

THE NEW POVERTY AGENDA IN AFRICA: A
SOCIAL POLICY PERSPECTIVE

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In this paper I will argue that for most African countries the single most important cause for the deepening of poverty has been the combination of “maladjustment” (Mkandawire 2005), highly truncated social policies and the persistence of unrepresentative and authoritarian regimes which have either stubbornly refused to address the obvious crises confronting their countries or have idiosyncratically complied to external diktat without engaging in national debates to address the crisis. In addition there has been social differentiation since independence and ideological shifts that have contributed to the shift in focus of state policies away from social policy. I discuss some of the conceptual and political factors that have produced a policy agenda that is by all likelihood destined to fail in combating poverty.

a) Overall situation

Thirty years on, the “unholy trinity of poverty, ignorance and disease” stills stalk the continent with impunity, unabated in any significant way by the enormous scientific and material progress that humanity has made this century. In some places the ravages of war and climate have pushed large numbers of people to levels of poverty that were unimaginable only a few decades ago. Today Africa has one third of the persons below the poverty line - 300 million out of a billion world-wide - an increase of 150million during the last two decades at a time when poverty in other major regions of the world is declining. The rising proportion of global poverty attributable to Africa has led the World Bank to talk about the “Africanisation of world poverty” (White and Killick 2001: 5)

Table 1 - Populations living on less thanUS\$1 per day, 1987-98 (millions of people)

| Region | 1981 | 1990 | 2001 | Annual %Change (1981-2001) | Absolute change (1981-2001) |
|---------------------|-------|-------|-------|----------------------------|-----------------------------|
| East Asia & Pacific | 796.2 | 472.7 | 271.6 | -4.67 | -524.53 |

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|----------------------------|-------|-------|-------|-------|--------|
| Europe & Central Asia | 3.0 | 2.3 | 17.1 | 7.54 | 14.07 |
| Latin America & Caribbean | 35.4 | 49.1 | 49.2 | 1.43 | 13.84 |
| Middle East & North Africa | 9.1 | 5.5 | 7.2 | -1.04 | -1.94 |
| South Asia | 474.8 | 462.7 | 431.3 | -0.42 | -43.48 |
| Sub-Saharan Africa (SSA) | 163.1 | 227.6 | 312.6 | 2.82 | 149.49 |
| Total | 1482 | 1220 | 1089 | | |
| SSA as percentage of total | 11.0 | 18.7 | 28.7 | | |

Calculated by author from World Bank CD-Rom 2005

In light of all this poverty reappeared on the development agenda in the late 1990s and is has become a central feature of the international development agenda. The calls for “adjustment with a human face” (Cornia and Stewart 1995), or for “pro-poor macroeconomics” (Cornia 2006) or “socially responsible macroeconomics” (Lustig 2000) could no longer be brushed aside. Lending programmes of the international financial institutions now require recipient governments in low-income countries to develop what are called, in very measured words “strategy papers” that will reduce the incidence of poverty in their societies. Bilateral donors have also pledged to focus their aid and debt relief on countries perceived to be pursuing good poverty reduction strategies. At the global level the Millennium Summit adopted the Millennium Declaration that commits governments to halve the level of poverty and hunger by 2015.

Neglect of Lessons of History

The history of poverty, especially its on-and-off appearances on national and international agenda has been one of the central preoccupations of modern social science. However the current discourse on poverty seems totally oblivious to the earlier appearances of poverty on the social agenda and thus rarely bothers to ask why things that have not worked in the past will worker better now. In the four decades since Africa’s modal year of independence “poverty” as a concern has strutted and fretted on the policy stage only to be rudely shorn off and then dragged back on again without much explanation... “Late industrialisers”, such as the Nordic countries, and the more recent cases of the East Asian “developmental states”, provide useful lessons for current initiatives against poverty but are rarely drawn upon.¹ If current poverty reduction approaches

¹ For the semi-official Japanese position (Ohno 2002b), Ohno notes: “While most of the Japanese aid officials and experts endorse the basic principles of PRSP, including national ownership and aid partnership, they express concern about its uniformity of approach, shortage of strategic contents, and increased budgetary and human resource burden on both donors and recipients.

have any historical antecedents, they resemble features of the Poor Laws under the Anglo-Saxon model—a not remarkably successful way of rapidly combating poverty despite its apparent preoccupation with the issue of poverty (Esping-Andersen 1990;Huber 2002;Rothstein 2001;Stephens 2002). And yet it is precisely this model that shapes the agenda of poverty today.

At any given time poverty is determined by a number of economic, political and social factors. Economically, poverty depends on the level of economic development, structural change, the spontaneous outcomes of the operation of markets and the overall welfare efforts exerted by society are determined by the division of tasks between state, market, community and family and can be measured by such things as social spending and the effectiveness of redistributive measures adopted such as taxation and transfers, the costs born and the task assumed by non-state actors. Orchestrating all this is politics

i) Ideas matter

One important lesson of history is that ideas matter. The pursuit of poverty reduction or eradication is always about norms. Not surprisingly, ideas, ideologies and politics play an important role in the debates about poverty. Poverty has always been at the core of the political economy and the understanding of its causes, its effects and its social and moral urgency has been profoundly influenced as much by the state of knowledge as by ideologies and political interests. Politics has provided social policy with both its *raison d'être* and its ideological and epistemological underpinnings. With respect to the former, social policies has served as an instrument for legitimization of the social order and for the pursuit of other national goals such as national integration or social inclusion. Ideas about what is poverty, about the relationship between individuals and society, about the causes of poverty, and about the moral responsibility of individuals and society in the fight against poverty. These ideas, when congealed into ideologies, have impacted on policies through politics and political or social movements that have rallied around them. For ideas to have the political impact they have had to correspond to the interest of major social actors and interests.

While the advocates of PRSP readily admit the crucial linkage between economic growth and poverty reduction at the general

Poverty and the response to it – development - featured prominently in the nationalist political discourse. By political commitment and social origins most of the first generation African leaders were deeply committed to the eradication of poverty. Indeed in many countries the manifestos of the nationalist movements poverty was explicitly identified among the scourges that the attainment of independence would address. The other two were ignorance and disease. Together they formed an “unholy trinity” against which nationalist swords were drawn in the post-colonial era (Adesina 2007; Mkandawire 1999). In addition the exigencies of “nation-building” and social cohesion were such that social policies became a central aspect of the early years of “development planning” as Tade Aina (Aina 2004) notes. Adesina (2007) describes an “explicit commitment to high moral standards, a people-centred approach to development and a Pan-African orientation” (p.8) focused on the dual concerns of economic growth and national unity. A key element of the legitimisation strategy was a strong social policy initiative tied to a “constructionist” approach to economic development, that is, the building of physical and social as well as human infrastructures, including a synergies between social sector expenditure and economic growth. This was the period of “constructing” elaborate social subsidies and major social programmes in education, housing, health, and urban planning” (Aina 2004: 12). In particular, education became a “moral imperative” in overcoming the legacy of colonialism and in the human resource needs of a modern economy. Many social policies and schemes such as community development, rural credit systems, pan-territorial pricing, adult literacy campaigns; free health and education programmes were instituted. The ideological thrust of this social policy was universalistic in aspiration, if not in execution (Adesina 2007). The hope was that eventually the initially highly segmented social policies that favoured those in the formal sector would cover all citizens. “Social development outcomes were quite significant and beyond what the conventional mapping of social indicators against economic indicators might suggest” (Adesina 2007 p. 10). Levels of literacy increased dramatically after the attainment of independence. Other social indicators such as infant mortality and life expectancy showed some progress. (Sender 1999).

level, they tend to focus exclusively on pro-poor measures (e.g., education, health, environment, gender, rural infrastructure, etc.) in actual implementation. Serious discussion on the generation of economic growth is desperately lacking.”

The point of evoking this period is not to take us back to the halcyons days of resounding victories against poverty. After all the relative good growth performance in the post-colonial period had many problems and was highly contested at the time. Within Africa the model of development was the subject of severe criticism. For one, its gains were unevenly distributed and the overall development strategies did not seem to address issues of poverty and the growing inequality despite the relatively more extensive social policies of the time. Many of the modern welfare measures such as pensions and health plans remained segmented and exclusive and there were no signs that the segmented social policy regime was moving towards unification as happened in some of the more advanced welfare states. The benefits accruing to the “Labour aristocracy” seemed too well entrenched and ring-fenced to allow for spillovers (Arrighi 1973; Waterman 1975). It also relied too heavily on the export of raw materials which remained highly volatile. On the international level, the ILO with famous report on Kenya (ILO 1972) was among the first international organisations to openly point to the negative effects of growth without equity and to recommend “Basic Needs Strategies” that would simultaneously and purposefully address issues of growth and equity. The World Bank also produced its own variant of “redistribution with growth” strategies (Chenery, Ahluwalia, Bell, Foluy, and Jolly 1974). The shift in Bank’s thinking was signalled by McNamara in his celebrated Nairobi address at which poverty was squarely placed on the development agenda. Although its moral imperatives were compromised by the counter-insurgency urgency with which it was promoted², it did suggest that growth could be achieved with various levels of equity by careful choice of policy instruments. Aid was to shift away from the heavy infrastructural and often “urban biased” projects towards rural development projects designed to benefit “the poorest 40 percent”. “Rural integrated development schemes” were the main vehicle for delivering development to the rural poor.

