Chapter 2

The policy and political challenge

A. Introduction

Since 1990 the global framework for poverty reduction has focused on two goals: achieving the macroeconomic stability needed to underpin economic growth, and providing basic human development services – health, education, water and sanitation. These two elements remain the core components of what has been termed ‘the post-Washington consensus’.1

The role of growth itself has been controversial. It is now widely accepted that economic growth is essential but insufficient for poverty reduction, and not all growth is pro-poor. The type of growth that is optimal for poverty reduction (and is thus arguably in everybody’s interest), and how to promote it in different country contexts, remain poorly understood.2

Although there have been worthwhile achievements in the provision of basic public services, they have been too limited to provide many poor people with springboards out of poverty. Many poor people are still effectively excluded from benefiting from such basic public services. As a result, malnourished and sick people are less productive, vulnerable people avoid risk, and illiterate people have less ability to respond to opportunities. Well-designed human development interventions and the strengthening of human capital have huge potential to tackle chronic poverty (and are very cost-effective once the full costs of chronic poverty are considered). Such investments enhance the capacities of poor households to engage in markets and society.

Outside of growth and basic human development, the ‘framework of permissible thought’ in poverty reduction policy has remained remarkably unchanged.3 Our five chronic poverty traps are not centre stage in aid debates and policies. Whilst the current policy orthodoxy focuses to a certain extent on the insecurity trap and limited citizenship (the latter by supporting democratisation and decentralisation processes, and the former by the growing concern with social protection), it does not do so, however, in ways that are beneficial to the chronically poor. Of the further three traps – spatial disadvantage, social discrimination and poor work opportunities – only the first is currently receiving much policy attention (through the 2009 World Development Report). This report signals both the need for, and the possibility of, a substantial shift in thinking. Such a shift demands not only a pro-poor focus on growth and human development policy, but also one that responds to our five chronic poverty traps. For example, we know from the more reflective and historically-based study of development that there are structural and social changes – such as changes in gender roles, migration and demography – which are intertwined with increasing economic prosperity. Policy and political leadership should play a significant role in ensuring that such changes are more beneficial, or less harmful, for the chronically poor.

National Poverty Reduction Strategies (PRSs), and National Development Strategies (NDSs) that have taken such a lead, have the potential to make a major difference to the lives of the chronically poor. At first sight their origins appear heavily technocratic, emphasising the importance of goals and targets, policies linked to budgets, and frameworks for monitoring results. But underlying PRSs is the kernel of a wider political agenda:

- shifting the style of policymaking to include more evidence on where and who the poor are;
- inviting increased participation as a way to improve governments’ accountability to their citizens; and
- recasting old ways of doing business for aid donors and governments alike.4

Almost a decade of formulating and implementing PRSs (and NDSs) points to a number of important successes, and an improved focus on poverty in high-level policy discussions. These successes include broadening the reach of consultations to poor groups, and improving links between the aspiration of national strategies and the ability of national authorities to fund and implement them.5 But the PRS path has not been unproblematic. Questions have been raised regarding the sincerity of country ‘ownership’, a lack of connection with broader international and development processes (such as trade agreements), a lack of engagement with the realities of national politics, and the frequent marginalisation of stakeholders (including the nominal beneficiaries of the process – the poor).
Below we examine the extent to which policy responses and choices in PRSs can contribute to poverty eradication. First we assess the extent to which poverty and poor people are disaggregated in PRSs and in the policies they promote. We then examine political structures and leadership (where the nature of the political system is pivotal), institutional mainstreaming and implementation. For each of these questions we highlight how PRSs could improve. They play a vital convening role, but in their current form they are insufficient to address the needs of the chronically poor.

**B. Where are the chronically poor in PRSs?**

Our review of a sample of first and second generation PRSs in former Heavily Indebted Poor Countries (HIPCs), and NDSs in non-HIPC countries (see Table 5), shows that as a ‘category’ the chronically poor remain largely invisible to policymakers. Strikingly, only one PRS – the Bangladesh National Strategy for Accelerated Poverty Reduction (NSAPR) – explicitly aims to reduce chronic poverty, but even here the focus is not maintained throughout. Overall, there is no clear diagnostic or policy narrative about persistent poverty, its causes and consequences, in any of the PRSs and NDSs reviewed.

**Table 5: Poverty Reduction Strategy review countries**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Vietnam</td>
<td>Across-the-board Consistent Improver (on three out of four indicators, with no data for GDP).</td>
<td>First generation PRS – Comprehensive Poverty Reduction and Growth Strategy (CPRGS) integrated with five-year Socio-Economic Development Plan (SEDP) as of 2005.</td>
</tr>
<tr>
<td>Philippines</td>
<td>Partially Chronically Deprived Country (on two out of four indicators).</td>
<td>Policies and public investment in agriculture.</td>
</tr>
<tr>
<td>Uganda</td>
<td>Partially Chronically Deprived Country (on three out of four indicators).</td>
<td>Poverty Eradication Action Plan (PEAP) now in its third generation.</td>
</tr>
<tr>
<td>Papua New Guinea*</td>
<td>Across-the-board Chronically Deprived Country (on three out of four indicators, with no data for undernourishment).</td>
<td>Draft PRS exists but is not official government policy.</td>
</tr>
<tr>
<td>Solomon Islands**</td>
<td>Unclassified (because population is less than one million).</td>
<td>Poverty Partnership with Asian Development Bank = ‘proxy’ PRS.</td>
</tr>
</tbody>
</table>

* Papua New Guinea also has a National Medium-Term Development Strategy 2005-10
** Solomon Islands also has a National Economic Recovery, Reform and Development Plan
Nevertheless, PRSs do contain several of the building blocks that could contribute to a better understanding of chronic poverty. In a related CPRC review of 17 PRSs, four were found to include some examination of persistent poverty, while three out of the 17 mentioned the intergenerational transmission of poverty, largely through a focus on children living in poverty. Most PRSs differentiate categories of extremely poor or destitute poor from other groups of poor people. Most include estimates of the depth and severity of income poverty. There is also a broad focus on multidimensionality, and on poverty and vulnerability as it affects specific economic and social groups and geographic areas. The question is whether this analysis is followed by specific policy measures.

