Islam, S. Nazrul, Manuel F. Montes, and Rob Vos. "Retooling Poverty Reduction Strategies." *Retooling Global Development and Governance*. Ed. Rob Vos and Manuel F. Montes. London: Bloomsbury Academic, 2013. 19–48. The United Nations Series on Development. *Bloomsbury Collections*. Web. 26 Apr. 2023. <<http://dx.doi.org/10.5040/9781472544933.ch-002>>.

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Chapter II

Retrofitting poverty reduction strategies

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SEE-SAW MOVEMENTS IN THINKING ABOUT POVERTY

While it was always an underlying aspiration, poverty reduction was not an explicit direct goal of initial development programmes. Rooted in modern growth theory which dominated early development theory, development policies of the 1950s and 1960s focused on promoting modern industrial development to accelerate overall economic growth. Industrial growth was supported through trade protection, cheap credits and subsidies and large-scale public investments in infrastructure. Output growth was expected to “trickle down” to the entire population and reduce poverty through rising wages and employment generation, even if initially poverty reduction might not be commensurate with the rate of output growth, as rising income inequality was expected to be an inevitable, although temporary side effect of industrialization. Capital productivity growth would lead to rising profit shares and allow for higher savings to finance domestic investment. Over time, at higher levels of development, gains from growth would be shared more broadly with faster real wage growth and dynamic employment expansion.¹

In practice, however, job creation under the industrialization strategies proved to be rather unsatisfactory in many developing countries, as biases in policy incentives favoured the adoption of capital-intensive technologies (imported from developed countries). In many instances, new industries also tended to rely more heavily on imports than on inputs provided by other domestic sectors, thereby limiting the coming into play of employment dynamics through inter-industry linkages. Furthermore, the focus on industrialization led to an urban bias and a relative neglect of agriculture, despite the fact that most of the population would depend on agriculture for employment and income. It should be noted that such downsides were

not present in all early development experiences. The newly industrializing countries of East Asia also relied on import substitution and imported technologies at the initial stage of their development. However, unlike those in Latin America and Africa, their industrial policies tended to be more selective and oriented towards the building of export competitiveness and the creation of domestic linkages, while raising agricultural productivity, which was a central policy objective in the early stages. As a result, these countries achieved a much more integrated growth and development outcome.²

Because employment growth and poverty reduction stayed below expectations in most developing countries, mainstream development thinking moved away from the trickle down approach and put greater emphasis on targeted interventions for employment generation, redistribution of income and investment in human capital. In large parts of Asia and Latin America, the previous neglect of the agriculture sector was redressed through the so-called green revolution, aimed at increasing land productivity through use of high-yielding varieties of crops and other modern inputs (such as mechanized irrigation, chemical fertilizers and insecticides). In some instances, the green revolution also helped increase rural employment, as the new technology required more labour, especially on small-scale farm units. This was much less the case in situations where mechanization set in. New paradigms emerged such as the “redistribution-with-growth” and “basic needs” approaches that brought employment—people and human needs—back to the centre of development strategy. In these approaches poverty reduction not only became an explicit goal of development, but also came to be seen as a means to accelerate growth.

To be sure, neither the basic needs nor the redistribution-with-growth approaches ever became dominant in actual policy practices. Many countries continued to push for modern industrial growth but started at the same time to put more emphasis on agriculture, for example, by introducing green revolution and other agrarian reforms, to increase government subsidies for basic needs and to invest more in social development. In some cases, where a basic needs-type strategy had been implemented in practice, as in Sri Lanka in the 1970s, it was seen (by some) to hamper growth by de-emphasizing investment and industrial development (Grindle, 2010). In other cases, generous subsidies and expanding government spending led to widening fiscal deficits and, together with adverse external factors, to mounting external debt burdens which proved unsustainable in the early 1980s.

Perceived failures in state interventions led to the emergence of a new growth orthodoxy in the 1980s. This orthodoxy, which eventually came to

be referred to as the Washington Consensus, laid strong, if not exclusive, emphasis, on market mechanisms as the main vehicles for achieving prosperity. The activist government policies of earlier development strategies were seen as having been faulty and, in many instances, steered by rent-seeking behaviour of government officials rather than as having served development objectives. Industrial protection and subsidies for many basic needs were perceived as distorting the proper functioning of markets, hampering not only output and employment growth, but also efficiency in the delivery of social services and poverty reduction. Industrial policies were to make way for trade liberalization, subsidies for basic goods and public utilities were to be eliminated, directed credit schemes were to make way for deregulated financial intermediation, and social services were to be properly priced through the introduction of user fees or private delivery systems. Equity and poverty reduction once again became aspirations, that is to say, *indirect* goals of development policies. Inasmuch as stabilization policies and market reforms came with visible social costs, compensatory social policies (including emergency employment programmes, social investment funds and other targeted poverty reduction programmes) were introduced in the 1990s, often with heavy support from the international community. This reflected the recognition by the Washington Consensus that markets would not immediately resolve the severest equity and poverty problems. However, by and large, the focus remained on aggregate growth, to be achieved primarily by relying on markets.

Disappointingly, the market reforms did not produce the expected sustained and strong output growth (Ocampo, Jomo and Vos, 2007), let alone significant poverty reduction. Moreover, in most instances, the elimination of subsidies, introduction of user fees and privatization of services did not prove to be particularly successful in either reducing costs or enhancing the coverage of social service delivery. By the end of the 1990s, these disappointing outcomes had led to a rethinking of development goals and strategy. The focus shifted once again back to defining poverty reduction as an explicit goal, rather than as an implicit or indirect one. Through the adoption of the United Nations Millennium Declaration by the General Assembly on 8 September 2000,³ the United Nations introduced a concrete set of development targets embodied in the Millennium Development Goals (MDGs). Poverty reduction was featured as the first and pre-eminent goal. At the end of the 1990s, the World Bank and the International Monetary Fund had incorporated a linkage between market-oriented structural adjustment policies and the poverty agenda within the revised framework for the heavily indebted poor countries (HIPC), making the formulation

of Poverty Reduction Strategy Papers (PRSPs) a precondition for the receipt of debt relief under the HIPC Initiative.

FRACTURED CONSENSUS AND LITTLE POLICY COHERENCE

The MDGs reintroduced poverty reduction and other human development objectives and placed them at centre stage, which was a significant development. However, the Goals, per se, do not encompass any particular strategy for achieving those objectives. For instance, while productive employment creation is generally considered a main vehicle for poverty reduction, targets for the creation of decent employment were not initially part of the MDG agenda; employment indicators were introduced only after 2005.⁴ The goals provide no more than a set of targets, which, though they may provide a focus for a coherent strategy, do not as such offer any guidance on what combination of policies would be most effective in fostering the simultaneous achievement of the MDGs. In the absence of any well laid out strategy, the focus of the implementation of the MDG agenda has often been on raising budgetary allocations for education, health and other basic social programmes.

