Perspectives on Poverty provides guidance in Sida’s work towards its overall objective; to enable poor people to escape from poverty.

It is not a manual or a road map, but hopefully a compass and a mind map.
Perspectives on Poverty
The overall mission – poverty reduction – is in the focus of this document that serves as a mind map for Sida’s work. Poverty is understood to be a condition where people are deprived of the freedom to decide over their own lives and shape their future. Lack of power and choice and lack of material resources form the essence of poverty. Given that poverty is dynamic, multi-dimensional and context specific a holistic analytical approach is advocated.

Sida Looks Forward
The role of Sida as a development partner is described in this mission statement. The task of development co-operation is to help create conditions that are conducive to sustainable development, poverty reduction, democracy and gender equality. This requires genuine partnership as well as real local ownership.

Sida at Work
This document contains an overview of the principals and methods that are applied during the various stages of preparation, implementation and follow-up of Sida contributions. Information on where to find more detailed guidelines (e.g. with respect to poverty analyses, country strategy processes, contribution management processes and logical framework analysis) is provided in a set of links to other more detailed documents.
NEVER BEFORE have so many worked themselves out of poverty. Poverty is on the retreat seen as a proportion of the world’s population. But not in numbers; a staggering figure of more than one billion people still live on less than one dollar a day.

Never before have there been as many resources as there are available today to effectively and permanently reduce poverty. But never before have the disparities between rich and poor been so large. And never before has the world made such a bold commitment – to halve the share of the world’s population living in extreme poverty by 2015. With growing global interdependence, the moral obligation for change is reinforced by self-interest, forging a powerful argument for increased equality.

Interdependence requires the collaboration of all, not the marginalisation of some. The prime responsibility for creating sustainable development rests with partner countries. Poor countries must be supported when they shape their destinies and work towards improving the living conditions in their countries. At the same time they must have the capacity to effectively participate in the international community’s combined efforts to solve global and regional problems. The task of reducing poverty rests not only with partner countries and the development cooperation funds and agencies; it also requires consistent and coherent pro-poor policies at the international level and in many areas such as trade, agriculture, research and intellectual property rights.

The role of Sida is to assist in creating optimal conditions that help poor people and countries in their struggle to reduce poverty.

The aim of *Perspectives on Poverty* is to provide guidance in fulfilling our role. It repeatedly states that poverty is dynamic, multi-dimensional and context specific. Furthermore, Sida
operates in different, changing and sometimes volatile environments. Therefore, analysis and interventions to fight poverty cannot be one-dimensional nor is one response valid for all times and every situation. It is against this background that the challenge – to provide the appropriate intervention – should be seen and met.

*Perspectives on Poverty* emphasises the need to be holistic and attempts to illuminate and illustrate relations and linkages. It is not a strategy for selecting interventions in countries; that is done in the Country Assistance Strategy Process. Nor is it an instrument for designing support to various sectors; that is done in sector policies and project documents. And it is not a toolbox for Sida's staff on how to work; that is provided in *Sida at Work*.

*Perspectives on Poverty* provides an analytical approach and points towards the organisational consequences of that approach. It is not a manual or a road map, but hopefully a compass and a mind map.

Bo Göransson  
Director General of Sida
Poverty – Profiles and Patterns

Poverty is widespread but dynamic; its pattern changes over time. In the past decade, the overall number of people living in absolute poverty (as measured by income/expenditure) has been fairly stable. This has meant an effective reduction in how many poor there are as a proportion of the world’s population from almost 30 per cent to around 20 per cent. Most poor people are still found in Asia, but Asia has also witnessed the sharpest reductions of poverty. Poverty is growing in Africa, not least as an effect of HIV/AIDS but also because of inefficient policies and the prevalence of conflicts. Poverty is becoming more and more urbanised, although the majority of poor people are still found in rural areas.

More people than ever are living under regimes that have held elections. The forces behind and leading to reduced poverty and increased democracy are mutually supportive. The challenge is to reinforce these trends and make them irreversible.

Poverty deprives people of the freedom to decide over and shape their own lives. It robs them of the opportunity to choose on matters of fundamental importance to themselves. The essence of poverty is not only lack of material resources but also lack of power and choice. A litmus test of if an intervention decreases poverty could thus be if the effect is that poor people have increased scope to decide over their lives in areas of relevance to them.

Because lack of power and choice often makes it difficult for the poor to obtain adequate material resources, the democratic or human rights aspect of poverty interacts with the material dimension. As such, the human-rights approach emphasises the inclusion of all people, even the poor and the poorest.

Poverty is manifested in different ways: hunger, ill health, denial of dignity, etc. It has its own dynamics, often lack of power or
choice, lack of opportunities and security are key facets of vicious circles. The interaction between the facets can entrench and worsen poverty, but can also – if improvements occur in one or several aspects – trigger virtuous circles that permit an escape from poverty.

Poverty is context-specific; its precise features are derived from and prevail under varying (but in each case unique) political, economic, environmental and socio-cultural situations.

Poverty is reflected in the manifold dimensions of a society and is caused by many and varying aspects of that society.

• Peace is a basic prerequisite for sustainable development. Conflicts always lead to poverty.

• Democratic governance empowers people and increases security. It makes governments more accountable, transparent and predictable, broadening opportunities for increased employment, as well as acquiring capital for investment.

• Economic and social development is another prerequisite for poverty reduction. An institutional environment for economic development is a *sine qua non* for sustained poverty alleviation: institutions, including the market, must be made to work for the poor. In order to be effective, policies must be pro-poor, with a clear focus on the need to strengthen capacities and increase the opportunities of the poor.

• A sustainable use of the environment is necessary to maintain long term efficiency in poverty reduction. The option is not to ‘fence off’ natural resources but to ensure that their sustainable use and management provides a livelihood for poor people.

For partner countries as well as development organisations the analysis of poverty is crucial for planning, programming, budget decisions, public debate – and for the design of an intervention. Causes and expressions of poverty often differ between men and women, age categories, ethnic groups and other categories of people.

Neither poverty nor development is neutral to gender. Causes as well as expressions of poverty may vary substantially between women and men. Gender inequalities related to poverty usually have roots that lead beyond the immediate life situations of poor people. Directly targeting poor women and men is there
fore not enough. Measures that affect both direct and indirect gender–poverty linkages are required.

Nor is poverty neutral to ethnicity. Ethnic affiliation and cultural distinctiveness enrich societies. However, differences based on ethnic ascription are often used as excuses for discrimination. This may result in poverty due to blocked access to assets and information.

**Poverty – Partnership and Roles**

Poverty analysis is the responsibility of partner countries. The results are often subject to dialogue between the international community and partner countries. Sida assists in building analytical capacity in partner countries to carry out studies, be they related to specific programmes or to national planning.

*The role of development co-operation* is to create conditions and to support processes that lead to poverty reduction in partner countries. The partners must own the efforts and have the resources, capacity and opportunity to pursue the objectives. One of Sida’s main tasks is to strengthen capacities for partner countries to exercise ownership.

The dialogue with partners plays a central role in our work and involves various actors in partner countries, not just government officials. Dialogue on poverty issues demands a holistic perspective. It is sometimes a process of negotiation, at times a quest for a common platform. The dialogue does not exclude the raising of sensitive issues. It requires frankness, humility and respect. Not least, the dialogue requires that Sida representatives realise the complications of having the power of money. They must also be well versed with Swedish priorities and policies and Sida’s stand on various issues.

*SIDA’s two main processes, the formulation of country strategies and the project cycle,* analyse and describe poverty at different levels. Policy dialogue issues are identified in the country strategy decided by the Swedish Government. The country analysis, preferably based on partner plans or documents and in collaboration with other agencies, should identify strengths and weaknesses in poverty reduction strategies from the point of economic, human and environmental sustainability.

In analysing programmes and projects, there is a need to consider not only the programme itself but also its context. Interventions with the aim of reducing poverty can be of different types with more or less direct effects.

- General structural approaches aimed at underpinning pro-poor policies. These give support to efforts for democracy and good governance, macro-economic stability, increased accountability, transparency and the fight against corruption.
• Indirect or inclusive actions directed to broad groups, including sectorwide approaches that are geared to sectors of importance to the poor (education, rural development, small-scale enterprises, etc.).

• Interventions directly and predominantly focused on different categories of poor people. Examples are targeted safety nets, labour-intensive works programmes, support to refugees and internally displaced persons as well as support to non-governmental organisations.

Good interventions require a thorough knowledge about the local situation. The best way to achieve this is through a strong presence in the field. Therefore, in terms of resources as well as of influence and decision power, Sida puts great weight on having a strong field organisation.
Bolivia: From Structural Adjustment to Sustainable Reduction of Poverty?

Bolivia was severely affected by the hyperinflation and economic recession that characterised Latin America in the early 1980s. The effect of the economic problems on those already living in poverty was particularly severe. On the political side, however, there were positive developments, democracy being re-established in 1982. Following the economic crisis the country embarked on a road of structural adjustment including privatisation of state-owned industries and trade liberalisation. Economic stability and positive per-capita growth were achieved and social indicators (including poor peoples’ access to education and health care) were improved. Nonetheless, the impact on income poverty was disappointing. By the year 2000 the majority of the population still remained below the national poverty line and income inequality was among the highest in the region.

