Alternative Approaches to Poverty Reduction Strategies

A Review of the World Bank Compared to Selected Other Donors

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1. Introduction

The ***purpose of this review*** is to search for and briefly portray alternative strategies, foci of implementation and mechanisms of delivery in poverty reduction. The review is based on the poverty reduction strategies of nine selected donors[1] (six bilateral donors: Canada, Germany, Norway, Sweden, Switzerland, United Kingdom; two multilateral agencies: IFAD and UNDP; one NGO: Oxfam) and relevant scientific research. In particular, the study looks at the World Bank's poverty reduction strategy in the light of what other donors are doing. It serves as a background contribution for an ongoing evaluation of the effectiveness of the strategy by the Operations Evaluations Department (OED) of the World Bank.

Poverty eradication is hardly a new idea in development co-operation[2]. That is what the taxpayers in the donor countries have always wanted. Over the past few decades, the ***attention to poverty reduction*** in development policy has varied a great deal. In the 1960s, poverty alleviation was rather a side effect of economic growth and the assumed trickle down of its benefits. Industrialisation and infrastructure were supposed to bring employment and development. In the 1970s, poverty alleviation reached centre stage of the development debate because the automatic 'trickle down' effect was challenged by the International Labour Organisation (ILO)'s basic needs strategy and the World Bank's formula "Redistribution with Growth". In his famous Nairobi speech of 1973, World Bank President Robert McNamara declared poverty reduction a fundamental goal of international co-operation. Interventionist policies were favoured by the OPEC-driven strength of the South and its request for a New International Economic Order. In the 1980s, the debt crisis generated the reaction of orthodox, neo-liberal structural adjustment policies leaving poverty alleviation in the background. UNICEF's 1987 report on "Adjustment with a Human Face" announced the resurgence of explicit pro-poor policies. In 1990, the World Bank's World Development Report concentrated on poverty and UNDP started its annual Human Development Reports, both landmark publications in poverty alleviation.

In the 1990s, poverty alleviation gained the renewed interest of the international community. Several benchmark events in the fight against poverty are to be mentioned for the 1990s:

- 1995: At the World Summit for Social Development, 186 governments resolved to eradicate poverty and committed themselves to specific plans and targets.
- 1996: The OECD launched the strategy "Shaping the 21st Century", included challenging targets in poverty reduction.
- 1996: The General Assembly declared 1996 as "UN Poverty Eradication Year".
- 1997 – 2006: The General Assembly proclaimed 1997 – 2006 as "First United Nations Decade for the Eradication of Poverty".
- 1997: UNDP's Human Development Report concentrated on poverty.
- 1998: Creation of the DAC Informal Network on Poverty Reduction, leading to the comparative scoping study "Making Aid Work for the Poor"[3].

[1] See Annexes
[2] See e.g. De Haan/Darbellay/Lipton/Matin 1998, 6 - 10
[3] DAC 1999 (forthcoming)

Against this background, it is no surprise that the ***commitment to poverty reduction*** ranks high on the agenda of the donors selected for comparison in this review[4]. Sweden, Switzerland, UNDP, IFAD and Oxfam consider poverty reduction as their only overarching goal: in the same way, the World Bank has declared the battle against poverty to be its mission. Despite an obvious commitment to poverty reduction, in practice, in Norwegian aid poverty reduction is not an explicit, but rather an implicit, overarching goal. For CIDA in Canada it is disputable if there are competing priorities; for Germany, poverty reduction is one of three priorities, along with education and the environment. In a very comprehensive research effort, which the Overseas Development Institute (ODI) has made on behalf of the Development Assistance Committee (DAC) of the OECD, detailed inter-agency comparisons which cover more bilateral donors and broader areas[5] than presented here are given

The donor's attention to poverty alleviation is not just a question of passing fashion, but rather a result of ***driving forces in political economy***. The end of the cold war helped to sharpen the focus of development co-operation on poverty reduction, because its role in securing political influence in the East-West conflict had become superfluous. At the same time, the dominant trend of relying on markets and limiting government interventions increased inequalities at both the national and global level. Poverty is the other side of the coin, the ugly face also of economically successful societies. Poverty, therefore, is also seen as a threat to global human security. It has to be borne in mind, however, that the development aspirations of the poor go beyond the security perspectives of the rich.

Poverty eradication is not only a question of research and finding the most appropriate solution. The donors' approaches to poverty reduction are not shaped in a social vacuum but are the ***results of specific societal contexts***. They, therefore, reflect not just policy knowledge but also the donors' different stakeholders and interests. Thus, it may be easier for Oxfam, as an Non Governmental Organisation (NGO), to follow a strict poverty reduction policy than for multilateral organisations or bilateral donors. These are confronted with various concerns like commercial interests or foreign policy considerations which divert them from pursuing anti-poverty outcomes. These may be a major reason for the large gap between policy commitments and implementation, as shown in the above-mentioned ODI research. "*The available data suggest that only a very modest proportion of current donor spending is likely to benefit the poor, although the reporting is incomplete*"[6].

2. The Concept of Poverty

Poverty is the opposite of well-being. It, therefore, means not just a lack of money or goods. In the social sciences, there is a widespread consensus that ***poverty needs a multi-dimensional concept***[7]. All the donors included in this survey adopt a multi-dimensional approach focusing on both chronic and transient forms of poverty[8].

[4] See chapter 1 donor poverty policy profiles in the annex
[5] DAC 1999 (forthcoming); Cox/Healey/Voipio 1999 (forthcoming)
[6] DAC 1999, xvi
[7] See e.g. Jazairy/Alamgir/Panuccio 1992, 29 – 30; Chambers 1995, 18 – 22; Baulch 1996; UNDP 1997
[8] This also applies to all donors examined in DAC 1999, 10 - 18

Absolute, as well as relative poverty, and inequity figure on the agenda. Beyond the income gap, deprivation includes dimensions like:

- lack of assets, inducing a low level of productivity;
- vulnerability to external shocks and internal conflicts;
- insecurity, the risk of being subjected to physical violence because of low social status, gender or ethnic identity;
- powerlessness, having neither a voice nor bargaining power in economic and political processes;
- deprivation of social capital meaning torn networks of trust and co-operation;
- social exclusion, including marginalisation, isolation, alienation, humiliation, which highlight the relational roots of deprivation[9].

It is common to distinguish between ***absolute and relative poverty.*** The World Bank's definition: "*Absolute poverty is usefully defined by a poverty line that is fixed over time in real terms and is country-specific, based on local consumption patterns and prices. Relative poverty is measured by a poverty line that varies over time with the country's per capita income (such as a poverty line set at one-half per capita income). For country poverty analysis, an absolute measure of poverty is preferred ... because it permits intertemporal comparisons. An internationally constant absolute poverty line can be used for cross-country comparisons and aggregation, but because of differences in local costs and consumption patterns, it is less useful for country poverty analysis*"[10].

To put it in a nutshell, the World Bank, in its Operational Directive on Poverty Reduction, follows an ***income based concept of poverty***. Of course, the World Bank was also aware of the importance of other factors like social services, as the World Development Report 1990 demonstrates. Since then, a considerable evolution and broadening in the understanding of poverty has taken place and it is accepted that the levels of income need to be supplemented by other indicators of well-being.

Many other donors acknowledge in their policy papers that poverty includes multiple deprivations, but they are ***weak in making the multi-dimensional concept operational***[11]. Measuring the non-income dimensions of poverty is much more difficult and a consensus can hardly be reached. Without operationalisation, however, the multi-dimensional concept of poverty remains a paper tiger and hardly influences co-operation in practice.

The World Bank has systematically focused on ***poverty assessments*** since 1991, when the Operational Directive (OD 4.15) on poverty reduction, including poverty assessments, was issued. So far, assessments in 83 countries, covering some 90 percent of the world's poor, have been completed[12]. Recent poverty assessments have been methodologically refined and cover more elements of poverty than the earlier ones. UNDP,[13] in the framework of a "Poverty Strategies Initiative" supported 100 countries in qualitative assessments of poverty, in household surveys and poverty maps, in poverty reduction strategies, etc.. Many donors[14] rely heavily on

[9] Sen 1998
[10] World Bank 1991a, footnote 2
[11] DAC 1999, 15
[12] World Bank 1998b, 64
[13] Annex UNDP 4.1
[14] See annexes Canada, Germany, IFAD, Norway, Switzerland

the poverty assessments of the World Bank and appreciate also UNDP's complementary efforts.

Poverty research has gone a long way and today, in about half of the poverty assessments, includes the ***participation of the poor*** themselves, a change which was promoted by donors[15] like Norway, Sweden, the United Kingdom and UNDP. It is Robert Chambers'[16] merit that the voice of the poor is so prominently accepted in the poverty debate today. These voices put the income-based concept of poverty into perspective and enlarged it by concerns like dignity, security, autonomy, participation. The participation of the poor is the most powerful justification for the concept of poverty going beyond income levels. It should not be overlooked, however, that participatory poverty assessments are a research methodology and do not necessarily serve the empowerment of the poor, as often the research is not followed by action[17]. Moreover, participation also imposes an often significant burden on the poor which may be outweighed by benefits but not necessarily is.

Double standards[18] prevail in measuring income poverty in the North and the South. The World Bank's criterion of US$ 1 a day (in 1985 purchasing power parity) applies only to developing countries. Poverty measurement methods in industrial countries are based on the minimum levels of household spending required to meet essential expenditure on food, health, education, clothing and housing in a national context. The US$ 1 criterion focuses on absolute poverty whereas assessments in the national context are much closer to relative poverty. In the United States, the poverty line equals a per capita income of US$ 11 a day. Even then, 14 percent of population lived below the poverty line (1996) whereas in Mexico, according to the US$ 1 criterion, only 11 percent were considered as poor. This comparison illustrates how much the size of the poverty problem depends directly on the concept used to define poverty and the standards adopted to measure those classed as poor[19].

3. Anti-Poverty Targets

The history of the fight against poverty shows a mixed picture[20]. On the one hand income poverty has fallen faster in the past 50 years than in the previous 500 years; on the other, the number of people still living in absolute poverty is unacceptably high. It is unacceptable for the international community which supported the ***global consensus to eradicate poverty*** on the occasions of the United Nations Conferences in Bejing, Cairo and Copenhagen in the 1990s. In particular, the participating governments subscribed to some concrete anti-poverty targets within a defined time frame. The OECD/DAC strategy "Shaping the 21st Century" reflects this global consensus and combined the international development targets[21]:

[15] Robb 1999, 3
[16] Chambers 1997
[17] Robb 1999, 14 - 15
[18] See Chossudovsky 1999
[19] Jolly 1999, 6
[20] See e.g. UNDP 1997, 24 - 60
[21] OECD/DAC 1996, 11 – 12; as we deal with poverty, the environmental targets are not mentioned here.

