



**WORKING
PAPER**

155

**TOWARDS EFFECTIVE
POVERTY REDUCTION:
A GLOBAL PERSPECTIVE**

V M Rao

**INSTITUTE FOR SOCIAL AND ECONOMIC CHANGE
2004**

TOWARDS EFFECTIVE POVERTY REDUCTION: A GLOBAL PERSPECTIVE

V M Rao*

Abstract

The Millennium Development Goals of the United Nations and the strategy formulated by the World Bank to achieve them stress the need for a major shift from the present preoccupation of the anti-poverty strategies with meeting the minimalist poverty norms like \$1 per day income. This paper explores the implications of this shift for the roles that the international community can play in helping the developing countries to cope with the emerging poverty perspectives.

Introduction

The global poverty situation is entering an intriguing phase. The international community is making concerted efforts to move beyond the limited objective of providing relief to the poor to put together a long-term strategy for poverty reduction capable of dealing with all the principal dimensions of deprivation suffered by the poor. The earlier almost total preoccupation with the measurement and identification of the poor based on the concept of the poverty line is now yielding ground to perceptions of poverty from the perspective of entitlements, empowerment, minority rights, protection of plural cultures and human development. Concurrently, there is an impressive mobilisation of resources to implement wide-ranging programmes in the developing countries for growth, equity and poverty reduction. Paradoxically, all these exertions seem to have only a limited impact on the severity of the poverty problem. Evaluations done by international development agencies provide disturbing indicators that even the modest target set for reducing the hardcore poverty by half between 1990 and 2015 is unlikely to be achieved. Sooner rather than later, the international community will have to take serious note of the apparent lack of effectiveness of the current much-publicised war on poverty!

This paper takes a look at the question of effectiveness of poverty reduction strategy by drawing on some of the recent researches on and assessments of the changing and prospective development-cum-poverty scenario in the developing countries. Our approach to understanding the problems in poverty reduction is based on the following conceptualisation:

*Honorary Visiting Fellow, Institute for Social and Economic Change, Nagarabhavi Post, Bangalore – 560072. E-mail: vmadiman@hotmail.com; vidyanand23@yahoo.com

The effectiveness of anti-poverty strategies depends on the three distinctive roles which the international community as represented by, say, the United Nations and the principal development funding agencies like the World Bank have to play while working towards poverty reduction; in what follows, we choose the acronyms UN for the international community and IDA for international development agencies like the World Bank. The three roles are:

- International Level

The developed and developing countries need to be brought together to form a strong alliance against poverty. IDA has to play a Counseling Role to keep them informed about the changing situation, to prepare the preferred scenarios for the future and to develop common understanding in the alliance about goals, targets, time-frames and action programmes.

- Developing Country Level

At the level of a developing country, UN and IDA have to play a Facilitating Role in helping the country to formulate strategies and programmes in tune with its own history and development status. "Facilitating" needs to be done skillfully when a developing country's own strategy diverges from UN and IDA perceptions and prescriptions. UN and IDA should be diligent in learning from experiences as their prescriptions in the past have been ineffective in some of the developing countries.

- Ground Level

In many poverty situations, IDA would have to play an Interventionist Role by sponsoring / implementing anti-poverty programmes at the ground level in a developing country in partnership with line departments of the government, NGOs, and local organisations etc., to reach marginalised and disadvantaged groups and to motivate and enable them to get rid of their deprivations.

We have to remember that the effectiveness of these roles cannot be assessed by relating them directly to poverty reduction. The primary determinants of poverty reduction in a developing country would be its own policy regime and priorities, implementation mechanisms, local institutional ambience in poverty-affected areas and communities and development-orientation of the poor themselves. UN and IDA can only play a supporting role to strengthen the developing country's

own policies and programmes. Hence, assessment of the UN-IDA role needs to be based on other indicators and clues available in the relevant documents and reports.

The New Paradigm

The first step in our analysis is to bring out in some detail the wide scope and ambitious goals of the strategy for poverty reduction now being promoted by UN and IDA. It seems reasonable for this purpose to draw on the relevant pronouncements of the United Nations (as a representative body of the international community) and the documents of the World Bank (the principal actor and coordinator of the United Nations programmes for poverty reduction).

The Millennium Development Goals (MDGs) proclaimed by the United Nations in its Millennium Declaration (September, 2000) provide a good indicator of the wide scope of the international community's approach to bring about poverty reduction. MDGs have a clear time-frame and their performance is monitored at frequent intervals by the agencies of the United Nations as also by independent observers. Hence, MDGs could be taken to indicate the international community's commitment to poverty reduction in the wider sense in which poverty is now being perceived and conceptualised rather than the mere rhetoric devised for ceremonial occasions like annual meetings of the United Nations!

Time-bound Targets Proposed in The Millennium Development Goals

- Target 1:** Halve, between 1990 and 2015, the proportion of people whose income is less than one (US) dollar per day.
- Target 2:** Halve, between 1990 and 2015, the proportion of people who suffer from hunger.
- Target 3:** Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling.
- Target 4:** Eliminate gender disparity in primary and secondary education, preferably by 2005, and to all levels of education not later than 2015.
- Target 5:** Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate.

- Target 6:** Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio.
- Target 7:** Have halted by 2015 and begun to reverse the spread of HIV/AIDS
- Target 8:** Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases.
- Target 9:** Integrate the principles of sustainable development into country policies and programmes and reverse the losses of environmental resources.

The World Development Report (WDR) of the World Bank (2000-2001) spell out the strategy for poverty reduction in even more ambitious goals and, more important, clearly recognise the systemic roots of the poverty phenomenon. It is instructive for this purpose to observe the marked change in the strategy for poverty reduction as between WDR 1990 and WDR 2000-2001. The 1990 strategy had three principal components.

- "Encourage a pattern of growth that promotes the productive use of labour through policies that harness market incentives, social and political institutions, infrastructure and technology.
- Provide basic social services to the poor through a focus on primary health care, family planning, nutrition, and primary education
- Programme well-targeted transfers and safety nets to support those living in remote and resource poor regions or groups directly affected by economic transition".

