

(Long Version/Briefing Paper Draft)

State Responsiveness to Poverty: The Politics of Pro-Poor Policy-Making and Implementation¹

The purpose of this research was to reveal to reform-minded policy makers the specific conditions under which organs of the state may be expected to become more responsive to the poor. It explored the politics of policy (formulation plus implementation) with particular reference to health and agriculture, using the method of intensive case study in two Indian states (Andhra Pradesh and Madhya Pradesh) and two medium-sized African countries (Ghana and Uganda). It was undertaken by a team based at ODI and IDS in the UK with partners in India, Ghana and Uganda.² It was conducted alongside and integrated conceptually with research into “How, When and Why does Poverty get Budget Priority?” undertaken by the Centre for Aid and Public Expenditure at ODI.

Background and objectives

The background to the project was the state of the policy debate on the politics of poverty reduction at the beginning of the new millennium. The MDGs had been launched. The World Development Report 2000/01, “Attacking Poverty” was in draft. As an input into that report, DFID Governance Department had commissioned a series of state-of-the art papers on the politics of poverty reduction.³ There was a growing recognition among development practitioners and academics that political factors in poverty-reduction processes need more attention. While, as the WDR work showed, a few basic propositions about politics and poverty were well-established by research, there were many remaining puzzles and a shortage of firm conclusions to guide donor agencies and other policy makers.

As explained below, the proposal identified four specific gaps in understanding as of early 2000. The research questions arising from this have lost none of their relevance. On the other hand, the subsequent evolution of policy-makers’ concerns has altered somewhat the context in which such questions need to be asked, making them even more pertinent. Two subsequent developments are particularly worth mentioning.

¹ Report on research supported by UK Department for International Development. DFID supports policies, programmes and projects to promote international development. DFID provided funds for this study as part of that objective but the views and opinions expressed are those of the authors alone.

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³ Mick Moore and James Putzel, *Thinking Strategically about Politics*, Brighton: IDS, Working Paper 101, Oct 1999, and associated papers.

The first is the emergence within DFID not only of a general awareness that politics matters, but also a specific argument about rooting donor strategies in a more profound understanding of processes of change in countries. This refers to the field of work now known as Drivers of Change (DoC). The DoC agenda calls for intensive research-based reflection on political contexts country by country. The present research is not a DoC exercise. However, the multi-layered comparative enquiry it has attempted provides a useful complementary perspective, contributing especially to the issues about medium-term political dynamics that have been identified as a weak point in the current DoC framework.⁴ It also provides a means of cross-checking the results from the pure country focus.

The second new element in the context of the research is the PRSP initiative. Since we began our research, PRSP processes have become established as the fulcrum of donor-country interaction in many countries, and as a significant, if not always the most important, institutional focus for national policy making for development. There is now a body of research on the effectiveness of the innovations associated with PRSPs in enhancing the quality of policy processes.⁵ Three findings from these studies underscore the relevance of the research reported here:

- | actually existing PRSP processes have a tendency not to involve some of the major actors and institutions in the political life of the country ;
- | many of the bottlenecks in making PRSPs credible policy instruments have to do with their relationship with the national budget process;
- | a PRSP is only as good as the policy thinking within key sectors, such as agriculture and health;
- | in many countries, PRSPs have had an impact only at the national, capital-city level; yet key services and significant resources have been or are about to be devolved to local government.

It follows that the politics of national policy, the budget, sector planning and decentralised planning are crucial to thinking about how to make a success of PRSPs.

The research was designed to produce four outputs:

- | clarification of how political parties and other features of “political society” mediate between the state and organisations of the poor, at national and local levels;
- | better understanding of how reforms of the budget process can change incentives at different levels of government in a pro-poor direction;

⁴ Drivers of Change Team, “What Does Drivers of Change Mean for DFID? A Draft Approach Paper”, Aug 2003.

⁵ E.g. David Booth (ed.) *Fighting Poverty in Africa: Are PRSPs Making a Difference?* London: Overseas Development Institute, 2003 (Dec).

- | clarification of the conditions under which poverty programmes and related reforms create new rights or entitlements that can be claimed by poor people;
- | better understanding of the way the exercise of discretion by front-line service providers can influence the effectiveness of government programmes for the poor.

