

Poverty Reduction Strategy Papers and SLAs

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This series of Poverty Briefings aims to provide up-to-date insights on the issue of poverty, including the state of current understanding or opinion. Each paper covers new as well as old thinking on the issue, areas of debate, new approaches which are being tried, the options available, and the recent findings of research and experience.

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ODI wishes to acknowledge grants from the Swedish International Development Cooperation Agency and the UK Department for International Development towards this series. However, the opinions expressed are those of the authors.



The picture in brief

Poverty Reduction Strategy Papers (PRSPs) were introduced in order to provide a coherent framework within which countries, donors and lenders can work towards the eradication of poverty. They call for wide ranging analysis – based upon the recognition that poverty has many dimensions and causes – leading to prioritised and budgeted plans of action. This is a complex and challenging agenda.

Sustainable Livelihoods Approaches (SLAs) offer one way of thinking about the causes and manifestations of vulnerability and poverty. They aim to be dynamic and to capture links between the micro reality of poverty and the macro factors that influence this. Drawing on a variety of existing types of analysis, their goal is to provide a broad framework that will help us understand and attack poverty.

This paper looks at ways in which SLAs might help enrich PRSPs and make them more effective. These include helping to:

- understand livelihood groups, assets and strategies (and providing causal explanations that can feed directly into poverty reduction plans)
- predict responses to different policy options
- manage the complexity of cross-cutting issues, such as HIV/AIDS
- highlight the importance of the long-term and the various dimensions of sustainability
- underline the importance of participation at all stages of PRSPs
- illustrate the value of decentralisation
- draw up targets for PRSPs and identify ways and means of measuring them.

Some challenges for the future

PRSPs are likely to face many challenges, given their pivotal role in poverty reduction planning. It is important that those involved draw upon all relevant experience and modes of analysis and action. One way of ensuring that PRSPs gain as much as they can from SLAs is to further develop SL methodologies so that they fit better with identified PRSP needs. A major challenge is to develop SL methodologies so that they are better able to explain the processes that lead to poverty as well as likely responses to alternative policy prescriptions. Immediate areas of focus may include finding ways to:

- use SLAs as a bridge between participatory assessments and the quantitative frameworks that tend to be used for assessing policy and programme interventions.
- integrate asset/vulnerability information with economic analysis, including cost-benefit and cost-effectiveness approaches.
- integrate variables of freedom and individual agency into livelihoods analysis so that rights issues – which are central to any fully-developed understanding of poverty, its causes and possible remedies – become more prominent

Introduction

Poverty Reduction Strategy Papers (PRSPs) were introduced in 1999 by development agencies seeking to find a way of mainstreaming poverty concerns into the policies and programmes of poorer countries. Their aim is to encourage a locally-owned participatory process for formulating and implementing a coherent poverty reduction strategy, financed from government and donor resources. PRSPs are intended to act as the centrepiece for policy dialogue in all countries receiving concessional lending flows from the World Bank and IMF. As such, they will provide the framework within which low-income countries interact with the IMF, the World Bank and, increasingly, other bilateral donors.

PRSPs pose a new set of challenges on both process (for example: who should be involved? what type of participation is appropriate? how should strategies be operationalised and funded? etc.) and content (what areas should be included and prioritised? what should the timeframe be? what is the most effective way to reduce the poverty of the largest number of people? etc.). Their prominent role makes it extremely important that they prove to be effective.

This briefing paper investigates the contribution that one existing area of development thought - namely Sustainable Livelihoods Approaches - might make to PRSP processes and content. Because of limited experience to date, the paper is necessarily more analytic than evidence-based.

The Challenge of PRSPs

PRSPs were introduced by the Bretton Woods institutions in the context of the enhanced HIPC debt relief initiative. They are intended to:

- help determine overall priorities for spending on poverty reduction (i.e. lead to the development and implementation of a national poverty reduction strategy)
- increase domestic ownership and consultation
- ensure coherence and synergy between various donors, leading to more effective interaction with partner countries.

There is, at present, a fair degree of methodological eclecticism in the design of poverty strategies and tension has already arisen, particularly in the areas of ownership and timeframe. Box 1 summarises some of the main concerns in this area.

