“Talking to the Finance Minister about Poverty”:
Pro-Poor Policy and the Political Economy of Information

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1 Introduction

The Poverty Reduction Strategy Paper (PRSP) process being engaged in by over 60 countries has again reaffirmed the importance of adequate diagnostic analysis for poverty reduction and need for mechanisms that translate such analysis into pro-poor policies. However, despite periodic declarations about reaching consensus, finding the appropriate instrument for the measurement of persistent poverty that is then employed for policy formulation continues to dog researchers and those using research alike. While many will probably concede that consumption based measures involving a threshold income and various estimates of the incidence, severity and duration of poverty offer a practical if imperfect solution, translating such measurements into interventions for poverty reduction does not emerge as readily.

In this paper, I compare the recent use of poverty measurement in three disparate places, the Republic of Maldives, the Kingdom of Lesotho and the Republic of South Africa. Despite the prospect of solutions to measurement questions, I try to show that poverty reducing policy ultimately rests upon the political-economic context and on political discourse, whether between governments and donors, within government, at the level of parliament, between state and civil society, or within civil society. In the case of PRSP, research findings must eventually confront the task of talking about poverty with the Finance Minister if public resources are to be appropriately gathered and deployed. This poses the question that forms the core for this paper: as with the Tin Man, should a Finance Ministry gain a heart and become the agency within which budget prioritisation takes place[2]?

2 Reducing Persistent Poverty through Economic Policy

Poverty may be defined and measured in numerous ways, but frequently, most research trying to link policy to poverty reduction reverts to the money-metric measure (income or expenditure), corrected for price changes and adjusted for household size and composition. This is then compared to some threshold amount (a poverty line), below which people can be classified as being poor. The well known, and much criticised, US$1 per day has been a popular choice for this type of analysis[3]. The growing concern over chronic poverty represents a potentially important departure from this convention, moving away from the measurement of static poverty towards a concern with reasons for persistence of poverty and socio-economic mobility. Chronic poverty may be thought of as referring to those who are trapped in deprivation, unable to progress from this situation over time, lacking the assets, skills or social networks to take up new opportunities being offered as a result of expanded economic output or government intervention. As yet there is no consensus over the measurement of dynamic notions of poverty, with some researchers resorting to costly-to-collect panel data and others adapting a poverty threshold to reflect some category of ultra-poor, usually by halving the poverty line (cf. Baulch and Hodinott, 2000 for a review). In both cases, the assumption is that a poverty

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[2]/ The title of the paper aspires to capture the irony of Billy Bragg's mid-80's album, 'Talking to the Taxman about Poetry'. I must acknowledge my debt to Maldives' Minister of State for Finance and Treasury, Hon. Mohamed Jaleel for raising the issue of a finance ministry with a heart.
[3]/ See Reddy and Pogge (2002) for a recent critique.

threshold exists below which people are unable to accumulate and thus can never expect to escape poverty, and that poverty of this kind is inter-generational, passing from parents to their children. In this paper, I focus my attention on this characteristic of persistence when referring to chronic poverty[4].

An important resource now available to researchers concerned with persistent poverty is the large multi-country data base of household surveys and national statistics compiled by the World Bank (Deininger and Squire, 1996). With the correction of these data to ensure that variations in prices and methodology can be taken in account, and the use of econometric modelling techniques, comparative analysis has been undertaken of trends and the impact of differing contexts or different policy options. Of relevance to this discussion on persistence poverty is the controversial paper written by Dollar and Kraay (2000), that examines the relationship between growth and poverty reduction. After a careful analysis of the relationship between changes in per capita GDP on the incomes of those at the bottom end of the income distribution, Dollar and Kraay use these data to conclude that the effect of growth on the incomes of the poor is no different in rich countries than poor ones, and that the poverty-growth relationship has remained consistent over time. They then go further to claim that policy induced growth is as good for the poor as it is for the overall economy. Despite making a number of bold policy statements on the basis of their findings, they conclude that very little is known about the causes of changes in the distribution of income which presumably means that we also know little about the dynamic nature of poverty whatever definition or measurement we might chose to follow.

Having shown that increased economic output has a positive impact on the income of the poorest quintile of the income distribution, Dollar and Kraay then try to identify the policies being adopted by countries that have managed to achieve this. They conclude that the standard pro-growth macro-economic policies are good for the poor as they raise mean incomes with no significant effect on the distribution of income[5]. At one level this is a simple and useful message: there is nothing intrinsically wrong with expanding economic output in terms of achieving a reduction in poverty. Admittedly, to move from accepting that growth does lead to an improvement in the incomes of the poor to an assertion that even with a reduction of social expenditure and the absence of formal structures of democracy, growth is 'good for the poor' is questionable. Indeed, other researchers have noted that poverty elasticities of growth vary widely, that the impact of growth on absolute income poverty is unclear and that the relative roles of governments and markets in poverty reduction remain under debate[6]. Additional action seems to be required of donors, governments and their citizens if, at best, the benefits of economic growth are distribution neutral and poverty reduction is to be more than improvements in income. Indeed, in their conclusion, Dollar and Kraay are careful to note that growth is

[4]/ In an interesting take on persistent poverty Carter and Zimmerman (2001) refer to a Micawber Threshold below which escape from poverty is not possible despite 'meritorious' economic behaviour.

[5]/ The usual medicine of fiscal discipline, macroeconomic stability, openness to trade and the protection of property rights is examined.

[6]/ Poverty elasticities refer to the percentage change in the proportion of people below a poverty threshold produced by a percentage change in economic growth. Empirical studies use these results to demonstrate that the poverty reducing impact of growth depends crucially on the distribution of income (Hamner and Naschold, 2000; Dagdeviren et al, 2000; Ravallion, 1997).

not all that is needed to improve the quality of life of the poor, though they make no mention of what economic or social policies beyond those that promote growth might be needed.

So what then is the role for government policy in assisting movement from poverty? The new economics of inequality provides some theoretical clues as to the kind of policies that might be needed. This analysis includes a microeconomic component (see Bardha, Bowles and Gintis, 1998) that has grown from the economics of imperfect information. Beginning with the idea that costly and asymmetric information systematically leads to missing and/or non-price rationed capital and insurance markets, this microeconomic literature has focused on the inequities and inefficiencies that result in economies with initial wealth inequality. That is to say, initially poorer agents (individuals, households or firms) may be unable to finance productive projects that offer higher expected returns than do projects of initially wealthier agents that do get financed. In addition to this microeconomic literature, a more macroeconometric literature has emerged from the work on endogenous growth and has shown that, as an empirical proposition, initial inequality is related to lower levels of aggregate growth over time (*e.g.* Alesina and Rodrik, 1994). Thus inequality adversely affects economic growth which, in turn, retards the rates of poverty reduction and improvement in social indicators. Deininger and Squire (1996) identify the distribution of assets as more important than income distribution in determining economic growth and striking in this regard is the work by Deininger and Olinto (1998) who show that initial land ownership inequality appears to be strongly related to the subsequent rate of economic growth. They suggest that this is because more equitable distribution of assets enhances the capacity of the poor to borrow, making it easier for them to acquire skills through education, to boost farm output, and to establish new businesses.

