

## *Appendix 2*

### **Testing Hypotheses**

This study set out to test hypotheses about four types of pro-poor initiatives that might be undertaken in less developed countries. These types -- presented here as four 'Tracks' along which leaders may proceed -- are listed just below, and are followed by the hypotheses. We then comment briefly on the extent to which the three politicians analysed here operated along the various 'Tracks'. Thereafter, we consider the hypotheses in some detail.

#### *Types of Initiatives*

We located pro-poor initiatives along the following four 'tracks'.

Track One: Redistributing material resources through substantial new taxes and/or new spending on pro-poor programmes.

Track Two: Liberating existing funds for pro-poor programmes by undertaking fiscal/budgetary adjustments -- that is, by cutting subsidies, shrinking public payrolls, shifting funds from other programmes, etc.

Track Three: Enhancing service delivery to poor people by undertaking administrative reforms (including changes in incentives) that either liberate existing funds to pay for services or improve things in other ways.

Track Four: Addressing other disadvantages faced by the poor through initiatives that enhance: state responsiveness; the skills, confidence, organisational strength, participation, connections and influence of the poor (and their allies) within the political and policy processes; and poor people's access to information and legal redress. (As this implies, we see 'poverty' as multi-faceted.)

As we noted earlier in this Report, it is possible to place some initiatives on more than one track.

#### *Identifying Hypotheses*

Our four hypotheses are as follows.

- A. That 'Track One' initiatives are economically and politically infeasible in current conditions.

- B. That health and education initiatives on 'Track Two' and 'Track Three', and most initiatives on 'Track Four' are more politically and economically feasible in current conditions than are other initiatives -- and that they can substantially benefit the poor while avoiding the ingratitude that afflicted wage increases and cash transfers in earlier times when fiscal constraints were not so tight.
- C. That centrists are capable of acquiring pro-poor political will, often but not always gradually, that (despite some tactical retreats) they can sustain it, and that the gradual acquisition of 'will' (which donors can encourage) provides an adequate basis for success.
- D. That centrists are capable of building and sustaining pro-poor coalitions which include non-poor groups, and that such coalitions are always essential to the success of pro-poor initiatives.

### ***The Four 'Tracks' and the Three Politicians***

To introduce the four 'Tracks', we need to offer a few comments about the feasibility of initiatives on each one, and about the extent to which the politicians assessed here made use of the various 'Tracks'. Note that all three men operated along multiple 'Tracks', but that each relied more heavily on some than on others. (This discussion anticipates – and sets up -- our analysis of the hypotheses later in this chapter.)

'Track One': [Redistributing material resources through substantial new taxes and/or new spending on pro-poor programmes.]

In political terms, 'Track One' initiatives are not just feasible, they are highly advantageous. But there are serious doubts about their economic feasibility in current conditions. To attempt them is to risk fiscal instability, capital flight, swift and possibly severe damage to the currency's exchange rate, and the displeasure of international investors and development agencies. And yet perhaps surprisingly, one such initiative was undertaken in Uganda, as were several in Brazil. Since Hypothesis A deals exclusively with 'Track One', we leave further discussion of it to the section on hypotheses.

'Track Two': [Liberating existing funds for pro-poor programmes by undertaking fiscal/budgetary adjustments, that is, by cutting subsidies, shrinking public payrolls, shifting funds from other programmes, etc.]

Our initial comment about 'Track One' can be reversed with respect to 'Track Two'. There is nothing economically infeasible about 'Track Two' initiatives – indeed, there are good economic reasons for them. But there are serious questions about whether they are politically feasible – because people

who suffer pain as a result of such reforms may turn against the politicians who introduced them.

Despite this, significant efforts were made on ‘Track Two’ in Brazil. They turned out to be less difficult politically than some commentators have suggested, although Cardoso had to face stiff opposition to changes in the pension system. More modest efforts were made in Madhya Pradesh. Singh’s dominance of the policy process and the ineptitude of the main opposition party enabled him to implement these without great difficulty. But at the 2003 election (which he lost), determined opposition from the families of government employees who had lost benefits or (in a smaller number of cases) jobs contributed to his defeat. Discontent over cuts in electricity subsidies was also evident, although the main complaint on that front was about the intermittent power supply rather than prices.<sup>1</sup> In Uganda, Museveni had to create a bureaucracy, and as he did so, he faced pressure from the World Bank and the IMF to draw upon an extensive agenda of civil service reforms. He was slow and cautious in responding, partly because his first priority was to bring a civil service into being in order to be able to perform quite basic tasks, and partly because he was anxious about the political repercussions of retrenchments in a bureaucracy that was still in the making. When he took some modest steps in this direction, he escaped the sort of difficulties experienced in Madhya Pradesh, mainly because Uganda’s ‘no-party’ system and the political dominance of his movement provided few openings for discontent to surface.

‘Track Three’: [Enhancing service delivery to poor people by undertaking administrative reforms (including changes in incentives) that either liberate existing funds to pay for services or improve things in other ways.]

We can make the same general comment here that we offered at the start of the discussion of ‘Track Two’. In contrast to ‘Track One’, initiatives along ‘Track Three’ are economically both feasible and desirable. But there are again doubts about their political feasibility. (The issues that arise here are sufficiently complex that they need to be discussed in some detail.)

Museveni in Uganda made modest use of ‘Track Three’ initiatives. Most of the administrative changes that he undertook in response to urging from donors fit along ‘Track Two’. There was, however, some spillover onto ‘Track Three’ – something that is not uncommon in less developed countries. One of Museveni’s main concerns was to maintain elected district-level councils as potent institutions, in order to avoid over-centralisation and dominance by national-level administrative elites within the political system. He blamed much of Uganda’s troubles before he took power on those two things. He therefore distributed power and developed incentives in ways that would

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<sup>1</sup> J. Manor, “The Congress Defeat in Madhya Pradesh”, *Seminar* (February 2004).

preserve the power of district councils. (This is discussed in more detail below.)

Singh in Madhya Pradesh made substantial use of two devices that belong on 'Track Three'. First, he created special 'missions' – new government agencies that were headed by usually young civil servants known for their expertise and especially for their commitment and effectiveness. These administrative instruments partly by-passed existing bureaucratic structures (which Singh regarded as too stagnant and unresponsive), and partly drew upon them. Their creation caused some resentment among bureaucrats, but the ascendancy which elected leaders had long enjoyed in this (and other) Indian states ensured that their discontents caused only minor problems. For the most part, the dynamism of the civil servants who headed these agencies, and the strong political backing that they received from Singh, produced tolerably good – and in some cases, quite remarkable – results. They were particularly impressive when the efforts of these agencies were reinforced by pressure and input from below – from ordinary people (including, often, the poor) at the grassroots. They were drawn into the policy and political processes by the empowerment of elected councils at lower levels and by user committees (that is, by changes that fit along 'Track Four').

Second, Singh presided over the recruitment and deployment of large numbers of para-professionals, both to augment line ministry employees and to perform new tasks. The success of this approach under the Education Guarantee Scheme inspired the hiring of para-professionals in a number of other ministries. Their recruitment caused some disquiet among employees in the ministries where this occurred. But Singh was able to manage this without great difficulty -- because he was well insulated from pressure from those employees, because their job security was not in jeopardy, and because their remuneration and conditions of service were preferable to those provided to the para-professionals. During his decade in power, the deployment of para-professionals yielded positive results in developmental terms and was broadly popular.

In Brazil, Cardoso made little use of 'Track Three' initiatives. This is mainly explained by his tendency to leave such actions to state and municipal governments. Indeed, at those levels, remarkable – and now famous – initiatives occurred, including one which which predated and bore some resemblance to Singh's use of para-professionals.<sup>2</sup> Cardoso welcomed this, but he was too preoccupied with the complex tasks of getting pro-poor legislation passed at the national level, and of revising the relationship between the federal and state governments to play much of a direct role in this vein.

