necessary first steps for the development of policy. Support from UNDP and the World Bank has led to remarkable results. 'Poverty' has finally entered the political vocabulary of policy-makers; poverty-monitoring capacities have improved; high-level coordinating mechanisms have been set up; and government strategies and actions plans are being prepared in the three countries. Górniak analyses the conditions that facilitated these outcomes, notably different models of interaction between foreign and local experts and institutions. He concludes that developing local capacities depends on exploiting opportunities for a bilateral transfer of skills and knowledge through training and 'learning by doing' under the supervision of experienced foreign consultants. Such training and transfer of know-how enhanced policy research capacity in Tajikistan, along with the ability of government personnel to absorb research results and apply them to the design of public policy. Nonetheless, capacities for policy design and implementation remain weak in all three countries, making support from foreign institutions essential for sustaining current progress in anti-poverty policy. As the case of Bulgaria shows, donors need to be aware that technical solutions cannot work

unless they are politically acceptable. The implementation of poverty reduction efforts requires wide public approval.

Looking ahead

Many of the lessons in this book are specific to particular countries. Nonetheless, a number of general precepts emerge that may be of great value to development organisations and practitioners. These can be grouped under four headings: politics, institutions, capacities, and external support.

Politics

During the last few years, development agencies have tried to move away from low-impact projects into the provision of policy advice for the design, implementation and monitoring of national anti-poverty strategies. Moving decisively into the policy arena poses a host of new challenges. First and foremost is the difficulty of framing a workable solution to a problem that often seems intractable because it has become a way of life over the course of centuries.

In most societies, poverty stems from disparities in the distribution of power, wealth and opportunities. Changing these disparities always risks pitting certain groups against others. Those who benefit from existing arrangements and values are likely to resist efforts to reduce poverty, as they may see their position threatened by any change in the *status quo*. A feeling of deprivation may exist among groups who may be better off only in relative terms. Given the limitations of public and other resources, attempts to address the plight of certain groups may be viewed as unfair by others who feel equally entitled to public support, but are denied such advantages because of their marginally better position.

Poverty reduction is not simply a technical problem. If it were, solving it would simply require identifying its causes and prescribing effective, cost-efficient remedies. But fighting poverty is highly political. It entails a number of assumptions and perceptions that unconsciously condition mind-sets at every level of governance, from the household to the state. By doing so, poverty develops a web of relationships that become self-perpetuating well beyond the ambit of the poor themselves. For this reason, poverty reduction cannot be dissociated from governance; they are two sides of the same coin.

Institutions

Politics, though, is only one aspect of the problem. Another concerns institutions, especially as one moves from initiating policy change to the greater challenge of sustaining it. Institutions can play a decisive role in translating policy-relevant knowledge, to which donors often contribute by funding poverty surveys and analyses, into actual policy.

This poses a major challenge to local actors as well as development agencies, given the prevailing institutional weakness and fluidity found in many countries. This weakness manifests itself in multiple ways: high turnover among key personnel, a change of direction in a critical agency, or general fragmentation and lack of coordination among entities responsible for policy implementation. The regular business of politics causes a particular type of institutional problem. Presidential or congressional elections may temporarily push the poverty debate to the background as candidates seek to build the broadest coalitions possible to carry them to power. But campaigning and electioneering may also provide an opportunity for projecting certain sensitive issues into the public arena.

Whatever the cause, any of these factors tends to disrupt the policy formation process. Institutions take time to develop and mature. As the donor community seeks to promote the twin goals of poverty reduction and democratic governance, it will have to devote greater attention to the challenge of strengthening institutions as well as to the impact of the political cycle on policy-making. This will not only require long-term commitment, but also tight coordination among development agencies to ensure that investments in institutional development support rather than undercut one another.

Capacities

Development agencies, therefore, need to emphasise a capacity development agenda as a means of overcoming the institutional gaps present in many countries. Success in policy reform depends, in large measure, on building long-term capacity of key local actors to analyse a problem correctly and design the best solutions for it. But capacity development goes far beyond local actors — governmental or non-governmental — using information and analyses funded by a donor in formulating policy. It calls for strengthening their ability to *identify* problems that need action, to *commission* work as required, to *interpret* its results and, finally, to *use* them for policy purposes.

It is important, for instance, to distinguish between funding a poverty assessment and undertaking a systemic effort to build long-term technical capacities for monitoring poverty. In the first case, even if new information is produced, there is no guarantee that local actors are empowered to carry out a future assessment. The second type of capacity development agenda typically requires intensive training of local actors to enable them to perform their tasks effectively after the withdrawal of external support. Sharing of learning between local and international experts and developing tools for further learning are necessary. A conscious effort to transfer skills and know-how must inform donor actions.

Relying on national as opposed to international experts is thus less important than the manner in which both engage with one another. For similar reasons, the

involvement of individuals is not as significant as that of institutions like think tanks, research centres and universities, endowed with the technical expertise required for high-quality results to assist policy formation.