These theoretical and empirical advances are useful, but are still vague about how such findings can be translated into policy, and the allocation of public resources. Improving access to information seems to be a good point of departure, as does improving access to productive assets more generally. Given the current emphasis placed by almost all donors on the preparation of Poverty Reduction Strategy Papers (PRSP), it seems worthwhile examining the potential of this 'new' approach for finding solutions such as these to questions of appropriate public policy, redistribution and the reduction of persistent poverty.

PRSP was introduced the World Bank and the International Monetary Fund (IMF) in September 1999 as a new approach designed to focus loan operations on poverty reduction. This change has resulted in the preparation of numerous Interim and Final Poverty Reduction Strategy Papers (I/PRSPs) in developing countries. The revised framework for development assistance offers low-interest loans and debt relief to 42 of the poorest countries in the world through a new loan facility, as well as opportunities for concessional support to a further 38 countries. To gain access to these facilities some national governments have to qualify for Highly Indebted Poor Country (HIPC) status and all are required to write a Poverty Reduction Strategy Paper. Interestingly, many countries that are not required to prepare a PRSP seem attracted to principles that have been outlined for the preparation of pro-poor policy. In terms of the general principles, the PRSP is expected to focus public sector priority on reducing poverty and sets out the main elements of the government's poverty reduction strategy. More specifically, a comprehensive PRSP includes poverty diagnostics based on indicators of poverty, the poverty profile of the country (the incidence, severity and distribution of poverty) and the measures required for its reduction. The PRSP also asserts the government's commitment to developing poverty reduction policies through a consultative process and should present a shared communal vision of desired poverty reduction goals, reached through a participatory process. Finally, it should lay out participatory processes to monitor policy implementation and progress in poverty reduction. At best the, PRSP might offer a way of dealing with problems of asymmetric information, the linking of policies for macro-economic stability with those requiring additional social spending for poverty reduction, and perhaps even the introduction of redistributive policies which promote poverty reduction, socio-economic mobility and economic growth.

Not surprisingly, PRSP has already attracted criticism. Perhaps the comment to be most expected is that the PRSP is simply a repackaging of previous approaches to development assistance, in which a new level of conditionality has been inserted. This 'old wine in new bottles' concern sees the contents of PRSP as a simple recycling of previous policies of structural adjustment. Thus macroeconomic policy and poverty reduction remain two unconnected goals, each with their own contradictory policies and targets (Cling et al. 2002). Furthermore, the understanding of the process of ownership and participation contained in PRSP is seen as inadequate, and that as a result, PRSP cannot represent a true process for enhancing shared ownership and participation (Jubilee, 2000). A more extreme view is represented by some analysts who see a sinister intent behind PRSP and argue:

> How convenient to wed the rediscovery of poverty to mal governance! This blame -the-victim approach shifted attention away from the economic model which in fact produces poverty and facilitates corruption. What is more, assuming a hypocritical defence of civil society demands for participation, the Bretton Woods institutions devised the Poverty Reduction processes which in effect increased the power of the multilateral institutions over national governments and national economies. (Bendana, 2002)

Preliminary reviews of PRSPs by research institutions and NGOs identify some specific problem areas in respect of the implementation of the process while some PRSPs themselves include comment on the process. In many of these reviews the most important problem is that PRSPs are perceived as still being largely donor-driven, with foreign technical consultants of major donor institutions setting the parameters of the poverty reduction strategy. The implication is that many poor countries do not have an adequate institutional framework for either the diagnosis or the dialogue being promoted by PRSP, while the time frame of the donor assessment does not allow space for the development and strengthening of such institutions. The concern is that the policy preparation requirements fail to take account of the political processes through which poverty analysis is performed, policy is developed, translated into programmes and projects, which are then budgeted and eventually implemented. Instead, PRSP runs the risk of reducing how policies are actually formulated, and through which arenas, to a technical function inevitably driven by professionals whether in government, the international organisations or consultants.

In thinking about how this problem can be managed, Booth and Lucas (2001) acknowledge that the PRSP processes do not signify the end of 'old-style conditionality and performance benchmarks' that were central to the structural adjustment programmes of the 1980s and 1990s. However, they argue that PRSP is not business as usual, and that this is largely due to the new forms of social conditionality. The emphasises on in-country processes is an important departure, particularly the requirement for responsive and accountable institutions of governance through information sharing, participatory policy development and budget prioritisation, and participatory monitoring of the impact of such policy. They suggest that PRSP requires building a new politics or political economy of information in which the gathering and use of information is shared and the interests of those responsible for the allocation of resources become more closely aligned with those who require such resources. I would like to take this less critical view of PRSP, and propose that, although flawed, the approach does offer the space for the development of better policies for the reduction of persistent poverty if there is greater understanding of the process of engagement between the various actors involved.

Accepting that PRSP can make a positive contribution does not mean that the numerous questions about the process can be readily answered. Issues that are overlooked include the role to be played by the legislature and the way in which parliaments actually function and engage with the PRSP, whether through western style democratic institutions such as in South Africa, Citizen's Majlis such in Maldives, or the fragile political alliances that exist in many countries emerging from military rule or civil war such as in Lesotho[7]. Other practical issues are the functioning of cabinet portfolio committees, the role of inter-ministerial and inter-departmental fori, the setting of political party agendas and the role of opposition parties, indigenous people's movements, and organisations representing marginalised groups such as the homeless or disabled. Moreover, each of these may be more complex in different types of decentralised government such as those in South Africa, requiring further participation and dialogue below the national level.

Notwithstanding the importance of these and other concerns regarding PRSP, I would like to narrow the remainder of this paper on the capacity of governments and of civil society for diagnostic analysis and the subsequent policy dialogue around the budget prioritisation process. This takes me back to the point of departure for this paper, the role and capacity of finance ministries in the formulation of pro-poor policy, and brings me to the three case studies.

