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Research Article

Poverty and Poverty Eradication in Sub-Saharan Africa

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Abstract: The problem of poverty and how to reduce it remains the most pressing dilemma in the international development debate. More specifically, two questions are at the heart of much of academic research and public policy for development, namely: what is it that makes Sub-Saharan Africa (SSA) the poorest region in the world and what can be done to deliver the sustainable and broad-based economic growth required to address this? This paper seeks to provide an introduction to current debates on these two interrelated questions. We do not pretend to provide a comprehensive overview of a vast and ever changing body of academic literature and government policy. Rather, the paper has two main objectives. Firstly, we highlight the principal drivers and maintainers of poverty in SSA as we see them (building on a holistic approach to defining poverty) and, secondly, we critically discuss selected policies for economic development and poverty reduction. In addition, while there are many commonalities between countries in the region, there is also a great deal of diversity that a regional focus overlooks. Indeed, one of the main failings of development policies advocated by aid agencies has been an overly prescriptive, one-size-fits-all mentality that does not take country-specific constraints into account. We seek to chart a course between these extremes by dividing the drivers and maintainers of poverty into two broad categories: socio-economic factors (such as risk and vulnerability and low capabilities) and political economy factors (such as non-developmental politics, corruption and the 'resource curse'). This approach aims to identify issues that can (at least partially) be addressed through public policy while also situating them in their broad political and institutional context. In particular, in many states in SSA, informal institutions ('rules of the game') are equally if not more important than formal ones. Such states often have a politics dominated by informal, patrimonial relations whilst at the same time maintaining the pretence of separation between the public and private spheres and are therefore often described as 'hybrid' or 'neopatrimonial' states. The resource curse, where resource endowments lead to adverse political incentives, policy failure and underperformance is a prime example of the interaction of the formal and informal, resulting in anti-poor outcomes. This unique political and institutional picture does not mean that SSA is stuck in an intractable poverty trap. It is, however, crucial to understanding why states in the region remain so poor and should also be taken into account in trying to address it. In discussing policies for poverty reduction we again divide our discussion into two interrelated sets of policies: those with a direct poverty focus and those that seek to stimulate economic growth, raise incomes and – more indirectly – to reduce poverty. Both elements are essential for poverty reduction: no substantial and lasting poverty reduction is possible without economic growth, and growth alone will not reduce poverty without pro-poor linkages (such as growth that provides gains to the agricultural sector, where most of SSA's poor work). The discussion of poverty focused policies begins by considering the alphabet soup of policy instruments for poverty reduction widely adopted in the last twenty years, from Structural Adjustment Programmers (SAPs) to Poverty Reduction Strategies (PRSs) and the Millennium Development Goals (MDGs). While the current consensus in these areas rightly stresses the central importance of 'ownership' of the development process by national governments in SSA, other actors such as aid agencies should not retreat from the field of debate: quite the opposite. Countries in SSA need support in formulating and debating the best policy choices.

Keywords: Poverty, Government Policy, Resource, Economic.

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INTRODUCTION

Poverty is not an easy concept to define. As a result, a range of definitions exist, influenced by different disciplinary approaches and ideologies. The dominant Western definition since World War II has defined poverty in monetary terms, using levels of income or consumption to measure poverty (GruskyandKanbur, 2006: 11) and defining the poor by a headcount of those who fall below a given income/consumption level or 'poverty line' (Lipton and Ravalli on, 1993: 1).However, this economic definition has been complemented in recent years by other approaches that define poverty in a more multidimensional way (Subramanian, 1997:35). These approaches include the basic needs approach (see Street on et al, 1981), the capabilities approach (see Sen, 1999) and the human development approach (see UNDP, 1990). Their acceptance is reflected in the widespread use of the United Nations Development Programmer's (UNDP) Human Development Index (HDI), which is composite measure of three dimensions of human development: (i) life expectancy, (ii) educational attainment and (iii) standard of living, measured by income in terms of its purchasing power parity (UNDP, 2006: 263). It is also reflected in the Organization for Economic Co-operation and Development's (OECD) conceptualization of multidimensional poverty, defined as interlinked forms of deprivation in the economic, human, political, socio-cultural and protective spheres (OECD, 2006). For our purposes here, poverty is also defined by a sense of helplessness, dependence and lack of opportunities, self-confidence and self-respect on the part of the poor. Indeed, the poor themselves see powerlessness and noiselessness as key aspects of their poverty (Narayan et al., 2000). Further, the acknowledgement of the multidimensionality of poverty is reflected in the range of both quantitative and qualitative methodological approaches adopted to conceptualize and measure poverty. SSA is afflicted by many forms of poverty. HDI scores in most countries of SSA have stagnated or declined since 1990, leaving this region as the poorest in the world. Indeed, 28 of the 31 low human development countries are in SSA (UNDP, 2006: 265). Analysis of income poverty is similarly disappointing. Since 1990, income poverty has fallen in all regions of the world except SSA, where there has been an increase both in the incidence and absolute number of people living in income poverty. This sees some 300 million people in SSA – almost half of the region's population – living on less than US$1 a day (UNDP, 2006: 269). For some in SSA, poverty is dynamic and transitory, resulting in different sectors and groups of the population moving in and out of poverty over time. For instance, there are points in the life cycle when poverty is more likely, and this is often correlated to dependency ratios. Poverty is more common in young families, for example, when asset ownership is lower and dependency ratios are higher. For others in SSA, poverty is chronic rather than transitory. This means poverty is experienced for most of one's life, and often passed onto one's children (CPRC, 2004: 3). In fact, all 16 of the countries considered 'desperately deprived' by the Chronic Poverty Research Centre (CPRC) are found in SSA (CPRC, 2004: 65).This paper explores poverty and poverty-reduction policies in SSA. Section 2 considers the socioeconomic drivers and maintainers of poverty in SSA and suggests that risk and vulnerability, low capabilities, inequality, exclusion and adverse incorporation, and limited livelihoods and opportunities are contributing factors. Section 3 examines Africa's the political economy drivers and maintainers of poverty in SSA, for socially determined poor governance sustains poverty and makes it difficult to generate pro-poor growth and to create institutions to tackle problems, such as the 'resource curse', that contribute to poverty. It is important to keep in mind that SSA is a complex and diverse region. Countries in SSA experience different development trajectories, based on different conditions, drivers and contexts. So while exploring poverty and poverty-reduction policies in SSA can be useful in terms of identifying trends and generalities, this regional level analysis should be grounded and complimented by country-level and district-level analysis.2Some policies designed and implemented by governments and supported by western donors have a direct focus on poverty-reduction and inequality, and others focus primarily on promoting sustainable economic growth as an indirect route to lasting poverty reduction. Section 4 focuses on the former, outlining poverty reduction strategies, the Millennium Development Goals (MDGs), building capabilities, pro-poor growth, social protection and inclusion, as well as empowerment and antidiscrimination. Section 5 complements this with an examination of poverty-reducing policies that focus primarily on economic growth, reviewing: growth policies, trade, investment, industrial policy and infrastructure. In Section 6 we briefly survey the current western aid agenda, focusing on the Paris agreement on aid effectiveness and promises of increased assistance. In section 7 we present a short overview of four western aid programmers and of global and African initiatives specifically meant to improve governance and reduce poverty. Section 8 concludes. This is followed by a detailed bibliography and annexes that include two case studies – one on Nigeria and one on Tanzania – and more detailed information.

The socio-economic drivers and maintainers of poverty in SSA

Risk and vulnerability

People everywhere face risks and vulnerabilities [1] (1) but poor people, especially those

[1] Risk is the probability of harmful consequences, or expected losses (for example death, injury, or loss of property and other assets) resulting from interactions between natural or human-induced hazards and vulnerable conditions. These are commonly known as

living in rural areas dependent on agriculture and in tropical ecologies (Diamond, 1999), face more than others. This is true of a large proportion of SSA's population. There are a number of risks and vulnerabilities that drive and maintain poverty in SSA, including harvest failure, market failure and volatility, conflict, and health shocks.

Harvest failure

Harvest failure is a key risk for rural households in SSA (Sinha and Lipton, 1999). Africa's geography and agro-ecology (prone to drought as well as intense rain) combine with inefficient agricultural technologies and inadequate agricultural support and result in environmental degradation, unmanaged pests and poor access to inputs, which increase vulnerability. Harvest failure not only affects crop dependent households, but the wider rural economy (including households dependent on non-farm income sources) as well as national well-being and stability. It also can have long-term effects as people sell assets as a coping strategy. National budgets are also destabilized as trade (and national income) is reduced and relief has to be imported. The food crisis experienced in southern Africa in 2001-03 is a case in point. Heavy rains in the late growing season in 2001 triggered a harvest failure of maize, the region's main staple (Wiggins, 2005: 3). An immediate impact was felt by crop-dependent households. But harvest failure was not the only cause of this food crisis, for institutional weaknesses, political factors, donor policies, and economic inequalities also contributed (Booth et al, 2006: 58). Together they led to a significant increase in prices across the region (e.g., a four-fold increase in Malawi), causing acute problems for the poor. In fact, it is estimated that in late 2002 the lives and livelihoods of as many as 16 million people in Lesotho, Malawi, Mozambique, Swaziland, Zambia and Zimbabwe were threatened (Wiggins, 2005: 2; Maunder and Wiggins, 2007: 4).

Market failure and market volatility

Market failure and market volatility increase the prevalence of poverty in SSA. This is because, in many instances, the poor do not possess the level of assets (both physical and human capital assets) required to protect themselves from shocks resulting from markets. Market fragmentation – inadequate institutional and infrastructural linkages (e.g. railway, roads, landline and mobile telecommunications) between local, national and international markets – means that markets are poorly integrated, over both time and space. This not only affects physical markets but reduces producers' and traders' access to information that signals price changes, which limits their ability to change their patterns of production and trade to avoid economic shocks. The advantages of rural infrastructure and markets is seen in Tanzania, where households within 100 meters of a year-around road that has a regular bus service, earn on average one-third more per capita than the rural average (IFAD 2001: 164 in Bird et al., 2002: 12). Market volatility is driven by international economic shifts or more localized market failures. International market volatility in key staples and commodities (e.g. coffee, sugar, cocoa, tea) can lead to higher prices (as in Uganda in the late 1990s) but also to low prices, which cause extreme hardship for producers. The catastrophic impact of the collapse of coffee prices in recent years in Ethiopia, Burundi and Uganda is demonstrative of this (CPRC, 2004: 45). But price volatility can also be a poverty driver for urban and net consumer households. This is because the cost of their basket of goods increases as the price of staples, including fuel oil, rises. Such price rises have a similar impact on national budgets as well, as the 1970s oil crisis did throughout SSA, and mass importations of maize had in southern Africa in the 1990s.

Conflict

A strong association is found between high levels of conflict and multidimensional poverty. For example, between 1997 and 2006, nearly 40% of low human-development states globally were found to be affected by armed conflict, compared with less than 2% of high and a third of medium human development states (Ploughshares, 2007). This is significant because African countries are prone to conflict. In 2006 Africa, with 13% of the global population, had over 40% of the world's violent conflicts; eleven countries were affected directly (Ploughshares, 2007). Violent conflict has direct, immediate and devastating impacts, including injury, battlefield and civilian deaths, the destruction of household assets and displacement. It has indirect and long-term poverty impacts by increasing dependency ratios, resulting from an absence of men and an increase in the proportion of disabled and elderly, as well as women and children. It destroys public infrastructure and assets, disrupts livelihoods and reduces savings, undermines law and order and political processes, and causes social and cultural erosion and dislocation. It has generated millions of African refugees (over 3 million in 2006), which are costly for host countries as they put pressure on domestic resources, jobs, and services (see Stewart and Fitzgerald, 2000; Good hand, 2001: 13-14).

Health shocks

Sudden or prolonged ill health often results in a downward spiral of asset loss and impoverishment as people are forced to abandon productive activities. The relationship between ill health and poverty is complex and works in both directions: illness can cause poverty and poverty can contribute to poor health (Grant, 2005). Health statistics in SSA are alarming. The under-five

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shocks and, unmitigated are a key driver of poverty. Vulnerability measures the resilience against a shock or stresses – the likelihood that a shock will result in a decline in well-being. It is primarily a function of a household's asset endowments and insurance mechanisms – and of the characteristics (severity, frequency) of the shock (World Bank, 2001: 139

mortality rate in 2005 was 166/1000 – a figure that has hardly improved in two decades and is twice the developing world's average. Poor maternal health is a scandal, with the odds that a SSA woman will die from complications during pregnancy and childbirth at 1 in 16 – compared with a developed-world rate of 1 in 3800 (United Nations Department of Public Information, 2007: 2). Life expectancy in SSA is today lower than it was three decades ago, with an average life expectancy of about 50 years in 2000-05 (UNDP, 2007: 265). Untreated sickness contributes significantly to low life expectancy. For example, seasonal conditions (such as diarrhea, water- and mosquito-borne diseases) result in poor health outcomes, and given that they commonly coincide with the rainy season and therefore the most highly labor-demanding agricultural season, such illnesses can have broader poverty implications. The HIV/AIDS pandemic has reduced life expectancy and contributed to high levels of mortality. The number of people dying from AIDS in SSA continues to increase, reaching 2 million in 2006, as does the number of new cases and the number of people requiring treatment for advanced infection (United Nations Department of Public Information, 2007: 2). HIV/AIDS has an impact on households' livelihoods and labor productivity and on the ability of households and communities to cope (Van de Waal and Whiteside, 2003). Households affected by HIV/AIDS commonly have less income, reduced food security and are more vulnerable to other shocks, such as drought (Harvey, 2004). Dependency ratios (dependents as a proportion of the working population) in SSA are the highest in the world, with the dependency ratio 0.8 (young) and 0.1 (old) in 2004 (World Bank, 2006a). This is partly driven by the HIV/AIDS epidemic in SSA. HIV/AIDS is also putting considerable strain on public service delivery and government budgets, and on social cohesion and stability.

Low capabilities

A different way of thinking about the causes of poverty is to think in terms of capabilities. These, according to Seen (1999), reflect a person's freedom or ability to choose the way (s) he wishes to live. These include the capacity to be free from hunger, to become educated, and to earn a decent living and as such, they are interconnected and mutually reinforcing. People trapped in persistent poverty tend to experience multiple 'capability deprivations' concurrently. That is, they are illiterate, have inadequate nutrition, poor human rights, and insufficient income and livelihood opportunities, which taken together drive and maintain their poverty and ensure it passes across generations (CPRC, 2004: 40). People in SSA suffer from capability deprivations in a range of dimensions. For example, in the conflict affected communities of northern Uganda, livelihood and income-generating opportunities are extremely limited because people are forced to flee into internally displaced persons (IDP) camps. Living conditions in these are cramped; water and sanitation facilities are inadequate. These poor living conditions, accompanied by the inadequate provision of public services lead to poor health, which affects, among other things, educational outcomes. Poor health and education levels, combined with insecurity and weak governance, make it difficult to enact change (United Nations, 2006a; Brown, 2006; Boas and Hatloy, 2006). This multidimensional deprivation is not unique to Uganda. Indeed, it is found in a range of other conflict-affected regions of SSA (for example, Democratic Republic of Congo, Central African Republic, Chad, Somalia, and Sudan) (United Nations, 2006b). It is also found to a lesser degree in states where conflict is more low level, such as Swaziland and Zimbabwe, where rights are not protected and services are not provided (education, health, agriculture extension, for example) and people have reduced capacity to improve their lives.