The PRSPs came closer to embodying the concept of an integrated national development strategy with an explicit focus on poverty reduction and achievement of the other MDGs. They were meant to be comprehensive and ensure greater coherence between economic and social policies and to serve in positioning donor support behind a nationally defined development strategy. However, PRSPs have been criticized for failing in practice to make macroeconomic, trade and financial policies integral and explicit parts of a strategy aiming to generate sufficient productive employment, reduce poverty and enhance access to social services (Gottschalk, 2005; North-South Institute, 2004; Stewart and Wang, 2003; and Vos and Cabezas, 2006). Instead, core elements of the Washington Consensus, including orthodox macroeconomic stabilization policies and liberalized trade and domestic finance, have remained preconditions for qualifying for debt relief and bilateral and multilateral donor support. In cases where those conditions meant imposing strict fiscal requirements or where trade liberalization failed to support employment creation and reduce income inequality, PRSPs turned out to be more a set of compensatory social policies constrained by external pressures related to fiscal consolidation than examples of coherence over the broader range of development policies. In practice, such macroeconomic constraints have been found to

set ceilings capping MDGs-motivated public spending, even when direct funding for such purposes would have been available from external donors. This has reportedly led to instances where donor aid was redirected towards an increase in international reserves or not disbursed at all, despite the existence of domestic needs and the ability of the government to absorb it.⁵ This example illustrates incoherence between national development objectives and international policy agendas.

THE POVERTY CHALLENGE REMAINS DAUNTING

It is likely that lack of policy coherence has slowed progress in poverty reduction. Using the new international poverty line of \$1.25 per person per day in 2005 purchasing power parities (PPPs), as defined by the World Bank, 1.3 billion people, representing about 24 per cent of the developing world's population, lived in poverty in 2005 (United Nations, 2012, figure II.1). There are, however, large regional variations in the poverty trends (see figures II.1 and II.2). The incidence of poverty is still highest in sub-Saharan Africa, where almost half of the population (48 per cent) was found to be poor in 2008. Poverty also remains deep in South Asia, where 34 per cent of the population remained below the extreme poverty line in 2008. By contrast, in East Asia and the Pacific, the rate of poverty was 13 per cent; and in Latin America and the Caribbean, it was even lower (6 per cent).

The existence of persistent widespread poverty should not obscure the fact that there has been a significant achievement in poverty reduction during the past few decades. For example, the total number of poor (according to the definition above) had been 1.8 billion in 1990 and 1.9 billion in 1981 (compared with 1.3 billion in 2008). However, these numbers mask the actual progress achieved: the fact that the total size of the population also increased significantly during the same time span means that the share of the poor in the total population has decreased sharply. For the developing world as a whole, the incidence of poverty dropped from 47 per cent in 1990 to 24 per cent in 2008. The global MDG target of halving the poverty incidence between 1990 and 2015 thus appears to have been met ahead of the internationally set deadline of 2015.

However, poverty reduction has been concentrated in specific geographical regions (United Nations, 2012). Most of the poverty reduction occurred in East Asia, particularly in China. In China alone, the number of the poor decreased from 835 million in 1981 to 173 million in 2008, which meant a sharp decrease of China's poverty rate from 84 to 13 per cent. In

Figure II.1
Regional trends in poverty, 1981-2008

Source: PovcalNet: the on-line tool for poverty measurement developed by the Development Research Group of the World Bank. Available at <http://iresearch.worldbank.org/PovcalNet/index.htm>.

Viet Nam as well, the decrease in the poverty rate over the same period was staggering: from 90 to 17 per cent. Progress in several other countries of the region has also been impressive. For the East Asia and Pacific region as a whole, the incidence of poverty declined from 77 to 14 per cent during the period 1981-2008.

Poverty reduction has been far less impressive in other parts of the world. For example, although South Asia has seen a significant decrease in the poverty rate (from 61 per cent in 1981 to 36 per cent in 2008), given the increase in population size this means that the absolute number of the poor increased from 568 million to 571 million over that period (figure II.1). In sub-Saharan Africa, the absolute number of the poor increased from 205 million to 386 million in the same period, while the poverty rate fell from 52 per cent in 1981 to 48 per cent in 2008.

Figure II.2
Global poverty trends by major developing regions and countries

Source: United Nations (2009b, figure II.3), based on Chen and Ravallion (2008).

As a result of these differences in the pace of poverty reduction, the regional distribution of the poor has changed significantly. Whereas in 1981, poverty had been concentrated in East Asia and the Pacific, with 57 per cent of the world's poor living in that region, by 2008 the concentration of poverty had shifted to South Asia and sub-Saharan Africa, which now account for 44 per cent and 30 per cent, respectively, of the world's poor. By contrast, East Asia and the Pacific now account for only 22 per cent of the world's poor.

The weak poverty reduction performance in some regions is also evidenced by the fact that many people remain very close to the poverty line, even though they have managed to cross it. Indeed, the total number of the poor in 2008 increases to 2.5 billion when an income threshold of \$2.00 per day is used, which indicates that there were 1.2 billion people with an income per capita of between \$1.25 and \$2.00 per day and that, using the \$2-a-day poverty line, almost half (47 per cent) of the population in developing countries would be considered poor.

The presence of a vast number of people living just above the \$1.25 poverty line implies that a large number of them risk being pushed down below the official poverty line (used for the purpose of monitoring MDG1) by negative income shocks, as was the case in many East Asian countries as a result of the Asian financial crisis. In Indonesia, for example, the poverty rate increased from 15 per cent in mid-1997 to 33 per cent by end-1998, thus pushing about 36 million more people below the poverty line and wiping out a large part of the gains in poverty reduction achieved in previous decades.⁶ Thus, a large number of people remain vulnerable to poverty even though their present incomes may be higher than the international poverty line.⁷

LESSONS LEARNED FROM POVERTY REDUCTION STRATEGIES

What are the main factors that determine the success of growth and poverty reduction strategies? Theories of development have often tried to point out specific factors and identify the main obstacles, which have changed over time. Development policies and foreign assistance programmes were then designed to overcome capital, infrastructure and/or foreign-exchange constraints, through addressing inequalities in asset or income distributions, investing in human capital, strengthening social protection systems and improving governance and market institutions.