By the end of the seventies, poverty and development were unceremoniously pushed off the scene as policy shifted towards macroeconomic issues of stabilisation and debt repayment. The inspiration for the change came partly from the failure of the postcolonial development strategies to deal with the new crisis induced by declining terms of trade and high interest rates and partly

² The current poverty agenda runs the danger of suffering the same fate as its being “securitised” to address problems of terrorism and “failed states”.

from the poor performance of MacNamara's big integrated rural development projects. However the fundamental and decisive driver of the shift was the ideological turn in the key industrial countries, leading to the ascendance of ideologies that were "anti-statist" while placing enormous faith in rather reified markets. The crisis and the ideological shifts conspired to dethrone developmental concerns and to place stabilisation at the core of economic policy. In this new assault on the development agenda there was a notion of causation which insisted that the growing poverty in Africa was due to poor economic performance produced by internal policy mistakes.

One paradox is that at the level of ideas it was so-called Anglo-Saxon view that dominated the debate on poverty despite the fact that the model has been singularly unsuccessful in combating poverty even in the developed countries.

ii) Development strategy

A crucial element in the process of eradication of poverty is the development strategy that generates the requisite rates of growth and structural transformation and is associated with a particular redistributive set of policies to address structural inequalities that contribute to the reproduction of poverty. High levels of growth and structural transformation have always been understood as an important ingredient of strategies aiming at eradication of poverty³... For all the problems that economic growth might entail, it still remains a central ingredient of any strategy for addressing poverty issues. This is particularly so for capitalist economies where property relations ensure and reproduce certain structures of distribution so that only rapid growth will allow progress for the poor that is not deemed "incentive incompatible", to use current jargon. In all projections for reaching MDGs the rate of growth plays an important role. and has suggested that something like seven percent as the required rate of growth for African countries if they are to make any progress towards meeting the MDGs (World Bank 2004). Now, during much of the last fifteen years of the adjustment years, the rate of growth has been extremely low in Africa.

³³ Strangely the World Bank has taken it upon itself the task of informing the world that "Growth is good for the Poor". Now, much of the criticism of the IFIs was precisely that their deflationary policies had undermined development and poverty alleviation by precisely sacrificing long-term growth to the exigencies of stabilisation and debt resettlement (Ajayi 1994;Green 1998;McKinley 2001b;Mengisteab 1995;Mkandawire and Soludo 1999)

iii) The Broad social Policy agenda

For social policy to serve as a developmental instrument against poverty, it must deal with four major concerns: *distribution, protection, production* and *reproduction*. It must be concerned with the redistributive effects of economic policy, protecting people from the vagaries of the market and the changing circumstances of age, enhancing the productive potential of members of society, and reconciling the burden of reproduction with that of other social tasks, as well as sharing the burden of reproduction.

Social policy in developing countries is not only about poverty eradication. Historically, social policy has had other objectives such as national or social cohesion and equity. Indeed, in a number of countries that have successfully dealt with poverty within a relatively short period of time, the relief of poverty was not even the most explicit motive for the introduction of social policies. In the Nordic or East Asian countries, for example, “poverty reduction” *per se* was not one of the main pillars of their social policies. The point is not to dethrone “poverty” from the policy agenda, but rather to stress that the factors that may eventually reduce poverty are not those that address its proximate causes, nor are they the most obvious ones like targeting the poor. It is to remind us that poverty eradication is always embedded in a larger project of social transformation and economic change.

Pro-poor programmes are not necessarily pro-poor and if badly designed and dogmatically insisted upon they can undermine the long-term development prospects of poor countries. Combating the proximate causes does not always mean combating the underlying structural causes of poverty. Indeed, some of the most successful cases of combating poverty were not expressly designed to do that. Social policy in developing countries is only about poverty eradication is too narrow. Historically, it has other objectives such as national or social cohesion, and equity. Indeed, in a number of countries that have successfully dealt with poverty within a relatively short period of time, the relief of poverty was not even the most important motive for the introduction of social policies. Often the fall in poverty has had much less to do with policies aimed at poverty *per se* but those aimed at much wider social objectives of improving social welfare based on a wide range of considerations, including citizenship, nation building, judgements on who constitutes the

poor, ideological predisposition with respect the efficacy of free market, theories of human behaviour, bureaucratic capacities, overall economic strategies, and international pressures and norms. Indeed, in a number of countries that have successfully dealt with poverty within a relatively short period of time, the relief of poverty was not even the most important motive for the introduction of social policies. In the Nordic or East Asian countries, for example, “poverty reduction” per se did not play a significant role⁴.

iv) The transformative role of social policy

One important lesson about social policy in the “late industrialisers” is that social policy is not something one engages in only after reaching a certain development threshold, nor is it an exclusive domain of advanced welfare states; rather, it is a key instrument for development and social development. Not surprisingly, “late industrialisers” have tended to adopt certain welfare measures at much earlier phases in their development states than the “pioneers”. The implication is that quite a number of welfare measures can be and indeed may have to be introduced at fairly low levels of income in response to both normative and functionalist imperatives to use social policies for distributive, protective and proactive ends.

In the Nordic or East Asian countries, for example, “poverty reduction” per se played a subordinate role to other social objectives – “catching up”, equality, full employment, solidarity, nation-building, etc. – that were to have far reaching implications on poverty than may have been

4 A UNDP report on China points in the same direction when it notes:

The poverty incidence fell most rapidly before there were specific poverty alleviation programs in existence. When these programs were flourishing, on the other hand, poverty reduction at times stagnated and even suffered reversal. This is not because China’s poverty reduction policies and programs have been useless or counter-productive; on the contrary, there is reason to believe they have made a difference in the localities where they were carried out. Rather, it is because much larger forces have determined the shape and speed of poverty reduction, namely, macroeconomic and other general economic policies and trends. These include, inter alia, policies concerning farm prices, factor prices, state investments, fiscal structure, financial reform and the social safety net and social insurance regimes. When the constellation of such policies was strongly propoor, poverty reduction occurred at a breathtaking speed, despite the absence of explicit poverty-reduction institutions. Yet when the general policy constellation was not pro-poor, then the course of poverty reduction was much less rapid. A key conclusion from a review of this history is that there are many ways in which China’s macroeconomic policies and economic institutional set-up could be made more pro-poor than they have generally been. (Bouché, Riskin, Shantong, Saith, Guobao, and Huijiong n.d.)

deliberately aimed. Even the choice of instruments that have had the most dramatic effect may not be guided by poverty per se.

v) *Importance Universalist policies.*

It is often argued that poor countries are too poor to afford universal policies. First, if you are poor the chances are that you can't target because targeting is extremely demanding in terms of administrative capacity and information. There is a strong case for leaning towards universalistic policies in addressing issues of poverty. In many of the "late industrialisers" that confronted problems of social dislocation and poverty, it became obvious that where poverty was widespread, "targeting" would be unnecessary and administratively costly. Thus the "universalism" guiding social policy in many countries was in fact dictated by underdevelopment—targeting was simply too demanding in terms of available skills and administrative capacity (Brady 2005). In contrast, the new social policy regime is of a residual type in which welfare provision is often seen as being for the poor and is firmly based on targeting the poor. This preference for targeting actually runs counter to the Bretton Woods institutions' arguments against targeting in other sectors (e.g., through industrial policy or credit rationing). And targeting is recommended in a sector where problems of *information distortion, incentive distortions, moral hazards and administrative costs, invasive loss and corruption* are likely to be most severe. In any case, "targeting" implies certain institutional arrangements for the management of social policies. The setting up of such institutions often undermines those institutions designed for universal provision.

Second in many of the successful late industrialisers many social policies were introduced at much lower per capita incomes than those attained by many developing countries today. The introduction of pension schemes by both Mauritius and Norway at very low levels of economic development goes against the World Bank arguments that such schemes are unaffordable in Africa (Holman and Hinz 2005). "Affordability is a question of politics as much as a question of economics" p.5. The arguments against a targeted pensions system by the government of Mauritius was that the system was irrational and vexatious. And even in more recent years significant poverty reduction has taken place even before clear shifts towards putatively more focussed poverty

reduction strategies. Indeed in some have argued that the narrow preoccupation with poverty may actually work against the broad and long-term efforts that are required to eradicate poverty⁵..

vi) Importance of Synergies

Economic growth provides the material and financial wherewithal for social intervention. But the relationship is not unidirectional. Social policy connects the poor to economic growth both as beneficiaries and as contributors to the growth process. It is social policies that increase the “elasticity of poverty” to growth and ensure improved “human capital” and “social capital” on which growth is highly contingent. Policy for the eradication of poverty is always embedded in social and development policy. This is done through the choice of patterns of growth, health, education, gender equality, labour market policies and, in many countries, land policies.