Inequality, exclusion and adverse incorporation

Inequality, exclusion and adverse incorporation are key drivers and maintainers of poverty. Inequality, which is generally defined as the proportion of, and gaps between, the rich and the poor, can exist and contribute to poverty in a range of dimensions. Inequalities in income and other economic indicators, such as asset ownership, are often persistent, deeply rooted and typically a result of political forces that enable powerful groups to protect their wealth, and of market imperfections that make it difficult for those who have low incomes and low savings to accumulate capital. Importantly, then, in any society there is a generally positive relationship between high levels of income inequality and low school enrolment, low life expectancy, high fertility, corruption, insecure property rights and macroeconomic instability, which demonstrates the multidimensional impact of income inequality (Inter-Regional Inequality Facility, 2006: 2). In terms of income inequality, SSA is one of the most unequal regions in the world. The average Gini Coefficient [2] is 47.4 and the poorest 20% of the population earn only 5.3% of total income. Drawing on evidence from Kenya – where the country's top 10% of households receive 42% of total income while the bottom 10% receives less than 1%, and real GDP has declined between 1980 and 2003 at a rate of 0.2% per year – Anderson and Bird (2006) conclude that levels of income inequality could be partially responsible for poor economic growth. In other words, low incomes reduce access to services and goods that can be used to increase earning power and generate national wealth. Inequalities in no income dimensions (such as assets, education, health and access to public services and the labor market) are also high across SSA, particularly between regions and with stark differences between men and women (Okojie and Shimeles, 2006). Exclusion from political, social and economic institutions is part of a vicious cycle that leads to low

[2]) The Gini coefficient is a number which varies from 1 to 100, with higher values indicating higher inequality.

capability levels, which in turn reduces the ability of the people to escape poverty and 'horizontal inequalities' (inequalities between groups defined according to ethnicity, gender, region, religion, and so on) make up a significant proportion of overall inequality (Stewart, 2004 and World Bank, 2005: 40- 43 in Inter-Regional Inequality Facility, 2006). Commonly, exclusion results from various forms of active discrimination, directed against certain people (e.g. who share ethnicity, religion, or culture). It may be reinforced by discrimination on the basis of personal characteristics, such as gender, age or impairment (CPRC, 2004: 37). This can lead to favoritism (e.g., the Chewa under Dr Banda in Malawi), to inequities such as the San face in Botswana, or in the extreme cases, to violent conflict as in Rwanda in 1994. Inclusion can also be problematic at times, for it sometimes drives and maintains poverty. For example, many of the poorest people are included in economic activity, but on unfavorable terms (CPRC, 2004: 37). This 'adverse incorporation' reinforces inequalities by, for example, forcing people to take low Wage work, in bad conditions and on uncertain terms (CPRC, 2004: 38; see also Hickey and du Toit, 2007). this is seen on tobacco and other estates where people (even children) have little choice but to work for extremely low rates of pay and live in intolerable situations. Inequality, exclusion and adverse incorporation play out in a number of sub-Saharan African countries. Because ethnicity is a key defining characteristic in Africa, it drives discrimination, conflict, state formation, political alliances, economic choices, etc. (Madman, 1996 in Hickey and Du Toit, 2007). Ethno-territoriality (where ethnicity overlaps with territorial claims) plays a central role in determining wealth and poverty as well as access to resources and political power. In places, state formation along ethno-territorial lines has created poverty traps for entire peoples and regions (Hickey and Du Toit, 2007: 9-10). Inequality, exclusion and adverse incorporation also play out in relation to gender in SSA. Certainly African women have far fewer political positions and senior business posts, a direct result of gender discrimination. Not only do aspiring women not reach their full potential, but gender discrimination ensures that women – particularly elderly women and female-household heads – bear the brunt of the shocks and costs that flow from the HIV/AIDS crisis (duToit and Neves, 2007 in Hickey and Du Toit, 2007).

Limited livelihood opportunities

Unemployment in SSA was nominally 9.8% in 2006 and the number of unemployed had risen by 35.3% in the previous ten years (ILO, 2007: 2). But in reality because of the size of the agricultural and informal economies, significant numbers of UN- and under-employed people are never counted. Furthermore, the working poor make up a significant portion of the population. According to the ILO, in 2006 80% of Africans did not earn enough to lift themselves and their families above the US$2/day poverty line and one-half lived in extreme poverty (less than $US1 a day) (ILO, 2007: 3). In other words, people remain poor because they haven't sufficient productive and profitable work to do. This is especially true in rural areas. A range of factors contribute to limited livelihood opportunities in rural areas, including distance from markets, poor agro-ecology and sub-marginal land, low levels of public investment in service delivery and infrastructure, and conflict. These constrain market development and hinder savings and private sector investment, which limit the potential for productivity gains, increases in real wages and expanded job opportunities. This has significant poverty implications. For example, in Nigeria a strong association has been noted between living in a rural area and being poor (Hillhorst and Ogwumike, 2003:15). There are also limited, or at least inadequately productive, livelihood opportunities in the agriculture sector, resulting in rural households migrating to urban centers as part of their livelihood strategies (DFID, 2004 in Bird, 2005: 5). Taken together, risk and vulnerability, low capacities, inequality, exclusion, adverse incorporation and limited livelihood opportunities combine to keep many Africans poor. An organized, visionary, consistent and determined effort to reverse these and other contributors of poverty is therefore needed. Going beyond that, development initiatives and pro-poor economic growth is necessary to raise income levels, provide all people with the capacity to aspire and improve their lives, and to reduce inequalities and vulnerability to risk. This requires commitment by leaders, policy formulation, an effective civil service, the rule of law and other governance reforms. Donors have attempted to kick-start this development process where it is weak, and to support it where it exists, but with mixed results. Before analyzing the role of donors, though, we will explore the role that domestic governance plays in maintaining high levels of poverty in Africa.

The political-economy drivers and maintainers of poverty in SSA

In order to understand SSA's poor economic performance and its generally dismal poverty-reduction record an analysis of the social relations that shape state decision-making and policy-implementation processes is required. Without this it is difficult to comprehend why decisions that are anti-poor are taken time and again by many African leaders. As we have seen, poverty is multidimensional and not just related to material deprivation. A person's vulnerability, sense of powerlessness, low capacities, limited livelihood opportunities and other constraints to lifting themselves out of poverty are in part a result of weak state institutions and governance [(3)] that result in poorly

[3]) Governance refers to the rules and processes that regulate the public realm, where state, societal and economic actors interact to make decisions. Therefore, governance goes beyond a focus on government to

designed and implemented policies, weak formal institutions and rule of law, inadequate service delivery, and to other practices that undermine the creation of an enabling environment.

Non-developmental politics

Certain aspects of Africa's political systems tend to hinder transformational change and poverty reduction efforts. This is because deep social forces create power relations, often referred to as a 'neopatrimonial' or 'hybrid' state [(4)] that share a number of characteristics. These include (i) a weak separation of the public and private spheres; (ii) the private appropriation of public resources (corruption); (iii) a regular use of clienteles, nepotism, and other vertical exchange relationships to maintain power; (iv) weak cross-cutting horizontal interests and relationships; (v.) the zero-sum(winner-take-all) nature of politics; (vi) a concentration of power in an individual ('presidentialism') who stands above the law; (vii) an absence of issue-based politics and political parties; and (viii) patron client relations that are replicated at and link all levels of society. The economies of neopatrimonialstates are largely pre- or quasi- capitalist, which leaves the state as the primary source of wealth in a country. Such countries are generally economically 'poorly performing' partly because the 'logic' the elite follows tends to further their short-term interests (i.e., staying in power and 'milking' the state) rather than long-term national developmental goals. Such states are characterized by high levels of 'informality' - where rulers operate under the auspices of informal norms and practices to distribute patronage and state resources, in combination with exploiting vertical ties (ethnicity, regional origin) and personal charisma to secure control and hold onto their power. This has created political culture where political contests and parties are centered on personalities not issues, and shifting party coalitions are the norm (Commack, et al., 2006). maintain power; (iv) weak cross-cutting horizontal interests and relationships; (v.) the zero-sum(winner-take-all) nature of politics; (vi) a concentration of power in an individual ('presidentialism') who stands above the law; (vii) an absence of issue-based politics and political parties; and (viii) patron client relations that are replicated at and link all levels of society. The economies of neopatrimonialstates are largely pre- or quasi- capitalist, which leaves the state as the primary source of wealth in a country. Such countries are generally economically 'poorly performing' partly because the 'logic' the elite follows tends to further their short-term interests (i.e., staying in power and 'milking' the state) rather than long-term national developmental goals. 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In such an environment it is difficult for the voices of the poor to be heard, or their interests to be considered fairly. Discriminatory practices based on religion, regionalism or tribalism may help the elite retain support (and win votes in preferred areas) but hurt whole groups of people and impede their climb out of poverty. Such behavior is most obvious at election times when incumbents use these 'informal' practices to win support even when they haven't created a state capable of delivering goods and services or of producing an environment where economic 'winners' can emerge. Such behavior is also seen in states suffering from a 'resource curse', where management of valuable public goods, such as hardwood forests and minerals, is self-serving and non-developmental. The poor are able to achieve short-term gains from this system by supporting a patron who shares some of his wealth. This strategy is most visible at election time when leaders are hoping to win support by delivering goods (and promises of development) to voters. For instance, the incumbent in Malawi's 1994 presidential campaign distributed relief maize, while the President in 1999 handed out seed and fertilizer – none of which alleviated poverty over the long run. President Museveni created new districts partly to appease local 'notables' during the run-up to elections in Uganda, though this process did little or nothing to improve service delivery or reduce poverty levels in rural areas (Cammack, et al, 2007). Land-invasions in Zimbabwe were permitted for followers when Mr Mugabe was faced in 2000 with the real possibility of losing an election – a move that has brought famine to his country. In between elections, the poor turn to mid-level people, such as chiefs, MPs, party officials and district administrators to receive goods (e.g. medicines, credit)

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include the relations between state and society, with a focus on how decisions are made and not just on the resulting actions (Court et al, 2007).

[4]) Neopatrimonialism is a hybrid system combining patrimonial practices with formal institutions and processes (Bratton and Van de Walle, 1999). Patrimonialism is a form of traditional rule where there is no distinction between public and private spheres, where the ruler treats all political and administrative affairs as his personal affairs (Medard, 1982). Neopatrimonialism, however, maintains the façade of separation of the public and private with seemingly functioning and independent state institutions and bureaucracy (Chabal and Daloz, 1999).

outside the dysfunctional state system. Few of these patrons are in a position to generate the type of reforms needed to promote long-term poverty reduction though. So, while this system rarely works to raise the poor from poverty, they have very few other ways to access opportunities – especially in poorly performing states (Kurer, 2007). They stay 'connected' to patrons, hoping that eventually some benefit might arise from the relationship. This strategy, then, affects the way the population relates to formal state institutions.

Corruption

The abuse of public office for private gain is the norm in such states. This is manifest in a number of different ways. Certainly bribery and kickbacks for public procurement and for escaping taxes and customs charges are common. The embezzlement of government funds, and the sale or misuse of government property is seen frequently. For instance, civil servants will establish small supply companies simply to provide goods at inflated prices to the ministries where they work. On a larger scale, public licenses are doled out to political favorites so they can monopolies telecommunications 8 networks or IT services (ARTICLE 19, 1998). Such practices slow the development of public services (mobile phone networks, for instance) and raise their costs. Privatization of state companies in the last decade or so has benefited insiders everywhere, sometimes at the expense of more equitable growth. A 'moral economy of corruption' exists in much of SSA. When a ruler's wealth was not separated into public and private coffers historically, any leader who was not generous with his resources was considered illegitimate.So today the act of stealing government funds and handing out some to favorites is not necessarily viewed as corrupt or illicit. Not surprisingly, then, corruption appears to be more prevalent in countries with poorly functioning formal institutions and weakly integrated accountability mechanisms, i.e., where traditional 'informal' ways of thinking and behaving remain more vibrant and where rational-legal institutions are not yet embedded. When corrupt behavior becomes predatory – such as it did under Frederick Chiluba in Zambia, when millions of dollars were diverted to the President and his associates (Smith, 2007) – it affects economic growth, the delivery of services, and poverty-reduction. Corruption with impunity at that level begets corrupt practices throughout the civil service and society.

Weak nations, weak states

African national boundaries are largely a colonial heritage; they were laid down with little regard for the local residents' identities. This has resulted in countries that are marked by ethnic and religious diversity, which has been transformed into ethnic and religious conflict (at local or national level) by unscrupulous politicians, resource constraints, and discrimination. The Rwandan genocide is a case in point, but so are conflicts in Darfur and northern Nigeria. In many countries, large territories are outside the control of the central government, and warlords rule through force of arms, which they often acquire by selling 'blood' resources (diamonds, coltan, timber, etc.). This is the case today in the Democratic Republic of the Congo, and in the previous decade in several west African countries. In other words, in many African states the process of nation-building is incomplete. Moreover, legal-rational state institutions are weak in countries where they compete with vibrant informal institutions or where they are deliberately emasculated to serve a political or economic agenda (Medard, 1982). There are in fact few political or economic incentives for the elites to relinquish control to formal state structures and institutions, and this in turn stalls economic development.

Weak civil society

Most Africans live rurally. Many know little of the world outside their villages, except what they hear on the radio. Getting to schools, clinics, towns and the capital city is difficult due to poor roads and transport links. In many countries people living in one region have little contact with, or knowledge of those living in other areas. Taken together this creates a society that prioritizes local connections (family and clan, tribal, religious, regional) rather than a shared national identity. It is also difficult for them to relate to the problems of those hundreds of miles away, or if they do, to organize for change. This is what is meant when analysts speak about African civil society being 'weak'. The citizenry's voiceis rarely heard, it has few locally based but nationally influential organizations, and it cannot hold the distant, relatively powerful central government to account. Donors support NGOs, most of which are based in the capital city and run by people living there. They may have linkages in the rural areas, but rarely do local-level communities set NGO agendas or decide how to spend their funds. Finally, as noted before, rural people still relate to local 'notables' and patrons as they have for generations, and may not actively seek alternative ways of accessing goods or services. In much of SSA they certainly cannot depend on the state to deliver them. This situation impacts on poverty in several ways. First, governments are often suspicious of NGOs, which may be run by politicians-in-waiting. The regime will see them as political opponents rather than voices for the people – in fact, governments will question their legitimacy, saying they have won the people's votes and therefore speak for them, and NGOs have not. NGOs (including faith-based groups, 9 trade unions, community-based organizations) that deliver services are left alone or even encouraged by the state, while those advocating radical changes aimed at altering the conditions leading to poverty, may be the most threatening to the state and therefore dealt with. This has happened across Africa, from Swaziland to Ethiopia. Secondly, conditions make it difficult for people to organize and fund their own campaigns – many are illiterate, without modern communications,

isolated, and without organizational skills (Ellis, 2005). Media are key to holding leaders to account for their policies everywhere, but in many African states the press and broadcasters are owned by politicians, funded by ruling parties, or government-controlled. Even where they are not, the print media tends to be biased towards its readership – urban, literate and often middle class, and have little to say about the government's failure to address inequality or poverty. Finally, many states have enough men under arms – either youth groups, paramilitary organizations, police or army – to control real dissent arising in towns or villages. Most recently we have seen this in Zimbabwe with its youth brigades, which patrol neighborhoods and roads, and which are reminiscent of Malawi's 'young pioneers' who kept a lid unpopular protest for Dr Banda. Generally, then, in SSA there is a correlation between civil society weakness and poverty.

Human rights

Development is often linked to human rights as multiple rights denials can cause and shape poverty. Multidimensional poverty may be expressed as a denial of specific human rights, e.g., the right to education, health, livelihoods, etc. Social, economic and cultural rights are particularly relevant in this context (United Nations, 1966a; United Nations General Assembly, 1986). But so too are civil and political rights, for as we have noted above, the denial of rights of expression, organization, participation can undermine local attempts to change systems that contribute to, and perpetuate, poverty (United Nations, 1966b). Discrimination has been tackled by various UN conventions and agreements (for refugees in 1951, on racial discrimination in 1966, for religious intolerance in 1967, for women in 1979, etc.). Also, special protection for children was adopted in 1989. The international human rights framework also sets out all states' legal obligations in guaranteeing the human rights of their citizens. Many of these rights have been enumerated in regional agreements; of most relevance here is the African Charter on Human and People's Rights (1981), which reflects African communal values as well as international rights standards. It has been operationalized by the African Commission on Human and People's Rights. A human rights approach to poverty reduction expresses the needs and interests of the poor in terms of their rights. Central to poverty-reduction policies and processes are the values of empowerment, participation and accountability. Many Poverty Reduction Strategies adopted in Africa already have features that reflect international human rights norms. Further, the introduction of social safety nets reflects people's rights to a reasonable standard of living, food, housing, health protection, education and social security. Anti-poverty strategies that demand transparent budgetary and other governmental processes are consistent with the right to information, while the insistence those strategies be 'country owned 'corresponds with the right of peoples to self-determination. A human rights approach places the voices and experiences of the poor at the heart of policy and programming. It makes the poor active participants in the development process, rather than passive recipients, and as such accords them dignity and status that is otherwise denied them.

Resource curse

While these socio-political issues independently affect poverty and poverty reduction, it is easiest to see their impact when we speak about the resource curse. Resource endowments – such as oil, gas, Colton, diamonds, hardwoods – can become a 'curse' in the face of the political incentives and policy failures they generate (Robinson et al., 2005). Indeed, 'policy failure [is] the prime cause of the underperformance of the resource abundant countries' (Lal and Myint, 1996). As these resources are commonly owned by the state, the government decides the extraction level, timeframe and expenditure 10 of the rents. It is easy to see that some governments would wish to benefit economically and politically from the resource as quickly as possible, which leads to over-extraction and short-term policy-making. Furthermore, the wealth these resources produce for the state heightens political competition, and the ruling party may well be driven to use resource rents to maintain and expand its influence. Offering public-sector contracts and employment is one of the key patronage mechanisms available in such states, and there is evidence that resource-rich countries with stagnant economies have an over expanded state (Auty, 2001). For instance, in copper-rich Zambia, between 1966 and 1980 the average yearly growth rate in public sector employment was 7.2 percent, while private employment on average contracted by 6.2 percent each year (Gelb, Knight and Sabot, 1991). How the government chooses to invest and spend resource rents is often influenced by the quality of their state institutions. Institutions that are competent, transparent and accountable are able to manage resource rents in a manner that is separated from patrimonial practices, and are allocated according to rational and independent criteria. Even as poverty increased, President Chiluba's illicit earnings, for instance, were funneled through non-transparent, 'secret' (security and presidential) accounts that profited from Zambia's state-owned copper mines. On the other hand, Botswana's success in managing its diamond wealth has been attributed to its 'good governance' and in

Particular its stable institutions (Iimil, 2006).(5)In particular, voice and accountability,

[5]) Botswana held free and fair elections in 2004, and has relatively stable political processes. Civil society plays an active role in monitoring resource extraction and rent expenditure. Botswana has competent civil servants, disciplined resource management and high quality public services. It has a self-disciplinary

government effectiveness, market-friendly policies and regulatory framework and effective anti-corruption measures have had the most impact. Generally, then, poor governance, rights abuse, corruption, clientelism and other 'informal' practices combine with structural constraints to generate and maintain poverty. They also make it difficult for people to initiate and carry through reforms that would improve their livelihoods. It is for this reason that western development specialists tackle poverty on two levels: at one level by attempting to strengthen economic development and growth and the other by improving local and national governance. Both strategies focus on putting into place or reforming state and social institutions.