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<sup>2</sup> See J. Tandler, *Good Government in the Tropics* (Johns Hopkins University Press, Baltimore and London, 1997) on new approaches in Ceara, and the growing literature on participatory budgeting in Porto Alegre and elsewhere.

There was one exception, however. He was active in reforming the method by which families received funds under the Bolsa Escola programme. They were given plastic cards akin to credit cards, to access funds directly through the equivalent of automatic teller machines – thus cutting low-level bureaucrats who had previously disbursed the funds out of the process. This reduced opportunities for corrupt practices in the implementation of that important initiative.

‘Track Four’: [Addressing other disadvantages faced by the poor through initiatives that enhance: state responsiveness; the skills, confidence, organisational strength, participation, connections and influence of the poor (and their allies) within the political and policy processes; and poor people’s access to information and legal redress.]

‘Track Four’ initiatives differ from those along all three of the previous Tracks. They are not, in contrast to those on ‘Track One’, impeded by fears about their economic feasibility – because they usually cost relatively little. Indeed, they cost less even than some ‘Track Two and Three’ programmes which require expenditure on golden handshakes or certain incentives for bureaucrats. Insofar as ‘Track Four’ programmes entail the transfer of funds from higher levels to representative bodies at lower levels, they are usually funds that the government would have spent anyway – so that little new money is disbursed.

But in contrast to initiatives along ‘Tracks Two and Three’, they are not particularly attractive in economic terms, since they tend neither to yield many additional funds for development, nor to do much to promote economic growth. Their impact and utility are predominantly political. Certain interest groups may oppose them, but they are usually quite feasible politically. The main issue here is whether politicians have the imagination to recognise the political benefits – to ordinary folk and to the poor, but also to governments – of ‘Track Four’ initiatives. (Here again, we need to discuss things in a little detail.)

Politicians who have links – however residual -- to the left, are likely to recognise this, because the 1980s and early 1990s witnessed a change in the perceptions of left-of-centre groups across the developing world. They spoke less of creating socialist regimes and more of introducing participatory and deliberative mechanisms to empower deprived groups. These views also gained currency among people like Singh in Madhya Pradesh who initially operated as centrists, but who were drawn leftwards, in part by such perceptions. And let us not forget that experiments with democratic decentralisation – a major international fashion and a key ‘Track Four’

initiative – have been undertaken by all sorts of governments, including some that stand to the right of centre.<sup>3</sup>

Both Singh and Museveni were impelled towards ‘Track Four’ options by another idea that had gained influence in India and Uganda (and beyond) – the belief that the over-centralisation of power had done immense damage both developmentally and politically. The great over-centraliser in India had been, ironically, Indira Gandhi – the former leader of Singh’s own Congress Party -- and it was anti-Congress state governments there that initially demonstrated the promise of decentralised approaches. But then – still more ironically – the idea was seized upon in the late 1980s by the over-centraliser’s own son and successor, Rajiv Gandhi. Once that occurred, it became far easier for followers like Singh to proceed along ‘Track Four’.

Museveni was (as we have noted) deeply suspicious of the centralised state, attributing to it much of Uganda’s woe over previous decades. To prevent it from reappearing, he converted the local ‘resistance councils’, set up during his armed struggle to take power, into potent institutions in the new order which had to be built up from next to nothing. He also saw decentralised bodies as a counterweight to the influence of national elites, whom he distrusted. He constantly stressed his faith in ordinary peasants over elites, and in the possibility of peasant-based development. In doing so, he was echoing elements of Tanzania’s Arusha declaration that stressed local self-reliance and the empowerment of villagers, which had loomed large in his formative years. They were translated into action far more impressively by Museveni than by the old Nyerere government in Tanzania.

So, Museveni and Singh made heavy use of ‘Track Four’ initiatives – indeed, they were crucial in both cases. Such initiatives were also extensively used in Brazil, but less by Cardoso himself at the apex of the system than by municipal and state governments.

In Uganda, where ‘Track Four’ was most important, Museveni established five tiers of decentralised councils, extending from the district level down to the villages. He intended these elected bodies to provide more responsive governance, and to enhance the organisational strength and political capacity of ordinary people. He also sought to persuade villagers that they owned an important part of the new state, that they belonged to a new kind of inclusive political community, and that they could trust both that community and the new state. These councils were also expected to facilitate poverty reduction by providing ordinary people (a large majority of which in Uganda were decidedly ‘poor’) with powers that they had always lacked, and by playing key roles in the implementation of programmes aimed at deprivation, such as the Universal Primary Education scheme. By decentralising, Museveni also made his

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<sup>3</sup> J. Manor, *The Political Economy of Democratic Decentralization* (World Bank, Washington, 1999), pp. 26-36.

government attractive to donors whose support was essential if such schemes were to flourish. On all of these fronts, his efforts were reasonably successful.

Singh in Madhya Pradesh shared many of these ideas about decentralised governance. Some of his statements uncannily echoed Museveni's comments about ownership, responsiveness and improved developmental outcomes – even though the two men operated entirely separately. But Singh was not in the business of state-building. He inherited and worked within an elaborate set of political institutions. He saw his task as making them more open and responsive to ordinary (and again, mainly rural) people. Unlike most other state-level leaders in India, he extended substantial powers and resources to elected councils at lower levels. And these bodies made it possible for some of his pro-poor initiatives to succeed – most notably, the Education Guarantee Scheme.

In Brazil, Cardoso was sympathetic to 'Track Four' initiatives,<sup>4</sup> but he mainly left this to state and municipal governments – including some controlled by the Workers' Party which stood to his left -- which made extensive use of them. Some of these initiatives – notably participatory budgeting, famously developed in Porto Alegre but later taken up in a large number of other places – became international models. Cardoso made occasional use of participatory processes, however. His office directly oversaw the implementation of the *Comunidade Solidaria* programme which depended for its success upon such processes at lower levels. And in several sectoral programmes, non-governmental organisations -- such as the National Council for Social Assistance, the Federal Health Council and a national initiative to provide training for employment – were given influential roles. So while he operated mostly along 'Tracks One and Two', Cardoso was no stranger to 'Track Four'.

To sum up on the four 'Tracks': 'Track Four' was the most widely used – although in Brazil, Cardoso himself was seldom directly involved – because it posed fewer economic and especially political difficulties than the other three. 'Track Two' was the next most popular option – although Museveni in Uganda turned to it late and reluctantly. 'Track Three' was used less often, mainly in Brazil, where it entailed changes in incentives that triggered some (albeit manageable) opposition from government employees – indeed, such adjustments of incentives appear more common in Latin America than in Africa and Asia. It was also used in Madhya Pradesh, but instead of changing incentives, Singh stressed the less troublesome course of hiring para-professionals. 'Track One' was not entirely infeasible economically (see the discussion immediately below), but it raised enough difficulties in that vein to make it the least common of the four options.

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<sup>4</sup> He wrote an essay in 1982 advocating such initiatives, well before leftists in most countries (and in Brazil) warmed to the idea.

## *Assessing the Hypotheses*

Let us now consider the implications of our evidence for the four hypotheses that we set out to test.

Hypothesis A: [That 'Track One' initiatives are economically and politically infeasible in current conditions.]

Do severe fiscal/budgetary constraints make substantial new spending on pro-poor programmes unthinkable? We have seen that for Singh in Madhya Pradesh, the answer was 'yes', but a different story emerged in Uganda and Brazil. In the former, the Universal Primary Education programme clearly qualified, and in Brazil, no less than three significant initiatives can be located on Track One -- the Bolsa Escola programme to provide grants to families on condition that they keep children in school (combining education and social assistance), a non-contributory rural pension programme, and a major new fund to be used for fighting poverty. There were, however, important differences between those two countries.