Despite these concerns, evidence to date - though somewhat anecdotal - suggests that the PRSP project is capable of producing some positive outcomes, even under the most difficult of circumstances. In Kenya, despite an almost complete lack of trust between civil society and government, the PRSP process seems to have stimulated useful public debate. It has also played a role in creating a 'space' where dialogue over the nature of poverty and the actions needed to overcome it can take place. Information from NGO networks credits the same

sort of impact in Zambia and, with reservations, in Bolivia.

Another important early result of the PRSP process has been a greater 'mainstreaming' of policy discussions about poverty. Ministries of Finance are more likely to take an interest in poverty reduction, there is more likely to be some linkage to budget decisions and 'productive' and well as social sectors are being drawn into discussions on poverty (SPA 2000, 2001).

Sustainable Livelihoods Approaches

Sustainable Livelihoods Approaches (SLAs) have recently received attention as one way of thinking about and working towards the elimination of poverty. There are several variations on the SLA theme but, in general, SLAs - like a number of other conceptual frameworks - take an asset/vulnerability approach to the analysis of the livelihoods of poor people. They emphasise understanding the vulnerability context and the organisational and institutional environment within which poor people operate. They also stress the importance of a range of different assets (commonly five types of asset are defined: human capital, social capital, natural capital, physical capital, and financial capital) upon which people draw in order to achieve a variety of livelihood objectives. These objectives may include increased income, but often extend to issues such as increased security, enhanced cultural identity, etc.

The aim of SL approaches is to improve the effectiveness of development cooperation through wider consideration of the complexity of livelihoods and sources of vulnerability faced by poor people. Within the approaches, emphasis is placed upon various aspects of sustainability as well as on the need to work with the poor to understand their own view of poverty (there is considerable overlap with Participatory Poverty Assessments).

SLAs draw upon a variety of other methodologies and types of analysis (e.g. participatory approaches, social analysis, economic analysis, etc.); much of what they offer is not new. However, those who have used them have generally found that they have added value. As such, it is worth considering what they might have to offer to the PRSP process and content.

What SLAs might have to offer to PRSPs

In this section we consider what value SLAs might add to PRSP processes and what the conditions for bringing the two together might be. This detailed consideration is not meant to imply that SLAs are either necessary or sufficient to guide PRSPs (for example, there are some crucial areas, such as the issue of rights and justice, about which SLAs say very little¹).

Content: Understanding livelihood groups & assets

SL-based analysis (drawing upon household survey, environmental, social and political analysis) of the main livelihood groups in an area or country will be helpful in developing a more realistic understanding of poverty and its causes. This is a crucial starting point for any poverty reduction strategy. SLAs can help illustrate the particular challenges faced by different groups, what they are aiming for, what they believe to be the key constraints to achieving these aspirations and how they make use of different assets (an issue that has traditionally been under-emphasised when analysis has focussed on income alone). Such analysis is particularly useful as it can help link causes of poverty to possible solutions (see Box 2).

Key messages of SLAs in this area include:

- disaggregate the poor - i.e. look beyond 'traditional' categories such as 'the rural poor' and 'female-headed households' - and seek to understand the many dimensions of people's livelihoods

Box 1: Concerns about ownership and haste in PRSPs

- Is it realistic to talk of country leadership (let alone ownership) in an environment in which external players (especially the IMF/World Bank) hold such a powerful position?
- Will rapidly prepared PRSPs contain any substantive new directions for policy - or simply provide a sanitised platform for the prescriptions that would have been offered in any case?
- Can the conditionality of Bank/Fund lending instruments for supporting poverty strategies be designed in ways that avoid undermining local ownership, accountability, and flexibility to manage the policy process?

Box 2: The importance of disaggregation and social analysis

Any PRSP is likely to require:

- a typology of different social groupings which should be represented, along fault lines which may include gender, ethnicity, region, age and *livelihood groupings*.
- an analysis of differential interests, access to information, power and influence which may affect the participation of different groups.