**Disaggregating the poor in PRSs**

Participatory Poverty Assessments (PPAs) have been a prominent data source in a number of first and second generation PRSs (e.g. Uganda, Tanzania, Vietnam), and have helped to disaggregate poverty into several types. Local definitions of poverty can help construct a more nuanced picture of the obstacles facing different groups of the poor. In PNG, poor people distinguished between three kinds of poverty: ‘food poverty’, ‘poverty of services’, which highlighted a lack of infrastructure and public services; and ‘poverty of opportunity’, which signified a lack of ability to participate in the economy or to benefit from health and education. The chronically poor are the group most likely to experience all three of these forms of poverty. A further example comes from the Solomon Islands, where poverty is more widely referred to as ‘hardship’. Its most important components are a lack of access to essential public services and income-earning opportunities.

PPAs can provide important data about social processes and types of poverty. It is striking, however, that five of the ten countries reviewed have panel data available, but have not utilised it in their PRSs. Whilst precise quantitative measures often fail to resonate with policymakers, not utilising such rich data sources makes it extremely difficult to differentiate the poor and provide a clear picture of who and where the chronically poor are.

Many quantitative poverty analyses appear more concerned with how many poor people there are, rather than where they are, who they are and why they are poor. Most PRSs attempt to go beyond simple rural–urban dichotomies, by presenting data on key geographic disparities (for example, in terms of infant mortality and malnutrition, population, and infrastructure and natural resources). Some of the causes behind such disparities are identified, and include agro-ecology (Bangladesh, and see Box 8 on Ethiopia), limited integration with national economies (Vietnam) and conflict (Uganda).

**Box 8: Chronic poverty analysis and policy responses in Ethiopia**

While there is no single measure of chronic poverty in Ethiopia, we estimate that around 6-7 million of 18 million US$1-day poor are chronically poor. The first PRS made limited reference to chronic poverty or to specific groups of vulnerable people. In 2003 a fifth ‘food security pillar’ was added, placing chronically food-insecure Ethiopians within the Sustainable Development Poverty Reduction Programme (SDPRP). This contributed to the government’s Food Security Programme which aims to reduce dependency on annual famine relief and to work towards achieving Millennium Development Goal 1 (MDG1) (see Box 13). The challenge of food security in Ethiopia is confirmed by CPRC analysis of panel data and Demographic Health Survey (DHS) data. Whilst consumption poverty in rural areas fell from 1994 to 2004, with poverty exits supported by road infrastructure and extension service, DHS data suggest that this may not have translated into improved child nutrition. The pentagram below suggests that whilst the poorest quintiles’ access to safe water improved considerably between 2000 and 2005 (possibly related to infrastructure improvements), the incidence of stunted growth in children worsened considerably.

**Rural Ethiopia DHS data**

The second PRS (PASDEP) recognises the need to further disaggregate the picture. It uses the concept of ‘three Ethiopias’: three agro-ecological zones that allow for a more careful tailoring of interventions. But it is unlikely that such high-level differentiation is sufficient. There are highly diverse local contexts within each zone and diverse specific challenges faced by the chronically poor within these contexts. Like many other PRSs, the PASDEP document is unclear about the practicalities of translating a broad policy commitment to a differentiated strategy approach into local-level planning and implementation.

Source: Brown and Teshome (2007), CPRC DHS analysis
Bangladesh’s NSAPR is one of the few PRSs to link chronic poverty to unfavourable agricultural environments, such as areas prone to salinity, flood, erosion and drought. Vietnam’s CPRGS also, unusually, mentions the role of inadequate or biased state investments in compounding the difficulties faced by isolated groups. Generally, however, there is limited discussion of spatial factors, including spatial politics, that entrap the chronically poor and limit their visibility and voice. Apart from these links and some causal analysis stemming from PPAs, there appears to be very little causal analysis that explicitly links certain factors to particular types of poverty.

C. Policy responses/policy choices in PRSs

The lack of any simple link between poverty diagnostics and policy responses is by no means specific to concerns about chronic poverty. While many (especially first generation) PRSs contained much improved poverty analyses when compared with earlier strategies (especially the policy framework papers they replaced), the relationship between knowledge about the poor and policies intended to tackle poverty reduction has not always been clear. Often policy choices appear disconnected from poverty diagnostics, and are subjected to minimal appraisal or ex ante scrutiny. There are only a few mentions of ex ante Poverty and Social Impact Analysis (PSIA) in our PRS review, and it is unusual to see how the findings of a PSIA directly influenced policy. The disconnection between poverty diagnostics and policy responses highlights the importance of making a clear political case for such linkages.

The policies put forward in PRSs are of critical relevance to the chronically poor, whether or not they are directly targeted at them: they potentially hold the key for eradicating poverty (see Box 9). For the most part, PRSs include policy actions in broadly similar areas, which we categorise as:

- Broad growth policies – these generally set the framework and enabling environment for, or contribute to, the effectiveness of other policy actions.
- Sectoral policies – these are aimed at including and benefiting poor people, but generally are not exclusively targeted at them.
- Direct policies – these are targeted policy actions in health, education, water and sanitation, and the productive sectors. They are intended to broaden participation of the poor and vulnerable in development. They may include various social protection measures.

Box 9: What is policy and when is it pro-poor?

Theory tells us that policy is a choice made to undertake some course of action. Public policy is therefore what governments choose to do or not to do. In practice, policy is understood differently by different actors. It can be understood in a narrow technical sense – related to a specific issue or activity - or in a broad philosophical sense – encompassing a range of aspirations and intents. As part of the Bangladesh PRS study a senior government official was asked (several times) to explain what he understood by the term ‘policy’. The answer was always that ‘the government policy is to ensure the welfare of the general mass and/or distressed people’. In this interpretation, policy is the goal or objective of government. More generally in PRSs policy exists at several different levels: at the macro ‘whole of government’ level, sometimes called the ‘policy framework’; at the level of specific objectives or themes such as growth, human development and governance; and at the level of individual sectors (education), sub-sectors (primary education) and instruments (universal provision).

But what makes a policy pro-poor? Is it what policy seeks to do or what it ultimately achieves? And how do the chronically poor benefit from pro-poor policy? The general understanding is that pro-poor policies are those aimed directly at reducing poverty, either through improving assets and/or capabilities or through reducing vulnerability. Pro-poor policies are by definition those that should lead to better outcomes for the poor. Some would go further, to argue that they should also be based on a process in which the poor can directly participate. It is unlikely that many of the chronically poor would be able to engage meaningfully in such policy fora, due to marginalisation and discrimination. What is critical is that pro-poor policy should be measured not only by intents, but also by what is ultimately achieved for different groups of poor people.