Political society and political parties

The focus on political society, and political parties in particular, reflected a deliberate effort to break with the rather exclusive and simple-minded treatment of poverty-reduction politics in terms of a dyadic relationship between the state and civil society, to the neglect of intermediate organisations and networks of patronage. The excessive attention to civil society had already been identified as a problem in the WDR background papers. John Harriss, writing about India at the state level, had identified differences in parties and party systems as a critical variable. The tendency of the World Bank and bilateral donors to focus on consultation with civil society, and to mean by this NGOs, brought significant process costs during the first wave of PRSPs, as commented by most of the studies of this experience and the BWIs' own review.⁶ While now more recognised, the problem is still little researched, particularly when it comes to the infra-state level (India) and sub-national level elsewhere. Therefore, the findings of the present research help fill an important gap.

Budget reform and incentives

This output was the responsibility of the CAPE "How, When and Why" project and was completed with the publication of its synthesis report in May 2002. It was chiefly focused on Africa, drawing on five country case studies, of which Ghana and Uganda were two. The reporting on this component is separate and is therefore not reproduced here. However, our main findings are quite strongly reflected in the reporting of this complementary project.

Programme designs and the claims of the poor

This focus in the research was prompted by one specific and one more general feature of the discussion in the literature. Specifically, it was addressing the findings of Joshi and Moore and others on India, suggesting that certain types of programme design can stimulate poor people's organisation and their ability to make enforceable claims.⁷ A limitation of this rationale was that the development of a "rights culture" is at a completely different stage in African countries, compared with India. The research under this heading was therefore also cast in more general terms. It aimed to identify both relatively benign and relatively negative features of programme design from the point of view of the politics

⁶ IDA and IMF, "Review of the Poverty Reduction Strategy Paper (PRSP) Approach: Main Findings", Washington, DC: World Bank and IMF, Mar 2002.

⁷ Anuradha Joshi and Mick Moore, "Enabling Environments: Do Anti-Poverty Programmes Mobilise the Poor?", *Journal of Development Studies*, Vo. 37, No. 1, Oct 2000.

governing programme implementation at the grass roots. In fact, this turned out to be the main focus of attention even in the Indian studies.

Front-line workers: incentives, decisions and outcomes

A major theme of the world literature on the policy process has been, for a long time, the need to focus on implementation, as one of the processes in which policy (*de facto* policy) is made. Within that perspective, a famous proposition is that front-line state agents or “street-level bureaucrats” typically operate within organisational environments and under resource constraints that compel them to exercise a discretion that is not formally recognised. For example, they have to decide how to share an insufficient unit of benefit on a principle of equity or some other principle.⁸ The argument has been made that if we want to understand the reality of policy and learn how to reform it, we need to look closely at how this sort of discretion is exercised in practice, and why.

There is much evidence that the way front-line providers manage their situation is a critical variable in the quality of service delivery in developing countries. Interest in the topic is very much alive, as witness the recent WDR.⁹ Our research design did not permit as close an examination of the subject as we would have wished. However, the research leads to some striking conclusions regarding the way different types of programmes and models of decentralisation affect the parameters of service-provider discretion.

Methods

The research took the form of a multi-layered comparison. At each level, case studies were undertaken on the basis of literature surveys, field visits and interviews. The most ambitious axis of comparison was at the sub-continental level. The research was not primarily meant to pick up differences in the politics of poverty reduction between the sub-Saharan African and Indian cases. Most of these differences were expected and obvious. However, the contrasts between the Indian and African settings would ensure that any emerging policy principles could be formulated at a relatively high level of generality.

At the next level, the AP/MP and Ghana/Uganda pairs were each selected on the basis that they exhibited both important similarities and significant differences. For example, there are interesting differences in respect of the institutional locus of poverty-reduction and approaches to decentralisation of pro-poor services. Again, this permits the reasons for the differences to be further explored, and also permits a level of generalisation.

Within each of the states/countries, we examined overall features of the political environment for pro-poor policy action, and then focused in on particular reform measures or programmes in the agricultural and health sectors. The roles of

⁸ Michael Lipsky, *Street-Level Bureaucracy: Dilemmas of the Individual in Public Services*, New York: Russell Sage Foundation, 1980.

⁹ World Bank, *World Development Report 2004: Making Services Work for Poor People*, New York: World Bank/Oxford University Press, 2003.

central and local government, and the corresponding political issues, were explored.

In India, these issues were explored across selected locations with different characteristics. In Africa, they were investigated in two contrasting districts in each country. At least four different axes of comparison were therefore involved:

- | across sub-continental regions;
- | across states or countries;
- | across sectors;
- | across local areas.