To fully understand the complex relationship between growth and poverty and the role of social policy we should bare in mind the relationship is bidirectional so that the reduction of poverty does not passively follow economic growth but that it also acts positively on the growth process. The effectiveness of growth and structural change depends on the social policy regime to which it is associated. It is also widely recognised that policy coherence and the exploitation of synergies among different areas of the economy are crucial in both development and poverty eradication. Distribution and growth can be mutually reinforcing. Education and health policies serve not only a protective role but can contribute to both equity and growth. The arguments range from the “human capital” effect of pro-poor measures such as better education and health to questions of legitimacy and political stability. Redistributive polices such as land reform or free education may enhance the performance of markets by producing both equity and efficiency, which are good for growth However, such synergetic relationships are not automatic. They require conscious design of both economic and social policies.

⁵ This apparently is the position of the Japanese government:

"While most of the Japanese aid officials and experts endorse the basic principles of PRSP, including national ownership and aid partnership, they express concern about its uniformity of approach, shortage of strategic contents, and increased budgetary and human resource burden on both donors and recipients. While the advocates of PRSP readily admit the crucial linkage between economic growth and poverty reduction at the general level, they tend to focus exclusively on pro-poor measures (e.g., education, health, environment, gender, rural infrastructure, etc.) in actual implementation. Serious discussion on the generation of economic growth is desperately lacking." (Ohno 2002a)

b) The new Poverty Agenda

i) Lack of development strategy

One of the quirks of neo-liberalism was visceral opposition to any thing that suggested strategic thinking about the economy by the state. Words such as “industrial policy”, “credit rationing”, “development strategy” were erased from the development policy lexicon- being guilty by association with putatively failed import substitution strategies⁶.

The recognition of complementarities among many MDG targets, the importance of sequencing and the concerns over the macroeconomic effects of different types of investment and use of increased aid money has brought back to the agenda the issue of planning. (Bourguignon and Sundberg 2007: 133). Current PRSPs set ambitious growth levels but fail to spell out the sources and strategies of growth required to meet those targets. In many cases, the macroeconomic policies are assumed to be the ones that were pursued during much of the 1980s and 1990s, in which economic growth and structural change played a secondary role in policy circles preoccupied as they were with stabilization and the dismantling of interventionist policies (Gottschalk; Vandermoortele 2004). The current mantra is that poor countries need “Good Governance”, “sound macroeconomic policies” with the newly rediscovered infrastructure. Although poverty is now discussed in the context of governance, economic growth, equity, stabilization and security, there appears to be no. And so even as many government embrace PRPs and MDG there is no theory that indicates the strategic links among the different dimensions of development. One would have expected the new interest in poverty to point towards the need to bring development back in. Instead what we witness is continued ring-fencing of the core macroeconomic model and a senseless proliferation of unrelated objectives to be pursued within a not so obvious strategic framework. And although the World Bank for awhile talked about “comprehensive policy frameworks” suggesting coherent and consistent framework that tied these together, such planning, there is currently no programmatic intellectual effort in that direction. As a consequence the recommended reforms often amount to no more than a “list of good

⁶ Robert Wade (Wade 1996) memorably recounts the incredible effort “paradigm maintainance” as the World Bank removed the word “strategic” from the *Asian Miracle* report report.

intentions”, with any clear links between inputs and outputs or prioritisation or indications of optimal or feasible sequencing of the proposed measures.

(1) Lack of sectoral policies

On the assumption that the appropriate structures to emerge will be dictated by market forces, the contemporary strategy of poverty reduction is usually silent on sectoral policies. The model that has dominated economic policy during the last two decades has tended to treat any specific sectoral policies that are not axiomatically derived from the core model as “distortions”. Up until recently such things as “industrial policy”, “social policy” and “labour market policies” were only acceptable if they involved self-negation and meant the extension of the reign of the market to these spheres. Most strikingly, there is silence on industrialization and technological innovations in agriculture. These are sectors that have historically played an important role in the alleviation of poverty, and they have always required quite explicit policy measures.

(a) Lack of agrarian policies and Rural Poverty

How policy regimes have addressed the “agrarian question” has been an important aspect of their stance on poverty. According to Ravallion and Chen (Chen and Ravallion 2004), growth in the primary sector has had approximately four times more impact on poverty reduction than growth in the secondary and tertiary sectors. For many countries, the immediate impact of economic growth on poverty will be transmitted through agriculture. Increasing productivity and access to assets by the majority of the population in rural areas must still be a central concern of policies against poverty. In addition, it is important to consider special social policies that would protect rural populations from vulnerability to the vagaries of climate and markets, which are major components of poverty. In the past, many social policies such as stabilization funds and pan-territorial pricing played such protective and redistributive roles. However, in the era of liberalization the institutions and policies were dismantled or reversed. In the spirit of the current emphasis, strategies for managing the negative consequences of volatile rural incomes are emerging that rely more heavily on markets to supplement the many ways governments and households manage risks. In most cases, they are premised on the existence of financial markets and other institutions that do not exist in developing countries “because the costs of risk avoidance to

households and businesses can be high; the capacity for self-insurance by households, groups, and even governments can be limited; and markets that support risk sharing are incomplete” (Larson, Anderson, and Varangis 2004). It may thus be necessary to revisit some of the long-standing popular approaches for addressing risk in agriculture that were largely abandoned without fully resolving the question of how best to manage the negative consequences of volatile agricultural markets.

The countryside remains the home of the majority of the poor in Africa. 70 percent of the poor live in the rural areas. It was with respect to agriculture more than to anything else that liberalisation made its most lavish promises. First, it was asserted that to the extent that SAP would do away with the arsenal of policies that produced an “urban bias” in state policies (price controls, marketing boards, food subsidies, overvalued exchange rates, protection of inefficient industries etc.), it would favour the rural producers by tilting the terms of trade in their favour. Increased incomes accruing to the agricultural sector would immediately benefit the rural poor, especially given the more egalitarian access to land in Africa. Second, it was assumed that the withdrawal of the state from a number of social activities would not be harmful to the rural poor since the poor had limited access to the subsidised goods and services anyway. Instead it would free them from inefficient monopsonies in the form of state-supported co-operatives and marketing boards. Such expectations were based on an overly optimistic view about the readiness of the private sector to step in to replace the state and about the responsiveness of African agriculture to price incentives in context of many structural constraints. Furthermore this new view failed to take into account intra-sectoral differentiation in the African countryside along spatial and social lines. This social blindness of the model and its prescriptions were extended to failure to take into account gender differentiation in terms of access to inputs and participation in economically lucrative farming...

ii) Lack of industrial policy and Urban poverty

In all the successful cases of poverty eradication, industrialisation has played a central role. Consequently, “late industrialisers” seeking to catch up have pursued deliberate industrial policies. Under adjustment the pursuit of industrial development strategies was off limits. Interestingly, a few days ago the Financial Times carried an article about Mr. Mandelson saying he was travelling

to France to study that country's industrial policy. In the US the government is actively engaged in restructuring old industries and push new Green ones. In the meantime industrial policy is off limits for African countries. And yet we know that all successful efforts at elimination of poverty have involved structural change which has involved deliberate acceleration of the process of industrialisation, especially manufacturing.

Although the vast majority of the poor reside in the rural areas, urban poverty is growing rapidly in Africa. Two factors have conspired to increase urban poverty: first were the declining real wages and employment opportunities Real wages in manufacturing fell sharply throughout the 1980s. Of the 15 countries for which data is available real wages fell in 12. This was not only an expected outcome but also a designed and recommended one. In its axiomatic statement it is assumed that liberalization of markets will not only increase growth but will increase it in a labour-intensive manner that will create employment that will reduce poverty. Financial liberalization will do away with the "financial repression" that has not only discouraged savings with artificially low interest rates, but also encouraged the adoption of capital-intensive technology. This in turn will lead to higher savings, more labour-intensive technologies, and more access by the poor to finance (and so on). Similar deregulation of labour markets will remove the barriers to employment creation by doing away with such things as minimum wage legislation. It was one of the tenets of neo-liberalism that labour markets in Africa were highly distorted by minimum wage and job-security legislation that made the labour markets inflexible. Orthodox stabilisation policies generally reduce real wages partly to reduce aggregate demand and partly to cheapen labour costs. Presumably, one accepted the fall in real wages on the premise that this would lead to more employment (a) through output expansion attendant upon a redistribution of income in favour of capitalists and (b) through the adoption of more labour absorbing technologies since, by doing away with "financial repression", liberalisation would produce interest rates that would induce adoption of technologies reflective of the countries factor endowment. This would provide employment opportunities for the poor especially in the so-called informal sector which would also be freed from the credit rationing that had discriminated against it.

In the event, this has not taken place in Africa. Declining real wages have instead been associated with declining employment. For 12 countries for which relevant data are available, the annual growth rate in formal sector employment fell from 2.8 per cent in the 1975-80 period to less than 1 per cent in the 1980s and 1990s (see Table 2). The lack of employment opportunities and the dismantling of many protective labour laws have led to greater informalisation of labour in urban areas. On average, the informal sector is now believed to employ over 60 per cent of the urban labour force. There is no doubt that those who make their living in those sectors exhibit enormous ingenuity and resilience. And there can be no doubt that in the past state repression and harassment has often made the task of survival and self-reproduction difficult. In some literature of the 1980s this was hailed as evidence not only against the “lame Leviathan” (Callaghy 1987) but as a positive sign that people were taking the “exit option” from state dominated spaces and a new civil society was in the making. We should, however, realise that for the majority of the population in that sector, such “survival strategies” are not only temporary but permanent features of a life of hard work, self-exploitation and poor remuneration. Evidence from casual observation and some solid empirical material suggests that the informal sector has been adversely affected by the fall in demand from urban households, increasing input costs and increasing competition from new entrants consisting of people resorting to the informal sector for survival or to supplement dwindling incomes in the formal sector. What we see now is a process of “extensive” accumulation of an “immiserising growth” type⁷ based on “dead-end survival” activities and not the modernising one.

