

SUSTAINABLE DEVELOPMENT AND POVERTY ALLEVIATION

EXPLORING THE LINKS

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Alleviating Poverty: Five Decades of Under-Achievement

The number of people living in absolute poverty (living below the dollar-a-day poverty line) fell from approximately 28 per cent in 1987 to 24 per cent in 1998 (WDR 2000).

The absolute number of people living below that poverty line has remained stable at 1.23 billion, however, almost half of the world's population of six billion lives below the two-dollar-a-day-poverty line. More must be done. A new paradigm—rooted in sustainable development—might be the answer.

Poverty alleviation has been the cornerstone of development strategies adopted by multilateral and bilateral aid agencies over the last 50 years. Therefore it's surprising that there is a sudden frenzy among these agencies in announcing that poverty alleviation is now one of their most important objectives. Why this sudden assertion? A plausible explanation could be extracted from Joseph Stiglitz's 1998 Prebisch Lecture at UN Conference on Trade and Development where he highlighted and differentiated the means versus the ends. Over the last 50 years of development strategies, there has been a series of different approaches driven by the single paradigm of quick economic growth to address the poverty alleviation issue. However, the approaches, i.e., the means—building capital of all types—became the ends and the objective of poverty alleviation was somewhat trivialized.

In the 1950s and 1960s, for example, large investment in physical capital and infrastructure was the favoured instrument for fast economic growth and the alleviation of poverty. In the 1970s, development specialists realized that physical capital itself was not sufficient and that human capital was equally important. There was a major shift of investment funds from physical infrastructure projects to those that focused on the development of human capital. Countries found themselves suddenly short of funds to supplement or continue with the large projects initiated under earlier initiatives. However, at the end of the 1970s success was still limited and a search for a new approach was initiated. The 1980s saw the full realization and implementation of the "Washington consensus." Emphasis shifted from state-dominated planning models to decentralized decision-making with the market as the efficient invisible hand. High priority was placed on trade liberalization and privatization of the economy. The sudden opening of markets caused many countries with little market experience to go through some difficult and traumatic times. At the same time, governments in a large number of developing countries found themselves pressured to disassociate themselves from many projects initiated over the previous three decades. The slow adoption of the free market doctrine, together with the east Asian crisis, initiated the latest focus on good governance and its role in accelerating economic growth. Governments in a majority of developing countries now needed to fulfill conditionality requirements before they were eligible for

aid. This required them to change or modify institutions in relatively short time frames, which created economic, political and social disruptions in the economies.

How successful have the approaches been over the last 50 years? Has there been success with the basic paradigm of fast economic growth as the answer to poverty reduction? The number of people living in absolute poverty (living below the dollar-a-day poverty line) fell from approximately 28 per cent in 1987 to 24 per cent in 1998 (WDR 2000). The absolute number of people living below that poverty line has remained stable at 1.23 billion, however, almost half of the world's population of six billion still lives below the two-dollar-a-day-poverty line.

Have we done well? Many would say so, but considering the rate of technological progress and economic growth in the developed countries over the last two decades, we believe that these development strategies have failed to deliver the results promised to the majority of developing countries, with the possible exception of East Asia. Stiglitz points out, though, that the success rate of these countries was not linked to any particular development approach used by the donor agencies. Rather, it was their adoption and modification of the approaches to meet the local conditions that allowed them to grow and reduce poverty. In other words, the development strategy was a homegrown brew with some foreign additives rather than the straight import variety that other countries have used to address poverty alleviation.

The first task at hand is to move away from the fads and follow-the-crowd mindset and move toward a more systematic manner with an underlying principle guiding the process. As stated, one of the reasons for the limited success rate of the development strategies adopted over the last 50 years lies in the differentiation between the means versus the ends. As Stiglitz points out, the means tend to become confused with the ends and the objective gets lost in the process (Stiglitz 1998). And when reviews are done—every 10 years in the case of the World Bank (every 10th issue of the WDR is devoted to poverty)—and when objectives have not been accomplished or only limited success was achieved, new means are developed that then become ends themselves and the cycle continues. These changes in policies and directions can have detrimental impact on countries exposed to the whims and fancies of the international knowledge base.

Stiglitz calls for a major shift in development strategy and proposes an alternative that emphasizes vision and the concept of development as a transformation of society (a guiding principle). In this approach, the intrinsic differences among stakeholders at various levels are acknowledged and he stresses the institutions that link them. In his paper, Stiglitz identifies the following five stakeholders in his development doctrine:

1. private sector;
2. public sector;
3. community;
4. family; and
5. the individual.

His model calls for the development of each of the above five stakeholders in a manner that produces synergy among all. This calls for the building of harmony within and among institutions—the formal institutions as well as informal social networks. This is one critical variable that has been consistently overlooked in all previous development strategies. Focus was always on the inputs for growth, but very rarely on the supporting institutional structure required for growth. This may be partly explained by the assumption of perfect institutions adopted by the dominant neo-liberal economic school of thought. However, institutions are never perfect, especially in developing countries where a majority of people are still operating in the framework of traditional institutions.