(Alison Evans, 2000)

It is important to note that the WDR 1990 strategy recognised the linkages between poverty and mainstream processes viz., growth and economic transition.

"Attacking Poverty", the strategy laid down by WDR 2000-2001, takes a giant step forward in looking at poverty from a systemic perspective. "A world with poverty? Or a world free of poverty? Simultaneous action to expand opportunity, empowerment and security can create a new dynamic for change that will make it possible to tackle human deprivation and create just societies that are also competitive and productive. If the developing world and the international community work together to combine their real resources, both financial and those embodied in people and institutions – their

experience, knowledge and imagination – the 21st century will see rapid progress in the fight to end poverty” (World Development Report-2000/2001). Our interpretation of this strategy is that it perceives poverty not as a problem afflicting the poor alone but as a pathological condition of human societies. Compassion for the poor is not enough to heal societies. The goal should be to establish “just societies” with a strong and broad economic base. It is reasonable to regard the strategy enunciated in WDR 2000/2001 as a paradigm shift in the UN and IDA approach to poverty reduction. Paradigm shifts often encounter initial resistance. Also, their incorporation into strategies and programmes needs time and necessitates learning of new lessons and unlearning of some of the past ones by the developing countries as well as by UN and IDA. This context should be borne in mind while considering the roles appropriate for UN and IDA in the emerging phase.

International Level – The Counselling Role

The goal of a “world without poverty” places a new and extremely onerous responsibility on both the UN and the IDA. Achievement of this goal needs not merely identification of the presently existing poor and removal of their poverty but, more important, it needs reversal of the processes generating poverty which are pervasive and deeply embedded in the social structure. Developing countries bear gruesome evidence of these processes in the form of extensive and continuing marginalisation of large sections of population. Marginalisation erodes the economic and social status of its victims and exposes them to numerous kinds of deprivations. They have no means to defend themselves and, often, fail to acquire voice and visibility to attract the attention of the policy maker. Marginalisation of large numbers is a reliable indicator of poverty generation processes. The interesting point to note is that the poverty numbers given by the poverty line (like those earning less than \$1 per day) do not fully reflect the extent of marginalisation or changes in it. The “poor” identified by the poverty line would usually be part of a much larger group of marginalised sections in a society. The latter would include those who are being pushed down but are still above the poverty line. This has the implication that reduction in poverty by the criterion of poverty line need not - and often does not – mean reduction in the extent of marginalisation in a society. In fact, with an anti-poverty strategy focused on pulling the poor above the poverty line, reduction in poverty could easily conceal the persisting trend towards marginalisation. For UN and IDA, a realistic assessment of challenges involved in implementing WDR 2000/2001 would necessarily have to be based on norms and criteria relating to

marginalisation rather than the conventional poverty measures on which poverty analysis and policy making have relied so far.

Before proceeding further, we provide a few glimpses of the shadow cast on the developing countries by marginalisation processes. Rising income inequality is a dependable clue to trend towards marginalisation. A recent study of income inequality in the world by Branko Milanovic of the World Bank brings alarming tidings! We give below the main findings of the study from a summary which appeared on the BBC news website on January 17, 2002.

- Global inequality is rising fast – increasing by around 5% in the five years between 1988 and 1993... The gap is so big that the richest one per cent of people (50 million households), who have an average income of \$24,000 earn more than the 60 per cent of households (2.7 billion people) at the bottom of the income distribution.”
- The biggest source of inequality is the difference between the income of people in the five major economies (USA, Japan, Germany, France and Britain) and the poor in rural India, China and Africa.
- In the five years of the study, world per capita income increased by 5.7 per cent but all the gains went to the top 20 per cent of the income distribution, whose income was up by 12 per cent while the income of the bottom 5 per cent actually declined by 25 per cent.
- With the world’s richest countries on the verge of recession, there appears little hope that an ambitious development agenda will emerge from the most recent round of negotiations. Talks have stalled over increases to the World Bank’s development lending, while the proposals by UK Chancellor Gordon Brown for the doubling of aid to the poor do not seem to have found favour in Washington. Poor countries also made only limited gains in recent trade talks in Doha. Aid flows and the movement of private capital to poor countries continue to slowdown.

Left to operate over long periods without any check, marginalisation processes bring about depletion of resources and degradation of environment. A study by Professor Partha Dasgupta, a Professor of Economics at Cambridge University and the former President of the Royal Economic Society, warns that the developing countries are achieving growth at the cost of depletion of natural resources:

“The Indian sub-continent and sub-Saharan Africa – two of

the poorest regions of the world which make up around a third of the world's population – have really become poorer over the past decades... If the decline of natural capital is included under a new measure – which the report dubs wealth per head – traditional insights into poverty reduction are turned upside down. It reveals that sub-Sahara Africa, Bangladesh, Nepal and India are all heading into deeper gloom and poverty" ("World sinks into deeper poverty" BBC Website, June 8, 2001). It is typical of survival strategy of marginalised people to eat into their capital.

The World Summit on Sustainable Development held in August 2002 in Johannesburg, South Africa heard many influential voices expressing concern about the future of economic development of developing countries. One voice among them was of the Lancet, one of the leading medical journals in the world: "there is no consensus on the best policies for development, as there has been no scientific analysis of what works and what does not... existing United Nations agencies are too big, too unwieldy and constrained by UN politics... We need to do apolitical scientific research on the best ways to do development and build up a library of this scientific knowledge" (Global Body needed to fight poverty, Richard Black, BBC Website, 23 August, 2002).