Yet, country contexts differ and history has taught that there exist many pathways to overcoming obstacles to development. The more successful countries, however, have not been those that followed strategies focusing on overcoming a single major constraint, but rather the ones able to effectively find a degree of coherence among different levels of development policy effective enough to usher in the conditions necessary for poverty reduction. The main determinants in the more successful cases are discussed below. While they do not necessarily constitute a blueprint for guaranteed success in other contexts, they do provide lessons on how to tailor development strategies to national requirements.

Lesson 1: Distribution matters

Experience shows that, while rapid aggregate growth makes possible a reduction in poverty, the extent to which such a potential is realized depends upon income distribution. In their study of several developing economies, Besley and Cord (2007, p. 1) note that “[g]rowth is less efficient in lowering poverty levels in countries with high initial inequality or in which the distributional pattern of growth favours the non-poor”.⁸

Thus, both equality of initial endowment distribution and equality of distribution of current income are important for poverty reduction. However, initial equality may be more important, for if growth proceeds from an initial egalitarian distribution, then it has a greater poverty reduction effect. This has been borne out by countries that have proved successful in reducing poverty despite rising income inequality during periods of growth acceleration, with China being the most prominent example, along with Viet Nam. Close scrutiny shows that the acceleration of growth in these countries had its roots in a relatively egalitarian initial distribution of assets. Of course, the poverty reduction effect of rapid growth is greatest when both initial and current inequalities are relatively low, as was the case, during their early development stages, of other East Asian countries and areas such as the Republic of Korea and Taiwan Province of China. Their experience also shows that it may not be necessary for inequality to first rise with development before falling, thereby contradicting the Kuznets hypothesis of an inverted U-shaped relationship between income level and degree of inequality.

A major factor behind the initial egalitarian asset distribution in East Asian countries and areas was land distribution. The Republic of Korea undertook sweeping land reform during 1945-1950, as did Taiwan Province of China in the 1950s. China undertook radical land redistribution in the years prior to and after the 1949 revolution. Viet Nam carried out land reform in its northern part during 1953-1956 at the time of the Viet Cong's rise to power (in 1954). As a result of these reforms, the vast majority of the population of these three countries and area became endowed with physical capital in the form of land.⁹

Possession of land and other earning assets allows more people to benefit directly from the output that can be produced, using, in the case of land, even existing technology. Often, with additional government support, wider ownership has also facilitated the broader application of "modern inputs", such as chemical fertilizers, high-yielding seeds, irrigation systems, storage, marketing and so on.

The obstacles to the implementation of an egalitarian distribution of assets through redistribution of physical assets are well known. The above-mentioned East Asian examples show that successful redistribution of land has been possible only in wake of victories in war, decolonization or revolution. Under ordinary conditions, such redistribution proves difficult owing to the political barriers encountered. However, recent experiences have shown that, even under such ordinary conditions, redistribution of assets, if it is properly designed with adequate compensation and incentives, can still be carried out.¹⁰

Lesson 2: Investment in human capital matters

It may not be entirely fortuitous that East Asian countries proved more successful than countries elsewhere at achieving growth and poverty reduction, since in addition to the attainment of egalitarian physical asset distribution (through land reform), they also put great emphasis on education (Cummings, 1995; Booth, 1999). The recent experience of some Latin American countries, which have striven to promote education through the implementation of innovative targeted programmes, points to the importance of education in reducing inequality and poverty. Cornia (2010), for example, notes that the rise in enrolment rates at all education levels since the early 1990s contributed to a significant fall in inequality in Latin America during the 2000s. He further indicates that two thirds of the observed reduction in per capita income inequality and poverty in Brazil between 2000 and 2006 was due to narrowing wage gaps among workers, which in turn had resulted from lower levels of inequality in education.

Although cross-country studies show a weak impact of investment in human capital on long-term growth, they emphasize that the findings may underestimate the true impact, because of problems with regard to data accuracy, model specifications and estimation techniques (Benhabib and Spiegel, 1994; Bils and Klenow, 2000; United Nations, 2006b; and Pritchett, 2001). The findings also contrast with much more robust evidence of the positive impact of education on output provided by the significant wage premiums for education as earned in the labour market. Based on his review of the research, Glewwe (2002) reports positive labour income effects of skills acquired through schooling. Global integration has amplified such wage premiums. With the rising role of science and technology in actual production processes, the importance of education and skills is likely only to increase. Education also enhances a person's capability to pursue entrepreneurship.

The acquisition of human capital may also provide a way around the difficult problem of achieving a more egalitarian distribution of earning assets. Unlike physical capital, human capital cannot be redistributed by taking from one and giving to another. For that reason, investing in human capital may be more politically feasible than directing more incremental income to the poor in order to build up their physical assets. The only way to ensure an equitable distribution of human capital is to allow more people to attain that capital through education and training.

Moreover, education also helps the poor in indirect ways through enhancing their access to public goods and resources and to the socio-political and decision-making processes. Education, particularly of females,

has also proved to be helpful in altering fertility behaviour and facilitating a demographic transition even at a low income level. Smaller family size, in turn, makes it easier to save and accumulate both physical and human capital. Thus, a virtuous cycle can flow from investment in human capital. Thomas (1999), in a study of women in South Africa, finds a strong and statistically significant negative correlation between years of schooling and number of children born, even after controlling for potential confounding variables, as does Oliver (1999) in his study of women in Ghana.

Lesson 3: The pattern of growth matters

Although early thinkers on development emphasized that growth and development are generally associated with structural transformation of the economy, empirical studies have found that more dynamic economic growth (and poverty reduction) are associated with transformations arising from rapid agricultural productivity growth and industrial growth built on strong backward and forward linkages across sectors (Chenery, 1986; United Nations, 2006b).

For example, East Asia, the region most successful in poverty reduction, also witnessed the most dynamic pattern of structural change. In China, for example, between 1970 and 2003, the share of manufacturing and mining in overall output increased from 28 to 60 per cent, while the share of agriculture dropped from 49 to 12 per cent, following a push in agricultural productivity and the development of diversified industries. By comparison, South Asia showed less dynamism, with its share of manufacturing and mining peaking in the 1990s to 22 per cent (compared with 14 per cent in 1970). Sub-Saharan Africa achieved little structural transformation, with agriculture continuing to be the mainstay of the economy. Many countries of Eastern Europe and the former Soviet Union even experienced deindustrialization during 1990s, with the share of manufacturing falling; they also experienced increases in poverty during that period. Thus, there is a clear association between success in structural transformation and success in poverty reduction.