Social capital—comprised of formal and informal institutions—is only now beginning to be acknowledged as a critical variable in the aid and development process. Donor agencies have been aware that in many developing countries, there is a strong presence of dual institutions: traditional and modern. However, in the past, the attitude has been one of assimilating the traditional into the modern versus integrating the two. The majority—usually poor—is still locked into traditional institutions, while the educated and political elites have adopted the modern institutions of developed countries. This has created environments where dual economies operate and has, in essence, created dual societies within countries. The dichotomy between the formal (modern) and the informal (traditional) has deepened the divide between the “haves” and the “have-nots” resulting in higher incidences of poverty, social unrest and political instability.

We believe, however, the model proposed by Stiglitz still lacks an underlying guiding principle. The development strategy he proposes is one of vision and is focused on the transformation of society. But transformation to what? What is the objective of the transformation? He suggests the transformation of traditional societies to modern ones and the adoption of the “scientific” method of addressing issues and solving problems. But is this not similar to the previous development strategies adopted over the last 50 years? We would again be telling the poor what is good for them. They need to abandon their traditional systems and adopt the modern systems of the “developed countries.” Maybe the difference in the new development strategy is that rather than excluding the poor in the development process, the new method would include them. This is definitely an improvement, but should we not step back and ask ourselves if this is what these countries want? Maybe we should allow them to communicate their own vision and let them dictate the transformation of their society over the next decade or longer. Economic historians like North have shown us that transformation of societies is path-dependent and is a continuous process rather than a series of discontinuities (North 1998). We propose to adopt Stiglitz’s new development strategy, but incorporate the concept of sustainable development as the guiding principle for his development strategy.

Sustainable development strategy, although perceived as a new development paradigm, is in reality one of the oldest development doctrines. Ancient societies employed sustainable development strategies to guide their economic and societal activities. Although the notion of sustainable development has been around for many decades and even centuries, it was the Brundtland report in 1987 that popularized the term.

SUSTAINABLE DEVELOPMENT: “development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”

-Bruntland

Two important criteria are established by this definition. The first sets the ground for intra- and inter-generational equity or justice as Nobel Laureate Amartya Sen interpreted it in his keynote address at the International Conference on “Transition to Sustainability” held in Tokyo in May 2000. The second criterion the Bruntland report highlights is the preservation of the ability of generations to meet their needs. This suggests careful management and use of all resources. We want to stress here that resources are just not confined to environmental or natural resources, but also to human, technological and institutional resources.

Sustainable development provides an ideal framework for integrating the various components highlighted in Stiglitz’s alternative development strategy as well as some of the approaches used by the various multilateral and bilateral aid agencies over the last 50 years. It addresses distributive issues that Stiglitz’s model ignores (Standing 2000) and in fact goes one step further by addressing inter-generational equity issues. This paradigm therefore tackles one of the fundamental issues in poverty alleviation—distributive justice and a mechanism for appropriating this justice.

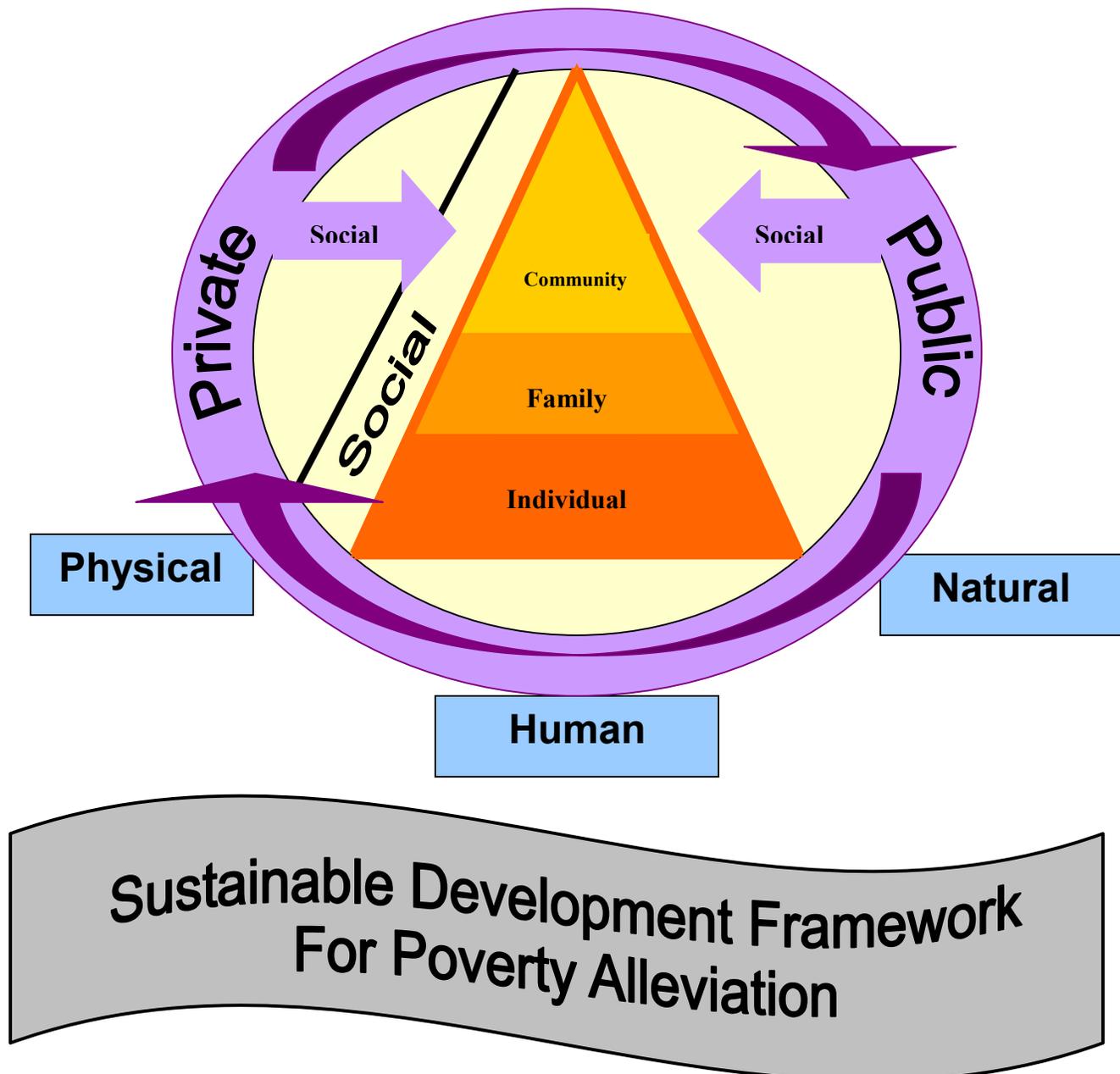
Conceptualizing the strategic vision is clear and is the easier task. Building a working model of the strategic vision is a much more complex endeavor—a task that nevertheless needs to be undertaken. This is our challenge. We shall outline a skeletal version of a working model and conclude by posing some questions that require answers.