Donors

The ability of donors to leverage policy reform does not depend only on the overall relevance and soundness of the policy analysis and advice provided. Knowledge can create change only to a limited extent. Institutionalising and embedding it in policy-making is critical. Along with high-quality policy inputs, therefore, inclusive consultation processes are needed to ensure policy impact and ownership.

Because poverty reduction is embedded in local power and governance structures, donor organisations may inevitably be drawn into the murky waters of politics. Many may lack an intimate knowledge of the local political setting, which makes them unfit to navigate its currents. Fears of external interference can also make donors suspect in some countries, especially when such qualms are freighted by perceptions that they may be trying to impose conditionalities or, worse, pursue agendas irrelevant or contrary to national aspirations. Whether or not these perceptions are justified does not particularly matter. Their very existence means they must be reckoned with.

To the extent that poverty reduction is politically charged, multilateral organisations — especially those of the United Nations — may be better placed than bilateral donors or development banks to act as trusted, impartial advisers of governments and of civil society in convening national debates on the topic. But such trust cannot be taken for granted. Nor should it preclude seeking a broader engagement of the donor community at large in a constructive manner — and in accordance with countries' development priorities.

Lessons for the future

Still, donor contributions, however small, can nurture pro-poor policy change if used strategically. The first critical factor is choosing some local *actor*, either within or outside the government, who has sufficient stature to command credibility and thereby become the standard-bearer of policy reform — at least within its own constituency. This actor need not be a single entity. Consultative bodies with broad multi-party representation like National Poverty Commissions or Working Groups, as well as Social and Economic Councils or Legislative Committees have been responsible for steering, overseeing or at least validating work on poverty in many countries around the world. Strengthening existing high-level planning and coordinating mechanisms is vital for enhancing national ownership of the policy process.

Choosing a weak counterpart can doom the prospects of any policy-oriented project. In the absence of such coordinating bodies, therefore, the best choice appears to be a 'strong' ministry within government — or an umbrella organisation from civil society. Putting a 'strong' ministry like finance or planning in a lead role can certainly enhance the prospects for policy change. Nonetheless, poverty concerns may be slighted if the lead ministry or body is preoccupied with enforcing macroeconomic or fiscal prudence at the expense of other considerations, such as popular participation or increasing the range of social service delivery.

Equally important 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 to the key societal actors and the dynamics of policy change throughout a country. These will vary significantly from one situation to another — whether recovery from conflict, imminent elections, shifts from planned to market economies or from centralised to decentralised governance structures. In these circumstances and others, facilitating change calls for the presence of the development organisations on the ground.

Third, it is crucial to contribute to some form of *institutionalisation* to the policy reform process. Without this factor, policy actions will not survive the political vicissitudes of the moment. What kind of institutional set-up is most conducive to sustaining political will varies from one country to another. What matters, though, is that institutionalising reform initiatives implies making the issue of poverty a truly national concern — one that transcends narrow sectoral, sectarian, regional or ethnic agendas to become a matter of countrywide debate and decision-making. It means transforming poverty reduction into a non-partisan issue, well beyond the concern of an incumbent government — or, for that matter, of particular donors and their funding modalities.

Donor agencies, above all, need to respect the character of each country and its specific dynamics of policy change. They must learn to recognise the constraints they will encounter, along with the opportunities they can seize. Given the complexities of policy reform and its numerous institutional and political challenges in each country, one cannot judge all donor interventions in the same terms. Each case is unique. The yardstick for evaluating donor interventions designed to nurture policy reform for poverty reduction remains nonetheless the same — the questioning of poverty as an intrinsic human condition, the recognition of the poor as change agents, and the shaping of viable reform processes that are rooted in sustainable, effective institutions. ■

Notes

[1] The specific objectives of the Initiative were defined as follows: (i) To assist UNDP programme countries in the formulation of national plans and implementation strategies, with specific time-bound goals and targets, for the substantial reduction of overall poverty and the eradication of absolute poverty; and (ii) To assist UNDP programme countries in the elaboration of definitions, assessments, measurements, criteria and indicators for determining the nature, extent and distribution of absolute poverty at the country level, including its gender structure and composition.

[2] The World Bank and IMF launched the HIPC Initiative in 1996 in an attempt to reduce the unsustainable debt burden of poor countries. Growing frustration with the pace of progress in implementing debt relief motivated a review of the Initiative in 1999, which was endorsed by the Boards of the Bank and Fund at their annual joint meeting. Among other amendments designed to reduce debt burdens more rapidly, the enhanced HIPC created direct links between debt relief and poverty reduction. The primary mechanism for this connection is the Poverty Reduction Strategy Paper (PRSP) that countries must produce in order to reach the 'decision point' for qualifying for a debt relief package. In response to the enhanced HIPC, IMF replaced its Enhanced Structural Adjustment Facility (ESAF) with the Poverty Reduction Growth Facility (PRGF). PRSPs are not only a condition for debt relief, but also for future concessional assistance from both institutions.