Poverty focused policies for development and poverty reduction

Development aid has responded to poverty, slow economic growth and poor governance in SSA in a wide variety of ways. In Sections 5 and 6 we focus on two overlapping strands of western aid policy respectively, both concerned with improving conditions for the poor: the first with a strong poverty focus, directly tackling the causes and consequences of poverty, and the second with a strong focus on economic growth, as an indirect means of addressing poverty. It is important to note that few African governments have poverty policies that are separate from donor poverty frameworks, as they have been designed in tandem. Where states are particularly weak, and politicians are distracted from development by domestic political issues (Booth, 2006), donors have actually (unsuccessfully) attempted to step into the breach and make policy. One aim of the reforms agreed in Paris (outlined below) is to encourage aid-recipient states to take more control of their poverty agendas and aid policies. Six initiatives with a strong poverty focus are elaborated in this Section: structural adjustment programs and poverty reduction strategies, MDGs, building capabilities, pro-poor growth, social protection and inclusion, empowerment and anti-discrimination.

Structural Adjustment Programmes (SAPs) and Poverty Reduction Strategies (PRSs) Aid, in the form of grants and concessional loans, usually comes with a number of donor-imposed conditions regarding how it should be spent; this is generally referred to as 'conditionality'. The conditionality used by international financial institutions (IFI) known as the Bretton Woods institutions– the International Monetary Fund (IMF) and the World Bank – is of particular importance, both because of the total size of their aid and because many other donors also rely on their assessments as a 'signal' before deciding whether and how much aid to provide. Throughout the 1980s and early 1990s, the centerpiece of the conditionality of aid delivered by the IMF and World Bank was the Structural Adjustment Programme (SAP).[(6)] however, following extensive criticism of the SAP approach as being anti-poor (charging user-fees for health services and closing down marketing boards, for instance, and focusing on macroeconomic stability and fiscal balance rather than poverty), it was replaced by a new aid paradigm in 1999 – the Poverty Reduction Strategy (PRS) approach. The introduction of a PRS was set as a precondition for countries to become eligible for debt relief under the Enhanced Highly Indebted Poor Countries (HIPC2) Initiative, which included 33 countries in SSA. The PRS approach aims to enhance the poverty focus of World Bank and IMF concessional lending (IMF, 2005a). The PRS process was also developed in response to a number of other concerns, including the poor record of poverty reduction in the 1990s and a new focus on poverty-reduction results; a growing understanding that traditional aid delivery undermined recipient government capacity; the lack of ownership of, and limits to, conventional forms of conditionality and the development process more broadly; and the need to justify an increase in multilateral funding through debt relief (GTZ/ITAD/ODI, 2007: 1). PRSs typically describe a country's macroeconomic, social and structural policies and programme to promote and reduce poverty over a three year time horizon, as well as with associated external financing requirements. They usually also have an associated monitoring and evaluation (M&E) framework that sets quantifiable and time-bound targets to guide PRS implementation (World Bank, 2006b).[(7)]

"Sustainable Budget Index" whereby mineral resources are supposed to finance "investment expenditure" on health, education and development. It has also implemented market friendly policies with limited regulation and long-term contracts to allow the private sector to invest with confidence.

[6]) Structural Adjustment Programmes had the goal of reducing the borrowing country's fiscal imbalances. In general, loans from the IFI were meant to promote economic growth, to generate income, and to pay off the debt which the countries have accumulated. SAPs generally promoted free market programmes and policy. These programmes include internal changes (such as deregulation and privatization) as well as external ones, especially the reduction of trade barriers. Reforms were monitored by the donors, and some made further aid conditional on SAP perform.

[7]) There are five core principles underlying the PRSP. They are expected to be: (i) country-driven and *designed through a participatory process (taking into account the views of Parliaments, other democratic* bodies, the donor community, civil society and the poor themselves); (ii) results oriented (demonstrating an understanding of the causal links throughout the entire results-chain, linking policy and intended outputs, outcomes and results, monitored via the M&E framework); (iii) comprehensive in approach (recognizing the multidimensional causes and nature of poverty and strategies to reduce poverty and the importance of a comprehensive macroeconomic policy

PRSs are prepared by governments in consultation with their civil societies, and lay out their development priorities. At the time of the last major review forty-nine countries had prepared PRSs. Of these, just over half were in SSA, with 'second generation' PRSs being developed in Burkina Faso and Tanzania. Uganda, the first country to use the PRSP approach, was already developing its third strategy (Driscoll and Evans, 2005: 5). The first PRS in Uganda made valuable progress in three areas: it contributed to a much stronger poverty-reduction focus inside government; engaged civil society in poverty-reduction policy debates at an unprecedented level; and focused attention of donor harmonization and alignment at both the international and country level. Second generation processes look more promising than the first because they are no longer directly linked to the HIPC-approvalprocess, and also because there has been some genuine learning and innovation in some countries regarding the form of public consultation that best stimulates critical policy thinking (Driscoll and Evans, 2005: 6).Critics note though, that the PRS 'experiment' has been based on overly simplistic assumptions about political change, which as we have seen above, is complicated by the logic of Africa's hybrid-state politics. PRSs assume that simply by committing to do things in a participatory way with stakeholders, governments will be more likely to be called to account for their actions and results by those stakeholders. Not surprisingly, evidence suggests that this does not work well in practice (Booth, 2005). Again, not surprisingly considering the African context, recent advice has stressed the importance of domestic political incentives and greater national ownership as essential for successful PRS implementation. For example, a recent World Bank (2007a) survey emphasizes the need to establish linkages between PRSs and existing national processes for policy-making and resource allocation, and in particular the budget. The survey highlights the importance of such linkages in promoting 'domestic accountability'. That is, since the executive and parliament tend to pay much more attention to budgets and their formulation, and since PRS processes tend to have more civil society engagement than budget processes, linking the two helps to ensure deeper buy-in to PRS objectives from domestic political actors. Overall it is too early to provide a clear verdict on the PRS process. There are serious limitations to the process in terms of its ability to change those deeper social determinants of government commitment to poverty reduction that we have described above. Indeed, it is questionable if any externally initiated process can have a far-reaching impact on underlying domestic political incentives in the long term.

framework to support them); (iv) partnership oriented (provided opportunities for improving relations with partners); and (v) developed with a long-term perspective of development (World Bank, 2002: 1; World Bank and IMF, 2005 in GTZ/ITAD/ODI 2007: 1).

The Millennium Development Goals (MDGs)

The Millennium Development Goals (MDGs) were articulated in September 2000 at the United Nations Millennium Summit. They are time bound, measurable targets for combating poverty, disease, hunger, illiteracy, environmental degradation and discrimination against women by 2015. They form a blueprint agreed globally for combating poverty and have galvanized an unprecedented level of support for meeting the needs of the world's poorest people (United Nations, 2007a). The MDGs comprise eight goals, each with targets (see Appendix A):

- **Goal 1**: Eradicate extreme poverty and hunger.
- **Goal 2:** Achieve universal primary education.
- **Goal 3:** Promote gender equality and empower women.
- **Goal 4:** Reduce child mortality.
- **Goal 5:** Improve maternal health.
- **Goal 6:** Combat HIV/AIDS, malaria and other diseases.
- **Goal 7:** Ensure environmental sustainability.
- **Goal 8:** Develop a global partnership for development

Establishing the MDGs has had a positive impact on the international development agenda. For example, it has enabled bilateral and multilateral actors in the international development community and aid recipient governments to move away from the narrow macro-economic stability focus of the Washington Consensus, typified by SAPs, towards a more multidimensional view of human development (Braunholtz, 2007). The MDGs have weaknesses, however. For example, they do not explicitly address some of the most important global issues facing the world today – conflict, climate change, human rights, inequality (Braunholtz, 2007). They also impose a one-size-fits-all set of targets (with their associated priority areas of public expenditure) on an incredibly diverse set of national

contexts, with different problems. [8] Just after the 2007 mid-point of the MDGs the record for SSA is

[8]) Other problems include a focus on lobbying for increased resources to fund investments in MDG-related activities and on monitoring progress against the targets and goals instead of on the actual steps needed to operationalize clear action plans for their achievement. Moreover such action plans were rarely

bleak: the region as a whole is not on track to achieve any of the goals. Although there have been some major gains in several areas – such as primary education enrolment, where there was an increase from 57% in 1999 to 70% in 2005, and the goals remain achievable in many African nations – not even the best-governed African countries have been able to make sufficient progress in reducing extreme poverty (United Nations, 2007b: 1).Reaching the Just after the 2007 mid-point of the MDGs the record for SSA is bleak: the region as a whole is not on track to achieve any of the goals. Although there have been some major gains in several areas – such as primary education enrolment, where there was an increase from 57% in 1999 to 70% in 2005, and the goals remain achievable in many African nations – not even the best-governed African countries have been able to make sufficient progress in reducing extreme poverty (United Nations, 2007b: 1).Reaching the MDG target of halving the extent of extreme poverty by 2015 requires a doubling of the current pace of progress (United Nations, 2007b). Progress towards meeting the target of halving the extent of hunger (represented as the proportion of under-fives who are underweight) is unlikely as the proportion has declined only marginally, from 33% in 1990 to 29% in 2005.

Building capabilities

The multidimensional focus of the MDGs has encouraged attention to be focused on a range of dimensions of poverty, including building capabilities such as education, health, water and sanitation.

Education

Evidence of the value of supporting education to achieve development is convincing. A more equitable distribution of education correlates with reduced economic poverty and inequality and faster economic growth (Birdcall and London, 1998 in Bruns, Mingat and Rakotomala, 2003:1). Education for girls has positive impacts on women's empowerment and lowers women's risk of being poor. It also generates indirect benefits in terms of the health of their infants and children, family nutrition, immunization rates and educational attainment for their children (World Bank, 2001 in Burns, Mingat and Rakotomala, 2003:1). It has been found in SSA that education for boys and girls may be the single most effective weapon against HIV/AIDS (World Bank, 2002b in Bruns, Mingat and Rakotomala, 2003:1). Primary education also contributes to improved natural resource management (Godoy and Contreras, 2001 in Bruns, Mingat and Rakotomala, 2003:1). Education, especially at secondary and tertiary levels, is fundamental for the construction of democratic societies and globally competitive economies. In short, education is a powerful instrument for reducing inequality and poverty and for laying the foundations for sustained economic growth, effective institutions and sound governance (Bruns, Mingat and Rakotomala, 2003:1). Despite improvements in universal primary education enrolments, countries in SSA a still face numerous education challenges. On average, less than 60% of SSA adults can read and write with understanding (UNESCO, 2005:1). There are a number of reasons why educational levels are low, for instance, Africa has many under-15s and governments are therefore faced with the challenge of educating increasing numbers of school-aged children within tightly constrained budgets (DFID, 2001:13). In poorer households, education is not a priority when simply surviving is a challenge, and children are kept out of school to work; in cases of extreme poverty, children may contribute up to 40% of family
Income (DFID, 2003: 16-17).

These and other constraints mean families cannot afford, or do not priorities schooling. [(9)]

Health

Poor people are disproportionately affected by poor health. Health problems facing the poor include communicable diseases (such as HIV/AIDS and tuberculosis), childhood illnesses (such as measles and polio), reproductive health problems, preventable diseases (such as diarrhea and malaria) and impairments. At the same time the poor are more likely to experience extreme difficulty accessing appropriate care, especially if they live far from health posts or if clinics charge fees. There are two streams of policy responses: the first is a broad-based, public health response, which focuses on improving the access and quality of primary health care and also on the broader health implications of water and sanitation, housing and education for girls and women (WHO/World Bank, 2002 in Bird and Busse, 2006: 35). The other is a vertical programmatic response, targeting specific issues, such as HIV/AIDS, malaria, sexually transmitted diseases, child health, etc. Not surprisingly, budgetary constraints, combined with inadequate governance and accountability structures, hinder the access(particularly for those in remote areas), type (primary health care services to improve population health versus secondary and tertiary clinical services for people with serious and chronic illnesses) and quality (particularly trained staff, available drugs, etc) of health care available in SSA. The result is high levels of morbidity and mortality.

Water and sanitation

Clean water and sanitation are extremely important for positive changes in human development (UNDP, 2006: 5). However, in 2004 only 42% of

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adequately articulated in first-generation PRSs (or in other government policies). Also, meeting the MDGs generates the perverse incentive for agencies to give money to the slightly poor

[9]) rather than the chronically poor, and to concentrate resources heavily in one area to meet a target, rather than diverting resources to other areas where a more significant development outcome might be achieved.

people in rural areas of SSA had access to clean water and 63% of the population lacked access to basic sanitation facilities (United Nations, 2007b: 2). Progress on improving health and sanitation in SSA is slow and the region is far from meeting the MDGs (UNDP, 2007b: 2). This can be partially explained by the poor representation of water and sanitation in many PRS processes, resulting in limited state support and financing. It can also be explained by the overestimation of the role that the private sector can play in addressing 'gaps' in the water and sanitation sector. Further, returns on past water and sanitation investments are poor, sustainability remains a challenge and sector-wide reforms designed to improve effectiveness and efficiency face various implementation obstacles. While under-funding is a significant constraint, the efficiency of expenditure and appropriateness of technology also contribute to water and sanitation failures (Water Aid, 2006 inBird and Busse, 2006). It is here too, that we see the impact of poor governance on policy: as the 2006Human Development Report acknowledges, the 'global water crisis' does not exclusively relate to water scarcity, but centrally to power, politics, poverty and inequality (UNDP, 2006: 2). The poor are systematically excluded from access to water by their poverty, limited legal rights or by public policy that limits access to infrastructure that provides clean water. In short, scarcity is manufactured through political processes and institutions that disadvantage the poor (UNDP, 2006: 3).

Pro-poor growth

Evidence from across countries and time periods demonstrates that economic growth and improved productivity are necessary for widespread and sustainable poverty reduction. Indeed, economic growth is often the main factor in reducing income poverty (Bird and Busse, 2006: 6). While economic growth is necessary for poverty reduction, it is far from sufficient (Wiggins with Higgins, 2008). The extent to which growth can reduce poverty depends on a number of context-related variables. Specifically, to harness growth for poverty reduction countries must have certain policies in place so that poor people can participate in growth (Bird, 2008). Three groups of policy issues are critical in this context: agriculture and rural development, market development and trade, and the enabling and complimentary environment.

Agriculture and rural development

As noted before poor people are disproportionately concentrated in rural areas, which means that agricultural growth and rural development are key to growth and poverty reduction (Wiggins, 2005: 1; Dorward et al, 2004: 1). In fact, agricultural growth in some countries is responsible for 40-70% of poverty reduction (World Bank, 2005: 38 in Bird and Busse, 2006: 11). Broad-based agricultural growth can increase the income of poor farmers, as well as landless laborers reliant on agricultural employment. Agricultural growth can also have a strong impact on food prices and as the poor usually spend a high proportion of their incomes on staple foods, productivity increases which result in declines in food prices benefit the poor. However, findings from case studies in Malawi and Zimbabwe (Dorward et al, 2004) suggest that only high-yielding and appropriate technologies, combined with extension services and improved access to markets will enable the increasing productivity necessary for pro-poor growth (Bird and Busse, 2006: 11). In recent decades, though, there have been less emphasis on agriculture and rural development in PRS sand other initiatives. There are two reasons for this. First, was a shift in the global orthodoxy on development which, driven by the Washington Consensus, led powerful donors to focus attention on market liberalization and the development of the private sector, and to moves to liberalize agriculture markets and reduce government involvement in the agriculture sector. Second, there was a significant reduction in public investment in agriculture, in part driven by a perceived failure of earlier agriculture investment and an increased emphasis on non-farm rural livelihoods (Dorward et al, 2004: 1). To some extent this is being turned around and more importance is being placed on coordinating the activities of those engaged in the agriculture sector (Evans et al, 2006:13). The World Bank's World Development Report for 2007 titled Agriculture for Development demonstrates this renewed interest (World Bank, 2007b). 4.4.2 Supporting market development and tradeIn low-income SSA countries, low levels of market access and high transaction costs have been identified as two of the most important constraints to expanding agricultural earnings. Improving market access, and lowering transaction costs, is therefore central to giving farmers and agricultural workers a clear sense of market opportunities at home and abroad (Wiggins, 2005: 1) and increasing the agricultural earnings of poor and smaller farmers (Bird and Busse, 2006: 12). Public investment in transport and transport links, and the development of market policies and marketing chains, are critic alto the development of more effective markets (Wiggins, 2005: 1; Bird and Busse, 2006: 12). Attention to trade-related policies can also have a beneficial impact on the poor. This can be achieved in a range of ways, including lowering import tariffs (to stabilise domestic prices); developing export promotion strategies (to encourage the emergence of domestic traders, improve price transmission, stimulate local supply responses and local demands for unskilled labour, and drive up relative wages for the poor); and relaxing quantity restrictions on imports (resulting in the increased availability of inputs and the variety of goods for consumers). It must be noted that trade policies do not automatically translate into benefits for the poor. A wide range of policies are required to ensure these benefits are realized, such as mechanisms

for ensuring price signals are transmitted effectively from international to sub-national markets (Nguyen et al., 2007: 1). As we noted earlier, there are structural constraints in SSA that make this difficult to achieve.