3 Capacity for Diagnostic Analysis

Despite the dramatic differences between Maldives, Lesotho and South Africa, all three counties have made significant improvements in the diagnostic analysis of poverty during the 1990s and all three have prioritised the macro-economic package analysed by Dollar and Kraay. The Republic of Maldives, as one of a very small number of countries in the world in which the majority of the population live on atoll islands, presents development

7/ Maldives eventually abolished the Sultanate in 1968, and the current president has been elected for five consecutive terms. Lesotho is a constitutional monarchy, but experienced military rule between 1986 and 1993. Peaceful elections were held for the second time in 2003. Althought here have been several attempts to return the country to military rule. South Africa's history of apartheid is well known as is its' transition to democracy less than 10 years ago.

planners and policy makers with unique constraints[8]. The cost and feasibility of information gathering has to be off-set against the importance of on-going monitoring, while analytical capacity is extremely constrained with very few university trained professionals in the country. Although there is a training college in Malé, no courses in statistics, demography, economics or other social sciences are offered, and all such training is undertaken in India, Malaysia or Australia. Maldives is also dealing with the challenges of an emerging dual economy with a rapidly expanding modern sector, almost exclusively located in the capital island, Malé, and a subsistence sector located in the Atolls. Nonetheless, throughout most of the 1980s and 1990s, Maldives experienced sustained economic growth, with an average increase in GDP of some 8 per cent per annum, and the country currently has a annual per capita income of more than $450, more than India, Pakistan and Sri Lanka. This growth is almost exclusively attributable to the expanding tourism industry.

In 1998, with the support of the UNDP and a team of consultants, the government initiated a Vulnerability and Poverty Assessment (VPA) that comprised the collection and analysis of data on deprivation on all of the inhabited islands (Republic of Maldives, 1998). The study elected to make use of a composite index that takes account of the multiple dimensions of poverty, including events specific to an atoll economy and the importance attached by Maldivians to vulnerability. Recognising the largely arbitrary nature of poverty measures based upon some specified poverty line, the VPA makes use of the notion of poverty dominance (Atkinson, 1987; Foster and Shorrock, 1988; Jenkins and Lambert, 1997). This analytical framework assesses whether the results of differing poverty lines are robust in the sense that the poor are consistently identified and ranked irrespective of the poverty line used[9]. In the case of Maldives, the poverty dominance approach is not applied exclusively to a money metric consumption line. Instead, the methodology is extended to include a composite index of poverty and vulnerability that was developed especially to suit the peculiar conditions of this environmentally fragile archipelago, as well as each of the twelve indicators that make up the index. A system of weighted penalty points form the basis of this index that reflect the level of access of the population to various services, facilities and infrastructure, as well as their quality. A ranking was first established to reflect the adequacy of access to various services deemed important from previous qualitative research. This was then calculated for each atoll by the proportion of households who report that they fall into this category of deprivation[10].

[8] / Tivalu is a country of 10 000 people living on eight islands in the Central Pacific, to the north, Kiribati consists of 80 000 people living on 17 islands and further north, the Marshall Islands has a population of 71 000 living on nineteen atolls and five islands. In contrast, the Republic of Maldives has a population of 310 000 living on 200 islands.

[9] One of the advantages of the poverty dominance theory is that it relies on a sensitivity analysis using a low, medium and high poverty line to test the ranking of whatever unit of analysis is chosen (atolls in the case of Maldives). These are then mapped onto cumulative distribution frequencies of the chosen indicator. If the frequencies of the indicators for different groups do not intersect below the maximum possible poverty line, then one group can be definitively considered to be poorer than the others are. Second order dominance tests can be used if the cumulative distribution frequencies do intersect below the maximum possible poverty line (Foster and Shorrock 1988; Republic of Maldives, 1998).

[10]/ For example, the presence of households without electricity results in a penalty of one point, which is then weighted by the percentage of households who report that they do not have electricity. In some instances, such as transport, the indicator used affects the entire population in an island. As a result, the penalty points are effectively weighted by 100 per cent (Republic of Maldives, 1998).

The indicators were then combined into composite indices for each of the twelve main human development dimensions that comprise the Human Vulnerability Index (HVI). An interesting approach was followed in Maldives when weighting the different components of the VPI, which used the perceived priorities of respondents as the weighting factor. The weighting process was used to rank the relative importance of the different components of the index. This process was carried out in a gender disaggregated manner, showing the priority rankings of men and women separately and then combining both on the basis of the proportion of the total population made up by each sex. Thus, the rankings are not only reported separately for men and women, but also as a combined score (Republic of Maldives, 1998). Using this approach, the VPA is able to identify the poorest islands and atolls in the country and rank them according to various measures of wellbeing.

Most social indicators of development used in the VPI and in other official statistics reveal a dramatic improvement in the quality of life of the population, and Maldives is now ranked 84th out of 173 countries in terms of its HDI in 2002 compared to 118th a decade earlier (UNDP, 2002; UNDP, 1994). Despite this, there is an emerging concern that the benefits of economic growth have not spread to the more vulnerable communities in the country and over the past 5 years the government has increasingly become concerned about the persistence of vulnerability and poverty. The VPA reveals that some areas of the country remain under-serviced and have seen little improvement in their quality of life over this period of growth, while, in Malé, crowding, high costs and limitations on the provision of services are resulting in increasing urban poverty. In addition, the government is concerned about the impact of erosion and possible global warming on their low-lying and communities interviewed in the VPA identify erosion of beaches as a priority problem[11]. Recently, the Statistics Sections in Maldives' Ministry of Planning and National Development has fielded an Income and Expenditure Survey which will permit the calculation of more conventional measures of poverty. Further, in collaboration with UNICEF, the Ministry of Health has conducted two Multiple Indicator Cluster Survey (MICS) to obtain national level information on key indicators of health and welfare of children as well as a Reproductive Health Baseline Survey. These studies point to continued severe food insecurity and micro-nutrient deficiencies especially for recent mothers (Republic of Maldives, 1999; Republic of Maldives, 1995, 2002).

Turning to the Kingdom of Lesotho, despite the economic boom experienced prior to 1998, Lesotho remains categorised as one of the least developed countries in the world. According to the UNDP (2002), the country's real per capita GDP in 2000, measured in Purchasing Power Parity (PPP), was US$2,031 per annum, which places Lesotho among the world's 50 lowest income countries. In terms of other social indicators, in 2002 Lesotho ranked 132nd out of 173 countries in terms of its HDI (UNDP, 2002). Job losses arising from the contraction of the South Africa mining sector, structural problems in the financial and utilities sectors, and civil unrest all contributed towards economic recession in 1998/9 (GOL, 2000:5).

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[11]/ Eighty per cent of Maldives is one metre or less above sea level. With a minimum national elevation of 4,530 feet (1380 meters) above sea level, Lesotho holds the record for the world's highest minimum elevation and most of the country lies above 1830 meters.