- The proportion of ***people living in extreme poverty*** should be at least halved by the year 2015 (Copenhagen, OECD/DAC). Extreme poverty means living at below US$1 a day (1985 Purchasing Power Parity) which for 30 percent, or 1.3 billion people, is the case. Given the growing population, to halve extreme poverty to 15 percent, over the 20 years 1996 – 2015 around 1 billion people have to be lifted out of poverty - about 50 million poor a year.
- By 2015, there should be ***universal primary education*** in all countries (Bejing, Copenhagen). The estimates are that in 1999 125 million children never attend school and another 150 million start school but drop out before they can read and write[22].
- ***Gender disparity in primary and secondary education*** is to be eliminated by 2005 (Cairo, Bejing, Copenhagen). The combined primary, secondary and tertiary gross enrolment ratio in developing countries, in 1994, stood at 52 percent for females and 60 percent for males[23].
- The ***death rates for infants and children under the age of five*** should be reduced in each developing country by two-thirds of the 1990 level by 2015 (Cairo). In 1995, the under five mortality rate was 95 per 1000 live births in all developing countries[24]. 9 million children die each year before the age of five from avoidable deaths[25].
- The rate of ***maternal mortality*** should be reduced by three-quarters between 1990 and 2015 (Cairo, Bejing). In 1990, 1 030 mothers died per 100 000 live births in the Least Developed Countries and 471 in all developing countries[26].
- Access should be available through the primary health-care system to ***reproductive health services*** for all individuals of appropriate ages, no later than 2015 (Cairo).

These international development ***targets, to a large extent, by-pass the multi-dimensional concept of poverty*** a great deal. The targets are considered as proxies for the wider and deeper deprivations which poor people suffer. There is a field of tension between the complexity of poverty as a phenomenon and the need for simple targets and indicators which can be aggregated nationally and globally. "*The international development targets are only part of the wider and longer road to development. The road is wider, because the targets represent only a part of what people aspire to ... . And the road is longer, because development is an ongoing process, in which people redefine their aspirations continuously*"[27].

The international effort since the declaration of these targets in 1996 has very much concentrated on the identification of further ***indicators***. In February 1998, OECD/DAC, the World Bank, the UN Agencies jointly adopted 21 core indicators[28]. Several studies[29] have been conducted to analyse the implications and implementation of these targets.

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[22] Oxfam 1999, 4
[23] UNDP 1997, 151
[24] UNDP 1997, 175
[25] Demery/Walton 1998, 7
[26] UNDP 1997, 27
[27] McGee/Robinson/van Diesen 1998, chapter 4
[28] www.oecd.org/dac/htm/indic.htm; UNDP 1998, 15
[29] Maxwell 1999a; McGee/Robinson/van Diesen 1998; Demery/Walton 1998

If ownership is considered as a serious principle, the international development targets are first of all a ***challenge for the developing country governments*** in power. The lead for implementation will be with them. Most of them have formally accepted these targets when participating in the various United Nations conferences. Only 39 countries, however, of 130 included in a UNDP survey[30] had, by 1998, formulated concrete, time-bound targets for poverty reduction. The World Bank is incorporating the goals into its Country Assistance Strategies to guide policy dialogue with borrowers[31].

The commitments, however, ***also challenge the donors***. First, their credibility is challenged as long as they are not able to mobilise adequate resources despite the OECD/DAC declarations and renewed commitments by the Group of 8. In practice, their efforts to mainstream these concerns in their own development strategy vary; most of them checked the compatibility with their on-going efforts. The Department for International Development (DFID) of the United Kingdom[32] is committed to producing an annual output and performance analysis report explicitly linking performance with progress towards the International Development Targets. DFID announced as interim targets for the 20 largest recipient countries of British aid a reduction in child and maternal mortality rates, more children in primary school and an annual increase in income for the poorest fifth of the population. So far, however, neither the United Kingdom nor any other donor has adopted negotiated quantitative output targets and committed itself to minimum figures of how many poor people are to be released from poverty each year on a sustainable basis.

Instead of output targets there are a ***variety of input targets*** which are shared by most of the donors:

- ***0.7 percent*** of the Gross National Product (GNP) should be made available for ODA. All bilateral donors except Switzerland have adopted this goal of the United Nations. For IFAD, UNDP and the World Bank as multilateral institutions and for Oxfam as NGO this target, and the following one, are not applicable.
- Out of the 0.7 percentage, ***0.15 percent*** of the GNP should be made available for the Least Developed Countries (LLDCs). All bilateral donors except the United Kingdom have adopted this goal of the United Nations.
- The ***20/20-formula*** calls upon developing and developed countries to allocate 20 percent of ODA and 20 percent of national budgets to basic social services (basic health, nutrition, basic education, safe water and sanitation). The 20/20-concept is supported by all the selected bilateral donors. UNDP was among the initiators, IFAD and the World Bank support the concept as well, and Oxfam is actively lobbying for its implementation.

In its Human Development Report 1997, UNDP made an estimate of the ***additional costs*** which would be incurred to provide basic social services for all and to close the income gap of extreme poverty over 10 years. US$ 80 billion would be needed annually, from local and international sources. Canada and the United Kingdom have announced their intention to reverse the trend of declining ODA. A major effort will be needed just to arrive again at the ODA levels of the early 1990s.

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30 UNDP 1998, 23 - 30
31 McGee/Robinson/van Diesen 1998, chapter 6
32 Annex United Kingdom 2.1

4. Strategies for Poverty Reduction

4.1 Overview

Poverty reduction strategies are intimately linked to the ***underpinning vision of economy and society***, to its beliefs and values. Neo-liberal economics is the dominant model of the ending 20th century. In a crude, orthodox perspective, a strong economy makes permanent social policies unnecessary. The growth process itself acts to reduce poverty and to create well-being. Social issues are considered a government expense and not an investment. The concept of social development is replaced by the idea of social compensation. Permanent poverty prevention is not necessary, while temporary poverty alleviation is becoming a case for charity or has to follow growth criteria. This implies an allocation where the highest marginal growth of GNP can be achieved, this being a completely different allocation pattern from a human needs orientation.

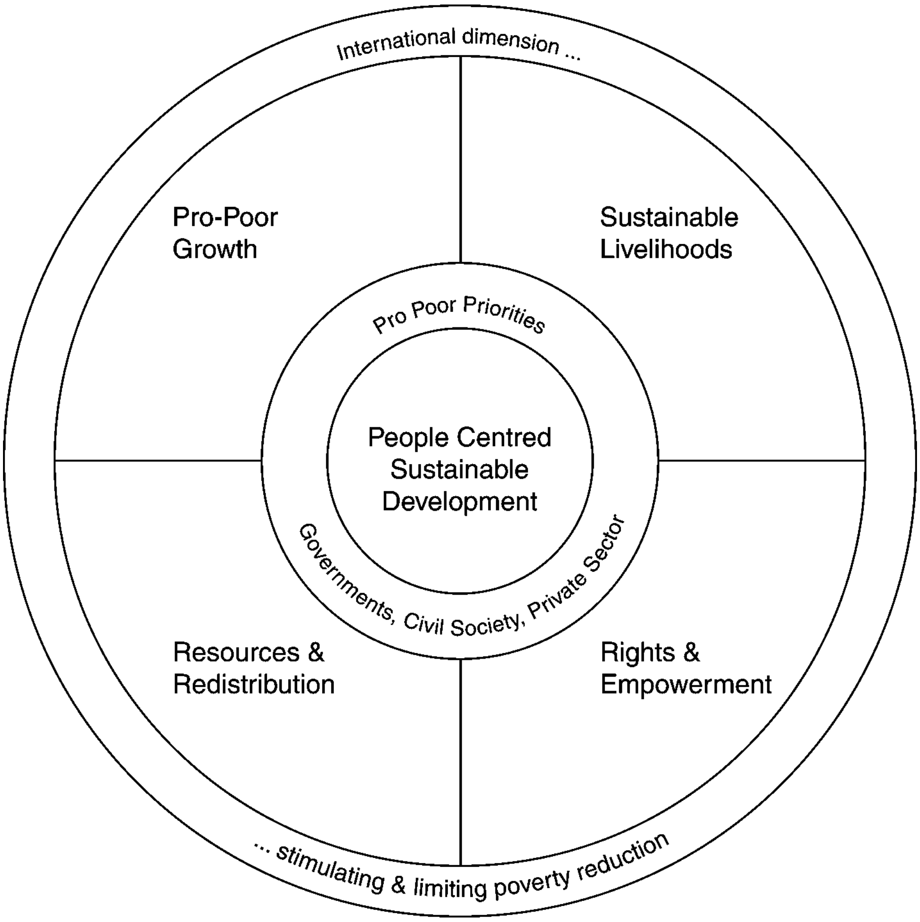
The ***contents of alternative approaches*** to poverty reduction are reflected in their distance from this purist economic logic:

- Market based pro-poor growth - a modified version of the orthodox model
- Sustainable livelihoods approach - putting people first
- Resource based approach focusing on redistribution of assets
- Rights based approach relying on empowerment and a redistribution of political power.

In ***comparison***, the latter two approaches are more conflictive in their political implications, whereas the former two are more integratively oriented. Interestingly, a social inclusion strategy was never explicitly mentioned in donor statements, whereas social exclusion – originating from France to address a set of multiple relational deprivations mainly through unemployment in an affluent society - has entered the development debate in analytical terms[33]. Strategic conclusions, however, are missing. ***Gender*** equality as a cross-cutting issue matters for all the alternative approaches and is an important concern for the donors[34]. "*Poverty eradication without gender equality is impossible and a contradiction in terms*"[35]. The same cross-cutting feature applies to ***institutional concerns***. Pro-poor priorities are crucial in government, in civil society, as well as in private sector decisions.

[33] See Sen 1998; de Haan/Maxwell 1998; ILLS/UNDP 1996
[34] Annexes Canada, Germany, IFAD, Norway, Oxfam, Sweden, Switzerland, UNDP, United Kingdom. See also DAC 1999, 90 - 92
[35] UNDP 1997, 110

Figure 1: **Alternative Approaches to Poverty Reduction Strategies**



What is the ***attitude of the donors*** reviewed? There are large areas of overlap. Most of them subscribe and practise several of these approaches:

- Pro-poor growth is clearly a mainstream approach. All donors, except Oxfam have an emphasis here.
- Rights and empowerment is widely accepted: by Germany, with its traditional self-help philosophy, Norway, Oxfam, Switzerland, United Kingdom, UNDP.
- Sustainable livelihoods is a new approach, explored mainly by UNDP and Sweden; though it is also on the agenda of the United Kingdom and IFAD.
- Resources and Redistribution is not new but politically delicate and therefore rather neglected[36]: Oxfam, IFAD and, to a certain extent, Norway are using that approach.

