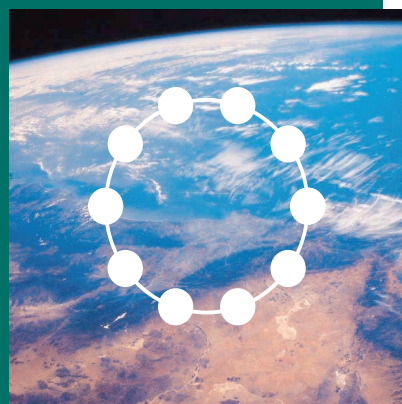


Country Level Analysis for Poverty Reduction



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1. Introduction and summary framework

Perspectives on Poverty¹ and its complement Goal, Perspectives and Central elements² cast focus on the need for a holistic, well-integrated approach based on poverty analysis.³ The need for such analysis is further elaborated in Sida at Work.⁴ The present paper aims to provide overall guidelines on how such analyses may be undertaken at the country level. It is complemented by a separate guideline for undertaking analysis at the contribution level.⁵ The paper should also be seen in the context of the Swedish Policy for Global Development.⁶

The paper aims to provide guidance to Sida staff faced with the task of undertaking or designing analyses at the country level with a focus on poverty reduction. It is hoped that it will also be of use in assessing existing analyses undertaken by others. The need for such analyses inevitably comes to the fore in the periodic preparation of Swedish strategies for development cooperation (*samarbetsstrategier*) at the country or regional level. It should therefore be seen as part of the tool kit of guidelines and manuals developed for this purpose.⁷ However, there are also other occasions when there is a need for undertaking or assessing this kind of analyses. For instance as part of the in-country analytical work preceding the development of a national strategy for development and poverty reduction (PRS). Hence, the paper is designed to stand on its own and the guidelines and

¹ See Inside Styrdokument/Polices/Sidas grundläggande principer och värderingar; or <http://www.sida.se/jsp/polopoly>

² *Goal, perspectives and central component elements: Complement to Perspectives on Poverty*. (Stockholm: Sida, Department for Policy and Methodology, March 2005)

³ *Perspectives on Poverty*, p. 26.

⁴ *Sida at Work*, pp. 30–32. Länk Inside Styrdokument/Polices/Sidas grundläggande principer och värderingar; <http://www.sida.se/jsp/polopoly>

⁵ *Sida at work*.

⁶ See Inside Startsidan/Styrdokument/Polices/ Sveriges Politik for Global Utveckling, or <http://www.sida.se/jsp/polopoly>.

⁷ *Riktlinjer för utarbetande av samarbetsstrategier för utvecklings- och transitionsländer / Guidelines for cooperation strategies* and including the two appendices *Bakgrund, bedömningsgrunder och process för utarbetande av samarbetsstrategier / Cooperation Strategies: Background, Assessment Criteria and the Strategy Development Process* and *Fördjupande av riktlinjerna avseende bedömning och hantering av budgetstöd för fattigdomsbekämpning / Clarification of Guidelines Concerning the Assessment and Management of Budget Support for Poverty Alleviation* provide the overall governing document for this process. This is complemented by a Sida manual providing further detail on the actual process (REF document). Other relevant documents are *Position Paper on Poverty Reduction Strategies*, and *Perspectives on Poverty* complemented by *Goal, Perspectives and Central elements: Complement to Perspectives on Poverty*.

advice is of a rather general nature rather than tailor-made for a specific situation. It does not go into detail on how to undertake sector or thematic specific analyses, but provides references for further reading on more specific guidelines where such are readily available.

The scope of country level analysis can vary widely from full-fledged comprehensive in-depth analysis in situations where development cooperation is impaired by a fundamental dearth of knowledge to mere assessments of existing analyses in countries where already existing knowledge and analyses are plentiful. Hence, the present paper should not be seen as a blueprint, but as tool. It suggests, rather than prescribes.

The introductory part of the paper provides a brief reminder of the characteristics of poverty, the role of development assistance in poverty reduction and the role of country level analysis in development cooperation. This is followed by a short discussion on *processes and roles*. *Section three* of the paper dwells on the anatomy of the analysis and elaborates on the three main sequential components of an analysis; understanding the nature of poverty (poverty mapping), analysing the causes of poverty and identifying remedies.

The multidimensional nature of poverty necessitates a broad analytical approach, while the complexity of poverty, not least with regard to its dynamics and causes, makes analytical depth imperative. The context specific nature of poverty implies that stereotype analysis does not suffice. Combined, these factors can make country level analysis a cumbersome or even daunting task. In most situations it is to be expected that Sida neither can nor should undertake all the required analytical work on its own. *Section Four* underscores that the main emphasis of Sida's analytical work should be to play the role of an active partner that both contributes to and draws upon the continuously ongoing analytical work and knowledge generation in our partner countries. Strengthening in-country capacity to undertake high-quality analysis becomes crucial. This section also contains a stylised road map for undertaking a country level analysis. As the scope and need for such analysis varies considerably, this 'road map' has the form of a suggestion rather than prescription. *The final section* of the paper shifts the focus from the general level to the more specific. It provides a brief review of how key thematic elements (broadly corresponding to the central elements [huvuddragen] outlined in Sweden's policy for global development) relate to poverty and poverty reduction.

The past decade has seen a shift from a somewhat simplistic view of poverty as an issue of income deficiency resulting in an inability to meet basic material needs towards an international consensus that poverty has many faces and complex and varying

causes of both material and non-material nature. This view is reflected in the millennium declaration and the millennium goals,⁸ and in DAC Poverty Guidelines,⁹ which Sweden is committed to adhere to, as well as in documents governing Swedish development cooperation such as Sweden's Policy for Global Development, *Shared Responsibility*, and Sida's *Perspectives on Poverty*. Sida concludes that 'lack of power and choice and lack of material resources form the essence of poverty' and that 'poverty deprives people of the freedom to decide over and shape their own lives'.¹⁰

Development is defined as 'a sustainable process of enhancing the freedom, well-being and dignity of all people within an equitable and secure society'.¹¹ At a general level development co-operation is about promoting such processes. It concerns all people, both rich and poor. The word equitable implies that development should encompass everybody and not just some and that the interests of the weak must be protected. It also refers to the Universal Declaration of Human Rights, which states that all human beings are born free and equal in dignity and rights. The three nouns 'freedom, well-being and dignity' point to the fact that development has both material and non-material aspects. Poverty reduction is an integral part of the development process. The overall goal of Swedish development cooperation implies that it should in particular focus on the roles and interests of poor people in the development process.

Poverty has some basic characteristics:

- It is complex and multidimensional. Yet, all aspects are not always equally important. Clusters of interacting factors and forces create and entrench poverty. The importance and interaction of these factors and forces vary over time and place and also among the poor themselves. Hence, the fact that poverty is multi-dimensional does not imply that all dimensions should be given equal weight or that the weighting should always be the same.
- It must be understood in a context, that is in its national or local setting. Its nature is conditioned by the socio-cultural, economic, political and environmental characteristics of the society where it prevails. Hence, there are no standard or universal blueprints for eradicating poverty, but poverty analysis has to be context specific.
- It has both absolute and relative aspects. Hunger and inability to meet basic needs can be seen as absolute aspects of poverty. Poverty is also relative. This means that poverty is seen as a lack of those goods – material and immaterial

⁸ <http://www.un.org/millenniumgoals>

⁹ <http://www.oecd.org/documents>, search for DAC Guidelines on Poverty Reduction

¹⁰ *Perspectives on Poverty*, p. 23.

¹¹ This definition is largely based on the UN Millennium Declaration, see www.un.org/millennium/declaration/ares552e.htm

– that are defined, in a specific society/setting as necessary for a ‘decent life’. Discrimination, exclusion and inequality are expressions of relative aspects.

- It is dynamic. Its causes and manifestations change over time, both at the national and at the individual level. Hence fighting poverty implies addressing a moving target.

Poverty in a context, context specific analysis

Poor women and men are part of the societies in which they live and their lives are to a large extent conditioned by the societies they are part of. Poverty is an integral feature of these societies, reflecting developmental and structural weaknesses. Hence, elimination of poverty must be seen in the context of the overall development of the societies in which it is found. A focus on poverty reduction as a main goal and feature of a development process implies promoting the right of poor people to play a full and equal role as beneficiaries and participants in the development of the societies they are part of and to have an equal say in the shaping of this development. This entails a need to address developmental *as well as* structural causes of poverty, where the former has to do with shortcomings in the overall level of development (economic, political, social, institutional etc.), while the latter pertains to inequalities and injustices that prevent the poor from becoming equal actors and partners in the development of the societies they are part of. This requires an understanding of the societies that the poor are part of, not least with regard to economic and social processes and structures and power structures, but also of poor people’s own perspectives and of their rights.