Although there is only one university in Lesotho, the extent, distribution and nature of poverty in Lesotho was extensively documented by donors, government and private sector organisations during the 1990s (Sechaba Consultants, 1991, 1993, 2000; UNDP, 1998, World Bank, 1995). With the aid of Stats Sweden, the Lesotho Bureau of Statistics has undertaken a range of studies useful for poverty analysis including income and expenditure surveys using the diary method of data collection. Poverty is recognised as being concentrated in rural areas, although there has been an increase in the incidence and seriousness of poverty in urban settlements (UNDP, 1999; Sechaba Consultants, 2000). Women and children are especially vulnerable to poverty and poverty is multi-dimensional and includes powerlessness and exclusion. Data collected for the 1986/7 Household Budget Survey shows that 59 per cent of Lesotho's population of 2 million were living in households categorized as being poor in 1986/87 while 35 per cent were very poor or ultra-poor (May et al, 2002)[12]. Alarmingly, the overall incidence of poverty had not altered significantly by 1994. Just over 58 per cent of the population were still poor, a reduction of just 0.6 per cent from 1986. More importantly, there is *not* a corresponding downward trend with regard to the percentage of households that are ultra-poor. Instead, about 38 per cent of the population were ultra-poor in 1994, an increase of nearly 4 per cent. Reflecting this, the poverty gap, an indicator of the depth of poverty, increased between 1986/87 and 1994/95. This implies that despite the slight decline in the incidence of poverty over the period, those that are poor are on average further below the poverty line in 1994/95 than was the case in 1986/87. In 1994/95, using the ultra-poverty line, the poverty gap was 21.4 per cent, which translates nationally to M132.2 million per year (US$17.0 million) in 2001 prices. According to the World Bank (1995), official development assistance (ODA) to Lesotho averaged US$104.7 million a year between 1990 and 1993. This would have been more than sufficient in absolute terms to meet what was required to eliminate ultra-poverty in 1994/95, even with imperfect targeting, and suggests that, at least at the time of the 1994/95 household budget survey, reducing poverty was a possibility.

Poverty and inequality appear closely linked in many southern African countries, and Lesotho is no exception. The overall Gini coefficient in Lesotho climbed sharply from 0.60 to 0.66 between 1988 and 1996 suggesting that inequality in Lesotho may well be higher than in neighbouring South Africa and results from increased inequality within districts and not just increasing inequality between urban and rural areas. The two periods of data also allow for the calculation of a partial poverty elasticity of -0.12 which indicates the percentage change in the incidence of poverty brought about by a 1 per cent growth rate in GNP[13]. This elasticity has been found to vary systematically according to the degree of income inequality, where low-income inequality countries have been found to have a poverty elasticity of –1.5 while high-income inequality countries had a poverty elasticity of –0.5. This shows Lesotho has been highly inefficient in terms of turning this period of economic growth into improvements in the well being of the poor and suggests that part of the reason for this may lie with the high levels of inequality in Lesotho. The situation is even less favourable for the subsequent period during which the economy of

[12]/ Using Lanjow's (2001) helpful review of activities required when developing a poverty line, May et al (2002) calculate an 'austere' per-capita poverty line for Lesotho of M124.00 per person per month in 2001 prices.
[13]/ This can be compared to an estimate of -0.21 for Zambia (Hamner and Naschold, 1999),

Lesotho contracted at almost 2 per cent per annum (May, et al, 2002).

Finally, in terms of analytical capacity, South Africa is the best placed of the three countries. With a population of 44 million, the country has an official statistics agency that undertook its first data collection in 1904, 36 institutions of higher education with more than 35 000 post graduate students in 2000, numerous research and think tank organisations, and a long tradition of academic and civil society comment on socio-economic conditions (DoE, 2002). However, owing to South Africa's unique history, the analysis of poverty and inequality is particularly complex, while the collection of official statistics were severely disrupted during the dying years of the apartheid government. At \$9401 per annum, South Africa's per capita GDP places it as one of the 50 wealthiest nations, while the strikingly poor social indicators of the country result in South Africa being ranked 107th of 173 countries (UNDP, 2002) down on its ranking of 93rd in 1992. Life expectancies are currently among the 50 worst in the world and projections of mortality suggest that these will deteriorate further as deaths from the AID epidemic increase to the point that South Africa could be ranked among the worst 5 countries in the world by 2010. (Dorrington et al, 2001:25). At the time of the transition, South Africa was described by the World Bank as among the world's most unequal economies, with a Gini co-efficient measuring 0.58. More recent analysis using the 1996 Population Census data put the Gini co-efficient as high as 0.68- worse than that of Brazil and of 33 other developing countries (Marais, 1998: 106). While Woolard and Leibbrandt et al (2001:22) show that 6 per cent of South Africa's population captures over 40 per cent of income. The HDI reported by the UNDP reveals the significant spatial and racial differences within South Africa that existed in the early 1990s. In 1991, while white South Africans had an HDI similar to that of Canada or Israel, the HDI score for Africans was lower than that of Egypt and Swaziland, and a provincial comparison shows that the score for the Limpopo Province was lower than that of neighbouring Zimbabwe (May et al, 2000a: 23). The racial aspect of the South African situation is also interesting in which the white population enjoyed a life style equal to some 95 per cent of that found in wealthy countries such as Norway or Sweden. In contrast, the African population score below countries such as Ghana or Kenya, ranked 129th and 134th respectively (UNDP, 2001).

Looking at the poverty profile, in 1993 almost half of South Africa's population were categorised as poor using a national poverty line, and one-fifth earning less that \$1 per day (Klasen, 1997). Over 60 per cent of Africans were poor compared to just 1 per cent of the white population. Woolard and Leibbrandt (2001) use a range of thresholds to provide a rigorous analysis of poverty in South Africa since the transition[14]. Using data from the 1995 Income and Expenditure survey, they conclude that, some 40-50 per cent of South Africans can be categorised as poor, while 25 per cent can be categorised as ultra-poor. They also find that the poverty rate is far higher in rural areas than in urban (65 per cent of individuals compared to 22 per cent) and 27 per cent of rural dwellers are below half the poverty line, and thus are likely to also be chronically poor. In urban settlements, just 7 per cent of the population fall into this group and as a result, 78 per cent of those likely to be chronically poor are located in rural areas (Woolard and

[14]/ For most of their analysis Woolard and Leibbrandt (2001:56) settle on the Household Subsistence Level and \$1 a day 'International' line (R3509.00 and R2200 per annum per adult equivalence in 1995 Rand). The latter may be thought of as the ultra-poverty line.

Leibbrandt, 2001:59-60). Once again, in line with other studies, a far greater proportion of Africans are poor, making up almost 80 per cent of those who are poor although Africans comprised 49 per cent of the population in 1996. Households headed by women are also more likely to be poor than households headed by men, while the Eastern Cape consistently emerges as the poorest province in South Africa, containing 27 per cent of those likely to be chronically poor. KwaZulu-Natal and Limpopo Province account for 19 and 17 per cent of the chronically poor respectively.

Attempting to track trends in poverty and inequality, Budlender (2000:93) suggests that inequality may have increased between 1994 and 1998, a finding supported by a recent official publication using the results of the 2000 income and expenditure survey (Stats SA, 2002). The average annual per capita income in 1995 was reported to be R12 135 adjusted to 2000 prices, higher than the per capita income of R11 755 per annum reported in the 2000 IES.