All these paradigms of poverty reduction approaches have their own merits and weaknesses and in many respects they may prove to be rather ***complementary*** in nature. Complementary win–win situations are, of course, attractive but only part of the picture. Based on completely different ideas, the other approaches may as well be seen as ***competing options*** challenging the mainstream pro poor growth approach. There may be, for example, conflicting objectives between economic

[36] See also DAC 1999, 143

growth and the fulfillment of rights. It is striking that donors usually do not clearly name their policy choices in cases of conflicts[37].

Remembering the widespread attempts to alleviate poverty over the years, "*with good intentions and often with moderate success*"[38], the different approaches are presented as ***windows for policy improvement*** and not as blueprints for success. While talking about donor strategies, it should be borne in mind that the driving force in poverty reduction must be the poor people and poor countries themselves. They have the strongest motivation and the greatest stake in the outcome. They are not just victims but potentially also the leading actors.

4.2 The World Bank approach

The World Bank's approach to poverty reduction has ***evolved over time***[39]. In the 1950s and 1960s, poverty reduction was not a goal in itself but rather an automatic by-product of economic growth, which was considered as the key to development. In the 1970s, with Robert McNamara's presidency, poverty reduction emerged as a special concern and the World Bank adopted a largely rural anti-poverty agenda. The World Bank's attention shifted to "redistribution with growth" and to the basic human needs focus. It became obvious that growth alone was not sufficient and investment in rural infrastructure as well as human resources was supposed to strengthen poverty reduction effectiveness. In the 1980s, policy based adjustment lending overshadowed the World Bank's poverty reduction objectives. The World Development Report 1990 brought again a turning point and is still considered as a benchmark in the World Bank's poverty perspectives.

The ***1990 strategy***[40] focuses on growth: It shows how the poor gain from, and how they contribute to, growth. The strategy is known as the two and a half or the three pronged policy:

- Poverty reduction requires ***broad based economic growth***. Policies that make use of labour, the poor's most abundant resource, combine rapid growth and poverty reduction.
- Poverty reduction requires the ***provision of social services***, especially primary education, basic health care, family planning, and nutrition. These services can improve living conditions of the poor and increase their capacity to take up new income earning opportunities.
- As a complement, the fight against poverty requires the creation of ***social safety nets*** and targeted social programs designed for poor people, like the old or the handicapped, who are not able to respond to the new opportunities, those having inadequate incomes for basic necessities, and those especially vulnerable to external shocks, being temporarily in poverty. The lack of such safety nets was a bitter experience during the Asian crisis.

It was a key message of the World Development Report 1990, however, that the ***whole range of policies and programs affect the well-being of the poor*** either directly or indirectly. Sound macro-economic policies matter in poverty reduction.

[37] DAC 1999, 20
[38] de Haan/Darbellay/Lipton /Matin 1998, 6
[39] See Kapur/Lewis/Webb 1997
[40] World Bank 1990; World Bank 1991a,; World Bank 1991b

Economic liberalisation and privatisation are the World Bank's blueprint for growth. Poverty reduction perfectly fits into the development pattern the World Bank is pursuing. Therefore, the key message of the World Bank is predominantly a technical one.

The World Development Report 1990 has greatly stimulated and influenced the public debate on poverty reduction. Again, the World Bank's thinking on poverty reduction evolved during the 1990s. Most significant in that respect is the on-going preparation of the World Bank Report 2001, to be published in September 2000. These recent ***developments in conceptualising poverty reduction*** are acknowledged even if practice usually greatly lags behind policy. For practical reasons, the original concept of 1990 is used for donor comparisons in this study.

4.3 Market based pro-poor growth

It is estimated[41] that 35 - 50 percent of the variation in poverty incidence across countries can be explained by variations of the Gross National Product (GNP). Between two thirds and half of poverty, therefore, is associated with policy or factors other than economic growth. This result leaves plenty of space for targeted poverty interventions. ***Pro-poor growth*** is a strategy aimed at increasing the share of the poor of its economic benefits. The World Bank 1990 strategy relying on labour intensive growth, social services, and safety nets can be summed up as a pro-poor growth strategy. Since then, other factors have been added, e.g. priority to rural development and pro-poor overall tax structure. The World Bank uses "broad-based growth" and "pro-poor growth" interchangeably.

An analysis of 90 poverty reduction interventions of European donors suggests that targeting increases the impact on the poor[42]. This result is confirmed by IFAD's experience[43]. The World Bank examined public social spending for health and education in Africa with the result that "*these programs favour not the poor, but those who are better off*"[44]. If there is no direct targeting, but a universal provision of services is envisaged, at least ***complementary measures*** are essential[45] to prevent poor people from being marginalised. The White Paper of the Blair Government in the United Kingdom makes the operationalization of the pro-poor growth approach a challenge for the Department For International Development (DFID)[46]. "Sound" macro-policies are no longer considered as a goal in their own right; they must be explicitly justified against the goal of poverty reduction[47].

From the donors' perspective, pro-poor growth increasingly includes a ***good governance*** element. Like other donors, the United Kingdom includes in a range of important elements of development "*democratic accountability, the protection of human rights and the rule of law*"[48]. Unlike others, the United Kingdom relates

[41] Lipton 1998, 138
[42] Cox/Healey/Voipio 1999, 79 - 87
[43] Annex IFAD 4
[44] Castro-Leal/Dayton/Demery/Mehra 1999, 49
[45] DAC 1999, 125
[46] Goudie/Ladd 1999, 193
[47] Annex United Kingdom 2
[48] Annex United Kingdom 1

Governance explicitly to poverty reduction and investigates questions of good governance from that perspective[49]. The poverty dimension of good governance is not yet sufficiently explored[50].

A change to a more labour intensive growth pattern could be effected by ***changing the relative prices of labour, capital and other resources***. A far reaching proposal is a massive energy – or carbon dioxide emission - taxation, thereby increasing the costs of non-labour production factors. The pro labour effect can be doubled by using the additional tax proceeds to fund social insurance schemes for workers and thus to lower social costs for the employers. In its Poverty Report, Oxfam established an agenda for change and, among other things, suggested "*redesigning the taxation system to tax over-exploitation of resources, rather than employment and investment*"[51]. Legitimacy and credibility to make such a proposal is limited to those donors who have made similar steps in their own country. So far only Norway and Sweden – among the selected donors in this study - have themselves introduced energy taxation..

None of the donors opposes the World Bank approach; on the contrary, they support and refine it in various ways. The popularity of the pro-poor growth strategy may be founded in the appreciation that it seems to offer a technical answer to a political problem. Having said that the criticism may be astonishing that the ***essence of pro-poor growth is still not clear***. Looking at the macroeconomic framework promoted by the World Bank during the 1990s, the reallocation of public expenditure and an expansion of social services and safety nets dominate. Apart from the occasional support to public works programs, there are no indications how labour intensive growth is rooted in a macroeconomic framework of a country. It is interesting to note the World Bank's initiative to deal with "*important knowledge gaps that remain, including questions such as: What constitutes a labour intensive strategy in the context of rapid global integration? How can delivery of public services to the poor be ensured?*"[52].

4.4 Resources and redistribution

Research results indicate that initial ***inequality is directly negatively related to economic growth***. During the last three decades, countries with lower income inequality had higher economic growth. "*A better distribution of assets to include the poor would not only increase their incomes, reducing poverty directly, but it would also increase aggregate growth by reducing the negative effect on growth of income inequality*"[53].

Beside economic growth, the distribution of assets both physical assets and human capital - has been greatly neglected as a second key determinant of poverty reduction. ***Inequality slows poverty reduction***[54]. As far as human capital is concerned, the World Bank and the other donors made a great change from 1980

[49] DAC 1999, 25 - 26
[50] DAC 1999, 144
[51] Watkins 1995, 225
[52] World Bank 1998b, 65
[53] Birdsall/Londono 1997, 23
[54] UNDP 1998, 42 - 47

onwards. What has remained, however, is the neglect of redistribution of physical assets, such as land. At least half of the rise of poverty in Latin America during the 1980s – 50 million additional poor – was due to the deterioration in income distribution[55]. Also within the World Bank it is more and more acknowledged that asset and income inequality is a possible constraint on growth and poverty reduction[56].

Inequality within societies is both lower and more stable over time than international inequality. Measured by the Gini-Coefficient, Eastern European, high-income and South Asian countries are relatively equal, while Latin American and Sub-Saharan countries in Africa are relatively unequal; East Asia and the Middle East fall in between[57]. Over a 30-year period up to the early 1990s, the income distribution for 45 countries did not reveal a trend of internal inequality. But recent data now indicates, as the World Bank puts it, an "***overwhelming increase in inequality within countries***"[58]. 49 countries experienced increasing inequality, 15 had no trend, and 10 had decreasing inequality. Again, "*poverty and income inequality have increased in all transition economies since the late 1980s. Some increase in income inequality in the region, even in the long run, is probably an unavoidable consequence of the introduction of market-based rewards*"[59].

Poverty reduction efforts will have to ***include redistributive policies***. The study of the Inter American Development Bank puts it straightforwardly: "*Policies aimed at reducing inequalities in the accumulation of assets should be at the center of a new approach for poverty eradication and the acceleration of growth in Latin America at the start of the new century*"[60]. The same conclusion emerged, from a different angle, in relation to Africa. A major Norwegian evaluation of the World Bank in Africa concludes that the World Bank's approach "*may have limited impact on poverty unless it can manage to address and promote a reduction in asset inequalities*"[61]. Redistribution of land from large to small farms "*is undoubtedly one of the most important weapons against poverty*"[62]. Based on experience[63], there are serious doubts that the favoured form of market-based land reform is really leading to a change for the landless and other rural poor. Oxfam[64] places real emphasis on redistribution of assets: On land reform, Oxfam's approach is driven by equity concerns and it criticises the World Bank approach as being oriented towards economic returns to the economy as a whole.

Research by the Overseas Development Institute (ODI)[65] indicates that the growth rates needed to achieve the ***international development targets*** - in particular to halve extreme poverty by 2015 - greatly depend on asset distribution and pro-poor policies. Based on a pro-poor growth model, annual per capita economic growth has to reach 5 percent in Sub Saharan Africa or 4 percent in Latin America and the

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[55] Birdsall/Londono 1997, 13
[56] Demery/Walton 1998, 11 - 20
[57] Demery/Walton 1998, 9
[58] World Bank 1999a, 25
[59] World Bank 1999a, 25
[60] Birdsall/Londono 1997, 3
[61] Tionneland 1998, 77
[62] Lipton 1998, 117
[63] Riad El-Ghonemy 1998
[64] Annex Oxfam 6
[65] Hanmer/Naschold 1999, 10 (work in progress)

Caribbean to halve poverty by 2015. If an anti-poor growth model is taken, without changes in other variables, the annual per capita growth rates rise to a tremendous 15 and 12 percent, respectively.