It was next to impossible to generate the substantial funds for Uganda's universal primary education programme internally. Museveni initiated it, despite early opposition from donors, by using the country's own resources. But he was, in effect, gambling that by investing so much of his political reputation in it, he would eventually persuade donors to support it lest he be discredited. The ploy paid off. Donors could not (as Museveni well understood) risk the collapse of one of the few genuinely promising African leaders. He had been sufficiently cooperative on several other fronts to make him an attractive role model, and primary education was a sector which had been explicitly identified as a priority by the World Bank and many bilateral development agencies. So they overcame their reluctance and provided most of the funds that the programme required.

In Brazil, donors loomed much less large and most of the resources to fund 'Track One' programmes there were generated internally. This is partly explained by Brazil's status as a middle income country, but it also owed much to the effectiveness of the tax administration and the presence of modern sectors within the economy which were well-developed and easily taxed. (Such sectors can be found in certain Indian states other than Madhya Pradesh, and in places like South Africa and Southeast Asia, but not in most less developed countries.)

There were, however, serious doubts about how politically feasible tax increases were in Brazil. When Cardoso took office, the tax burden there had already surpassed the average -- as a percentage of gross domestic product -- in the OECD nations. Much of this revenue went to fund social programmes. And yet to make further pro-poor initiatives possible, Cardoso had not only to



redirect government spending towards them, but also to raise still more taxes.<sup>5</sup> To ease the psychological impact of fresh taxes, his government concentrated upon indirect taxes because they were less visible than direct taxes (on incomes). (There were echoes of this approach in Uganda where a value added tax was introduced.) This raises difficult questions in the context of poverty reduction, since indirect taxes are not progressive – everyone pays the same rate. But in Brazil, those concerns are eased somewhat by three considerations – much of the new revenue was used for pro-poor programmes, there was strong support for such spending among voters and even among powerful opposition parties, and indirect taxes made these initiatives more political feasible.

Despite the fact that no ‘Track One’ initiative was attempted in Madhya Pradesh where the government concentrated instead on not-particularly-expensive schemes, it is worth noting that such programmes have been launched and sustained over long periods in a few other Indian states. One prime example occurred in Tamil Nadu where a midday meals scheme for children attending school has long consumed over 10% of the state budget.<sup>6</sup> It has been sustained partly because it produced useful results in promoting education among poor (and non-poor) groups, because it had a constructive impact on malnutrition among children and indeed others since the children were permitted to take food home, and (not incidentally) because the tax base in Tamil Nadu is far more promising than that in Madhya Pradesh. So in parts of India, ‘Track One’ initiatives -- while exceedingly difficult in current conditions -- are neither unknown nor unthinkable.

If, however, we generalise from that last statement, we enter dangerous territory. It must be stressed that Track One initiatives entail great risks -- economically and politically – especially in low income countries that depend upon significant aid from donors. Consider Museveni’s expensive Universal Primary Education programme in Uganda. If a politician spends very heavily on such an initiative – so heavily that fiscal stability and the rest of the development budget are put at risk – the usual donor response is negative. It may even turn punitive if the politician goes ahead with spending on the programme in defiance of donors’ advice – as Museveni did.

Donors will come to the rescue of only two categories of politicians who act that way – and the membership of both categories is exceedingly limited. The first includes leaders whom certain donors (mainly the Americans and, to a lesser extent, the French) see as crucial geo-political allies. The second category – into which Museveni fits – consists of development icons. These

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<sup>5</sup> This process has continued under his successor, Lula de Silva of the Workers’ Party. The result in 2004 was that the tax burden as a percentage of GDP was 4%, similar to that of the United Kingdom and greater than the figure in many other OECD countries. Many in Brazil regard this as inconsistent with its level of development.

<sup>6</sup> We are grateful to Barbara Harriss-White for information on this programme.

leaders are seen by donors as role models for others in and perhaps beyond their region. They are seen to be sufficiently accomplished and promising to warrant generous support. Even if they take actions that clearly depart from donors' ideal formulae, they still receive solid backing because donors want to sustain them as role models. Museveni was one such icon, but there are few others like him – in or beyond Africa.

The message for most politicians in less developed countries is thus clear. Unless you are an icon, 'Track One' initiatives are only possible in middle-income countries like Brazil, or in more prosperous regions of some other less wealthy countries. The Indian states of Tamil Nadu and Maharashtra are examples of the latter. But even in such places, it is often necessary to pursue under-funded versions of 'Track One' programmes because (i) tax rates are already so high that little added revenue can be obtained, or (ii) the instruments for the collection of taxes are too ineffective, or (iii) because governments fear a punishing response from forces in the international economic system. No matter how much we and leaders in less developed countries might wish to see heavy expenditures undertaken on pro-poor programmes, this is decidedly risky in current conditions.

We must therefore conclude that while Hypothesis A has not entirely been disproved, it holds true for most less developed countries.

Hypothesis B: [That health and education initiatives on 'Track Two' and 'Track Three', and most initiatives on 'Track Four' are more politically and economically feasible in current conditions than are other initiatives -- and that they can substantially benefit the poor while avoiding the ingratitude that afflicted wage increases and cash transfers in earlier times when fiscal constraints were less tight.]

This hypothesis is more complex than the other three. In assessing it, we must consider the issue of feasibility, and then the issue of beneficial impact – and on both fronts, initiatives on 'Tracks Two, Three and Four' need to be examined separately. Finally, we must examine the question of ingratitude. Because of this complexity, the discussion here is longer than those devoted to the other three hypotheses.

Feasibility: This study has uncovered significant differences between the education and health sectors, which bear upon the feasibility of programmes in each, no matter which 'Track' is selected. Both sectors were regarded by the three politicians assessed here, and by many others in their societies, as unusually important. But in all three places – and, we suspect, in most other less developed countries<sup>7</sup> – there was widespread agreement among elites and others that especially strenuous efforts should be made to provide at least basic education to all. This was partly explained by the widely held belief that in the

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<sup>7</sup> See for example, E. Reis (ed.) *Elite Perceptions of Poverty and Poor People* (forthcoming).

current information age, a better educated populace would be more productive - that education was vital to a country's economic (and social) development. But a second idea was also important among the more progressive elites who were active within the political and policy processes – indeed, it helped to make some elements of those elites progressive. This was the belief that universal primary education would make ordinary people more aware of events in the public sphere, more capable of participation in it as citizens, and more inclined to be proactive and to make demands.

This idea was shared by all three of the politicians examined here – all of whom (as we see elsewhere in this study) sought to catalyse demands from groups that had previously been inactive and/or excluded. Museveni was the most vocal of the three on this subject. He repeatedly stressed that his Universal Primary Education programme, his most important pro-poor initiative, would make ordinary people not just more proactive and demanding, but also more realistic and more likely to support enlightened leaders – and less likely to be hoodwinked by unscrupulous politicians who made exaggerated promises or who played upon their parochial identities and what he called “superstitions”. Singh said less about this, but shared the same view. People who had access to education would be less likely to fall prey to appeals to caste prejudice or to Hindu extremism. Indeed, the groups that benefited most from the Education Guarantee Scheme, the ‘tribals’, were being aggressively targeted by bigoted (one measured commentator used the term ‘Hitlerian’) appeals from that latter quarter. Cardoso said even less on this subject, but his views were similar. And since in all three cases many others shared these leaders' views, these ideas made it easier to build broad support for education initiatives that were pro-poor. The enthusiasm of all three was of course powerfully reinforced by the knowledge that education programmes for previously excluded groups would win political support from beneficiaries, for them and their governments.