Social protection

Social protection can be best understood as policies and programmes which 'aim to help poor and vulnerable people manage risk and overcome deprivation, through direct cash or in-kind transfers' (Marcus, 2007a: 2). These include cash transfers (for example, pensions, disability grants, child benefits, social assistance), input distribution programmes (for example, agriculture 'starter packs'), employment guarantee programmes, subsidized access to services (for example, health insurance subsidies and user fee exemptions), nutritional supplements and school feeding programmes (Marcus, 2007b: 2-3). Social protection programmes can reduce people's vulnerability to the shocks and stresses that might otherwise push them further into poverty. They can also help poor people build assets, promote and protect the capacities and well-being of people who are currently poor, help challenge and transform inequitable social relationships that keep people in poverty and contribute to reducing inequality (Marcus, 2007a: 1-2). Social protection takes the form of unconditional payments or payments with conditions attached, and can be universal (for example a statutory minimum wage) or targeted (focused on age, resulting in programmes that deliver child benefits, for example, or impairment, resulting in disability pensions). While tight targeting enables society to transfer resources to a particular beneficiary group, the targeting process itself is resource intensive, commonly excludes too many of the target group or includes too many of the non-target group, requires highly effective systems of management and administration (particularly because the target group is likely to be both mobile and fluid) and can distort the behavior of the excluded group (as they try to meet the criteria 16 for payments) (Bird and Busse, 2006: 43-44). To be most effective, social protection measures must be complemented by wider policy reforms, legislation and actions that help reduce risks and promote social inclusion and equity (Marcus, 2007: 2). Increasingly, the role of social protection in development is recognized by donors and African governments as key to poverty alleviation and economic growth (Holmes, 2007: 10). The African Union has pledged its support for social protection programmes, while individual governments, such as Mozambique and Lesotho, have financed their own cash-transfer programmes (African Union, Government of Zambia and Help Age International, 2005 in Marcus, 2007b: 6). Zambia's cash-transfer programme (which is only $6-8 per month) has been found to make notable impacts on food security (enabling people to eat twice a day instead of once) and on access to health care and education (Schubert, 2005 in Marcus, 2007b: 2).

Inclusion, anti-discrimination and empowerment

Successfully tackling inequality, social exclusion and adverse incorporation can be achieved by creating legal, policy and regulatory frameworks that ensure that socially excluded groups benefit from public expenditure as much as other groups, that they gain access to good-quality services and economic opportunities, and that they are fully able to participate politically (DFID, 2005a: 9). Attempts can be made to reduce inequality, social exclusion and adverse incorporation legislatively, by creating laws that enshrine universal rights and legislate against discrimination. Strategies to empower excluded or discriminated-against groups can also be adopted (Luttrell, 2007). The problem though, as noted above, is how to ensure that such laws and policies are implemented when there are incentives working against it. Where such programmes have been adopted, they have had success. In Uganda, for example, the policy of Universal Primary Education, introduced in 1996, has had a positive impact on access to education for girls and other previously excluded groups (Bategekaet al., 2004: 30 in Braunholtz, 2006). Total primary enrolment more than doubled, the ratio of girls to boys increased, and it aided other excluded groups (IDPs, orphans, etc) to attend schools (Braunholtz, 2006: 11). All over SSA school feeding programmes supported by the UN's World Food Programme have targeted female pupils in upper-primary school – just about the time they would stop attending classes – by providing incentives for their parents (bags of maize, for example) for keeping them in school.

Growth focused policies for development and poverty reduction

As discussed in Section 5.4, lasting and far reaching poverty reduction requires sustainable economic growth as a necessary (though not necessarily sufficient) condition. However, while we have seen how important it is to establish linkages that convert growth into poverty reduction, we have yet to discuss the policies that can help to stimulate that growth. This Section therefore discusses some of the policy areas that are central to delivering economic growth, covering trade, investment, industrial development and infrastructure as well as a bundle of issues often referred to as the 'enabling environment' for economic growth.

5.1 Policy after the Washington Consensus

During the early 1990s policy advice for economic development was quite clearly defined. Many academic economists and development policy specialists came to agree on some basic principles regarded as fundamental to achieving sustained economic growth and poverty reduction. These were

17codified in the 'Washington Consensus'. [10] SSA governments adopted many of these reforms, albeit more slowly and reluctantly than elsewhere for reasons that mostly related to the nature of hybrid-state politics. In any event, across much of SSA government marketing boards were dismantled, inflation was targeted, trade policies were liberalized and extensive privatization was undertaken.

Unfortunately, this standard package of reforms and the way they were implemented failed to live up to expectations. There were only a handful of 'success stories' of national growth and poverty reduction, and even these were tenuous. Importantly, the agenda failed to address the fundamental and socially rooted institutional constraints specific to Africa. It also neglected the fact that many of the developed countries advocating the Washington Consensus agenda had themselves pursued far more interventionist and protectionist policies in their own economic development (Chang, 2002). In recent years there has been far more skepticism about the efficacy of a one-size-fits-all development policy and an increased recognition that local 'context' is key to designing and implementing policy effectively. Identifying the 'binding cons trains', institutional weaknesses, and incentive structures locally are now considered an essential starting point (Rodrik, 2006; Collier, 2007).

Trade, investment, industrial development and infrastructure

Trade and Investment

Trade policy for economic development typically centers around the question of how far developing countries should pursue trade liberalization or 'open up' their economy to foreign trade (Winters, 2000). Where liberal trade theorists argue that openness enhances growth others have noted that historically many countries developed behind protectionist barriers (Winters, 2004; Chang, 2002) –indeed, it is arguable that Singapore is the only country to have made the transition from LDC to developed economy under a wholly liberalized trade regime. Moreover, it is now understood that the priority given to trade reform may generate expectations that are unlikely to be met without complementary measures, and may delay other institutional reforms which would have a greater impact (Rodriguez and Rodrick, 2000). Indeed, trade-policy reform cannot substitute for a comprehensive development strategy: it is a mistake to look for a simple relationship between trade liberalization and economic growth, because trade liberalization has never been advanced or implemented as an isolated policy, and the only useful question is how it fares as part of a package, including sound macroeconomic and fiscal policies (Baldwin, 2002). For example in East Africa trade related taxes have accounted for a large proportion of total revenues, and tariff reform has affected revenue flows, at least in the short term, in some states. This has implications for social spending (to alleviate poverty), though region-wide reforms may boost production over a longer period, while institutions are restructured, and jobs created, thus helping the poor (Booth, 2006). Other growth-enhancing policies must be part of trade liberalization if it is to confer benefits. The fight against corruption is one vital ingredient, with liberalization– especially rationalizing the regulatory system – reducing the scope for 'rent-seeking' behavior. Greater openness can also be a safeguard against inflation and a stimulus to investment. But investment requires incentives, adequate financing mechanisms, a framework of property rights, political stability and peace – all of which are in short supply in SSA. In the final analysis, many of the beneficial effects of trade liberalization depend on other policies and institutions being operationalized. So while there is a fairly strong case for using trade liberalization to promote growth, it must be part of a holistic and properly timed and sequenced development strategy (i.e. introduced over a period of many years) that is 'owned' by government.

Industrial policy

Industrialization has long been considered the substance of economic development: producing new goods with new technologies and transferring resources from traditional activities to new ones (see Imbs and Wacziarg (2003) for empirical evidence of this pattern). Industrial policy (IP) is therefore more than a narrowly defined group of policies focusing on manufacturing, but is a set of policies to stimulate specific economic activities and promote structural economic change (Rodrik, 2007). The question then becomes what types of policy interventions are best, and what role the state must take in determining these. Types of policy intervention may involve providing public subsidies or protective tariffs to particular industries. At the other extreme, governments might aim to establish a growth-enhancing 'environment 'in which entrepreneurs are freed from state direction and the market is allowed to drive change. It is generally agreed that governments in late-developing states should intervene in specific ways to foster industrial development – as they do in promoting education, health and social insurance – because the market alone is unlikely to generate opportunities for growth. Economic development requires more of the state than a purely regulatory role. Drawing on the East Asian experience, Rodrik (2007) argues that ''good governance' has to be seen in part as the ability to generate and implement the policy initiatives needed to alleviate the consequences of market imperfections. Countries such as South Korea, Taiwan and China have developed not by suddenly perfecting their institutions, but by coming up with

[10]) This 'consensus' essentially comprised: (i) macroeconomic stabilization (with particular emphasis on inflation); (ii) privatization of state owned utilities; and (iii) market liberalization (both in terms of internal restrictions as well as the economy's openness to trade with other countries). In short, the message was: 'stabilize, privatize and liberalise' (Rodrik, 2006).

policies that overcame the market obstacles that their investors faced in modern tradable industries. In any case, almost all governments do use IP in practice to reallocate public resources to specific economic actors, whether or not they explicitly recognize it as such. Provision of tax incentives to foreign investors and the establishment of Export Processing Zones are some common examples in SSA, as in the case of Tanzania for example (World Bank, 2005a).

Infrastructure development

Developing and maintaining infrastructure – for the provision of energy, water and sanitation, transportation and communications – is a crucial component of economic development. Typically, low-income countries are very poorly served by infrastructure (Table 1). This has particular relevance for SSA, where 34 of the 47 countries are classed as 'low income'. Moreover, in such countries it is invariably the poorest who have least access to infrastructure services (Briceño and Klytchnikova, 2006). MDGs 7 and 8 have highlighted the importance of water and telecommunications, but energy and transport are not addressed, to the extent that they are important for growth.

Table 1: Access to utilities services for selected sectors

Income level	Percentage of population with access to networked electricity (2000)	Number of fixed & mobile telephone subscribers per 1,000 people (2005)	Percentage of population with access to improved water sources (2005)	Percentage of population with access to sanitation (2005)
Low	31	114	75	61
Lower-middle	82	511	82	77
Upper-middle	87	910	94	91

Source: World Development Indicators 2007, cited in Estache and Fay (2007)

There is an emerging consensus that infrastructure is an important determinant of production costs and growth. Its impact seems higher at lower levels of income and, overall, is found to be highly variable. Nevertheless, causality is thought to work both ways – infrastructure causes growth and growth generates greater demand for infrastructure (see Romp and de Haan, 2005). What is the optimal level of infrastructure investment? Deciding how much needs to be spent on infrastructure is fraught with difficulties. First, decisions should not be politically inspired. [(11)] Most studies find that low- and lower-middle-income countries are investing below the levels required to meet demand arising from predicted GDP growth (Fay and Yepes, 2003). The World Bank suggests an estimated 4.2% of GDP should be dedicated to investment and around 3.3% to maintenance of infrastructure in low income countries (Estache and Fay, 2007). Clearly maintenance is important, existing tarred roads in SSA are notoriously poor, reflecting the fact that spending is often far below the required levels and that works actually funded are often poorly done (Harral and Faiz, 1988). Finally, providing infrastructure services to the poor, in particular those in rural areas (which are more costly to supply because of their isolation) is a particular challenge in infrastructure investment. It is unlikely the poor will be able to afford the cost of reasonable levels of infrastructure services without public subsidies (see Komives et al. (2005) for a discussion).

Enabling environment

Economic growth and poverty reduction, for example through rural development, pro-poor growth and pro-poor trade, cannot happen – or at least, will not be effective – without the support of enabling and complementary measures. While there is debate over the precise extent to which governments should be intervening in the economy, it is accepted that they have a role to play in establishing and maintaining conditions conducive to economic growth. This involves appropriate government involvement in enterprise regulation (including anti-corruption measures and corporate governance), taxation policy (to ensure progressive tax policies that place a greater tax burden on the rich than the poor), and financial services and insurance (to ensure that the poor can access the financial services necessary to invest in enterprises and insurance to protect them from risk). Such an environment promotes foreign investment and productivity.

Privatization and regulation

Motivated mainly by the need to cut fiscal deficits, the 1980s saw the emergence of a strong

[11]) A crucial determinant of the rate of return to a given infrastructure project (i.e. its contribution to economic growth) is the way in which the investment decision is made. Politically motivated projects are likely to bring in lower rates of return than those based on rigorous economic appraisal because the former are determined to maximise votes (or provision of patronage) rather than the return to investment. Moreover, large infrastructure projects are particularly vulnerable to such considerations even in long established liberal democracies, let alone low income countries with fragile governance.

privatization agenda as part of the 'Washington Consensus'. This promoted an increased role for the private sector in the delivery of services, and the opening of markets to competition (Estache et al., 2006). This vision involved a transition from taxation to user fees as the principal source of financing and left only a residual regulatory role for governments, which included managing the privatization and restructuring of public utilities and services, and subsequently regulating the remaining monopolies. The latter is particularly important, since most services provided through networks (e.g. electricity, water, rail) are natural monopolies, in that it is cheaper to have a single provider in a given area rather than several. [12] This means that governments cannot be sure that private operators will pass on some or most of the savings that result to users in the form of lower prices or better service. They therefore regulate prices (through tariffs), service quality and coverage, in an attempt to protect consumers from potential monopoly abuse and advance common social interests. Reformers also promised improved efficiency and social benefits, such as wider access, more affordable services, and better service quality. Finally, it was argued that privatization would lower corruption by reducing the control of government over the rents offered by its direct operation of public services (Shleifer and Vishny, 1993). However, the private provision of large-scale infrastructure services in particular, has neither been as successful nor as widespread as initially predicted and the state is again seen as a more prominentactor in infrastructure development. The high costs involved of infrastructural development and limitedcapacity of users to pay also give the donor community a central role in financing public investment. Regarding public utilities, part of the rationale for their privatization was that self-regulation by the state or by the public enterprises themselves was open to conflict of interest and political interference at the expense of users. This implied the creation of autonomous regulatory agencies which would enjoy their own sources of revenue and be operated by industry experts recruited on merit for fixed term contracts. This was also seen as a means of increasing transparency in decision making and signaling to markets that governments were willing to cut regulatory risks. However, evidence suggests that the results of privatizing and regulating utilities have been mixed. [13] This is in part because hybrid state politics has influenced the management of regulatory agencies just as it did ministries.

Tax regime

Tax design is shaped by the need to raise revenues and by considerations of efficiency, equity and enforceability (OECD, 2001). Getting an appropriate balance between these is essential for creating an enabling environment for economic development. [14] In developing countries with emerging markets, and especially those that aim at becoming more integrated into the global economy, tax policy plays an especially sensitive role. In particular, the tax regime must: (i) raise sufficient revenues to finance essential expenditures without resorting to unsustainable public sector borrowing; (ii) raise the revenue in ways that are equitable and that minimize its disincentive effects on economic activities; and (iii) do so in ways that do not deviate substantially from international norms (Tanzi and Zee, 2000).In developing countries however, there are a number of structural features that make these objectives particularly challenging. First, the structure of the economy makes it difficult to impose and collect certain taxes. For example, taxation of agricultural activities – which typically represents a large share of total output and employment – is notoriously difficult because it forms part of a large 'informal 'sector, where there are many small establishments and small shares of both wages and consumption in total national income. These factors undermine the use of income taxes and, to a lesser degree, Value Added Tax (VAT) and reduce the possibility of achieving high tax levels. Second, state capacity for tax administration is typically severely limited due to low levels of human capital and the structure of the economy. Third, good quality data upon which to base fiscal policy decisions are lacking, which makes basic revenue forecasting as well as simulation of the impacts of prospective reforms very difficult. Finally, political considerations are considerably less favorable to rational tax policy than in advanced countries. In particular, relatively high inequalities between the rich and the poor mean that high tax revenues would require very progressive tax regimes (i.e. taxing the rich more than the poor), but because governing elites are typically made up of the richest members of society they are likely to block such tax regimes, which in turn limit the potential for high tax

[12]) While monopolistic market structures (i.e. markets with only one seller) receive most attention in debates about regulation and development, oligopoly (a market with only a few sellers, who may collude to set uncompetitive prices) and monopsony (a market with only one buyer such as agricultural state trading enterprises) may also mean markets fail to deliver socially desirable outcomes.

[13]) The percentage of low income countries with independent regulatory agencies (IRAs) is relatively low compared to that in richer countries, particularly in water and transport. Data from Estache and Goicoechea (2005) suggest that 38% of low income countries have an IRA for electricity, 13% for water and sanitation, 2% for railways and 69% for fixed-line telecommunications. poorest countries obviously have more limited human resources to draw upon in establishing such IRAs.