Poverty in Bolivia has an ethnic dimension and the majority of the poor belong to the indigenous population. There are also large economic and social divisions along rural-urban, regional and gender lines. Large groups of poor people were negatively affected by the structural adjustment policies. Labour intensive industries that provided the source of living for many of the poor, not least the mining industry, declined, resulting in increased unemployment. Subsequent economic growth took place elsewhere; in capital intensive industries that created little employment and in economic sectors and areas to which the poor had little access. Hence, the nature of the growth was not in tune with the country’s needs, while entrenched socio-economic divisions posed a formidable obstacle to a labour market adjustment to the new growth pattern. The consequences have been increasing social frustration, expressed through demonstrations, marches and the blocking of roads.

Bolivia is highly indebted and one of the countries eligible for debt relief. A national poverty reduction strategy for Bolivia (BPRS) was adopted in 2001. This strategy implies a shift in focus towards the need to create employment and income opportunities for the poor and of including the socially and economically excluded in the development process in order to achieve sustainable poverty reduction. However, these priorities will need to be accompanied by redistributive measures, such as the creation of a more progressive tax system.
1. Points of departure

1.1 International Conventions and National Commitments

The last decade has witnessed the establishment of an international consensus that poverty reduction is a prerequisite for sustainable, equitable and peaceful world development.

• International and regional conventions form a common value reference in the dialogue with partner countries. The human rights and environmental approaches reinforce the legitimacy of supporting poor people in their demands for a better life, and provide a foundation for Sida to address these issues. The six most important conventions on human rights are listed in Appendix 1. Apart from these, Sweden has ratified a large number of environmental agreements and International Labour Organisation conventions.

• The Millennium Development Goals (MDGs). In 2001, the international commitment to reduce poverty resulted in the adoption of the Millennium goals (see Appendix 2) as the road map for implementation of the UN Millennium Declaration. The first of these goals is to halve the share of the world’s population living in extreme poverty and hunger between 1990 and 2015.

• The OECD/DAC Guidelines for Poverty Reduction. These guidelines provide a common platform of understanding and co-operation for all signatories. Guiding principles are the promotion of holistic development, national ownership, country-led partnership and policy coherence.
The Swedish policies on development and poverty. In 1962, Parliament defined the overall goal of development co-operation as ‘raising the living standards of poor people’. This has remained the overriding aim of Swedish development co-operation.

Between 1962 and 1996, six dimensions of development were formalised into specific goals for Swedish development co-operation: economic growth; social and economic equality; economic and political independence; democratic development; sustainable use of natural resources and protection of the environment; equality between women and men.

Activities carried out in these six strategic areas are seen to be mutually supportive in the pursuit of the overarching goal.

During the 1990s a number of government reports were prepared in order to create a basis for a holistic approach to Swedish international development co-operation (see Appendix 3).

*Perspectives on Poverty* is based on and governed by international commitments and Swedish policies. The OECD/DAC Guidelines for Poverty Reduction, the goals for Swedish development co-operation and the Swedish poverty reduction policy as expressed in the *The Rights of the Poor* and other government reports give more explicit guidelines for Sida’s anti-poverty work.

### 1.2 Poverty, Power and Politics

Development can be seen as a sustainable process of enhancing the freedom, well-being and dignity of all people within an equitable and secure society. Poverty reduction is an integral part of this development process. As such, a key objective in development work is to enhance the freedom of choice of poor women and men by supporting their empowerment. This objective can only be accomplished through the active participation and representation of poor people in processes of political, social and economic change and by ensuring that they reap the benefits of their efforts.

Poverty reduction is a development goal; promotion of democracy and human rights supports this end. The democracy and human rights approach asserts that governments are also accountable to the people with regard to commitments to development goals. Together, each perspective can strengthen the other. This requires a thorough understanding of the relationship between development, democracy and fulfilment of human rights.
Just as the precise nature of poverty varies, so too are there differences in the understanding of what constitutes development in a specific situation and how this should be related to human rights. A common, core characteristic of rights is that they emphasise non-discrimination and participation: all people—regardless of sex, age, ethnicity, disability or other possible determinants of social and economic status—are entitled to the same rights. A democracy- and rights-based approach puts the inclusion of deprived, excluded and marginalised groups on the development agenda. In order to effectively address inequalities and integrate all social groups in development, the social processes and institutions that foster inequalities—not least between the sexes—must be changed.

However, it should be remembered that the human rights perspective has all members of society in focus, not a specific group. That is why the democracy- and rights-based approach emphasises the political dimension of development. It indicates that a broad-based democratic system is needed to fulfil human rights and promote opportunities for poor people to participate—directly or indirectly—in decisions that concern their lives.

1.3 Sida’s Conclusions

Poverty reduction has been, and still is, the main goal for development co-operation. However, over the past four decades, fundamental processes of change (as a result of globalisation and technological advances, among others) have created new insights. In turn these have prompted reassessment and adjustment to current strategies.

Some Principles for Sida’s Poverty Reduction Work

• Poverty is multidimensional, requiring holistic, well-integrated and cross-sectoral approaches and methods.

• Poverty varies between different situations, requiring high-quality analytical and implementation capacity in field offices and embassies.

• National ownership is primordial and national capacity-building is prioritised.

• The international and regional conventions are important entry points for policy dialogue.

• Sida actively promotes the OECD/DAC Guidelines for Poverty Reduction and the Millennium Development Goals.
SUBSTANTIAL IMPROVEMENTS in living conditions have been achieved over the past decades for the world’s population at large. However, the disparity between rich and poor has never been larger than today and continues to increase. Simultaneously, globalisation is increasing the interdependence of nations as well as of individuals. The persistence of severe poverty and growing inequalities together with increased information and awareness of better living conditions elsewhere inevitably result in global tensions and instability. The growing number of international migrants is but one expression of the frustration among large groups of people in the developing countries.

But potentially globalisation can also bring enhanced cooperation. It opens the possibility of increased prosperity, due to participation in the global economy, and of a more fulfilling life, based on an increased understanding and sharing of our diverse and rich heritage of world cultures. However, it also threatens to increase disparities between those who are favoured by this process and those who risk being excluded or adversely affected.

2.1 Poverty Reduction and Increasing Global Interdependence

Sustainable poverty reduction requires high rates of economic growth as well as full and effective participation on equal terms of all countries in the global economy. So far, however, most developing countries have benefited little from the rapidly increasing flow of international trade, investments and capital, or from the revolution in information technology.

Macro-economic stabilisation, economic liberalisation and the opening up of markets have contributed to place many developing and transition economies on a new and sounder
footing. But economic liberalisation is no panacea for poverty and lack of development. If a country is to reap the benefits of increased participation in the world economy, it must also develop institutional and legal frameworks, invest in physical infrastructure and sufficient policy predictability.

Developing countries are faced with a number of visible and invisible trade barriers. Export and producer subsidies (not least for agricultural products) result in unfair competitive advantages for producers in the industrialised world. Removing unfair trade practices and obstacles to equal access to markets of the industrialised countries are preconditions for the effective integration of developing countries in the global economy.

The ability of developing countries to participate in the global market is also hampered because they lack the means to fully voice their interests in international negotiations and other fora.

Unless effective mechanisms are put in place to ensure a ‘level global playing field’, increased global interdependence may also serve to disempower the poor and weak. Opening up the economies of developing countries to the outside world increases their vulnerability to external shocks. Even short crises can have severe and long-lasting effects on the levels and severity of poverty. Yet mechanisms to mitigate the consequences of such shocks are still inadequate. Thus, while globalisation can provide new opportunities, it also increases insecurity and vulnerability.

2.2 Bridging the Divide between Countries

Developing countries need to have a stronger voice not only on issues pertaining to trade but also concerning a wide range of other issues. Central among these are rules for intellectual property rights and patents; control, use and access to biotechnological advances; and consumption of finite natural resources.

Many developing countries require substantial investments in communications infrastructure since access to global information is increasingly important for effective participation in the world economy. As such, authoritarian regimes restricting the flow of information will find themselves at a disadvantage.

The prerequisites for attracting investments, whether domestic or foreign, include sound economic policies and economic, political, legal and social institutions that support and regulate the market economy. Foreign investments can provide developing countries with capital and know-how and also facilitate their access to world markets.

International labour migration is an increasingly important aspect of globalisation. It is fuelled by growing disparities with regard to the supply and demand for labour in combination with improved education, language skills and access to information. While labour migration can bring considerable benefits
to both labour-exporting and labour-importing countries, foreign labourers also run the risk of being used as an employment buffer, imported in times of need and deported in times of economic slowdown. This places the burden of adjustment on poor labour-exporting countries and on the migrants themselves. Furthermore, selective importation of labour can result in a brain drain that accentuates existing shortages of critical skills in the sending countries and transfers the cost of education from rich to poor countries. Labour migrants are particularly exposed to exploitation as they are uprooted from their home environment and often lack adequate legal protection in the host country. Trafficking in women and children is a growing problem, especially in transition economies, and together with sexual harassment of female migrants stand out as a particularly serious form of exploitation.

2.3 Bridging the Divide within Countries
Global interdependence can also exacerbate disparities within countries. Small urban elites may profit from globalisation while the majority of the rural population and the poor are excluded.

Globalisation puts a premium on education. Education and research are necessary for accessing information and turning it into knowledge. These are prerequisites for escaping poverty and creating opportunities for upward political, social and economic mobility. Education also enables people to better voice their concerns and exert influence. It thus serves to strengthen the democratic culture of society.

Regional development within countries also needs attention. Domestic costs of transport and communication must be reduced in order to ensure that global economic integration is not confined to capitals and other urban areas only. The integration of domestic economies needs to encompass all parts of a country.