Growth is generally associated with structural transformation in part because demand for agricultural products is of a relatively limited nature. Thus, a growing economy has to have larger shares of non-agriculture sectors. Additionally, the scope for technological innovation and accompanying productivity increase is much greater in non-agriculture sectors (in particular industry). The question is why certain countries succeed in bringing about dynamic structural transformation and what other countries can do to emulate them.

All developing countries that have witnessed sustained successful economic growth since 1960 used active industrial policies to support the economic diversification and technological upgrading of their economies. These policies involved a significant degree of coherence among supportive macroeconomic policies, (selective) infant industry protection, export subsidies, directed credit schemes, local content rules and large investments in human capital, as well as strategic alliances with multinational companies. Support measures were often clearly tied to specific export performance criteria. Further, these policies provided the basis for dynamic structural transformation, which also proved successful in taking advantage of globalization.

Economic growth in these cases was founded on sustained increases in labour productivity and labour movement from low- to high-productivity sectors. Importantly, labour also moved to modern service sectors showing significant productivity improvements, which allowed for continuous real wage increases and substantial poverty reduction over time. In the regions with low growth performance, the employment shift to the service sector has been even stronger. In contrast with those of Asia, the service sectors in sub-Saharan Africa, Latin America and many of the transition economies have shown declining productivity as many workers sought employment in informal service activities for a lack of job creation in other parts of the economy (Ocampo and Vos, 2008). This was not conducive to significant poverty reduction, involving instead the shifting of part of the poverty problem from rural to urban areas. Dynamic structural change therefore involves strengthening economic linkages within the economy and ensuring productivity improvements in all major sectors.

Thus, whether or not growth is pro-poor depends on the pattern of growth in terms of sectoral composition and technological characteristics.¹¹ An approach that begins with improving agricultural productivity and labour-intensive industrialization helps to create more employment opportunities for the poor and to raise their income. However, it is only dynamic structural transformation and investment in human capital that can enable labour to climb up the technological ladder and thereby move to higher-productivity industries, earn higher wages and lift their families out of poverty.

Lesson 4: Agriculture and rural development matters

Strongly increasing agricultural productivity has been the common starting point of successful strategies directed towards dynamic structural

transformation. Indeed, China's growth acceleration began in the late 1970s with agricultural reform that sharply raised productivity and freed significant amounts of labour and savings for industrial development. While China's agricultural reform is generally known more for the shift from collectivistic farming to household farming, in actuality the reform was a more broad-based package, including the lifting of price controls on agricultural products, institutional support to the marketing of farm output, and government support for the use of modern inputs such as fertilizers and high-yielding varieties of seeds, among others (see United Nations, 2006b, chap. V). Similarly, in their early stages of development, the Republic of Korea, Taiwan Province of China and, more recently, Viet Nam combined land reform with a range of other support measures to boost agricultural productivity. These experiences also point to the importance of policy coherence. Clearly, none of these policies would have been as successful in isolation as it was as the result of having been formulated and implemented together with the others.

By contrast, the agricultural sectors in many countries in sub-Saharan Africa and South Asia, received little effective policy support; as a result, agricultural productivity growth has been weak at best and the sector continues to provide employment to the major share of the workforce.

Most of the poor in developing countries live in rural areas and depend on agriculture for survival. Hence without the achievement of a breakthrough in agriculture, it is almost impossible to make significant progress in poverty reduction. Neglect of the agricultural and rural economy makes it difficult to reduce even urban poverty, because it results in the flocking of the rural poor and unemployed to the cities. By contrast, a rise in agricultural productivity can both generate economic surplus and release the labour needed for industrial development.

Lesson 5: Integration in the global economy: the means matter

Increased integration into the world economy seems to have widened the divergence in growth performance among countries. Trade can help stimulate growth, but in this regard, it is a matter not so much of how much countries export, but rather of what they export. Faster overall economic growth driven by trade is associated with more dynamic export structures, which are characterized by an export mix that not only allows countries to participate in world markets with products having greater growth potential (most often high-tech products with a high income elasticity of

demand) but also helps strengthen productive links with the rest of the domestic economy and generate increased value added for a wider range of services and products. The East Asian countries managed to diversify their economies in this manner whereas the slower-growing developing countries relied on export activities that had less value added and were rooted in a less integrated domestic economy. Many of these countries remain heavily dependent on exports of primary commodities and have lost market shares in world trade. They also have suffered from larger adverse trade shocks as primary commodity prices have been more volatile than those of other export products (United Nations, 2008).

Thus, sudden across-the-board globalization may not produce the desired results, inasmuch as an economy needs time both to diversify and to transform its current structure: what was possible under previous tariff conditions must be made compatible with globalization. Yet, diversifying into high-technology exports may not be an immediately feasible option for many developing countries. Low-income countries typically lack adequate basic manufacturing capacity, infrastructure and human capital, as well as the international trading capacity needed to develop such dynamic export activities.

These countries do have some capacity to compete in world markets for primary goods and would need to consider industrial strategies for diversifying exports so as to include processing natural resource-based products and other light manufactures. Even so, building up new comparative advantages through promotion of backward linkages will be crucial. Even if backward linkages are initially absent, concerted efforts can help in developing such linkages over time, as the East Asian newly industrializing economies demonstrate (Wade, 1990). In fact, emphasis on backward linkages is often necessary even for the very survival of the current lines of production. For example, the experience since the elimination of the international quota regime on textiles and clothing suggests that poverty reduction through labour-intensive exports is not sustainable without the development of backward linkages. In some African countries, clothing exports have been wiped out by competition from backwardly integrated countries like Pakistan engaged in domestic cotton and textile production and those countries that have built up labour skills in specific areas, like Sri Lanka with its advantage in producing women's undergarments (Adhikari and Yamamoto, 2007; United Nations, 2006b).

Thus, when job creation takes place in production enclaves with shallow linkages to the surrounding economy, workers and the economy at large are

vulnerable to unexpected shocks, and suffer unemployment and recession when firms decide to reduce or shift their activities in response to changes in perceived global market conditions and production cost differentials across developing economies. When social protection mechanisms are inadequate, such negative downturns can increase poverty sharply.

Similarly, the liberalization of capital has made countries vulnerable with respect to large surges in capital inflows. These surges often inflate domestic asset price bubbles, which may then burst thereby causing sudden capital outflows. Capital-account convertibility has also limited the macroeconomic policy space for counteracting such booms and busts. For example, sharp currency depreciation brought about by the sudden outflow of capital in relatively undiversified economies can be contractionary, raising the costs of imported basic foods and medicine and pushing them beyond the reach of the poor. The beneficial impact of such depreciation on exports may fail to materialize owing to the implementation of policies meant to prevent the currency depreciation. Similarly, large-scale capital inflows may cause the currency to appreciate, thereby harming the country's exports and leading to employment losses and a rise in poverty. Although the rise in the real exchange rate may favour the non-tradable sectors, those sectors generally suffer from home market constraints and hence cannot serve as the engine for a rapidly expanding economy. Also, since they are generally characterized by low wages and low productivity, the real wage appreciation effect proves not to be particularly high.