[14]) What constitutes an appropriate tax regime will obviously vary by country on the basis of a number of factors such as the composition of the economy, the nature of public institutions etc.

returns. Studies of tax collecting in SSA (Sindzingre, 2006).

Demonstrate that the amount of taxes raised relies on vacillating trade and resources, which in turn generate structural problems for budgets and economies. Also, the severity of poverty and institutional weaknesses in the region mean that taxes on the production and export of commodities and on external trade (the latter comprising around one-third of total revenue according to some estimates) have played a key role in SSA, as they have been easier to collect. Implementing tax policy in SSA thus becomes 'the art of the possible rather than the pursuit ofthe optimal' (Tanzi and Zee, 2000). But there is one other dividend for getting it right: payment of taxesis believed to generate public ownership of government, and thus a demand for transparency and accountability (OECD/DAC, 2007a).

Anti-corruption measures

As discussed above, both political and bureaucratic corruption are key barriers to economic development and poverty reduction (Rock and Bonnet, 2004; Dreher and Herzfeld, 2005). [(15)] As a result they have received significant attention since the 1980s, including a deeper analysis of its origins in the last ten years. In those decades significant progress has been made on measuring it and understanding its implications. The most widely used measures of corruption are quantitative aggregates and include Transparency International's Corruption Perception Index (CPI) and the World Bank's Kaufmann, Kraay and Zoido (KKZ) indicator on 'Control of Corruption'. These are not objective measures, but are instead perceptions-based, reflecting the overall degree of corruption perceived to exist in a country based on aggregates of data from different sources. They provide only a degree of cross-country and inter-temporal comparability. As such, these indicators should be treated with great caution. Most types of reforms that have been advocated – whether narrowly focused on corruption, such as anti-corruption commissions, or broader reforms, such as pursuing public financial management (PFM) reforms, democratization, and privatization– have not brought the hoped for results. African anticorruption commissions are notoriously weak; they are undermined by political manipulation that takes a number of forms, including by the government appointing commissioners, under-funding, and refusing to prosecute well-connected individuals. In recent years it has been recognized that transformational processes, such as democratization and privatization, may actually lead to more corruption. This is because such reforms (often transplanted directly from established liberal democracies) neglect the informal norms and practices common in SSA that underpin corruption and may legitimize it, and undermine formal institutional incentives. Thus, despite anti-corruption efforts supported by donors, much of SSA is characterized by high levels of corruption. This is reflected in available indices which show no aggregate improvements over the past 10 years (Kolstadet al., forthcoming).

Access to finance

Low levels of productivity (in manufacturing and agriculture) and lack of capital are key causes of poverty in Africa. As a result, access to finance [(16)] (including loans, savings accounts and insurance services) is receiving ever greater attention from policy makers. There is growing evidence regarding the positive contribution that finance makes toward growth (Levine, 2005) and for escaping from poverty (see Demirgüç-Kunt (2006) for an overview). Finance also exerts a disproportionately large positive impact on the poor and thus reduces income inequality (Beck et al., 2004). Not surprisingly, though, small enterprises and poor households find it much harder to access finance than others do, largely because of high costs and risk. The lack of agricultural credit has often been attributed to the inability of local financial institutions to diversify the high risk stemming from agricultural activity. But financial institutions have only limited control over their costs and risks because of 'state variables' that do not change in the short-run and affect all financial sector activity, such as macroeconomic fundamentals and the costs of doing business generally. Again, the role of the state and its leadership in creating the right environment is evident, for instance, in dealing with regulatory distortions and creating market development policies. Meanwhile, private sector and non-governmental organizations have had some success with small credit schemes, especially in aiding women to start small businesses. A 'ladder' is necessary for such micro-entrepreneurs, which enables them to invest, accumulate assets and then borrow more securely.

[15]) There is evidence that one of the key channels by which it does so is the distortion of public investments. For example, Tanzi and Davoodi (1997) find that higher corruption is associated with higher public investment rates. Further, public investments in more corrupt countries are found to be less productive than in countries not burdened by high corruption.

[16]) Morduch (1999) defines four key dimensions of access to finance: (i) reliability (i.e. whether finance is available when it is needed or desired); (ii) convenience, or the ease with which finance can be found; (iii) continuity, defined as the ability to access finance repeatedly; and (iv) flexibility, or whether the product is tailored to the needs of the household or enterprise.

Capacity development

In principle international assistance has always sought to promote capacity development. [17] Unfortunately, western donors have often provided their own one-size-fits-all prescriptions, which may not be in tune with country priorities, and do not take sufficient cognizance of the deep social forces constraining change and maintaining poverty. That said, improving capacity is key to development. [18] As we have seen above, building the capabilities of poor people (particularly through education and health) and reducing discrimination (i.e. distortions in labor and investment markets) are crucial if growth is to be pro-poor – otherwise poor entrepreneurs cannot identify and respond to opportunities and poor laborers are likely to remain stuck in adverse labor conditions. Moreover, efforts to do so have been successful in some instances, for example in Burkina Faso, where a redesigned Health and Nutrition Project succeeded in developing a participatory planning and budgeting process that involved Communities and other stakeholders in setting priorities and in providing direct central government funding to local districts, coupled with adequate autonomy and flexibility in the use of resources (World Bank, 2005b). The importance of this issue is currently reflected in the international development agenda, with 5 out of the 12 areas to be monitored as indicators of progress under the Paris Declaration on Aid Effectiveness (see below) mentioning capacity development or use of country systems (which implies the existence of minimum standards of country capacity). While technical assistance may address institutional and human capacity weaknesses, its potential for addressing more deep-rooted structural constraints is probably more limited.

Aid

Aid and aid delivery reforms

In the last fifty years Asia's economies have 'taken off' while Africa has stagnated. Between 1960 and 2005, real income per head in the 48 countries of SSA rose on average by 25%. As we have seen such increases were not enough to tackle poverty and in East Asia, real income rose 34 times faster. In the 1950s, South Korea was as poor as Ghana and Kenya. Now, South Korea is the world's ninth-largest economy. This economic stagnation in SSA has occurred in spite of the 'third wave' of democratization (Huntington, 1991) washing over SSA and the many billions in foreign aid and investment put into Africa since 1990. These facts have led to deep reflection by western donors about their aid policies, specifically about how better to deliver assistance (aid modalities and aid architecture), the amount of money needed – and in which sectors – to really make a difference (Commission for Africa, 2005), and the deep structures and processes within African society that arrest reform and undermine the effective use of aid. Regarding the delivery of aid, by the late 1980s it was clear that aid conditional upon 'the right policies and right support package' of SAPs was not working, and a debate began about what the main failings were and what should be done to address them. [19] One of the key elements found to be missing from the status quo was 'better government ownership' of aid (Johnson and Wasty, 1993). The predominant aid modality, project financing, also came under scrutiny. Evaluations of project aid concluded that it led to: (i) a high administrative burden on recipients due to multiple reporting and accounting requirements; (ii) inefficient spending dictated by donor priorities and procurement arrangements; (iii) highly unpredictable funding levels; (iv) undermining of state systems through parallel structures and staffing; (v) corrosion of democratic accountability through mechanisms to satisfy donor rather than domestic accountability; (vi) difficulties in ensuring sustainability; and (vii) openness to corruption (Lawson et al., 2002). These concerns led to a new focus on working as far as possible through governments and normal budgetary processes, with the adoption of new aid modalities such as General Budget Support (GBS) – un-earmarked donor funding to central government, with any conditionality focused solely on policy measures related to overall budget priorities – and better donor organization through mechanisms such

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[17]) Organizations have different definitions of 'capacity development'. Following the OECD–DAC Network on Governance, 'capacity' is defined (very broadly) as 'the ability of people, organizations and society as a whole to manage their affairs Successfully'. 'Capacity development' is defined as 'the process whereby capacity is unleashed, strengthened, created, adapted and maintained over time' and interventions that build capacity through the 'promotion of capacity development' refer to 'what outside partners – domestic or foreign – can do to support, facilitate or catalyse capacity development and related change processes' (OECD – DAC, 2006).

[18]) Capacity development is more likely to be effective when: (i) it is treated as a goal in its own right and when increased efforts are made to identify the objectives it seeks to achieve; (ii) support for capacity development addresses the three interrelated strands of human capacity, organizational capacity and broader institutional capacity; and (iii) capacity development is country owned rather than donor driven (World Bank – OED, 2005).

[19]) A number of research economists provided both systematic critiques of SAPs (Mosley et al., 1995) as well as influential country level critiques of aid such as the 'Helleiner Report' on aid to Tanzania (Helleiner et al., 1995).

as Sector Wide Approaches (SWAps). [(20)] This agenda in turn resulted in a shift in policy focus towards governance issues, particularly the transparency and accountability of public expenditure systems. At a global level these strands began to coalesce into more holistic approaches to aid delivery in the form of the PRSP approach (see Section 5.1) and the World Bank's 'Comprehensive Development Framework' (CDF), which was a precursor to the Paris Declaration on Aid Effectiveness (discussed below) [(21)] Even more recently the governance agenda has come to focus on 'developmental states' and on 'informal', or neopatrimonial politics and development, and to the more regular use of political economy analysis. [(22)] Because the key lesson learned is that 'context matters', changes in the way aid is delivered are being seen – with a new emphasis on indigenous leadership; on the time horizon of aid programmes; on the limited role that outsiders can play; and on identifying local, deeply rooted transformational processes and ways to promote those rather than importing foreign solutions. Other initiatives have addressed aid flows and methods of delivering assistance.

Paris Declaration on aid effectiveness

There is a firm consensus in international development that the quality of aid must be improved in order to make it more effective. To this end, recent reforms in aid delivery have focused on encouraging national ownership, harmonization and alignment and the results focus of aid. These principles are embodied in the Paris Declaration on Aid Effectiveness (PD) (OECD–DAC, 2005). Signed by 61 bilateral and multilateral donors, and 55 aid-recipient countries (including 22 from SSA), at the High-Level Forum on Aid Effectiveness in Paris in 2005, the PD is a joint undertaking on the part of the donor community and partner countries to make aid more effective by 2010. In particular, signatories made a commitment to reform the way development assistance is currently delivered in three broad areas: (i) recipient-country 'ownership' of the development agenda; (ii) donor alignment with both the priorities and goals set by partner countries as well as an increased reliance on national administration systems; and (iii) more coordinated, streamlined and harmonized actions among multiple donors. As well as the core building blocks of ownership, alignment and harmonization, the PD also has two crosscutting concepts: mutual accountability and an emphasis on management-for-results, (Table 2)[(23)]

[20]) See Section 7.1.4 below for the latest available data on the proportion of these aid modalities in total aid and a discussion of the role that project finance can continue to play.

[21] The CDF put forward a new framework within the World Bank, with four principles for aid flows: (i) long term and holistic; (ii) country ownership and participation; (iii) results orientation; and (iv) country led partnership.

[22]) See for example recent work by ODI on 'Good Governance, Aid Modalities and Poverty Reduction'. http://www.odi.org.uk/pppg/politics_and_governance/what_we_do/Politics_aid/Governance_Aid_Poverty.html

[23]) The commitments on management-for-results call for donors and partner countries to work together to manage resources for the achievement of development results, using information on results to improve decision making. Mutual accountability isintended to hold donors and partner governments accountable to each other for their respective actions and emphasises the need for a systematic review and monitoring of mutual commitments.

Table 2: The Paris Declaration framework for enhanced aid effectiveness

1	**Ownership** (partner countries)
2	**Alignment** (Donors - Partners)
3	**Harmonization** (Donors - Donors)
4	**Managing - for Results**
5	**Mutual Accountability**

Partners
Set the
agenda

Aligning With partners' agenda	**Using partners' System**

Establishing Common arrangements	**Simplifying procedures**	**Sharing Information**

Source: OECD Working Party on Aid Effectiveness

Implementation of the Paris agreement has seen donors attempting in various ways to work together better in countries throughout SSA. In Zambia, for instance, they are trying to rationalize their overlapping operations in all sectors, and to divide up work better. They meet regularly, and undertake research meant to inform common thinking about aiddelivery and programme priorities. Uganda is well-ahead in this endeavour, while donors in other countries are slower in operationalising the agenda.

Monitoring and evaluation of the Paris declaration

Rigorous monitoring and evaluation (M&E) of the Paris Declaration's implementation is essential if we are to know if it has made any difference by 2010. This involves two distinct exercises. Monitoring involves asking questions about 'what' has been done. Evaluation is a more thorough exercise that also asks questions about 'how' and 'why' things did or did not change, and therefore requires a clear theory about what is expected to happen, before evaluations are undertaken (see Booth and Evans, 2006). While no evaluation has yet been published, the monitoring process has been established and initiated. [24] In 2006 the first survey of the situation was undertaken by the OECD, covering 34 partner countries (of which 19 were in SSA) with data from 60 donors and looking at the position in 2005 (OECD – DAC, 2007b). The aim of this initial survey was to establish a 'baseline' against which to judge progress in 2008 and 2010. While there is no information about the direction of change, it does provide a snapshot of how well the new aid relationship is working. Findings include:

- The cost of uncoordinated aid is very high. There are too many actors with competing objectives, especially in the poorest and most aid-dependent countries, leading to high transaction costs.
- There is still slow progress in untying of aid, and technical co-operation is still too strongly donor driven.
- Good policies in donors' headquarters are not always matched by in-country practices, with harmonization tasks sometimes seen as getting in the way of efforts to achieve tangible development results by staff in country offices.
- There is a need to strengthen country ownership. Mainly a partner responsibility, donors can assist through capacity development and by aligning with country programmes and systems.
- A lot of work needs to be done in order to deliver genuine management-for-results. Translating evidence on results into processes of policy improvement remains a major challenge in the large majority of surveyed countries and donors should use performance assessment frameworks and more cost-effective results-oriented reporting.
- Mutual accountability, a key concept in the Paris Agenda, calls for performance assessment frameworks and improved incentive systems in both partner and donor countries (OECD–DAC, 2007b). Overall, the survey illustrates that there is still a long way to go in implementing the Paris Declaration. In Mozambique for example,

[24]) In keeping with the commitments on management for results and mutual accountability, the PD signatories also committed to periodic mutual assessments of progress in improving aid effectiveness against 56 specific actions, from which 12 indicators were established and targets set for 2010.

Killick et al. (2005) highlighted the fact that there are 26 different donors working in the education sector. This result in substantial disorganization, as illustrated by a plethora of individual donor projects in the sector, and is exacerbated by a lack of strong leadership from the Ministry of Education and disunity among the many donors.

Moving beyond the Paris agenda

While the Paris Declaration focuses on a fairly narrow definition of 'aid effectiveness' related to aid delivery and management, there is less said about 'aid quality' and whether the delivery of the Paris indicators would actually result in better development outcomes. A recent survey of stakeholders in a number of recipient countries indicates that they regard speed of disbursement, flexibility in the types of funding provided, extent of national participation in programming and transparency as important aid-effectiveness criteria (Burall et al., 2007). Some authors have sought to expand the concept of aid effectiveness beyond the Paris Declaration agenda. In keeping with a new emphasis on local context.

Booth (unpublished) stresses that the quality of institutions, defined as the 'rules governing economic and political action', are key determinants of the ability of poor countries to make good use of aid. Given this importance, he argues, 'it makes no sense to have a concept of aid quality that does not include in a central way the ability of aid to exercise a positive influence on institutional change.' The principal standard of aid quality might be summarized, then, as its ability to contribute to institutional changes that enable resources to be put effectively to developmental purposes. How exactly to do this should be the basis of future research.[(25)]

Historical aid flows to SSA SSA

Currently receives more aid than any other region in the world. This has been the case since 2001, when it overtook Asia as the largest aid-receiving region in real terms. Latest figures from the OECD–DAC indicate that SSA received an estimated US$9.5 billion in aid in 2005, with Asia, the next largest region in terms of aid volumes, receiving US$6.8 billion. The rest of the world's regions received a combined total of US$5.2 billion in the same year.[(26)] This aid is channeled through different types of organizations. Non-Governmental Organizations (NGOs), philanthropic foundations, bilateral aid agencies (channeling aid flows from specific countries), multilateral aid agencies (channeling aid flows from multiple countries), and multilateral development banks or MDBs (providing loans backed by multiple countries) all provide assistance. Taken together these organisations comprise what is often termed the 'international aid architecture.' Bilateral and multilateral aid together comprises 'official development assistance' (ODA), that is aid provided by Governments and financed via taxation as opposed to voluntary private donations from NGOs and foundations. The OECD provides the most comprehensive data on its members' official aid flows (Annex B). Overall, about a third of official aid to SSA was provided by multilateral donors over the period 2001–05 while the remaining two-thirds was provided through bilateral agencies. The largest single western donor in recent years has been the United States, providing 21% of all bilateral aid to SSA. The next largest bilateral donors, in order of size, were France, the UK, Germany, the Netherlands and Japan. Data on aid flows from significant new non-OECD donors such as China is difficult to obtain. Estimates by Kurlantzick (2006) suggest that in 2004 China provided $2.7 billion in aid to Africa (up from around $107 million in 1998 in nominal terms), most of which would be categorised as aid by the OECD–DAC definition of aid - a definition that China has not adopted. If accurate, this would make China one of the single largest donors to Africa in 2004. Comprehensive data on the composition of aid flows by aid modality is also scarce. The latest available data is provided by OECD (2007b) and indicates that, amongst the nineteen SSA countries surveyed, an average of 20% of ODA disbursements from OECD donors are provided through GBS, 26% of aid is provided through other programme-based approaches (mainly through SWAps) and the remaining 54% is in non-programmatic finance, mainly in the form of projects (see Figure 2). Moreover, the share of aid to SSA channeled through budget support has not increased substantially in recent years. Data collected by the Strategic Partnership with Africa (SPA) suggests that, amongst donors giving budget support, the proportion of GBS in total ODA has remained at around the 20% - 23% for the last three years (SPA, 2008).