We propose the following working model using the principles of sustainable development and integrating the framework proposed by Stiglitz. The analysis begins at the individual. His/her needs are evaluated and the inputs necessary for him/her to participate effectively in the economic system are evaluated. The first round of investigation looks at the three capital needs physical, human and natural. The second round of analysis focuses on the social capital (formal and informal institutions) that is required in order for him/her to produce efficiently. This analysis then introduces us to the family. We next assess the inputs (H-human; N-natural; P-physical) that are needed for the family to operate effectively. Through this analysis, we try to capture issues relating to gender, children, etc. The second round also investigates the social links the family needs to use its resources effectively.

Communities play an integral part in the daily chores of individuals and families in many developing countries. It is therefore critical to investigate and incorporate the formal and informal institutions among the community, family and the individual. Once the community has been analyzed, we will turn our attention to the private sector. We suggest approaching the private sector through a sectoral perspective—as the World Bank does through its Comprehensive Development Framework and Poverty Reduction Strategy Papers—and then linking the private sector to the previous three stakeholder groups. Inevitably, the private sector’s activities will also be determined extensively by

the public sector. We will model the public sector and then close the model by linking the public sector to all four previous components through the formal institutions that are needed for a smooth transition and transformation of society to a sustainable development path. Figure 1 provides a schematic illustration of the working model.

Figure 1. A Sustainable Development Working Model for Poverty Alleviation



How does this fit in with the Canadian government's objective of improving health services to the poor, creating greater gender equality and finally addressing the AIDS epidemic? The sustainable development framework lends itself naturally to these issues. All three issues are linked explicitly within the triangle of individuals, family and communities. The problem is addressed from the perspective of the stakeholders, and the demand for the three capitals will be then determined by the needs as indicated by the three-stakeholder component. But that is not the end of the exercise. It is equally important to clarify and make the distinctions of the various links between the triangle and the public and private sector. It is these links that can help set into motion the supply of the three capitals in order to resolve the underlying problem. The unique character of this model is that not only will these three issues be addressed but also a host of other factors relating to poverty.

We shall conclude by raising some questions and issues that require further discussion.

Conceptual Framework

1. Is the Stiglitz new development strategy the ideal point for departure for the sustainable development guiding principle?
2. How do we address the time scale within the integrated framework?
3. The issue of quantity versus quality.
4. How do we set the stage such that the vision and the transformation process are driven from within rather than from the outside?
5. Is the current working model too complex? If so, how can we reduce the complexity but still capture the dynamics?
6. How would the role of globalization have its impact on the new development strategy?
7. We treat social capital in this framework not as an input but as a binding factor that facilitates the efficient and equitable use of resources. Is this appropriate or should we use the current approach by treating it as an input similar to the other three resources?

Aid Policy

1. What would a facilitating aid strategy look like with the objective of providing a helping hand rather than a directing hand?
2. What indicators need to be established in order to evaluate progress of the transformation process?
3. What indicators do donors need in order to evaluate the success of their facilitating activities?
4. What will be the role of external experts and the international knowledge base in influencing the vision and path for a particular country?
5. Should conditionality terms be imposed on aid?

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