Source: Evans (2007)
For example, Ethiopia’s second generation PRS (PASDEP) emphasises increasing productivity and modernising agriculture through commercialisation, including the promotion of large-scale commercial agriculture. While the strategy is much more comprehensive than its predecessor (the SDPRP), there is still an absence of clearly defined links to the poorest producers (through labour market linkages) and to the poorest geographical areas. This observation is similar to the findings of a study carried out in Rwanda, using data from the income and expenditure survey for 2000, which showed that the three poorest groups would be unlikely to derive much benefit, if any, from agricultural commercialisation. They had largely withdrawn from the market (due to poverty) and cultivated landholdings too small to produce a surplus. The study notes that measures to increase the productivity of Rwanda’s small-scale agriculture are critical, but there is a risk that commercialisation alone could increase rural inequality.

In Nicaragua, the PND-O puts economic growth first, without major concessions to pro-poor growth. It relies heavily on raising the aggregate rate of economic growth, assuming that a trickle-down effect will distribute benefits to the poor (through productivity enhancements and job creation). Providing health and education services, and improved seed for smallholders, are viewed as the main mechanisms for reaching extremely poor households. It fails to pay attention to the factors that limit market participation, and the terms on which the poorest households engage in specific markets (such as land, labour and capital). Its assumptions about trickle-down therefore have limited credibility. What is missing is a clear definition of the transmission mechanisms that link enabling policies with the livelihoods of poor people and their forms of market engagement.

Overall, growth policies in PRSs need an improved understanding of:
- the direct channels through which the chronically poor can participate in growth;
- the indirect channels through which the chronically poor sell their labour; and
- the fiscal link between growth and poverty reduction.

**Sectoral policies**

Sectoral or inclusive actions cover a range of productive (often agriculture) and social (often health and education) sectors. Yet few PRSs are explicit about the rationale for selecting between different public investments and their likely return in terms of benefits for the poor. With respect to agriculture, one key exception is Uganda’s PEAP. It assesses rates of return for sectoral investment in terms of their ‘return to income-poverty reduction’. The clear winner is public investment in agricultural research and extension. This forms a central part of the Programme for the Modernisation of Agriculture (PMA), and a key pillar of the PEAP.
The policy and political challenge

The PMA is a centrepiece of Uganda’s long-term strategy of fostering pro-poor structural change. It is envisaged that rural poverty is best addressed through the promotion of agricultural commercialisation, and particularly by providing a coordinating framework for support services and public goods in rural areas. This has been regarded among donors as a genuine attempt to place poverty reduction at the core of the agricultural growth agenda. (However, following unenthusiastic reviews of the programme’s implementation, the extension pillar of the PMA was recently suspended by the government.)

Whilst the PMA places poverty reduction at the centre of its strategy, its focus does not extend to the poorest, or even the poorest geographical areas, in Uganda. The emphasis instead is on reaching the ‘economically active’ or ‘productive poor’, through coordinated investments, and institutional and advisory support delivered at decentralised levels. The assumption is that the most structurally constrained groups working in agriculture – those with little land, casual labourers, dependent households – are not in a position to take advantage of such resources and/or require different kinds of support (neither of which is clearly acknowledged in the PMA). Other parts of government policy, not least the 1998 Land Act, recognise the importance of access to factors of production for the poorest producers. Weak implementation and politics have hampered any form of redistribution of rights to poor producers, particularly women producers or any improvements in tenure security. Moreover, efforts to reach the ‘productive poor’ need to be matched with commitments and actions to ensure that labour markets operate in the interests of the chronically poor (see Box 11).

In other PRSs, the focus on productive sectors centres around agricultural sub-sectors and the means to achieve rural development. Infrastructure development is strongly encouraged, often with local management and local schemes for operations and maintenance (see Box 12). Electrification and telecommunications are also flagged as critical elements of rural development strategies. There is scant analysis, however, of the possible limits to participation by the poorest groups, or the difficulties of service provision in remote or marginalised areas. Within tourism there are significant opportunities for poverty reduction through supply chains which include chronically poor people. Aside from some references to high-value tourism, there is little analysis of the service sector.

Choices about productive sector investments often lack a clear pro-poor focus in PRSs. Much of this relates to the lack of accurate poverty diagnostics, including a lack of actual, as opposed to assumed, understanding of how the chronically poor make a living. Sectoral/inclusive policy clearly needs a better evidence base, not least for informing investment choices. These can often promote ways out of poverty, for example through the role of infrastructure, education and information provision in making agriculture work for the poor (see Chapter 6).

**Box 11: What should policymakers focus on when thinking about participation of the chronically poor in growth?**

- Reduce formal entry requirements into key markets – such as land use restrictions, restrictions on labour mobility, especially between, but also within, countries, and removal of rules regarding informal sector trading;
- Specific investments in sectors where the chronically poor are represented;
- Investments to stimulate markets in chronically poor regions (market linkages, small-scale infrastructure investments);
- Attention to the terms of engagement in key markets – labour standards, anti-discrimination legislation, collateral requirements, etc.; and
- Progressive taxation which provides the basis for human capital development among the poor, and accompanying demand-enhancing mechanisms.

Source: Evans (2007)
In contrast, public spending on education and health is a central plank of all PRSs and is promoted as a critical route for reducing poverty. All the PRSs promise additional resources for health, education and, to a lesser extent, water and sanitation. In a large percentage of cases this is coupled with sector-specific or broader public sector administrative and management changes (to increase the effectiveness of investments). Because commitments to basic services are often based on wider national sector strategies (often predating PRSs) the agenda is invariably widened, to include more general human resource development and, sometimes, growth objectives. Policy measures are generally wide-ranging and inclusive, without touching directly on issues affecting the chronically poor.

There are important exceptions. The Ethiopia PRS places a significant emphasis on promoting both equity in, and expanding access to, education. Adult illiteracy is high in Ethiopia (66% for women and 51% for men). Moreover, a key indicator of inequality in education (the adult literacy female/male ratio) shows that Ethiopia is among the worst in the region (see Annex F). The foci in the PRS on geographical inequalities in education provision and on the need to lower barriers to girls’ education are particularly progressive. Policies and strategies that are potentially inclusive of chronically poor households include building education facilities in closer proximity to communities, and flexible schedules to allow children to combine school and household livelihood activities.