What about the health sector? The same arguments about the utility of educating the work force and the citizenry could be made about making them healthy. But much less was heard from our three leaders in that vein, and health initiatives received less emphasis from them. Why? Our evidence indicates that there is somewhat less demand for health services, and more crucially, that basic health programmes are more difficult to pursue than those in the education sector, for three main reasons. First, the health sector is more technologically and administratively complex – especially but not only when compared to primary education. Second, health initiatives tend to cost more. Finally, reformers in the health sector have to deal with unusually formidable organised interests – including doctors who have more prestige than teachers, and multiple professional associations that tend to be better organised than their counterparts in education. So while the evidence from this and other studies indicates that it is easier to implement programmes in both of these sectors than in others -- and that they received greater emphasis than, say, housing and

sanitation programmes -- the problems that arise with health initiatives are more daunting than those in education.

Let us now turn to other aspects of the feasibility issue. Our main concern here is political feasibility, but before we consider it, a word on economic feasibility is in order. We saw in the discussion of Hypothesis A just above that daunting economic difficulties confront any leader who considers 'Track One' initiatives because they are by definition expensive. Initiatives on the other three tracks are, by contrast – without exception in the three cases examined here – less expensive. And programmes on 'Tracks Two and Three' are intended to liberate funds which might be used for pro-poor initiatives, so that there are economic advantages in pursuing them. It is therefore possible to say that on all three of these tracks, initiatives are more economically feasible than are those on 'Track One'.

We must add one word of caution, however. When budgetary constraints are extremely tight – as they often are in less developed countries these days – even the relatively modest cost of some of these programmes may suffice to make them economically infeasible. In Madhya Pradesh, the Education Guarantee Scheme could go ahead on a major scale because resources from the World Bank-funded DPEP programme were available (although it received far less funding than did Uganda's Universal Primary Education programme). But when DFID declined to support the Health Guarantee Scheme, it could not be pursued on the scale that the state government had intended. In other words, there are reasons to doubt whether even not-particularly-expensive initiatives in these sectors are consistently feasible economically. It may only be possible to pursue them on a limited scale.

When we turn to political feasibility, things become more complicated. Let us consider each 'Track' separately. Are health and education initiatives on 'Track Two' more feasible in current conditions than other types of initiatives? Are subsidy cuts and schemes to shrink the public payroll more feasible when the funds that become available from them go to health and education initiatives? Our three cases have yielded only limited evidence with which to answer these questions, because only Cardoso ever specified that such funds would be used in either of these two sectors – in his case, the education sector. We have seen that education programmes command broad popular support – and that health programmes command some. This and the evidence from Cardoso's successful initiatives strongly suggest that if politicians elsewhere were to make explicit connections between painful cuts in subsidies or government payrolls and the funding of such programmes, they might make headway.

Our evidence also yields insights into the political feasibility of 'Track Two' initiatives in general – even when they are not associated with the education and health sectors. Recall our comments above, when introducing 'Track

Two'. Singh in Madhya Pradesh had little difficulty in implementing modest initiatives in this vein, but later encountered a backlash from those affected at the 2003 election. In Uganda, Museveni also made only modest use of this 'Track', but paid no serious political price – mainly because his 'no-party' system offered fewer openings for expressions of discontent. Extensive use was made of 'Track Two' in Brazil, and the authorities there encountered little resistance – except over pension reform.<sup>8</sup> So, on this point, the implications of our case studies are mixed. The evidence from Brazil and – to a lesser extent – Uganda is somewhat encouraging to leaders contemplating action along 'Track Two'. But events in Madhya Pradesh might make them hesitate.

What about 'Track Three'? Are education and health initiatives there more politically feasible than other types of initiatives? That is to ask, do (i) administrative reforms within those two sectors -- which usually entail changes in incentives, remuneration and working practices that liberate funds for improved service delivery – or (ii) "other" changes hold special promise in these two sectors?

On point (i), our evidence is rather limited. In Uganda and Madhya Pradesh almost no efforts were made to change the incentives, remuneration or working practices of existing public employees in these sectors. In Brazil, some initiatives were undertaken in this vein, and they turned out to be easier to push through than some analyses of such efforts in Latin America – where they are more common than in Africa and Asia -- lead us to expect. And our evidence suggests that popular (and elite) support, especially for education but also to some extent for health, helped to facilitate these changes.

What about "other" types of initiatives along 'Track Three'? We must consider two main types here, the first being the practice in Madhya Pradesh of hiring numerous para-professionals to augment the work of existing employees engaged in service delivery. (Something akin to this occurred in several Brazilian states, but Cardoso was not directly involved.<sup>9</sup>) This approach was decidedly feasible – especially under the Education Guarantee Scheme, but in other sectors as well.

The second entails the opening up of the policy process to participation and influence by non-governmental associations, by elected representatives, by ordinary people acting directly, or by some or all of these. This plainly carries us onto 'Track Four', but such changes are sometimes part of 'Track Three'

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<sup>8</sup> Pension reform provoked huge opposition from trade unions, especially those in the public sector. Brazil ran two separate pension systems, one of the private sector and one for the salaried civil servants in the public sector. The latter was far more generous in several ways, and it ran a large deficit. Cardoso raised the minimum age at which people qualified for public sector pensions, replaced the qualification for pensions based on contributions with one based on length of service, and reduced other benefits – all in order to save money. He did so in order to liberate funds for pro-poor programmes.

<sup>9</sup> Tandler, *Good Government...*

initiatives. Our evidence indicates that the more mature, statist, well-elaborated and entrenched a social protection system is, the less effect such changes will have. To illustrate this, consider a country where line ministry administrative structures at lower levels scarcely exist. (This was true in none of our three cases, but it is not uncommon in many African countries or places like Nepal.) In such a place, a change of this kind inserts a new structure into an arena where next nothing existed before – so that significant results can be expected. But in a place like Brazil where 22% of GDP had been channelled through elaborate bureaucratic agencies in the social sectors, the opening of up the system may improve things a little, but it is far less likely to induce substantial change. The number of government employees is greater, and (more importantly) the number of specialised bureaucratic entities within which change needs to be introduced is greater – so the task for a reformer is more complex.

In such well-elaborated systems, ‘Track Three’ initiatives which are akin to ‘second generation’ economic reforms are more difficult and less feasible politically than ‘Track Two’ initiatives which are akin to ‘first generation’ economic reforms such as expenditure cuts and changes in monetary policy. This is true because specific interests suffer pain from ‘Track Three’ changes in a concentrated manner and with a great sense of immediacy. Cardoso, the main leader who pursued Track Three initiatives, did so with social democratic rather than neo-liberal intent. Indeed, he was hostile to neo-liberal approaches. In other words, he introduced these changes in order to liberate funds mainly for pro-poor programmes. But that made little difference to the interests who faced painful changes, and they often mounted some resistance. He overcame it, but it is not easy in well-elaborated systems like Brazil’s.

So change is still possible along ‘Track Three’ in places like Brazil – despite pessimistic assessments in some of the literature. But when we consider the enabling conditions which made that possible there – and which are absent in some other systems – we see why such reform may not have much effect elsewhere. First, pro-poor programmes in Brazil had strong and widespread support from much of the electorate. Second, there was lively competition between parties to introduce pro-poor initiatives, and when one party enacted a constructive change, others tended to emulate it within arenas that they controlled. The *Bolsa Escola* scheme which Cardoso made into a nation-wide initiative was first introduced at the municipal level by the Workers’ Party – which opposed him.