4.5 Sustainable livelihoods

The focal point of the sustainable livelihood approach[66] is people in the rural areas, their assets, their needs, their aspirations, and also their constraints. About 70 percent of the world's poor live in rural areas. Sustainable livelihoods means ***putting people first***. A poor household commands stores such as food stocks, cash savings, and resources like land, tools, and intangible assets like claims for moral or practical support, and access, meaning the opportunity to use a service or information. Informal networks, civil society relations, more generally non-material wealth like "social capital" which encompasses values of trust, solidarity and reciprocity are an important part of the picture.

A major concern of this approach is to ***put away preconceived ideas***, to listen, to observe, to understand, to map. Starting point of any analysis is the usually underestimated complexity of rural life. The analysis goes beyond formal employment and tries to catch the multitude of ways to make a living. Reducing vulnerability is a priority, "*helping people to develop resilience to external shocks and increase the overall sustainability of their livelihoods*"[67]. The sustainable livelihood approach has as one of its key strengths that its pictures of rural life and poverty are much closer to reality, thus preparing better ways for poverty reducing interventions.

Interventions remain limited in scope in order to avoid the traps of the integrated rural development of 20 years ago which were often confronted with a non-manageable number of issues and activities. A few core building blocks like agricultural production, income diversification, or rural infrastructure are targeted. The approach is non-sectoral and reflects the cross-sectoral nature of survival strategies. A core emphasis is on rural development, diverting interest and funds from agriculture. This aspect is quite a challenge for donors as they are usually organised along sectoral lines and as some continue to prioritise particularly agriculture. UNDP[68] supports sustainable livelihoods programmes as a key focus area of interventions. IFAD's[69] rejection of top-down processes and its strong respect for partners render its approach close to the sustainable livelihoods principles.

Whereas pro-poor growth is an improved trickle-down model, the idea of sustainable livelihoods is a ***radical departure from economic growth***. Eventual growth effects of interventions based on the sustainable livelihood approach are a mere by-product; they may have their merits on other grounds but ultimately do not matter.

4.6 Rights and empowerment

[66] Carney 1999; Chambers 1997, 1995
[67] Carney 1999, 4
[68] Annex UNDP 3.2
[69] Annex IFAD 3

When poor people have rights and choices then they are able to become engines of development. The rights based approach to development and poverty reduction emphasises the rights of the individual to lead a decent life in dignity. Rights, as embedded in international treaties, include[70]:

- ***Rights necessary for survival and dignified living***, such as the rights to life and liberty, to a standard of living adequate for health and wellbeing, to social protection in times of need, to work, to privacy and family life;
- ***Rights and freedoms necessary for human dignity, creativity and intellectual and spiritual development***, such as the right to education and access to information, to participate in the political process and in cultural life, to freedom of association, religion, opinion, speech and expression;
- ***Rights necessary for liberty and physical security***, such as freedom from slavery and servitude, freedom from torture and cruel, inhuman, degrading treatment or punishment, rights to be free from arbitrary arrest and to a fair trial.

Development is about the fulfilment of entitlements and rights. ***Meeting these basic rights is non-negotiable***. It is not a question of charity, nor may it be left to the discretion of the market; nor does it ask whether economic growth is hampered or fostered. A rights-based approach does not tolerate that universal access to basic social services is frustrated by corruption or given up in favour of a model based on the individual's ability to pay. The policies of the World Bank are, therefore, of crucial importance, as the Bank is among the largest lenders for basic health and education. The World Bank has softened its earlier insistence on harsh cost-recovery charges for basic services to poor people.

A rights-based approach is bottom-up and insists on participation and local ownership as well as on quality delivery. Having rights is one thing, knowing them and using them another. To the rights approach to poverty reduction ***empowerment of people*** is closely related. No success without empowerment is one of UNDP's experiences[71]. "*Empowerment of the poor must be the starting point. Without empowerment, poverty eradication is not possible and even efforts of poverty alleviation may well not be sustainable*"[72]. And: "*Empowerment is the process of gaining power, both control over external resources, and growth in inner self-confidence and capability*"[73]. As a process, empowerment is well suited to address the intrinsic multi-dimensionality of poverty.

Several ***donors' approaches*** reflect a right's based thinking in their strategy papers. Oxfam's strategic change objectives[74] will be focused around the rights to sustainable livelihoods, health and education, protection and security and a say in one's own future. The 1997 White Paper of the United Kingdom[75] sets poverty in a framework of human rights, civil and political rights and social justice – ingredients of a twin track approach where the rights are promoted as a matter of principle but are instrumental to poverty reduction as well. In the Swiss government's view,

[70] McGee/Robinson/van Diesen 1998, Chapter 4
[71] Annex UNDP 4.1
[72] Jolly 1999, 7
[73] Sen 1997, 180
[74] See below paragraph 5.3
[75] Annex United Kingdom 1, 3

development opportunities are closely related to access to economic resources and political participation. "*A central concern of Swiss development co-operation is therefore to empower poor and disadvantaged population groups to safeguard their interests and rights in political, economic and social processes*"[76]. Norway[77] insists that human rights should become part of all bilateral and multilateral policy dialogues. It considers health and education as human rights, not simply as a means to achieve better socio-economic returns – a departure from the World Bank approach.

5. Focus of Implementation

5.1 Project, sector or country focus?

Directly targeted interventions, indirect or inclusive support, and strengthening an enabling environment at the sector or country level are ***complementary*** and not competing approaches. Germany, Sweden and the United Kingdom apply such a classification[78] according to the impact expected. Oxfam is clear that "*the battle to overcome poverty and suffering cannot be won by digging wells or donating seeds, nor by simply increasing the capacity of the poor. It needs changes at many levels*"[79]. A new consensus emerged in the 1990s that neither well targeted anti-poverty projects nor an enabling environment are sufficient to eradicate poverty. Additionally, the sector mode of intervention is an important element on the new poverty agenda in the 1990s.

The ***project approach***[80] makes it possible to verify what proportion of a donor's ODA budget is spent on targeted poverty projects. The World Bank's poverty reduction strategy stipulates that the composition of lending should support efforts to reduce poverty[81]. This may include poverty targeted interventions as well as poverty relevant sector lending. Poverty targeted interventions, in the 1998 fiscal year, accounted for 24 percent of all Bank lending and 44 percent of IDA lending[82]. In general, but particularly for inter-agency comparisons, the project approach is plagued with serious definitional problems. The disadvantages[83] of the project approach – construction of enclaves with few wider effects, favouring strong donor dominance, problems of ownership and sustainability, distortion of national planning – are well known but do not prevent its continuing popularity. The United Kingdom[84] is moving away from project-based interventions. Direct assistance to poor people no longer exists as a goal; there is more interest in strategic change.

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[76] Annex Switzerland 3
[77] See annex Norway 1
[78] See annexes Germany 3, Sweden, United Kingdom 4
[79] Oxfam Strategic Review 1998, Setting a Course for the 21st Century, p. 9
[80] White 1996, 83 – 88
[81] World Bank 1991b, 21
[82] World Bank 1998b, 65
[83] DAC 1999, 114
[84] Annex United Kingdom 2, 3.1.1

Compared to the 1970s, integrated ***area based programmes***[85] are of minor importance. Many programmes covering a multitude of sectors in a limited geographical area proved to be over-ambitious and ended in difficulties. The multi-dimensional concept of poverty and the sustainable livelihoods approach, however, have paved the way for a limited comeback in recent years. Sweden and Switzerland, for example, support multi-sectoral programmes.

With ***sector wide approaches,*** donors as a group contribute to sector programmes defined and managed by government. Harmonised procedures among donors would reduce the administrative burden of governments and enhance co-ordination and coherence. Simultaneously, government ownership can be strengthened and basic services like health and education can be delivered. Sector wide approaches are a challenge for the partner governments and their capacity for implementation. But they are also a challenge to the donors, who have to maintain a lower profile in their partnerships and adapt to the pace of partner governments. Sectoral allocations alone are a poor proxy for poverty orientation[86]: Some aid in priority sectors helps the non-poor, and some non-priority aid may help the poor.

To overcome some problems of the project approach (weak impact, foreign ownership) sector wide approaches have ***gained in popularity***[87]. The 20/20 formula has added to its new importance. Norway is very supportive of the sector approach and has so far mainly focused on health and education. Sweden supports sector wide approaches. The United Kingdom[88] has made a strong commitment to sector wide approaches and has announced that U.K. spending on basic health, basic education and clean water and sanitation in Africa will be increased substantially, where a responsible government leadership and a robust infrastructure are present . UNDP considers the programme approach as an appropriate mechanism for building strong development partnerships. The World Bank considers agriculture and rural development, water supply and sanitation, and human resource development (health and education) as being poverty oriented. These sectors received 35 percent[89] of overall World Bank lending in fiscal year 1998.

The World Bank's poverty reduction strategy is clearly multi-sectoral and ***country focused***[90]. Poverty assessments and Public Expenditure Reviews are the two key tools for shaping the overall Country Assistance Strategy (CAS). These Strategies are the main vehicle for mainstreaming poverty reduction in the activities of the World Bank. In practice, however, the incentives provided to borrowers lack a stimulating poverty focus. At present, the CAS are documents owned by the World Bank; though it is planned that they become negotiated documents emerging out of discussions between the Government and the World Bank. Dialogue has been broadened to include NGOs and the private sector. Not only for the World Bank, but also for most of the donors like UNDP[91], Germany[92] or Switzerland,[93] the country approach is central for the delivery of their ODA.