Implications of the findings for policy and practice

For the purposes of this Research Report, we organise the findings under the three “output” headings of the research proposal. In each case, we provide bullet points on the implications for policy and practice, with a brief indication of the nature of the findings themselves and of the type of evidence and reasoning that was used in drawing the implications

Political society and political parties

- ❑ Movements of the poor are relatively rare. In typical environments, few NGOs are good at facilitating such processes.

Movements of or on behalf of the poor were not observed at all in the research, even in the Indian cases. This tends to confirm that the famous examples of such movements from parts of Latin America and Asia are exceptions that prove the rule. That is, the poor as such will be hard and risky to mobilise.

- ❑ The development of political parties and movements linked to parties is of critical significance to getting political backing for reforms that favour poverty reduction and the poor.¹⁰ The relative neglect of this topic by donors needs to be corrected.
- ❑ The context in which party competition occurs exercises a strong influence on the attractiveness to them of pro-poor policies. Therefore, remedial action should be focused on changing the context, not circumventing the party system (e.g. by focusing on civil society organisations instead).
- ❑ Among the principal obstacles, and potential areas for remedial action, are:
 - 1) ethnic voting traditions;
 - 2) clientelistic mechanisms for delivering the mass vote which dilute the link between voter choices and the content of party election platforms; and
 - 3) the tendency for pro-poor policy measures to take the form of large-scale programmes that provide big opportunities for the diversion of state

¹⁰ Issues include the institutionalisation of competitive party *systems* and parties as machineries of interest-aggregation and policy formulation.

resources to powerful groups within or outside the structure of the governing party (see next heading).

The Indian examples considered include contrasting cases within a well-established party system, whereas the two African countries exhibit important contrasts within the framework of poorly-established systems. Across the whole range of variation, however, party competition under a universal-franchise constitution offers reasonable prospects, on balance and on the appropriate time-scale, of pro-poor measures being adopted into the mainstream of policy..

Ethnic voting traditions (in India caste and tribal groups; in Africa, major language groups) are a powerful obstacle to the adoption of mass-appeal policies into party programmes in all four cases. In the African countries, it is an encouraging feature of recent developments in Ghana that this tendency appears to have weakened significantly, whereas in Uganda it continues to be the main barrier to the consolidation of a competitive party system governed by constitutional rules. A legal framework that does not permit the institutionalisation of parties, channelling political disagreements into a destructive factionalism, is a related negative factor in Uganda.

Clientelistic vote-bankers are very significant to the Congress in MP, interacting with other features of party structure and organisation (as the state branch of Congress) to make the party leadership's interest in mobilising grass-roots support on a programmatic basis less strong than is the Telugu Desam's interest in doing so in AP. In AP, it was necessary for the TDP to build grass-roots' party organisations and the party is less constrained by obligations to the centre, not having a Union-level organisation. This makes it more likely that pro-poor policies will be a source of electoral advantage.

The clientelistic tendencies in the politics of the two African countries are a good deal less mediated and complex. Especially in rural areas and in local elections, and more in Uganda than in Ghana, they are manifested in a fairly crude form of vote-buying. However, these practices are not strongly embedded, and relatively simple improvements in voting systems and their regulation would allow countervailing influences to work more strongly. The Ugandan cases illustrate this in a negative way, whereas the recent trends in Ghana illustrate the positive potential. The strong traditions of legal recourse and professional interest-group representation in Ghana are a factor working on the positive side, while modern mass media are helpful in both cases in encouraging the competition of programmatic ideas.

- ❑ Across all the cases, there is support for the observation that pro-poor reforms can be seriously intended by leading political actors, but that this intention will invariably be *mediated* by calculations of political advantage. Political advantage will normally come from allowing some measure of diversion of state resources to groups with power.

Differences between the cases mainly concern the degree to which non-core power groups are able to share in these advantages. In the Indian studies, a significant finding is that the beneficiaries are not restricted to members of the

governing party but also extend to opposition elite groups. This is not apparent in the African cases. Major benefits seem to be restricted to governing cliques, with only petty favours being distributed to supporters to sustain their allegiance. In other words, there is little to contradict van de Walle's thesis that African neo-patrimonialism is fundamentally elitist, not redistributive.¹¹

- ❑ As a rule, one should expect both a “system” that corrupts efforts to maintain the pro-poor thrust of policies, and room for variation and non-systemic behaviour. Reform policy should do what it can to make the exceptions more frequent but should concentrate on addressing the systemic properties in feasible ways.