This is a timely counsel which UN and IDA should heed. WDR 2000/2001 needs extensive and careful homework by IDA to document marginalisation processes and to explore the intended/likely impact on these processes of the strategy of "Attacking poverty by promoting opportunity, security and empowerment of the poor". This exercise is of critical importance for WDR 2000/2001 as it is very likely to show that to achieve a "world without poverty" many systemic changes would be needed besides programmes focused on the poor. Frankly, "world without poverty" is inconceivable without substantive curtailment of the power, privileges and perks of the elite in the developed and developing economies, particularly, the former. The latest report of the World Watch Institute warns "Consumption among the world's wealthy elites, and increasingly among the middle class, has in recent years gone well beyond satiating needs...In the long run, it will become apparent that achieving generally accepted goals—meeting basic human needs, improving human health, and supporting a natural world that can sustain us—will require that we control consumption rather than allow consumption to control us" (World Watch Institute, 2004)

It needs to be noted that even the present developed countries with their unparalleled affluence and state-of- art technologies are not societies "without poverty". Their poor are modest enough in number to be managed through liberal social security benefits. The poverty line in USA appears to be around \$30 a day as against \$1 a day used to measure poverty in the developing countries (Poverty hits one million more Americans, Steve Schifferes, BBC Website, September 25, 2002). Incidentally, this article reports, "The US economic slowdown has led to an increase in the number of poor people in the world's richest country... by 1.3 million to 32.9 million". US is still a society in which elites co-exist with marginalised people! Obviously, "world without poverty" cannot be achieved by mimicking the development path followed by the presently developed countries. Does WDR 2000/2001 offer a viable alternative development path to the world community or does it merely promise the poor a substantially better package of relief measures and benefits than what they have received so far? IDA should have a thorough and objective assessment of WDR 2000/2001 to spell out concretely its time-frame, phasing and phase-wise goals/targets. The goal of "world without poverty" without a matching strategy would do more harm than good to the cause of the poor since the resources mobilized to fight poverty may be spread too widely and thinly to have any impact on the poor.

This brings us to the role that IDA can play at the international level to pursue the Attack on Poverty. It has to coordinate the attack by bringing together developed and developing countries, helping them reach consensus on the strategy and priorities and giving them feedback on how to move forward fast enough. We call this the Counseling Role. Taken by itself , IDA may seem a small player on the international scene. While its own programmes and activities are important and need careful planning, the success of WDR 2000/2001 will depend crucially on the effectiveness of its counseling role. Consider the following features of the emerging international context.

- Developed countries have little enthusiasm in assisting the developing countries. There are signs of aid-weariness, the most noticeable being the wide gap between the level of aid and the norm collectively accepted by the developed countries (0.7% of GDP of developed countries).
- Influential voices, like that of Nobel Laureate Joseph Stiglitz, have levelled serious criticism against developed countries for

the anti-poor bias in their trade, agriculture and aid policies. The Brettonwood twins – the IMF and the World Bank – themselves have been blamed for recommending stabilisation and structural adjustment policies and imposing conditionalities adversely affecting the poor.

- Developing countries suffer from multiple handicaps in reducing poverty: weak governance, financial mismanagement, policies biased in favour of organised and relatively better-off sections in society, diversion of aid to non-priority uses and neglect of social sector investments.
- Attacking poverty needs to be part of a broader campaign for sustainable development, prevention of environmental degradation, conservation of land, water and other critical resources, population control and harmony among nations.

Looking ahead to these emerging challenges, WDR 2003 emphasises the need for “new alliances at the local, national and global levels to better address these problems... Rich countries must further open their markets and cut agricultural subsidies that depress incomes of third world farmers, and they must increase the flow of aid, medicines and new technologies to developing countries. Governments in the developing world, in turn, must become more accountable and transparent, and ensure that poor people are able to obtain secure land tenure, as well as access to education, health care, and other basic services” (World Bank Urges More Balanced Global Approach to Development: World Development Report warns environmental problems and social unrest threaten poverty reduction goals, BBC Website, August 22, 2002). Thus, the counseling role of IDA needs to cover a wide and difficult terrain.

The Millennium Development Goals (MDGs) mentioned earlier in this paper could provide a convenient base camp for IDA to play its counseling role at the international level. MDGs have been accepted by the UN member nations as well as IDA. Effective counseling by IDA to achieve MDGs by collective efforts of all countries would prepare the ground for moving towards a “world without poverty” in three ways. First, it would reduce the critical dimensions of hardcore poverty and exert sustained pressure on both developed and developing countries to bring them down to stipulated levels within a definite time frame. Second, this would allow global partners as well as IDA to shift their focus to creation of “opportunity, security and

empowerment”, the essential ingredients of a “world without poverty”. Third, and most important, MDGs would help the poor to look beyond survival strategies and to strengthen their receptivity to programmes promoting “opportunity, security, empowerment”.

It is important for IDA to prepare for its counseling role a road map for the MDG period and to check at frequent intervals its progress along the path. At the end of the MDG time frame, the global partnership should have advanced enough to acquire the perspective, orientation and momentum essential to move towards the goal of “world without poverty”. It is necessary to note that the effectiveness of IDA's counseling role is to be assessed not so much in terms of the achievements of its own projects as in terms of those of the global partnership and the prospects for progress in the years ahead.

Developing Country Level – The Facilitating Role

Developing countries form a heterogeneous group but most share the common feature of chronic and widespread poverty beyond the capabilities of the countries themselves to tackle. The facilitating role covers guidance, support and help by the IDA to developing countries enabling them to bring about sustained reduction in poverty. The facilitating role, by its very nature, has to be country specific in the sense of being tailored to the distinctive history, circumstances and characteristics of the country being helped.

For the purpose of this section, we have selected two countries – India and Sri Lanka – to illustrate the typical tasks and challenges IDA has to deal with as a facilitator of poverty reduction. A word about the selection of these two countries as illustrations. Developing countries could be viewed as forming three broad groups from the point of view of the help they need from IDA as a facilitator. At one extreme would be developing countries with fractured societies, stagnant economies, unstable polities, weak governance and law-and order and poor infrastructures. What such countries need is a consortium of donors willing to extend aid over a long period for a wide range of programmes with poverty reduction as one of the components. At the other extreme are the developing countries which are developed enough to manage the problems of their poor on their own. This leaves an assortment of developing countries in the middle range between the two extremes in which the facilitating role of IDA could have a substantive impact on the conditions of the poor. The two countries

we have selected to illustrate the facilitating role – India and Sri Lanka – belong to the middle range. They have some interesting contrasts so that they are of help in understanding in concrete terms how the facilitating role needs to be designed to enhance its effectiveness in the specific context of a given developing country.