The dimension of time is also important. Poverty reduction must not only be forceful, but also sustainable. A focus on lifting the present generation out of poverty must not be allowed to undermine the prospects of future generations to live in a world free of poverty. Environmental sustainability is crucial, as are investments in the health and education of future generations. Hence, the time dimension must be kept in mind in the analysis to ensure that need for sustainability is reflected in the identified remedies and policy conclusions.

The role of development assistance in poverty reduction

The role of development assistance is clearly spelt out in Sweden’s Policy for Global Development. It is *to help create conditions that will enable the poor to improve their lives*.

In order to achieve this goal three inter-linked issues must be addressed:

- Understanding the nature and causes of poverty, the development processes and the corrective measures needed to eliminate poverty.

- Understanding how development cooperation best can contribute to the creation and sustaining of such processes.
- Drawing conclusions regarding the implications of the above for the form and content of the development cooperation.

The present guidelines addresses primarily the first of these issues, but touches also upon the second, and are summarised in *Sida at work*. The third issue is addressed directly in *Sida at work*.¹²

The role of country level analysis in development cooperation

The role of the country level analysis is to provide an adequate knowledge basis for deciding in what manner development cooperation best can contribute to poverty reduction in a specific situation and for determining the types and combinations of activities that offer the most efficient and effective means to this end. It is an essential input into the country cooperation strategies and for decisions on the orientation and nature of the development co-operation with the country in question and on the design of the portfolio of activities and contributions as well as for the dialogue with the partner country. It should also serve as an adequate framework and basis for more specific and geographically or sectorally focussed analyses at the sector or contribution level. In other words, the poverty analyses that precede decisions on individual contributions and programmes should be able to use the results and conclusions of the country level analysis as a basis and starting point.

¹² *Sida at work*.

2. Processes and roles

In most of our partner countries there is a diverse and comprehensive agenda of ongoing analytical work with a poverty and development focus. Much, but far from all, of this work is more or less directly linked to PRS processes. The actors involved are diverse, ranging from academia, think tanks and different parts of the civil society in the partner country, to government agencies, multilateral and bilateral development agencies. Sida should be an active partner in this work, primarily by supporting the domestic capability to undertake qualified poverty and development analyses on a broad front, but also by contributing with analyses of its own. This implies long-term support to strengthen the analytical competence and capacity in the countries themselves; within government, in academia, among NGOs and other relevant actors and institutions. This should be seen as an important aspect of supporting PRS processes in the partner countries by helping to strengthen national ownership of the development agenda and enhancing the quality, coherence and effectiveness of the national strategies, as well as broad-based national debate on development issues. Indeed, the main thrust of Sida's analytical work should in the long term consist of a strong support to the in-country poverty analyses and to the national PRS processes. Strengthening national systems for collection, processing and dissemination of statistics and data should be considered an essential aspect of such a support.

Our own analytical work should as far as possible be done in cooperation with partners in the partner country as well as with other donors and feed into the development debate and PRS processes in the partner country. Our role should be that of an active partner in the generation of poverty and development relevant knowledge and in the dissemination and discussion of such knowledge in our partner countries.

Thus, Sida's involvement in country level analysis for poverty reduction should be seen as a cooperative work, geared not least to feed into the national PRS processes and development debate.

Thus, analyses may be undertaken at different points in time to feed in to various national processes, e.g. PRS, or to coincide with joint analytical efforts with other partners. The identification of analytical needs and how these will be met should be an integral part of the country planning process. With such an approach, the country level analysis done as input into the cooperation strategy process becomes not an isolated exercise undertaken more or less afresh every three to five years, but rather a synthesis of analyses already pursued by Sida and others in the country in question. The need and scope for country level analysis should be assessed well in advance of the beginning of a cooperation strategy process, with a view to ensure that the bulk of the analytical and synthesising work can be completed prior to the country meeting during the strategy process.

A focus on supporting analytical capacity and work in our partner countries and on undertaking own analytical work in this context, does not exempt Sida from the obligation to ascertain that it has sufficient knowledge on the causes of poverty in its partner countries to pursue an effective development co-operation according to the goal and principles of Sweden's development cooperation. This obligation provides the benchmark for assessments of the need for own additional analysis as input into the cooperation strategy process and for determining minimum requirements in this regard. While the level of ambition with regard to the analysis will obviously vary, a reasonable basic requirement would be that the analysis should be of sufficient coverage and quality to ensure that:

- It covers economic, social and political aspects of development and that environmental and gender dimensions and aspects are adequately incorporated into the analyses. In countries vulnerable to conflict or HIV/AIDS these dimensions must be duly taken into account in the analysis.
- We have enough knowledge to ensure that the strategy, programmes and interventions will be broadly in tune with actual needs.
- Opportunities for catalytic interventions can be identified.
- No vital knowledge gaps remain unfilled so that the risk of inappropriate interventions or actions, that might cause more harm than good, is removed.

3. Analysing poverty: Expressions, causes and remedies

It is important to distinguish between symptoms and causes of poverty, as remedies have to address the causes in order to be effective. Descriptions that address the questions **WHO** and **HOW** typically only cast light on the expressions of poverty. In order to explore the causes, the question **WHY** must be analysed and answered.¹³

Mapping poverty: Understanding the nature of poverty

A poverty mapping is an essential first step in a poverty analysis. It provides information on who the poor are, where they are found and what their key characteristics are. It can also help identify clusters of factors that are interrelated and which together cast light on the multidimensional nature of poverty in a particular context (e.g. low income, low education, remoteness from urban centres, lack of access to water, high dependency ratio [i.e. large number of mouths to feed per breadwinner] etc.) Age, gender relations, ethnicity (e.g. ethnic minorities, migrants) and disabilities should be given specific attention in the identification of the poor and the mapping of poverty. Underlying norms and values as well as social structures should be given attention here, as these can have a strong bearing on the development context.

A wide variety of indicators exist to measure absolute and material aspects of poverty. The definition of poverty levels – which divides a population into the non-poor, the poor and (often) the extremely poor – is typically based on a combination of income and cost-of-living data. As such, it focuses on the material aspects of poverty. Living standard measurement surveys (LSMS) undertaken in an increasing number of developing countries provide a wealth of demographic, educational, health-related, economic and other individual and household based information. Unfortunately, they

¹³ A parallel can be drawn with the diagnosing an illness. If a patient has red spots all over the body and suffers from fever, it does not necessarily follow that removing the spots and bringing down the temperature will cure the illness.

do usually not lend themselves to a more detailed gender disaggregated analysis as most of the data is collected at the household level. Aggregate demographic, economic and social statistics are useful for putting this information in an overall national and developmental context. Studies undertaken in the partner country provide a main source of information. The poverty assessments undertaken by the World Bank and other donors often also provide a good entry point for poverty mapping.

However, while aggregate quantitative data are essential to obtain an overview, it often happens that they hide more than they reveal. Aggregate averages convey little meaningful information if the dispersion around the average is very large. As far as possible the spread (in statistical terms the variance) around the average should also be examined. For instance, figures on per capita income should be accompanied with information on the income distribution.¹⁴ Statistical breakdown on gender is, where possible, almost always advisable. Disaggregation of data along other criteria, such as urban/rural, regional, age, etc. is also often necessary. However, excessive or indiscriminate disaggregation will result in such large amounts of statistical information that analysis becomes very difficult. A useful rule of thumb is that whenever the spread (variance) around the average is large, it is essential to try to disaggregate the data.

Immaterial aspects of poverty are less easily measured in quantitative terms and information on these aspects tends to be less readily available. Yet, immaterial aspects, such as lack of legal protection, vulnerability to arbitrary use of power or force, denial of rights etc., are important dimensions of poverty. The most reliable sources of information on these aspects of poverty are the poor women and men themselves. Hence, assessments made by the poor themselves through participatory processes are a key instrument for identifying and mapping in particular the immaterial, but also the material, aspects of poverty.¹⁵

A poverty mapping is useful not only in its own right, but also because it can give important indications on the causes of poverty, and thus suggest entry points for analysis of the causes of poverty. Comparisons of the 'poverty picture' at different point of time can highlight changes and trends in poverty. Complementing the static picture with information on developments over time will often go a long way towards bringing causes into light.

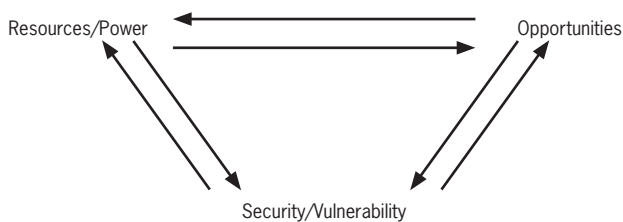
¹⁴ If you have two buckets of water, where the temperature is 0 and 80 degrees respectively, it matters little that the average is a pleasant 40 degrees should you put your feet into the water. Similarly, in a country with extreme income inequalities, figures on average income carry little meaning.