Using panel data, Roberts (2001) and Carter and May (2001) adopt different methodologies to distinguish those that move in and out of poverty (perhaps best described as the vulnerable) from those that are structurally poor. Both analyses suggest that while some 40-50 per cent of South Africa's population can be described as poor, around 20-25 per cent of the sampled African and Indian population in KwaZulu-Natal can be thought of as being chronically poor in terms of either a 'time-spell' or 'trajectories' definition. Furthermore, despite a 50 per cent chance of upward mobility from the poorest to the next expenditure class, Carter and May (2001,1998) calculate that some 75 per cent of those measured as being ultra-poor in 1993 would still be below the poverty line in 1998. Operationally then, it seems reasonable to assume that those receiving less than 50 per cent of the poverty line are likely also to be chronically poor in terms of the simpler definition of chronic poverty discussed at the beginning of this paper.

Aliber (2001:33-40) distinguishes a number of groups who can be described as being chronically poor and attempts to estimate the size of each. Using Roberts' (2001) estimate, Aliber concludes that approximately 950 000 rural African households are chronically poor and estimates that another 50 000 rural Coloured families are also in this category. Just under 770 000 African female-headed households are calculated to live in chronic poverty and around 250 000 female-headed households of other races are thought to be in chronic poverty in addition to those that are among the rural poor. A further 38 000 disabled-headed households are chronically poor. In terms of estimating the number of older-headed households, Aliber is on less certain ground, but suggests that some 378 000 fall into this category, although there is obviously substantial overlap between this group and the three already mentioned. Aliber (2001:40) concludes that in 2000, at least 18 to 24 per cent of all households in South Africa were chronically poor or highly susceptible to chronic poverty, a total of some 2 million households. By 2010, he suggests that AIDS may contribute to the chronic impoverishment of 26-33 per cent additional households, bringing the total share of chronically poor households to 24 – 30 per cent. From this, it seems that despite accepting that conventional medicine of 'fiscal discipline, macroeconomic stability, openness to trade and the protection of property rights', both poverty and inequality have increased since South Africa's transition to democracy (May et al, 2000; Terreblanche, 2002, Stats SA, 2002).

A number of common themes emerge from this brief overview of poverty measurement in Maldives, Lesotho and South Africa. Despite the differences in capacity, the analysis of poverty is relatively well developed in all three countries. Recent studies have adopted comparatively cutting edge methodologies of analysis, producing reports that are both multidimensional and dynamic in their conceptualisation of poverty, and which combine quantitative and qualitative forms of analysis. Innovations include the use of poverty dominance in analysing non-income dimensions of deprivation, developing poverty thresholds based on existing patterns of consumption and preference, and the use of panel data for an analysis of economic mobility. Even in Maldives, despite severely contained human resources, experts from the donor agencies and consultants appear to have been effectively managed, and the studies that have been produced have strong government ownership. In Lesotho, increasing use has been made of local and regional expertise and, through the PRSP technical working group, renewed energy has been directed towards building the capacity of the official statistics agency. Finally in South Africa, despite a 'brain drain' from universities into government and abroad, social science research remains internationally competitive while increasingly complex data are being collected and analysed by Statistics South Africa and the local research community. Finally, in all three countries, poverty/wealth has been often analysed as a lifetime experience in which vulnerability and accumulation play central roles suggesting that chronic poverty can be potentially brought onto the policy agenda.

4 Capacity for Policy Development and Budget Prioritisation

Having looked at diagnostic capacity, it remains now to consider how this information is being used in the formulation of pro-poor poverty. To start once again with Maldives which has a long tradition of development planning dating back to the 1950s. Impetus was given to this process with the establishment of a National Planning Agency in 1978, which was upgraded to the status of a Ministry in 1982, and the introduction of the First National Development Plan (NDP) for 1985-1987. Since then, five development plans have been formulated, each of which have articulated national priorities for development. In 1999, towards the completion of the Fifth National Development Plan, the government felt that Maldives had reached a crossroads in terms of the country's socio-economic trajectory. On the basis of a broad consultative process, a long-term vision statement was prepared. The 6th NDP is regarded as the first phase of the Vision 2020 and a start has been made on a number of sectoral plans. In terms of social development and poverty reduction, the 6th NDP suggests that poverty in Maldives results from low income and inequitable access to basic services and facilities. Based on the VPA, issues of concern relating to vulnerability and poverty reduction that are carried through to the 6th NDP include:

?? That 15 per cent of the population (30 000 people) live below an ultra-poverty line[15].

?? That there is high inequality in Maldives with incomes in Malé some three times higher than those of the Atolls.

?? That there is inadequate access to quality health care and education, especially in the

[15]/ The threshold income was calculated using half of the median income of the Atoll population. It is worth noting that this figure is about 60 per cent of the median income of Malé.

Atolls, and that access to other services is also limited as is access to information.

?? That the cost of economic services in the Atolls and the lack of skills limits the opportunities for the population living in these areas

?? That a significant proportion of the population is vulnerable to shocks, both in terms of economic activity and the cost of transportation.

Redress is proposed through improved access to health care, education and basic utilities, as well as through the promotion of income generation. Indeed, poverty reduction is referred to as "an encompassing objective of the plan" relating to most of the other policies discussed in the NDP (Republic of Maldives, 2002:59-60). In translating the plan into resource allocation however, it appears that funds continue to be allocated with little reference to any evidence-based targeting. The government makes use of an inter-ministry national planning committee located in the Ministry of Planning and National Development (MPND). Annually, this committee assesses the significance of project proposals from the different line ministries, and some use is made of the VPA for this purpose, although the disaggregated data have not yet been analysed, and no mechanisms exist for assessing the poverty impact of specific interventions. Eventually the MPND submits a prioritised list to the Ministry of Finance and projects are then funded in accordance to how far available national and donor resources can be stretched taking into account recurrent costs. In the case of Maldives, the Ministry of Finance does not intervene over which projects are funded and which not, although Presidential intervention seems not unknown.

However things might change with the imminent introduction of multi-year budgeting and an attempt by the Ministry of Finance to conduct an incidence analysis on who benefits from public expenditure. In addition, with UNDP support, the MP ND is considering the introduction of a poverty monitoring system that can provide feedback to the planning committee and the line ministries. This is expected to build a stronger linkage between information being generated by the official statistics agency and some of the line ministries and the process of budget prioritisation. Finally, although not required, the Government of Maldives is considering developing a PRSP based on studies already completed by the Asian Development Bank (ADB) and the UNDP.