⁷ “Immiserising growth” occurs when an increase in economic activity is associated with a fall in real living standards. The notion was developed by Bhagwati (1958)

Table 2
Employment Growth in selected countries

| | 1980- 1990 | 1990- 2000 | 2000- latest | 1980-latest |
|---------------|---------------|---------------|-----------------|-------------|
| China | 1.77 | 2.59 | 0.91 | 1.76 |
| India | 1.21 | 1.61 | 0.59 | 1.14 |
| South Africa | -0.71 | -0.47 | 0.20 | -0.32 |
| Egypt | 1.04 | 0.42 | 0.01 | 0.49 |
| Algeria | -0.66 | -1.03 | 0.09 | -0.53 |
| Morocco | 0.54 | -0.08 | 0.31 | 0.26 |
| Côte d'Ivoire | -1.70 | 0.00 | -0.44 | -0.71 |
| Sudan | -0.70 | 0.98 | 0.40 | 0.23 |
| Ghana | -0.32 | 0.61 | 0.29 | 0.19 |
| Nigeria | -0.71 | -0.32 | 0.30 | -0.24 |
| Kenya | 0.32 | -0.68 | -0.13 | -0.16 |
| Ethiopia | -0.51 | 0.30 | -0.01 | -0.07 |
| Tanzania | -0.47 | 0.02 | 0.57 | 0.04 |
| Congo | -0.47 | -3.44 | -0.07 | -1.33 |

Source: ILO, *Key Indicators of the Labour Market*, 4th Edition
Geneva 2005

Table 3
African employment elasticities to GDP growth

| | 1992-1996 | 1996-2000 | 2000-2004 |
|--------------------|-----------|-----------|-----------|
| North Africa | 0.78 | 0.74 | 0.77 |
| Sub-Saharan Africa | 0.74 | 0.57 | 0.48 |

Source: ILO, Global Employment Trends Model 2006, Employment Trends Team.

iii) Absence of coherent Social policy

In recognition of this a number of donors strengthened their social policy divisions. The World Bank signaled its new interest in social policy by holding a conference 'New Frontiers of

Social Policy: Development in a Globalizing World', held in Arusha²⁸. According to World Bank officials "The demise of the Washington Consensus has created a need for new consensus that supports poor people's direct participation in economic growth on fairer terms." (Narayan and Kapoor 2005). According to Dani (Dani 2005), a World Bank social advisor this "Increasing interest in social policy dimensions of development" could be read from three World Bank Development Reports: Focus on poverty (WDR 2002/01), and Making services Work for the Poor (WDR 2004) and the WDR 2006 'Equity and Development'. However all this has not led to a fundamental change as social policy remains marginal and provides no restraints on the core macroeconomic model. Why has social policy made so few inroads into the core agenda? What factors have accounted for the marginalisation and the

(1) *The Theoretical straitjacket*

Perhaps the single most important factor contributing to the marginalisation of social policy was the axiomatic framework that drove the policy adjustment. The priors of such a framework simply excluded the possibility that under liberalisation the poor would suffer definitely not for as long as the two "lost decades". It thus obviated the need for directly and explicitly addressing the questions of poverty. It was only later with the sustained criticism and the political reactions at the national level (including the so-called "rice riots") that the problem of poverty was rather uneasily placed on the agenda. The initial response of international financial institutions to signs of increasing poverty was something like: "Increase in poverty cannot happen under SAP; however since it is happening, remedial measures should be introduced". One effect of such an approach is that programmes to mitigate the negative effects of macroeconomic policies have simply been pasted on to SAP in an *ad hoc* manner without problematising (let alone challenging) the core assumptions of the program⁹.

⁸ In a rather cynical exploitation of place, the conference came up with its own "Arusha Declaration" with the slightest suggestion that the original Arusha Declaration had been partly undermined by IFIs policies.

⁹ Most which may have spawned the ills that the measures were supposed to redress. That these measures did not challenge the core SAP model was underlined by the fact they were explicitly given the additional objective of drumming up political support for SAP. Consequently the donors insisted on the high "visibility" of such programs to counter the political opposition to SAP.

(2) Socially Blind Macroeconomics

Macroeconomics matters for poverty through three channels: economic growth, redistribution and stabilisation of employment and output. In its original formulation the normative foundations of macroeconomics were provided by social policy objectives of full employment. In an earlier paper I argued:

“Macroeconomics was cast in the crucible of the Great Depression and for - years was driven by the social objectives of full employment and the social welfare regimes associated with it. Its policy instruments were also constrained by these social objectives. In its developmental form macroeconomics paid special attention to economic growth and structural changes as instruments for the social objective of eradicating poverty and improving social welfare. In the 1980s, macroeconomics was detached from these social moorings, becoming increasingly socially blind, Economic policies and the instruments chosen to implement them were no longer restrained by social objectives, such as protecting people’s incomes or eradicating poverty. Instead they were almost exclusively assigned the tasks of reducing the twin deficits, containing public debt and inflation, liberalizing product and factor markets, privatizing state assets, and liberalizing external trade and capital flows. Their main function was to re-establish the preconditions for growth; growth itself and safety nets were to take care of poverty.”(Mkandawire 2006: xv)

In its developmental form macroeconomics paid special attention to economic growth and structural transformation as instruments for the social objective of eradicating poverty and improving social welfare. More significantly, stability was not focused on growth targets that met employment or income growth targets but around a deflationary growth path to meet financial targets such as the rate of inflation. In the 1980s the new macroeconomic policy was basically deemed as self-restraining and so unlike the earlier post-War macroeconomics which was constrained by the social objectives of “Full Employment”. On the contrary, macroeconomic policy is now was focussed exclusively on financial variable. Instead they were almost exclusively assigned the tasks of reducing the capital account and fiscal deficit, containing public debt and inflation, liberalizing product and factor markets, privatizing state assets, and liberalizing external trade and capital flows. Their main function was to re-establish the preconditions for growth; growth itself and safety nets were to take care of poverty.”.

The new macroeconomics was informed by view in the developed countries that the fiscal crisis had somehow been caused by welfare states and social expenditure. With the “crisis of the welfare state” in the developed countries and the rise of neo-liberalism the rupture of the link between macroeconomic and social policy and new understanding of poverty was bound to spill over to the developing countries largely through aid agencies. From this followed the view that under conditions of stringent budget conditions, it was necessary to “target” assistance towards the “deserving poor” by dismantling the existing universalistic programmes (Ali 2003;Besley and Kanbur 1990;Brady 2005)¹⁰. The “microeconomic foundations” of the new macroeconomists especially its “supply side” version supported the related view about welfare and incentives and the obsession with avoiding “welfare dependency” that was feared would be the likely outcome of many welfare measures. This in turn created the need for policies to wean the poor from such welfare dependency through targeting and onerous selection processes where there were welfare measures or to pre-empt such dependency by simply blocking the emergence of the welfare state. Macroeconomics was detached from these social and developmental moorings, becoming increasingly socially blind. Economic policies and the instruments chosen to implement them were no longer restrained by social objectives, such as protecting people’s incomes or eradicating poverty. Interestingly the current debate on macroeconomics places, once again, issues of employment, health and education etc.

(3) Definition of poverty: Relative or absolute?

The theoretical literature, especially that inspired by the works of Amartya Sen, and official policy pronouncements recognise this multi-dimensionality and are replete with statements about the synergies among the various initiatives and aspects of poverty. However, is now a perfunctory bow to the notion that poverty is multidimensional, absolute poverty remains the major focus of current debates. In this view high growth rates can be expected contribute to the alleviation of poverty, especially if it was assumed that there would be no changes in income distribution. The implication of this position has been that governments need not follow deliberately pro-poor

¹⁰10 On the affinity between orthodox macroeconomics and targeting Besley and Kanbur note that it “is in the wake of macroeconomic and structural adjustment that targeting seems to have attained a special significance in developing countries, as more and more governments have come under pressure to reduce expenditure. Indeed, targeting has come to be seen as a panacea in poverty alleviation”, (Besley and Kanbur 1990: 67)

growth policies. Such a view may account for the fact that PRSPs have been tethered to a model which has no redistributive policies attached to it and does not indicate the productive and redistributive functions of PRSPs themselves. Indeed, one central tenet of these policies is that what matters is the level of income of the poor, and not equality. Saith (Saith 2006) is correct in observing “What the MDG project is essentially saying, implicitly, is that it is only absolute poverty that matters. So long as that is improved, there is no need to worry or even to think about and monitor overall inequality in societies, whether in the north or the south.... there is no mention at all in any form of redistributions whether of income or assets, such as land.” The drift towards absolute poverty has also been encouraged by the humanitarian turn that the debate on development in Africa has taken... The matter is eloquently stated by Dutch Minister for Development Cooperation, chastising the UNDP’s Human Development Report for 2005 for being critical on this score. ‘We must focus on absolute, not relative, income levels; . . . to a poor widow living in the slums of Jakarta, it does not matter that some Indonesian millionaires become billionaires overnight on the stock exchange; what matters to her is whether she can find a job to feed her children and send them to school’ (van Ardenne-van der Hoeven, 2005 cited Saith 2006) .