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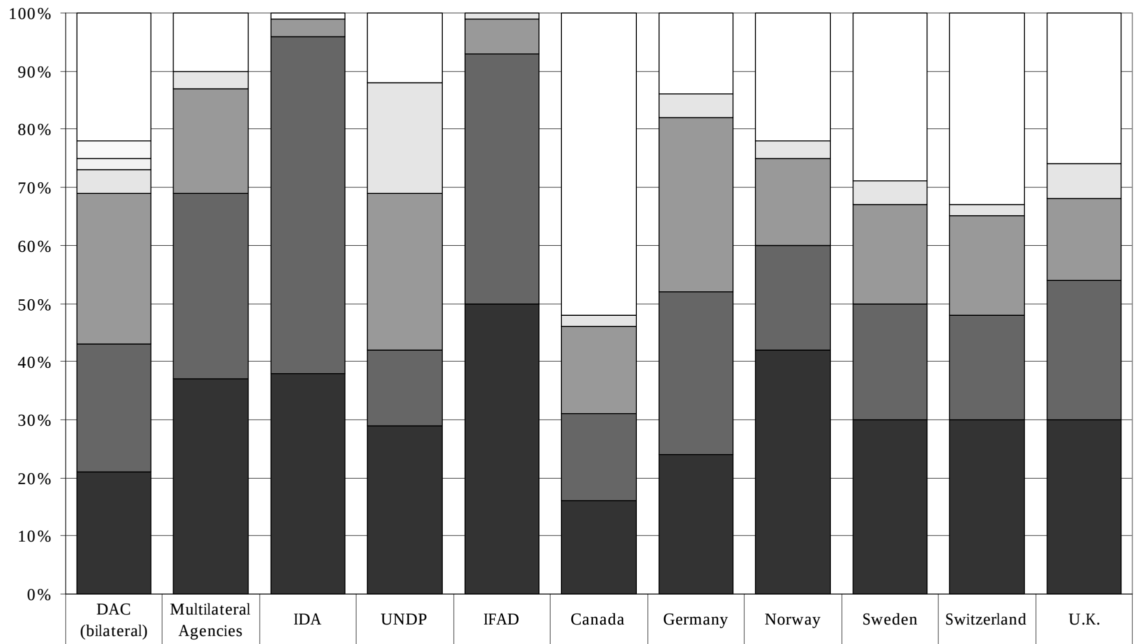
[85] DAC 1999, 118
[86] White 1996, 92 - 93
[87] See annexes Norway, Sweden, United Kingdom, UNDP
[88] Annex United Kingdom 2.2 , 3.1.1, 4
[89] World Bank 1998b, 7
[90] World Bank 1991b, 13; World Bank 1991a, 2
[91] Annex UNDP, 3.2
[92] Annex Germany
[93] Annex Switzerland

The country approach shows the ODA share allocated to the ***Least Developed Countries (LLDC)*** and other low income countries. A comparative profile of the poverty orientation of the selected donors can be designed by looking at the ODA share for different country groups according to their per capita income. As Figure 2, below, shows, the multilateral organisations IFAD and IDA have a pronounced orientation of over 90 percent towards poor countries. UNDP serves a larger clientele but the Board asked for more concentration to low income countries in general and the poorest countries (LLDCs) in particular. Among the selected bilateral donors, Norway, with 60 percent, devoted the largest share to LLDCs and other LICs, followed by four donors with around 50 percent, and Canada with 31 percent, well below DAC average of 43 percent; for Oxfam data was not available.

Figure 2: **Comparative Poverty Orientation of Selected Donors** (1993 – 97, in percent of disbursed ODA for income based country groups)



	DAC (bilateral)	Multilateral Agencies	IDA	UNDP	IFAD	Canada	Germany	Norway	Sweden	Switzerland	U.K.
□ Unallocated	22%	10%	1%	12%	0%	52%	14%	22%	29%	33%	26%
□ MADCT	3%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
□ HICs	2%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
□ UMICs	4%	3%	0%	19%	1%	2%	4%	3%	4%	2%	6%
■ LMICs	26%	18%	3%	27%	6%	15%	30%	15%	17%	17%	14%
■ Other LICs	22%	32%	58%	13%	43%	15%	28%	18%	20%	18%	24%
■ LLDCs	21%	37%	38%	29%	50%	16%	24%	42%	30%	30%	30%

Source: OECD/DAC, Geographical Distribution 1993 – 1997, Paris 1999; and additional information from OECD/DAC.

It is a basic principle of the World Bank's poverty reduction strategy[94] to ***link the volume of lending to a country's effort to reduce poverty***. This link is valid for the rationing of IDA resources whereas, for IBRD lending, creditworthiness and exposure determine allocation decisions. Aid is allocated primarily as an inducement to policy reform and not as a reward for good policies. Critics have claimed that this is largely ineffective because it impairs government ownership of the process of policy reform. Moreover, it produces a pattern in which aid is targeted on weak policy environments and diverted from high-poverty countries. Paul Collier and David Dollar estimate "*that with the present allocation aid lifts around 30 million people permanently out of poverty each year. With a poverty-efficient allocation this would increase to around 80 million per year*"[95]. These estimates are based on a poverty line of US $ 2 a day. According to these criteria, Norwegian aid allocations were significantly "poverty-efficient", with 64 percent of bilateral aid going to good policy – high poverty environments and a further 22 percent going to poor policy – high poverty environments[96]. Similar analyses for other donors are not available. An important proviso to these calculations is, again, the income based poverty concept.

5.2 Issue based strategies?

As indicated above, Oxfam[97] takes a ***global focus*** on understanding and dealing with poverty issues. It sees much in common between the poor in the United Kingdom and in developing countries: People are struggling for a livelihood, dealing with domestic violence and crime, demanding decent health and education services and responsive governance. Common interests, like labour standards or security, cut across boundaries. At a practical level this has led to an Oxfam programme on poverty in the U.K. and again reinforced an understanding of poverty as a globally rooted phenomenon. Deepening inequalities, nationally and internationally, led Oxfam to conclude that making distinctions between countries is less important than "*an appreciation of winners and losers in an increasingly integrated global economy*"[98].

Based on such an analysis, Oxfam takes an ***issue based approach*** to poverty reduction. It is an attempt to put into practice the link between the direct impact on poverty and understanding of poor people's experience with the global forces shaping their lives. Oxfam defines strategic change objectives, based on five criteria:

- Impact: What change would have the most impact on people living in poverty and suffering?
- Feasibility: How attainable is the proposed change and over what time frame?
- Capacity and comparative advantage: Does Oxfam have the capacity or would it be better done by others?
- Opportunity cost: How does this fit with other Oxfam aspirations?
- Values and beliefs: How does this fit with Oxfam values and beliefs?

[94] World Bank 1991b, 20
[95] Collier/Dollar 1999, 23
[96] Annex Norway 4
[97] See annex Oxfam 1
[98] Annex Oxfam 1

An ***example of a strategic change objective*** might be "*People in waged employment have remuneration sufficient to lead a dignified life*"[99]. This could be in response to increasing wage poverty and growing exploitation of female workers and children. A link to outcomes is established by defining how the objective is to be achieved, e.g. improved wage conditions and access to employment for vulnerable groups. As a next step, changes in policy and practice have to be identified at local, regional, national and international levels:

- Globally, Oxfam might seek the implementation of social clauses, codes of conduct for transnational corporations or an increase of fair trade;
- Nationally, changes in labour legislation and social policies would be pursued;
- Locally, changes in women's educational and vocational skills, and in making use of legal services might be needed.

Oxfam's programme strategies intervene on all three levels with appropriate tools, like support to legal rights advice or skills training at the local level, and research and advocacy at the national and international levels. This issue based approach leads to completely different allocation patterns. In particular, country statistics lose their significance.

5.3 Global focus

Is it the whole truth that poverty is just the result of bad policies of a government? The requirement of an ***enabling environment*** is not only relevant at the national level but in international relations as well. In the 1970s, the idea of better opportunities for developing countries dominated the development debate as the South was asking for a New International Economic Order. The relevance of the international dimension for poverty reduction re-entered the limelight with the Asian crisis. According to World Bank estimates[100] two years after the establishment of the DAC targets, the East Asian crisis and the collapse of safety nets in transition economies has put the DAC programme four to five years behind schedule. Only a deep commitment by Southern as well as Northern governments will make these goals attainable. Obviously, the dynamics of poverty have to be understood in the context of globalisation. It is important to highlight not only the opportunities but also the limits imposed on government action by the economic integration into the world markets.

International rules of the game drain resources of poor countries: The legacy of international debts made the Low Income Countries return US$ 47 billion (1997) in debt payments[101] – substantially more than they received in ODA. The worsening terms of trade forces raw material exporters to intensify efforts just to maintain export proceeds. Protectionism in the North in intellectual property rights, migration, agriculture and textiles are major problem areas which seriously constrain the possibilities of low income country governments reducing poverty in the foreseeable future. Recent political initiatives by Canada, Germany, Switzerland and the United Kingdom may lead to a substantial alleviation of the debt burden of selected highly indebted poor countries, complementing the so far unsatisfactory efforts made by the World Bank and IMF in the framework of their HIPC-initiative.

[99] Annex Oxfam 2
[100] World Bank 1999a, 36
[101] German/Randel 1998, 13

The consensus on pro-poor policies does not include a minimum mobilisation of external resources: Overall ODA of DAC donors was 1997 with 0.22 percent of GNP 0.11 percent below the 1992 level, corresponding to a gap of US$ 24 billion per year[102]. ODA allocations often do not follow the pattern one would reasonably expect. Instead of rewarding strong poverty reduction commitments, allocation often follows political and economic interests or historical ties. Adjustment programmes include also a substantial inflow of private investment funds which in many cases does not pick up[103]. Reforming countries are therefore often confronted with severe underfunding of their programme, a situation, that will become even more critical with the substantial ODA decrease in recent years.

No doubt, there are opportunities for developing countries in the world markets. Nevertheless, in view of a sustainable poverty reduction and eradication, it is a ***compelling case to address also the shortcomings of international relations*** which undermine national poverty alleviation and prevention efforts. "*With the major exception of East Asia, differences between nations have been rising over the long term. By one estimate the ratio of income per person between the riches and poorest country has increased from 11 in 1870 to 38 in 1960 and to 52 in 1985*"[104].Justas at the national level well targeted redistributive and protective institutions are necessary to alleviate and prevent poverty, so similar tools should be created in international relations, going beyond the present insecure and insufficient ODA[105].

Increasingly, ***donor approaches*** take the global level into account. One of UNDP's six strategic priorities to improve management of globalisation to open up opportunities for poor people. "*Needed are better policies, fairer rules and fairer terms for poor and weak countries to enter markets*"[106]. Oxfam[107] is taking a deliberate global approach in poverty eradication, linking the grassroots and their winners and losers to international economic trends and treaties. On the United Kingdom's[108] agenda global aspects rank high in pursuit of more coherence. The coalition agreement of the new German Government referred to development policy "*as global structural policy that pursues the goal of improving the economic, social, ecological and political situation in developing countries*"[109].

6. Mechanisms of Delivery

6.1 Partnership: Contracts versus conditionality

Some of the donors reviewed attach a clear ***priority to relationships with governments***. For the United Kingdom co-operation with the government is a

[102] German/Randel 1998, 13
[103] See e.g. Bird 1999
[104] Demery/Walton 1998, 8; the estimate mentioned is from Lant Pritchett.
[105] UNDP 1997, 110 - 113
[106] UNDP 1997, 110
[107] See above chapter 5.2
[108] Annex United Kingdom (annexes)
[109] See annex Germany

priority. The state has to be supported in delivering core services like basic health and education. The British White Paper concludes "*only governments can create the right political and economic framework within which the march out of poverty can gather momentum*"[110]. Norwegian commentators[111] suggest that there is more willingness in the World Bank to by-pass government than there is by Norway. The importance of the role of the state is reflected in Norway's emphasis on government ownership and building government capacity. In case of conflicting targets between ownership or capacity building and delivery of services, Norway is prepared to accept the trade off in the speed or nature of services.