¹⁵ Participatory Poverty Assessments (PPA) are often done as inputs into PRS and, where available, often provide valuable information. For more information on and examples of PPA see <http://www.worldbank.org>. The UN system of Treaty Bodies related to the core human rights conventions is another source of information in this regard. Member states own reporting on their fulfilment of different conventions on human rights, the Treaty Bodies Concluding Observations and the so called 'shadow reports' from different NGOs can give valuable input.

Determining the causes of poverty

The view from below

An analysis of the causes of poverty is made difficult by the fact that the causes are almost always both complex and context-specific. Often, the interaction of different factors combined creates vicious circles pushing people (and societies) into poverty and preventing them from escaping poverty. Thus, the identification of remedies has to focus on breaking these vicious circles and on triggering positive development processes. The central elements (*huvuddragen*) along with other crucial dimensions such as HIV/AIDS provide entry points for identifying these factors, while the rights perspective and the perspectives of the poor are helpful for determining how it should be done.



The resources – opportunity – security nexus provides a useful methodological tool for analysing the causes of poverty. These three dimensions interact and this interplay often creates vicious/positive processes and circles that create/provide escape from poverty. However, the nature of the linkages of these three dimensions differs across time, between individuals and also between countries.

For instance, secure access to markets and predictable prices may make it possible for a poor farmer to invest in fertilisers and improved seeds (which implies both increased risk and increased possibility), which results in a larger harvest, which increases his/her resources, which in its turn reduces vulnerability (by providing a cushion against shocks and setbacks) and increases the possibility to use the improved resource base to exploit other possibilities to increase income.

Conversely, a poorly functioning legal system and lack of property rights may imply that a farmer does not dare

invest in his land for fear that he/she may be robbed of his land. An entrepreneur does not dare to expand his/her business for fear that corrupt government officials will target him/her. More so if the farmer is a woman as women in many countries do not have the same possibilities as men to own, access and control land. Here, vulnerability and lack of security implies that the poor cannot use the few productive resources they have effectively. Or, gender discrimination may confine women to low income work far below their potential. Thus, they are deprived of opportunity to use their resources fully, which also increases their vulnerability.

The Sustainable Livelihood Approach provides a comprehensive methodology for 'bottom – up' analysis, taking the situation and perspectives of the poor themselves as the point of departure. It is most commonly used for local level analysis, although the analysis itself is often broadened to identify causes of poverty at the macro level.¹⁶

The view from above – The development context

Poor people are part of the societies in which they live. Eliminating poverty requires addressing general development issues as well as specific structural ones. Without growth there can be no pro-poor growth, without a functioning legal system poor people cannot benefit from legal protection etc. Poor women and men cannot by themselves achieve the general social and economic development needed to create a society free from poverty. However, they can and must be allowed to fully and on an equal footing contribute to and benefit from such a development. Hence, an analysis focussing specifically on the situation of the poor needs to be complemented by a broader analysis of development challenges and possibilities at the country level. Such an analysis not only provides the necessary context, but also facilitates an important distinction between *developmental* and *structural* causes of poverty.

Developmental causes result from an overall low level of development; be it economic, social, institutional, cultural etc. *Structural* causes have to do with inequality and unequal access to the fruits of development. Structural causes concern unequal access to employment and productive resources, to public goods and services such as education, health care or the protection of the law, and unequal voice and influence. This inequality may take both quantitative and qualitative forms. For instance, it could be that poor people not only have less access to health care, but that the

¹⁶ For more information on the sustainable livelihood approach, see <http://www.odi.org/rpeg/srls.html> and http://www.livelihoods.org/info/info_guidancesheet.html.

health care they have access to is also of lower quality. Structural causes often entail elements of exclusion, discrimination and denial of rights. Poverty is almost always due to both developmental and structural causes, although their relative importance will differ. Developmental causes of poverty call for general indirect interventions aimed at raising the level of development. Structural causes highlight the need for dialogue, as their remedy requires changes in policies, institutions and at times attitudes. They may also call for interventions focussing specifically on the poor and disadvantaged with a view to removing injustices and reducing inequality, although development cooperation cannot serve as a substitute for domestic action in our partner countries in this regard. The combination of dialogue and of these two broad types of interventions will obviously vary depending on the context. The two perspectives – the perspectives of the poor and the rights perspective – should be applied as guiding principles in determining the importance and weight attached to the two categories.¹⁷ As a general rule, it may be concluded that in most instances both developmental and structural causes of poverty need to be addressed, sometimes addressing structural causes is a prerequisite for addressing developmental ones, but rarely, if ever, is addressing developmental causes alone adequate.

The eight central elements provide a useful basis for macro level analysis of developmental and structural causes of poverty. In order to arrive at an overall comprehensive picture it may be useful to make an assessment of the situation, with regard to each of the central elements and other key dimensions, along two axes; (i) level or availability and (ii) access or distribution. For instance: Overall per capita income (or GDP) *and* distribution of income and assets, development of the legal system *and* poor people's access to legal services and protection; level of development of the educational/health system *and* inequalities in access to these systems, availability of fresh water *and* rural versus urban access to water etc. Such a charting may provide a first rough and ready assessment of the relative importance of developmental and structural causes of poverty in various dimensions.

Analysing chains of causes

Initially identified causes of poverty are usually in their turn the result of other underlying causes and, at times interacting, factors. In order to identify and narrow down on root causes of poverty and to provide an adequate basis for poverty analyses and assessments at the contribution level, it is therefore necessary to analyse and deconstruct chains of causes of poverty.

¹⁷ Examining a society with regard to the four notions non-discrimination, transparency, accountability and participation can be a practical way of applying the two perspectives generally.

For instance, in Povertystan lack of employment opportunities is identified as a main cause of income poverty and social exclusion. Sluggish development of small and medium enterprises is identified as a key reason for the shortage of employment opportunities. This in its turn is identified to be due to (i) high cost of credit and (ii) excessive bureaucratic red tape related to the establishment and running of firms together with corruption. A closer analysis of the reasons behind the high cost of credit reveals that the problem is not shortage of capital or a poorly developed banking sector, but high risks associated with lending due to an inability to enforce repayment of loans through the legal system. Hence, remedial actions should focus on strengthening the legal system, addressing the problem of corruption and on simplifying bureaucratic rules.

Exploring causal chains requires a broad multi-dimensional approach. As the example above illustrates, causal chains often transcend sectoral or disciplinary lines. Constructing a tree of causal chains has a parallel in the identification of a hierarchy of goals and outcomes in LFA exercises (viz. development goal, intermediate goal, and outcome). For instance, if, in the case above, poverty reduction is the development goal, employment creation and a more buoyant SME (small- and medium enterprise) sector would be intermediate goals, and an improved legal sector an outcome that would be expected to lead to the overriding goals as well as be valuable in its own right.

Marrying micro and macro.

While analyses at the micro and the macro level tend to be undertaken independently, they are two sides of the same coin and highly complementary. Investigations at the micro level will cast light on and answer issues and questions identified at the macro level and, vice versa, macro level analysis will put manifestations and causes of poverty identified at the micro level in a context and offer a better understanding of the nature of the causes and of the remedies required. Hence, in the final analysis the results and conclusions from both the macro and the micro level need to be brought together.

Dynamics of poverty

Poverty is dynamic. Large numbers of people fall into poverty at the same time as others escape from poverty. The net changes recorded in most aggregated analysis are therefore only the tip of the iceberg of large gross movements. These changes tend to be particularly powerful at times of crisis or large societal change, but the movements in and out of poverty are often large even at

times of apparent stability at the macro level. Poverty reduction therefore implies a need to work on both fronts: to prevent people from falling into poverty as well as to enable people to escape from poverty. This requires a focus on gross rather than on net flows and an understanding of the dynamics of poverty.

The *determinants of poverty dynamics* can be divided into four broad categories: (i) *life cycle factors*, (ii) *common (or covariate) factors*, (iii) *individual (or idiosyncratic) factors* and (iv) *group specific factors*

Life cycle factors. Exposure to poverty varies over the life cycle. Households with few breadwinners but many mouths to feed, that are typically young couples with many children, tend to have a low per capita income and consumption. As the children grow up and become economically active themselves, the per capita income in the household will increase. Children and elderly depend on the income of others for their consumption and are therefore particularly vulnerable to material poverty. Life cycle determined changes in income/consumption, and thus exposure to poverty, are found everywhere. Social security systems and mechanisms for inter-generational transfers (e.g. child allowances, pension schemes) can reduce the magnitude of these changes, as well as increase the security of children and elderly. However, such efforts are seldom enough to address core problems of poverty. It is therefore useful to separate the life cycle determined causes of poverty from other causes. Life cycle factors deserve particular attention in countries with a high prevalence rate of HIV/AIDS, as AIDS distorts the age structure of the population, affects the economically active age groups disproportionately and results in large numbers of orphans and increased vulnerability for children and elderly.