Without such an analysis the process will be vulnerable to a number of risks (e.g. being unrepresentative or non-inclusive and masking unresolved conflicts). Livelihoods analysis, in conjunction with other forms of social, political and economic analysis, can help with the disaggregation of populations. SLAs may be particularly useful in this area as different livelihood groups are usually identified according to the causal processes that affect them (e.g. deficiencies in access to particular kinds of assets, or vulnerabilities to particular 'threats' such as drought). This makes it easier to identify possible responses. A recent study of existing sub-Saharan African PRSPs has shown that poverty profiling in these documents has been somewhat patchy and weak in terms of offering causal explanations that then offer clear links to anti-poverty strategies (Thin, et al. 2001).

- livelihoods are more than income
- policy should address key sources of vulnerability
- policy processes need to be able to cope with diverse local realities
- work on asset distribution - not just income issues
- public policy for poverty reduction is not just 'social' expenditures - access to financial services, infrastructure, markets, natural assets and justice systems matters.

Content: Predicting responses to policy options

SLAs draw attention to the diversity of livelihoods. They might be usefully adapted to 'model' various groups' responses to different policy options. For example, it might be possible to investigate in some detail the impact of different levels of inflation on particular livelihood groups (see Box 3), or alternatively how different groups would respond to new economic opportunities. The vulnerability framework might be captured by modelling alternatives to traditional economic assumptions of income maximisation, e.g. maximising worst-case expenditure, or maximisation subject to at least achieving a minimum expenditure level.

Content: Managing cross-cutting issues

Many key issues cannot be effectively dealt with through the traditional sector based delivery channels of government, and require a holistic framework for analysis and policy formulation. The HIV/AIDS epidemic, for example, has multiple, inter-linked impacts that can be effectively approached through using an assets/vulnerability framework. Governments need to understand how the epidemic is eroding human capital and social capital, leaving communities unable to cope with the consequences in the short-term, and with reduced capacity to recover in the long-term. In this case (as in others), however the SLA framework may not cover all relevant concerns. Issues of discrimination as they relate to people with HIV/AIDS are probably best approached through a more direct analysis of power and rights than that which SLAs alone provide. SLAs also provide one way of ensuring that environmental concerns (which are often underplayed in planning exercises) are given adequate consideration. SL analysis can help show how

environmental resources contribute to livelihoods and what needs to be done to ensure that their erosion does not undermine future livelihoods.

Content: Highlighting the long-term

SLAs draw attention to long-term changes in access to assets by different groups. They may therefore help ensure that expenditure priorities take into account future sustainability. For example, are the environmental assets of particular groups under threat? Are such groups maintaining their consumption levels only through reducing their overall asset holdings? What are the causes of vulnerability of different groups (those already classified as 'poor' and those who may fall into poverty)? These issues will inform both overall planned resource allocation, and the design of social assistance measures, where monitoring of asset holdings can be one indicator of the degree of stress.

Process: Underlining the importance of participation

SLAs are one of many approaches that stress participation and the importance of putting people at the centre of development. Participatory practice contributes to the PRS process in several ways and at each stage (i.e. analysis of poverty, prioritisation of responses, debate on the likely effectiveness of the PRSP, monitoring of progress towards policy objectives). As well as providing general support to the idea of participation, SLAs can help by identifying important livelihood groups, thereby ensuring that significant actors are not left out of the process.

Process: Promoting a more decentralised approach

By drawing attention to the diversity of livelihoods, SLAs might help promote a more decentralised and locally-responsive approach to poverty reduction. Though decentralisation is not *inherently* pro-poor (Manor 2000), effectively done, it is one

Box 3: Modelling responses to inflation and taxation policy

An assets/vulnerability framework might be used to explore how successful different groups are in protecting their livelihood strategies in the face of *inflation*. Analysis could be extended to look at the relative impact of abrupt cuts in public expenditures relative to the phasing of reductions in inflation. This would not, though, be easy. A fully satisfactory analysis would probably require some formal modelling, perhaps using the SL analysis to characterise main livelihood groups. Data on the asset holdings of different groups would need to be mapped in order to infer how the groups are affected. More detailed case studies might be able to show how different groups are affected by episodes of rising and falling inflation, and related changes in the cost and availability of government services.