There is widespread consensus that an ***enabling, pro-poor partner policy environment*** is crucial for the effectiveness of external interventions[112]. This is valid for policy based support, of course, but – given the fungibility of money – also the overall effectiveness of project interventions is indirectly influenced. If there are poor or mediocre policies, the question arises as to how they can be improved and what the role of donors should be. Obviously, there are different approaches to shape the relationship to partner countries.

The Bretton Woods Institutions (BWI) apply ***conditionality*** to influence partner policies. Coercive forms of conditionality where a donor requires government actions and promises which are contrary to its own conviction are controversial. On the other hand, consensual commitments as part and parcel of co-operation agreements are just business as usual and as such represent an unproblematic form of conditionality. The debate on conditionality is not just on the form but also on its contents. Many adjustment measures exert a substantial negative impact[113] on poverty groups. Direct pro-poor conditionality is a rare exception, not the rule[114].

The concept of ***conditionality is in crisis***. Disillusionment with insiders has been growing over the years. The average number of conditionalities per operation has reached 56 and is still rising[115]. Drawing on the experience of 21 developing countries, a recent independent study concluded that "*conditionality has generally failed to achieve its objectives and therefore lacks practical justification; that over-reliance on this ineffective modality has wasted much money; and that the obstacles to adequate improvement are probably too indissoluble to be overcome*"[116]. Therefore, it can fairly be said that coercive conditionality, as a tool in development policy, has been entirely discredited on empirical grounds not only for its lack of legitimacy but also for its lack of effectiveness.

UNDP never believed in conditionality but was and is convinced that ***dialogue*** with the partner government and other institutions is best, ideally de-linked from specific aid negotiations. Shared values and principles are the basis of a fruitful dialogue. Ownership of the recipient government is crucial and results in superior outcomes. "*Dialogue works better*"[117], as Tony Killick summarises his research. And the World

[110] Annex United Kingdom 3.1.1
[111] See annex Norway 3.1
[112] World Bank 1998a
[113] See Killick 1998, 44
[114] DAC 1999, 95
[115] Tionneland 1998, 74
[116] Killick 1998, 176, 36; see also World Bank 1998a, 18, 52
[117] Killick 1998, 182

Bank knows from its own experience in Mexico: Because of low leverage and to avoid friction, the World Bank had recourse to dialogue instead of conditionality, with quite positive results[118]. A positive attitude towards ownership implies the willingness to accept several ways to arrive at the common goals. "*Second-best programmes are a necessary price to pay for local ownership, and for affording governments the leeway they will need for the political management of policy change*"[119].

Bilateral donors often connect to the World Bank and IMF conditionalities even if they critizise them or share scepticism about their effectiveness. Moreover, bilaterals may add their own extraneous conditions, like tying aid to "home grown" goods and services, or the repatriation of refugees. In Germany's co-operation policies a political conditionality is provided for, based on human rights, participation, the rule of law, a social market economy and a development commitment. Some donors apply a kind of positive conditionality: instead of imposing negative sanctions, they reward and support changes in the desired direction. Oxfam as an ***NGO*** criticised the Bretton Woods conditionality from the outset and pushes for dialogue, a shift to private partners, or moving out.

Maintaining the importance of a positive policy environment and of its government ownership, the abstention from conditionality implies greater ***selectivity*** in choosing partner countries[120]. The use of conditionality allowed donors to continue aid relations with governments instead of discriminating against poor performers. Concentrating on fewer but better performing countries allows for an increase in the financial contributions for each selected country. Donors like Canada, Germany[121], UNDP[122], IFAD[123] give development commitment, including poverty reduction efforts by the partner governments, a top ranking on the list of criteria to choose partner countries. Experience demonstrates, however, that for economic, political and practical reasons this selectivity it is often difficult to implement[124].

The World Bank has related ***IDA lending*** to country policy and poverty-reduction indicators since 1990[125]. Will this lead to increased selectivity? Linked to IDA 12 replenishment, there is a new borrower rating system and new performance standards. An assessment is made on two tracks, first on the borrower's portfolio management, and second on the country's policies and institutions. The policy performance criteria relate to macroeconomic policies, structural policies, policies for reducing inequalities, and Governance and public sector performance. Reducing inequalities includes building human capital, fostering gender equality and social inclusion, pro-poor targeting of programs and investments, safety nets, etc. Interestingly, asset redistribution, like land reform, has been left out.

To arrive at a more reciprocal aid relationship among equals, the Norwegian Foreign Minister Thorvald Stoltenberg, at an OECD event in 1989, proposed the signing of ***development contracts***[126]. The donor defines its aid commitments, including a

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[118] Killick 1998, 183
[119] Killick 1998, 193
[120] See above chapter 5.1
[121] Annex Germany 3, 4.2
[122] Annex UNDP 3.2
[123] IFAD 1998, 11; annex IFAD 3
[124] DAC 1999, 99
[125] World Bank 1991b, 20; Killick 1998, 179
[126] Weyermann 1996

compensatory mechanism as protection from external shocks, and the partner government designs the agreed policy content. Various authors refined the concept. In 1992, in the framework of the Earth Summit, the Netherlands launched the idea of "Sustainable Development Agreements", having Benin, Bhutan, and Costa Rica as pilot cases. In 1995, Swiss NGOs proposed to their government that theco-operation with priority countries is switched to newly elaborated co-operation agreements with parallel partnerships to governments as well as strengthening civil society. These agreements should be

- ***long term***, e.g. with at least a 10 year perspective;
- ***comprehensive***, i.e. covering aid, trade, finance, migration etc.;
- ***symmetrical***, meaning that both partners may comment on policies of the other country and raise any concern of interest;
- ***participative*** in the sense of including civil society and private sector representative in meetings and negotiations.

Similarly, the United Kingdom[127] and Sweden are on the way to developing a "***Partnership for Poverty Reduction***"[128]. The developing country is expected to commit itself to the OECD/DAC targets set for 2015, the pursuit of appropriate policies, to good governance and the observance of civil and social rights. The donors, in turn, are expected to make a long-term commitment to provide adequate resources. Such a partnership also requires from the donor's side, capacity and competence in poverty reduction and the willingness to invest in such a dialogue. No conditionality is involved. The concept rests on selectivity and confidence.

6.2 Civil society's organisations as change agents

Civil society occupies the ***public space between the government and the individual citizens***. The distinction between community based organisations or peoples organisations – which are accountable to their members – and Non-Governmental Organisations (NGOs) – which operate for or on behalf of the people they serve – may be useful. An effective state and a vigorous civil society are mutually supportive. It is not the place here to analyse in detail the role of NGOs as change agents in international development; various publications[129] provide valuable insights and information.

It should be a key objective for donors committed to poverty reduction to encourage governments in partner countries to ***improve the enabling environment*** for civil society. Removing obstacles to the creation and operation of associations and movements is a crucial investment in the social capital. In cases of a country's lack of capacity to absorb the earmarked amounts of aid , or being confronted with an unfavourable policy environment, the temptation is well known to bypass government and to co-operate with NGOs as a bridging strategy. But NGOs are not always the better solution. They may privatise public space and undermine government responsibilities. A partition of labour between core government functions and private activities should be honoured.

[127] Annex United Kingdom 3.1
[128] Cox/Healey 1999
[129] See e.g. Bernard/Helmich/Lehning 1998; with reference to Northern NGOs Smillie/Helmich 1999

Donors' attitudes towards ***co-operation with NGOs*** are much more open than 10 years ago. The effectiveness of civil society organisations in poverty reduction is widely acknowledged by public opinion and is a major consideration for donors in choosing NGOs and peoples' organisations as delivery channel. For bilateral aid agencies the position of partner governments towards civil society will co-determine their decision. NGOs are not only contractors implementing pre-conceived projects and programmes. Northern as well as southern NGOs are also partners. Such genuine partnership may change the agenda of co-operation and requires openness and flexibility on the donor's side. This positive view of NGOs is challenged by studies which found little evidence that NGO interventions are more efficient in poverty reduction[130].

The ***individual agencies' attitudes*** towards NGOs varies. In Germany[131], NGOs are an important implementing partner for the government. The co-operation with NGOs may be a temptation to by-pass unattractive partner governments. Thus, Switzerland[132], instead of reducing development co-operation with India and Pakistan after the nuclear tests, is further extending co-operation with provincial and local governments as well as civil society in the two countries. Norway[133], though it maintains a large NGO programme, would hesitate to switch over to private partners because it would not want to weaken government. It should be evident that for Oxfam[134] civil society is considered as a strategic partner. Direct funding for southern NGOs happens in Norwegian[135] ODA but the strengthening of civil society in the South is mainly channelled through Norwegian NGOs. Canada's[136] implementation policy follows a pronounced partnership orientation which includes NGOs. Collaboration with NGOs on the project level is very close for IFAD[137]; close to the grassroots, they ensure participation and ownership by the beneficiaries. In cases of political conflict, however, co-operation becomes difficult. The preference of the United Kingdom[138] to work with government carries an inference that working through NGOs may be the second best option.

DFID, however, has identified ***specific areas for NGO-collaboration*** (advocacy, public awareness building, specialist knowledge, capacity building, direct targeting the poor in the South, special services in situations of crisis). Here DFID sees potential for closer collaboration with civil society. In line with the rights based poverty reduction approach, the strategy of the United Kingdom is also to "*strengthen civil society in the poorest countries so that an informed citizenry can demand good government and sustained poverty reduction*"[139].

[130] See DAC 1999, 36
[131] Annex Germany 4.1
[132] Annex Switzerland
[133] See annex Norway 3.1
[134] Annex Oxfam 3.2
[135] Annex Norway 3.3, 3.4
[136] Annex Canada 4.1
[137] Annex IFAD 4
[138] Annex United Kingdom 3.1.2
[139] Annex United Kingdom 3.2

6.3 The role of the private sector

Employment creation is relevant for poverty reduction. Employment creation is mostly a task of the private sector. For several other reasons, the private sector is in the 1990s in the ***limelight of the development debate***:

- Neoliberal economics put an emphasis on deregulation and privatisation.
- In the aftermath of the end of the cold war the market approach and the private sector became more attractive than ever to donors.
- Since the early 1990s, the decline in aid flows has greatly added to the need to woo the private sector as partner.
- The paradigm of pro-poor growth brings the private sector into focus. Particularly, the support of micro, small and medium enterprises increases employment and income as does micro credit lending.