Common (covariate) causes of poverty dynamics are factors that have an impact on entire countries, societies or regions.¹⁸ External economic shocks, natural disasters and violent conflict are among the factors that can have a severe and often rapid negative impact on the development and welfare of entire countries or regions, resulting in increased levels of poverty as well as in increased inequality. Economic and social stagnation resulting from poor policies, poor governance, lack of rule of law etc. are examples of covariate causes with a more gradual impact on poverty. Conversely, favourable economic and social development, good governance, well-designed policies, peace and stability, favourable weather, improved terms-of-trade etc. are all factors that can contribute to a general poverty reduction and to an external environment that poor people in general will benefit from. Interventions aimed at addressing common causes of poverty are primarily of a general nature, such as

¹⁸ There is a parallel with development causes discussed above, although here the focus is on dynamics and processes of change rather than on the level of development as such.

strengthening the rule of law and key institutions and promoting good governance and sound policies. However, such general interventions usually have to be complemented by interventions aimed at reducing inequalities and structural deficiencies. That is interventions that are more sharply focussed on the poor. Development cooperation has a particularly important role to play in the mitigation of the consequences of external shocks, as the national capacities are often inadequate to effectively deal with major external shocks.

Individual (idiosyncratic) causes of poverty and poverty dynamics are factors that affect individual persons or households, more or less irrespective of developments at the national level. For instance, a temporary illness can result in loss of income and unexpected medical expenditures, resulting in indebtedness or forced sale of land or assets, which in its turn more or less permanently pushes a person or a household into material poverty. Conversely, a windfall gain, such as a good harvest, or just absence of shocks such as ill-health or unemployment, may create the space needed for a poor person to escape from poverty.

At a general level individual causes of poverty are addressed by; (i) reducing vulnerability by diminishing exposure to shocks and strengthening mechanisms to cope with shocks, (ii) increasing the predictability in the external environment (for instance through strengthened rule of law, respect for basic human rights and increased predictability of government policies) and (iii) efforts to expand the scope for individual women and men to decide over and shape their own lives more generally. The perspectives of the poor and the rights perspective can both provide valuable guidance in identifying idiosyncratic causes of poverty and in deciding on the remedies needed.

Group specific causes of poverty dynamics can be seen as an intermediate category between common and individual causes. These are causes that affect an entire group of people who share a common characteristic, for example gender, caste, location, ethnicity, occupation. The building of a road to a remote region or the electrification of a village can have a major impact on the people living in the affected locations. Policy changes have different impact on different groups of people. For instance, liberalisation of food imports may under certain circumstances hurt poor farmers while benefiting the urban poor. The introduction of free primary education will have a positive impact on poor families with children, but little immediate impact on the elderly poor. Policy changes may also amount to overt discrimination. The ascent of the Talibans to power in Afghanistan clearly had a detrimental impact on the situation of women. There are often clear parallels between group specific causes of poverty and changes in poverty and the structural causes of poverty at the macro level discussed

above. Addressing such causes have more to do with policy and policy choices and allocation of resources, than just mobilising additional resources for development. For Sida this implies a focus on dialogue, assessment of government strategies and policies and targeted interventions as a complement to general support.

Another dimension of poverty dynamics refers to the *nature of poverty*. It is useful to distinguish *between temporary/transient poverty, chronic poverty and intergenerational poverty*.

Temporary/transient poverty results from sudden and often unexpected fall into poverty. For instance, a skilled worker becomes unemployed, a farmer with a reasonable amount of land suffers a crop failure or a widow loses her land to relatives. It can also result from changes in the overall external environment, such as violent conflict or a natural disaster, or from human rights abuses. Hence, the causes can be covariate or idiosyncratic, natural or caused by humans and internal or external to the country. However, a common feature is that those affected become poor not because they lack resources, but because they are deprived of or otherwise lack the opportunity to use their resources productively (e.g. unemployment) or the resources employed do no longer yield adequate returns (e.g. a crop failure). It follows that the remedies needed will depend on the causes behind the fall into poverty. However, seen from the prism of the resources – opportunity – security nexus, the entry point will be on enhancing and/or recreating opportunities (curative) and on strengthening security and reducing vulnerability (preventive). Provided that opportunities can be (re)created, the chances of escaping from temporary poverty are often good and the cost of the measures and assistance needed to escape from poverty may often be small. However, time is of essence to prevent temporary poverty from translating into chronic poverty.

Chronic poverty can be defined as a state where not only opportunities, but also resources are lacking. Cases in point are landless or near-landless farmers, fishermen facing collapsed fish stocks, low education and/or poor health. At this stage escape from poverty is much more difficult, as it not only requires creating of opportunities and reducing vulnerability, but also building up the resource base of poor women and men. The actions required are typically both of a general and of a structural nature, such as for example developing an adequate educational and health systems, but also ensuring equal access to these systems and at times redistribution of finite resources such as land.

Chronic poverty risks translating into *intergenerational poverty*, when poverty of one generation acts as a predeterminant of poverty for the next generation. For instance, being born into a poor family may deprive children of access to education and health care. Bonded labour linked to debts which are inherited down the generations provides another classical case of

intergenerational poverty. This underscores the paramount importance of safeguarding the rights of children and as far as possible ensuring equal opportunities for children irrespective of background or sex and access to basic public services such as education and health care.

Identifying remedies

The road from the poverty analysis to decisions on Swedish development cooperation has, as mentioned above, three stages.

- Identifying in broad terms the remedies needed to foster sustainable poverty reduction and overall development. The conclusions from the analyses together with the partner country's own strategies (PRS) and priorities provide the basis for this work, which should take place through dialogue and in close consultation with the partner country.
- Determining through a dialogue with the partner country how development cooperation best can contribute to these processes.¹⁹
- Determining how Swedish development cooperation should best feed into the country's own efforts to eliminate poverty and achieve overall societal development in a sustainable manner, and drawing conclusions regarding the appropriate form and nature of the Swedish development cooperation. This stage, too, requires close dialogue with the partner country as well as with other donors and actors in the civil society.²⁰

The identification of remedies is the logical last step in the poverty analysis. Just as the causes of poverty tend to be found in the interplay between various factors that combine to create vicious circles, an identification of remedies should focus on breaking these vicious circles and on triggering positive development processes. The engine in such processes are the efforts of the poor, as well as the not-so-poor, themselves, underpinned by increased empowerment and access to resources, greater opportunities and enhanced security. The identification of remedies should be guided by the goal for Sweden's development cooperation as well as by the two basic perspectives. It must also integrate the need to ensure equality between women and men and to ensure environmental sustainability. The eight central elements together with other key aspects, such as HIV/AIDS, provide a useful basis for structuring the remedies.

There is seldom one best practice. There are typically alternative courses of actions, each with its own pros and cons, risks and strengthens and involving trade-offs between short term and

¹⁹ For a more extensive discussion, see guidelines for assessing PRS, see *Sida's Position Paper on Poverty Reduction Strategies*.

²⁰ See *Sida at Work*.

long term perspectives and between different groups of people. Hence, it is a question of political decisions. The role of the poverty analysis is to put the options on the table.

In general terms, it may be concluded that developmental causes of poverty, i.e. those related to an overall low level of development, necessitate indirect and general support, while structural causes call for direct interventions with sharper and at times more narrow focus on the poor.

Together with the results of the poverty analysis, the country's own strategy for development and poverty reduction (PRS) provides a main starting point in the identification of remedies. Sida's assessment of the PRS, which takes both the process and democratic credentials, the content and the realism of the strategy into account, determines the extent to which our own development cooperation with the country can be aligned to and based on this strategy. While detailed guidelines for assessing PRS:s are outlined elsewhere,²¹ a few tentative remarks on common characteristics of PRS deserve to be mentioned.