Before turning to the discussion of the two countries, it is useful to have a quick look at the depressing overall poverty landscape in the developing countries. While considering the facilitating role of IDA, it is important to bear in mind the enormity of the challenge involved in helping developing countries to move towards a “world without poverty”. We draw on a recent report on rural poverty by International Fund for Agricultural Development (IFAD, 2001). Emphasising the need for “empowerment” of the poor, the report observes: “Empowerment essentially means reversing the historical legacy of marginalisation that traps large numbers in chronic poverty. Poverty is not an intrinsic attribute of people, but a product of livelihood systems and the socio-political and economic forces that shape them”. The report also draws attention to the degraded and hostile environment in which the poor live: “In most regions, poverty incidence is highest in marginal areas at risk from poor soils, low rainfall and adverse climatic change, though poverty is much less the cause than the consequence of environmental degradation”.

In designing the facilitating role, the first step IDA should take is to distinguish between poverty tolerating (PT) countries and poor friendly countries (PF). The characteristic feature of a PT country is that it does much less for its poor than it should, given its development status and resources. It usually has a policy regime unfavourable to the poor. At the same time, it is also usual for a PT country to have a plethora of schemes and a growing army of development personnel, activists, evaluators and academics to implement them. However, what the poor gain is a modest measure of relief with no enduring improvement in human development or empowerment. India has been chosen as a typical case of a PT country. Developing countries have far more PT cases than PF. The distinguishing mark of a PF country is that the status of its poor is much higher than that in developing countries with comparable income level/growth performance. Sri Lanka has good credentials to be regarded as a PF country and has been covered in this paper.

Let us now see the features of India as a PT country.

- Major policies – industrial, infrastructure, trade, agriculture, labour etc. – have a pronounced bias in favour of urban as against rural, organised groups as against unorganised and elites as against the poor.
- Large irrigation and similar projects have been implemented with little concern about the welfare of the adversely affected – often poor and marginalised – groups.
- Economic growth has not been balanced, broad-based and labour-absorbing. Rural poor are bypassed by agricultural growth and, on migration outside the villages, end up in slums subsisting on low-paid informal sector activities.
- While the share of agriculture in the Gross Domestic Product has declined from over 50 per cent at the time of Independence to only 25 per cent now, the agriculture labour force still accounts for over 60 per cent of total labour force. As a result, the disparity between labour productivity in agriculture and that in non-agriculture has increased sharply during the recent decades.

The PT signature is also writ large on India's anti-poverty programmes:

India has brought about drastic reduction in Head Count Ratio of poor (HCR) over the last three decades from over 50 per cent to less than 25 per cent. However, numerous and large pockets of hunger and malnutrition persist without attracting much notice. Employment programmes and the public distribution system have played a role in HCR reduction. But these programmes are more providers of relief in scarcity periods rather than programmes designed as safety nets capable of giving food and employment security to the poor. There are numerous schemes to promote human development among the poor but they are implemented with total disregard for cost-effectiveness, accessibility to and use by the poor. Not surprisingly, officials are prone to assess schemes by considering mainly the achievement of expenditure targets which, to say the least, could hide a lot of wasteful and ineffective implementation. A significant pointer to consider is that while HCR shows continuing reduction in poverty, Human Development Index (HDI) shows only modest improvement and its different components display contrasting trends. A recent study covering the decade of 90s finds "poverty decline in the 1990s proceeded more or less in line with earlier trends... (but) social progress has followed very diverse patterns, ranging from accelerated progress in some fields to slow down and

even regression in others" (Deaton et al, 2002). It would be fair assessment to say that in its anti-poverty programmes India has not looked beyond giving a modest measure of relief to the poor.

As regards reforms to counter poverty generation, India's record is quite dismal. Two illustrations follow: First, after half a century of land reforms, landlessness has increased. Over four-fifths of cultivators have small/marginal holdings, measures like redistribution of land have had no impact at all on the poor and widespread concealed tenancy mocks at high-sounding legislation for regulation of tenancy and transfer of leased land to tillers. Ironically, the beneficiaries of land reforms have been the enterprising middle strata farmers with substantial, not necessarily large, holdings and not the poorest. The second illustration relates to Panchayat Raj Institutions (PRIs). After nearly a decade, the constitutional amendments of 1993 to invest PRIs with power, resources and a broad social base to make them grassroot level institutions bringing about development with equity have remained largely unimplemented in most states in India (Rao , 2004). Thus, India's policy regime and anti-poverty strategy, as they stand now, are conducive neither to achievement of MDGs nor to promotion of WDR 2000/2001 objectives of opportunity, security and empowerment of the poor.

It is important for IDA to be realistic in pursuing its facilitating role in India. At the present juncture, putting pressure on India to implement radical measures to counter poverty generation may not be a prudent tactic to use. Radical measures need a configuration of polity with the poor mobilised for collective action and having enough clout to compel the elites to loosen their grip on power and resources. Indian polity offers meagre scope for radical measures. To appreciate this constraint, it would be enough for IDA to review the World Bank's experience in protecting the interests of tribals displaced by the Narmada Project in Madhya Pradesh, Gujarat and Maharashtra. The Bank withdrew itself from the project but the victims remain poorly compensated and face grim prospects. Their prolonged struggle led by a band of committed activists could achieve little. Even their sympathisers like the media, judiciary and intellectuals seem to have got tired of them!