Much of the high-level policy agenda of PRSPs is focused on relieving supply-side constraints to service delivery, including increasing funding and capacity at both central and decentralised levels. Less attention is generally given to demand-side factors that inhibit or constrain the ability of certain groups to take advantage of services, if they are available. These demand-side factors include problems of accessibility due to distance or remoteness, the costs of paying for services, even if user fees have been abolished, specific barriers to girls, women and ethnic minorities based on societal attitudes, and competing household labour demands, particularly during certain peak periods in the agricultural cycle.

Direct policies

Although relatively few PRSs directly target the chronically poor, they tend to include a range of targeted actions. Many of these direct policies (some of which are framed as social protection programmes) are part of mainstream health and education programmes. Examples include exemption and waiver systems to protect the vulnerable and poor from the adverse impact of health user fees, and educational scholarships. However, direct policies are not limited to health and education sectors. They include targeted social protection measures, such as social insurance schemes, cash assistance to poor families or specific groups (widows, orphans) and in-kind assistance for those in difficult circumstances (response

---

**Box 12: Returns to public investment for pro-poor growth**

A recent study by the International Food Policy Research Institute (IFPRI) in India finds that public investment in roads delivers the highest impact with respect to poverty reduction and the second highest with respect to productivity growth. Public investment in research and development has the highest impact on productivity growth. In contrast, expenditure on power, irrigation and health has minor impacts on poverty reduction and productivity growth. In a similar study in China, public investment in education has the highest marginal impact on rural poverty reduction, followed by research and development, and roads. Research and development appears to matter in all institutional contexts, which is a significant result in designing policy for pro-poor growth. However, little of this analysis breaks down “the poor” into different groups and there is limited, if any, analysis of whether the depth and severity of poverty is also reduced from these kinds of public investments.

Source: Evans (2007)
to natural disasters, conflict), as well as growth-enhancing initiatives such as production support, micro-finance and short-term employment creation (see Box 13 on Ethiopia).\textsuperscript{16}

Vietnam’s approach to direct policies is somewhat unusual, in that it has a set of nationally targeted programmes (NTPs) that predate the PRS but still form a significant part of its approach to poverty reduction. These NTPs include efforts to tackle hard-to-reach poverty in geographically isolated areas and amongst specific ethnic and demographic groups, mainly through local-level selection. The NTPs are the product of a planning tradition in Vietnam that places horizontal equity high on its agenda. They also reflect a time when geographical inequalities were fairly low and local officials were well informed about the poverty and vulnerability of their constituents. As mobility has increased in the market economy, and as economic and demographic pressures in rural areas have multiplied, such an approach to targeting the poor has come under increased strain. Nevertheless, the relative success of the NTPs in bringing focus and resources to poor communities and individuals is a measure of the broader political commitment by the Vietnamese authorities to social equity. It points to a greater awareness of chronic poverty than in some other PRS countries. Despite the efficacy of the NTPs, and the large number of poverty exits in place during the previous decade, chronic poverty in Vietnam remains entrenched amongst ethnic minorities and in highland locations.\textsuperscript{17} And, as discussed in Box 17, there is plenty of room for improvement in the targeting process itself.

One major concern in the design and roll-out of social protection programmes relates to concerns about the development of recipient dependency. This is a widely assumed but largely unproven factor (see Chapter 4). It is not always clear what role social protection is intended to play – whether it is mainly one of alleviating the poverty of the poorest, or whether it has a more transformative objective, providing opportunities to escape from poverty altogether. What emerges is a rather piecemeal approach, with a lack of tangible policy and budget priority in many cases.\textsuperscript{18}

PRS policy analysis and policy choices, therefore, have limited resonance with our poverty traps and recommended policy actions for the chronically poor. There is some recognition of spatial poverty, through a focus on agriculture and remote communications and infrastructure. However, strategies to generate pro-poor growth often appear to assume trickle-down effects. Similarly, important public services in health and education are not aimed at the chronically poor, with little attention to demand-side factors, such as remoteness and barriers to the inclusion of girls, women and ethnic minorities (although there are notable exceptions). Whilst social protection is on the agenda, its purpose is largely unclear and its transformative potential thus unrealised.

Where the chronically poor do feature in PRSs, there is a more explicit commitment to fairness. In the Vietnam NTP, for example, horizontal equity has always been part of the political programme. But in general, issues of justice and citizenship are not themes of PRSs, anti-discrimination and gender empowerment policies are marginal, and urbanisation and migration feature rarely.

D. Political systems and ownership

Poverty reduction is fundamentally a political objective. Relations of power, access to state resources, government policy priorities, legislative frameworks and even constitutional guarantees may need to be transformed if the poor are to benefit from enhanced opportunities and more secure livelihoods. Formulating and implementing policies to achieve poverty reduction are equally political. They involve both

\textbf{Box 13: Targeting the chronically food insecure in Ethiopia}

Chronic poverty and chronic food insecurity are often treated synonymously in Ethiopia. Each year for the past decade the Ethiopian government has had to appeal to the international community for funds and food to provide relief to between five and 14 million individuals. These emergency appeals have undoubtedly saved lives, but they have not saved livelihoods. In response, the government launched a Food Security Programme to break the cycle of annual relief and to work towards achieving MDG1. The programme has three primary components: the productive safety net programme (PSNP); resettlement; and public works and household packages. It aims to reduce the vulnerability of, and attain food security for, eight million chronically food-insecure Ethiopians. The PSNP, launched in 2005, aims to smooth consumption for food-insecure households by providing transfers of cash and/or food during lean months. It aims to reduce household vulnerability, protect assets and improve resilience. At the same time it aims to provide labour to create community assets. By early 2007 the PSNP had reached approximately 8.3 million rural Ethiopians in eight regions. Of these roughly one-fifth receive direct support and the rest are public works beneficiaries. Whilst only two years old, the programme appears to be successful in targeting the most food insecure. Households receiving direct support are generally poorer than those participating in public works, while both groups are significantly poorer than non-beneficiaries. The PSNP also seems to be improving household income and, to a lesser extent, access to services and protecting and building household assets.

Source: Devereux et al. (2005); Sharp, Brown et al. (2006)
Chapter 2

Box 14: Political systems and poverty in PRSs

The PRSs with the clearest focus on extremely poor groups/localities are also countries with less than fully open political systems (Vietnam, Ethiopia, Uganda) or ‘illiberal’ democratic regimes (Bangladesh). PRSs without any obvious focus on chronic poverty include Nicaragua, Benin and Papua New Guinea, all of which have more liberal, openly democratic regimes (in the multiparty sense). The sample is too small to draw any significant conclusions. A working hypothesis, however, might be that multiparty democracy alone does not increase the likelihood that chronic poverty will be a focus of national strategies and policies, and tends to offer immediate gains for middle-income groups.