The (lack of) use of poverty diagnosis has an interesting international dimension in the case of Maldives. Despite the emerging evidence of persistent poverty, Maldives faces imminent graduation from LDC status on the basis of the measures used by the international community that include a food consumption indicator that incorporates the food consumed by the country's annual influx of over 300 000 tourists[16]. Indeed, this might be one of the reasons for the government's new interest in the country's poor as Maldives has disputed its graduation since 1998 which would bring the loss of privileges and concessions including low interest loans, debt rights offs, preferential market access and technical assistance.

As one of the poorest countries in the world, policy makers in the Kingdom of Lesotho

[16]/ The Alliance of Small Island States (AOSIS) argue that the measures used by the Economic and Social Council of the United Nations (ECOSOC) does not take into account their 'ecological fragility and economic vulnerability'. The AOSIS comprises the Solomon Islands, Comoros, Seychelles, Cuba, Jamaica, Belize, Nauru, Guyana and Maldives.

have been directly affected by the re-emergence of a poverty agenda. The government has been required to complete a Interim PRSP with the full PRSP currently in progress along with the setting of Millennium Development Goals and the preparation of a National Human Development Report. Almost all policy documents concur that Lesotho continues to face "formidable economic hurdles" and that the reduction of poverty is a priority (GOL, 1997:4, 6). Indeed, poverty has been identified by government as Lesotho's "number one enemy" in recent budget speeches (GOL, 2001).

A multitude of competing policy documents are to be found that address poverty, with the relationship between these being ill defined. Different policy documents also refer to different time frames. Budget speeches refer to the forthcoming year, the Interim Poverty Reduction Strategy Paper takes a five year view, while the Government's Vision 2020 covers the next two decades. The *Pathway out of Poverty,* released by the Minister of Finance and Economic Planning in 1996, distinguishes between short and medium term policy actions, but does not clarify what is meant by these terms (GOL, 1996:50). The 8th Round Table document sets ambitious impact targets to be achieved within 6 years (by 2003) but does not make reference to the order in which policies are developed and implemented so as to achieve these targets. Moreover, in most cases, little attempt is made to nest the policy statements within one another, and as a result, the sequencing of different interventions is unclear. As it is likely that there is some optimal order of interventions, the implication is that the desired impact of a particular action identified in a short-term document might not be achieved without the prior implementation of policies identified in documents that take a longer view. For example, the rural environmental programmes that are introduced without first securing women's rights to land might actually increase the vulnerability of women when land-use and ownership patterns change without their agreement (GOL, 1997:48; GOL, 1996:51).

A number of common themes do appear in several documents. The *Pathway* suggests four broad elements of a poverty reduction policy that appear to be derived from a collaborative process between government, NGOs and donors. These are (i). fostering labour intensive growth, (ii) investing in human resources, (iii) strengthening the safety net and, (iv) improving institutional capacity. A number of specific recommendations are prioritised in *Pathway out of Poverty* and in other documents which are noteworthy from the perspective of reducing persistent poverty in Lesotho. These are: intensified agriculture and the production of export crops; security of land tenure, especially for women; ease of access for small entrepreneurs to obtain credit; labour intensive approaches to public works; exemption from user fees for children under five, the elderly and the disabled; a reduction in the cost of primary schooling; and lowering the cost of staple foods (GOL, 1996:51-52). The potential role to be played by a poverty reduction programme of investments funded from the Lesotho Fund for Community Development has repeatedly been noted, a recent example of which is the Budget Speech, 2001 – 2002, in which the promotion of investment in community infrastructure is mentioned (GOL, 2001).

The recently completed and approved IPRSP adds a comprehensive list of activities linked to the promotion of macro-economic stability in particular the need for prudent fiscal management in terms of both tax policy and public expenditure. In line with many other countries, Lesotho has already adopted policies to contain government expenditure

(GOL, 2000a:16). Fiscal management was stressed in the Budget Speech 2001 – 2002, in which it was reported that government managed to bring the budget deficit down from 13 per cent of GNP in 1999 to 2.5 per cent in 2001. New measures include the introduction of Value Added Taxation in 2002, improved tax administration and increasing the capacity of the Central Bank of Lesotho to manage inflation (GOL, 2001:25).

Complimenting these policies, governance is increasingly recognised by the Government of Lesotho and other national stakeholders as critical for poverty reduction (GOL, 1997a; GOL, 1997b; GOL, 2000b; Vision, 2020). Governance in this regard refers both to effective administrative procedures and mechanisms for policy implementation, as well as broader issues. In Lesotho, grounding government actions on political and social security is perhaps the most important of these, and this includes the consolidation of democracy, promoting the accountability of government to civil society, and the capacity of the latter to engage with government. In order to promote the process of democratisation, effort in Lesotho thus far appears to have concentrated on the latter component with support directed towards agreements on national reconciliation and electoral reform (GOL, 2000b). While these concerns appear to remain priorities, future concerns include addressing corruption and development of technical, managerial and strategic planning capacity. Civil Service Reform has been an important and long-standing element of this process (GOL, 1997).

Despite the numerous and adequate studies on poverty conducted by the Government and the donor community, most of the policy documents mentioned make little reference to any of these studies. Dramatic policy decisions such as the provision of free primary education appear to be taken with little consideration to their possible impact and feasibility. Furthermore, despite the long track record of research and data gathering, a recent study of decision making within the government concludes that the current environment is one in which data is neither trusted nor used (May, et al, 2001). Indeed, disagreement over the measurement of poverty threatened to stall the PRSP process and slow Lesotho's access to concessional support. As already discussed, a technical solution to the problem of measurement was readily available through the application of methods developed by the research community, and through the space created by PRSP. This has helped move the policy dialogue along although linking the results of poverty research to policy formulation and the allocation of resources remains a potential stumbling block. As with Maldives, this situation should improve and attention has been placed on the establishment of a poverty monitoring unit within the government which would co-ordinate information flows and provide input into the budgetary process (IMF, 2002). Also as with Maldives, the poverty monitoring unit has been located within the planning ministry with the Ministry of Finance limiting its role to assessing the final cut off beyond which expenditure is not possible. A medium term expenditure framework is also being considered which would facilitate multi-year budgeting and IMF reports that Lesotho hopes to incorporate the PRSP into the 2003/2004 budget process (IMF, 2002).

Turning to the last country study, the South African Government has been internationally lauded for the rapid progress that has been made in terms of the adoption of the suite of conventional macroeconomic policies[17]. In 1996, the South African government released its Growth, Employment and Redistribution (GEAR) strategy as a framework for growth and development. Despite its name, GEAR's principal achievements had been macroeconomic stabilisation (reductions in the budget deficit and the inflation rate), rather than in growth, job creation and poverty alleviation. At the same time, the government also introduced a three year medium term expenditure framework which has now completed its first cycle.