2.4 The Dynamics of Poverty
Over the past four decades life expectancy at birth in developing countries has increased by 20 years, while illiteracy has been almost halved in the past 30 years. The share of the global population living in absolute income poverty – defined as less than one dollar per day – has fallen, dropping from about 29 per cent to 23 per cent during the 1990s. Political freedoms have also increased. In 1974 only 27 per cent of the countries of the world had popularly elected governments. In 2002 the figure was nearly 70 per cent. This is indeed a marked improvement, even though not all people in these countries enjoy political freedoms and can take part in their government. Examples of decline into dictatorial rule also provide a sobering reminder of the fragility of gains in human rights and democracy.
The geography of poverty changes over time. Poverty is neither static nor stable. The emergence of rich countries in the ‘South’ (primarily in Asia) and of deeply impoverished countries in the ‘North’ (not least in Europe) has blurred the ‘North–South’ distinction. To a greater extent than before rich and poor countries exist side by side. Along with urbanisation and the rapid development of mega-cities, poverty has also become a more urban phenomenon than in the past.

Globalisation and socio-economic development create opportunities for emancipation of oppressed and underprivileged categories of people, but also risks of increased inequalities and deepened divides. It is vital to apply a perspective that includes ethnicity, gender and age, as well as other relevant variables.

Half a century ago South Korea had a literacy rate on a par with that of Congo and a per-capita GDP below that of Burma. Today, children in Korea challenge those of Sweden in maths and science, and Korea’s per-capita GDP is estimated to be twenty times that of Burma.

Within a mere decade (the 1990s) almost 200 million people escaped from material poverty in China, while countries as far apart as Uganda and Vietnam dramatically reduced the proportion of their people living in material poverty. At the same time, external shocks and the pains of societal reconstruction have created vicious circles dragging millions of people in parts of the former Soviet Union and elsewhere into abject poverty from a previous state of relative material well-being. Even situations of seemingly little change at the aggregate level can hide dramatic developments. For instance between 1996 and 1998 the share of the Russian population living below the poverty line increased by two per cent. During the same period no less than 18 per cent of Russians fell below the poverty line, while another 16 per cent escaped above it.

The poor themselves, striving day-by-day towards a better and fuller life, are the main actors in poverty reduction. Under adverse circumstances, insecurity, lack of power and limited opportunities create vicious circles that perpetuate and even worsen poverty. Conversely, individual efforts positively reinforced by increased empowerment, greater opportunities and enhanced security (together with other factors) pave the way for an escape from poverty. Fighting poverty therefore implies fighting on two fronts. The challenge for governments and donor agencies alike is both to counteract vicious circles that drag people into poverty and to strengthen the forces that help them escape from poverty.
2.5 Sida’s Conclusions

The increased global interdependence illustrates the fact that development is an issue spanning and permeating many different areas of society. It is also a political issue, not one that can be consigned to the realm of development aid alone. There is a need for coherence between different political areas such as agriculture, trade, investment, debt relief, the environment, migration, health research and security. Sida’s responsibility is to actively participate in the efforts to achieve coherence in Swedish foreign policy; to identify needs for improved coherence among different Swedish actors in individual partner countries.

Sida supports

• development of means for poor countries to participate in the global economy on fair and equal terms
• efforts of poor countries to participate in and benefit from the ICT revolution
• interests and rights of labour-exporting countries and of labour migrants
• development of domestic research and equitable access to education
• development of effective support mechanisms for countries suffering from external shocks
3. The essence of poverty

3.1 Lack of Power, Choice and Resources
Poverty deprives people of the freedom to decide over and shape their own lives. It robs them of the opportunity to choose on matters of fundamental importance to themselves. Lack of power and choice and lack of material resources form the essence of poverty. The combination of lacking influence or power and being unable to secure basic material resources can be found at all levels. It affects nations as well as groups and individuals.

Power, opportunities and security – and the lack of them – are closely linked. Empowerment and opportunities can reduce insecurity while lack of security reduces the ability to make use of opportunities. Absence of economic margins and security makes the poor prone to minimise risks in their choice of livelihood strategies. Strategies offering low risk, but also low economic returns, are often preferred for reasons of safety to strategies promising higher returns at somewhat higher risks. Yet, when these strategies fail poor people often have no other option but to put their own lives at stake by taking up hazardous jobs, prostitution or becoming economic refugees. Thus, insecurity puts them at a special disadvantage and hinders their ability to make good use of the few resources they have.

The linkages between opportunity, security and power differ across time, between individuals as well as between countries. At the national level, a few generalisations can be made. For instance, insecurity and lack of power are often important aspects of poverty in countries that do not respect the rule of law, human rights and democratic processes. Rigid social structures, gender-based inequality and discrimination for and against specific groups, as well as an inappropriate legal framework, alienate large numbers of people from power and opportunity. Countries with a highly unequal distribution of land and other productive
assets reduce access to opportunities for the majority of the population, while open – but still poorly developed – economies may only offer opportunities that are associated with high risks and vulnerability.

Poverty – Where Does it Start – How Does it End?

If there is anything stable about Odila and Matthew Chivoko’s situation it seems to be their poverty. For the last 15 years or so Odila and the five children have stayed in the rural area in Midlands province, central Zimbabwe, while Matthew has worked as a night watchman and gardener in an apartment complex in Harare. The family land and Matthew’s salary have barely kept them afloat. Odila does not have much time, or money, to introduce changes into the coping strategy she and her family have developed. During the agricultural season sowing, weeding and harvesting take many hours.

There are several reasons why the land is not yielding a greater surplus. Rains are unpredictable. They cannot afford to buy enough fertiliser and pesticides. Together with erosion and inefficient farming techniques, this impoverishes the soil. Agritex (Zimbabwe’s Department of Agricultural, Technical and Extension Services) no longer has the reach it once had due to a lack of resources and inefficient administration.

Odila and Matthew would not be able to get loans with their land as collateral because their land is communal. They may regard it as belonging to them and their extended family and leave it to their children, but it is not privately owned. Moreover, even if they did hold deeds to the property, a loan would be difficult since banks do not trust poor farmers. The Agricultural Finance Corporation, which used to give small credits to communal farmers, is more or less defunct. Some years ago, the government also reduced agricultural subsidies in accordance with liberal economic ideas.

Odila’s agricultural production and Matthew’s income should be the basis for the Chivoko family’s move out of poverty. But Matthew’s salary will stay at subsistence level as the general economic development in the country is low and high unemployment rates weaken the bargaining power of the workers.

Development of effective poverty-reduction strategies and interventions requires a good understanding of existing power structures, including gender-based ones. It involves identification of the primary stakeholders (the poor) and ways to support their empowerment and active participation. This is the democratic and human-rights aspect of poverty reduction. It is as important as the material aspect since lack of power makes it difficult –
sometimes impossible – for poor people to access the resources necessary for a life free from poverty.

In a world moving away from a subsistence and barter economy to a market-based one, access to money is becoming increasingly important for people in order to escape from poverty. Many of the dimensions of poverty and well-being (such as health, education, personal security, living in a clean environment and having access to natural and cultural resources) are dependent on access to money – having an income. In fact, poverty as measured by income/expenditure provides a cost-effective way of identifying the poor. Different dimensions of poverty are correlated, hence measuring material poverty – even though it does not measure other dimensions of poverty – is often useful. However, to counteract and fight poverty, actions in several dimensions are generally needed, though this does not mean that all actions need to be multi-faceted. Even if one aspect alone is never the sole determinant of poverty, focusing on a single issue of strategic importance (e.g. health, enrolment of girls in primary education, lack of access to markets, and lack of political influence) can be an effective course of action in a given situation.

3.2 Manifestations of Poverty

Poverty and Influence

‘Development never came to us’, Matthew Chivoko sometimes says. Politically the village people have never had much influence. The ruling-party representatives always favour their own. Local government has not been very efficient and also lacks resources. Corruption has entered the system. In the last election, people chose Mr Matumbesi, a retired headmaster who has managed to get funding for various projects, but the initiatives are not part of an overall development plan.

Odila does not have much of say. Informally she and her female friends can influence their husbands’ decisions, but both the traditional and modern systems of representation favour men. The district council would choose to improve the big road, or even the local beer hall, rather than using project resources on things that are important for women or children.

Poverty manifests itself in many different ways: hunger, ill health and premature death, ignorance, discrimination and insecurity, denial of dignity and social status.

The fact that the nature and linkages of relevant dimensions will vary according to context highlights the need for well-grounded poverty analyses (see chapter 6). These should be based on an understanding of certain basic characteristics of poverty:
• Poverty is complex: It comprises a wide range of aspects and situations that together constitute the livelihood of poor people – men, women and children.

• It is context-specific: the precise features of poverty are derived from the particular environmental, socio-cultural, economic and political characteristics of the situation where it is produced and prevails.

• It is relative: deprivation is defined by those concerned in relation to their notions of what is judged to be a decent life in terms of economic resources, security, adequate health and education, opportunities to participate in social life and fulfil important cultural functions, etc.

• It is dynamic: the manifestations of deprivation will change over time. Individuals and groups may move in and out of poverty depending on the local situation as well as on external forces, e.g. natural or human disasters, economic crises and armed conflicts.

3.3 Sida’s Conclusions
Tackling poverty effectively calls for a number of organisational considerations, the main ones being outlined below:

• A holistic, well-integrated approach is needed based on a thorough poverty analysis.