Therefore, private sector development is quite ***popular in the donor community***. For Canada[140], Germany[141] and Switzerland,[142] private sector development is one of several priority areas – leaving many questions open: such as, if and how the poverty reduction impact will ever be assessed. The United Kingdom[143] has a sometimes controversial tradition of partnership with business. This emphasis has not changed with the change of government, but the modalities are new. There is a great emphasis on ethical trading and socially responsible business. This is not simply for altruistic reasons but rather in the long-term, risk-reducing business interest. Companies are urged to abandon a narrow focus on shareholder value. Norway attaches increased importance to micro, small and medium enterprise promotion as the "*real engine in economic development*"[144].

Oxfam as an NGO has more distance from the private sector than governments and pursues an independent way. Oxfam's activities target the private sector in various ways: in the fair trade business, a long-standing co-operation is continuing. Much of Oxfam's work focuses on the way that proper governance and national and international regulation can enable private investment and the operation of transnational corporations (TNC) to lead to poverty reduction and equitable growth. Finally, TNC's come under scrutiny for their role in cases of conflict, influencing the conditions for war or peace.

6.4 The case of tied aid

Contrary to all beliefs in the markets and competition rhetoric, aid tying still applies to a ***substantial part of development co-operation*** although there have been improvements compared to the 1980s[145]. According to OECD/DAC statistics[146], more than one fourth of bilateral ODA – 26.5 percent in 1996 – is tied to the purchase of

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[140] Annex Canada 3, 4.2
[141] Annex Germany 3
[142] Annex Switzerland 3
[143] Annex United Kingdom 3.1.4
[144] See annex on Norway 5, 3.5
[145] World Bank 1990b, 73
[146] OECD/DAC 1999, A 50

products and services from donor countries. OECD/DAC reporting excludes technical co-operation and administrative expenses, which are strongly linked to donors own skilled manpower.

Aid tying ***varies considerably among the donors***. It reflects, on the one hand, the donor's commitment to poverty reduction and, on the other it mirrors the constituencies a donor is serving. Multilateral donors like IFAD, UNDP and the World Bank do not tie their aid at all. NGOs like Oxfam deliberately do not tie their support and advocate actively against tied aid. Among the bilateral donors, there are large differences:

Figure 3: **Tying Status of ODA*** (in percent of bilateral commitments, 1996)

Canada	68.5	Sweden	36.0
Germany	40.0	Switzerland	7.1
Norway	11.5	United Kingdom	13.9
DAC average	26.5		

* ODA refers to bilateral commitments, excluding technical co-operation and administrative costs

Source: OECD/DAC 1999, A 50

The malpractice of aid tying is ***detrimental to poverty reduction efforts*** on various grounds[147]:

- Tying to donor's goods and services eliminates competition and inflates costs. This cost increasing effect is estimated at 15 – 30 percent and equals a taxation of the aid recipients in favour of the donor's economy. Overall, the value of ODA is decreased by some US$ 4 billion per year.
- Tying discriminates against producers in developing countries, thereby excluding local inputs and reducing positive effects on developing country growth. A poverty oriented policy would have to prioritise local inputs, favour imports from other developing countries and to accept developed country imports only if there is no other solution.
- Tying implies donor biased projects, favouring projects focused on foreign imports which can compete with purely poverty orientated concepts. A poverty-oriented policy would depart from the partner's needs and donor exports would remain of secondary importance.
- Tying aggravates donor co-ordination and increases the recipients' burden to draw up sustainable systems of maintenance based on local goods and services. A poverty oriented policy would give high priority to donor co-ordination and to the long term perspectives of sustainable maintenance systems in-country.

[147] See e.g. German/Randel 1998, 14; World Bank 1999b, 73

The OECD Development Assistance Committee (DAC) has launched an effort against tied aid. The DAC modestly aims at ***untying aid to LLDCs***. The process has produced so many loopholes (e.g. excluding food aid), however, that the effective change brought about has the character of a signal but will be of very limited practical value.

Leadership from the donors' top level is needed to combat tied aid. The Norwegian minister[148] has been explicit about the hierarchy of goals. The participation of Norwegian industries in ODA will be judged solely in terms of results in creating growth and employment in the recipient countries, not in jobs at home. And IFAD does not only refuse to tie its aid, it deliberately promotes the financing of local costs. Since IFAD's "*target group is primarily the poorer small farmers",* IFAD welcomes projects which have "*a relatively large local cost component*"[149].

7. Coherence, Co-ordination and Co-operation

7.1 Donor policy coherence

The ***international development targets*** mentioned above are not just about aid but concern the entire development process. OECD/DAC mention policy coherence explicitly as a programme point. "*We should aim for nothing less than to assure that the entire range of relevant industrialised country policies are consistent with and do not undermine development objectives. ... We are confident that we can do more than just avoid policy conflict. We will work to assure that development co-operation and other linkages between industrialised and developing countries are mutually reinforcing"*[150].

Most agencies[151] concentrate on their bilateral programmes and ***rarely influence systematically multilateral institutions or exploit the potential of non-aid channels*** like trade, investment or agricultural policies in favour of poverty reduction. The United Kingdom makes a serious effort to improve policy coherence. In its White Paper, the British Government made policy consistency a major element of reform to "*ensure that the full range of Government policies affecting developing countries, including environment, trade, investment and agricultural policies, takes account of our sustainable development objective*"[152]. This is followed up by greater inter departmental co-ordination, a consistent approach in relation to developing countries, and strengthening capacity with the Department for International Development.

Donors have established various ***mechanisms to improve coherence***. Switzerland has gained a positive reputation at the OECD/DAC by addressing policy consistency systematically, with analytical as well as political tools. The results in cases of conflicting interests may not have been so different from other donors – development

[148] See Annex Norway 4
[149] IFAD 1998, 18
[150] OECD/DAC 1996, 19 - 20
[151] See DAC 1999, xv
[152] White Paper „Eliminating World Poverty", November 1997, p. 6

concerns often had to step back in view of economic interests. Swiss NGOs proposed to the Swiss Government to adopt a comprehensive concept in the co-operation with priority countries in view of effective poverty reduction. The vehicle for this comprehensive concept would be partnership agreements,[153] including a dialogue mechanism, encompassing all instruments and measures under governmental influence, reviewing and shaping them in favour of poverty reduction:

- ***Bilateral co-operation of SDC*** (Swiss Development Co-operation)
- ***Other bilateral ODA measures***: Economic and trade policy measures of Federal Office of Foreign Economic Affairs (FOFEA), scholarship allocations, global environmental measures, humanitarian aid
- ***Multilateral development co-operation***: Participation in multilateral bodies, based on Swiss priorities and experience, participation in multilateral evaluations, co-ordination with like-minded donors, strengthening negotiating capacities of developing countries
- ***Other tools of the Swiss Government***: E.g. Trade, investment , double taxation, legal assistance, migration agreements, research partnerships, and cultural exchange.

Finally, the question of ***donor credibility*** must not be neglected. A donor country adopting poverty reduction as top priority in development co-operation will also be judged in the light of the poverty situation at home. Tolerating serious poverty and increasing inequality within the donor country is a signal that also in international co-operation the donor may not be all that serious about poverty reduction. Political will is indivisible. Such links of poverty reduction to the development pattern in the North are acknowledged e.g. by Germany, Switzerland, and the United Kingdom. Such a coherence test is, of course, not applicable to multilateral donors and NGOs.

7.2 Co-ordination

Recent ODI research in Nepal, interviewing partners, revealed ***donor rivalry*** instead of donor co-ordination: "*Each agency thinks that their approach is better than those of others, and instead of learning from each other's experience the donors love to promote and sell their own approaches or models. They do so to show the distinctiveness of their priorities and methods. They often talk much, co-ordinate less, and share information but not ideas, because of an intense donor rivalry*"[154]. Even if differences between donors are admitted, such situations urgently call for increased co-ordination.

Zambia is another example of obvious ***lack of donor co-ordination***[155]. In 1987, the World Bank cancelled further lending to Zambia because of inappropriate policies, of which the World Bank disapproved. The World Bank maintained this position until 1991, when it resumed lending. In the years before 1987, aid averaged around 9 percent of Zambia's Gross Domestic Product. During the four years of World Bank abstention, foreign aid increased to 15 percent of GDP. Co-ordination cannot mean that the bilateral agencies just follow the lead of the World Bank. Even a competitive

[153] See above, paragraph 6.1
[154] ODI 1999, Nepalese perceptions
[155] World Bank 1999a, 22

pluralism among donors leading to different approaches to poverty reduction may have its merits. But it is obvious that such a contradicting pattern of donor behaviour undermines any meaningful leverage for pro-poor policies. In view of shrinking aid volumes, the quest for co-ordination and efficient poverty reducing ODA becomes more urgent.

DAC's 1995 statement "Development partnerships in the new global context" emphasises, among other principles, enhanced co-ordination in international fora and on the spot. World Bank and UNDP are the ***leading co-ordinating institutions***. In Consultative Group and Round Table meetings, they are required to put the international development targets on the agenda. In a new type of meeting, civil society and private sector representatives should have the possibility to participate. Oxfam is arguing for deeper and broader participation of civil society in Country Assistance Strategies and public debates prior to Consultative Group meetings.

To improve co-ordination and coherence, the UN launched, in 1997, the ***United Nations Development Assistance Framework (UNDAF)***[156]***.*** UNDAF is to serve as a basis for country level follow-up to the various World Conferences and important decisions of the UN, as well as for the country programmes of individual UN agencies. UNDP is fully committed to this piece of UN reform and, in country, the United Nations Resident Co-ordinator leads the process. In a Common Country Assessment, areas for priority attention are identified. This is a major effort at co-ordination. The World Bank is invited to participate, in some countries like India there is an active co-operation. The question remains, however, in what way the World Bank assessments and strategies could be systematically integrated into that framework.

In 1998, The World Bank President, James D. Wolfensohn, initiated his proposal for a ***Comprehensive Development Framework (CDF)***, setting up an activist partnership and co-ordination mechanism in co-operation with governments and donors. As the overarching goal of the World Bank is poverty reduction, the CDF may become directly relevant for the implementation of anti-poverty strategies. Now there are two overall competing systems of co-ordination on the table.

A coordinated approach may become possible if each donor is prepared to concentrate on its own ***comparative advantage***. In view of shrinking aid volumes, donors like Canada[157] are looking out for their own particular strengths. The United Kingdom[158] notes a perceived need for a great leap forward on coordinated strategies, harmonised procedures, lower transaction costs, untied aid and flexible instruments. Also Norway has declared the co-ordination between donors, multilateral agencies, governments and NGOs a priority. This is in line with Norway's interest in the sector approach requiring a high degree of integration into a joint program. Norway also[159] recognises that donor co-ordination can have a price, e.g. a slow down in progress in favour of government ownership. There is the danger that co-ordination is too much donor driven. If the partner government is not in the driving seat, the co-ordination effort may further undermine partner ownership. This reservation is crucial for UNDAF as well as CDF.