In all the countries covered by the study, there are observed differences between local-government areas reflecting the ability of a key individual or pair of individuals to “make a difference”. An honest Collector, until he is transferred out, or a dedicated Chief Administrative Office allied with a politically astute District Chairman, can and do make local administration more effective or fairer in one place than in otherwise comparable locations. In some cases, the factors have more to do with physical or political geography, but the important distinction between system and variations within the system still applies.

Programme designs and the claims of the poor

- ❑ Complex programme designs are not likely to be helpful to poor people, and should be avoided as far as possible.
- ❑ Highly consultative programme design processes do not give a particular advantage to poorer stakeholder groups. Subversion of programme designs by more powerful stakeholders should be expected and planned for, but involving the poor or their representatives in the design process is not an effective guarantee.

Complex programme designs create multiple entry-points for non-poor actors, which will normally have the effect of pushing them off their formally-intended course. The large watershed development programmes examined in the two Indian states confirm this. The potential benefits to non-poor groups from subverting health-service improvement programmes were found to be less substantial. On the other hand, the political struggles around the implementation of the agricultural programmes were capable of producing accidental spin-offs that benefited poor producers. In health, by contrast, users face particular impediments to collective action, and the interest-groups representing senior professionals (especially doctors) can be a powerful barrier to reform.

The most interesting large programme considered in the African countries is the Plan for the Modernisation of Agriculture in Uganda. Active subversion of this programme by non-poor actors would be difficult to demonstrate. On the other hand, the complexity of the programme, and its big-bang approach to the key

¹¹ Nicolas van de Walle, *African Economies and the Politics of Permanent Crisis, 1979-1999*, Cambridge: University Press, 2001.

component of agricultural extension reform, have had consequences that will not be good for the poor. In theory, the NAADS component adopts a process approach. However, in practice it has characteristics of blue-print planning. The very substantial differences in social, economic and political terms between districts do not seem to be taken into account. More particularly, the absence of a viable private-sector alternative and the inter-penetration of state and NGO activities in many areas appears to be being overridden in implementing the programme's core activities.

- Preventing “capture” of programme benefits by local elites or the non-poor is unlikely to be achieved by by-passing the formal structures of local democracy. Building parallel programme institutions is unlikely to change the relation of political forces in a way that favours the poor and can easily have the opposite effect.

Across all the cases, actors have political incentives to build programme-implementation institutions in parallel with the constitutionally-mandated structures of local government. In both Indian states, the *Panchayati Raj* institutions that are constitutionally mandated are largely by-passed when it comes to implementing major programmes. In AP, parallel implementation institutions facilitate party control at the grass roots. In MP, they provide a means of buying off factional opponents and satisfying demands from Congress at the centre. In both cases, the ideological content of programmes is pro-poor, but this should not be taken at face value.

In the African cases, the political coalition behind pressures to build in parallel is likely to include bilateral donors or multilateral lending institutions. Impatience at the pace of change, the desire to deliver benefits directly to poor people and other laudable motives can interact with “disbursement pressure” to disfavour the long, hard slog of institutional change and legitimise short-cuts. The Ugandan experience with the Plan for the Modernisation of Agriculture shows that the tendency to by-pass government systems is not restricted to the project modality of aid. It can also happen when aid has a strong “mainstreaming” vocation and takes the form of general budget support.

Between the two African cases, there are significant differences in the pattern of democratic decentralisation. These differences affect the way in which the by-passing problem manifests itself. Uganda has a comparatively coherent and thoroughgoing decentralisation to district and sub-district (chiefly Sub-County) levels, affecting all sectors, but with relatively limited local planning discretion until recently. Ghana's decentralisation is notoriously incoherent and very uneven across sectors, to a probably increasing extent. In Uganda, the PMA design and implementation processes have tended to by-pass both the most relevant sector ministry (Agriculture) and the district tier of local government. In Ghana, the Village Infrastructure Programme of the World Bank seems to be an instance of a mainstreaming orientation going wrong by mistaking the ideal locus of decentralised decision-making for agriculture (Local Assemblies) for the real ones (the nominally decentralised offices of the Ministry of Agriculture).

Front-line workers: incentives, decisions and outcomes

- ❑ The rhetoric surrounding decentralisation programmes should not be taken at face value, and decentralisation should not be identified in a simple way with responsiveness to the poor.