• Knowledge must be generated and decisions taken in the relevant context. This highlights the need to secure good analytical capacity in the field.

• An integrated approach requires a work organisation that corresponds to this need.

• A high degree of flexibility is needed in procedures and funding mechanisms.

For a more detailed account of this, see *Sida at Work*. 
Vietnam – Transition with Growth and Poverty Reduction

By the mid-1980s Vietnam’s socialist economic system, copied from the Soviet Union, was in crisis. Inefficient use of resources plagued the economy, which stagnated at a disastrous low level. Food production failed to meet basic consumption needs and inflation was out of control. Although victorious in war and among the best educated in Asia, the Vietnamese people lived in abject poverty.

A bold reform programme – *Đoàn Mới* (*Renovation*) – launched in 1986 proved to be the turning point. The reforms were undertaken with little external support and were partly at odds with internationally recommended practices. They started at the heart of the economy – in agriculture – where a shift from state-controlled collective farming to private market-oriented farming had far-reaching effects. Earlier food deficits were transformed into exportable surpluses and farm incomes increased. Reforms at the macro level followed in 1989. They included decisive anti-inflationary measures, a sharp devaluation of the currency, domestic price liberalisation and first steps in the liberalisation of foreign trade. The immediate results were spectacular. Inflation fell to near zero and private entrepreneurship mushroomed overnight. The initial successes attracted the attention of investors and donors alike, with Vietnam rapidly developing into a favourite destination for both foreign investment and development assistance. A competitively valued currency and lingering trade barriers provided a temporary shield against competition for the nascent private sector. The subsequent results were impressive. Annual economic growth averaged 7.9 per cent in the 1990s, while the share of the population living below the poverty line fell from 58 to 37 per cent between 1993 and 1998.

The success of Vietnam would not have been possible without the high level of education and skills of its people. The reforms unleashed the potential of these human resources. Sequencing proved to be crucial, as did the blend of shock therapy and gradual reform. Initial market-oriented reforms in agriculture ensured that prices mattered before they were ‘put right’. Shock therapy brought inflation to a halt, while a gradual dismantling of external trade barriers gave the nascent market-based economy a breathing space to develop before it faced the full onslaught of international competition. The largely egalitarian nature of Vietnamese society was crucial for translating the economic growth into reduced poverty.
4. Dimensions of poverty

4.1 Social and Economic Dimensions

Economic and social development is necessary for achieving poverty reduction. Sustained high rates of economic growth are a prerequisite to this end. The creation of an institutional environment that is conducive to economic and social development is an indispensable part of any strategy for poverty alleviation. This requires a framework in tune with economic and social realities and needs whilst flexible enough to change and adapt to new circumstances. Crucial elements are sound macro-economic policies; an institutional and legal framework that meets the needs and interests of all segments of the economy and society; and transparent governance with effective safeguards against corruption. Ensuring secure property rights, not least for the poor, and removing barriers to graduation from the informal to the formal sectors of the economy deserve particular attention.

The effectiveness of economic growth as a means to reduce material poverty varies between countries and over time. Hence, it is essential to focus not only on growth rates but also to what extent this growth is translated into reduced poverty. The latter depends both on the initial distribution of resources and on the nature of the growth. The poverty-reducing impact of economic growth is higher in countries with an equitable distribution of resources (land, capital, enjoyment of human rights, education, etc.) than in countries with a highly unequal distribution. Thus issues relating to inequalities need to be addressed prior to or in tandem with efforts to achieve economic growth. For instance, if Latin America had the pattern of income distribution found in Southeast Asia, the incidence of poverty there would fall to one fifth of its current level. It is also important to consider the quality of growth from the perspective of environmental sustainability. Economic growth must go hand in hand with respon-
sible husbandry of the environment and natural resources in order to have a lasting positive impact on poverty.

Fiscal policies can play an important role in providing poor people with productive resources. Progressive taxation – or, at least, absence of regressive taxation – can ensure that the poor contribute no more than their fair share of public-sector costs. A well-functioning fiscal system is necessary for a pro-poor orientation, as tax evasion and graft adversely affect the poor. The expenditure side of fiscal systems can also have major implications on poverty and inequality. Strong focus on the social sectors is often an important step towards a pro-poor orientation.

Increases in employment and labour productivity provide the main link between economic growth and poverty reduction. In order to reduce poverty, it is essential both to enhance the capacity of the economy to generate productive employment and decent working conditions, and to strengthen the ability of the poor to access these opportunities. Democratic and efficient organisations (not least trade unions) are important tools to achieve decent working conditions.

The majority of the world’s poor live in rural areas where agriculture provides the main economic base. Hence, institutional and legislative frameworks that provide adequate, equitable and secure access to land and natural resources are crucial to pro-poor growth. Yet, comprehensive land reforms are highly politicised processes and difficult to undertake; inevitably, one person’s gain is another’s loss. In many parts of the world the population pressure on land is high, and efforts must focus on increasing the productivity of land already available and in use.

A pro-poor growth in rural areas necessitates a mutually supportive development of agriculture and non-farm activities. The existence of small- and medium-scale enterprises as well as equitable access to appropriate technologies, markets, extension services and credits plays a key role in this regard.

Education and health are central to a meaningful life. They are also part of the social and economic rights that should be guaranteed to all people. In addition, few things yield higher returns for poverty reduction than investments in and equitable access to education and health. Education has repeatedly been identified as a highly significant factor in reducing poverty. Furthermore, the single most important asset for the majority of poor households and individuals is their labour. This is, moreover, the asset most easily lending itself to improvement. Ill health and poverty are closely linked, and feed on each other. Illness causes poverty while poverty makes people susceptible to disease and disability.
Poor people have an impressive ability to generate savings if given the opportunity. Even though solid evidence shows that many poor people are credit-worthy, they are often denied access to credit and financial services and thus face a strong disadvantage in terms of capital.

The poor also suffer from a lack of access to markets and information and from an inability to enforce their rights and organise themselves. They are often relegated to the margins and outside the formal sector of the economy. The result is high transaction costs, low returns on their productive resources and increased vulnerability. Informal-sector activities with low pay and little or no protection under labour laws are a more important source of livelihood for the poorest groups than for the more well-off, and for women and children more than for men.

Education and Jobs are Fundamental

Odila and Matthews’s daughter Ana Chivoko and her twin brother Peter recently turned 18. Last year they sat their O-level exams. To be able to enter further education or the formal labour market they needed to pass in five subjects. Like 95 per cent of other secondary school children in rural Zimbabwe, they were not able to achieve this.

At least part of the reason for this lies in the learning environment. Teaching is mostly in English, which the children barely understand. Teachers often lack pedagogical skills. And with only one textbook for every five students, it was hard to study.

Peter and Ana both wished to leave farming, and their father agreed. But now they all have to adapt their dreams to reality.

Peter has gone to the capital, Harare, and joined his father, the night watchman. He doesn’t really have many formal skills, as school was too theoretical. He would like to become a mechanic. But there are no scholarships. His chances lie with the family. If someone like an uncle has the right connections or money to invest in him, he might be successful.

Ana plans to enter the cross-border trade, travelling to South Africa and bringing back whatever she can carry. If she is smart she might prosper. If not, she will be exploited and risks ending up infected with HIV.

A lot of things have improved in Ana and Peter’s lifetimes. There are now schools for almost everyone in the rural areas, as well as health clinics. But economic development has not kept up with the need for social investments, resulting in a deterioration of living standards during the past decade. Appropriate education and an expanding labour market are probably what Peter and Ana most need.
Corruption and rent-seeking is not only highly detrimental to economic development; they also have a disproportionately greater effect on the poor. A high degree of transparency, straightforward rules of accountability and strong deterrents to corruption are essential to enhance the opportunities of the poor.

Poverty reduction must be interpreted not only as escape from poverty, but also as protection from the risk of falling into poverty. Transient poverty resulting from shocks and crises risks developing into chronic poverty.

National governments have the main responsibility for social welfare, but most governments in poor countries have limited economic and institutional capacity to tackle social, cultural and economic discrimination and inequalities. Alliances between various power structures and interest groups at different levels are necessary for the formulation and effective implementation of social welfare policies. Such alliances must include the poor and the better-off alike. There is a need to elaborate options for social security that are not exclusively tied to family relations and that foster cohesion, redistribution and gender equality.

Addressing the social dimensions of poverty reduction requires a good understanding of social relations and institutions, as well as promotion of democracy and human rights. Cultural specificity is an important factor in poverty reduction, both in the broad sense (in terms of how people’s lives are understood and organised by themselves) and in a more narrow sense (how their understanding and views are expressed). The recognition of pluralism is an essential element in the creation of conditions for improved and sustainable living conditions. Social inequalities – regardless of if their basis is found along gender, ethnicity, disability, age or other lines – hinder the achievement of a pluralistic society.

Gender-based inequalities deprive women of their basic rights (including sexual and reproductive rights), disempower them and constrain their access to resources, opportunities and security. It also impairs overall development. Constraints on women’s productive potential reduce individual and household incomes as well as economic growth at national levels. Investments in female education and health care pay particularly high dividends in terms of sustainable poverty alleviation for present and future generations.
The HIV/AIDS pandemic poses a serious threat in many parts of the world. In Southern Africa it has reached such proportions that it endangers not only the lives of those infected but also the livelihoods of everybody and indeed the very fabric of society. Its demographic, economic and social consequences are particularly severe as it primarily affects those at the early stage of their economic and reproductive life. This leads to a contraction of the labour force and shortages of critical skills, severely impairing the economic capacity not just of households but indeed of nations as well. A generation of elderly becomes deprived of the material support of their children yet with no other source of material security in their old age. Large numbers of children are turned into orphans who, deprived of parental care, are destined for a bleak future. The additional demands on health care and social security brought about by the epidemic stand in stark contrast to delivery capacity, even at a very basic level, of the governments of already impoverished countries. Unequal gender relations are a key factor in the spread of HIV/AIDS, including women’s lack of power to negotiate about protected sex.