IDA may have more scope for the facilitating role in the area of MDGs. The progress towards MDGs in developing

countries is hardly satisfactory. Consider the following observation:

“Ambitious plans to halve world hunger by 2015 are facing failure, says a report from the United Nations. Experts predict that it could take a century to meet the target if progress were to continue at the current rate. According to FAO, progress has virtually ground to a halt in the past year” (BBC, 2002)

MDGs need top priority in poverty reduction as improvements in opportunity, security and empowerment of the poor would be possible only on the foundation laid by achievement of MDGs. MDGs seem to have operational features favourable for a facilitating role. MDGs permit concrete and clear timeframes and targets. It should be possible for IDA to reach an understanding with a developing country about achieving progress in MDGs with in-built arrangements for monitoring and midterm corrections. This is also true of procedures – based on mutual consent – to make a developing country accountable for its MDG performance to UN and IDA. India has two other features favourable for IDA's facilitating role in achieving MDGs. It has shown both willingness and ability to commit resources on an increasing scale for poverty reduction. Second, it has states like Kerala and smaller pockets dispersed all over the country where governments, NGOs, local leaders have brought about spectacular improvements in health, education, nutrition and women and child development which figure prominently in MDGs. Its main weaknesses are the limitations of the bureaucracy as development personnel, thin spread of NGOs and, most important, lack of grassroot level participatory organisations. IDA has now considerable experience in collaborating with developing countries like India in implementing programmes for improvements in these areas.

Besides helping the direct attack on poverty, the Bank has to play an even more important role in the “indirect” attack on poverty by modernising the mainstream economy, making it spatially broadbased and diversified, accelerating the rate of growth and employment generation. In the long run, it is the indirect attack on poverty which will prepare the ground for moving beyond MDGs to improve the opportunities available to the poor, to provide security to and to empower them.

Sri Lanka

The following table is of help in seeing the contrast between a Poverty Tolerating (PT) country – India and Poor Friendly (PF) country – Sri Lanka.

	India	Sri Lanka
GNP per capita (US dollars) (1998)	430 (Lower Income Group)	810 (Lower Middle- IncomeGroup)
Growth Rate (%) per capita consumption (1980-1997)	2.7% (1.9)*	2.8% (1.9)*
% Urban Population 1998	28%	23%
Child Malnutrition (% of children under age 5) (1997)	53%	38%
Under 5 Mortality Rate (per 1000) (1997)	88	19
Life Expectancy at Birth (1997)		
Males	62	71
Females	64	75
Adult Illiteracy Rate (% of people 15 and above) (1997)		
Males	33	6
Females	61	12

* Distribution corrected.

Source: Table 2 – Quality of Life, page 233, World Development Report, 1999-2000, The World Bank, Oxford University Press, New York, 2000.

Both India and Sri Lanka are predominantly rural. While the per capita GNP is higher in Sri Lanka, it is only one group above India according to the classification used by the World Bank. The growth performance of the two countries is similar. Yet, Sri Lanka has noticeably better development indicators – child malnutrition, child mortality, life expectancy at birth (separately for males and females) and adult illiteracy (separately for males and females) – which are sensitive to the conditions of the poor. Given the similarity of the two countries in income level

and growth, it would be a good guess to say that Sri Lanka's better record in poverty reduction is attributable to its antipoverty programmes i.e., the direct attack on poverty. A recent World Bank study observes: "Sri Lanka is a well known outlier among the developing nations. It was one of the first developing countries to understand the importance of investing in human resources and promoting gender equality. As a result, Sri Lanka has achieved human development outcomes more consistent with those of high income countries" (The World Bank, 2000).

The next phase in poverty reduction in Sri Lanka has to pay attention to regions with persisting poverty. The table below compares the indicators between the relatively developed Western Province and the less developed Uva Province.

Province	Poverty Incidence	Adult Illiteracy (%)	Children not fully (%)	Households with no immunised (%)	No safe water (%) electricity (%)	No access to sanitation (%)
Western	14	6	14	35	18	11
Uva	37	17	12	73	45	34

Note: quoted from World Bank, 2000

Antipoverty programmes in Sri Lanka need improvements in design and implementation. The World Bank study cited above finds: "Large government-sponsored poverty alleviation programmes face design and implementation challenges to improve their effectiveness. To help spur poverty reduction efforts, the report examines experiences in Sri Lanka and highlights the importance of increased community participation to help address problems such as poor targetting and political bias within the poverty programmes ... (owing to these weaknesses) progress in poverty reduction has been less than anticipated" (The World Bank Press Release "Sri Lanka's Economic Performance Falls Short of Potential", The World Bank Website, 17-10-2002). The larger challenge the country faces is "Realising (its) enormous potential will first require an end to the conflict (Tamil/Sinhala) and a renewed commitment to key reforms to improve public institutions. Missed opportunities for higher economic growth and poverty reduction are linked to Sri Lanka's failure to address priority issues including the ongoing civil conflict, inefficient government institutions, and constrained labour and land markets." (Press Release cited above).

While Sri Lanka has been a model in poverty reduction, it is also a sad example of a country with promising potential held back by non-economic barriers, viz., the Sinhala Vs Tamil conflict "The most difficult long-term challenge is resolving the conflict. The civil conflict has already taken a huge toll on the economy and its society, costing at least two years of GDP... Sri Lanka's social fabric is under stress.... There are serious risks to future economic and social development if the conflict persists" (World Bank study cited above, executive summary). Each developing country has its unique features and the Bank has to think out its role bearing in mind these features. In the case of Sri Lanka, the dark shadow of the civil conflict provides the somber context for developing policies and programmes.