- PRS:s often focus primarily on developmental causes of poverty, rather than on structural causes. This underscores the importance of exploring both types of causes in our own analysis as well as of highlighting structural causes in our dialogue with the partner country.
- The poverty analyses on which the strategies are based are at times excessively descriptive, with a focus on symptoms rather than causes. Put differently, they are sometimes the result of a mapping than an analytical exercise.
- The strategies tend to focus on areas over which the government exercises considerable control and for which it is responsible for financing, that is broadly speaking those within the realm of the public sector. This is in a way logical, as there is a direct link between the PRS, medium term expenditure frameworks and the annual government budgets, and as one of the purposes of the PRS is to mobilise financial support from the donor community. However, this implies that issues and areas over which the government exercises little or no control tend to be given less prominence in the PRS. Employment and income generation, private sector development and issues related to civil society are among these issues.
- The PRS:s are often sectorally structured, that is its structure follows the division of the Government apparatus into ministries and departments. While this may be expedient when it comes to translating the PRS into dollars and cents in the government budget and from the perspective of implementation, it does tend to lead to a loss of focus and a weakened

²¹ See *Sida's Position Paper on Poverty Reduction Strategies*

ability to identify key issues and processes. Issues that cut across sectors, e.g. environmental and gender issues, also tend to be given too little prominence in the process.

- Many PRS:s suffer from a lack of prioritisation and as a result become overly ambitious yet lacking in focus. Often, the real prioritisation takes place when the PRS is translated into figures in the medium term expenditure frameworks.

4. The poverty analysis: A stylised road map

Most of our partner countries have developed national strategies for development and poverty reduction (PRS). As part of these processes poverty analyses have been and are being undertaken by the government and other stakeholders in the partner countries and by various donor and non-governmental organisations. Sweden's development cooperation should as far as possible be aligned with and feed into the implementation of the partner countries' own strategies (PRS) and reflect the partner countries' own priorities. Sida's own poverty analyses should therefore take the PRS and the analyses made by the country itself, often as part of the PRS process, as the starting point and basis. In addition, the poverty analysis made by Sida should as far as possible draw on analyses made by other donor and non-governmental organisations.

A compilation, review and assessment of available analyses together with the PRS, is always the first step. The extent to which this will suffice to meet Sida's need for analysis will obviously vary. In some instances a synthesizing of the available analyses and studies, then drawing out conclusions from these may be enough, while in other cases considerable own analysis may be required.

The undertaking of a multidimensional, yet focused, country level analysis for poverty reduction requires three broad types of analyses: economic, political and social. The economic analysis needs to integrate employment and labour market analysis with macro-economic analysis and analysis of the business environment (private sector development analysis). An analysis of power relations should be seen as an important part of the political analysis, but is also closely linked to both social and economic analyses. Social analysis pertains to social structures, processes and development within societies as well as to the provision of collective and individual welfare by public and other institutions. Environmental and gender dimensions need to be incorporated and given due importance in all these types

of analyses. Furthermore, in all situations where vulnerability to conflict or HIV/AIDS have a bearing on development and poverty reduction, these aspects should be fully taken into account in the analyses. Hence, different types of expertise are needed.

The economic, political and social analyses may be undertaken in parallel or sequentially depending on the circumstances, but must be undertaken in a manner that ensures that they feed into each other. The composition of expertise needed as well as the scope and size of the analyses may vary considerably depending on the situation, but should include country-specific expertise, for instance through the involvement of one or several NPO:s.

The embassy/field office and the regional department at Sida HQ have the main responsibility for identifying the scope and focus of the analyses and the mix of expertise needed, in consultation with the sector departments, POM and the 'owners' of the central elements within Sida. This decision should be guided by (i) the nature of the development problems, (ii) the prior existence, or lack thereof, of good analysis and studies within the country, and (iii) on our own knowledge of the country and Sida's scope and role as development partner to the country. The sharper the focus of the analyses, the less cumbersome and complex the analytical process. A crucial, yet difficult, task is therefore to arrive at a relevant, yet sharp, focus at an early stage of the analytical process.

The process from start to end of a full-fledged analysis can usefully be divided into a few main phases.

1. A poverty mapping. As discussed above, this exercise should generate essential information on who the poor are, where they are found and what their key characteristics are. It should also help identify clusters of factors that are interrelated and which together cast light on the multidimensional nature of poverty in the particular context. Social characteristics such as age, gender, ethnicity (e.g. ethnic minorities, migrants) and disabilities should be given special attention in the identification of the poor and mapping of poverty. In addition a first multi-dimensional review of the development pattern and structure of the country – the context – should be made. This might be done by assessing various aspects of development and the situation with regard to the key central components along the axes; (i) level or availability and (ii) access or distribution. The mapping exercise seldom has to be made from scratch. Good descriptions of poverty exist in most countries, often under the guise of analyses. Often, it may suffice to compile and synthesise already existing poverty mappings.
2. Based on the poverty mapping and the assessment of the development context it is useful to develop hypotheses on

binding constraints, on various inter-linkages between factors and chains of events that combine to cause poverty and prevent people from escaping poverty, and the extent to which these are of a structural or developmental nature. Good country specific knowledge will greatly facilitate this task. However, to avoid disciplinary biases it is preferable that expertise from different disciplines participate at this stage of the analytical process.

3. Based on the above, the *a priori* focus of the analysis should be narrowed down and sharpened. Good judgement and country-specific knowledge is required to balance the need for a sharp focus on the one hand with the paramount importance of relevance on the other hand. The two basic perspectives can be applied as useful guiding tools at this point. A high degree of flexibility is also required to make it possible to modify the focus in the course of the analysis in cases where early findings point to such a need.
4. The next main stage of the analysis involves more thorough poverty-focused economic, political and social analyses. Often, this can be done by drawing on existing analysis, but in some instances additional in-depth analysis may be required. The combination, relative importance and focus of these analyses should be determined by the results of the previously undertaken poverty mapping and hypotheses generation exercises. Although the analyses will be delimited along disciplinary and thematic lines, they should endeavour to make very explicit links and entry points to other areas. The hypotheses developed in stage 3 should serve as entry points and guides for the analyses. However, a flexibility and preparedness should be maintained to depart from one or several hypotheses in cases where it is found that they are not born out by reality.
5. The final and key stage of the analytical process involves integrating, indeed to interweave, the findings of the economic, political and social analyses into a multidimensional synthesis and the drawing of policy conclusions. This stage requires the combined efforts of all members of the analytical team. At this stage, it may also be discovered that it is necessary to go back to stage four in order to modify or complement the thematic analyses.

The above step-by-step process can usefully be followed irrespective of whether the availability of existing analyses and information makes it possible for our own work to be confined to an analytical synthesis based on existing information or a full-fledged own analysis needs to be carried out. Stage one, two and five will in either case be more or less identical, while the amount

and type of work needed for stage three and four may vary considerably. It is important that phase one to three are undertaken early in situations with large knowledge gaps to allow time for more in-depth analysis under phase four, which typically will be undertaken by expertise outside Sida. In any case, it may often be convenient to engage researchers or consultants, preferably in the partner country, to assist with the analysis.

Making analysis manageable

The multidimensional nature of poverty calls for considerable analytical breadth, while quality demands necessitate analytical depth. Combined, this implies a risk that country level analyses become cumbersome and difficult undertakings. The keys to making the task manageable are:

- Flexibility and selectivity. In situations where analyses of high quality are already available and our knowledge of the country and its developmental and poverty problems are good, the need for additional analysis is likely to be small. In other situations, there may be fundamental knowledge gaps and need for a substantial analytical effort. The scope of the analysis should be adjusted to the actual need in each situation.
- Narrow down. The analysis can be visualised as a funnel. A broad approach is narrowed as early as possible in the process as key issues and problems are identified. Subsequent in-depth analysis may then focus on these aspects and need not be undertaken ‘across the board’.
- Cooperation with others. We do not need to undertake all analytical work ourselves, but can build on the work of others and also share analytical work with other partners. While we need in-house competence to undertake comprehensive analyses at the country level, we do not need the capacity to do it everywhere.
- Sustained efforts to support capacity-building to undertake analyses in our partner countries will gradually reduce the need for ‘own’ analysis.

5. Key thematic elements and their role for poverty reduction

The central elements should not be regarded as sub-goals, but as necessary building blocks in the development of a society free from poverty. They represent important aspects of societal development and have a strong bearing on different aspects of poverty. However, the fact that all the central elements are necessary and important does not imply that they should be given the same importance in all situations. The necessity of adapting development cooperation to the situation in question implies a need for thematic prioritisation. A main purpose of the country level analysis for poverty reduction is therefore to identify which thematic elements are of particular importance to poverty reduction in a given situation, in what manner they are important and why, as a basis for strategic choices in the country cooperation strategies.