**Sida supports**

- policies aimed at macro-economic stability and a transparent and predictable economic environment
- policies aimed at raising rates of employment, labour productivity and incomes with particular focus on poor people
- investment in human resources – e.g. education and health – with an emphasis on the needs and interests of poor people
- pro-poor fiscal and other policies aimed at redistributing income and productive assets in favour of the poor
- eradication of corruption and promotion of transparency in all areas of the public domain

**The Risk of Falling Ill**

In one respect the Chivokos have been lucky. They have been spared serious illness. Many families get deeper into poverty when someone falls ill. The clinic is 15–20 km away and would not be able to give them much support.

The risk of HIV infection is enormous in Zimbabwe, but Odila and Matthew have been able to avoid infection. A couple of years ago two of Matthew’s brothers died suddenly – exactly from what is difficult to say. Now Matthew has been chosen as the leader of the extended family. His responsibility to cater for the needs of all will lessen his capacity to take himself, Odila and their children out of poverty.
• the rule of law and protection of rights, including property rights

• creation of an enabling environment for entrepreneurship and a legal and institutional framework in tune with social and economic realities

• development of effective markets working for the poor

• rural development and development of economically depressed regions

• efforts in partner countries to develop social welfare policies that foster social cohesion, redistribution and gender equality

• efforts aimed at reaching gender equality at the national, regional, community and household level with regard to economic, political and social development

• efforts aimed at improving the situation of discriminated or underprivileged groups, such as disabled persons and ethnic minorities

• activities to contain the HIV/AIDS pandemic and lessen the short- and long-term individual and societal effects with special consideration to the situation of orphans

• development of poor people’s own organisations to deal with social issues

• cultural activities in partner countries that promote democratic processes, national unity, cultural diversity and cultural expressions.

4.2 Political Dimensions

Human rights’ frameworks provide a normative base for poverty reduction, while democracy organises political and social life to this end. Respect for human rights is first and foremost the responsibility of the state, and is dependent on political will and resources.

A democracy and human-rights approach translates poor people’s needs into rights, and recognises individuals as active subjects and stakeholders. It further identifies the obligations of states that are required to take steps – for example through legislation, policies and programmes – whose purpose is to respect, promote and fulfil the human rights of all people within their jurisdiction.
Three principles stand out as particularly important:

- all human beings are born free and equal in dignity and rights
- transparency, accountability and rule of law
- participation and representation in public decision-making

The determination and capacity of the state to guarantee human rights and freedoms for all inhabitants is of central importance. These include political and civil rights, such as freedom of thought and speech; right to a fair trial, to liberty and security; and protection against cruel, inhuman and degrading treatment. They also include economic and social rights, such as those to food, housing, health and education. The right to social security and protection against exploitation and abuse is essential for children. The ability to exercise such rights requires democratic space.

The roots of poverty can often be traced to unequal power relations. The possibility for poor people to participate in and influence the public debate is therefore important. A prerequisite for individuals and groups to have the opportunity to participate in decision-making and conflict resolution is freedom of expression and the right to freely state one’s opinions. This concerns all areas of the exchange of ideas and at all levels of decision making: national legislative assemblies, elected councils at district level and village councils at the local level. Other prerequisites are the existence of independent media and the freedom of association that enables poor people to take collective action and organise themselves in pressure groups.

**Sida supports**

- promotion of human rights and democratisation by strengthening the capacity of state and civil society – and the co-operation between them
- legislation, policies and programmes in the area of human rights
- increased participation of the poor in political, economic and social life
- reformation of the public administration to achieve efficient delivery of services as well as accountability towards the poor
- improved freedom of expression and facilitation of a pluralistic debate
4.3 Environmental Dimensions

Poor people are particularly – and directly – dependent on natural resources for their survival (e.g. because of their limited assets and greater dependence on commonly held resources for their livelihoods). Good-quality soils, productive forests and aquatic systems, and clean water and air are necessary assets for ensuring food security, energy, shelter and good health. Sustainable use of natural resources and protection of the environment is therefore a prerequisite for effective poverty reduction. Overuse of natural resources and environmental degradation not only reinforce today's poverty, but also put the sustainable livelihoods of future generations in peril.

Pro-poor, environmentally sound and sustainable development necessitates a broad outlook and definition. It must focus on the use and management of natural resources for production and consumption, pollution control, and maintenance of ecosystems and their functions. This will safeguard poor people's health and create livelihood capabilities and opportunities (e.g. in small-scale agriculture, forestry and fishing, and in the management of water and coastal/marine areas).

Poor people are especially vulnerable to degradation of the local, regional and global environmental commons. Climate change is projected to cause a significant increase in the scope and severity of famine. Declining biodiversity, unless halted, poses a serious threat for the poorest since their livelihoods depend on a variety of resources rather than on monocultures. Genetic diversity among animal and plant varieties and species is critical in food production; in development of new crops, commodities and medicine; in pollination and soil formation. Food security for the poor depends on a functioning basic ecosystem.

Environment-related stress – such as drought, soil erosion and floods, which cause famine and create refugees – contributes to impeding the mental and physical health of poor people, not least children. HIV/AIDS exacerbates existing development problems such as food insecurity. Poverty, health and the environment often interact in a vicious circle: poor people are less capable of coping with stress of various kinds and they lack the means to reduce stress, for instance the cash and labour power needed to prevent soil erosion. Vulnerability increases: diminished agricultural output results in decreasing incomes, poor nutrition and growing health risks; disease and malnutrition make people less able to work.

Resource depletion and environmental pollution are to a large extent caused by actions taken by the non-poor, but it is the poor who have to earn their livelihoods in areas that have the dirtiest water, the poorest soils and distant or degraded forests.
The sustainable utilisation of natural resources also has a gender dimension. Men and women by tradition often use natural resources differently and have different roles in society. While women, through their daily work, generally possess significant knowledge with regard to natural resources, they tend to have weak and insecure rights to these resources.

Sida supports
- development of pro-poor, environmentally sustainable international policies, e.g. concerning trade and investment
- capacity development of institutions to enhance policy work in the area of sustainable development
- protection and expansion of the natural resource assets of the poor, including equitable management of ecosystems
- analyses of environmentally sustainable development for poverty reduction at the country, sector and project level
- development of policies and methods for sustainable production systems and livelihoods for poor people

4.4 Peace and Conflict Resolution
Poverty alone is neither a sufficient nor a necessary condition for armed conflict. However, when a specific blend of factors and circumstances coincide – widespread poverty with human rights abuses; a state that is unwilling or unable to discourage violent behaviour; exploitation of ethnic differences; unequal distribution of natural resources; transition from one kind of governance to another – this can create grievances and feelings of injustice that may lead to armed conflict.

That armed conflict causes poverty is well documented. Economic growth is almost always negatively affected. In addition to the toll of the dead, maimed and injured, there are heavy human costs in terms of increased infant mortality and a deterioration in health, nutrition and educational standards. Conflicts weaken or destroy almost every type of capital: physical (plants, land, human resources), organisational and social; they also discourage new investments in these areas.

The poverty and gender dimensions of armed conflicts are clear. Poor and powerless people, especially young men, are those most likely to volunteer as soldiers or to be conscripted by force. Among civilians, women and children are the main victims of armed violence and are those most likely to become refugees and to be violated, sexually abused and killed. Despite their disproportionate victimisation during conflict, women, children and the elderly are seldom if ever consulted or allowed to participate in conflict prevention or peacekeeping efforts.
Scarce or degraded natural resources, unequal distribution of assets (including natural resources) and high population pressure may also trigger conflict. Hence, a fair distribution and the sustainable use of natural resources are essential for conflict prevention.

Work in post-conflict situations has increased for Sida, posing new challenges to the organisation and absorbing major resources. However, it should be noted that the aim of Sida is rather to identify potential conflict areas and be engaged in efforts to prevent conflicts.

**Sida supports**
- peace and conflict assessments according to identified need
- activities contributing to peace-building and conflict management according to identified need
- pre-conflict analysis and conflict prevention
Starvation under Plenty: Zambia’s Development Contradictions

Zambia is richly endowed with natural resources. The country possesses a good climate, abundant arable land, labour and plenty of water resources. There are a variety of sources of energy, such as forests, hydropower and coal. Zambia is also home to some of the world’s largest known reserves of copper, cobalt and emeralds. Yet, Zambia’s development record since independence in 1964 has been dismal. Economic growth has for the past 35 years failed to keep pace with population growth. The result has been a continuous fall in per capita GDP, which in its turn has been reflected in declining incomes and wages and increasing unemployment and poverty. In the early 1990s Zambia was declared a least developed country and ten years later almost two thirds of the population was subsisting on less than one dollar per day.