Definition of Equity

(4) Narrowing objectives: targeting versus universalism

One well-known fact is that policies that have the greatest impact on poverty are not necessarily the most narrowly pro-poor, targeted ones. Indeed, in many cases the focus on “pro-poor” policies has diverted attention from the most broad-based and sustainable policies against poverty. .

(5) Paradigm maintenance

Another factor reducing the scope of social policy is the fact that social policy has fundamentally been used for “paradigm maintenance” one states fully cognizant of the view by many donors that the shift as a major paradigmatic shift and fundamental rupture with stabilisation and structural adjustments. The new policy is said to be in line with the greater recognition of the importance of “national ownership” “and thus eschews conditionalities. For others the IFIs poverty returned to the development largely as an afterthought largely to rescue the beleaguered

“Washington Consensus”. This Soederberg argues “... the PRSPs are not about doing away with conditionality, but should be seen instead as direct responses to the ‘threats to neoliberalism’, which are, in turn, targeted at reconfiguring and deepening neoliberal domination over the growing number of the poor in the South” .(Soederberg 2005: 339). Ruckert suggests that this new approach is largely aimed at achieving a more “inclusive neoliberalism” “ to make the neoliberal project and its concomitant principles of privatization, liberalization, and deregulation truly hegemonic” (Ruckert 2006: 38). T

.By the time the World Bank signalled its return to poverty through its report in 1990, democracy was on the political agenda of many countries. This partly explains the Bank’s recourse to what Braathen (2000) refers to as “technocratic populism” in which notions of “empowerment” of and giving “voice” to the poor uneasily pair with notions of conditionality, efficiency and insulation of state bureaucracies from the encumbrances of democratic politics. This also explains why so much time has been allocated to looking at processes rather than the substantive content of these programmes.

iv) Neglect of Labour markets

Labour markets constitute an important arena for addressing issues of poverty. Labour markets are not simply institutions for the static efficient allocation of existing labour resources; they are also sites for the realization of basic civil and social rights through what the International Labour Organization (ILO) calls “Decent Work”. Furthermore, they perform the developmental role that is often obscured by the preoccupation with market clearance. Labour market institutions can be sources of savings through contributory schemes such as pensions. Labour market policies can not only ensure decent working conditions, but also create incentives for both employers and employees to improve “human capital”. One common feature of the “success stories” was their extensive intervention in the labour markets.

Labour markets are also probably among the most politically difficult markets to manage in the process of late industrialization. One recurring observation on current poverty reduction strategies is their silence on labour markets or their acceptance of a neoliberal position on labour

markets. When poverty entered the policy agenda in the 1970s under the “Basic Needs” and “Growth with Equity” strategies, labour markets and employment immediately assumed a central role. The past two decades have witnessed significant shifts in the international policy agenda, one of the most contested elements of which has been in relation to employment. During the so-called Golden Age of capitalism (1945–1975) under Keynesian influence, full employment was prioritized as a key objective of public policy. For “late industrialisers” such as the East Asian countries employment creation was a central aspect of their social policy. Social development—in the form of full employment—was thereby embedded within both macroeconomic policy agenda and development.¹¹ While the Golden Age was marked by a respectable employment record for many of the advanced industrialized countries as well as significant progress in substantiating social rights, as far as developing countries were concerned the picture was far more complex. For developing countries the policies to increase employment included trade policies, technological choices, policies on local sourcing sources, etc.

Much of the post–World War II consensus, however, was to unravel by the mid 1970s. The implementation of these policies has led to a massive trend worldwide towards “flexibility” of the labour force: trade unions have been sidelined and coerced to toe the line in many cases, employment has been deliberately casualised through sub-contracting arrangements and the like. Although important exceptions can be cited—such as China and some other East Asian countries—the employment situation has been worsening in many other parts of the developing world. There are indications that in much of the developing world the working population is being increasingly crowded into the ubiquitous “informal economy”. This process has not been without its gender dimensions. In many countries women’s share of informal employment tends to be higher than their share of formal employment. At the same time there has been a continuing process of “feminization” of the labour force, where feminization is understood to mean both an increase in women’s labour force participation, as well as a recognition of the fact that labour market conditions in general—for men as well as women—have deteriorated and become more

¹¹ 11

like the precarious labour market conditions that have typically characterized many “women’s jobs”.

(1) Financialisation of social policy

Although there was recognition that investment in human capital was good for economic, this was not immediately followed by the elaboration of social policies that would produce and reproduce that human capital. Instead, there was the “market failure” arguments which then translated the problem of weakness of financial markets that failed to fund the poor to invest in the education. Some of the arguments about microcredit programmes built on this argument. This “financialisation” of what every else has been fundamentally a social policy problem diverted attention to the social policy implications.

(2) Neglect of Distribution

One major factor behind the truncation of the remit of social policy was the systematic excision of equality concerns from the core policy agenda of the 1980s and 1990s.

(a) Trade off between Growth and Equity argument

(b)

This can partly be attributed to neoliberal thinking which has never prided itself for promoting economic equality. Its two central arguments have been “freedom of choice” and efficiency produced by the “invisible hand” that took the distribution of “initial endowments” as given. It has also posited a trade-off between equity and efficiency and in the Hayekian form between freedom and equity¹². Inequality would, in the classical and neo-Keynesian manner, stimulate growth by shifting income in favour of profit-earners who presumably had higher levels of savings. In the more neoclassical formulation, inequality would also serve as a spur to upward mobility for low-income groups who would exert themselves to climb the ladder while encouraging the capitalist to invest more. There was always the view that the rich were not investing enough because they were not rich enough and the poor were not working hard enough

¹² 12

because they were not poor enough¹³. This lack of interest in inequality can also partly be attributed to the political imperatives of avoiding an obviously embarrassing outcome of structural adjustment and liberalisation in the many countries of the world, namely increased inequality in virtually all countries. World Bank downplayed the importance of inequality on growth and poverty by arguing that (a) growth is good for the poor — the “rising tide raises all boats” argument and (b) inequality has no effect on growth. (Bruno, Ravallion, and Squire 1996; Dollar and Kraay 2001). One suspects that the ready acceptance of this set of results was due to the fact that it fit in well with the macroeconomic models that the BWIs have pushed which have systematically eschewed dealing with issues of inequality. Furthermore structural adjustment policies tended to reduce the instruments available to government. Inclusion of equity on the policy agenda would call forth new instruments and new state interventions to ensure equity. This would have gone against the prevailing ideology of restraining the state to Adam Smith’s “Night watchman” activities. The less said about it the better.

Compounding matters was the belief that growth and equity considerations could be separated. The adoption of decomposable poverty indices that claimed to show how much of poverty reduction would be attributed to growth, to distribution and to the interaction of the two encouraged this view of things. Such a view further encourages the view that social or economic policies initiative can be separately deployed to combat poverty. And yet because in practice there are strong synergies among many policies what has proved decisive in poverty reduction has not been only one of the various elements – growth, distribution or protection – by the social policy regime that links them up.

By the end of the Millennium there First, the empirical foundations of the Kuznet’s Hypothesis suggesting that in the development process inequality would have to get worse before

¹³13 These views have, of course, not gone uncontested. The opposite view has been pushed mainly by structuralists who have argued (a) capitalists in the “periphery” tend to waste the surplus and that therefore ways must be found to put that surplus to public use through taxation or socialization of sources of surplus (Baran 1957)^{13,13}, (b) unequal income distribution leads to patterns of consumption that are import and capital intensive and therefore do not contribute to the widening of the domestic market and to employment creations. A more recent view is that inequality leads to an “anti-rich” politics that leads to higher taxes and, therefore lower investments and lower growth (Alesina 1994; Alesina and Rodrik 1992; 1994; Persson and G. Tabellini 1993).

it got better, proved to be on shaky grounds. Second, the “trade-offs” between growth and equity was said not to hold empirically (Alesina and Perotti 1994; Alesina and Rodrik 1994; Benabou 1996; Persson and G. Tabellini 1993). Third, there was clear evidence that there was in fact a close link between inequality and poverty. It was now recognised that for any given level of growth poverty reduction would be higher if their higher levels of equality. There was a growing realization that the relationship between poverty and inequality was not benign and that society did not have to await the working out of the same immutable law about growth and growing inequality. Now everyone was for equity. In 2006 the World Bank, the UN and UNDP each separately came out with responds strongly arguing for equity (UNDP 2006; United Nations 2006; World Bank 2006). However all this begs the question raised by Amartya Sen: “Equality of what”? For hundred of years the focus in debates and contestations about equality has been about the equality of outcomes. The World 2006 report (World Bank 2006) insisted that “from an equity perspective, the distribution of *opportunity* matters more than the distribution of *outcome*”. The philosophical underpinnings of such a view argued that (a) equality of outcomes was impossible given the diversity of people’s motivation, ambitions and capabilities; (b) that insistence on it would ultimately infringe on individuals rights; and (c) it would ultimately undermine incentives. This approach ignores the fact that the translation of “opportunities” into “outcomes” is mediated by existing institutional and social arrangements which are the sedimentation of past inequalities and have embedded within them a dynamic of self-reproducing inequalities