As in the case of India, it is useful to consider the facilitating role at two levels – macro economy level and implementation level. Regarding the macro economic reforms: "(Sri Lanka) liberalised its economy in the late 1970s, ahead of other developing nations Economic growth has been healthy due to good macroeconomic management and progress in trade liberalisation, privatisation and financial sector reforms. Sri Lanka is today South Asia's most open economy, and has a relatively well developed capital market infrastructure... An impressive privatisation programme has been implemented since 1995, with the main successes being in the plantation and telecommunication sectors. Private sector participation has been encouraged in electricity production and the ports. Large privatisation proceeds have been obtained which helped contain rising government debt." A summary measure of success of these reforms is "Sri Lanka's per capita income (US \$820) remains the highest in the region, after Maldives." Regarding the reform prospects ahead "By undertaking crucial and well sequenced reforms, in the context of a transparent and consultative process, Sri Lanka will be able to recapture the missed opportunities of the past and better meet the aspirations of its people" (Executive Summary cited above). It would be reasonable to hope that IDA and Sri Lanka have been able to establish a strong and steady partnership for implementing a wide-ranging reforms regime. IDA should have no difficulty in drawing up an agenda for its facilitating role at the macro level.

Regarding the facilitating role at the implementation level, the problems to be addressed are similar in India and Sri Lanka. In both the countries, the departmental framework of the government and the bureaucracy operating it are seen to have serious weaknesses in bringing about poverty reduction. Their rapport with the poor remain superficial; they fail to notice pockets of poverty lacking visibility and

voice; they rarely look beyond achieving expenditure and beneficiary coverage targets paying little heed to the enduring impact of the programmes on the poor; the system is corruption-cum-leakage-prone owing to weak political commitment at the top and absence of accountability of the system to the beneficiaries at the ground level. The problems are likely to be more serious in India though, as seen above, Sri Lanka is not entirely free of them.

Ground Level – The Interventionist Role

It is necessary to have a ground-level view of poverty to see the need for an interventionist role for IDA in poverty reduction. The aggregative view of poverty based on statistical measures and indicators tends to blur the heterogeneity among the poor. It is true that the policy maker at the macro level has to look at the poor as a collectivity to formulate the broad dimensions of a country's antipoverty strategy and programmes. A ground-level view of poverty which is indispensable for effective implementation, monitoring and evaluation of poverty reduction would show, on the other hand, that the poor are not only embedded in unequal societies but have sharp differentiation among themselves, based on ethnic/caste hierarchies, exclusion and alienation, giving rise to differences in degree of marginalisation and discrimination. Poverty reduction has often the effect of accentuating the differentiation between the poor who benefit from programmes for the poor and those who do not. The change agents operating poverty-reduction programmes often establish their initial rapport and linkages with the upper layers of the poor. These in course of time become a privileged section and lobby gaining visibility and voice as poor at the cost of those who are below. In the process, the lowest among the poor remain neglected and out of reckoning. This scenario is common with government agencies and is far from rare among the NGOs and foreign-funded agencies. In fact, any attempt to directly reach the lowest among the poor by an external agency is likely to invite resistance and reprisals! Only the missionaries who merge with the poor communities and serve them without any professional motive manage to win over the poorest among the poor after a lifetime of patient work and service.

Going by the Indian experiences, the efforts by the IDA to reach the lower layers of poor could be put under two broad headings. First, India has been implementing an ambitious programme for decentralisation over the past decade. The constitutional amendments passed in 1993 have established a third tier of government at the district and lower levels. Panchayati Raj Institutions (PRIs) are expected

to play a major role in local level development and welfare of the poor. The grama sabha – the meeting of all the people in the village – has been assigned the functions of overseeing and approving the developmental activities in the village. There are provisions for reservations for the disadvantaged groups – SCs, STs, women – in elected positions including as chiefs of the PRIs. The progress of PRIs is slow and uneven across the states. But the forces pressing for decentralisation are strong now and are likely to gather further thrust in the years to come. IDA is taking a keen interest in the activation of PRIs. Imaginatively designed support measures by IDA could be of much help in enabling the stakeholders to carry forward the process of decentralisation.

Bringing the lower layers of poor in PRIs cannot be achieved merely by legal provisions like reservations. More positive measures are needed to change their attitude and to build up their capacity for playing an active role in development decisions and participatory arrangements. The World Bank has recently undertaken a number of projects in different sectors to promote local organisations bringing together the neglected sections among the poor for group action in areas like natural resource management, drinking water supply etc. To encourage innovative patterns of management, the projects are implemented by Project Formulation Authorities (PFA) which are autonomous bodies not part of the government system. At the ground level, NGOs are involved in supporting and guiding the local organisations through the initial period of learning and capacity building. These projects represent a new and bold approach to draw the lower layers of poor into the development process, and also to build up motivation and competence among them to participate actively in PRIs. We choose Swashakti – a project to empower rural women as an illustration of this approach (Gopinath , 2002)

Objectives of the Project

- Institutional capacity building for women's development by the establishment of Self-Help Groups (SHGs), and sensitisation and capacity building of all project affiliates (SHGs, NGOs, line departments etc.)
- Establishment of support mechanisms for women-managed income generation activities (IGAs). This includes enabling the groups to mobilise investment funds from banks, and provision of business management and technical assistance to SHG members.
- Establishment of mechanisms to access social programmes and leverage funds for "community asset creation".

Organisational Arrangements

The Central Project Support Unit (CPSU) provides overall coordination, conceptual and strategic guidance for effective project implementation. It facilitates fund release from the Government of India and is responsible for onward submission of annual action plans and progress reports of the implementing states to the World Bank/ International Fund for Agricultural Development. It disseminates educative information to strengthen the grassroots implementation of the project and exchanges successful insights and grassroots experiences between the states.

- The Women's Development Corporations (WDCs) are the implementing partners and coordinators.... Providing inputs for women's mobilisation, nurturing of SHGs and providing access to resources for development. Facilitating programme convergence by liaising and coordinating with NGOs, line departments, banks and training institutions is yet another of their functions.
- The functions of WDC at the state level are executed by the State Project Management Unit (SPMU) comprising a Project Director, Monitoring Officer, Training Officer, Communications Officer, Marketing Coordinator and Finance Officer. SPMU reviews the performance of the District Project teams and NGO field workers.
- The District Project Implementation Units (DPIUs) have been established in all project districts. The District Project Manager plays a critical role in building a 'team' of those assisting in project implementation and in facilitating the many linkages between the SHGs and NGO field workers, line departments, banks and training and support organisations. NGOs, line departments and banks provide start-up social intermediary support, technical and financial support to the SHGs at taluk, cluster and village levels. NGOs have been closely linked to strengthening the institutional building of women's self-help affinity groups over a three-year period (start-up, stabilisation and self-reliance/withdrawal).