Taxation policy is probably best addressed through incidence analysis based on household expenditure data.² This would show first round incidence of taxation by income decile for major occupational groups. SLAs might be helpful in identifying the more important livelihood groups for analysis. They could also help illuminate some of the behavioural consequences of taxation policy (e.g. how VAT affects small businesses' decision to formalise themselves, how high nominal tax rates affect tax evasion and avoidance behaviour). By placing insights from participatory research and other sources within a framework, SLAs can potentially reveal not only how groups have behaved in the past but also how they might react to proposed new policy reforms.

means of increasing the responsiveness of policy-making and implementation and may therefore make a contribution to the effectiveness of PRSPs.

Setting goals & monitoring progress

PRSPs are expected to include goals and means of monitoring whether they have been achieved. SLAs may help inform the process, drawing particular attention to issues of: sustainability; vulnerability; transparency, accountability and responsiveness of institutions; and long-term changes in access to assets for different groups.

Conditions for effective engagement between SLAs & PRSPs

Clearly, if SLAs and PRSPs are to come together, the countries that are preparing PRSPs must be well-disposed to SLAs or the concepts that underlie SLAs. Experience has shown that even where the SL vocabulary is not in use SL principles may still form the basis of a working relationship between government partners and donors. A clear starting point is to ensure that all sides have a genuine concern for poverty reduction and a desire to understand local realities and needs as well as sources of vulnerability. There may be caution about using SLAs in such a dialogue because of the apparent complexity that they introduce, in terms of highlighting the multiple factors that may create poverty. The challenge will be to use SLAs to help determine whether the right priorities have been chosen - but not to over-complicate a policy agenda to the point where nothing can be delivered.

Challenges for the future

One way of ensuring that PRSPs gain as much as they can from SLAs is to further develop SL methodologies so that they fit better with identified PRSP needs. This is likely to require some simplification so that potential users do not get unduly bogged down in the detail of SLAs. It is also likely to mean moving SLAs beyond description to become more powerful in the areas of explanation and prediction of behavioral responses to alternative policy prescriptions.

Areas that seem to offer good prospects include finding ways to:

- use SLAs to as a bridge between PPAs and the quantitative frameworks that tend to be used for assessing policy and programme interventions. The best entry point may be by assisting poverty monitoring and diagnostic processes to take a differentiated view of the livelihood conditions of the poor. For example, a PPA in Mongolia which will act as a key input to the PRSP process, was supported to take an explicit livelihoods perspective.
- integrate asset/vulnerability information with economic analysis, to identify which interventions have the greatest sustainable impact on the largest number of poor people at an affordable cost as well as which interventions have the greatest positive impact on the poorest and most vulnerable groups. SLAs could help bring household expenditure/income data into a common frame with information on assets. It should be noted, however, that quantification of the SL framework raises a number of difficulties. Social capital, for example, is best seen as a loose metaphor - attempts to quantify it are problematic and potentially

misleading. There are also differences in the units which 'hold' different forms of capital which would pose major challenges for a unified quantitative analysis.³

- marry the insights from the SLA asset framework to more conventional forms of analysis, including cost-benefit and cost-effectiveness approaches, as well as econometric analysis of the determinants of poverty. It is difficult to generalise, but the best approach is likely to be based on drawing on a range of sources of information and types of analysis, in order to illuminate policy dilemmas. SLAs have a place as one of the tools which can be drawn on in combination with others. They may be of particular value in helping traditional economic appraisal methodologies to incorporate more realistic behavioural assumptions, especially as regards risk and vulnerability.
- integrate variables of freedom and individual agency into livelihoods analysis. This would take the debate into issues of accessible justice, political voice and human rights and would enable SLAs to address the key dimension of the freedoms and opportunities which are available to people to make use of their assets.

Nevertheless, it is important not to be too ambitious. The basic SL framework can best be seen as a device for enabling inter-disciplinary dialogue and analysis as a basis for thorough poverty analysis. Although it will certainly be challenging to take this analysis forward in the complex context of analysing linkages between macro and micro realities (which is what PRSPs must aim to do), this is something that surely merits further work.

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For further information on SL approaches, see www.livelihoods.org

Endnotes

1. Though there is currently work going on to understand how SLAs and Rights Based Approaches might complement each other.
2. Tax incidence analysis is the study of the effects of a particular tax or tax system on welfare distribution. A key objective is to understand who actually bears the burden of the tax.
3. While, for example, human capital is a property of individuals, social capital is (in the work of different authors) either a public good, a 'club good' or (occasionally) a private good.

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