It is also important to recall that this time around inequality was shorn of its sociological or more appropriately, its class basis. Economists distinguish between functional and personal income distributions. The former examines the distribution of income among owners of “factors of production” – wages for labour, profit for capital, rents for land and interest for finance while the latter clauses incomes accruing to individuals without specifying the source of income. The dominant focus today is on personal income distribution dividing incomes along percentiles. Its major indices are the GINI Coefficient or the ratio of income accruing to different percentiles of the population. One major criticism levelled at this approach is that it concealed and obscures the crucial social categories of class that are still a fundamental cause factor inequality in capitalist economies. Secondly, it tends to focus attention on inequality among the lower strata or on such

things as wage dispersion, third, it has a tendency to excessively focus the issue of equality on micro-level presumably on grounds that this was much less controversial and would not raise serious questions about the causal relationship between macroeconomic policies pursued and the observed growing inequality in virtually all liberalisation economies and finally it is associate with a political economy (the Median Voter) whose elegance and parsimony fails to conceal its empirical vacuity even in these countries that are democratic.

. Much of classical economists were concerned with functional income distribution which produced a distinct political economy by pointing, almost naturally, to problems of class. One advantage of looking at functional income distribution is that one is reminded (a) of the capitalistic nature of the economists being discussed; (b) that investment by capitalists is crucial; (c) that any redistributive measures that disfavour profit-earners will lead to an “investor” strike (Bob Sutcliffe) It also raises the question about who receives what income and what do they do with it. Furthermore as Frances Stewart underscore “Functional distribution is important because it is a major determinant of household distribution, as well as being a determinant of savings, accumulation, and growth. Yet it is virtually ignored in most current empirical, and much theoretical, work” (Stewart 2000)

In addition, macroeconomic reforms while eschewing any discussion on functional distribution, has in fact had significant effects on it. McKinley (McKinley 2001a) observes that that macroeconomics has had the following regressive shifts: (a) From workers to owners of capital; (b) From petty producers and small businesspeople to owners of large businesses; (c) From domestically owned businesses to foreign owned enterprises, and (d) From businesses engaged in productive activity to financial resources. In order to attract foreign investment and promote growth, developing countries have tended to foster policies that are favourable to capital and increase its return. This tends to reduce the labour share may call for corrective policies in order to offset their distributional implications. (Daudey and García-Peñalosa 2005). Even among the propertied, the current model tends to favour interest earners and rentiers over profit-earners thus tending to encourage speculation.

The emphasis of the World Bank on equity was driven much more by the instrumental rather than by the intrinsic value of equity, persuaded that inequality might be bad because a) “with imperfect markets, inequalities in power and wealth translate into unequal opportunities, leading to wasted productive potential and to an inefficient allocation of resources” (p. 7) and b) because “unequal power leads to the formation of institutions that perpetuate inequalities in status and wealth – and that typically are also bad for investment, innovation risk-taking that underpin long-term growth” (pp8-9). Doubts have arisen, however, as to whether these research results will translate themselves into policy, given both the ideological positions of the key countries in the Bank and the exigencies of the core model of economic policy. Recognition that equity and growth can be mutually reinforcing still leaves open the question about the necessary economic and social policies. While current research disputes the simplistic view of trade-offs between equity and efficiency/growth, it does not suggest that the virtuous cycle of growth and equity is automatic. The possibility of negative impact of one on the other suggests a need for deliberate policy choices and design to ensure that equity has a positive impact on growth and vice versa. Only a few years after the report World Bank officials began backtracking on equity but underscoring that what they were referring to was equitable “initial conditions” and not contemporaneous redistribution of income.

(c) Definition of poverty: Relative or absolute?

Although there is now a perfunctory bow to the notion that poverty is multidimensional, absolute poverty remains the major focus of current debates. In this high growth rates can be expected to contribute to the alleviation of poverty, especially if it was assumed that there would be no changes in income distribution. In a highly publicized paper, Dollar and Kraay argued that growth was good for the poor and that countries pursuing “good policies” as defined by the “Washington consensus” enjoyed faster growth in average incomes. The implication of this position has been that governments need not follow deliberately pro-poor growth policies. Such a view may account for the fact that PRSPs have been tethered to a model which has no redistributive policies attached to it and does not indicate the productive and redistributive functions of PRSPs themselves. Indeed, one central tenet of these policies is that what matters is the level of income of the poor, and not equality. Saith (Saith 2006) is correct in observing “What

the MDG project is essentially saying, implicitly, is that it is only absolute poverty that matters. So long as that is improved, there is no need to worry or even to think about and monitor overall inequality in societies, whether in the north or the south.... there is no mention at all in any form of redistributions whether of income or assets, such as land.” The drift towards absolute poverty has also been encouraged by the humanitarian turn that the debate on development in Africa has taken... The matter is eloquently stated by Dutch Minister for Development Cooperation, chastising the UNDP’s Human Development Report for 2005 for being critical on this score. ‘We must focus on absolute, not relative, income levels; . . . to a poor widow living in the slums of Jakarta, it does not matter that some Indonesian millionaires become billionaires overnight on the stock exchange; what matters to her is whether she can find a job to feed her children and send them to school’ (van Ardenne-van der Hoeven, 2005 cited Saith 2006) .

The crucial social policy question and politically salient point about poverty and growth is not so much about whether growth reduces poverty but whether the decline in poverty is commensurate with the aggregate growth. This inevitably brings up the problem of absolute versus relative poverty. In virtually all developed countries the measure used for poverty is the relative one – often something like less than 50 percent of the national median income. However, for poor countries the measure chosen is the absolute which raises no question about distribution and allows one to define as “pro-poor” growth any growth that raises the incomes of the poor regardless of what happens to the incomes of the rich.

(d) Focus on Absolute Poverty.

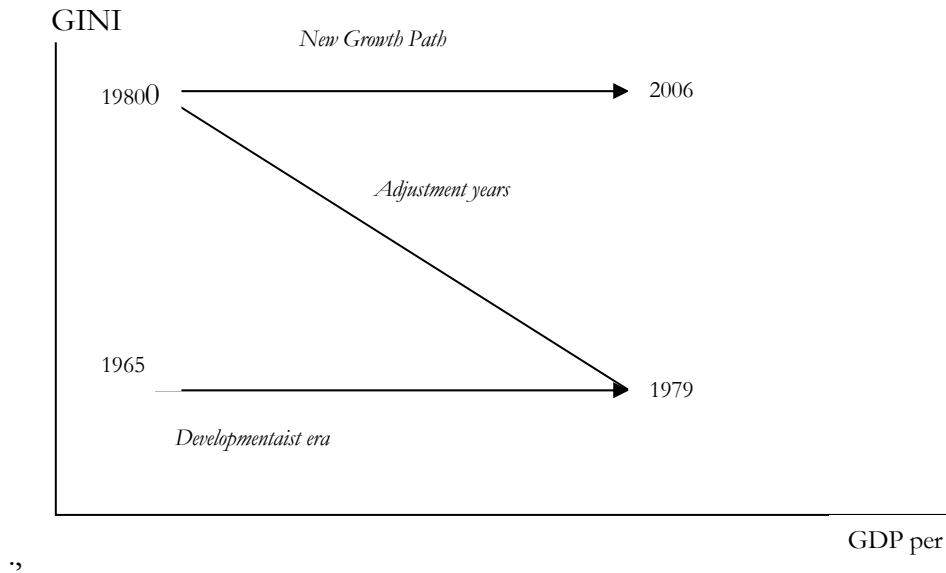
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The World Bank firmly rejected the definition of “pro-poor” growth as one which focused on ensuring that the poor benefit disproportionately from growth which would mean that growth is pro-poor if it was accompanied by reduced inequality (Ravallion and Chen 2003). The World Bank’s approach focused on accelerating the rate of growth of incomes of the poor through faster growth and by expanding the opportunities to poor households to share in the growth.

v) . *Growing inequality*

During the “Golden Age” of post-World War II capitalism there was no relationship between inequality and growth, leading some economists to consider the unchanging wage-profits share as one of the stylised facts of modern-day capitalism. This assumption was extended to developing countries and was used by Dollar and Kraaj to downplay the question of inequality when they argued that “growth is good for the poor”. In both the rich and poor countries that has changed. SAP has produced a new dynamic in which the inequality and growth are positively related.(Piketty and Saez 2006). Thus using the same data as the one Dollar and Kraaj Lopez (2006)found that growth under adjustment (the 1990s) was associated with inequality, though not in the 1970s and 1980s. The data on inequality is quite startling and now compares to the notorious Latin American levels (See Tables 4 and 5). Ominously, while growth did not reduce inequality recession increased it. This asymmetry produces a ratchet effect so that once inequality is worsened in a phase of recession; it is maintained in the phase of recovery (as in Figure 1). The new growth rates are not sufficient to reduce inequality from stagnation of the 1980 and 1990’s.