Two further qualifying comments are in order. First, it is likely though not certain that ‘Track Three’ initiatives such as Singh’s Education Guarantee Scheme which deployed large numbers of para-professionals have more promise in the education and health sectors than in others. The strong demand for universal primary education in Madhya Pradesh (which was also evident in Uganda) almost certainly helped to make it success – especially since it was

linked to a 'Track Four' initiative to create elected village councils that could voice the demand and then supervise the management of new schools. (Such a link may well be essential to the success of this sort of 'Track Three' programme.) But significant demand for the services of para-professionals might also arise in several other sectors (sanitation, minor irrigation, minor roads, agricultural extension, etc.) It did in Madhya Pradesh. So education and health may not be particularly exceptional sectors here. Second, the deployment of para-professionals may produce welcome results over the short term, but lead to difficult complications over the longer term, as these newly hired people demand parity with pre-existing government employees in the same sectors.

Finally, what about the feasibility of 'Track Four' initiatives which open up the political and policy processes to participation and influence from below? By the time Cardoso took power, 'Track Four' looked rather dated in Brazil – as it did in some other Latin American countries – because mobilization from below had been proceeding apace since the early 1980s. Experiments with participatory budgeting, for example, were well entrenched in over 150 municipalities there by the mid-1990s. So the feasibility of 'Track Four' programmes had been well established there for a long time (long enough to explain Cardoso's emphasis on other 'Tracks'). They were also an important feature in Uganda by the early 1990s because Museveni had – since assuming power in 1986 – constructed his new state upon elected councils at lower levels. But as he moved through the 1990s, he not only maintained the power of the councils, but enhanced their participatory character by introducing further mechanisms associated with 'Track Four'. Their feasibility in Uganda is thus apparent. The same can be said of Madhya Pradesh, even though Singh began implementing them slightly later – soon after he took office in 1993. Democratic decentralisation there met with some opposition from ministers and state legislators – as it always does in every political system. Singh resisted this for several years, but in 2000, he yielded some ground by reducing the powers of district councils. And yet despite this, the message from all three cases is reasonably unambiguous – 'Track Four' initiatives tend strongly to be politically feasible.

Impact: This is the second main issue here. Did health and education initiatives along 'Tracks Two and Three' and most initiatives along 'Track Four' substantially benefit the poor? The answer is, as we shall see, somewhat encouraging. Many of these initiatives – despite the inevitable ambiguities – made a significant, and sometimes a substantial impact on poverty. Like virtually all pro-poor programmes, they had difficulty in reaching not just the somewhat poor but also the poorest, but in many cases, their impact extended to the latter as well.

In Uganda, Museveni's initiatives – which can mainly be placed along 'Tracks Three and Four' -- had a clear impact on poverty, and his Universal

Primary Education programme produced immense benefits. His empowerment of elected councils at lower levels also had a significant pro-poor impact. This is not always true of democratic decentralisation, but in a country where 82% of the people are 'poor' (living on less than \$1 per day), the general improvements which it produces for everyone within a local arena tend to flow more fully to the poor than in places where they form a smaller proportion of the population. Moreover, the presence of so many poor people compels elected councillors from prosperous backgrounds to pay greater attention to the poor, since their votes determine election results.

Singh's pro-poor programmes can be located along 'Tracks Three and Four', and while their impact varied, one of them – the Education Guarantee Scheme -- provided substantial benefits to poor people. By 2004, new primary schools had been established in 26,571 villages that had never had them, and 1,233,000 pupils had been enrolled in them. The Health Guarantee Scheme was less successful, mainly because it lacked adequate funding. Programmes such as the Education Guarantee Scheme and the *Pani Roko* initiative (to harvest water amid drought) depended in part on institutions and mechanisms such as elected local councils and user committees. These enabled local representatives to hold service providers – including the para-professionals -- accountable, and gave ordinary people (including the poor) some opportunities to participate in decision-making. This strongly suggests that 'Track Three' initiatives are more likely to succeed when they are linked to participatory mechanisms associated with 'Track Four'.

It is impossible to argue that Singh's pursuit of the *Dalit* Agenda to assist ex-untouchables had a significant pro-poor impact. He could not expect much support for it from his party or from elected councils at lower levels, so it had to be implemented through the bureaucracy – an inadequate instrument for such a challenging task. This initiative had some impact in certain areas, but it also divided *Dalits* (ex-untouchables) from other deprived groups and its implementation was attended by many ambiguities. It may eventually be seen as a bold, visionary attempt to right ancient wrongs, but cannot be said to have had a major positive impact.

Most of Cardoso's pro-poor initiatives, which were mainly located along 'Tracks Two and Three', had a tangible impact on poverty. Two of them – the *Bolsa Escola* programme and FONDEF, which also fit along 'Track One' and, to a degree, 'Track Four' – made a substantial difference. Indeed, they produced something approaching a revolution in Brazilian education. A constitutional amendment was passed earmarking 20% of government funds for schools. And by making the amounts of funds disbursed to various authorities at lower levels dependent upon the numbers of pupils enrolled, the new system created potent incentives for officials at those levels to draw potential students into schools.



Ingratitude: Let us finally consider the last major issue here. Can initiatives on the last three ‘Tracks’ avoid the ingratitude that, in an earlier period, attended cash transfers and wage increases? Ascher, in his study of pro-poor leaders in the 1970s and early 1980s, found that privileged, unionised workers in bureaucracies and public enterprises responded not with thanks but with further unreasonable demands which deprived governments of funds that might have been used for the genuinely poor. This remains a potential problem, but our investigations indicate that in the very different conditions that have prevailed since 1990 or so, the notion of ingratitude needs to be reformulated.

We find it more helpful to deal with this issue as follows. When governments meet demands from interest groups, they tend to stimulate further demands. But if benefits from ‘Track Two, Three and Four’ initiatives are channelled not to a labour aristocracy but to a wider array of other groups, many or all of which are genuinely disadvantaged – as they usually were in these three countries – then further demands from those groups should be (and in our cases, were) welcomed by pro-poor leaders. They deserve to be welcomed because they tend (i) to draw many members of those groups more fully and proactively into the public sphere; (ii) to enhance their financial resources, political awareness, confidence, connections, skills, organisational strength, and access to information and sometimes to redress; and thereby (iii) to help them to become a counterweight to more privileged and prosperous interest groups.

Museveni, for example, believed that his Universal Primary Education programme made beneficiaries more productive, but also more proactive and demanding in the public sphere. They would become less inclined to tolerate abuses by political actors at higher levels, and to be misled by appeals to parochial identities and what he regarded as “superstition”. They would also become more capable of making participatory processes at the grassroots work effectively. Singh in Madhya Pradesh explicitly articulated almost identical views. He was especially concerned about the potential appeal of other political parties that focused on caste and religious identities. Cardoso said less about this, but he almost certainly shared these perceptions.

So the logic of pursuing initiatives especially along ‘Track Four’, but also along ‘Tracks Two and Three’ is quite different from the emphasis, during the period studied by Ascher, on ‘Track One’. An increase in demands from ordinary people and especially from the poor as a result of efforts along these ‘Tracks’ poses some problems for pro-poor leaders, but it is also a sign of success.

Two words of caution are in order here. We need to recognise the risks involved when governments that already face demand overload catalyse fresh demands from previously excluded groups. This compounds their difficulties at providing adequate responses to the totality of demands. The three leaders

assessed here were canny enough to prevent this from doing serious damage to their credibility and popularity, so perhaps the dangers that this poses are not severe. But in the hands of less adroit politicians, this approach might produce major difficulties.

A second, more specific point is less worrying. As we have noted, there is a possibility that when para-professionals are hired – as they were in Madhya Pradesh and to a lesser degree in Brazil -- they may, over time, become more preoccupied with the differences between their terms of employment and those of conventional government employees than they are with their success at finding jobs. By 2003, this had begun to happen in Madhya Pradesh. Their demands on the wage front were partly met, and their protests were thus defused. But this suggests that such initiatives may encounter some ‘ingratitude’ over longer term.