The central elements are objects of study in a poverty analysis, rather than analytical tools. In some instances, notably with regard to environmental sustainability and gender equality, specific analytical tool kits have been developed, but for most part economic, political and social analyses provide the main tools for understanding the nature and dynamics of the central elements in a particular country, how they interact with each other and the bearing they have on poverty reduction and overall development. For instance, there are no specific tools for analysing economic growth, but economic theory and methods provide the main instruments to this end and the exact types of tools needed will very much depend on the circumstances. Furthermore, it may well be the case that root causes behind economic stagnation are found to be not only economic, but also political or social in nature and thus requiring a combination of economic, political and social analysis to be properly understood or addressed. The same goes for most of the other central elements as well, such as for instance social security, good governance, HIV/AIDS etc. Even in cases where specific tool kits exist – viz. sustainable use of natural resources and protection of the

environment, gender equality or conflict management – these tool kits seldom suffice on their own, but have to be combined with theory and methods from the economic, political and social fields as well.

Analyses of the different central elements, undertaken as part of an overall multi-dimensional analysis of poverty, should not be undertaken in isolation, but should as far as possible be integrated in each other or at least be closely connected. This is so because development and progress towards a society free of poverty depends very much the result of interplay between the various central components. For instance, inequality is often a major cause of poverty as well as an obstacle to poverty reduction and, indeed, to economic growth and social development. Inequality, in its turn, has many dimensions and can be a key factor in many of the central elements and may require both economic, political and social analysis as well the application of a forceful gender perspective in all of the analyses to be properly understood.

It is against this backdrop that the last part of the present guidelines should be read. It focuses on how the different central elements and other core aspects, such as HIV/AIDS are related to poverty reduction, should be understood.

Respect for human rights, democracy and good governance

Freedom of thought and speech at the local as well as at the national level is essential for poor men and women to be able to decide over and shape their own lives and have influence on public matters of importance to themselves. It is also a prerequisite for full and equal participation of all in societal development and for redressing unequal relations of power. This also requires access to information, free and independent media, the freedom of assembly and organisation and the human right and capacity to organise and undertake collective actions. The multi-dimensional concept of poverty highlights lack of power, security and opportunities/resources as fundamental causes of poverty. Thorough analyses and understanding of agents for or against pro-poor change, political will and capacity, responsibility, resources and power structures are thus essential to a multi-dimensional analysis for poverty reduction. The truth that politics involve competing interests, power struggles and conflicting values tends to be played down until it asserts itself, unwanted, at some later stage in the strategy or programming process. When analysing power dimensions of poverty it is thus vital to assess whether the political system is primarily characterised by political power with foundations in strong leadership rather than in stable political institutions, if political power is generated and transferred through informal agreements rather

than through elections, and if diversity among organisations in the civil society is only permitted as long as they do not demand political pluralism. Being attentive about such semi-authoritarian symptoms of the nature of power may counterbalance mechanistic assumptions about how democratisation takes place, and the tendency to draw attention to actors rather than structures and underlying conditions in a society.

The two central elements respect for human rights, democracy and good governance aim to strengthen the power and influence of poor men and women in society through democratic processes characterised by participation, non-discrimination, openness and accountability. The will and capacity of the authorities to guarantee human freedoms and rights to all, e.g. through legislation, guidelines and programmes for social change, is essential in this context.

A focus on respect for human rights, democracy and good governance is needed in order to make the poorest of the poor visible and to promote their right to a life in equality and dignity. This means that every person and all peoples are entitled to active, free and meaningful participation in, contribution to, and enjoyment of civil, economic, social, cultural and political development in which human rights and fundamental freedoms can be realized. All individuals are equal as human beings and by virtue of the inherent dignity of each human person. All human beings are entitled to their human rights without discrimination of any kind, such as race, colour, sex, ethnicity, age, language, religion, political or other opinion, national or social origin, disability, property, birth or other status as explained by the human rights treaty bodies.

Programming based on respect for human rights, democracy and good governance entails a close look at the relationship between individuals and groups with valid claims (rights-holders) and state actors with correlative obligations (duty-bearers). Such a focus works towards strengthening the capacities of rights-holders to make their claims, and of duty-bearers to meet their obligations. Programmes should thus strive to monitor and evaluate both outcomes and processes guided by human rights standards and principles. Programming should also be informed by the recommendations of international human rights bodies and mechanisms²². The central elements also emphasise the need to look for the immediate, underlying, and structural causes of the non-realisation of human rights and lack of substantial democracy.

The two central elements (i) respect for human rights and (ii) democracy and good governance are closely interlinked.

²² See country related reporting (country reports) and comments (general conclusions) by the treaty monitoring bodies at www.unhcr.org.

Democracy and good governance, including rule of law, responsibility and accountability, transparency, predictability, efficiency, fight against corruption, and the development of a democratic political culture characterised by pluralism and tolerance, is essential for the realisation of human rights. Democracy comes to a standstill if the results of political decisions are never seen. Support to reform public administration and make it efficient and at the service of citizens is therefore an important feature. Protection, promotion and fulfilment of human rights and freedoms are as essential in the realisation of substantial democracy and good governance. It is important to address questions such as who defines and prioritises what needs and human rights should be catered to at the local, province and national level and how such decisions are made. It is also of utmost importance to analyse to what extent the voices of poor men and women are heard, their interests represented, and how much influence they get. The chain of voice, representation and influence tend to be cut by either discrimination (prejudice/lack of availability, access, acceptability or quality) or elite capture/corruption or both.

Poverty reduction through the lenses of (i) respect for human rights and (ii) democracy and good governance entail that poor men, women, boys and girls' human rights and freedoms are fulfilled through *inter alia* services which are *available* in sufficient quantities, *accessible* (physically, without discrimination, and affordable), *acceptable* (i.e. culturally appropriate, sensitive to gender requirements), and of good *quality*.²³

Gender equality and poverty reduction at the national level

Gender-based discrimination is an important cause of poverty and an obstacle for fair and sustainable social and economic development and is reflected in unequal power relations and access to resources. The perspectives of poor women and men are often different and their strategies to cope will therefore differ as well. Using a gender perspective in analysing will often show that women have less choice, less access to power and resources than men. Analysing at the national level will have to mirror these unequal structures.²⁴

Strengthening poor women and men's opportunities to participate in and influence societal development, in particular in areas of immediate importance to themselves, is fundamental to upholding human rights and to creating economic and social conditions for poverty reduction at the national level.

²³ For additional reading and analytical guidance on human rights, democracy and good governance see *Justice and Peace: Sida's Programme for Peace, Democracy and Human Rights, The Rights of the Child in Swedish Development Cooperation and Sida's Policy for Civil Society* at <http://www.sida.se/jsp/polopoly>. See also *Democracy and Human Rights in Sweden's Development Cooperation* (Government Communication, skr 1997/98).

²⁴ For *Sida's Policy for Promoting Gender Equality in Development Cooperation* see <http://www.sida.se/jsp/polopoly> (forthcoming).

Already in mapping the nature of national poverty, one must actively use a gender perspective in order to analyse the situation for women and men, girls and boys. In most countries these groups will have different experiences and diverse strategies to deal with poverty which has to be made visible in the analysis. It is important that gender aspects of the analysis will be visible throughout the exercise and not only figure as a diffuse goal or a vague perspective, but will be visible in referring to real people and their concrete situations.

Equally important for the country poverty analysis is using a gender dimension in determining the causes of poverty and how they can/will affect women and men, girls and boys differently. Not only will women's poverty sometimes have a different cause or background than that of men, but these causes will have different effects on women and men that need to be highlighted within the scope of the poverty analysis.

Outlining the legal framework is also central to analysing poverty at the national level. For the sake of women's rights and gender equality it is important to outline the formal as well as the informal legal framework and praxes. In many of Sida's partner countries women face strong constraints from the praxis of traditional (or customary) legal frameworks that hinder them from claiming their constitutional rights. In the area of inheritance and right to access and own land this is often a very difficult challenge for poverty reduction, especially at the national level. These differences and acts of discrimination must be made visible. By strengthening women's economic, legal and social position, within any society, a productive potential is released to the benefit for economic growth and overall development.

In order to achieve gender equality, women must have power to make choices over their own lives, bodies, sexuality and health. Denial of sexual and reproductive rights undermines women and entrenches poverty. Safeguarding sexual and reproductive health and rights for women and girls is therefore essential to strengthening the rights of women and to fight poverty within any country. This is a crucial area for Sida to work in, and within which Sida has experiences and a comparative advantage, and therefore essential to highlight in any country analysis.

Gender equality is closely linked to other central elements, such as those related to fundamental values (democracy and good governance, respect for human rights and equality) and to sustainable development (sustainable use of natural resources, economic growth, social development and social security). In all these areas a strong gender perspective is important.