In contrast, relatively authoritarian regimes such as Vietnam and Ethiopia have been able to demonstrate a commitment to reaching the extremely poor. This is partly because there are fewer organised interests to be managed. It is also due to the way their political support is structured and, in particular, the political calculations needed to ensure political survival and social stability over the longer term. In Ethiopia, for example, the ideology and rural power base of the ruling party means that the preferences of the rural political elite are joined in demands for good governance (‘good enough governance’ as the PRS). A similar situation prevailed in Uganda during the 1990s, whereby the National Resistance Movement (NRM) was dedicated to a vision of nation-building and modernisation and relied heavily on the votes of the rural poor. The notable exclusion from this compact were northerners, against whom the NRM fought to gain power. They have since experienced conflict and the highest levels of chronic poverty in the country.

The point here is not to re-run the old debate between democracy and authoritarianism. It is rather that political histories of state formation, and the configurations of power in particular countries, are highly significant in determining the pro-poor character of politics. Importantly, these forms of politics often remain poorly understood within donor or foreign policy circles. Exhorting governments to attack poverty may find little direct resonance among national elites, who have greater incentives to focus on the more ambitious projects of ‘modernisation’ and ‘nation-building’. Where momentum exists in these directions, donors may be better advised to engage with such projects, rather than insisting that regimes take ownership of a necessarily external process such as the PRS. And the fewer political conditionalities external actors set, the better. There is a need to exercise moderation in demands for good governance (‘good enough governance’ should be the aim) and to temper these with analysis of the degree to which the elite project is grounded in concepts of justice and fairness.

owners and losers, as vested interests are no longer protected, discriminatory practices are discontinued and policies become more broad-based and benefit wider social groups.19

The current aid consensus suggests that ownership of PRSs is central to relevant policy design and effective policy implementation. A range of aid modalities also enters the picture, including donor commitments to alignment and harmonisation, the increasing importance of budget support, and pledges to increase the predictability of aid. Such changes have great potential to support the national ownership of PRSs – potential which, as yet, has not been realised.

Ownership places domestic politics firmly at the centre of PRSs. What kind of domestic politics matter for ownership of the PRS and concomitant momentum behind both the executive and the policymaking process. Experience across a wide range of literature would suggest that the nature of the political system is important for understanding ‘political ownership’, or political engagement in strategy and policy processes. For instance, the political system influences how power is organised within the executive and this in turn shapes how decision making is organised and enforced.

In at least three of the PRS countries analysed – Vietnam, Ethiopia and Uganda – the political system is highly centralised, with the main party dominating both the executive and the policymaking process. Importantly, all three countries also have strong ideological agendas. While the parliament or national assembly is an important institution in all cases, the policymaking process is only held to account to a limited degree. In these countries, PRSs are viewed as more effective statements of government policies than in some other more fragmentary political party systems, such as Benin or Nicaragua, where the PRS struggles to find its place amongst competing strategies and political party interests.20

If a competitive political system does not necessarily guarantee political ownership of the PRS, does it nevertheless increase the likelihood that chronic poverty will be in the policy frame? Box 14 suggests that this is not the case either. One hypothesis is that the responsiveness of public policy to the needs of the chronically poor depends significantly on the ability of politicians and technocrats to galvanise political elites in favour of poor and politically marginalised groups.21 Arguably, this is more difficult to do the more fragmented the political system. For example, in Bolivia coalition governments resulting from electoral rules made it harder for the cabinet to operate in a coherent fashion, with different ministries allocated to different parties, and with the president having to rely on coalition partners to get decisions through.22 PNG faces similar constraints. Its pluralist democracy is characterised by weak political parties (some 21 of them have at least one seat in parliament) and unstable parliamentary coalitions.23

In contrast, relatively authoritarian regimes such as Vietnam and Ethiopia have been able to demonstrate a commitment to reaching the extremely poor. This is partly because there are fewer organised interests to be managed. It is also due to the way their political support is structured and, in particular, the political calculations needed to ensure political survival and social stability over the longer term. In Ethiopia, for example, the ideology and rural power base of the ruling party means that the preferences of the rural political elite are joined in demands for good governance (‘good enough governance’ as the PRS). A similar situation prevailed in Uganda during the 1990s, whereby the National Resistance Movement (NRM) was dedicated to a vision of nation-building and modernisation and relied heavily on the votes of the rural poor. The notable exclusion from this compact were northerners, against whom the NRM fought to gain power. They have since experienced conflict and the highest levels of chronic poverty in the country.

The point here is not to re-run the old debate between democracy and authoritarianism. It is rather that political histories of state formation, and the configurations of power in particular countries, are highly significant in determining the pro-poor character of politics. Importantly, these forms of politics often remain poorly understood within donor or foreign policy circles. Exhorting governments to attack poverty may find little direct resonance among national elites, who have greater incentives to focus on the more ambitious projects of ‘modernisation’ and ‘nation-building’. Where momentum exists in these directions, donors may be better advised to engage with such projects, rather than insisting that regimes take ownership of a necessarily external process such as the PRS. And the fewer political conditionalities external actors set, the better. There is a need to exercise moderation in demands for good governance (‘good enough governance’ should be the aim) and to temper these with analysis of the degree to which the elite project is grounded in concepts of justice and fairness.
E. Institutional mainstreaming and participation of the poor

Ownership is only partly a function of the political sentiments attached to a PRS; it is also a function of how the PRS is mainstreamed institutionally. This raises the question of the extent to which the PRS is a key instrument for policymaking and allocating resources in government, and, by extension, how policies favouring the chronically poor are prioritised and budgeted for. Reviews of PRSs point to a number of generic concerns about institutional mainstreaming, including:

- a conflict between the breadth, range and degree of prioritisation of actions to which PRSs are expected to commit, and the capacity to deliver on them;
- weak links between poverty diagnostics and the decision variables guiding policy choice;
- inadequate linkages between strategy commitments and budgets, in part because of weakly developed budgetary systems and processes of prioritisation;
- weak capacities and overly ambitious plans, especially for local government;
- limited incentives attached to PRS implementation at all levels;
- a tendency to prioritise the inclusion of civil society organisations in consultation processes, rather than key stakeholders within political society (e.g. politicians, parliamentary committees); and
- processes being driven by donor interests instead of national interests.