Despite these caveats, however, and despite the many ambiguities that attend the work of centrist reformers, we share Ascher’s view that the poor can benefit more from centrists than from radicals and populists. But the reasoning that leads us to this conclusion differs a little from that used by Ascher. We agree with him that populists are too ill-organised, inconsistent and disinclined to develop institutions to address poverty effectively. And we recognise that, as he argued, radicals tend to trigger ferocious reactions from prosperous groups which can wreck their pro-poor initiatives. So centrist reformers tend to have a more substantial and lasting effect. But the conditions that have prevailed since the early 1990s provide one further compelling reason for preferring centrists. In those conditions, radicals and populists will be more swiftly and severely punished by international economic forces than in the period studied by Ascher – by capital flight, falls in the value of their currencies, the denial of investment and aid, etc. Centrist reformers -- with their more moderate, incremental approaches to poverty – are less likely to trigger such reactions.

Hypothesis C: [That centrists are capable of acquiring pro-poor political will, sometimes gradually, that (despite some tactical retreats) they can sustain it, and that the gradual acquisition of 'will' (which donors can encourage) provides an adequate basis for success.]

There are three questions to consider here. First, are centrists capable of acquiring pro-poor political will? Second, can they sustain it? And finally, does it provide an adequate basis for success in efforts to tackle poverty? Let us consider each in turn.

The three leaders analysed here turned out to provide only limited evidence on the first of these questions, because two of them – Museveni and Cardoso -- were strongly inclined towards pro-poor initiatives from the start, on the basis of long-standing leftist views. They were driven to the right by the

compulsions of the international economic order and, in Cardoso's case, by pressure from conservative interests within domestic politics. But they both remained firmly to the left of centre and retained much of their commitment to the poor. Only Singh in Madhya Pradesh acquired pro-poor political will gradually. But let us, nonetheless, consider his case.

He came from an elite background, and he belonged to a centrist party which made free use of pro-poor rhetoric but which had – in Madhya Pradesh and in India more generally – tended to deliver little of genuine substance to poor people. It was thus far from inevitable that he should acquire a determination to champion pro-poor reform.

Before he became Chief Minister in 1993, two things had begun to incline him towards progressive postures. As a Member of the national Parliament, he had interacted assiduously with his constituents and had begun to recognise the severities that they faced as a result of widespread poverty. He had responded by, among other things, making strenuous efforts to meet their needs amid disasters that befell them. His achievements in that vein gave him great personal satisfaction and – not incidentally – served his own interests by bolstering his popularity, and earning him a reputation as a leader who both cared and got results. Second, Singh had been exposed to new progressive thinking, mainly within enlightened civil society organisations (some of whose leaders were his personal friends). They had persuaded him that more open, responsive governance which gave ordinary (and poor) people more information and more opportunities to influence the political and policy processes at low levels could ease one dimension of poverty -- disempowerment. By the time he assumed power in Madhya Pradesh, he had a thoroughly nuanced understanding of these ideas.

Once he had consolidated his position as Chief Minister so that he could dominate policy-making in his state, he began pursuing pro-poor initiatives – mainly along 'Track Four'. He swiftly concluded, on evidence from the grassroots, that more open, participatory government could ensure better developmental outcomes. Ordinary people devoted far more energy to development projects which they had helped to select, and maintained things that emerged from them (pumps, canals, buildings or whatever) more steadfastly, because they valued them – enhancing sustainability. These trends also made his government more popular. And – again, not incidentally – the media reported what was happening, so that he began to acquire an image as an enlightened leader. These early successes strengthened his belief that this was the right approach to take. So he did indeed gradually acquire greater political will to pursue pro-poor initiatives.

Three elements shaped this process, and they remained part of the story throughout his decade in office – genuine idealism about helping deprived groups, a belief that such initiatives could produce concrete results, and the

awareness that such efforts enhanced his popularity and reputation. However incongruous the coexistence of altruism and self-interest may appear to some readers, both were present throughout – and both were essential to his gradual acquisition of ‘political will’. Like almost all politicians, he applied his ‘will’ only when doing so would enhance his influence and reputation. The evidence from Madhya Pradesh thus lends solid support to the first proposition in Hypothesis C – that centrists can gradually acquire pro-poor political will.

Can they sustain it? On this second question, our evidence is mixed. Singh largely sustained it. He retreated somewhat from his commitment to democratic decentralisation in the face of pressure from legislators and ministers, and that damaged his capacity to govern effectively and thus to pursue pro-poor initiatives. But this had less to do with his commitment to the poor than his calculations of what was necessary to maintain his grip on the state’s politics. He did not retreat from his determination to tackle poverty – indeed, he was prepared to take great risks late in his term of office by pursuing the *Dalit* Agenda. Cardoso also sustained his commitment, and devoted more effort to pro-poor initiatives in his later years in power, once he had overcome hyper-inflation. Museveni, on the other hand, focused less upon pro-poor issues as the years passed and potent distractions arose. The most important of these were the war in northern Uganda against the Lord’s Resistance Army, and his desire to serve a third term (which was opposed by some within his movement and which requires a change in the constitution). Our evidence on this question is thus mixed. Two of the three leaders sustained – and acted more determinedly upon -- their commitment to pro-poor initiatives, but Museveni’s commitment waned somewhat.

Finally, let us turn to the last question – whether the ‘political will’ that was evident in these three cases provided an adequate basis for the successful pursuit of pro-poor initiatives. The answer is somewhat complex. Hypothesis C refers only to will that is gradually acquired and, as we have seen, only Singh acquired his in that manner. But to make the most of the evidence that we gathered, we will deal here with all three politicians.

But before we do so, a prior point needs to be made. As we see in *Appendix 4*, ‘political will’ is essential, but never sufficient, on its own, to ensure success. Politicians also need a diversity of skills, adequate administrative and political instruments, some resources, and at least some favourable conditions within which to operate. Without these, even the most formidable ‘will’ will be thwarted. The three leaders examined here had skills in abundance and some resources -- and while many of the conditions that they faced (especially at the outset) were unpromising, they were also able to draw strength from certain more advantageous conditions.

Let us now consider each in turn, to see how much their ‘political will’ contributed to the success of pro-poor initiatives. In Brazil, Cardoso was

prevented from making such initiatives his central concern during his early years in power because he first had to tame a harrowing economic crisis and hyper-inflation. But in his later years in office, he concentrated more intensely upon them. Thus, his pro-poor 'political will' was fully sustained -- and it may even have gained strength. But this only provides a small part of the explanation for his substantial, though less than spectacular successes in this vein.

His successes – and their limitations – are more fully explained by analyses of other aspects of the story. His strategy and tactics were adroitly designed and implemented, and he was assisted both by the prior mobilization (during the 1980s) of poorer groups and by a widespread political consensus that poverty had to be tackled as a matter of urgency. But he was impeded by three things. First, Brazil's constitution denied any president there the formidable formal powers that were available to Museveni in Uganda and even to a chief minister of an Indian state. These formalities constantly forced him into compromises with powerful figures in the Congress at the national level and in state governments within that federal system. Second, if we consider the informalities of politics, we again find him less powerful than the other two leaders. His party held only around 20% of the seats in Congress and other parties controlled many of the powerful governorships at the state level. This also helps to explain the number of compromises that he had to make – many of which served the interests of the poor, but some of which (especially those with centre-right elements of his coalition) did not. He also faced resistance on occasion from organised interests that opposed pro-poor initiatives (especially in connection with pension reform).