Sustainable use of natural resources and protection of the environment

There are several crucial links between poverty, growth and environmental degradation:

- Environmental degradation hits the poorest the hardest, since poor people are directly dependent on a wide range of natural resources and ecosystem services for their survival, for which they cannot afford prevention and proper protection.
- Environmental commons (such as grazing lands, waters and forests), contribute significantly to poor people's income and constitute important safety nets. Declining abundance and diversity of these resources reduces people's livelihoods options.
- The poor (particularly women and children) are heavily affected by environmental health problems. Up to one-fifth of the total burden of disease in low income countries may be associated with environmental risk factors such as lack of safe water and sanitation, indoor air pollution and exposure to chemicals and vector-borne diseases.
- Environmental degradation increases poor people's vulnerability to natural hazards. The frequency and impact of droughts, floods, forest fires, and other natural hazards is exacerbated by environmental degradation, not least by climate change. The majority of the rural and urban poor live in ecologically fragile areas and/or environments with high exposure to environmental hazards. The poor are hence the most vulnerable to natural hazards.
- Women are often more vulnerable than men to environmental degradation and resource scarcity. Women typically have weaker and more insecure rights to the resources they manage (especially land), and spend longer hours on collection (of water, firewood etc).
- The environmental quality of growth matters to the poor. High economic growth is necessary in many low income countries to achieve the Millennium Development Goals. For this growth to be sustainable and pro-poor, natural resources management and environmental protection need to form an integral part of any successful development strategy. It cannot be assumed that environmental protection can be deferred until growth has led to increased incomes. This ignores the importance of environmental goods and services to people's livelihoods and well-being, and how the diversity of these goods and services contribute to the opportunities of poor people for moving out of poverty. Ignoring the environmental sustainability of growth, may lead to short-run economic gains for some, but risk undermining long-term growth and poverty reduction.

- The right perspective and the perspectives of the poor are essential when addressing environmentally related poverty. Poor people's access and entitlements to natural resources are crucial to the fulfillment of basic human rights such as food, housing and health. Other human rights such as freedom of organization and expression are fundamental for local communities and poor people in their struggle against environmental degradation. Involving poor people themselves – and building on their views and knowledge – is thus a key to ensuring good governance of environmental resources.²⁵

Economic growth

Developing countries suffer from low levels of economic production. As a result, the available resources are insufficient to ensure adequate levels of consumption and investment, with widespread income poverty as a result. Inequality aggravates the problem, but redistribution alone would in most instances not suffice to solve the problem of income poverty. Sustained and high rates of economic growth are a necessary, but not sufficient, prerequisite for poverty reduction. However, seen from the perspective of the goal for Swedish development co-operation, economic growth is not an end in itself, but a means to reduce poverty. What matters is not the growth rate as such, but the impact of economic growth on poverty. Furthermore, the growth has to be environmentally and socially sustainable. Hence both the quantitative and qualitative aspects of growth are important; that is both the growth rate as such *and* the efficiency by which growth results in reduced income poverty.

Sustainable economic development depends on protection of property rights and the rule of law, market-based economic competition, openness to the outside world, appropriate incentives, sound economic policies, and an enabling political and

²⁵ For additional reading and analytical guidance on environment and poverty, see *The Country Strategies – Guidelines for Strategic Environmental and Sustainability Analysis* at: [www.sida.se/Sida/articles/15300-15399/15361/CountryStrato2\[4\].pdf](http://www.sida.se/Sida/articles/15300-15399/15361/CountryStrato2[4].pdf)
Sida's Policy for Environmentally Sustainable Development is found at <http://www.sida.se/jsp/polopoly>.

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administrative environment with a minimum of corruption, and debt sustainability. These attributes and factors are closely linked to local institutions and may take different forms in different countries. What matters is their function, not their form. A supportive and appropriate institutional framework is needed to ensure these functions. The flourishing in many countries of a large informal economy alongside the formal economy reflects the existence of an institutional framework that is ill-adapted to local economic and social realities and needs.

Economic growth contributes to reduced poverty in two main manners. First, growth results in (and from) enhanced employment opportunities and labour productivity, which in its turn can offer more employment and better incomes to poor people. Second, economic growth provides scope for increased public revenue, which can be spent in a manner that reduces poverty (pro-poor public expenditures). The notion of pro-poor growth usually refers to the first of this growth – poverty linkages.

The efficiency by which growth results in increased employment and income opportunities for poor people and reduced income poverty depends on the structure of the growth as well as on poor people's ability to fully contribute to the economic development and to access employment and income opportunities. Factors that have a strong bearing on the structure and poverty reducing impact of the growth include: (i) the sector composition of growth (the share of agriculture, manufacturing, different types of services in growth); (ii) the geographic and rural/urban distribution of growth, (iii) the enterprise structure (e.g. the role of SME:s); (iv) the mix of factors of production (unskilled/skilled labour, capital) and choice of techniques and (v) the terms of trade.

The ability of poor people to contribute to and benefit from the economic development and to access employment and income opportunities depend on their access to productive resources – own labour, education and health, land, capital, know-how etc. – and on their ability to use these resources as efficiently as possible. Education, skills and good health are important, as is occupational and social mobility, social security and absence of discrimination on the basis of gender or other criteria. The poverty reducing impact of growth is higher in countries with an equitable distribution of resources (land, capital, education etc.) than in countries with a highly unequal distribution. Thus, issues relating to inequalities often need to be addressed prior or in tandem with efforts to achieve economic growth.²⁶

²⁶ For additional reading see *Policy Guidelines for Sida's Support to Private Sector Development* at <http://www.sida.se/jsp/polopoly>. See also Claes Lindahl, *Wealth of the Poor: Eliminating Poverty through Market and Private Sector Development*, Sidastudies no. 14 (Stockholm: Sida, 2005).

Social development and social security

Social development puts people at the centre; individuals as well as groups. An important aspect of social development deals with public and other institutions and their capacity to provide collective and individual welfare, as well as with how individual people relate to these institutions and if the institutions are inclusive or if they exclude poor or vulnerable groups. Hence, social development applies a rights perspective to social investments and links these to the notion of social justice. A key question must therefore be if social development and institutions support vulnerable groups and promote social justice or if they are discriminatory. Single mothers, elderly, children at risk, unemployed youth, disabled, minorities, urban slum dwellers and self-employed in rural areas are often particularly exposed to poverty and vulnerability. The ability of the social systems to reach out such groups can often be seen as a litmus test to explore how well they combine social development with social justice.

The economic, social and political dimensions of a society and of development are closely interlinked. It is important to understand these linkages in an analysis for poverty reduction. Expenditures for social development are not just costs that have to be financed, but essential investments for sustainable development and the creation of stable and fair societies that promote participation and social integration. Economic and social development must go hand in hand in order to foster development with equity and to forestall economic and social exclusion.

The most important components in social development are investments in education, health and in social support systems that prevent people from falling into chronic poverty and permanent exclusion. Assessments of social development should apply the perspectives of the poor. This implies posing questions such as to what extent the educational system enhances access to productive employment for poor people and equality, or if the health system adequately serves the needs of poor people. Social protection can be divided into economic and transformative protection. Economic protection concerns financial redistributions to people who otherwise would be unable to meet their most basic needs. Transformative protection are measures aimed at reducing the risk exposure of poor and vulnerable groups, e.g. provision of free primary and maternal health care, free basic education or prevention of stigmatisation and social exclusion of particular groups, viz. victims of HIV/AIDS.

Informal institutions and traditional systems often serve as substitutes or complements to formal systems in countries where the latter are weak. These are often crucially important to the poor. Societal processes such as urbanisation imply a risk that traditional systems break down without being adequately replaced by

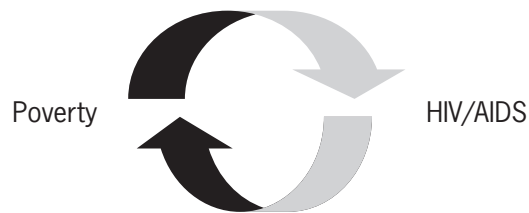
formal systems. Widespread shocks and crises, such as HIV/AIDS, can also impose subject these systems to debilitating pressure.

Both formal and informal institutions are culturally embedded in the societies in which they exist. In order to understand not only their form, but more importantly how they function, it is essential to assess them against the backdrop of the cultural setting.

Cultural pluralism is not only a right, but a socially mobilising power. Respect for cultural diversity is essential to foster a democratic culture and to counteract against the use cultural differences as an excuse for discrimination or oppression.²⁷

HIV/AIDS

At the same time as HIV/AIDS induces and deepens poverty, poverty increases the risk of HIV infection and AIDS. Poverty as a result from AIDS interacts with other dimensions of poverty and generates a vicious downward cycle of causes and effects. Poverty and the lack of options for people also condition social behaviour related to HIV/AIDS – such as sexual relations, patterns of vulnerability and patterns of risky behaviour. While poverty in itself does not cause HIV/AIDS, it does exacerbate the HIV/AIDS crisis.