Most importantly, boom-bust cycles tend to affect progress towards poverty reduction since employment is generally more strongly affected by downturns than output is. Also, recovery of employment from recessionary low levels takes much longer than recovery of output does (resulting in jobless growth). Using Turkey as his example, van der Hoeven (2010) presents evidence showing that economies that experienced a large incidence of capital-account crises exhibit a rising rate of unemployment in the medium term despite a rising trend in per capita gross domestic product (GDP) (figure II.3). He finds similar trends in Brazil and Chile.

It is perhaps not surprising that most successful East Asian countries have generally exercised control over capital flows. Some continue to maintain significant government ownership of the banking sector in order to have control over capital flows not only across borders but also within borders. The contrasting experience of Malaysia and Indonesia during the Asian financial crisis shows the importance of retaining control over capital flows, as Malaysia did, in order to protect the domestic economy from the

Figure II.3

Turkey: medium-term effects of financial crises on unemployment, 1990-2007

Source: van der Hoeven (2010).

deep recession resulting from sudden large-scale outflows of capital (see figures II.4 and II.5).

East Asian economies, India and some countries of Latin America that have proved more successful in adapting to globalization owe part of their success to prior diversification of the economy achieved under more protectionist regimes. To emulate the success of East Asian economies poses a challenge for developing countries when, at present, rules of multilateral regulating bodies, such as the World Trade Organization, make protection more difficult. Despite their differential treatment, as defined under the General Agreement on Tariffs and Trade (GATT) and the Uruguay Round of multilateral trade negotiations, developing countries, aside from the poorest ones, have in practice had to apply the same rules as the developed countries.

The space for implementing the kind of active production sector development policies that involve infant industry protection, export subsidies, directed credit schemes, local content rules and other components

Figure II.4

Indonesia: medium-term effects of financial crises on unemployment, 1990-2007

Source: van der Hoeven (2010).

has narrowed. It will therefore be necessary for developing countries to make better use of the policy space that remains and for international organizations to consider expanding the policy space so as to allow more developing countries to prepare themselves to succeed in the global marketplace.

Lesson 6: Social policies and social protection matter

Social policy making in developing countries has gone through distinctly different stages, influenced by changing perspectives on the development process and on how best to deal with conditions of poverty, vulnerability and income insecurity. In the period between the Second World War and the late 1970s, social policy was seen as a fundamental part of overall development strategy. It consisted of the widespread provision of subsidies on goods and services. While rural producers received some subsidies, they tended to benefit urban population groups the most, helping to keep wage costs low in support of industrial sector development. Urban industrial workers and

Figure II.5

Malaysia: medium-term effects of financial crises on unemployment, 1990-2007 *Source:* van der Hoeven (2010).

those in government services were also the main beneficiaries of expanded social security and subsidized and state-provided education and health-care services. Various attempts at land reforms did not, for the most part, succeed at boosting agricultural productivity, so the needs of the structurally poor, especially in rural areas, were a neglected part of social policies. Moreover, the provision of subsidies relied heavily on public borrowing.

With the debt crisis of the early 1980s and fiscal consolidation as part of the new macroeconomic policy orthodoxy, social policy underwent substantial changes. Instead of being seen as a powerful engine of development, subsidies and social transfers were judged too costly, regarded as having caused unsustainable fiscal deficits and undermined efficiency. Low growth and pressure to reduce fiscal deficits severely restricted new investments in health and education. However, social spending as a proportion of the budget did not decline in most countries, as the political pressure to sustain civil service jobs and wages was considerable. User fees to cover the costs of complementary inputs such as books and medicines were introduced

not only to reduce the fiscal burden, but in the belief that they would help improve the efficiency and quality of social service delivery.

Evidence of growing inequality and persistent poverty and vulnerability, especially in Africa, Latin America and South Asia, led to the recognition that macroeconomic stabilization and structural adjustment programmes came at a high social cost. Targeted social programmes were introduced to protect the poor from the unfavourable macroeconomic environment. These included social emergency and social investment funds that, while targeted at the poor, proved to be limited in coverage and unable to adjust coverage and benefits in response to macroeconomic shocks (Lustig, ed., 1995). In fact, social policy and the overall development and growth strategies of many developing countries became totally disconnected. Emphasis continued to be placed on fiscal consolidation and social sector reforms, including user fees and privatization of education and health services and public pension systems. Evidence of the impact of the pension reforms on coverage is mixed (Mesa-Lago, 2007; and Vos, Ocampo and Cortez, eds., 2008), but it is generally agreed that they did little to provide additional protection to the poorest.

Towards the end of the 1990s, a fourth phase of social policy emerged. Many countries saw some recovery of growth and had created greater fiscal space for real increases in public spending on broad social programmes. Trade liberalization increased the demand for more skilled workers and pressures to raise productivity in order for countries to stay competitive in global markets. Continued high economic volatility and several financial and currency crises during the 1990s, and the failure of social investment funds to provide effective protection, gave rise to new forms of social programmes which provided the poor and vulnerable populations with incentives to invest in human capital. Cash transfer programmes were targeted at the poor and not only designed to provide income support but also conditioned upon the keeping of children in school and/or visits paid by mothers and children to health centres. The programmes also addressed a failure of previous education and health policies that focused too much on supply-side issues (as in the 1960s and 1970s) or on efficiency and the assumption of adequate “willingness to pay” (and, implicitly, ability to pay). Many evaluations show the (conditional) cash transfer programmes have indeed helped increase school enrolment and the use of health services by the poor, and in this way have helped mitigate income insecurity both by investing in education and health and by providing income support (Coady, Grosh and Hoddinott, 2004; Morley and Coady, 2003; Standing, 2007; de Brauw and Hoddinott, 2008;

Fiszbein and Schady, 2009; and Filho, 2010). Such programmes have now been implemented in a large number of developing countries, and in several cases also include social pension schemes. One evident advantage of these programmes is that they are relatively easy to implement, have an immediate impact and are affordable, typically costing a few percentage points of GDP (United Nations, 2008). This makes them highly attractive politically.