Perhaps even more politically explosive has been the growing horizontal inequality along ethnic, gender and geographical lines. The retreat of the state has left large parts of African countries out of the new growth path and placed an even greater burden of care on women. Although World Bank economists tried to pepper over all this by claiming that conflicts in Africa were driven not by grievance but by greed, there is ample evidence suggesting that the wars have been triggered by grievances (some old) that have been generated or exacerbated by the uneven development.

Figure 1 - The Ratchet Effect of Growing Inequality

SAP did however achieve in some cases some rather perverse form of equalisation. Available data suggests that following SAP, the urban-rural income gap was reduced by a process “equalising downward” while intrasectoral inequality grew (Cornia 2007: : 53). The perverse redistribution was the consequence of a number of structural features of the adjustment model that included de-industrialisation and liberalization of labour markets the “deliberately low wage, upwardly redistributive bias of economic policy” O’Conor (p.550), and the dismantling of a number of post-colonial social pacts Even in countries where wage labour was not significant the effects of this model were felt throughout the economy as a result of a substantial decrease in urban remittances and greater informalisation and pauperization of significant sections of the nascent middle class While changes in the share of wages may not tell us much about overall distribution, it definitely has a clear bearing on urban inequality and poverty. We should not be led to believe that the perverse redistribution was unintended. Among some of advocates of adjustment this was good news. The World Bank viewed the worsening conditions in the urban areas as a salutary way of reducing the rural-urban divide. Persuaded that the root cause of rural poverty was “urban bias” as evidenced by price distortions against “tradables” that included agricultural products, the IFI tended to dismiss growing urban poverty as a passing, though politically explosive, phenomenon

for which some ameliorative measures might be advisable. Indeed, the World Bank believed that reversed migration from urban to rural – a clear sign of de-industrialization – would help resolve urban poverty. Sahn (1992) could argue that the collapse of sources in the urban areas was salutary since poor people do not take part in the formal economy and did not make much use of government services, and hence, are less (either negatively or positively) affected by stabilization policies than non-poor groups which used to profit much more from public services. In the event continued rural-urban migration and the salience of the poor in Africa urban politics undermine both positions.

(1) The “protection bias”

We argued earlier that policies that effective against poverty must take on board issues of production, distribution, protection and reproduction. The new trend in social policy has been to focus on protection and in some extreme case, exclusively so. There are many reasons for this bias. The first is the simple recognition is that uncertainty of means of livelihood is an important measure of poverty. However a more fundamental argument is that this one part of social policy that requires no redistribution especially if the insurance is paid for by outsiders. It also stems from the downplaying the productive role of social policy and the point, made by Dreze and Amartya Sen, that in while the core objective of addressing the socio-economic problems that specific contingencies like unemployment, ill health, old age, maternity, etc, must not be forgotten, it is necessary to also on the “promotional” aspects of social security concerned with the objective of enhancing the normal living conditions and dealing with regular and often persistent deprivation, In other words social security should not be aimed only at income maintenance or reduction of its volatility but also the activation and integration of the poor with the productive process.

(2) Securitisation of Social Policy

And finally there were the more systemic concerns about globalization based on unbridled competition and a socially not embedded global order. This has raised the question of security which is links poverty to the issue of “failed” or “fragile” states that might provided haven for terrorists. In one form it tends to push social policy towards a “social security” direction, privileging protection over other such functions such as production and distribution. This is

tantamount to focussing of social policy on management rather than reduction of poverty and inequality. The peremptory dismissal of issues of outcome in thinking about equity and the insistence on absolute levels of income is producing a new kind of “welfare state” linked not to a developmental welfare state but to a regulatory one.

c) The Political economy of Social Policy

Missing in much of the debates about poverty reduction and equity is the identification of social and political actors that could form broad "reform-mongering coalitions" (Hirschman 1971) that would underpin the implementation of the desired strategies. In much of the analysis the discussions ends with laments about “lack of political will” or the assertion that in African conditions such coalitions will not emerge anyway, with the implication that donors will drive the political agenda through conditionalities and selective empowerment of “change teams”. We know now that neither conditionalities nor Gunboat “national-building” a la Iraq work.

i) State capacity and institutional reform

In all the successful cases of fighting poverty, both democratic and authoritarian regimes have played a “developmental” role. One quite remarkable feature of the new social policy focused on MDGs or PRSPs is that the status and the requisite capacity of the state differ radically from the historical “success stories”. Thus far these policies are tethered to the demise of the “developmental state”, both as a reality and as an aspiration. Consequently, they are to be implemented by “regulatory states” which are stripped of many of the instruments available to developmental states and whose main task is to ensure a “level playing field” and the protection of property rights. However, in the era of adjustment many of these of institutions were deemed guilty by association to the putatively failed strategies of industrialization and were condemned as “market distorting”, “interventionist”, clientalistic, and fiscally unsustainable. Indeed, in many cases dismantling these institutions was considered the sine qua non of effective policy reform and adjustment. The failure of the simplistic message of “getting prices right”, the neo-institutionalists infusion of institutions into the neoclassical theoretical framework by pointing out that markets were embedded in institutional arrangements that reduced transaction costs in various ways, and the debacle of the transition to capitalism in the former Soviet bloc all pointed to the complexity

of institutions that undergird the capitalist system and led to calls for “getting institutions right”. As it turns out, even the narrowest social agenda that comes along with neoliberalism—targeting the poor and provision of basic health and education—has institutional prerequisites that demand much more than what has been left after “reining in” the state. In addition, calls for “Comprehensive Policy Frameworks” and the new broader agenda against poverty have revived interest in institutions and good governance. However, the new focus is marred by the tethering of institutions to a “one-size-fits-all” policy perspective in which good policies are known, or what has been referred to as “institutional mono-cropping” (Evans 2004), in which institutions are reduced to servicing this set of “good policies” or what has been referred to as “institutional mono-tasking” (Mkandawire 2004). The single-minded subjugation of institutional reform to one set of policies led to the marginalization of the many concerns that governments have sought to address with their own or borrowed institutions, for example, national sovereignty, rapid industrialization, nation-building and poverty eradication. The lessons from history are that similar economic and social outcomes have been achieved by a wide range of institutional arrangements.

ii) Disempowering Democracies

One consequence of a broad definition of poverty and concern with “rights-based” development has been the inclusion of the question of “empowerment” in debates on poverty. Empowerment relates to both “participation” and “national ownership”. Current discourse on poverty recognizes the importance of politics in the combat against poverty. Although the current insistence on human rights suggests that the desirable political regime would be democratic, some of the most successful cases of poverty alleviation have been under authoritarian regimes, and in my cases democracies have not done well with respect to poverty alleviation. In the East Asian model, social policies were often introduced in a top-down fashion and were overwhelmingly introduced by those in power rather than as a result of popular demand (White and Goodman 1998: 2). This is not to say the elites were deaf to popular demands; geopolitics made them extremely attentive to the radical discourse of neighbouring countries’ regimes, forcing them to introduce social policies to pre-empt radical movements. The “German model” was also in response to the French Revolution and the fear that unless the social consequences of capitalism

were attended to, labour would be so radicalized as to bring the whole nation-building and industrialization project to a halt.

Most African countries seem to have chosen the democratic path. This is not an impossible mission. Some of the most successful countries in combating poverty were. Thus “Nordic model” was often characterized by corporatist arrangements within an essentially democratic framework. And in Africa Mauritius is cited a good example. And how much space do the new democracies have for pursuing democratically anchored policies? The process of “participation”, which is so central to current poverty reduction strategies, is focused on process rather than substance. The PRSP process basically builds on empowerment at the micro level and disempowerment or exclusion at the macro level. This it does through various practices, such as limiting the agenda, selectively leaving out social actors likely to make claims that have significant macro level effects (e.g., unions), through cordon off core macroeconomic policies from public scrutiny and through the right of veto that is built into these processes. And yet, although poverty is often lived at the micro level, its reproduction, intensification or amelioration depends crucially on macro-level policies that, through omission or commission, are intended to address macro-level problems. We still have to answer a number of important questions. Do low-income democracies differ in the way they tackle poverty? What accounts for differences in performance, if any? And under what conditions can low-income democracies be made to serve the interests of the poor? What constrains democracies from adopting pro-poor policies even in societies where the poor are the overwhelming majority? How much “voice” do the poor have in the various policy regimes? What is their organizational strength and what are the impediments to their participation in politics? What is role of the multiplicity of identities of the poor in pursuing their economic interests *qua* poor? How are they affected by the existence of political arrangements that effectively shield key economic decisions from politics sometimes in the name of protecting the poor from rent-seeking elites? How do the global agenda and transnational solidarity movements affect their political activities and understanding of issues of poverty?

iii) Diverse Social actors and uncertain politics

To understand the political battles on poverty it is important to also bear in mind the numbers of social actors driving the current poverty agenda in order to understand both the breadth and the eclectic and shopping list nature of the poverty agenda. These actors are driven by different motivations, interests, understanding of poverty and power. These diverse drivers partly account for the state of disarray in policy debates and the gravitation towards the lowest common denominators in the poverty discourse. We need to revive these debates in Africa to identify what are the political agenda of the different social actor, be they foreign or domestic, class, gender, ethnic, public or private.