From its introduction, popular opinion has remained hostile towards GEAR and the expenditure limits that have been imposed. In addition to the official statistics already mentioned, independent surveys have suggested that the economic fruit born of the new liberties of post-apartheid South Africa has been bitter for many (Schlemmer and Levitz, 1998). With the exception of 1996, growth rates were low and on a declining path between 1994 and 1998. Growth rose marginally again in 1999 and more robustly in 2000-2002, but are not yet near the estimated sustained rates of 7-8 per cent per annum required to absorb new entrants into the labour market and make inroads into the growing pool of unemployed people (Michie and Padayachee, 1997: 17). Instead unemployment has grown, with net job losses recorded each year. Rather than increased productivity a declining exchange rate underpinned an improvement in exports, including in manufactured exports. The IMF backed-decision to abolish exchange controls only gradually has proved to be wise while the currency was badly buffeted by the Asian contagion and in 2001/2 by a rampant US dollar, and perceptions of political instability in the region following the Zimbabwean land invasions. One impact of this was a rapid increase in food prices during 2002 estimated at almost 20 per cent between 2001 and 2002. This hit disproportionately on the poor since the poor spent 57 per cent of their total annual budget on food in 2000 compared to the wealthiest who spent 12 per cent (Stats SA, 2002).

Given the levels of poverty, the size of its economy, and the relative sophistication of the public financial management, it is surprising that the link between the analysis of poverty and the budget process is not better developed in South Africa[18]. In part this arises from the difficulties involved in transforming previous structures of governance based on 'separate development', and in part from the impact of isolation during the apartheid years. Admittedly, in terms of governance structures, the situation has improved. The statutory Budget Council, the Budget Forum and several supporting technical committees oversee budgetary and financial co-operation between the national, provincial and local spheres. The Financial and Fiscal Commission (FFC) plays an important independent role in reviewing and advising on intergovernmental financial relations. In October 2002, the National Assembly of parliament resolved to establish a Joint Budget Committee. This committee includes 15 members from the National Assembly, of which nine are from the

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[17]/ All three ratings agencies have given South Africa upgrades over the past 12 months. However, it is noteworthy that Standard and Poor recently warned that poverty and unemployment could undermine the chances of their awarding a further upgrade to South Africa (Business Report, 7 March, 2003).

[18]/ South Africa's GDP in PPP dollars is more than 300 times that of Maldives, and 100 times that of Lesotho. On the other hand, the problems confronting the country are immense. For example, there are an estimated 4.7 million South Africans living with HIV/AIDS. The official estimate for Maldives is 58 people with a prevalence rate of 0.05 percent. In Lesotho, the prevalence estimate is similar to that of South Africa at 25 per cent and about 240 000 people are thought to be living with HIV/AIDS.

majority party and six from the opposition, and 8 members of the National Council of Provinces (NCOP), five of which must be from the majority party and three from the opposition (IDASA, 2003). Within the Ministry of Finance, the South African Treasury determines the macro limit on expenditure, which is then matched with requests from departments in line with affordability and sustainability of services. Based on this limit, all national departments submit budget proposals for the following financial year to the National Treasury by using the detailed budget manual.

The most recent budget to be based on this process has been heralded as being both pro-poor and pro-growth. The total value of income tax cuts proposed by Budget 2003 is R15 billion in 2003/04, of which R13.4 billion takes the form of personal income tax reductions. Most of these benefits accrue to people earning low wages in the formal sector. In the distribution of its allocations, government has prioritised sectors and programmes offering services to the poor. At the sector level, expenditure on social development and water schemes and related projects will experience substantial growth over the next four years. Significant new investments have also been made in health, housing, community development and education. In per capita terms, real social service expenditure is set to increase by 5 per cent in 2003/04 and at an annual average real rate of 4 per cent between 2002/03 and 2005/06. Of particularly significance is the fivefold increase in the budget for HIV/AIDS and TB prevention and treatment amounting to R1.952 billion for HIV/AIDS in 2003/4. These measures have resulted in a modest increase in the budget deficit to GDP ratio compared to the forecast in November 2002, and the expansionary fiscal policy thus said not to have come at the expense of fiscal discipline[19]. Critics of the budget note that spending on the old age pension and child support grant combined will increase by less than R2 billion in the coming financial year which should be set against a tax break of R15 billion for comparatively affluent South Africans. In fact, the South African Council of Churches notes that "…even those taxpayers who benefit least - those earning between R27 000 and R35 000 a year - will see R720 more next year, or R100 more than the additional support given to pensioners" (SACC, 2003).

The extent to which policy debate in South Africa is informed by the results of research, and even of official data collection, does not match the progress made for governance and policy-making structures. The recent debate over social policy in South Africa, and the proposed introduction of an universal Basic Income Grant (BIG) demonstrate both the importance and paucity of policy orientated poverty analysis. In fact, despite a substantial increase in data collected on different aspects of well-being in South Africa, the extent, distribution and trends of poverty still remains the subject of debate and much of these data are under-utilised. The findings of most recent official Income and Expenditure Survey (2000) for South Africa have been disputed by the Office of the President who prefer the more positive findings of the All-Media and Products Survey (AMPS) of the South African Advertising Research Foundation (Financial Mail, 31 January, 2003). Indeed, the Government Communication and Information System sees the need to correct 'mistaken views' about increases in poverty and calls for research on the 'social wage' (Business Day, 26 March, 2003). Part of the explanation for this lies in differing

[19]/ The budget deficit to GDP projections have increased from -2.2 to -2.4 per cent in 2003/04 and -2.1 to -2.4 per cent in 2004/05.

interpretations of the most appropriate measure of well-being, as well as in different survey and analytical methodologies (Stats SA, 2002) [20]. However, some analysts argue that may also reflect a reluctance by some sectors in government to recognise the deeply entrenched nature of poverty in South Africa now being amplified by the AIDS epidemic (Bond, 2000).

When looking at the application of research findings on poverty measurement a somewhat less satisfactory situation emerges compared to the capacity of the three countries to produce a diagnostic analysis. Measurements of poverty are inconsistently applied, if at all, when formulating policy at both the national and international level despite the existence of data and measures that could improve decision making. Worse, findings are selectively used in support of foregone policies, while governance structures run the risk of becoming ineffectual. Previous policy development in Lesotho, South Africa and Maldives continues to show little sign of being evidence-based. Despite the presence of relatively good information , and in some cases, high economic growth rates, the lack of progress achieved by all three countries in reducing persistent poverty suggests that the choices taken by government have resulted in incorrect targeting, inefficient use of resources, and contradictory or less than optimal outcomes. Moreover, viable mechanisms have yet to be established to evaluate the effects of programme implementation and monitor the subsequent impact on the poverty situation. The Statistics Agencies are under-resourced, to the extent that the data from the 1988 Household Budget Survey had been misplaced and was not available in Lesotho until 2001, while analysis of the 1996 Household Budget Survey remained incomplete until 2002. In Maldives, official statistics have only just begun to be made available, potentially resulting in this country inappropriately losing its LDC status. Even in the better resourced South Africa the statistics agency remains drastically short-staffed and official estimates of HIV/AIDS, poverty and inequality have been questioned by the government itself.

