

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).