What went wrong? There would seem to be a host of explanations. A series of external shocks in the mid-1970s – rising oil prices and a major decline in copper prices – hurt the economy severely. Poor policies at home, such as increased centralisation of economic activity in state hands, made matters worse. The heart of the problem was a failure to diversify the economy beyond copper mining. The narrow economic base made the country both vulnerable and poorly equipped to achieve sustainable pro-poor development. The subsequent period of structural adjustment witnessed a worsening trend in both the magnitude and pattern of poverty. In particular, the neglect of agriculture, which continued into the post-structural adjustment period, further marginalised the majority of the population that depends on this sector for their livelihood. Smallholder farmers, currently the group worst affected by poverty, came out of structural adjustment more crippled than before.

Zambia’s example points to the importance of economic growth for poverty reduction, but also to the fact that the nature of the growth matters a lot. The Zambian story is one of inadequate and narrowly based economic growth, resulting in declining overall incomes as well as increasing income inequality. Poverty reduction needs to be made the priority objective of national development policy; growth as well as redistributive and other policies should be seen as means towards this end. This shift in focus has been brought into the limelight by the adoption of a Poverty Reduction Strategy as the centrepiece for national policy making.
5. Poverty analysis

Analysing poverty is essential for decision making, for public debate, for planners – and not least for those for whom a specific intervention is designed.

Poverty analysis is mainly the responsibility of the partner government. This makes it important that the government has the resources to undertake analyses, draw relevant policy conclusions, identify policy options and assume ownership of the policies derived from these. Access to the data is important for universities, civil society organisations and policy think-tanks. Sida’s responsibility is to support partners in these tasks.

5.1 Perspectives and Methods

A poverty analysis should map the causes and dynamics of poverty and not just provide a description of its symptoms. It should provide a basis for action by identifying the positive processes that can be supported and the negative processes that need to be counteracted. The analysis must cover the macro, meso and micro levels and include a combination of qualitative and quantitative approaches.

A plurality of perspectives needs to be taken into account in the analysis. Sometimes relevant perspectives will reflect differences in access to material or productive resources. In other contexts they might be identified on the basis of regional or ethnic divisions. Sometimes they will be ideological (e.g. based on religious or political identities). Differences coupled to age and gender are often important. As an understanding of the local context is needed to uncover the relevant perspectives for a specific situation, such analyses should preferably be carried out by national investigators and researchers in co-operation with local populations.
Participatory Poverty Assessments (PPAs) grew out of a criticism that income-based poverty analyses had failed to capture such dimensions of poverty as vulnerability, risk and seasonality. Conventional surveys often treat households as homogeneous units and overlook intra-household differences based on age and gender, for instance. They also tend to overlook community-relevant factors such as access to common resources or inter-household linkages based on kinship, ethnicity and other types of social capital. That is, they neglect poor people’s assets and coping strategies, which normally provide the basis for survival and a meaningful life.

Another method recognising the multidimensional nature of poverty is the Sustainable Livelihoods Analysis, which is carried out within an asset-vulnerability framework. It involves identifying a number of assets that are deemed to be strategic for people’s livelihoods. It focuses not only on problems and obstacles but also on capabilities. Such an analysis provides entry points and opportunities for effective development interventions grounded in people’s own realities and efforts. Environmental hazards, natural disasters, and natural resource depletion increase poor people’s vulnerability. Often the result of substantial degradation of ecosystems is that livelihood systems become increasingly vulnerable. Low productivity and insufficient and inequitable access to material resources are also factors that increase the vulnerability of poor people.

5.2 Some Critical Aspects in an Analysis

Poverty analysis is done at different levels and relates to different processes. In the context of programmes and projects, factors such as sustainability, cost-effectiveness and implementing capacity are critical. In sector work, institutional aspects may come to the fore.

To understand the processes that can lead a country into or out of poverty, it is also important to consider aspects such as ethnicity, gender, age and disability. The linkages between these, as well as other variables that create poverty in a particular society, need to be clarified. For even if ‘being a woman’ or ‘being a child’ may be a high risk factor in a number of different situations, it is also true that neither all women nor all children are poor or powerless. Consequently, the dynamics of the social, political and economic structures in each specific context need to be understood. Individual poverty is always the result of the interplay of several factors, not just one; poverty is socially created, not a natural or ‘given’ phenomenon. Just as social and economic structures may create poverty, so too can they be the key to positive change.
No group or category of people is automatically found among the poor everywhere. When conducting a poverty analysis it is nevertheless important to include aspects that international research has identified as being of particular relevance in a wide range of cases.

Causes and expressions of poverty, as well as strategies to overcome poverty, may vary between women and men. It is therefore important to include the perspectives of women as well as those of men in a poverty analysis. Gender inequalities usually have roots far removed from the immediate life situations of poor people and beyond their control. Therefore, measures directly targeting poor women and/or men are not enough. Measures that affect both direct and indirect gender-poverty linkages are required. This includes supporting gender equality in political participation, representation and decision-making.

Factors such as age, class, marital status, ethnicity and other variables mediate gender roles. Different combinations of these may reinforce one another negatively or positively. The form of interaction varies in relation to cultural and societal values and norms, as well as economic situation. The result is expressed in particular patterns of division of labour and power between the sexes. ‘Gender’ is sometimes taken to refer only to women, but gender norms and stereotypes affect all people, men too. The roles are mutually interdependent; that is to say, ideas about the superiority of one sex in certain situations implies the inferiority of the other. In such cases, both women’s and men’s roles must be changed to create equality.

Ethnic affiliation, nationality and cultural distinctiveness have the potential to enrich societies. However, differences based on ethnic ascription or identity, religion, language, etc. are often used as excuses for discrimination and oppression. In all regions there are population groups that are victimised by racism and other forms of ethnic or cultural discrimination. This may result in, or perpetuate, poverty due to blocked access to productive assets and information. Such groups are also subject to human rights violations; in many cases they receive no protection under the law. A significant number of the world’s refugees and internally displaced persons are the victims of armed conflict and genocide in which ethnic differences have been used to fuel hostilities.

Indigenous peoples often inhabit areas of fragile ecosystems and belong to marginalised, subordinate and impoverished groups. Their exclusion hampers economic growth, restricts human potential and leads to less security for all. It is important not to analyse ethnicity as referring to a homogenous category but to see it in relation to other factors that produce inequality, such as gender, age, disabilities and access to resources.
The number of people with disabilities living in conditions of poverty is disproportionately high. Many forms of disability are caused by poverty-related conditions such as malnutrition, injuries resulting from dangerous manual jobs, and armed conflict. Children with disabilities are even more at risk than adults, and their care providers – nearly always women or older girls – seldom receive support. It is important to include disabilities of different kinds in poverty analyses to see their variation and incidence and how they are related to other variables. Effective support reducing poverty among people with disabilities may necessitate a change of values and norms in a society.

Old age has often been associated with wisdom and high status, particularly in traditional, pre-industrialised societies. In many cases, the elderly have had important socialising roles in the lives of children and the young. Increasing levels of education and new sources of income tend to displace these roles and disrupt the entitlements associated with them. Old women face growing responsibilities as caretakers for both adults and children due to factors such as HIV/AIDS, wars and conflict. To a greater degree than before, the elderly poor also need to remain longer in some form of remunerative activity, be it farming or begging.

Children comprise more than half of the population in most countries where Sida works. Their needs are special due to their level of dependency and the fact that they are in their socially formative years. Survival and development; freedom of expression; education; health care; and protection against exploitation, discrimination and abject deprivation – these are not only part and parcel of the universal rights of children; they are also essential to endow children with the capabilities for a full and productive life as adults.

Violence and armed conflict, natural disasters and diseases exacerbate the poverty of children. In Southern Africa, the numbers of children living on the street or incarcerated is testimony to the fact that millions of girls and boys are becoming orphaned and will be left without proper care, education, socialisation and security because of HIV/AIDS. Another result of the pandemic is a growing number of child-headed households, where children are left to fend for themselves as well as for younger siblings, sick adults and the elderly. In many countries, poor children are severely exploited as labour, carrying out tiring, badly paid work without any legal protection. Poor girls may face even worse conditions as domestic workers where they are vulnerable to sexual harassment and exploitation. The countries of the former Soviet Bloc in Eastern and Central Europe are facing similar tragedies as large numbers of children from suddenly impoverished families become homeless.
5.3 Sida’s Conclusions

Poverty analysis is a crucial starting point in national poverty reduction strategies. Most partner countries need support in their analysis. This may be provided through universities, government institutions, non-governmental organisations (NGOs) or community-based organisations (CBOs). Poverty analyses require a good analytical capacity, not least in the field.

Sida co-operates with universities and researchers in Sweden and in partner countries, as well as with other development agencies and actors from the civil society, with a view to ensure that the overall knowledge generated about poverty can be used productively. An important responsibility of Sida staff is to assess the validity and reliability of already existing studies.

Sida supports

• development of analytical capacity (including research capacity and higher education) in partner countries

• consultations in policy processes engaging a variety of stakeholders

• processes involving multiple disciplines as a way to identify the various dimensions of poverty and analyse different stakeholder positions

• efforts to consider variables related to ethnicity and gender in poverty analyses, especially with regard to decision-making and power structures.

• explicit recognition and consideration of the situation of the elderly, children and those living with disabilities and their care providers
6. Development co-operation and poverty

This chapter outlines methodological principles. The aim is not to provide detailed guidelines, but to point out the main consequences of the poverty reduction approach. The issues highlighted are elaborated in *Sida at Work*.

6.1 Ownership and Participation

One of Sida’s most important tasks is to strengthen its partners’ possibilities for exercising ownership of processes leading to poverty reduction. It is vital that the ultimate stakeholders (namely the poor) are given the opportunity to participate and influence directly or indirectly, through decision-making assemblies, the processes of change in their societies.