Museveni's achievements in the struggle against poverty diminished somewhat in his later years. This is partly explained by a diminution in his pro-poor 'political will' as he became distracted by the war in the north and the controversy over a third term in office. But other factors counted for much more than 'political will' in determining outcomes. The war and the question of the third-term wrought important changes in the broader political dynamics of Uganda. The war drew the attention of other political actors and of some organised interests away from pro-poor initiatives, and (more crucially) it produced a serious drain on the national budget (in which a 24% cut in provisions for all non-defence ministries has been made to fund the conflict) and on economic development – which reduced the resources available for poverty reducing programmes. The controversy over the third term distracted even more political actors and interest groups, and forced Museveni to deploy his politic skills and expend political capital in a struggle that had next to nothing to do with poverty.

Singh in Madhya Pradesh had, during his first two years in power, to concentrate upon consolidating his position as the pre-eminent figure in his government and especially in his party in the state. One of his initiatives in that

period, the empowerment of elected councils at lower levels in the system, later made it possible for some pro-poor programmes – most notably, the Education Guarantee Scheme – to make headway. But efforts to reach the poor only became a preoccupation after those early years. This occurred in part because it gradually became apparent that the new structures that he had put in place could be turned to pro-poor purposes. This became clear both from initiatives that were aimed almost entirely at the poor (again, the Education Guarantee Scheme loomed large here) and from programmes (like the *Pani Roko* scheme) that sought to benefit entire communities at the grassroots but which were shown to assist poor people within them.

This gave Singh greater confidence in his ability to achieve pro-poor ends. And that -- plus his by then more dominant interest in broadening the base of his party – stiffened his ‘will’ to attempt more in this vein. On several other fronts, he had some success, but the limits of what his ‘will’ could accomplish became apparent when he decided to pursue the *Dalit* Agenda. His ‘will’ was more visibly in evidence in that episode than in any other. But because he lacked the political instruments and broad support required for success in that effort, it eventually became apparent that mere ‘will’ – even of a politician who dominated policy making – was insufficient.

That episode, and other less vivid disappointments that arose in all three countries, indicate that pro-poor ‘political will’ does not provide an adequate basis for the success of pro-poor initiatives.

Hypothesis D: [That centrists are capable of building and sustaining pro-poor coalitions including non-poor groups, and that such coalitions are always essential to the success of pro-poor initiatives.]

There are two parts to this hypothesis. We must first examine the capability of these three centrist reformers at building and sustaining pro-poor coalitions, including non-poor groups. We then consider whether such coalitions are – as Ascher argued in his earlier study – always essential.

Capability: The most telling of our three cases in this connection was Brazil. Cardoso’s party controlled only a limited number of seats in the national Congress and state governorships in this federal system, so that to accomplish anything significant, he had to develop broad coalitions – or at least understandings and bargains – with other forces. Many of them represented mainly non-poor groups and stood somewhat to the right of his social democratic party. Coalition building was thus – necessarily – his main preoccupation, and he proved to be immensely capable in this vein.

One key to his success at striking deals was the canny provision of incentives to parties representing non-poor groups, to persuade them not just to accept pro-poor initiatives but to help in implementing them. His *Bolsa Escola*

and FONDEF programmes offered substantial disbursements to municipal governments which raised the numbers of pupils attending schools. In response, governments controlled even by centre-right parties mounted energetic efforts to make these programmes work. They also responded positively to other new pro-poor initiatives (and to the expansion of existing pro-poor programmes) that provided them with federal funds which they could use in clientelistic ways. Clientelism, which is usually seen only as a vice, was thus turned at times to reformist purposes. Thus, the Brazilian case offers strong support for the first assertion in Hypothesis D.

Museveni in Uganda also offers some support, but two qualifying comments need to be made. First, his dominance of the political and policy processes made it far less necessary for him to construct coalitions in support of pro-poor initiatives. Second, his main problem was not to persuade centre-right forces and non-poor groups to support those initiatives – they had little influence, and indeed little presence in the political system until his later years in power when growth had brought modest prosperity to some groups. Instead, his main task (at which he succeeded) was to persuade leftist forces within his movement to accept his more moderate, centre-left approach. Nevertheless, when prosperous groups began to emerge, Museveni carefully drew them into the political process – in part, to ensure that pro-poor policies would be sustained.

The evidence from Madhya Pradesh has more complex implications. In pursuing his most successful pro-poor initiative, the Education Guarantee Scheme, Singh made little attempt to construct a broad coalition including non-poor groups – although he brought his legislators on board because they could (unjustifiably) claim credit for the new schools that it established in their constituencies. He correctly believed that such a coalition was unnecessary in this case because the Scheme did not entail a diversion of funds from other programmes that might have benefited the non-poor. The latter therefore remained untroubled by this programme. He managed to cultivate broad support for some other initiatives that had pro-poor content – for example, the *Pani Roko* campaign to capture water.

But he tended in the main not to seek the support of the non-poor for pro-poor policies, but to count instead on two other things. First, he offered ministers and legislators distractions which left him with a largely free hand to pursue such policies. Second, he assumed – once the legislators had become preoccupied with other things – that disinterest and low levels of organisation among non-poor groups would enable him to proceed largely unhindered with pro-poor initiatives. He was, for the most part, correct in assumption. But it caused him major problems with the *Dalit* Agenda. In that case, he made little attempt to win broad support for the policy because he knew that such support would not be forthcoming. In other words, no state-level leader would have been capable of constructing a broad coalition to support that exceedingly bold initiative. This indicates that while the first assertion in Hypothesis D is valid

when pro-poor initiatives are less than radical, it is open to serious doubt when they present bold challenges to the status quo.

How essential are broad coalitions? Let us now turn to the second part of Hypothesis D. Are pro-poor coalitions that include non-poor groups always essential to the success of pro-poor initiatives?<sup>10</sup> Our evidence indicates that they are (not surprisingly) always helpful, and that they are essential in nearly all but not in every instance.

It is possible to imagine five sets of circumstances in which such coalitions are not essential to the success of pro-poor initiatives.

- When a politician pursuing pro-poor initiatives so dominates the political and policy processes that s/he has virtually a free hand This situation almost never arises in the real world. Most political systems in less developed countries are sufficiently open these days to make this impossible. Even Museveni, who wielded vast power in Uganda, fought shy of proceeding with pro-poor initiatives without developing (or at least perceiving) broad support for them. It therefore fails to undermine the second assertion in Hypothesis D.
- When a reformist ruling party has the organisational strength to proceed without cultivating broad support for a pro-poor initiative Our three case studies offer no example of this, and it is difficult to find examples in somewhat or very open political systems elsewhere – and again, most systems in less developed countries are at least somewhat open. The government in the Indian state of West Bengal has come close to this at times, but even there, efforts are made to develop broad support. So here again there is nothing much to undermine that second assertion.
- When non-poor groups are unaffected by an initiative This was true of the Education Guarantee Scheme in Madhya Pradesh. The important thing to note here, however, is that it is exceedingly unusual for initiatives to leave the non-poor unaffected. This is the only such example that arose in our three case studies. It is therefore such a rare exception that it does little to undermine the second assertion in Hypothesis D.
- When non-poor groups are so poorly organised that it is unnecessary to seek their support for pro-poor initiatives We found some evidence of this during Museveni's early years in Uganda (when few people qualified as 'non-poor') and in Madhya Pradesh. But in the former case, economic growth eventually enabled a small minority to

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<sup>10</sup> To ask this is not to suggest that such coalitions are sufficient to achieve success. Like 'political will', they clearly are not. They do not guarantee, for example, that an initiative will be successfully implemented. Failures in implementation may occur for other reasons -- institutional incapacity or a shortage of resources (human or material).



become prosperous, so that this situation no longer existed.<sup>11</sup> And in Madhya Pradesh, Singh ran into severe difficulties with his *Dalit* Agenda despite low levels of organisation among the non-poor. So we can conclude that even where this situation exists, it may well not endure, and even when it does, it may not relieve a leader of the need to seek broad support for pro-poor initiatives. It thus does little to undermine the second assertion in Hypothesis D.