The following are the observations of the World Bank Review Mission (2001) on the activities of SHGs:

- In the selection of members, it is observed that emphasis had been placed on reaching women from very poor and disadvantaged families in the project villages.
- Groups have evolved their own bye-laws, and participatory processes appeared integral to their functioning. These included

activities such as choosing the place for meetings, admission of members, savings, lending and election of office bearers.

- A majority of the SHG members were found to perceive savings as an important priority. The groups were dealing with a range of social issues including domestic violence, prohibition of alcohol, oppression by big landlords, illiteracy, and access to government services. Several instances of the existing groups involving themselves in the formation of new groups in their own village and in neighbouring villages were reported across states.
- A number of SHGs appeared to have established linkages with anganwadis and primary schools, and the members were ensuring that their children attended these centres. The SHG members were striving to encourage the villagers to send their children to these centres.
- Women were also successful in rallying village men and women to contributing to *shramdaan* (a form of collective action involving free labour contribution for a common cause) for activities which included cleaning the village streets and drains on a regular basis, sending children – both boys and girls – to school, immunising children, and encouraging institutional deliveries etc.
- Internal loaning was common in all the groups and this resulted in negligible dependence on money-lenders. There was a shift from consumption loans to a large number of loans for on-farm production but loans for off-farm production were limited.
- A number of groups were linked to commercial banks and had progressed to availing larger loans. NABARD officials had played a supporting role in sensitising and encouraging bankers to provide loans to the SHGs in many states.
- Community asset creation had emerged as an important activity that had helped the women meet some of their basic needs. Such activities included: allotment of sites for construction of community halls, repair of wells, construction of check dams, community toilets, bathrooms and wells, soak pits near the wells, homes and other water points and meeting places.

The survey of RWDEP was part of a larger study undertaken by the Institute for Social and Economic Change, Bangalore for the World Bank to assess the performance of rural local organizations in different sectors set up by the Bank's project referred to above to promote participation of the poorer groups in development projects (

Rajasekhar et al, 2004). A valuable feedback which the study gave was that there could be a mutually beneficial link between rural local organizations set up by projects and the village panchayat. Such projects indicate the way in which IDA could play an interventionist role in cooperation with government and non-government organisations in promoting participation and self-reliance among the poor. The World Bank has also a large project in Karnataka to rejuvenate village tanks and put them under the care of organization of local users (Raju et al, 2003). Development of village tanks and watersheds with a participatory role for rural people is crucial for drought-proofing of Karnataka agriculture which is frequently devastated by truant monsoons.

Banker Vs. Change Agent: Some Implications of the New Roles for IDA

IDA has played the role of development banker for the last over half a century. It has also been active in the field of poverty reduction for over three decades. In the process, it has already acquired considerable familiarity with the three roles identified in this paper. However, attacking poverty would require IDA to bring fresh vigour and thinking to the three roles to add thrust to its poverty reduction strategy and programmes. To emphasise this point, this section brings out the contrasts between the operations of a banker and those of a change agent.

It should be clear from the above that the Banker and the Change Agent operate in two very dissimilar worlds. A Banker who operates with distinction in his own world may begin to falter when he steps into the far more complicated world in which the change agent operates. He has to unlearn the past and make a fresh effort to learn to cope with the challenges posed by the world of the poor.

In the emerging phase in poverty reduction, IDA would have to focus on three priority areas. First, compared to the enormity of the tasks involved in poverty reduction, the resources pooled together from the developed and developing countries would be seen to be too meagre to support reasonably fast reduction in poverty. IDA would find that the countries – developed as well as developing – are not as committed to poverty reduction as their pronouncements may suggest. On the other hand, apart from widespread chronic poverty, developing countries also suffer from periods of sudden surge in transitory poverty. Consider the recent crisis in Argentina, a country belonging to the upper middle income group with per capita GNP US \$ 8970 in 1998:

"The economic crisis that memorably saw three presidents in office over two weeks is sinking its teeth into Argentina's population. An estimated 56% of Argentines are now living below the breadline, up from 36% in May, 2001. . With unemployment running at 22%, many families are finding it hard to pay those prices about 20000 children in the province of Tucuman are starving because their parents can no longer afford to feed them" (Hunger follows crisis in Argentina, BBC Website, October 16, 2002). It needs to be mentioned that Argentina's per capita GNP at US \$ 8970 in 1998 was over 20 times of Indian per capita GNP of US \$ 430 in the same year! Thus, the essential first step in poverty reduction, viz. elimination of hunger, is still beyond the capacity of the international community to achieve. This should be a good indicator to IDA of the very limited progress made so far in setting up safety nets and other arrangements to eliminate hunger.

Even when resources are available, they may not be used effectively to bring about poverty reduction. Reaching the poor is a major problem for a change agent like IDA Quite apart from physical distances and difficulties in accessibility, IDA faces the additional problem encountered by the elites in reaching out to the poor. It would be a fair description to say that IDA personnel belong to the world-class elites and they have to link up with the elites at the national, regional and local levels to implement development schemes for the poor in their own environs. This is not to criticise IDA or its personnel but only to recognise the fact that in the prevailing situation the initiative for poverty reduction and related activities rests inevitably with the elites. Elites would usually be deficient in motivation and skills to identify the poor, to establish rapport with them and to implement anti-poverty schemes in a cost-effective manner while, at the same time, taking care of quality of development inputs and services provided to the poor. A recent UN study in India found that "India produces more food than it can eat but its tens of millions of poorest are growing hungrier and more malnourished by the year. ...child malnutrition is very high in urban areas: 36 per cent of urban poor children are stunted ... India had made great strides in increasing its food production but there is a contradiction between food availability and food security!" (Rediff Website, October 24, 2002). The interesting point about the Indian situation is that while the relatively affluent farmers in the green revolution areas receive strong policy support as also numerous subsidies resulting in increases in foodgrain production, there is no matching concern about reaching the foodgrains to the poor. The public distribution system has only nominal presence in many hardcore poverty areas!