Devastating household impact – The impact of HIV/AIDS at the household level is devastating, as family members become sick and die. The loss of breadwinners leaves entire extended family without sustainable financial support. The costs for the household for medical care of family members and funerals are often very substantial. Poor families often have to sell off productive assets (cattle, land, cart/bicycle) and draw down on savings, which in turn reduces the possibility rebuild the family economy. Poverty also limits the option to seek solution (support from extended family member) and information. HIV/AIDS does not only increase poverty in the family but widens the gap between households that have resources and those that do not have or have very little resources.

Demographic impact – Increased death rates among the productive age-group impacts on life expectancy, which in some

²⁷ For additional reading and policy guidelines regarding social development and social security, see *Health is Wealth and Education for All: A Human Right and Basic Need* at <http://www.sida.se/jsp/polopoly>.

countries have decreased by 20 years due to the AIDS epidemic. Higher death rates in those age groups result in increased dependency ratio and reduced per capita income and leaves large numbers of orphans and vulnerable children as well as old people without supportive structures.

Gender inequalities affected – Already existing gender inequality worsen as women and girls have to take on a disproportional larger share of the caring responsibility for sick family members, which undermines their possibilities to continue school attendance and do agricultural work, care for their own health, access preventive education and training. As gender inequality is one of the root causes fuelling the epidemic, a vicious circle between gender inequalities and HIV/AIDS develop.

Over-stretching of the social sectors and weakening of social unity and integration – AIDS and the associated opportunistic infections (TB, pneumonia etc.) result in a sharply increased demand for public health services. Health staffs in large numbers have to be trained and motivated to remain in public service at the same time as attrition rates among health staff increases due to AIDS. Thus, the need for public expenditure on health increases dramatically; often several fold. AIDS impacts on both the supply/availability and use/demand of schooling.

Low rates of school enrolment – especially among girls and orphans – may further widen gender and social gaps. The decline in the number of teachers as result of AIDS adversely affect the quality of education as well as increases the cost of education, as many more teachers have to be trained to fill the gap of those who become sick and die as a result of AIDS.

Loss of income and assets, social marginalisation and disruption of social support networks are visible effects of HIV/AIDS. Increased political alienation and reduced social networking may, at worst, lead to social breakdown, conflict, increase crime and civil strife. AIDS orphans are especially vulnerable and at risk of being recruited into military activities or into crime with promises of food, alcohol and drugs.

Food security threatened – There is evidence of falling production in the agricultural sector due to HIV/AIDS. This undermines food security and reduces the possibilities for families affected by HIV/AIDS to survive on agricultural income alone and makes them dependent on external economic support

Deepening poverty– long term macro economic effects. HIV/AIDS has a negative impact on economic development, as it reduces the supply and productivity of labour as well as savings and investments. In the worst affected countries the long term rate of economic growth is expected to fall by several percentage points, often from already low levels. A strong negative impact of HIV/AIDS on economic development combined with increased needs

for public expenditures on health and education increases the country's dependency on external financial assistance and may also increase their debt burden.²⁸

Conflict management and human security

Development and poverty and its relation to violent conflict...

Research shows conclusively that violent conflict results in extreme development losses because of the weakening or destruction of every type of capital – physical plant, land, human resources, and organisational and social capital – and a decrease in new investment in these areas. In addition to deaths caused by fighting, heavy human costs result from deterioration in infant mortality and health, nutrition and educational standards.²⁹ What is then the relationship between *poverty* and *violent conflict*? Economic poverty is neither a necessary nor a sufficient condition for violent conflict. Relatively wealthy countries fight wars, and the reasons for violent conflict are manifold. However, as stated in the Government's Policy on Global Development: 'Armed conflicts are the most serious obstacle to development in many poor countries.' Peace and security are basic prerequisites for sustainable development and human security. The relationship is mutually re-enforcing.

...and to insecurity and human rights

Many countries are also haunted by high levels of *insecurity* outside the framework of violent conflict. Weak states cannot provide even physical security for their citizens, and violent crime becomes a widespread and lethal threat, especially to the poor and particularly in post-conflict societies. This situation is also an obstacle to investment and development. The essence of poverty is not only lack of material resources but also lack of power and choice. In this way, poverty reduction and the creation of human security coincide to a large extent.

Violent conflict is in itself a violation against human rights in a society. At the same time, violations against human rights may lead to violent conflict. Empowerment, participation, inclusion and accountability are common elements in the rights-based approach and are also critical elements for a society to be able to address poverty and to handle conflict peacefully. Exclusion or the feeling of being excluded and not having a voice are factors that are especially relevant in understanding the types of grievance that can cause violent conflict or insecurity.

²⁸ For additional reading on HIV/AIDS and poverty, see *Investing in future generations*, Sweden's International Response to HIV/AIDS (Stockholm: Ministry of Foreign Affairs and Sida).

²⁹ FitzGerald, Valpy, Stewart, Frances, & Associates, *War and Underdevelopment*, Volume 1, Oxford University Press, 2001.

Development Co-operation and Situations of Violent Conflict and Insecurity

Development co-operation affects and is affected by violent conflict and situations of insecurity.³⁰ *Risk awareness*, Sida's first approach, is therefore necessary. Development assistance can exacerbate or help to address the outward expressions and underlying causes of a specific conflict. Consequently, it is also essential that all development co-operation efforts in potential or ongoing conflicts, post-conflict situations or situations of insecurity, are made *conflict-sensitive*, which the second approach in Sida's policy.

Development co-operation actors are often well placed to contribute to peaceful change, utilising their long-term presence in the field and a combination of long- and short-term instruments, and at the same time working with different actors on the ground, at the local, national and regional level. Thus, the *promotion of peace and security*, Sida's third approach, can be supported through the hidden potential of regular development co-operation and through specific programmes/projects. Co-ordination and co-operation between internal and external actors, based on local ownership for peace and actors' comparative advantage, is essential in order to maximise the positive impact.

Promotion of Peace and Security in Practice

In most cases, violent conflicts and situations of insecurity can be addressed most effectively when a variety of activities are integrated. It is important to try to change destructive behaviour and attitudes as well as to try to solve structural (root) causes of conflict, by taking a multidimensional approach. Sida has therefore identified three main types of activities to promote peace and security. *The promotion of dialogue* includes efforts to change attitudes and create conditions for dialogue, negotiation and peaceful conflict resolution between primary and secondary parties to conflicts. *The promotion of security* are activities primarily addressing behaviour and that can give individuals and groups affected by violent conflicts or insecurity a greater degree of protection. *The promotion of structural stability* is activities that consciously target, as their primary or secondary goal, structural, or root, causes of violent conflict and insecurity. Examples of promoting structural stability are initiatives to control conventional or small arms and light weapons and security sector reforms. Other programmes and projects can have a more indirect impact and be designed specifically to promote peace and security also, such as through the promotion of poverty reduction; economic growth; democracy; pluralistic, fair and accurate media that promotes diversity of opinion; good governance;

³⁰ Sida's policy in this area – *Promoting Peace and Security* – can be found at <http://www.sida.se/jsp/polopoly.jsp>

human rights; gender equality; sustainable use and control of natural resources; the prevention of the spread of HIV/AIDS; or reducing corruption.

Merging the thematic components into a unified coherent picture

For the individual person living in poverty the various thematic elements are closely interrelated aspects of one single reality. They are all part of a multidimensional poverty that may be complex, but where the linkages and the binding constraints to escaping from poverty, at least at the individual level, may be quite easy to identify. Income poverty can be seen as the result of lack of productive employment resulting from both inadequate economic development as well as lack of education, poor health, lack of economic security and discrimination. The individual person suffers the consequences of environmental degradation at the same time as the lack of freedom and choice that characterises poverty may constrain the possibility to act in an environmentally responsible manner. The various thematic components all exert an influence on the resources, possibilities and security/vulnerability of individual poor people, which in their turn interact to create processes that may create and entrench poverty or, alternatively, provide escape from poverty.

The same is obviously true at the macro or national level. The various thematic components have a strong influence on each other and this complex interaction shapes societies as well as societal change. Hence, while in-depth analysis may require thematic focus, profound understanding requires a broader view and a need to focus on the linkages and interactions between the thematic components. From an analytical perspective, this demands cooperation between people with different thematic and disciplinary specialisations and across organisational divisions. It also underlines the need for analytical capacity in the partner country as a basis for developing overall strategies and meeting the challenge of prioritising and balancing the many urgent needs and external concerns.

Halving poverty by 2015 is one of the greatest challenges of our time, requiring cooperation and sustainability. The partner countries are responsible for their own development. Sida provides resources and develops knowledge and expertise, making the world a richer place.



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