However, this approach to social policy does not effectively address the underlying causes of persistent high poverty and economic insecurity. For instance, increased spending on education may help increase schooling levels among poor children, but will not raise future income if broader economic policies fail to generate sufficient employment and if there are no complementary policies that address idiosyncratic determinants of economic vulnerability which keep wage returns to some of the poor low. Nor will social investments raise incomes if the poor cannot accumulate physical and financial capital, or if recurrent economic downturns force periodic rundowns of their limited assets. Social policy alone cannot change the economic environment or elements in the structure of the economy that contribute to poverty and volatile employment and income conditions.

One can find robust examples of growth achieved through the coordination of social and economic policy. In a review of social policy making in developing countries, Grindle (2010, p. 12) notes that China's current growth spurt is supported "by the ready availability of a literate and healthy labour force" and yielded a longer-term pay-off to early investment in social development. She suggests that East Asian countries (the Republic of Korea, Singapore and Malaysia) and Taiwan Province of China could be seen as "perhaps the best examples of countries that have been able to bring economic and social development policies into significant alignment" (*ibid.*, p.13).

Lesson 7: Institutions and governance matter

Past experience suggests that success in growth and poverty reduction requires capable developmental states. In this sense, there has been a return to early development theories which implicitly assumed the existence of strong developmental states capable of carrying out the suggested coordinated investment programmes. However, times have changed and the tasks that are contemplated for developmental states today are much more complicated than those conceived in the 1950s.

It has been widely recognized that developing countries need some policy space in order to formulate and implement policies geared towards

consolidation and diversification of their economies. However, policy space cannot be of much use unless there is a government capable of using it. Wade (1990) has documented the important role that states played in “governing the market” in the first-tier East Asian newly industrializing economies as they went about achieving catch-up growth and poverty reduction. In recent years, the role of governments has also been vindicated by the experience of Latin America, where government activism has proved crucial not only in reducing external dependence and promoting aggregate growth, but also in reducing poverty directly through various innovative social policies (see, for example, Cornia, 2010).

At the same time, it is necessary to be alert to the possibility of “government failures”, particularly in view of the fact that formulation and implementation of policies have been rendered more difficult by globalization. While there seems to be agreement about the importance of the role of capable developmental states, it is not clear how such states can emerge in countries that lack them. Grindle (2010) shows that developing countries vary widely with regard to the capability of their states, which range from “very capable” to “failing”. A major challenge before the development community is to find the means through which a “failing” state can change into a “capable” one.

POLICY COHERENCE ON THE BASIS OF A NEW CONSENSUS?

The formulation of the MDGs represented a great step forward in establishing consensus social development goals, however, they do not in and of themselves constitute a development strategy. Meanwhile, the recent financial crisis and recession have further undercut the validity and appeal of the Washington Consensus, resulting in a need to rethink appropriate growth and poverty reduction strategies. The broadly agreed lessons discussed above provide the ingredients for a new consensus—one that supports country-specific national development and poverty reduction strategies while requiring an unprecedented degree of policy coherence at global and national levels.

No two countries are alike. A mistake of some of the earlier development approaches was to suggest what was almost a common set of policies for all countries, leaving little room for variation and customization. “One-size-fits-all” often proved to be a straitjacket. Development and poverty reduction are path-dependent processes, and the effectiveness of certain policies or market-induced changes depends on previous events. Therefore,

the formulation of an effective strategy cannot be compared to solving a puzzle in one sitting: the pieces need to fall into place dynamically over time. The optimal sequence has to be country-specific, and in an uncertain world, a good deal of experimentation will be inevitable.

Most important, fitting things together will require a high degree of policy coherence. For such coherence to be achieved, it is necessary to see clearly how policies in different areas are linked, both contemporaneously and over time. As noted above, for example, policies regarding initial distribution of assets are related to those regarding investment in human capital. But one must also understand that these policies will not succeed unless accompanied by suitable policies regarding prices, credit, infrastructure and institution-building.

Yet globalization and global rules-setting have limited the space for conducting national development policies. Hence greater coherence must also be sought between policymaking in the national and international arenas. There are no blueprints on how to achieve this—or on how to tailor national development strategies to the country context. However, past experience can provide a sense of direction. Below we draw on lessons learned—an emerging new consensus—to explore the contours of coherent policymaking. We begin by outlining four key areas.

1. Broadening the approach to macroeconomic policies

Macroeconomic policies in support of reducing economic insecurity and poverty should aim at greater social cohesion through productive employment creation. This would not only require such policies to be counter-cyclical, pro-investment and sensitive to employment objectives, but a better integration of macroeconomic and development policies—much more than has been the case in most developing countries over the past decades. Starting in the 1980s, macroeconomic policies became narrowly focused on controlling inflation, fiscal prudence and promoting export growth. It was thought that this approach that would bring economic stability, growth and poverty reduction through trickling down effects, but this promise was not fulfilled. In contrast, the fast-growing East Asian economies embedded macroeconomic policies in a broader development strategy and did not substitute industrial policies for generalized trade liberalization. The pillars of a broader, more developmental approach to macroeconomic policies could be constructed with the following recommendations clearly in mind:

- Fiscal policies would give priority to development spending, including investment in education, health and infrastructure. This would also mean using fiscal instruments such as tax breaks, accelerated depreciation allowances and subsidies to boost productive investment.
- Macroeconomic policies would be conducted on the basis of counter-cyclical rules.¹² These could entail fiscal targets that would be independent of short-term fluctuations in economic growth (so-called structural budget rules) as well as commodity stabilization funds. Such rules have been effectively applied by Chile over the past two decades. The effective management of this counter-cyclical policy stance has been one ingredient in the much stronger growth performance and macroeconomic stability of Chile compared with other Latin American countries (Fiess, 2002; Ffrench-Davis, 2006).
- Where countries have open capital accounts, conducting counter-cyclical monetary policies has become increasingly difficult. The space for doing this can be increased by introducing measures to control and regulate international capital flows as well as the operations of the domestic financial sector. Countries like Chile and Malaysia have managed to follow this course for a certain period of time with some degree of success.
- As in the East Asian experience, monetary policy would be coordinated with financial sector and industrial policies, including directed and subsidized credit schemes and managed interest rates, so as to directly influence investment and savings. The right mix of these policies can be applied deliberately so as to promote investment in specific industries at specific times, and especially in sectors with the greatest potential for upgrading skills, reaping economies of scale and raising productivity growth, thereby increasing the rates of return on investment.
- Such measures can further set the tone for a different kind of competition policy which, instead of promoting competition for its own sake, would look to utilize it to foster diversification and development.
- Maintaining competitive exchange rates has been considered essential for encouraging export growth and diversification. A depreciated real exchange rate lowers labour costs and enhances the competitiveness of labour-intensive exports. The empirical evidence suggests, however, that this does not consign countries to permanent specialization in low-tech exports; rather, with consistent policy direction, export diversification into higher-end products will be promoted (Rodrik, 2007a; Cornia,

2006; Ocampo and Vos, 2008). This requires a rethinking of the priority given to inflation targeting¹³ which has often resulted in exchange-rate overvaluation, undermining export growth and diversification (United Nations Conference on Trade and Development, 2003).