Thus, project aid still clearly plays a very important role in SSA, particularly in financing large infrastructure investments that are crucial for economic development. Projects can also act as important sources of experimentation, piloting and innovation, as the experience of many developed countries shows. Indeed, it is arguable that the Paris indicators unfairly penalise donors (such as the EU) who dedicate a large proportion of their aid portfolios to infrastructure projects. Clearly though, where state capacity is sufficient, such projects should still be delivered in the context of a comprehensive, government owned

25) This is one of the areas that will be examined in forthcoming ODI research on 'Power, Politics and the State: How to Develop Political Institutions that Work for the Poor': http://www.odi.org.uk/PPPG/politics_and_governance/what_we_do/Neopatrimonial_states/index.html

26) OECD – DAC Creditor Reporting System (CRS) online database, accessed November 2007.

programme and budget framework and using local systems as far as possible for programme design and implementation, financial management, monitoring and evaluation. This is particularly important to help to ensure the appropriate levels of maintenance spending in later years (see Section 6.3.2). Recent research also emphasizes that in aid to service delivery sectors, using 'intermediate' modalities such as common pool funds (rather than making a direct transition from project finance to sector budget support) can have highly distortionary effects (Kizilbash and Williamson, 2008). This should however be accompanied by the caveat that in fragile states, channelling aid through government systems may not always be feasible or desirable. Even in states where technical capacity is adjudged to be sufficient, the dynamics of neopatrimonial politics mean that aid also legitimises and strengthens elites, who do not necessarily have a strong poverty focus (Cammack, 2007). A final and important issue that emerges from a review of historical aid flows to SSA is the highly unpredictable nature of ODA. Celasun and Walliser (2007) highlight that even in countries with relatively stable environments, budget aid is unpredictable, and that there are quite large costs associated with this unpredictability. The authors show that Governments absorb budget aid shortfalls by accumulating more internal debt and by reducing capital spending, and that this under spending is not reversed when disbursements exceed commitments. This unpredictability also undermines governments' ability to plan and budget for poverty reduction over the short- and medium-term.

Scaling-up of ODA flows In the 2005 meeting at Gleneagles in Scotland

the leaders of the Group of 8 (G8) [27] countries promised to dramatically increase aid volumes to low income countries.[28]Since 34 of the world's 53 low income countries are in SSA, if delivered upon these commitments are likely to mean large aid increases for SSA. This is collectively referred to as the 'scaling-up' of aid to Africa. Although it is difficult to calculate exactly what the total commitments made at the Gleneagles summit amount to in terms of additional aid for SSA, OECD–DAC 'simulations' indicate that total aid to Africa will increase from US$34.6 billion in 2005 to US$50 billion by 2010 at 2004 prices and exchange rates (see the right-hand scale of Figure 3). One of the complications if forecasting aid flows arises because rich countries have set total-aid targets as a percentage share of their GNI.[29]While it is too early to say whether promises made in 2005 to scale-up ODA flows are being delivered upon, recent figures show little sign of aid to Africa being significantly increased: in 2006, excluding debt relief to Nigeria, aid to SSA increased by only 2% (de Renzio, 2007).

Absorptive capacity

Even if commitments to increase aid were met however, it is not clear that countries in SSA would be able to spend the additional aid money. Many SSA countries are already heavily 'aid dependent' – i.e., they are highly reliant on aid flows (Table 2). Such countries have a limited ability to 'absorb' additional aid or to spend it.[30]

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27) The G8 comprises Canada, France, Germany, Italy, Japan, Russia, the UK and the USA.

28) Defined by the World Bank as those countries with Gross National Income (GNI) per capita below $875 in 2005.

29) This GNI-targeting dates back to 1970, when the UN General Assembly endorsed a non-binding proposal that donor countries should aim to give 0.7% of their gross national income (GNI) as ODA following the recommendations of the Pearson Commission (1969). However, only a few countries (mainly in northern Europe) have reached this target and it remains a distant prospect at the aggregate level, as the left-hand scale of Figure 3 illustrates (see Clemens and Moss (2005) for a discussion).

30 In macroeconomic terms, aid is said to have been 'absorbed' when the central bank decides to sell the foreign exchange received on the local market – the only way aid can result in a real resource transfer to the recipient economy. The alternative option is to save it in national currency reserves.

Table 3: Selected aid dependence ratios, 2004 (%)

	The country	Aid/GNI	Aid/capital formation	Aid/imports
1	Ethiopia	108	23	108
2	Ghana	55	15	55
3	Mauritania	55	11	55
4	Mozambique	101	21	101
5	Sierra Leone	211	34	211
6	Tanzania	84	16	84
7	Uganda	75	17	75

Source: World Bank, 2006, database. Cited in Killick and Foster (2007)

Central banks may decide not to fully absorb all aid because of fears of adverse macroeconomic effects, for example on inflation (through 'Dutch disease') or through the crowding out of private sector investment (see Killick and Foster (2007) for a discussion). Ministries of Finance may be reticent to spend all aid because of the risks associated with expansionary fiscal policy (a risk exacerbated by the unpredictability of aid flows). This has been borne out in Ethiopia, Ghana, Mauritania, Mozambique, Sierra Leone, Tanzania and Uganda (IMF, 2005b). All countries received substantial influxes of additional aid without being able to fully absorb or spend it. For example, in Mozambique, though aid was not fully absorbed, it delivered a real resource transfer and economic expansion but increased the fiscal deficit and undermined competitiveness. Aid absorption also has a broader institutional definition, relating to human resource and organizational constraints. The large-scale funding of projects has been shown to distort normal development programmes. For instance, at the local level heavy funding of special inoculation projects has upset clinical routines and national-health priorities as medical staff have been incentivized to put aside their regular tasks and undertake vaccinations – sometimes repeatedly. Scaling-up aid is therefore more complicated than simply sending more money to SSA. Carefully planning is needed, for instance, spending on infrastructure that reduces exporters' and producers' costs can offset the negative impacts of Dutch disease and crowding-out.

International aid architecture

Aid architecture can be defined as the set of rules and institutions governing aid flows to developing countries (IDA, 2007): this architecture is becoming increasingly complex. Until the mid-1990s it had been dominated by the UN system and the Bretton Woods institutions. However, there are growing numbers of aid agencies, a growing number of donor channels (proliferation) and a growing number of donor activities (fragmentation). In Europe alone, there are 12 new EU member-states setting up aid programmes, as well as a number of regional aid agencies. Non-DAC OECD member states (such as Korea, Mexico and Turkey), Middle East and OPEC countries (such as Saudi Arabia) and 'emerging' non- OECD countries (e.g. Brazil, China, India and Russia) are now also giving growing amounts of aid. Globally, there are over 50 bilateral aid donors and more than 200 special funds. UNDP has calculated that there are now more than 1,000 different development-financing mechanisms, with as many created in the last 10 years as were formed in the preceding fifty. These include non-profit organisations, investment funds, and other stand-alone organisational arrangements that are not separate legal entities but have their own statutes, governance structures, and operating procedures, including their own fund-raising and disbursement modalities (Kaul and Conceição, 2006). Of the many development financing mechanisms, NGOs and public–private partnerships are of particular interest. Together they provide or manage approximately one fifth of all reported official and private aid to developing countries (IDA, 2007). Data compiled by the Johns Hopkins Comparative Nonprofit Sector Project suggest that international activities of NGOs in 2004 (largely but not exclusively on development cooperation and humanitarian aid) employed the full time equivalent of 140,000 staff and generated around US$13 billion in revenue from philanthropy (36%), government contributions (35%) and fees (29%). Public-private partnerships – funded and operated through a partnership of government and/or intergovernmental organisations and one or more private sector companies or private foundations – emerged in the mid 1990s in the form of global programmes (often referred to also as 'global funds' or 'vertical funds'). These were set up to focus vertically on specific issues or themes (in contrast with the horizontal approach of the country-based model of aid). The main sectors covered by global programs are health (e.g., the Global Alliance for Vaccines and Immunization, GAVI) and environment (e.g., the Global Environmental Facility, GEF). Although vertical funds may lead to an increase in the importance of the specific interventions they support in the overall financing for a given country, their effectiveness and sustainability ultimately rely on the presence of complementary sector-level and country-level policies (IDA, 2007). Overall, while there is an 'aid architecture', there is no single architect, rather, it is the product of political negotiations between and within states. With no central direction, the system has become fragmented through the rapid proliferation of aid agencies and instruments and little emphasis on overall coherence or effectiveness. Rationalisation of

the aid system has been advised, with Burall et al. (2006) arguing that aid should increasingly be channeled via multilateral aid agencies because they offer a number of distinct advantages over bilateral aid providers. In particular, they: (i) provide a mechanism for collective action; (ii) balance their aid allocations across recipient countries better than bilateral aid agencies; and (iii) have been successful in ensuring that unpopular policies which have delivered tangible results such as reform of macroeconomic policy remain high on the development policy agenda. Finally, although deeply flawed, the governance structures of multilateral agencies give recipient countries a voice in decision-making processes.

Beyond aid: policy coherence for development

The development paths of developing countries are influenced by a wide range of external and internal factors. Aid and the level of aid dependency receive most attention in development discourse, but other issues that have a significant impact include trade, security, conflict, migration, crime, investment, environmental issues such as climate change, technology transfer, access to medicines, debt and corruption. The fact that underdevelopment and conflict in distant regions can affect rich countries has generated concern in the West especially since the destruction of the World Trade Centre in New York on 9 September 2001. This has led donors to take a more holistic view of the developmental impact of all of their policies. This new thinking has been variously termed the 'policy coherence for development' (PCD), 'whole of government' or 'beyond aid' agenda, and has been primarily led by the OECD, Sweden, the Netherlands and the UK.[(31)] The Centre for Global Development's (CGD) 'Commitment to Development Index' (CDI) provides one of the most comprehensive measures of progress on the PCD agenda.[(32)] The CDI ranks 21 rich countries (members of OECD-DAC) on the extent to which their governments' policies facilitate development in poorer countries. It measures performance in seven 'policy domains': (i) quantity and quality of foreign aid; (ii) openness to developing country exports (summarising a country's tariffs and subsidies in a flat, across-the-board tariff representing its total effect on developing countries); (iii) policies that influence investment; (iv) migration policies; (v) environmental policies; (vi) security policies; and (vii) support for creation and dissemination of new technologies (Roodman, 2007). It then awards an average score across all seven indicators. Overall the CDI gives a rough indication of a country's developmental orientation, and shows that the largest donors are not always those most committed to development. The countries topping the rankings are typically from northern Europe (the Netherlands, Denmark, Sweden, and Norway). Although these countries have strong relative commitments to aid, the three largest bilateral donors in absolute terms – the US (which gave US$27 billion in 2004 according to the OECD), Japan (US$14 billion) and the UK (US$11 billion) – scored 14th, 21st and 9th respectively. Many countries that give far less aid actually performed far better: Australia, Canada and New Zealand. Their strong performance on trade, investment, migration and security ensured that they finished joint fifth (Annex C). While most discussion of PCD issues focuses on developed-country policies, of particular concern is how PCD policies impact poor countries. This will vary widely because some are more resilient than others – some are torn by conflict, with weak governments, and highly impoverished societies. For example, reducing agricultural subsidies in the EU would be of great benefit to South Africa, but may in fact be detrimental, at least in the short term, to the interests of countries in SSA that are net food importers (Hudson, 2007).

State building

Because poor governance is so detrimental to poverty reduction and because the 'spill-over' effects of poverty-related instability are global, state building has become an important development objective for most bilateral and multilateral doors, particularly those working in 'fragile states' (Cammack, et al., 2006). The growing commitment of donors to state-building is reflected in the expanding sets of activities being carried out in unstable areas from Central Asia to Latin America (Fritz and Rocha Menocal, 2007). New ways of looking at sovereignty, and the role of the international community in ensuring stability (i.e., on the right and duty to intervene) are being debated as well. The growing donor interest in building more effective states is also recognition that poverty reduction is most intractable in fragile, conflict-affected and post-conflict states and a general acceptance that good institutions are crucial for sustained development progress. State building carries with it many inherent tensions in that not all the desired outcomes are compatible and some must be prioritized and a sequence of reforms established, according to individual national context. In state building hybrid-state politics becomes an important determinant of success as well.

Specific international and African initiatives

While the general changes in the delivery of western aid are discussed above, below we briefly summaries the pro-poor initiatives of 4 key donor agencies.

[31]) PCD is defined by the OECD as 'the pursuit of development objectives through the systematic promotion of mutually reinforcing policy actions on the part of both OECD and developing countries' (OECD, 2007). Put more simply, this means that developed-country governments – the main actors in the shaping of the policy environment – must ensure that their policies on these issues are supportive of, or at least do not undermine, their international development policies (Hudson, 2007).

[32]) See: http://www.cgdev.org/cdi

Brief summary of pro-poor aid programme highlights

United Kingdom

In the United Kingdom (UK), development assistance policy and programmes are primarily implemented through the Department for International Development (DFID). In 2005, the UK, in its dual G8 and European Union (EU) presidency roles, put Africa on the top of the world's agenda, pushing for international action to 'make poverty history'. At the Gleneagles Summit, ambitious agreements to support Africa's efforts towards achieving the MDGs were made. World leaders agreed a package of measures including commitments to an extra $50 billion aid worldwide by 2010, with half of this for Africa, and to provide 100% debt cancellation for up to 43 heavily indebted poor countries worth US$50 billion. The G8 also agreed to strengthen the Africa Partners Forum (APF) as the main mechanism for implementing and monitoring donor and African commitments (DFID, 2005b). In February 2004, Prime Minister Tony Blair, established the Commission for Africa. The Commission comprises 17 members, 9 from Africa. Its report 'Our Common Interest' (2005) set out a comprehensive plan of action for implementation by Africa and the rest of the world, with recommendations including: aid to Africa should be doubled and made more reliable; the international finance facility should be launched immediately; there should be 100% debt-service cancellation for poor countries in SSA as soon as possible; the international trade system must halt harmful export subsidies, while Africa needs to increase its own capacity to trade. The report also recommended support for the African Union's new leadership in peace and security and for Africa's increasingly important regional institutions. Finally, it proposed a new monitoring mechanism to hold the world to account for implementing the programme outlined in the report (DFID, 2005b). Finally, DFID leads in the field of governance programming for development (see DFID's White Paper 3, 2006) and has pioneered methods of evaluation the influences that deep social forces have on poverty and the effectiveness of aid programmes. It is currently reassessing its development-aid focus, with more emphasis on pro-poor growth likely.

European Union

'The EU and Africa: Towards a Strategic Partnership' is the policy that commits the European Commission and EU Member States to support Africa in the areas of peace and security, human rights and governance, human development, development assistance, growth, trade and regional integration. This strategy will shape European Union support to Africa over the next ten years, during which time development funding is set to increase dramatically (DFID, 2007). Each European member state has its own aid programme and priorities, though coordination is encouraged by the EU policy and the Paris Agreement. The EU is well known for its aid to agriculture and infrastructural development in SSA.7.1.3 United States in the United States (US), development assistance policy and programmes are primarily implemented through the United States Agency for International Development (USAID), though increasingly aid is being delivered by the Department of Defense and large special-interest programmes. US foreign assistance to Africa is directed to helping African governments, institutions, and organisations incorporate good governance principles and innovative approaches to education, health, economic growth, environment and agriculture programs. These programmes and activities aim to ensure development assistance supports the overall goal of 'transformational diplomacy' – 'to help build sustained and well governed states that respond to the needs of their people, reduce widespread poverty, and conduct themselves responsibly in the international system' (USAID, 2007). The mixing of foreign-policy and development goals in the American aid programme is reflected in the close relationship between USAID and the State Department. To achieve 'transformational diplomacy' and specific development priorities in Africa, US development assistance for 2007-08 has the following priorities: governing justly and democratically; investing in people (including support to address the HIV/AIDS pandemic, reducing the incidence of malaria, improving basic education, supporting water and sanitation development and supporting conservation); economic growth (including private sector development, trade initiatives, competitiveness initiatives and agricultural interventions); and humanitarian assistance.

World Bank

The World Bank is the largest provider of development assistance to Africa. For the fiscal year 2007, it committed a record US$5.7 billion in international development assistance resources to countries in SSA (World Bank, 2007c). Its strategy is anchored in the 'Africa Action Plan'. It focuses on achieving development results in key sectors such as good governance, building capable states, closing the infrastructure gap and ensuring that the benefits of development are shared more equitably. The Africa Action Plan considers regional integration as one of the key pillars on which prosperity will be achieved on a continent-wide basis. Bilateral donors pay close attention to the opinions of the World Bank with regard to a country's capacity to tackle poverty and develop, and depend on its various assessments to measure progress.