The third area for priority attention by IDA is promoting self-sustained development of the poor. Elite-driven poverty reduction programmes tend to perpetuate themselves tempting the poor to become aid-dependent. This tendency is likely to gain strength with the emergence of sophisticated groups of professionals specialising in different aspects of poverty reduction from project formulation to monitoring and evaluation. This is a valuable human asset if poverty reduction programmes raise the poor in an area to a threshold of viability and then withdraw creating institutional structures and arrangements helping the poor to take the initiative and bear the responsibility for continuation of the development processes. It could, on the other hand, be an expensive burden on the poverty reduction system if the system remains stuck up with aid-dependent poor rather than move on to bring about poverty reduction in new areas and groups. A critical indicator of self-sustained development is the vigour of institutions like SHGs set up for this purpose after the change agent withdraws. We have referred above to the developmental impact of the SHGs on rural women. A recent critical evaluation raises doubts about the long-term role of this institution: "micro-finance programmes often consists of non-poor all the credit needs of the member households do not seem to have been covered and, hence, the dependence on money lenders continues with respect to credit needs. The claim that micro-finance programmes are the answer to poverty alleviation is not, therefore, empirically substantiated (Rajasekhar, 2002 – An unpublished study).

IDA as a change agent will have to carefully review its monitoring and evaluation procedures to incorporate new issues and methodologies necessitated by the additional roles it is called upon to play besides its functions as a banker. Indicated below are some illustrative issues. The list is not intended to be exhaustive.

- What part of a dollar spent by IDA on poverty reduction reaches the end user viz., the poor? Is the chain of personnel and institutions intervening between IDA and the poor cost-effective and role-effective?
- Are there any stable and significant patterns in the impact of poverty reduction across different areas and types of villages? What are their implications for targetting, choice of programmes and sustained poverty reduction?
- Which are the lagging MDG components? What are the reasons?

- Mapping of poverty areas and groups consistently and cumulatively lagging in poverty reduction.
- Mapping of areas and groups where substantial number of poor have become upwardly mobile.
- Changing village structure, linkages with the outside world and diversification of village economies. Implications for employment generation and development of infrastructure.
- Viewing poverty reduction as an interaction between the elites and the poor in developing countries. While the elites would support relief measures for the poor, this may not be true of measures to empower them..

Concluding Comments

The strategy of “attacking poverty” and achieving a “world without poverty” may seem over ambitious to the point of being naïve. However, many developing countries are looking beyond income poverty to other dimensions of deprivation and devising policies to reduce them. The paradigm shift referred to in this paper is part of this broader process of rethinking on poverty and not a theme confined only to discussions among academics and intellectuals. Whatever the final outcome, the paradigm shift is likely to influence substantially the poverty policies and programmes in many developing countries over the coming years. This adds urgency to the roles of UN and IDA described in this paper. However, the paper also points out the formidable barriers faced by the UN and the IDA in playing these roles: aid-weariness of developed countries, weak commitment of developing countries to the goal of poverty reduction and absence of institutions at the grass roots to integrate the poor with the mainstream. It is argued that focusing on MDGs could be a feasible strategy as a first substantive step towards establishment of a “world without poverty”. The progress beyond MDGs would depend on the strength of the foundation laid by them to empower the poor.

References

- Alison Evans (2000). Poverty Reduction in the 1990s: An Evaluation of Strategy and Performance, Operation Evaluation Department, The World Bank, Washington.
- BBC Web site. World sinks into greater poverty, June 8, 2001.
- BBC Web site. World income inequality increases, January 17, 2002.
- BBC Web site. World Bank urges more balanced global approach to development , August 22, 2002.*
- BBC Web site. Global body needed to fight poverty, August 23, 2002.
- BBC Web site. Poverty hits one million more Americans, September 25, 2002.
- BBC Web site. World failed to reduce hunger, October 15, 2002.
- BBC Web site. Hunger follows crisis in Argentina, October 16, 2002.
- Deaton Angus *et al* (2002). Poverty and Inequality in India, *Economic and Political Weekly*, Vol. XXXVII No.36, September 7 –13, 2002.
- Gopinath Gowri (2002). Secondary Source Review of Swashakti, Institute for Social and Economic Change, Bangalore.*
- IFAD (2001). The Challenge of Ending Rural Poverty, Rural Poverty Report 2001, Oxford University Press, New York.*
- Rajasekhar, D. (2000). Micro Finance—A New Poverty Alleviation Mantra, Institute for Social and Economic Change, Bangalore.*
- Rajasekhar, D. *et al* (2004). Rural Local Organisations—Draft Sector Reports, Institute for Social and Economic Change, Bangalore
- Raju, K V *et al* (2003). Rejuvenating Tanks: A Socio-Ecological Approach, Books for Change, Bangalore.
- Rao, V M (2004). Institutional Reforms for Poverty Reduction: Current Status and Prospects (A chapter in SAPAP Team Report), Indira Gandhi Institute of Development Research, Mumbai.*

Rediff Web site. Despite surplus India can't feed the hungry, October 24, 2002.

The World Bank (2000). Sri Lanka Capturing Missed Opportunities, Washington.

The World Bank (2001). World Development Report 2000—2001, Washington.

The World Bank (2002). Sri Lanka Economic Performance Falls Short of Potential, The World Bank Press Release, Washington, October 12, 2002.

The World Watch Institute (2004). State of the World 2004. Special Focus: The Consumer Society, W W Norton, New York.