All of this points to the need for an acceptable, accurate and practical method for measuring persistent poverty within the three countries. This would need to recognise the limits of the approach that is adopted, both in terms of methodology and its application to policy dialogue, and to the process of budget prioritisation through which policies are to be implemented.

5 Conclusion: The Tin Man and the Anti-Politics Machine

So do we still face a problem of measurement, and/or if not, of turning ‘measurings into doings’? In a late 1990s paper, Michael Lipton thought that the problem was not one of measurement, instead suggesting that a consensus on the definition and measurement of poverty has begun to emerge. The principal components of this consensus were seen to be recognition that poverty may be defined as private consumption that falls below some absolute poverty line, that low levels of capabilities (such as literacy and life expectancy) is a major component of poverty, best measured separately then amalgamated with consumption measures, and finally, that the lack of consumption is better measured than lack of income. After an extensive review of over 20 poverty assessments undertaken in

[20]/ In fact, the Stats SA finding from the 2000 IES that mean incomes have declined since 1995 is misleading since there is no statistical difference between the means.

developing and transition countries, May (2001:24) concludes that poverty definitions regularly incorporate notions of exclusion, powerlessness and stigma. Poverty is frequently understood as being relational rather than absolute and the methodologies followed in the calculation of poverty lines vary enormously. Composite measures that combine income data with other measures of human capability are often computed.

To some extent, the pragmatic approaches being adopted in Maldives, Lesotho and South Africa are representative of this view. Technical solutions to the appropriate measurement of chronic poverty adjusted for the country specific context have proven possible using data such as those gathered through panel studies, combinations of qualitative and quantitative methodologies and conventional income and expenditure surveys. Certainly more work is possible and should be done. Some examples include the collection of panel data in Maldives based on the VPA, updating the income and expenditure surveys in Lesotho, calculating a poverty elasticity adjusted for inequality in South Africa, and using simpler instruments to track changes in all three countries[21]. However making the solutions accessible and useable for decision-makers, whether in Malé, Maseru, Pretoria or Geneva is a further challenge facing researchers as well as those wishing to make use of research results when formulating, implementing and evaluating policy.

Ferguson's (1990) seminal work on Lesotho documents the traditional mode of development planning applicable to many countries. His analogy seems to have some relevance when trying to make sense of the experiences of Maldives, Lesotho and South Africa in their attempt to move from diagnostic analysis to policy formulation and implementation. Ferguson describes the operation of development aid as a technocratic 'anti-politics machine', stating that:

> …by uncompromisingly reducing poverty to a technical problem, and by promising technical solutions to the sufferings of the powerless, and oppressed people, the hegemonic problematic of "development" is the principal means through which the question of poverty is depoliticised (Ferguson, 1990:256).

Through the tendency of governments and international aid agencies to emphasise the technical issues over political ones, development and poverty reduction programmes are said to provide a convenient vehicle for state development and strengthening bureaucratic power rather than improving the wellbeing of the poor (Bond and Ngwane, 2001). This raises the question whether the PRSP process can provide an new opportunity for dismantling this anti-politics machine by opening up processes of budget allocation undertaken by finance ministries, and thus provide them with a heart.

In all three countries, PRSP or generic approaches have offered the promise of national ownership, increased transparency and public participation in policy planning, and an explicit focus on making economic growth 'pro-poor'. Diagnostic analysis has also begun to tackle the problem of persistent or chronic poverty. However, as early progress in Lesotho suggests, the PRSP modality has tended to reinforce the perception of poverty as an essentially technical problem rather than a political one. Rather than tackling fundamental policy and reform issues, the PRSP process initially served to render the poverty debate apolitical. In Maldives, the government exercises tight control over the

[21]/ The World Bank's Core Welfare Indicators Questionnaire (CWIQ) is an example.

activities of NGO's, while in South Africa, the highly publicised impasse over the findings of HIV/AIDS researchers and the government is an extreme case of the rejection of research findings to suit a political agenda. To effectively deal with the problem of inadequate evidence based policy formulation, a PRSP cannot not simply become a technical task of identifying pro-poor policies and a bundle of indicators with which to monitor progress. It would need to include process for building national confidence in information usage, public debate and participation in the process of determining the winners and losers of government policy. Poverty and wealth will also need to be understood as a lifetime experience, extending from –9 months through to the legacy left to the next generation. This is not only about the notion of chronic poverty, but also about the relationship of individuals to the state and to markets that will continuously change as individual and political circumstance changes. Thus we should expect that the macro-economic and social policy solutions suitable for a country such as South Africa, overcoming the legacy of apartheid and facing a catastrophic increase in adult mortality, will be different that those of a country like Maldives, overcoming the geographic constraints of an atoll economy and facing a catastrophic increase in the level of the surrounding ocean[22].

To achieve this, PRSP will need to incorporate rigorous microeconomic and political economic analysis that identifies interventions that are tailored to the country context, and that are then related to the macroeconomic goals being pursued by the country. These would need to involve measures that improve the access of the poor to productive assets such as land reform, infrastructure and financial services, as well measures that reduce the costs of production, including transaction and information costs. Increased social spending may be inevitable, especially in countries having to manage the impact of AIDS. To some extent, policies such as these are being considered in Maldives, Lesotho and South Africa. However, in the case of some, political will has been lacking (HIV/AIDS), implementation has been slow (land tenure reform) and for others, the non-poor have largely captured the benefits (privatisation, tourism). For such policies to work effectively and to the benefit of the poor, they have to be located within the context of an enabling, supportive and complementary macroeconomic and institutional framework.

PRSP has meant that new pathways have been opened up for policy development, and the prospect of dismantling the anti-politics machine is at least on the agenda. The preparation of poverty reduction strategies is now seen by many as part of the activities of civil society, some of which are calling for campaigns of action in response the PRSP process. Of concern is whether the political will of governments and donors is sufficient to see this through, and whether the enabling environment for such a dramatic departure from past practices is present in poor countries. If not, PRSP may serve as little more than grease under the wheels of Ferguson's anti-politics machine, development planning will remain divorced from political realities and debate, and the Tin Man will remain without a heart. In these circumstances, talking to the Finance Minister about the plight of the poor is likely to be as futile as discussing poetry with the taxman.

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[22]/ As the footnotes in this paper have conveyed, perhaps that only points of comparison between Maldives, Lesotho and South Africa are their shared vision of poverty measurement and macro-economic policy, their inclusion in this paper, and perhaps in the database used to show that 'growth is good for the poor'.

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