[156] Annex UNDP 6
[157] Annex Canada 3
[158] Annex United Kingdom 4
[159] Annex Norway 3.2

7.3 Co-operation with the World Bank

Canada, Norway, Switzerland and other donors acknowledge the ***leadership of the World Bank*** in poverty analysis. The World Bank is, despite various shortcomings, at present "*far ahead of other donor agencies*"[160]. Being weak on national poverty assessments, they do not want to duplicate but to respect comparative advantages. Similarly, the strength of the World Bank in poverty reduction policy is accepted by bilateral donors. Dialogue with developing country governments on macro issues is largely left to the World Bank. In specific sectors there may be exceptions. The World Bank dominates the poverty policy debate.

Poverty reduction policies are on the ***advocacy agenda*** of several donors. Executive Directors have poverty oriented general guidelines and receive specific instructions for important issues. Canada, Germany, Norway, Sweden, Switzerland, the United Kingdom and Oxfam, as well as UNDP, claim to co-shape World Bank policies[161]. Equity issues have been a major issue of difference between Norway[162] and the World Bank. During the IDA 12 replenishment process, a strong and successful lobbying for concerns like social priorities, equity and governance took place. Oxfam's[163] advocacy targeted the World Bank's failure to put enough emphasis on equity (e.g. in land reform) , the decline in lending for the social sectors, and poverty reduction concentrating too much on the money metric approach.

Beyond the question of leadership, large ***areas of consensus*** have emerged as far as poverty reduction policies are concerned. Differences have become much smaller during the 1990s. The World Bank has been picking up important elements of bilaterals, like gender, participation, governance. Also bilateral donors have been integrating the World bank's 1990 strategy into their own poverty reduction efforts. Donors like Canada[164] or the United Kingdom[165] see their own current policies very much in line with the World Banks' strategies.

The World Bank is, however, confronted with a serious ***credibility gap***. Whereas the World Bank is mostly accepted by the donors as leading institution in poverty reduction policies, this is not the case, however, in poverty reduction practices. Even for Oxfam, in many cases differences with the World Bank lie more in the field of implementation and process than in policy.

To secure influence, the donors as shareholders often co-operate with like-minded countries. Representatives of North/South mixed voting constituencies like Canada and the Caribbean or Switzerland and Central Asia are said to enjoy a bonus of credibility[166] for their interventions. As crucial as co-operation is concentration on

[160] Tionneland 1998, 76
[161] See annexes
[162] Annex Norway 5
[163] Annex Oxfam 6
[164] Annex Canada 5
[165] Annex United Kingdom 5
[166] Annex Canada 5, Switzerland 5

selected issues. A range of ***instruments of interventions*** are used, usually combining various forms:

- Interventions in the ***Board of Directors*** are important but just the last stage in a long process and only exceptionally changing management proposals;
- Beyond an active role in governing bodies, good ***working relationships with staff and management*** are excellent channels for early discussions on selected topics;
- The ***creation of trust funds*** is a controversial issue: Canada, Norway and Switzerland view trust funds as an important means to influence the World Bank's policy and practice, whereas Germany, the United Kingdom and increasingly Sweden are sceptical mainly because individual members' influence can distort the World Bank's priorities.
- The ***secondment of personnel*** by donors to the World Bank is widely practiced and considered as an effective instrument to deepen co-operation, to learn and to take influence.
- Some donors relied on ***special vehicles*** like partnership agreements with the Operations Evaluations Department and the World Bank Institute (Switzerland), partnerships with selected projects at the operational level (Germany), or the organisation of international policy workshops (United Kingdom).

Even when relying on a partition of labour and comparative advantage, it is a must for each donor to ***establish its own competence*** in poverty reduction to have a give and take in the dialogue with the World Bank, the partner governments and other donors. Donor competence is a major element to secure influence. But only few bilateral donors claim to have sufficient in-house or at least in-country research capacity to deal with policy issues reasonably well. The mixed experience of Norway is revealing in that respect. An evaluation argues that Norway has had less of an impact on the World Bank's overall strategy because it confined itself to advocating an increased emphasis on social sectors. The evaluation concludes "*Norway has not developed any clear poverty reduction strategy and finds itself, like most other donors, far behind the Bank in developing operational policies for reducing poverty*"[167].

IFAD[168] considers its relationship with the World Bank as a potentially ***strong strategic alliance*** for collaboration, characterised by a division of labour. IFAD is particularly interested in enhancing the World Bank's strategy for agriculture and the country Agricultural Sector Investment Programmes. In view of the World Bank's dramatic decline in new agricultural lending, a lack of leadership is deplored by IFAD. "*The World Bank today is on its way to a monumental irrelevance for rural Africa*"[169].

8. Conclusions

- All the donors pay tribute to the ***International Development Targets***. Only few of them, however, have started to relate their own activities to the targets in order to mainstream them beyond what they are doing anyway.

[167] See annex on Norway 5
[168] Annex IFAD 5
[169] See annex IFAD

- There is consensus that poverty is a ***multi-dimensional issue***. In contrast to this insight, operationalisation of poverty dimensions other than income is often weak. Also the International Development Targets by-pass partially the multi-dimensional understanding of poverty. A weak operationalisation means that in practice fewer changes must be assumed than one would have expected.

- There is widespread acceptance that ***programme and project ownership*** by the partners and participation by the beneficiaries are crucial for effective development co-operation interventions. Few donors explicitly prioritise and respect ownership; further, in cases of conflict, they are prepared to step back – and to continue the support.

- ***Programme ownership*** of the responsible partner institution and ***beneficiary participation*** are ingredients for effective poverty reduction. By-passing this lesson means – at best - unsustainable results.

- 35 – 50 % of the variation in poverty incidence across countries can be explained by variations of the GNP[170]. Therefore, economic growth may be an instrument for poverty reduction but at best only moderately effective. The ***Pro-Poor Growth*** approach is important as it is an attempt to shift priorities in favour of the poor in a globalizing economy. In case of conflicting objectives it is to be remembered that the target is pro poor and not growth, growth being purely instrumental.

- Major other poverty reduction strategies than a growth approach should be strengthened: ***Sustainable Livelihoods, rights and empowerment, resources and redistribution***. Most donors shy away from the issue of redistribution. Rights and empowerment are increasingly taken up, and sustainable livelihoods need operational clarification.

- ***Taxing over-exploitation of resources***, rather than employment, can be an effective element in a pro-poor strategy. Changing the relative prices of labour, capital and other resources is a basic factor in stimulating employment.

- The poverty reduction potential of ***issue based strategies*** should be explored. In the era of globalisation it could be fruitful to put the country focus into perspective.

- The evident and widespread ***gap between policy and practice*** is due to the double function of declared strategies. On the one hand they serve as management tools, on the other hand they have to secure public support for development co-operation in the donor country from different constituencies.

- ***Mainstreaming of poverty reduction*** requires the creation of an adequate organisational culture, including a suitable organisational set-up, poverty oriented staff incentives and a systematic monitoring of the results.

- A switch from coercive conditionality to mutual arrangements in the form of ***development partnership agreements*** should be sought.

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[170] Lipton Michael, Successes in Anti-Poverty, ILO, Geneva 1998, p.138

- ***Tied aid*** is a waste of scarce resources and should be untied. Tying seriously worsens the effectiveness of poverty reduction. Instead, financing local costs should be privileged – as IFAD practises.

- More ***impact assessments*** of poverty interventions are needed. Too often donors are strong on rhetoric and weak on results – at least, according to our knowledge of them.

- It is crucial for donors to establish their ***own fields of policy and operational competence and corporate memory*** in poverty reduction. If they neglect this investment, they become pure takers of policy from others, particularly the World Bank. They will no longer be considered a dialogue partner in poverty reduction, and they lose the power to feed their practical experience and that of their partners back into policy making.

- Shrinking aid volumes create a new donor ***interest in comparative advantages***. This line of thinking may lead to improved chances for coordination in future. This includes the willingness of all parties to be coordinated, except for the leading developing country government.

- ***Coherent policies***, including non-aid instruments, directed towards poverty reduction in practice are still not systematically explored and remain a largely untapped source for more efficient anti-poverty policies.

- As globalisation is driving major changes in the conditions and opportunities of the poor at a very fast pace, donors need ***agreed space for innovation***. Oxfam[171] disposes of a limited budget, classified as innovation expenditure, where getting results is not the objective. To create a window for poverty reduction innovation could be an important complement to the on-going programmes.

- ***Different donors, different drivers***: it may not be possible for every actor to adopt every strategy or policy. Donors serve different constituencies and are, therefore, confronted with different expectations. Poverty reduction is more than a technical issue, involving questions of asset distribution and empowerment, challenging existing power relations.

- The rhetoric of poverty reduction in development co-operation has to be cross-checked against poverty related ***policy choices in donor countries*** themselves. Growing inequality and the exclusion of a substantial number of people from a decent life in the industrialised countries is an alarming signal of indifference to poverty. A substantial commitment to poverty reduction abroad cannot be reconciled politically with a benign neglect at home.

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[171] Annex Oxfam 5

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Annexes (not included)

General Remarks

These donors' poverty policy profiles serve as a basis for an international comparison of donor approaches to poverty reduction strategies to put the World Bank's efforts into perspective. In view of this specific purpose and the very limited means at disposal, they do not pretend, however, to be comprehensive reviews and evaluations of donors' activities. Evaluative judgements in these studies should be treated as ideas for discussion, rather than conclusions based on evidence – except where that is explicitly stated.

Acknowledgements

These donors' poverty policy profiles are usually based on a visit to the donors' headquarters and on selected documents. Most of the donors included in this research have recently commissioned one or two studies very pertinent to these case studies. We refer here to the scoping study commissioned by the Informal Network on Poverty Reduction of the Development Assistance Committee (DAC) of the OECD comparing donor policy and practice in poverty reduction as well as a major research effort by the Overseas Development Institute (ODI) comparing the poverty reduction policies of European development co-operation agencies and their effectiveness. The synthesis studies are forthcoming (DAC "Making Aid Work for the Poor"; ODI "Promises to the Poor"). We have been fortunate to be able to draw on their findings – they are recommended for reading in full. As far as also the country studies were accessible, they are listed at the end together with the list of interviews and other sources.

These case studies have been done by Judith Randel, Tony German (Development Initiatives, United Kingdom) and Richard Gerster (Development Consultants, Switzerland). The authors are very grateful to all of those who kindly gave their time and we hope that their views have been reflected in the following comments. In particular they extend their acknowledgements to Alison Evans, Operations Evaluations Department (OED) of the World Bank. Any errors or misinterpretations remain, of course, solely the privilege and responsibility of the authors.

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