- When an extremely broad consensus in support of pro-poor policies already exists This was never true in Uganda or Madhya Pradesh. But it accurately describes the situation in Brazil throughout Cardoso's time in power. And yet he still felt compelled – partly by his comparatively weak position within the political system – to construct broad coalitions in support of pro-poor policies which included centre-right parties and non-poor groups. The main implication here is thus not that the second assertion in Hypothesis D is invalid, but that such broad coalitions are easier to construct when pro-poor sentiments are so widely shared.
- When pro-poor initiative benefits poor people living areas that are spatially separate from places where the non-poor live We have seen that one of the more striking successes to emerge from our case studies, the Education Guarantee Scheme in Madhya Pradesh, did not catch the attention of the non-poor – or trigger opposition from them -- largely because its impact was felt only in poor villages located well away from places where the non-poor lived. This largely relieved Singh of the need to build a broad coalition, including the non-poor, to support the Scheme. This clearly indicates that such coalitions are not “always essential”. But we must stress that this occurred in highly unusual circumstances. Nearly all other pro-poor initiatives do not impinge on spatially separate areas as this one did. So the number of cases in which politicians can dispense with efforts to build broad coalitions of support is very limited. This example does not seriously undermine the second assertion in Hypothesis B.

To sum this discussion up, let us first consider one key sector which encapsulates much of what we have learned, after which we offer a few more general comments. The key sector is primary education which was central to all three politicians' efforts to tackle poverty. It was in this sector that some of their most important pro-poor programmes developed, and it was there that

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<sup>11</sup> It was true until 2000, by which date a private sector (including Asian returnees) had begun to take shape and a private sector foundation had been formed with World Bank encouragement. Since then, they have become part of the development debate, but they have focused mainly on narrow issues of immediate concern to them. They have not lobbied much on poverty-related issues except within the process that led to Uganda's Poverty Eradication Action Plan. But even there, their main emphasis has been on economic growth as an antidote to poverty. They have tended not to oppose pro-poor initiatives.

they achieved their greatest successes. But the problems that each man faced in this sphere differed. As a result, each adopted a somewhat different strategy – which was characteristic of each leader’s approach to politics and public policy more generally.

Cardoso used substantial social transfers which meant that his *Bolsa Escola* and FONDEF programmes – which earmarked fully 20% of government spending for education -- can be located along ‘Track One’. He could accomplish this because Brazil (unlike Uganda and India) is a middle income developing country, but also because elites in Brazil (like their counterparts in Uganda and India) believed that education was the key to national development in this information age. But Cardoso encouraged others at lower levels in the system link such initiatives to approaches associated with Track Four.

Museveni did not resort to social transfers, but the immense resources devoted to his universal primary education programme meant that it qualified as a ‘Track One’ initiative. But since it – like almost every other initiative in Uganda – depended upon the active involvement of elected councils at lower levels, it can also be placed squarely along ‘Track Four’.

Singh’s Education Guarantee Scheme – which again made no use of social transfers of the kind seen in Brazil and certain other Indian states – entailed much less spending than those of Cardoso and Museveni. Therefore, it, like all other programmes in Madhya Pradesh, fails to qualify as a ‘Track One’ initiative. It depended very heavily on elected councils on poor villages without schools, first to demand them and then to manage them once they were created. So it should be placed on Track Four. It was also a far more targeted scheme than its counterparts in Brazil and Uganda where education programmes had a universal impact, in that it focused not on all habitations, but only on those that did not have schools.

Despite these differences, all three of the politicians analysed here saw primary education in similar ways. All were convinced that an emphasis on primary education would serve multiple purposes. They all believed that it would help

- to transform ordinary people -- especially the poor – into citizens (an idea that was especially important to Museveni and Singh);
- to broaden the social base of the ruling party or movement (an idea which again figured especially strongly in Uganda and Madhya Pradesh);
- to break down political alienation among ordinary folk by encouraging a popular belief in an inclusive ‘political community’ (an idea that was shared by all three leaders);
- to respond to a strong popular appetite and, thereby, to enhance the legitimacy and popularity of the government (another idea that was

shared by all three leaders); to raise productivity and increase economic growth (an idea that loomed larger in the thinking of all three), and, for all of these reasons,

- to reduce poverty by empowering poor people and giving them the capacity to improve their material well being.

As a result of tight budgetary constraints, most of the pro-poor programmes that we encountered in these three countries can be located along Tracks Two, Three and Four, although our three politicians varied in their use of the various Tracks.

Tracks Two, Three and Four posed fewer problems than Track One, the economic feasibility of which was in serious doubt. None of the other three Tracks is free of difficulties, but they tend strongly to be more political than economic.

‘Track Four’ is the least troublesome, but attempts to open governments up in ways that give poor people some influence from below often prove hard to implement -- because politicians and especially bureaucrats at lower levels resist the loss of their former powers.

‘Track Three’ often entails far greater difficulties. If changes are proposed in lower level government employees’ working practices, conditions of service or remuneration, they again resist – more aggressively than with Track Four initiatives – especially if they are strongly unionised. Cardoso, who was the most active of our three in this vein, managed to overcome much of this resistance – more easily than the literature leads us to expect. But the potential problems here were daunting enough to persuade Museveni and Singh to minimise such efforts.

The most severe political difficulties arise along ‘Track Two’. When for example subsidies are cut, ordinary people face increased user charges for things like water, electricity, fuel, food or fertiliser. They react, and governments suffer political damage. Consider what happened in Madhya Pradesh. Singh faced street protests when electricity charges were increased, and it cost him votes at the 2003 election which he lost (although the main complaint was not about the greater cost of power but about its intermittent supply). Similar things happen when leaders try to shrink the public payroll. Singh did this very cautiously, by not filling posts that fell vacant, and by cutting some benefits to low-level government employees. But even these modest measures created bitterness within the families of those affected. He was correct in thinking that this alone would not cost him an election victory, but since he probably lost between 400,000 and 500,000 votes as a result, it played a role in his defeat.<sup>12</sup>

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<sup>12</sup> Manor, "The Congress Defeat...".

The problems that arise along Tracks Two and Three remind us of the clear advantages which Track Four has over them. Track Four initiatives produce more subtle changes which non-poor groups regard as less worrying. They often feel that they have less to lose from them, so they do not react as aggressively as they do to programmes on the other Tracks. And more crucially, Track Four initiatives tend more strongly to entail (and can easily be seen to entail) something other than zero sum games. That is to say, they do not entail contests which any gain by one side is matched by similar losses on the other. This provides much of the explanation for the heavy use of Track Four by Museveni and Singh. And Cardoso, who saw the utility of Track Four, only made less use of it because he stood at one remove from the state and municipal levels in the Brazilian system where such initiatives mainly needed to originate. All of this suggests that politicians in other less developed countries (and donors that work with them) would be well advised to pay special attention to Track Four.

One last question deserves attention. Does the fact that Track One initiatives are almost impossible for governments to pursue in this era of fiscal constraints mean that less can be done for poor people these days? Our answer to this is 'Yes, but...'. Poverty reduction would clearly be easier to achieve if massive funds could be used for that purpose, as they once were before budgets became so tight in the early 1990s. But in those 'good old days' when major spending commitments were still possible, the pro-poor programmes that resulted often fell far short of their full potential -- because they were top-down exercises that gave poor people little or no chance to participate and exert influence.

Politicians who have sought to assist the poor amid excruciating budgetary constraints since the early 1990s have discovered that something meaningful can still be done without spending huge sums -- along the other three tracks, and especially along Track Four. This does not mean that they can always achieve more with less money. But they have shown that they can produce some meaningful gains with relatively limited funds. That is important in its own right, and it suggests that Track Four will offer still greater promise if we ever see a day when substantial spending becomes possible again.