- Agricultural development policies have been key to successful development strategies in East Asia. Needed would be a broader approach to agricultural development policies, focusing on access to land, extension services, improved inputs, credits and rural infrastructure so as to secure a greater and more predictable marketable surplus and income to farmers and inputs for agro-industrial development. Crop and weather insurance mechanisms, which have recently been introduced in developing countries to provide income protection to farmers, have been analysed and found to be more effective when embedded in a broader agricultural development strategy (United Nations, 2008, chap. III; Linnerooth-Bayer and Mechler, 2007).

2. Integrating social, labour-market and industrial policy

Successful industrial policy choices constitute a coherent set of policies with regard to trade, exchange rates, interest rates, allocation of credit, provision of subsidies, pricing and the provision of infrastructural facilities. Just as important, they are also embedded in a broader programme of social development. Less successful industrial development processes, such as those of Latin America during the import-substitution era, paid insufficient attention to income inequality, thereby limiting the size of the domestic market and hence expansion of the protected industries.

In the future, incoherence between industrial, labour-market and social development policies is likely to hamper long-term growth. The greater technological focus of production and exports will require a more capable labour force and hence continuous improvements in educational performance and better health outcomes.

National development strategies should articulate labour-market policies that serve both economic and social development objectives. Labour-market policy discussions often focus rather narrowly on the degree of labour protection and wage-setting, on the one hand, and industrial competitiveness, on the other. Costly hiring and firing practices and wage rigidity embedded in labour legislation protecting formal sector workers have been seen as impediments to competitiveness and formal sector job creation in developing countries. Such views led to the placing of “labour-market flexibilization” high

on the agenda of the Washington Consensus.¹⁴ Related labour-market reforms have not been accompanied by stronger employment growth, however—especially in economies where the degree of labour underutilization is high and the degree of informalization and job precariousness is high as well, features common to most developing countries.¹⁵

More generally, maintaining a narrow focus on labour protection and issues of competitiveness will not ensure a balance in outcomes—a balance whereby businesses can win on productivity gains and workers can benefit from greater job opportunities and income security. Macroeconomic policies can adversely affect employment conditions, while low wages, inadequate social protection and lack of access to education and health services tend to affect labour productivity.

How to strike a better balance will need to be determined in a manner that is specific to each country context; however, the internationally agreed decent work agenda clearly lays out the principles for a coherent policy approach. These principles should also help provide a basis for the application of active labour-market policies designed to promote employment generation directly and improve employability and productivity through skills development programmes. They should also help in the application of “passive” labour-market policies aimed at providing adequate worker protection (for example, through unemployment insurance, income support policies, establishment of labour standards and adequate wage-setting).

Appropriate labour-market policies can also serve as built-in stabilizers and thus as counter-cyclical policies. For example, decent wages can protect aggregate demand from falling too steeply even when business investment demand falls. Similarly, severance pay and unemployment benefits can protect demand in the face of downturns leading to unemployment.

This counter-cyclical role in combination with policies directed towards enhancing opportunities for retraining and enhancement of skills is particularly critical in today’s world of dynamic processes where the spectrum of products in demand in the global market is constantly shifting. In order to survive and achieve success in dynamic world markets, a country needs to constantly diversify and upgrade the range of products that it can produce. However, such diversification and upgrading are not possible without commensurate enhancement of the skills of the workforce.

Furthermore, the demands of sustainable development will need to become a main focus of social and industrial policies. The choice of infrastructure and the setting of industrial priorities (not only in manufacturing but also in agriculture, forestry and energy) will need to be consonant with the task

of meeting simultaneously the challenges of climate change adaptation and mitigation and those of improving the livelihoods of the poor.

3. Improving access to productive assets and finance

It is already well understood that social policy should encompass increasing the ability of the poor to acquire human capital by increasing public spending on health and education programmes. Mention has already been made above of the potential of cash transfers to mothers, tied to children's school attendance, for enhancing household demand for schooling and for ensuring visits of mothers and children to health centres. However, social policy should also embrace more explicit efforts to ensure that economically vulnerable households and individuals have access to land and financial markets. Land reform programmes undertaken in the 1990s in Brazil, Colombia and South Africa are examples of what can be done in this regard, although they have remained small and underfunded.

The liberalization of the financial sector has not helped the poor achieve more secure income conditions. It is those with other assets, including information, education and land or physical capital for providing collateral, who have been able to exploit the liberalized financial markets. To increase access of the poor to credit would require the implementation of a long list of arcane, technical fixes to the system. Although promoting institutions that make microloans would constitute one step, to date, these institutions account for not even 1 per cent of the credit provided by commercial banks in Latin America. As argued in United Nations (2006a), expansion of microcredit schemes depends on the development of broader networks of institutions, including credit unions, savings banks, development banks and special lending windows of commercial banks. Legal changes that allow the use of movable assets as collateral and of leasing and factoring, creation of credit bureaux, and fiscal incentives that encourage group lending and more timely bankruptcy procedures would all contribute to increasing the supply of conventional bank credits to the poor, thereby creating an inclusive financial system.

4. Strengthening social protection

The need for social protection measures arises from several conditions. First of all, employment opportunities, despite their expansion, may not be sufficient to employ all those who are willing to work. Support for the

unemployed therefore proves to be important. Second, certain segments of the population may not be, for various reasons, in a position to take part in the labour force and thus benefit from employment expansion and wage income. Third, even the employed may experience the need for extra protection when wages are too low, which creates the problem of the “working poor”.

Over time, social protection programmes have taken various forms, ranging from workfare programmes, in place in many countries for a long time, to recently popular cash transfer programmes, as discussed above. While most of these programmes were launched and used as *ex post* measures to help affected people cope with economic downturns, in more recent years, they have been increasingly used *ex ante* as measures to reduce the exposure of the poor to insecurity.

Many countries in Latin America introduced workfare programmes after having gone through spells of economic crisis. Such programmes would offer jobs to displaced workers, though at wages below the market average (typically about half of the mean wage rates). In most instances, however, such programmes have remained temporary and *ex post* responses. In contrast, India’s Maharashtra Employment Guarantee Scheme, which guarantees 100 days of employment per year to all who wish to participate, is an example of a workfare programme that was transformed from a post-shock temporary arrangement into a semi-formal permanent employment scheme.