Popular participation is a goal in itself. It is also an important means to the achievement of other development goals. Sida often works through the government in a country at central or sub-national levels rather than at grass-root levels. This means that participation must be part of the policy dialogue with the government.

**Sida supports**

- national ownership of poverty reduction strategies
- participation of primary stakeholders at both central and local levels
- capacity building of civil society, both in partner countries and in Sweden, promoting enhancement of transparency, accountability, and the participation of poor people
processes that facilitate participation by poor people, both women and men, in development processes that concern them

communication and information about decisions concerning development initiatives

6.2 The Dialogue

Policy dialogue has a central function in Sweden’s development co-operation. The dialogue is a continuous exchange of viewpoints, a process of negotiation and a quest for a common platform of thought and action. This is conducted with the partner country, other donors and financiers, consultants, private enterprises and civil society.

A dialogue on poverty reduction often emphasises economic and political issues that are sensitive in nature. The political transfer of power or the appointment of new officials can change the relationship between the donor and partner. The ability to anticipate potential conflicts and negotiate differences of opinions are of vital importance. In a well-functioning relationship, the parties are open and frank about differences in values and perceptions of the goals.

The relationship between Sida and a partner country may sometimes suffer strains. Sida should not refrain from raising difficult issues in the dialogue. Long-term collaboration, leading to confidence and trust, has allowed Sida to successfully champion objectives such as gender equality and the involvement of illiterate people and the young. Dialogue and consultation should be conducted in ways that do not undermine the legitimacy of democratic institutions. Sida representatives must realise the complications of having the power of money. Thus it is important that dialogue be conducted with humility, dignity and respect, constituting a truly mutual learning process.

The multidimensional aspects of poverty and its causes demand a holistic policy dialogue. The views and concerns that different actors and stakeholders have about poverty reduction strategy issues and choices should be clarified. Sida must review the relevance of national poverty strategies (e.g. Poverty Reduction Strategy Papers, PRSPs) and their claims to include the interests and voices of the poor. Particular attention must be paid to categories known to be frequently excluded, such as the very poorest people, women, the elderly, children, people with disabilities, ethnic minorities and the inhabitants of remote and resource-poor areas.

Dialogue demands solid knowledge of one’s own organisation and its values. It is not the values of the individual official but those of Sweden and Sida that must be advocated. Thus, prior to each dialogue, it is the duty of representatives from
Sweden/Sida to make sure that they are well-versed on Sweden’s/Sida’s stance on and approach to poverty reduction.

**Sida supports**

- a strong partnership based on dialogue, mutual trust and joint accountability
- partnerships with a clear understanding of the rights and responsibilities of each partner plus agreement on objectives and ways of achieving them
- long-term collaboration with partners in order to gain the experience necessary for making decisions of how to act judiciously in different situations
- an approach that recognises listening as an important part of the dialogue
- efforts to facilitate the development of attitudes that allow for accommodation and change on either side.

### 6.3 The Country Strategy Process

The Country Strategy Process (CSP) is the single most important instrument governing Sweden’s development co-operation with partner countries.

First and foremost, Swedish country strategies build on partner-country strategies and planning instruments. These set the frame in terms of policies and priorities, convert them into spending decisions, and monitor outcomes in relation to poverty reduction. It is crucial that they are firmly based on a poverty reduction approach. The Swedish country strategies should:

- focus on poverty reduction goals
- align, as far as possible, with the partner country’s own strategy and priorities for reducing poverty but also taking into consideration proposals from the civil society
- reflect knowledge of what other development agencies are doing in the country and of existing aid co-ordination mechanisms
- be guided by the best available knowledge of the poverty situation in the country, including the results of poverty assessments, social analyses including gender dimensions and implications, considerations of environment-poverty linkages and economic frameworks
The process leading up to a country strategy is governed by Guidelines for country strategies in Swedish development co-operation, and is also described in *Sida at Work*. The following points should be emphasised:

1. **Relation to National Poverty Reduction Strategy Papers.** If a PRSP exists, the first step in the CSP should be to decide how Swedish development co-operation could be aligned with this document. An assessment of the process behind, participants in, and content of the PRSP is therefore necessary. The following questions should be raised:

   - Has a poverty analysis been presented as a basis for the strategy?
   - Has the parliament (or other elected assemblies) been active and involved in deciding or formulating the strategy?
   - How representative has the stakeholder consultation been?
   - Is the strategy based on analyses of the sustainable use of natural resources and environmental issues significant for poverty reduction?
   - Are the needs and potentials of geographically vulnerable areas, as well as ethnic minorities and excluded categories of people, identified in the strategy?
   - Is the strategy in line with planning and follow-up mechanisms such as the national budget, public expenditure reviews, etc.?
   - Is the strategy realistic and sustainable in terms of expenditures/investments and political commitment?

2. **The country analysis part of a CSP is the key to a poverty-focused strategy.** A holistic, multidimensional understanding of a situation does not imply that all dimensions are equally important at all times. The country analysis must identify current priorities on the basis of the present situation, including the sequencing of interventions. When possible, Sida should use existing poverty analyses in PRSPs or other strategies if these are considered well prepared. If thought necessary, such analyses could be supplemented with special thematic or other studies.

3. **The country strategy should reflect the issues and problems identified in the country analysis.** However, this does not mean that Sida could (or should) attend to all problems identified. The choice of interventions should be based on priorities
Mainstreaming Poverty

The Chivoko family in Midlands province, Zimbabwe, might not be aware of it, but Swedish development co-operation has been intended to particularly benefit them. It started in the early 1980s with extensive support to school constructions in the rural areas. The funding of health clinics and basic health services, including a successful vaccination programme, complemented this. Road reforms and construction of rural roads with labour-intensive methods creating jobs and cash incomes were other programmes. Sweden has furthermore played an important role in supporting reforms of the local administrative system and national tax system and promoting decentralisation, the idea being to increase resources for development, efficiency in service delivery and the participation of all citizens, women and men alike.

This may have been the almost optimal use of the limited Swedish resources in a poverty alleviation perspective. If the Chivokos had been allowed to express their preferences, they would probably have voted for several of the Swedish programmes. However, they would then have asked why these didn’t improve their lives more; rather than an improvement, the Chivokos like most other Zimbabweans have experienced a steep downturn in living standards in the last ten years.

Other factors, mainly misdirected efforts in economic policy and bad governance can explain this. But the planners and agencies may also have had insufficient knowledge about the dynamics of poverty, underestimated the political forces in society, minimised consultation with the poor and not tackled the problem of lack of assets among poor people (especially land). The Chivokos probably did not realise that, in its dialogue with Zimbabwe, every year during the 1990s Sweden raised the issue of land reform for the benefit of the poor – but to no avail.

outlined in the country analysis and on areas where Swedish knowledge and resources have a comparative advantage and can play the most efficient role.

4. The country analysis should also identify a platform for policy dialogue questions. They are especially important in situations when Sida’s assessment of the PRSP is unfavourable. In such cases it will not be possible to align fully to it. Support will instead be given to activities that are more in line with issues identified in Sweden’s analysis.

5. The Country Strategy Process is important also as an instrument for co-ordination with the multilateral institutions. It forms a platform for Sweden’s discussions with the World Bank, the UN system and the European Union.
6.4 Programmes and Projects

The Swedish country strategy gives the fight against poverty as justification for how and where Swedish development co-operation is implemented in a specific country. This general justification must be operationalised in each specific Sida intervention.

In order to analyse the poverty reduction potential of programmes and projects, it is important not only look to at the programme itself but also at the surrounding political, economic, social and environmental context. This includes the analysis of gender dimensions and of conflict risks; of rights-based perspectives; and of sustainability issues (the latter both in terms of ownership and environment). Alternative approaches should be considered. If possible, the primary stakeholders should participate and influence project formulation, implementation, monitoring and evaluation.

To assess the likely outcomes of different types of intervention it is necessary to do a poverty analysis of the concerned sector – be it water and sanitation or research and higher education. Poverty-related sector studies (preferably elaborated by the recipient country) should be used in all major Sida interventions.

A solid country analysis of the poverty situation and – for major countries and interventions – a sector analysis provide a basis for decisions on the type of intervention (e.g. programme or project support) and choice of channels (e.g. government or civil society).

The amount of issues to be covered varies depending on the size and complexity of the proposed intervention/support. A justification in terms of likely impact on poverty reduction must always be explicitly stated. However, there will always be differences in the extent to which interrelated issues like gender relations/equality, environmental sustainability, children’s rights, etc. need to be covered. A choice must be made on a case-by-case basis.

There are many types of interventions to combat poverty. Based on OECD/DAC suggestions, three major types of interventions have been identified:

- Support to general structural changes in a country that aim at (say) growth or democratic governance. Here the focus of the analysis is on a broad knowledge about the country. What is the potential for pro-poor development? What are the bottlenecks or obstacles to achieving this? Often financial or institutional support for growth and/or for public sector reform and development may be justified. If, on the other hand, income or property distribution is very skewed or if (say) gender relations constitute a strong restriction in terms of human rights and/or growth conditions, such support may be justified only if it relates to a strong reform agenda in those respects.
• Indirect or inclusive actions for broad groups of people focusing on sectors of special importance to the poor, e.g. basic education or small-scale enterprises. This is where the bulk of Sida’s project interventions take place including programme support. Programmes that are not directly pro-poor must be analysed in terms of alternative priorities, relevance and possible anti-poor side effects (including anti-next-generation effects in terms of environmental degradation). For example, are gender-biases distorting an agricultural development project? What are the effects for the local population of a major infrastructural investment? Has the population been involved in a consultative process for that project? Is the environmental NGO that is currently receiving support potentially self-sustaining in the long run?