Two important further concerns relate to consultation exercises themselves. Firstly, there are limited opportunities for direct participation by poor groups in PRS consultation exercises, often linked to language barriers, remoteness and inadequate information. Secondly, consultation exercises seem to have a relatively limited impact on policy formulation. The extent to which the poor as beneficiaries can ever be realistically included in high-level policy dialogue is questionable. However, this does not negate the importance of policymakers seeking broad consultations on policy, and trying to gain an understanding of the realities facing poor people.

In Latin America, consultations have only played a significant role when used to assist in implementing a specific policy measure supported from within government. Consultation has had a minimal impact on policy change itself. In Ethiopia, despite an ambitious consultation process as part of SDPRP, which ran from the centre down to the local (woreda) level, the degree to which these exercises were genuinely consultative has been questioned. Second generation PRSs have learned some of these lessons and, rather than rerunning broad-based consultative exercises, have tended to opt for more limited and focused fora. Involving communities in the process by which local government sets budget priorities (through participatory budgeting - see below) can be an important step forwards.

But it is not just the extent of consultation that is important; it is also the degree to which consultations open up space for the consideration of policy alternatives, particularly alternatives that seek to impact positively on the chronically poor. In the Ugandan PEAP, which has often been framed as the showcase for the PRS experiment, consultations have always played an important part. Its participatory mechanisms have generally been judged positively. The PEAP process has opened up spaces within which civil society groups can participate. It has also institutionalised a commitment to listening to the voices of the poor, through the creation of the Uganda Participatory Poverty Assessment Program (UPPAP). Nonetheless, pro-poor

---

**Box 15: Ideology, politics and policymaking in Ethiopia**

To understand policymaking in Ethiopia it is crucial to understand the role and ideology of the ruling party – The Ethiopian People’s Revolutionary Democratic Front (EPRDF). The EPRDF, its cadres and ideas are intertwined with government structures and policies at all levels of the state. The EPRDF’s ideology is rooted in its military history and its experience of mass mobilisation in resistance to the previous regime (the Dergue). As a result, EPRDF’s preferred conception of democracy has not been the liberal variety, based on individual participation and the contestation of interests and views. Rather, it espouses a revolutionary democracy, based on communal participation and consensus forged through discussion led by the vanguard organisation. In this view, although participation is understood as a cornerstone of good governance, the form that it takes is more directive and topdown than genuinely participatory. The policymaking process remains topdown and directive and formed at the heart of government by a set of leading party figures. Throughout its history the EPRDF leadership has seen the rural poor as its primary political constituency, and key government policies and programmes have often had a strong rural bias. The SDPRP, for instance, has an overriding rural development focus and the education and safety net programmes are focused almost exclusively on rural areas. PASDEP, the second PRS, gives more attention to urban areas and business as a driver of development; however, the strong attachment to the rural population is visible in government policymaking.

Source: Brown and Teshome (2007)
advocates in Uganda have found it difficult to challenge the government or offer alternative policy ideas. This reflects both the limited capacity to research and test alternatives outside of government, and the tendency of the dominant political elite to limit the space for alternative discussions.\textsuperscript{31}

The political difficulties of institutional mainstreaming are real. But we feel that much previous analysis of PRS reviews is missing the point. Certainly, mismatches between prospective actions and capacity, poverty diagnostics and policies are important, as are weak budget coherence, capacity and incentives. However, highlighting these shortcomings only offers technical solutions. For substantive ‘ownership’ to occur we need to focus on broader political currents and actors, including the role of social movements, and champions at the highest level of the polity.

\textbf{F. Implementation}

Policy actions or programmes all face serious barriers to implementation. Beyond issues already discussed (such as political system and ownership), very few further factors emerged as clearly contributing to successful implementation. The main exception was political leadership and budget discipline.

A clear link between PRSs and the national budgets is vital for effective policy implementation. This can be driven by strong political leadership and commitment. Without clear budget priorities and predictability, the capacity to resource programmes and activities is limited. Making this happen requires a combination of strong political leadership (including the ability to make tough choices), good analysis, budget discipline and a medium-term process for budget allocation (see Box 16).\textsuperscript{32} One clear illustration of the confluence of political leadership and budget discipline can be found in the expansion of education to include poor students in Ethiopia.

The education budget has grown significantly, rising to 20\% of the overall budget in 2005-06 and is protected from other spending pressures. As a consequence, enrolment has increased significantly, from 40\% in 1999-2000 to 70\% in 2004-05. There has also been a significant increase in the number of girls in school.

\textbf{Obstacles to implementation}

In contrast to the limited number of success factors, our review of PRSs found seven major obstacles to implementation, as outlined below.

i) Lack of a clear ‘political project’ linked with poverty reduction. A comparison of Uganda and Papua New Guinea makes this point clearly. One of the strengths of Uganda’s PEAP in the early years was that it represented a coming together of three interrelated ‘projects’: the national political project of state building, unification and legitimacy; the technocratic project of building autonomous technical capacity for policymaking; and the international project defined by Heavily Indebted Poor Countries (HIPC)s and the roll out of PRSs. By contrast, a clear political project focused on developing the nation as a whole, not just for the benefit of certain regions or interest groups, has been largely absent in Papua New Guinea. Political interference in the bureaucracy has limited its capacity to get on with the business of delivering an effective development policy in the interests of all Papua New Guinean citizens. The presence of large mineral resources and associated windfall profits has skewed political decision-making and rendered central and local governments weak in the face of political rent-seeking. Clearly, for Papua New Guinea ‘getting the politics right’ is going to be key.

\textbf{Box 16: Why budget discipline matters for pro-poor spending}

Many of the problems of ineffective budget management that undermine the ability to reorient spending towards the poor stem from political reluctance to recognise the need for tough choices and budget discipline. While governments may state a commitment to poverty reduction, a weak budget process can undermine much of that commitment. The PRS process has helped to reinforce the position of reformers wishing to enhance and preserve allocations important to the poor. The Poverty Action Fund in Uganda has been an especially useful model for ensuring that additional funds flow into additional spending to benefit the poor, and for helping to contain pressures from other spending priorities. The Medium Term Expenditure Framework (MTEF) is another tool for focusing on strategic priorities and creating the basis for sound budget decision-making. In Uganda this has been done by putting in place a central challenge function, with submissions from departments assessed against a small number of simple criteria. Analytical capacity for scrutiny has been built at the centre, while donor resources have been drawn into the preparation of medium-term budget plans at sector level. A further innovation is the strategic placing of the Poverty Eradication Working Group at the apex of the budget-making process, whereby all sectoral spending proposals must first pass through the poverty-lens of this group. The fact that the Private Sector Working group sits alongside the Poverty Eradication Working Group at this apex augurs well for developing the type of synergistic state–business–popular relations that characterise developmental states (see Chapter 4). It also offers a telling illustration of how technical process can be aligned with the broader challenge of establishing pro-poor forms of politics.