A similar transformation of arrangements from *ex post* to *ex ante* can be seen in cash transfer programmes used to promote specific development objectives, such as school attendance by children and use of health services. Just as budgetary support has become a more popular form of providing aid at the macro-level, so has provision of cash become a more popular form of social protection at the household level.

A perennial issue with respect to the design and implementation of various welfare and social protection programmes is whether they are best pitched as universal policies or as policies specifically targeted at the poor. The trend in recent years has been towards the latter approach. However, social protection programmes involving targeting and conditionality have faced various criticisms. It has been argued that targeting and conditionality stigmatize the programmes, create and reinforce divisions among the population, create an extra administrative burden and suffer from leakages. In response, it has been suggested that social protection measures should instead be based on the principle of universalism. Accordingly, proposals have been made regarding a “Global Social Floor” (International Labour Organization, 2007, Van Ginneken, 2009) and a “Global Jobs Pact”.¹⁶

Social policy needs to be coherent by avoiding a narrow focus on social protection and targeting the poor, while leaning more towards universalism and also addressing issues of redistribution, human capital formation and social reproduction at the level of the family or household (United Nations Research Institute for Social Development, 2006).

An effective way to embody the principle of universalism is to design social protection in the form of social security, whereby all working members of the society contribute from their earnings to a common social fund and draw benefits from this fund, according to pre-specified rules, when they are old and when in need while still of working age. Structured in this way, a universal social security set-up can also facilitate achieving the goal of the Global Social Floor. Achieving the Global Social Floor, which would involve benefit rules guaranteeing such a floor, will likely require resource flows both within and across nations. Also, by promoting employment, the Global Jobs Pact can make it easier to set up the universal social security arrangement.

However, formidable problems lie in the way of setting up universal social security arrangements in many developing countries where vast number of people work in informal sectors. This makes the collection of contributions from their earnings and the effective distribution of benefits daunting tasks at the current stage of those countries' development. Thus, achieving universal social security cannot be separated from achieving a dynamic structural transformation of the economy and conducting active labour-market policies (discussed above), since the latter will facilitate the former by moving more people into the formal sector.

The kinds of state capabilities needed for effective social programmes are of the same type that would be required for effective industrial policy (Memis and Montes, 2008). Any effort to upgrade the capacity of the state to implement social policy should be seen as part of the overall development effort. Privileging the provision of social and basic services by the private sector or external entities could provide immediate advantages, but would not exempt the state from the obligation to set standards and monitor and regulate such provisioning.

RESHAPING POLICY SPACE

The spread of globalization, economic liberalization and fiscal consolidation programmes has brought about a significant shrinkage of developing-country policy space for poverty reduction. Domestically, recovering this

policy space will require deploying the broader set of macro-policies, such as that of re-establishing capital-account management, as discussed above.

The international economic crisis—and doubts about the sustainability of the previous pattern of growth—have made it clear that boundaries must be redrawn between the policy capabilities that should be left to domestic authorities and those that should be left to international authorities.

The crisis has demonstrated the need for coordinated financial regulation, the absence of which had promoted deregulatory competition among financial centres. In the area of trade, the need for uniform international trade disciplines must be balanced against the need to facilitate the increasing participation of economies with more limited capacity. There is also a glaring absence of multilateral mechanisms for more humane and mutually beneficial migration. The international aid system is rife with costly duplication, fragmentation among donors and misalignment with the needs of aid recipients.

Multilateral progress on climate change mitigation and adaptation will have an enormous impact on social and economic development in years to come: climate change is already occurring and multilateral disciplines are under development (a wide variety of individual country policies already exist). These disciplines could restrict policy space for trade, finance, technology and social and industrial development in exchange—hopefully—for greater flows of technology and finance consistent with the global community's shared goal of eradicating poverty.

The options available for achieving greater national and international policy coherence in terms of aid, trade, and finance at national and international levels will be assessed in the following chapters. The task of retooling global development has never been more urgent.

NOTES

- 1 Kuznets (1955) suggested an inverted U-shaped relationship between level of development (generally measured by per capita income level) and the degree of inequality (in what was subsequently known as the Kuznets hypothesis).
- 2 See, for example, Amsden (1991; 2003) and Wade (1990) for detailed analyses of the industrialization processes of the East Asian newly industrializing countries.
- 3 See General Assembly resolution 55/2.
- 4 See the 2005 World Summit Outcome (General Assembly resolution 60/1).
- 5 The experiences of Uganda and Ethiopia under PRSPs offer examples in this regard. The problem of budget allocation of official development assistance (ODA) proceeds in Uganda is discussed in Van Arkadie (2006); the sterilization of ODA proceeds is assessed in Lister and others (2006). In the case of Ethiopia, some controversy emerged over the issue of why the International Monetary Fund would not permit the government to count unpredictable ODA as part of government revenue (Stiglitz, 2003).
- 6 See, for example, Harrison and McMillan (2007); Suryahadi, Sumarto and Pritchett (2003); and Culpeper (2005).
- 7 Many have argued that “insecurity” should be incorporated in the poor.
- 8 Bourguignon (2004), Ravallion (1997; 2001) and other researchers have come to similar conclusions.
- 9 See, for example, Sobhan (1993) for a comprehensive discussion of land reforms and their impact on the growth of East Asian and other countries.
- 10 See, for example, United Nations (2008, box V.2) for a discussion of the experience of land redistribution through market incentives in South Africa.
- 11 In assessments of the Poverty Reduction Strategy Paper approach, the prevailing view seems to be that growth is pro-poor when it improves not only the absolute but also the relative position of the poor in the income distribution. See Filho (2010) for a recent review.
- 12 See Ocampo (2008) and Ocampo and Vos (2008, chap. IV) for more elaborate discussions of this approach; in this regard, see also Cornia, ed. (2006).
- 13 Multi-country evidence can be found in Epstein and Yeldan, eds. (2009).
- 14 Although not on the initial agenda of the Washington Consensus (Williamson, 1990), labour-market flexibilization gained importance during the 1990s, and was listed prominently on the what is known as the “Washington Consensus Plus” agenda (Rodrik, 2007b).
- 15 See, for example, Howell, ed. (2005); United Nations, Department of Economic and Social Affairs (2008).
- 16 See the resolution entitled “Recovering from the crisis: a Global Jobs Pact”, adopted on 19 June 2009 by the International Labour Conference of the International Labour Organization at its ninety-eighth session.