• Interventions directly and predominantly focusing on poor people, e.g. targeted safety nets or community-based organisations among the poor. The issues of relevance and efficiency come into focus here. Poverty is multidimensional also at the local level. Poor people also live in a social context with power relations (including those of gender) and with resources that could be increased or lost through outside interventions. Unsustainable interventions may create short-term gains that later are converted into long-term losses in life quality for the poor. Efforts directly targeted at the poor or even the poorest are often difficult and risky, but successful programmes will logically be among the most efficient ones in an anti-poverty perspective.

Neither type is per se ‘better’ than any other and each generally will include a mix of technical assistance, policy dialogue and financial support. Sida considers on a case-by-case basis which combination of interventions is judged most appropriate for the specific situation and purpose at hand. All kinds of programmes and projects, however, require a clear justification in terms of its expected poverty impact.

Sida concludes

• Each intervention must be analysed in a poverty perspective. The scope of the analysis will vary. Sida should select key areas for the analysis, depending on the context, previous experience, magnitude and type of intervention, available information and other actors.

• Sida needs a strong field organisation in order to provide a holistic perspective and cross-disciplinary knowledge about the local poverty context. Resources and power therefore need to be delegated to the field.
• Sida needs a strong organisation at headquarters that can actively support the field organisation.

6.5 Monitoring and Evaluation
Appropriate monitoring and evaluation mechanisms are needed to inform Sida and its partners about the relevance, effectiveness, impact, efficiency and sustainability of policies, programmes and projects geared to poverty reduction. Monitoring and evaluation systems serve purposes of learning and provide a basis for accountability in both Sweden and its partner countries.

Global targets like the Millennium Development Goals, as well as the national targets set through PRSP processes, have triggered the formulation of a variety of social and economic indicators of poverty. Sida has supported this work, and recognises the need for strong partner country organisations that have the capacity to monitor economic and social developments and assess the effects of poverty reduction efforts.

Enhanced learning is crucial to reach the targets set for reducing poverty. Incorporating lessons learned will be increasingly important. To be effective, learning systems must involve target populations of poor citizens as well as secondary stakeholders such as Sida, national governments and other implementing parties.

Partnership is a guiding principle for the planning, implementation and assessment of evaluations. This means that partner countries should be encouraged to take the lead in the evaluation of their own policies and programmes. It also means that evaluations should be designed and carried out with the participation of relevant stakeholders at all levels. With the spread of sector programmes and other joint efforts, the need for co-operation and co-ordination in evaluation increases.

As strong monitoring and evaluation frameworks are being built into partner country operations supported by Sida, there will be an increasing demand for strengthening of partner-country institutions for evaluation and auditing. There is also a need for capacity building within Sida itself.

Sida supports
• strengthening of outcome-oriented systems of monitoring and evaluation in projects and programmes
• establishment of partnerships with regard to monitoring and evaluation, locally, nationally and internationally
• incorporating results of evaluations as part of the enhancement of the quality of learning processes
• strengthening of evaluation capacity building in partner countries
Moldova: Transition to Destitution

Moldova has probably suffered the most devastating decline in living standards of any country in modern times. From a situation of relative prosperity, GDP fell in the 1990s by over 70 per cent to little more than 300 dollars per capita. The collapse of the Soviet Union transformed Moldova from being a small cog in a huge centrally planned economy into an independent state with an open economy. Instantly, most of its economic infrastructure, created during the Soviet times with little regard to costs, became an economic burden. The need for investments and economic reconstruction was imperative. Functioning basic institutions – such as a national government apparatus, an independent judiciary and a parliament – were an immediate necessity but were lacking. Health care, education and social protection needed to be redesigned. In essence the country had to be built more or less from scratch.

The initial economic shock was amplified and sustained by a collapse in domestic demand, resulting from the sharp fall of real incomes. This, in its turn, led to a sudden collapse in government revenues. The fiscal crisis could only be averted by a sharp curtailment of social expenditure and raising of short-term loans at high interest rates from the international financial institutions. As the country reeled from the effects of the economic shock, the focus shifted from the needs of societal transformation to day-to-day crisis management – the momentum for change was lost. The shrinking economic base and a massive devaluation of the currency in 1998, together with the harsh terms of the loans, resulted in an intolerable debt service burden. This provided the deathblow to the already much-weakened, publicly funded social sectors and also had the effect of contracting the already depressed economy.

With education, health care and the social security system in ruins, the erosion of the human resource base quickly followed and transient poverty was soon transformed into chronic and inter-generational poverty. By the end of the 1990s per capita incomes had fallen to little more than ten dollars per month, well below subsistence level. At the same time income inequality had become extreme, a situation that was unprecedented. People were increasingly pushed into migration. By 2002 as much as a quarter of the labour force was reportedly working abroad, primarily as ‘illegal’ migrants in the rest of Europe.
Appendix 1

Human rights conventions and declarations

- Universal Declaration on Human Rights, 1948
- The International Covenant on Civil and Political Rights (ICCPR), 1966
  (ratified by 148 countries)
- The International Covenant on Economic, Social and Cultural Rights (ICERD), 1966
  (ratified by 145 countries)
- The Convention on the Elimination of All Forms of Racial Discrimination (ICERD), 1969
  (ratified by 162 countries)
- The Convention on the Elimination of All Forms of Discrimination against Women (CEDAW), 1979
  (ratified by 168 countries)
- The Convention against Torture and Other Cruel, Inhuman or Degrading Treatment and Punishment (CAT), 1987
  (ratified by 128 countries)
- The Convention on the Rights of the Child (CRC), 1989
  (ratified by 191 countries)
Appendix 2

The Millennium Development Goals

1. Eradicate extreme poverty and hunger
   • Halve the proportion of people living in extreme poverty between 1990 and 2015
   • Halve the proportion of people who suffer from hunger between 1990 and 2015

2. Achieve universal primary education
   • Achieve universal primary education for both girls and boys by 2015

3. Promote gender equality and empower women
   • Eliminate gender disparity in primary and secondary education by 2005 and on all levels by 2015

4. Reduce child mortality
   • Reduce the under-five mortality rate by 2/3 no later than 2015

5. Improve maternal health
   • Reduce the maternal mortality rate by 3/4 no later than 2015

6. Combat HIV/AIDS, malaria and other diseases
   • Have halted and begun to reverse the spread of HIV/AIDS by 2015
   • Have halted and begun to reverse the incidence of malaria and other major diseases

7. Ensure environmental sustainability
   • Integrate the principles of sustainable development into country policies and programmes by 2005 and reverse the loss of environmental resources by 2015
   • Halve the proportion of people without sustainable access to safe drinking water
   • Have achieved a significant improvement in the lives of at least 100 million slum-dwellers by 2015

8. Build a global partnership for development
   • Develop an open, rule-based, predictable, non-discriminatory trading and financial system.
   • Address the special needs of the least developed countries
   • Address the special needs of landlocked countries and small island developing states
   • Deal comprehensively with the debt problems of developing countries
   • Develop and implement strategies for decent and productive work for youth
   • Provide access to affordable, essential drugs in developing countries
   • Make the benefits of new information technologies available
Appendix 3

Swedish government documents

• *The rights of the poor* (Gov. report 1996/97:169) underlines that combating poverty is indispensable to peace and global security, democracy and human rights and to socially, economically and environmentally sustainable development.

• *Democracy and human rights in Swedish development assistance* (Gov. report 1997/98:76) highlights the possibilities to support sustainable democratic development and respect for human rights in development co-operation.

• *To promote equality between women and men* (Prop. 1995/96:153) focuses on gender equality as a requisite for social and economic development.


• *Government communication on a child rights perspective in international development co-operation* (Gov. report 2001/02:186).

• *Sweden’s international co-operation for sustainable development* (Gov. report 1996/97:2) presents Swedish priorities with regard to the follow-up of the recommendations of the 1992 UNCED Conference in Rio. Underlines that environmental aspects have to be taken into account in all development work.

• *Africa on the move* (Gov. report 1997/98:122) and *Our future with Asia* (Gov. rep. 1998/99:61) are two important strategy documents based on a wide definition of development co-operation and the partnership concept.
Perspectives on Poverty
The overall mission – poverty reduction – is in the focus of this document that serves as a mind map for Sida’s work. Poverty is understood to be a condition where people are deprived of the freedom to decide over their own lives and shape their future. Lack of power and choice and lack of material resources form the essence of poverty. Given that poverty is dynamic, multi-dimensional and context specific a holistic analytical approach is advocated.

Sida Looks Forward
The role of Sida as a development partner is described in this mission statement. The task of development cooperation is to help create conditions that are conducive to sustainable development, poverty reduction, democracy and gender equality. This requires genuine partnership as well as real local ownership.

Sida at Work
This document contains an overview of the principles and methods that are applied during the various stages of preparation, implementation and follow-up of Sida contributions. Information on where to find more detailed guidelines (e.g., with respect to poverty analyses, country strategy processes, contribution management processes and logical framework analysis) is provided in a set of links to other more detailed documents.
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in a set of links to other more detailed documents.
Perspectives on Poverty provides guidance in Sida’s work towards its overall objective: to enable poor people to escape from poverty.

It is not a manual or a road map, but hopefully a compass and a mind map.