(1) National elites

Almost from the very beginning, structural adjustment was obsessed with circumventing the elites so that donors could proceed with their humanitarian tasks or into “bribing” them into doing what they did not want. However as John Toye has reminds us that in “in the real world, anti-poverty policies are rarely an expression of pure humanitarian impulse. National elites tend to do some either under duress or because they were convinced it was in their interest to do. This might be because some aspect of poverty have a “pubic bad” character with negative externalities that can effect the rich (i.e. public health, crime etc), or it might advance national security objectives or it might facilitate economic growth by improving the health and education of the populace. In this respect Mick More has suggested some rather specific questions that we need to answer in relating national elites to the poverty question: “What do they think about the national causes and solutions to poverty? Which of the much potential poverty do they see as meriting public attention? Which sections of the elite are most sympathetic to doing something about poverty? What instruments to they believe will be effective?” (Moore and Devereux 1999: 4)

If by ideology and class origins the first generation of leaders tended to lean toward populist and nation building social policies that somehow addressed poverty, the new breed of leaders seem to be in no particular hurry to address poverty except perhaps as an electoral gimmick or in

compliance to donor pressures. Furthermore the new adjustment process has created space for new social and political actors not beholden to the “social pacts” that had produced some of the more inclusive social policies of the past. Many of these actors have benefited from the fire sales privatisation schemes while some were entrepreneurs that the liberalised markets had unleashed. These shifts in commitment may explain why the poverty agenda is so externally driven in Africa (Mkandawire 1999). Some have been bolstered by the new initiatives to create a civil society that is compatible to the new policy dispensation – individualistic, nonmembership association etc.

(2) Social and political movements

In the debate on poverty today, the social movements upon which so much faith is placed deployed do not seem to be functionally equivalent to those specified in the explanations above. The social movements that have played the historical role in shaping the welfare state in the developed countries bare little resemblance to the NGOs and of today conflated with civil society. The old movements were movements were strategically related to the production process and therefore able to make consequential demands on the social order. And in the elite-led version of social policy, the elite were domestic and not international bureaucracies. During the last two decades new social movements have risen which have forced the poverty on the international agenda. Many of these movements belong to what is now referred to as NGOs. Many of these movements were inspired by ideologies or perspectives that avoid the “grand narratives” of development and concentrated on small scale micro-levels projects in which personal engagement and testimony was important. As a consequence they rarely bothered to understand the macro-level processes that produced or at least condoned poverty. Only much later did they begin to engage the larger issues of debt relief, trade and development? However even at this level the focus was at the microlevel implications of such global processes. Many of these arguments insisted that the money made available through debt relief should go to “pro-poor” projects which they narrowly understood as only those whose benefits accrue directly and immediately to the poor.

One of most highlighted features of current poverty eradication strategies is the prominent role given to civil society (in the form of non-governmental organizations. The participation of nongovernmental actors is intrinsic to both the design and implementation of national anti-

poverty programmes. Yet the new approach ought to be viewed in light of two historical observations. The first is that in none of the successful cases of poverty eradication have NGOs played a central role. Even in the more recent accounts of successful policies, the same is true (on this see Mehrotra and Jolly 1997). Second, the kinds of social movements that constructed the “social pacts” or were the backbone for poverty eradication in the past differ substantially in both form and programmatic focus from today’s NGOs. In addition there is the question of accountability and representatives of NGOs¹⁴. The point here is not to exclude the possibility that NGOs can play an important role¹⁵, but to suggest that we need to know more about their capacities to play a functionally equivalent role in the development process today.

(3) Corporate sector

One new innovation in the fight against poverty has been the notion of public-private partnership which draws on three discourses: the role of the state in creating an “enabling environment” for the private sector, the notion of civil society and the notion of corporate social responsibility. In recent years, there has been greater stress on corporate self-regulation, voluntary initiatives, non-governmental systems of labour regulation and multi-stakeholder institutions as ways of regulating business and bridging the gap between private and social gains. Concerns have arisen regarding both the capacity and legitimacy of these new regulatory approaches. They also have political implications.

Virtually all countries now agree that the private sector and the market will assume a central role in the development process. Historically, the role of the private sector was viewed as contributing to accumulation, employment and technological change while pursuing private gain.

¹⁴14 Or as Elisabeth Jelin suggests: “The fact is that NGOs and “private-yet-public” organizations do not have a built-in mechanism of accountability. They do not have a constituency or membership composed of their “sovereign citizens.” They are fundamentally accountable to those who provide funds and to their own ideology and consciousness, hopefully (but only hopefully) based on “good values, solidarity, compassion, and commitment. Given the relative absence of institutional and societal accountability, there is always the danger of arbitrary action, of manipulation, of lack of transparency in objectives and practices (Jelin 1997: 412)

¹⁵15 Some have suggested that the presence of NGOs might produce “Polycentric Development Coalitions” that would include old and new social movements to push through a social democratic agenda (Korzeniewicz and Smith 2000).

Where these private gains diverged from social gains, the state was expected to intervene through various incentives, taxes and regulatory measures. The state was also expected to provide certain goods—both merit and public goods. In recent years these traditional roles of business and the state have changed considerably, with the rolling back of the state and the increasing engagement of the private sector in social provisioning through the privatization of public services, in social protection and “self-regulation” through corporate social responsibility (CSR), and in poverty reduction through various public-private partnership projects and other initiatives.

(4) The Poor

Much has been said about empowerment. At its best the PRSP process basically builds on empowerment at the micro level and disempowerment or exclusion at the macro level. The weak are never empowered by the powerful. The rich have many ways of restricting the policy agenda. This they do through various practices, such as limiting the agenda, selectively leaving out social actors (such as unions) likely to make claims that have significant macro-level effects, and through the right of veto that is built into these processes. The poor have to grab power themselves. And this brings us to question of the political cohesion of the poor themselves and their organisational capacities and political ideologies. If they cohere around what to they cohere and with what organisation capacity to they act in the political arena? And so a number of questions arise: Why are democracies pursuing economic policies that are known to be deflationary, seemingly backed by their supporters? Why are new democracies more orthodox in this respect than older ones? Why have the poor not used their voting power to push for policies that are pro-poor and lead to sustainable improvements in the lives of the poor?

d) Conclusion

This shift towards greater attention to issues of poverty is a welcome antidote to policy making that had expunged poverty from the central agenda to focus on stabilization, debt management and static allocative efficiency. The new focus on poverty was a reminder of what was a central objective of development and nationalist aspirations. Unfortunately, in correcting a narrow policy agenda the new focus pushes a good point too far when it focuses attention only on the proximate causes of poverty and narrows the development agenda. Development was aimed at

more than poverty and significantly in countries that have successfully combated poverty the most important policy measures were not explicitly directed at poverty. Indeed in many cases, other objectives – pre-empting social unrest, nation-building, of “human capital” developmental considerations- lay behind the policies that, ex post, can be read as poverty reducing

The message above, as well as the multidimensional nature of poverty, underscores the point that the eradication of poverty is always embedded in social and economic development. The determinants of human development goals are multiple and cut across sectors. The theoretical literature and official policy pronouncements recognise this multi-dimensionality and are replete with statements about the synergies among the various initiatives on the various aspects of poverty. There is no one-to-one link between the MDG relating to a sector and policies relating solely to that sector. The outcome in a given sector depends importantly on factors outside that sector .One implication is that in order to be useful tools; the MDGs (for example) must not be seen as narrow objectives with one-dimensional interventions. However in the urgency to meet individual targets, the development community runs the risk of losing sight of the multi-sectoral nature of interventions and development outcomes such as the MDGs. This risk is even greater the absence of a strategy that ties all these goals together and a framework that provides guidance on sequencing and prioritizing actions, there is the distinct danger that specialized international agencies and their ministerial counterparts at the national level will each focus on that goal that presumably falls under their mandate. It is here that development thinking becomes necessary. The narrow focus on “poverty” may actually be misleading, and may be a reflection of demise of developmental thinking and the residual role assigned to social policy, which is seen as merely an instrument for correcting some of the negative outcomes of macroeconomic policies

African countries have had the worst of both sides in terms of distribution of growth. They were made to sacrifice equality in the name of stabilisation and the promise of growth. In the event they got neither sustainable growth nor equality. The new challenge in Africa is to bring back development but now one which is democratically anchored and socially anchored. One of the factors driving the equity agenda has been the process of democratization. While in the early phases, the new democracies pursued essentially orthodox policies, with the passage of time,

politics of democracy tend to push towards more heterodox responses (Mkandawire 2004). In Latin America, there are clear intimations of a return to some of the “populist” and social-democratic traditions of Latin American. In the order democracy of India voters clearly suggested the new growth of India (“India Shining”) was producing inequalities that voters found anathema. One can hope that as democracy is consolidated in Africa the issues of poverty and inequality will receive the full attention they deserve as part of a truly transformative set of social and economic policies.

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