African and international initiatives

A recurring theme throughout has been the difficulties faced by external actors such as international aid agencies in influencing the domestic institutional arrangements – recognized as one of the key determinants of growth and poverty reduction – of developing countries. One incentive found to be effective in changing the behavior of national elites in

several parts of the world is the aspiration of joining a multi-country 'club' such as the EU (Booth, 2005; Moore and Unworthy, 2006). Institutions in Africa that are similarly inspirational are few – for SSA countries are deemed members of 'clubs' mostly because of their geographical location or political history (e.g., OAU/AU, SADCC/SADC). However, new institutional arrangements have built-in mechanisms that if operationalized, can promote reforms that are supportive of pro-poor growth. Three are outlined here.

The African Union's NEPAD and the APRM

The New Partnership for Africa's Development (NEPAD) is an African Union (AU) programme adopted in July 2001. It has its own secretariat based in South Africa to coordinate and implement its programmes. Its four primary objectives are to eradicate poverty, promote sustainable growth and development, integrate Africa in to the world economy, and accelerate the empowerment of women – a key driver of development. It is based on principles of good governance, democracy, human rights and conflict resolution; and on the recognition that maintenance of these standards is fundamental to the creation of an environment conducive to investment and long-term economic growth. In July 2002 the leaders at the AU summit supplemented NEPAD with a 'Declaration on Democracy, Political, Economic and Corporate Governance': participating states 'believe in just, honest, transparent, accountable and participatory government and probity in public life'. In order to monitor participants' adherence to these commitments, the Declaration also established an African Peer Review Mechanism (APRM). The APRM process is designed as a mechanism whereby countries voluntarily 'open their books' to teams of African experts, to be examined within a formal structure according to established criteria and indicators: political governance, economic governance, corporate governance and socio-economic development (Kajee, 2004). Early impressions are that, although the APRM can produce insights into the causes of underdevelopment and poor governance, national political processes tend to undermine honest and open assessments. Therefore, while the APRM has some potential as a source of pressure on the 'neighborhood' in which African political leadership evolves, there are insufficient benefits on offer to provide sufficiently strong incentives to offset local political pressures and promote substantive change (Booth, 2005).

Conflict diamonds and the Kimberley Process In recent years,

Increasing attention has been paid to the use of conflict resources – minerals, timber and other publicly owned high-value natural resources that are acquired illicitly and used to buy arms, fuelling warfare and international terrorism. 'Conflict diamonds' or 'blood diamonds' were the first mineral to grab the attention of the international community. These are mined illegally, often in a brutal manner. This gave rise to the 'Kimberley Process Certification Scheme' (KPCS), negotiated by governments, civil society organisations and the diamond industry. The KPCS is an international certification scheme, launched in 2003, that requires governments to control imports/exports, adopt 33 systems regulating their private sectors and the transport of gems, and thus create a documentary record for individual diamonds as they travel from mines to retailers. Overall, the KPCS has been highly successful in reducing the trade in conflict diamonds, thereby contributing to the maintenance of peace in many countries whose conflicts were fuelled by the trade. Nearly 70 countries are participating in the scheme and have adopted implementing legislation. However, there remain a number of challenges if the process is to evolve into a robust and dependable regime: a recent independent review cited gaps in oversight and weaknesses in checks on private industry as key areas for improvement (Global Witness, 2006).

Halting the trade in 'blood timber' has received less direct support from the international community, though the UN Security Council and other organisations have countered warlords' and international timber merchants' vested interests and blocked the trade in cases (e.g., Liberia) where war was being fuelled by this illicit trade (Greenpeace, 2006). Similarly, coltan (tantalite), a mineral used in cell phones, fuels war in the DRC and so efforts have been made internationally to halt the trade in 'blood coltan' (BBC News, 2001). 7.2.3 Extractive Industries Transparency Initiative The Extractive Industries Transparency Initiative (EITI) was announced by UK Prime Minister Blair at the World Summit on Sustainable Development in Johannesburg in September 2002 and came into operation in 2003. Its aim is to tackle corruption – that 'curse' that 'demoralizes societies' and 'ruins economies', and is a 'destroyer of freedom', 'inciter of civil war' and 'the number one killer of development' (Sullivan, 2006). Promoting transparency, it urges governments of resource-rich countries to publish full details of the income they receive from extractive industries (i.e. oil, gas and mining) and companies operating in these countries to disclose payments made to governments and to government-linked entities. EITI has issued a set of reporting guidelines, a Statement of Principles and six criteria which represent the global minimum standard for EITI implementation. Although only recently launched, the EITI is widely regarded as having made good progress in enlisting the support of companies and resource-rich governments: as of September 2006, EITI was being implemented in some 20 resource-rich countries. Three countries (Azerbaijan, Guinea and Nigeria) had already produced EITI reports and another five were expected to do so shortly, though criticism of the EITI reporting structure has been expressed (Save the Children and Global Witness, 2006).

Concluding Remarks

This paper has defined poverty as multi-dimensional, complementing an income-based conceptualization of poverty with a more holistic approach to the deprivations a human being may suffer. Thus, poverty includes low life expectancy and lack of a decent standard of living, lack of opportunities and access to basic services as well as the perceptions of the poor themselves: their sense of hopelessness, powerlessness, dependence and lack of self-confidence. This holistic approach to defining poverty leads to a broader analysis of the causes of poverty; and this paper has outlined socio-economic as well as political drivers and maintainers of poverty in SSA. Socioeconomic contributing factors to poverty include risk and vulnerability, low capabilities, inequality, exclusion and adverse incorporation, and limited livelihoods and opportunities. Specific risks and vulnerabilities include harvest failure, market failure and volatility, conflict, and health shocks which particularly affect the population of SSA, many of whom are living in rural areas dependent on agriculture. Inequality, exclusion and adverse incorporation have a significant impact on poverty and are often played out in ethnic tensions. Ethnicity is a key defining characteristic in Africa, driving discrimination, conflict, state formation, political alliances, economic choices, etc. Where ethnicity overlaps with territorial claims plays a central role in determining wealth and poverty as well as access to resources and political power. Thus, understanding the political drivers and maintainers of poverty becomes crucial: how power and privilege is protected by African elites driving them to anti-poor and anti-developmental decisions. Much of SSA can be characterized as neopatrimonial where power and political relations are reliant upon informal patronage systems and clientelism. Poor governance includes weak formal institutions and rule of law, poorly designed and implemented policies, inadequate service delivery, lack of accountability to citizens and high levels of corruption that serve to undermine the creation of an enabling environment to combat poverty. Whilst a focus on formal institutions is necessary, this paper has highlighted the need to include an analysis of informal political processes and practices that subvert attempts to strengthen formal institutions and anti-poverty measures. Weak civil society and a lack of respect for human rights mean that the citizenry are unable to monitor state activities and the state remains unresponsive, untransparent and unaccountable. The resource curse, where resource endowments lead to adverse political incentives, policy failure and underperformance is a prime example of the interaction of the formal and informal resulting in anti-poor outcomes. Development aid has responded to poverty, slow economic growth and poor governance in SSA in a wide variety of ways. This paper focused on two overlapping strands of poverty reduction policy: the first with a strong poverty focus, directly tackling the causes and consequences of poverty, such as poverty reduction strategies, the Millennium Development Goals (MDGs), building capabilities, proper growth, social protection and inclusion, as well as empowerment and anti-discrimination. The second has a strong focus on economic growth, as an indirect means of addressing poverty, with strategies including trade, investment, industrial policy and infrastructure. Both sets of policies require the state to establish enabling and complementary measures to support them. While there is debate over the extent to which governments should be intervening in the economy and society, it is accepted that they have a role to play in establishing and maintaining conditions conducive to economic growth and poverty reduction. Few African governments have poverty policies that are separate from donor poverty frameworks, and donors have unsuccessfully attempted to step into the breach and make policy. Thus, one of the aid delivery reforms agreed in the Paris Declaration on Aid Effectiveness is to encourage aid-recipient states to take more control of their poverty agendas and aid policies. Despite the progress that has been made through the Paris Declaration (PD), we highlight three key challenges for aid to SSA: (i) the international aid architecture has become increasingly diffuse, with the proliferation of many channels for aid delivery, thereby promoting fragmentation and undermining aid management efforts at national level; (ii) the proportion of aid to SSA delivered through government systems has flat lined in recent years and its predictability remains weak, and; (iii) evidence suggests that there are limits to many countries' ability to absorb and spend substantial additional aid inflows. In particular, as long as donor countries seek to continue to maintain strong vertical linkages between their aid money and the associated outcomes which it aims to achieve (i.e. through arrangements that ensure earmarking of one form or another such as vertical funds), its effectiveness will be compromised.

Alongside the emphasis on national ownership and national priorities there is also a hope that African initiative, such as New Partnership for Africa's Development (NEPAD) and African Peer Review Mechanism (APRM), will foster incentives to change the behaviour of national elites to promote reforms that are supportive of pro-poor growth. Whilst undoubtedly donors will still have a central role to play in Africa's poverty reduction strategies for some time yet, there is an attempt currently to place African governments, its people and particularly the poor at the center of the poverty reduction and pro-poor growth agendas.

Appendix A: UN Millennium Development Goals

Goal 1: Eradicate extreme poverty and hunger.

1- Reduce by half the proportion of people living on les than $1 a day.
2- Reduce by half the proportion of people who suffer from hunger.

Goal 2: Achieve universal primary education.

1- Ensure that all boys and girls complete a full course of primary schooling.

Goal 3: Promote gender equality and empower women.

1- Eliminate gender disparity in primary and secondary education preferably by 2005 and at all levels by 2015.

Goal 4: Reduce child mortality.

1- Reduce by two-thirds the mortality rate among children under five.

Goal 5: Improve maternal health.

1- Reduce by three-quarters the maternal mortality ratio.

Goal 6: Combat HIV/AIDS, malaria and other diseases.

1- Halt and begin to reverse the spread of HIV/AIDS.
2- Halt and begin to reverse the incidence of malaria and other diseases.

Goal 7: Ensure environmental sustainability.

1- Integrate the principles of sustainable development into country policies and
2- programmes; reverse loss of environmental resources.
3- Reduce by half the proportion of people without sustainable access to safe drinking water.
4- Achieve significant improvement in the lives of at least 100 million slum dwellers by2020.

Goal 8: Develop a global partnership for development.

1- Develop further an open trading and financial system that is rule-based, predictable and non-discriminatory, includes a commitment to good governance, development and poverty reduction— nationally and internationally.
2- Address the least developed countries' special needs. This includes tariff- and quota free access for their exports; enhanced debt relief for heavily indebted poor countries; cancellation of official bilateral debt; and more generous official development assistance for countries committed to poverty reduction.
3- Address the special needs of landlocked and small island developing States.
4- Deal comprehensively with developing countries' debt problems through national and international measures to make debt sustainable in the long term.
5- In cooperation with the developing countries, develop decent and productive work for youth.
6- In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries.
7- In cooperation with the private sector, make available the benefits of new technologies— especially information and communications technologies.

Appendix B: Glossary of Terms

Absolute poverty: A person living in absolute poverty is not able to satisfy his or her minimum requirements for food, clothing or shelter. The dollar a day poverty line is accepted internationally as an absolute poverty line. (See relative poverty) (DFID 2001:174–186).

Accountability: The requirement that officials answer to stakeholders on the disposal of their powers and duties, act on criticisms or requirements made of them and accept (some) responsibility for failure, incompetence or deceit. Accountability mechanisms can address the issues of both who holds office and the nature of decisions by those in office. Accountability requires freedom of information, stakeholders who are able to organise and the rule of law.

Adult illiteracy: The percentage of the population age 15 and older who cannot, with understanding, read and write a simple statement about their everyday life.

Adverse incorporation: Where people are included in social, political and economic institutions and processes, but on extremely unfavourable terms.

Agriculture: The sector of an economy that includes crop production, animal husbandry, hunting, fishing, and
forestry.

Aid: The words "aid" and "assistance" refer to flows which qualify as Official Development Assistance (ODA) or Official Aid (OA).

Aid architecture: The set of rules and institutions governing aid flows to developing countries (IDA, 2007).

Assets framework: A framework which can be used to identify the poor and vulnerable. The framework takes into account factors that cause vulnerability to poverty and considers these in relation to poor people's assets. It is part of the sustainable livelihoods framework (DFID 2001:174–186).

Beneficiaries: the men and women, communities, or organisations expected to benefit from the project or programme.

Bilateral aid: Bilateral flows are provided directly by a donor country to an aid recipient country.

Birth rate: The number of live births in a year expressed as a percentage of the population or per 1,000 people.

Capabilities: A term developed by AmartyaSen that refers to the means which enable people to function. The term is distinguishes intrinsic and instrumental capabilities (income, education, health, human rights, civil rights etc). Sen'sconceptualisation of poverty as capability deprivation focuses on the failure of some basic capabilities to function, for example, being adequately nourished, leading a long and healthy life, being literate. (Gordon and Spicker, 1999: 22)

Capability deprivation: Poverty defined in relation to the failure to achieve basic capabilities such as being adequately nourished, leading a healthy life or taking part in the life of the community. The emphasis on capabilities shifts focus away from money based measures such as income or expenditure onto the kind of life the individual can live (DFID 2001:174–186).

Capacity building: A coordinated process of deliberate interventions by insiders and/or outsiders of a given society leading to (i) skill upgrading, both general and specific, (ii) procedural improvements, and (iii) organisational strengthening. Capacity building refers to investment in people, institutions, and practices that will, together, enable countries to achieve their development objective. Capacity is effectively built when these activities are sustained and enhanced with decreasing levels of donor-aid dependence accompanied by increasing levels of societal goal achievement.

Capital (capital assets): A stock of wealth used to produce goods and services. Modern economists divide capital into physical capital (also called produced assets), natural capital, and human capital.

Civil society: The web of associations, social norms and practices that comprise activities of a society as separate from its state and market institutions. A 'healthy', powerful civil society requires institutions with strong, intellectual, material and organisational bases, reflecting social diversity. It also requires an open, constructive interaction between the civil society organisations (CSOs) and the state and market sectors. Civil society includes religious organisations, foundations, guilds, professional associations, labour unions, academic institutions, media, pressure groups and political parties.

Chronic poverty: Poverty experienced by individuals and households for extended periods of time or throughout their entire lives. Also called 'persistent poverty' Chronic poverty must be distinguished from transitory poverty or being non-poor.

Coping strategy: How a household responds when faced with an unexpected event such as illness, drought or unemployment. Typical responses include taking children out of school, drawing on support from the extended family or other households, or reducing expenditure on food and other items. In addition, some household members may migrate (DFID 2001:174–186).

Decentralization: The process of transferring control over, and administration of, services, decision-making and Finance from national to local level (DFID 2001:174–186).

Dependency ratio: The ratio of economically active household members to those who are economically dependent.

Deprivation: A lack of welfare, often understood in terms of material goods and resources but equally applicable to psychological factors, relative to the local community or the wider society or nation to which an individual, family or group belongs (Gordon and Spicker, 1999:37).

Destitution: Refers to the total, or virtually complete, absence of resources. Although indicative of extreme poverty it is not necessarily equivalent; a person may become destitute immediately through fire or natural disaster, while someone in chronic or extreme poverty may experience long-term malnutrition and disadvantage (Gordon and Spicker 1999:38).

Developed countries (industrial countries, industrially advanced countries High-income countries, in which most people have a high standard of living. Sometimes also defined as countries with a large stock of physical capital, in which most people undertake highly specialised activities. According to the World Bank classification, these include all high-income economies except Hong Kong (China), Israel, Kuwait, Singapore, and the United Arab Emirates. Developed countries contain about 15 percent of the world's population. They are also sometimes referred to as "the North."

Developing countries: According to the World Bank classification, countries with low or middle levels of GNP per capita as well as five high-income developing economies -Hong Kong (China), Israel, Kuwait, Singapore, and the United Arab Emirates. These five economies are classified as developing despite their high per capita income because of their economic structure or the official opinion of their governments. Several countries with transition economies are sometimes grouped with developing countries based on their low or middle levels of per capita income, and sometimes with developed countries based on their high industrialisation. More than 80 percent of the world's population lives in the more than 100 developing countries.

Dimensions of poverty: The individual and social characteristics of poverty such as lack of access to health and education, powerlessness or lack of dignity. Such aspects of deprivation experienced by the

individual or group are not captured by measures of income or expenditure (DFID 2001:174– 186).

Discrimination: Refers to the institutional, environmental and attitudinal factors that work to exclude certain people from activities, organisations and institutions.

Displaced person: (see Internally Displaced People)

Dollar-a-day ($US1/day): An absolute poverty line introduced by the World Bank in 1990 to estimate global poverty. The nominal dollar amount is revised over time to keep pace with inflation and now stands at $1.08 in 1996 prices. This is converted into local currencies using purchasing power parity (PPP) exchange rates (DFID 2001:174–186).