Decentralisation of major service-delivery responsibilities is a feature of all the programme areas investigated, across all the locations. However, the degree of real decentralisation is not closely correlated with reputation for decentralisation. Thus, in India the Chief Minister of MP is a national champion of radical decentralisation. However, close analysis shows that real power in the local state is concentrated not in *Panchayati Raj* institutions, but at the level of the District Collector and Minister-in-Charge. On the other hand, the AP Chief Minister's resistance to decentralisation is belied by some of the practices of his grass-roots party organisation.

In the African cases, presidential appointees continue to exercise considerable power and authority at the most significant local-government level – the district – although in different ways and for different reasons. While Uganda's reputation of being ahead in terms of devolution is generally justified, Ghana's achievements with sector-wise decentralisation of funding and priority setting, as exemplified by Sub-District Health Teams, may prove more substantial in the medium term.

- ❑ The relation between formal policy and informal norms in decentralised systems is typically not synergistic.

In India, decentralisation has fuelled the development of a powerful “contract culture” in development activities at the local level, leading to decision making that is driven by clientelism and influence. Our case studies show how this applies in agriculture. In health services there is a “micro-politics” of distribution that works against those without economic resources or influence and determines the allocation of postings. In the African cases, there are no signs of a market in postings, but plenty of evidence that health personnel exercise discretion in a way that enhances their own incomes to the detriment of quality service to the poor.

- ❑ In view of these generalisations, national policy making needs to be informed by a sense of “the way things are” at the front line of service delivery. Decisions about the pace of decentralisation, or the abolition of user fees, for example, should be based on anticipation of the likely effects on the incentives facing front-line providers.

In Uganda, the Ministry of Health was aware of these issues, but was overruled twice by presidential decisions. The abolition of fees before alternative funding came on stream strengthened providers' incentives to engage in informal changing and illicit sales of drugs. The compromise solution represented by the creation of Health Sub-Districts produced resource mismatches with further serious consequences for quality of service. A more gradualist and carefully paced approach to the same objectives has been possible in Ghana, thanks to the relative insulation of health policy from high-level political interference.

- ❑ The first instinct of pro-poor policy makers managing a process of decentralisation is to introduce mechanisms of financial control that limit discretion and attempt to ensure that central-government priorities, including poverty reduction, are respected. This is understandable but wrong.

Uganda has been a clear case of substantial decentralisation of funding combined with strong controls, via conditional (earmarked) grants. The limitations of a system that makes local planning stereotypical, a reflection of national planning, have been recognised. Early evidence from the Participatory Poverty Assessment highlighted the more obvious irrationalities arising from the conditional grant system (funds earmarked to roads for islands on Lake Victoria). The present research highlights some more subtle issues.

In both Uganda and Ghana, the institutional dynamics are very different between distant areas with a big NGO presence (Kabale, Bongo) and more central areas with none (Mukono, Birim North). This raises the question of whether any single policy design could ever cover both without a significant misallocation of resources. Fortunately, in Uganda the current fiscal decentralisation measures are introducing a new level of local planning discretion with monitoring shifting from inputs to results.

- ❑ Arrangements for user involvement in monitoring service provision are often the weakest elements of programme design. The reasons seem to be some combination of their being profoundly counter-cultural, and the fact that no significant actors have any incentive to make them work. This may mean that it is more likely that users will make claims on service providers as citizens via general democratic processes and the mass media than via specialised user bodies.
- ❑ To the extent that the formation of beneficiary groups is essential to the delivery of the service, it will normally be preferable to facilitate the empowerment of natural groups, even if they are led by local elites.

While this may interfere with targeting, the first-best solution of functioning groups of the poor will often be completely non-feasible. Groups formed artificially in order to be a conduit for funding, and on a schedule determined by disbursement targets, will be last-worst. The main negative evidence for this proposition comes from Uganda's PMA. However, it seems likely that the rules governing the disbursement of the poverty-earmarked components of Ghana's District Assembly Common Fund have the same effect.

- ❑ All of the above suggests that both control-oriented and by-passing approaches to preventing local elite capture have major limits. It is therefore better to "wager on democracy" – that is encouraging formal constitutional bodies to assume their responsibilities fully – while taking action to improve the terms on which poor people engage in such contexts.

Suitable actions include well-targeted civic education, literacy programmes and affirmative action to secure representation of groups likely to be under-

represented. Unless a culture of rights is well-developed, providing information about administrative entitlements will be sufficient and most effective. Elected representatives should be one of the targets of information improvement. Attempting to by-pass this level, with the aim of preventing of manipulation of constituents by their leaders, is short-sighted and should be avoided.