Source: Foster et al. (2002)
The policy and political challenge

The complexity of defining and reaching the chronically poor and the high costs of targeting. Here we offer examples from Vietnam and Bangladesh. Targeting in Vietnam’s NTP is a complex business. Poor households eligible for support are identified using complex criteria generated by the Ministry of Labour and Social Assistance (MOLISA). The method (see Box 17), while promoted as fair and transparent and having numerous benefits, still manages to miss out important groups of poor people. First, each year central government sets a poverty reduction quota for each locality, which in turn limits the number of people who can expect to be considered eligible for targeted services. Second, poor administration and bureaucratic procedures mean that poor people can become ineligible for services, because IDs and certificates have not been issued in a timely manner. Third, restrictions on immigrants registering for residence means that they are not considered as part of the identification process. Finally, PPAs have noted that local communities tend to marginalise certain individuals or groups, based on social norms. Hence, drug addicts or HIV-positive individuals are often excluded from the official poor list, even though they are among the poorest in all regions.

Credit is one example of an intervention which, despite the rhetoric, the chronically poor find hard to access and use. In Bangladesh, a country known for its targeted programmes, a lack of knowledge about the characteristics of the chronically poor limited the range of packages offered by microcredit agencies. They offered ‘general loans’ rather than the more targeted products for different poor groups which are now being trialled. In Vietnam, village-level studies show that in some cases ‘hungry households’ are officially excluded from micro-credit programmes because they are assessed as too poor. Meanwhile some of the poorest households do not access programmes because of self-exclusion (fear of indebtedness) or limited outreach and a limited range of credit products. Lessons from international experience confirm, however, that financial services can be provided in difficult environments and among hard-to-reach groups. To do this requires more than the ‘classical’ microfinance model.

Weak ministerial representation/funding of chronic poverty agendas. Pro-poor programmes initiated by government and funded with government resources are generally meant to be inclusive of ‘the poor’, but few make direct concessions to the chronically poor. Part of the reason is the lack of a visible, organised voice representing the chronically poor, both inside and outside of government. Where responsibility is said to exist, it is often assumed to reside in ministries, departments of welfare or community services that have a relatively low profile in government. Weak ministerial representation compounds the limited voice of the poorest. It also limits the mechanisms through which decision-makers are accountable to the chronically poor.

Capacity weaknesses and donor non-alignment. Capacity weaknesses universally affect implementation, but are often particularly significant in programmes important to the poor because of their multipurpose (multisector, multilocation) character. Capacity for coordination is often at a premium, but it can be easily undermined by a number of factors: weak institutional links (between sector ministries); political or budgetary rivalries between implementing departments or agencies;
and donor initiatives that cut across or ‘go around’ government priorities, particularly at the subnational level. In Papua New Guinea, administrative systems are failing to serve citizens generally, but especially the poorest citizens in far-flung rural areas. Community development officers often work without telephones or transport to go into the field.  

v) Inadequate budget resources/prioritisation. Examples of this were noted in reviews of PRSs in Tanzania, Vietnam, Uganda, Bangladesh, Nicaragua and Benin. Although Uganda has made good progress in terms of progressive policy formulation to reduce poverty, this has not been matched by successful budgetary support or implementation. A functional breakdown of the central government budget shows that ‘Community and Social Services’, the area of government directly responsible for social development and exclusion issues (many of which affect the chronically poor), gets less than 1% of the total budget. Of course, other aspects of the budget such as agriculture, education, health, water and roads, are also clearly relevant for the chronically poor. But for many people living in long-term poverty and facing disability or social prejudice, the lack of spending on community services is a critical obstacle. Participatory budgeting has offered the poor and the marginalised an unprecedented opportunity to get involved in local governance. The evidence also suggests, however, that this is dependent on pro-poor political parties gaining power.  

vi) Weak planning and coordination, weak accountability at local/sub-national levels. This emerged in the reviews of PRSs of Uganda, Bangladesh, Philippines, Nicaragua, PNG and Vietnam. Bringing government closer to people through decentralisation is widely considered to be a key component of any PRS. But decentralisation initiatives often find themselves delegating functions to weak institutions, despite considerable evidence that local governments are no more inherently pro-poor than national governments. The decentralisation agenda often mistakenly presumes that the local state is at worst a benign force for the chronically poor. There is little systematic evidence from the PRS reviews that decentralisation has been a panacea for reducing poverty (although there is some evidence from Indonesia – see Chapter 6). Robust systems for allocating resources from central to local levels, as well as participatory budgeting can help. Much more frequently, however, institutional roles and responsibilities are poorly clarified and devolved political power is subject to insufficient checks and balances (see Box 18).  

vii) Limited information on policy outcomes. Policies to address chronic poverty need to be ‘sold’ to governments as being consistent with broad agendas around growth, human development and social protection. They need to make credible economic, as well as social and political sense. Without good evidence on the outcome of policy choices in these areas, it is hard to make a solid case in policy spheres. Clearly, rigorous evaluation of the impact of policy interventions – perhaps using experimental or quasi-experimental methods where appropriate – helps to build a constituency around pro-poor policy levers, especially when backed up by wider evaluative techniques.

---

**Box 18: A case of dysfunctional decentralisation – Papua New Guinea**

Decentralisation is not a magic bullet for being more responsive to poor communities. Indeed decentralised systems that do not work can be less responsive and more vulnerable to local capture than more centralised systems. The history of PNG’s three-tier system of government – national, provincial, local – illustrates this. In 1976 the Organic Law on Provincial Government created this system and gave provincial governments authority over local governments. As a result, many local governments became ineffective as provincial governments assumed the more interesting and lucrative local government responsibilities and absorbed grants and subsidies. Amendments in 1995 strengthened the ties between political and administrative structures, giving politicians greater power over administrative decisions. This means that the civil service, which delivers services at local level, now takes many of its day-to-day instructions from highly politicised provincial governments. Moreover, the functions of different levels of government overlap, or sometimes have functional gaps. Thus, responsibility for any grassroots task, such as immunising children or providing textbooks, is shared across all levels of government. The result, often, is that nothing happens. The dysfunctionality associated with PNG’s Organic Law mean frequent poor stewardship of funds, poor capacity and a lack of funds at service-delivery levels. Also, critically, there is no obvious way for communities to hold government to account. This is associated with a lack of responsiveness to community needs, especially at provincial government level.