Economic growth: An increase in a country's total output. It may be measured by the annual rate of increase in a country's Gross National Product (GNP) or Gross Domestic Product (GDP) as adjusted for price changes. The increase in GNP, at constant prices per head of population, indicates changes in the average living standards in that country but says nothing about the distribution of the levels for different social groups around that average
(DFID 2001:174–186).

Empowerment: The process whereby people gain more power over the factors governing their social and economic progress. This may be achieved through: increasing the incomes and assets of the poor; interventions that aim to enhance confidence and self-respect; by developing collective organisation and decision-making and by reforming political institutions to make them more inclusive. Empowerment is one aim of setting up participatory processes (DFID 2001:174–186).

European Union (EU); A regional international organisation with most developed countries of Europe among its members. In 1995 it succeeded the European Economic Community (EEC), established in 1957 to promote economic integration among its member countries.

Exclusion: The economic, political and cultural processes that lead to the isolation of some groups in society, such as women, ethnic minorities or the long-term unemployed. Different interpretations of this concept range from notions of discrimination to the social consequences of poverty.

Food insecurity: A situation that exists when people lack secure access to sufficient amounts of safe and nutritious food for normal growth and development and an active, healthy life. It may be caused by the unavailability of food, insufficient purchasing power or the inappropriate distribution or inadequate use of food at the household level. Food insecurity may be chronic, seasonal or transitory (FAO).

Fragmentation: The growth in the number of donor aid activities.Geographic capital: A combination of social, cultural, political, environmental and economic factors that are specific to a geographic area.

Gender: Refers to the socially constructed roles ascribed to males and females and the resulting socially determined relations. These roles are learned, change over time, and vary widely within and across cultures. Gender is one of the key entry points for social analysis/ assessment. It is important to understand the social, economic, political, and cultural forces that determine how men and women participate in, benefit from, and control project resources and activities. A good analysis would highlight gender specific constraints, risks and opportunities.

General Budget Support: Un-earmarked donor funding to central government, with any conditionality focused solely on policy measures related to overall budget priorities.

Global programs: Often referred to also as 'global funds' or 'vertical funds', these are defined as partnerships and related initiatives whose benefits are intended to cut across more than one region of the world and in which the partners: (a) reach explicit agreement on objectives; (b) agree to establish a new (formal or informal) organisation; (c) generate new products or services; and (d) contribute dedicated resources to the program.

Global public goods: Items that benefit everyone: for example, international research, environmental agreements or measures for conflict management and resolution (DFID 2001:179).

Governance: Governance refers to the rules and processes that regulate the public realm, where state, societal and economic actors interact to make decisions. Therefore, governance goes beyond a focus on government to include the relations between state and society, with a focus on how decisions are made and not just on the resulting actions (Court et al, 2007).

Good governance: Addresses the allocation and management of resources to respond to collective problems; it is characterised by participation, transparency, accountability, rule of law, effectiveness and equity.

Gross Domestic Product (GDP) : The total value of all goods and services produced domestically by a nation during a year.
It differs from Gross National Product (GNP), which is the value of output produced by a country's labor and

capital regardless of whether it is in the country or not (DFID 2001:179).

Gross National Product (GNP): The value of all final goods and services produced in a country in one year (gross domestic product) plus income that residents have received from abroad, minus income claimed by nonresidents. GNP may be much less than GDP if much of the income from a country's production flows to foreign persons or firms. But if the people or firms of a country hold large amounts of the stocks and bonds of firms or governments of other countries, and receive income from them, GNP may be greater than GDP.

GNP per capita: A country's gross national product (GNP) divided by its population. Shows the income each person would have if GNP were divided equally. Also called income per capita. GNP per capita is a useful measure of economic productivity, but by itself it does not measure people's well-being or a country's success in development. It does not show how equally or unequally a country's income is distributed among its citizens. It does not reflect damage made by production processes to natural resources and the environment. It does not take into account any unpaid work done within households or communities or production taking place in the gray (shadow) economy.

Human capital: Factors such as knowledge, skills and health, which increase the productivity of the individual (DFID 2001:174–186). Human Development Index (HDI): An index introduced by UNDP in 1990, which combines the three measures of life expectancy, educational attainment (itself a composite of literacy and school enrolment) and GDP per head. The index theoretically ranges from 0 for the least developed to 7 for the most (DFID 2001:179).

Human Poverty Index (HPI): A composite index introduced by UNDP in 1997, which focuses on those who do not achieve minimum standards of health, education and living conditions. This index contrasts with that of the HDI, which measures average achievements (DFID 2001:179).

Hybrid state: (see Neopatrimonialism)

Income (or consumption) poverty: Poverty defined with respect to a money-based poverty line for income or expenditure. The distinction is made between this and other concepts that emphasise the many dimensions of poverty (DFID 2001:180).

Inclusive policies: Policies that acknowledge that society is not homogeneous and that that socially excluded,
poor or vulnerable people have a right to be included in poverty alleviation and development work.

Income distribution: The allocation of national income between persons or households; an indicator of economic and social inequality where some people have more than others. (See gini co-efficient), (Gordon and Spicker 1999:71).

Income inequality: See Income distribution

Income poverty: Income is a key concept in almost all definitions and studies of poverty. Classically, income has been defined as the sum of consumption and change in net worth (wealth) in a period (Gordon and Spicker 1999:77).Internationally, the income poverty line is set nominally at a dollar a day.

Indicator: A numerical measure of quality of life in a country. Indicators are used to illustrate progress of a country in meeting a range of economic, social, and environmental goals. Since indicators represent data that have been collected by a variety of agencies using different collection methods, there may be inconsistencies among them (World Bank).

Industrial Policy: A set of policies to stimulate specific economic activities and promote structural economic change.

Infant mortality rate: Statistical summary rate based on the number of infant deaths occurring during the same period of time, usually a calendar year, usually given in relation to 1 000 live births occurring among the population during the same year (UNECE).

Institution: An organisation or group of related organisations created to serve a specific purpose.

Internally displaced people: IDPs are people who are displaced but remain within the border of their country of origin. Usually applied to people fleeing their homes because of an armed conflict, civil disturbance or natural disaster (CRED).

Intra-household allocation: The way resources are distributed between members of the same household on the basis of their age, gender and roles (DFID 2001:180).

Investment: Outlays made by individuals, firms, or governments to add to their capital. From the viewpoint of individual economic agents, buying property rights for existing capital is also an investment. But from the viewpoint of an economy as a whole, only creating new capital is counted as an investment. Investment is a necessary condition for economic growth. See savings, gross domestic saving rate, and gross domestic investment rate.

Least developed countries: Low-income countries where, according to the United Nations, economic growth faces long-term impediments- such as structural

weaknesses and low human resources development. A category used to guide donors and countries in allocating foreign assistance.

Legitimacy: The degree to which a government's procedures for making and enforcing laws are acceptable to the people. A legitimate system is legal, but more important; citizens believe in its appropriateness and adhere to its rules. Legitimacy is closely tied to governance: voluntary compliance with laws and regulations results in greater effectiveness than reliance on coercion and personal loyalties.

Low-income country: A country having an Gross National Income (GNI) per capita equivalent to $755 or less in 1999. There are currently about 64 low-income countries with a low standard of living , where there are few goods and services and many people cannot meet their basic needs (World Bank).

Marginalized people: Those who are physically or socially remote (see also exclusion). They are by-passed by most economic, political and social activity and likely to have very precarious livelihoods (DFID 2001:181).

Market failure: A situation in which markets do not function properly. A common cause of market failure is imperfect information. For instance, the difficulty of determining which potential borrowers are creditworthy is given as a reason for badly functioning rural credit markets and a rationale for the high interest rates charged by money lenders (DFID 2001:181).

Market liberalization: Removing and abstaining from using state controls that impede the normal functioning of a market economy – for example. lifting price and wage controls and import quotas or lowering taxes and import tariffs. Market liberalisation usually does not mean that a government completely abstains from interfering with market processes.

Multi-dimensional approaches capture a fuller range of deprivations that Multidimensionality: constitute poverty, and may give 'voice' to the poor and include non-monetary dimensions.

Multilateral agencies: International institutions with governmental membership which conduct all or a significant part of their activities in favour of development and aid recipient countries. They include multilateral development banks (e.g. World Bank, regional development banks), United Nations agencies, and regional groupings (e.g. certain European Union and Arab agencies). A contribution by a DAC Member to such an agency is deemed to be multilateral if it is pooled with other contributions and disbursed at the discretion of the agency.

Natural resources: All "gifts of nature"- air, land, water, forests, wildlife, topsoil, minerals- used by people for production or for direct consumption. Can be either renewable or non-renewable. Natural resources include natural capital plus those gifts of nature that cannot be stocked (such as sunlight) or cannot be used in production (such as picturesque landscapes).

Neopatrimonialism: A hybrid system combining patrimonial practices with formal institutions and processes (Bratton and Van de Walle, 1999). Patrimonialism is a form of traditional rule where there is no distinction between public and private spheres, where the ruler treats all political and administrative affairs as his personal affairs (Medard, 1982). Neopatrimonialism, however, maintains the façade of separation of the public and private with seemingly functioning and independent state institutions and bureaucracy (Chabal and Daloz, 1999).

Non-governmental organisation (NGO): NGOs often differ from other organisations in the sense that they tend to operate independent from government, and are often value-based. There are two main categories of NGOs: i) operational NGOs - whose primary purpose is the design and implementation of development-related projects and service delivery; and ii) advocacy NGOs - whose primary purpose is to defend or promote a specific cause and who seek to influence policies.

Organisation for Economic Co-operation and Development (OECD): An organisation that coordinates policy among developed countries. OECD member countries exchange economic data and create unified policies to maximise their countries' economic growth and help non-member countries develop more rapidly. The OECD arose from the Organisation for European Economic Co-operation (OEEC), which was created in 1948 to administer the Marshall Plan in Europe. In 1960, when the Marshall Plan was completed, Canada, Spain, and the United States joined OEEC members to form the OECD.

Official development aid (ODA): Grants or loans to countries and territories which are: (a) undertaken by the official sector; (b) with promotion of economic development and welfare as the main objective; (c) at concessional financial terms. In addition to financial flows, Technical Co-operation is included in aid. Grants, loans and credits for military purposes are excluded. Transfer payments to private individuals (e.g. pensions, reparations or insurance payouts) are in general not counted.

Participation: A process through which stakeholders influence and share control over development initiatives and the decisions and resources which affect them. It is a process which can improve the quality, effectiveness

and sustainability of projects and strengthen ownership and commitment of government and stakeholders.

Poverty headcount: The proportion of the population living below the poverty line.

Poverty line: Represents the level of income or consumption necessary to meet a set of minimum requirements to feed oneself and one's family adequately and/or to meet other basic requirements such as clothing, housing and healthcare. Those with incomes or expenditure equal to or above the line are not poor. While what the minimum should be has an important subjective element, poverty lines are typically anchored to minimum nutritional requirements plus a modest allowance for non-food needs.

Poverty severity: A static concept, capturing the fact that the poor are not equally poor to the same level. It is the
average value of the square of depth of poverty for each individual. Poorest people contribute relatively more to the index. Also called Foster Greer Thorbeke (or P2) (ADB).

Poverty Reduction Strategy (PRS): A national strategy for poverty reduction. All countries that are eligible for World Bank concessional lending or for debt relief under the Heavily Indebted Poor Countries (HIPC) Initiative are producing PRSs. The PRS is intended to be the basis for all donor support, including the IMF and World Bank (DFID 2001:184).

Poverty trends: How aggregate poverty levels change over time.

Programme-based approach: Characterised by: leadership by the host country or organisation; a single comprehensive programme and budget framework; a formalised process for donor co-ordination and harmonisation of donor procedures for reporting, budgeting, financial management and procurement, and efforts to increase the use of local systems for programme design and implementation, financial management, monitoring and evaluation. This includes direct (general or sectoral) budget support, sector-wide approach (SWAp) programmes and other arrangements in which there are equivalent efforts towards joint planning and harmonisation of procedures.

Proliferation: The growth in the number of channels of donor aid flows.

Public Goods: A good that is provided for users collectively, for which consumption by one user does not diminish the amount available for consumption by other users, and for which users cannot exclude one another from consuming. See Global Public Good.

Public sector: The part of the economy that is not privately owned, either because it is owned by the state or because it is subject to common ownership. Includes the national government, local authorities, national industries and public corporations. Public sector reform involves rationalising the size of the public sector and building its capacity to contribute to sustainable human development. The principles of good governance apply to
public sector management.

Purchasing Power Parity (PPP): A method of measuring the relative purchasing power of different countries' currencies over the same types of goods and services. Because goods and services may cost more in one country than in another, PPP allows us to make more accurate comparisons of standards of living across countries. PPP estimates use price comparisons of comparable items but since not all items can be matched exactly across
countries and time, the estimates are not always 'robust' (World Bank).

Refugees: Formally, those who are forced to cross international borders because of persecution, but informally, those people fleeing conflict or political instability who cross borders.

Relative poverty: Poverty defined in relation to the social norms and standard of living in a particular society. It can therefore include the individual's ability to take part in activities that society values even if they are not necessary for survival. Relative poverty can also refer to the nature of the overall distribution of resources (DFID 2001:184).

Rights-based approach: An approach based on an understanding of the links between development and civil, political, economic, social and cultural rights (DFID 2001:185).

Risk: Understanding of the likelihood of events occurring, for example, on the basis of past experience. This concept contrasts with that of uncertainty, in which the likelihood is unknown. An individual or household may assess that the likelihood (risk) of a bad event, such as drought, occurring is high enough to alter their livelihood strategy (DFID 2001:185).

Rule of law: Equal protection (of human as well as property and other economic rights) and punishment under the law. The rule of law reigns over government, protecting citizens against arbitrary state action, and over society generally, governing relations among private interests. It ensures that all citizens are treated equally and are subject to the law rather than to the whims of the powerful. The rule of law is an essential part of accountability and predictability in both the public and private sectors.

Sector Wide Approach: All significant donor funding supports a single, comprehensive sector policy and independent programme, consistent with a sound macro-economic framework, under government leadership. Donor support for a SWAp can take any form – project aid, technical assistance or budget support – although there should be a commitment to progressive reliance on government procedures to disburse and account for all funds as these procedures are strengthened.

Selectivity: The allocation of development assistance prioritising those with good antipoverty policies (DFID 2001:185).

Severe poverty: Persons who fall below a lower poverty line. For example, in 1993 the World Bank defined an upper poverty line of US$ 1 income per day and extreme poverty as persons living on less than US$ 0.75 income per day (both in 1985 prices). These measures are converted into local currencies using purchasing power parity (PPP) exchange rates. Other definitions of this concept have identified minimum subsistence requirements, the denial of basic human rights or the experience of exclusion (DFID 2001:174–186).

Social protection: Policies and programmes which aim to prevent and mitigate the shocks that create and maintain chronic poverty, and provide recovery assistance by protecting incomes and building the assets of the poor. Examples include pensions, and food for education programmes.

Spatial poverty trap: Geographical areas which remain disadvantaged, and whose people remain multidimensionally deprived and poor over long periods of time

Targeting: The process by which expenditure is directed to specific groups of the population defined as poor or disadvantaged, in order to increase the efficient use of resources (DFID 2001:186).

Technical co-operation: Includes both (a) grants to nationals of aid-recipient countries receiving education or training at home or abroad, and (b) payments to consultants, advisers , 'technical advisors' and similar personnel as well as teachers and administrators serving in recipient countries, (including the cost of associated equipment). Assistance of this kind provided specifically to facilitate the implementation of a capital project is included indistinguishably among bilateral project and programme expenditures, and not separately identified as technical co-operation in statistics of aggregate flows.

Transitional Countries: Those countries whose economies used to be centrally planned by the government but are now changing – or 'transitioning' – to base their economies on the market (World Bank). Also countries that are in process of democratic consolidation, having started the transition from authoritarian rule.

Transitory poverty: Short term poverty. Poverty experienced as the result of a temporary fall in income or expenditure although over a longer period the household resources are on average sufficient to keep the household above the poverty line (DFID 2001:186).

Transparency: Sharing information and acting in an open manner. Transparency allows stakeholders to gather information that may be critical to uncovering abuses and defending their interests. Transparent systems have clear procedures for public decision-making and open channels of communication between stakeholders and officials, and make a wide range of information accessible.

Under nourishment: Food intake that is continuously insufficient to meet daily dietary energy requirements (FAO).

Ultra-poverty: This is another term for extreme poverty. It is sometimes specifically used to refer to those who spend more than 80 per cent of their income on food but obtain less than 80 per cent of their food energy needs. The low food intake of this particular group will affect their productivity and ability to get out of poverty (DFID 2001:186).

Vulnerability: This denotes a condition characterized by higher risk and reduced ability to cope with shock or negative impacts. It may be based on socio-economic condition, gender, age, disability, ethnicity, or other situations and characteristics that influence people's ability to access resources and development opportunities. Vulnerability is always contextual, and must be assessed in the context of a specific situation and time. Good practice indicates that development interventions and support mechanisms should assess vulnerability, and target interventions to be appropriate and reduce risk for those deemed as vulnerable.

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