Source: Cammack (2007)
Whilst many of the obstacles to implementation have focused on government shortcomings, this is not to say that donors cannot improve their performance. Aid flows are frequently highly volatile and unpredictable. Donors’ commitments are frequently not matched by disbursements, so that pledges are often not implemented in full or on time. Such volatility undermines implementation, by increasing the uncertainty of government revenues, crowding out attention to improvements in financial management systems, and reducing the likelihood of long-term social sector investments. Stable and consistent aid flows should be able to smooth the high volatility of the revenue base in many low-income countries, but this is rarely achieved.

G. Conclusion

Despite limited poverty disaggregation, our review of Poverty Reduction Strategies suggests that many of the policies put in place to reduce poverty can also address chronic poverty. This is particularly the case with growth policies that emphasise agriculture and rural development (or other sectors where the poor are highly represented). It is also the case with human development policies which, in addition to improving the supply of health, education and other basic services, are increasingly including demand-enhancing measures. Social protection has an important role to play here, through reinforcing the demand for public services. Overall, however, policies which will reach the chronically poor are weakly outlined in PRSs, not least because the causes of chronic poverty – the five chronic poverty traps – are often not explicitly identified. To this end, PRSs need to embrace social protection and its transformative potential (see Chapter 4) and consider the wide range of asset-enhancing measures necessary to empower the chronically poor. Third generation PRSs should pay more specific attention to anti-discrimination and gender empowerment policies. They should also acknowledge more fully the necessity of strategically managing urbanisation and migration processes.

The aid and political environment in which a PRS operates is critical. If ownership is really the donor intention, then all aid modalities need to support this aim. Controversially, this report finds that the countries which have been best at addressing chronic poverty in their PRSs do not have the most competitive political systems. Rather, they are characterised by illiberal or less-than-open political systems. Nevertheless, they deliver a degree of accountability to poor constituents in ways which some of the more competitive systems appear not to. This leads to a hypothesis and a related proposal. We hypothesise that chronic poverty is more likely to be addressed where there is an ‘elite project’ - focused on nation-building and recognising the value of a social compact between citizens and the state – in which addressing chronic poverty can play an important part. And we propose that the international community should balance its concern for promoting competitive political systems with a recognition that there are other political drivers of poverty reduction.

A third generation of PRSs could learn substantially from the previous two generations. They could be more politically motivated and driven, with significantly fewer externally imposed political conditions. They should be better evaluated, with disaggregated quantitative and qualitative data both providing the basis for policy. A third generation of PRSs could attempt to foster a vibrant public debate across the range of private, public and civil society actors. Instead of using bland ‘consultation’ processes to engage the ‘usual suspects’, the use of creative mechanisms such as participatory budgeting processes can increase the involvement of important but marginalised actors. The Doha Financing for Development conference that takes place in 2008 offers an ideal opportunity to reinvigorate Poverty Reduction Strategies.

Notes
2. Although the ‘black box’ is now being opened up to scrutiny - see Hausmann et al. (2005) growth diagnostics work.
3. Bird (2006a)
5. Driscoll and Evans (2005)
6. This is mainly because a CPRC partner – Binayek Sen – was a major writer of the interim PRSP, but not the PRSP itself.
7. Anderson (2007); see Annex J.
12. This is despite a significant commitment from a number of international actors to strengthen and support PSIAs as a key input into more evidence based ‘pro-poor’ policymaking.


15. Demand-side measures were noted in a number of PRS reviews, but were never given the prominence they deserved. Examples include the removal of user fees for primary education (Tanzania); the provision of bursaries or scholarships for children from poor backgrounds (Uganda, Vietnam, Bangladesh); providing dormitories for children from remote areas (Ethiopia); reducing the direct costs to the poor of accessing healthcare (Vietnam, Tanzania, Uganda); tackling diseases particularly burdensome to the poor (Uganda, Ethiopia, Vietnam), improving critical infrastructure, including rural roads and potable water, and promoting food security (Ethiopia, Tanzania).

16. In Bangladesh, the PRS refers to several short-term employment creation schemes (food for work, cash for work and rural infrastructure maintenance) targeted at the poorest households and geographical areas. The Food for Work scheme is nationwide and aimed at one million beneficiaries per year guided by the World Food Programme's resource allocation map, while the Rural Infrastructure Maintenance Programme is concentrated in areas where there is severe poverty, up to about 100,000 beneficiaries per year.

17. Thang et al. (2007)

18. In Uganda’s PEAP although social protection is included, social protection, along with the broader social development sector strategy, remain unbudgeted.


21. More sophisticated analyses point to the need to make intertemporal bargains (Tommasi 2007).


23. The 2007 general elections were held under a new ‘limited preferential’ voting system designed to encourage more alliance building between the parties and thus more coherence. But party affiliations in PNG are not generally based on ideology or shared political convictions, but on personal allegiances and political expediency. The resulting weak governance context has not only compromised economic growth but also the Medium Term Development Strategy’s focus on policies intended to tackle poverty.

24. Although events since 2005 have begun to disrupt some of these links, as citizens push for more open political competition.


27. Booth (2005)


29. In fact the SDPRP states explicitly that consultation exercises served only to ‘confirm the broad development strategy, sectoral and cross-sectoral priority actions followed by the government’.


32. Foster et al. (2002)

33. A Catch-22 scenario emerges: without residency, immigrants are left off the official list of the poor; but not being on the list means that they are without help in getting housing (itself a precondition for residency).

34. This means new institutional set ups and delivery mechanisms, from member-based systems (financial cooperatives) to very decentralised and low-cost structures (village banks), to services attached to other schemes (such as out-grower schemes), not to mention innovative insurance and savings schemes. It is bringing information on these alternatives, their costs and their benefits, into the policymaking domain that is the key challenge.

35. For example, see the PRS reviews on Tanzania, Vietnam, Uganda, Solomon Islands, Bangladesh and Benin.


37. Serageldin et al. (2005)


39 Nick Highton, personal communication

40 Nick Highton, personal communication

41 Nick Highton, personal communication