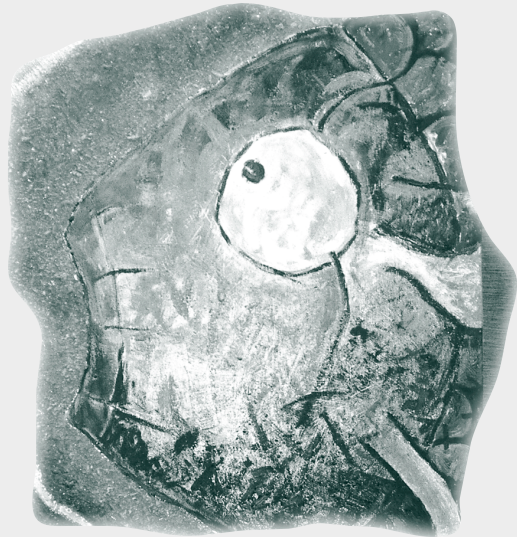


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PART III

# Empowerment





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## CHAPTER 6

# Making State Institutions More Responsive to Poor People

**P**overty is an outcome not only of economic processes—it is an outcome of interacting economic, social, and political forces. In particular, it is an outcome of the accountability and responsiveness of state institutions.<sup>1</sup>

As this chapter discusses, the state will deliver more effectively to all its citizens, but to poor people in particular, if:

- Public administrations implement policies efficiently and are accountable and responsive to users, corruption and harassment are curbed, and the power of the state is used to redistribute resources for actions benefiting poor people (chapter 5).
- Legal systems promote legal equity and are accessible to poor people.
- Central and local governments create decentralized mechanisms for broad participation in the delivery of public services and minimize the scope for capture by local elites.
- Governments generate political support for public action against poverty by creating a climate favor-

able to pro-poor actions and coalitions, facilitating the growth of poor people's associations, and increasing the political capacity of poor people.

- Political regimes honor the rule of law, allow the expression of political voice, and encourage the participation of poor people in political processes.

### Public administration and poverty reduction

*It is hard to get to the right person in the municipality, and when you do he says, "I'm sorry, I am not able to help you."*

—From a discussion group, Zenica, Bosnia and Herzegovina

In most developing countries poor people have trouble getting prompt, efficient service from the public administration (box 6.1). To change this, the first step is building the capacity of public administration. Officials also need tractable regulatory frameworks, with proper performance incentives and mechanisms to ensure ac-

### Box 6.1 Poor people are often harassed by public officials

Poor women and men in the *Voices of the Poor* study stressed that officials are often unresponsive to them. They shared countless examples of criminality, abuse, and corruption in their encounters with public institutions and said they have little recourse to justice. In describing their encounters with institutions, poor people also drew attention to the shame and indignity of being treated with arrogance, rudeness, and disdain.

*When they assist you they treat you like a beggar . . . but we aren't . . . we pay taxes. . . . There must be transparency in government actions, tax money has to be well employed. . . . They invent these useless constructions and grab our money . . .*

—Poor man, Vila Junqueira, Brazil

*Some receive us, others don't. It's awful. . . . They are abusive . . . They treat one almost like a dog. . . . The municipality only serves the high-society ones. . . .*

—From a discussion group, Esmeraldas, Ecuador

*The officials of the social assistance department are impolite and even crude with ordinary people from the village. I go there for my social benefit for my children. I have to wait for two hours; they treat me very badly. If I cry and shout that my child is ill, they'll give me something. But it happens seldom.*

—Woman, Novy Gorodok, Russian Federation

*We in the country get up at 6 a.m. to take the collective bus. We arrive. We go to the doctor at the hospital. You arrive at 8 a.m. or sometimes not until 1 p.m. You are stuck there until the afternoon, without eating, without being able to drink . . . you spend hours and hours hungry. You have to go back before the doctor has seen you. You miss the bus. You have to go however you can . . .*

—Twenty-five-year-old mother, Los Juries, Argentina

*We would rather treat ourselves than go to the hospital, where the angry nurse might inject us with the wrong drug.*

—Poor youth from Kitui, Tanzania

Source: Narayan, Chambers, Shah, and Petesch 2000; Narayan, Patel, Schafft, Rademacher, and Koch-Schulte 2000.

countability and responsiveness to clients, including poor people.<sup>2</sup> Poor organizational design engenders inefficiency and corruption, typically hurting poor people the most.

#### *Focusing public action on social priorities*

In nearly every country the public sector often pursues activities that are not socially justified and, in some cases, that generate rents for the elite. During the past two decades, as societies and their governments have become aware of this problem, they have launched public sector reforms to focus public action and programs on social priorities and increase the capacity of the state to reduce poverty.

Public sector reform and modernization have great potential to reduce poverty, if they are at the core of a development strategy that establishes clear priorities for public action. The functional and organizational structure of the public sector needs to be rationalized to improve resource allocation for programs that are social priorities and have greater capacity to reduce poverty. Most important is to streamline and “rightsize” public administrative entities and privatize public enterprises and other operational public programs.

Beyond rationalizing the structure of the public sector there is a need to improve public management systems to make public programs more efficient and accountable. Involving civil society in planning, monitoring, and evaluating public programs and policies is also

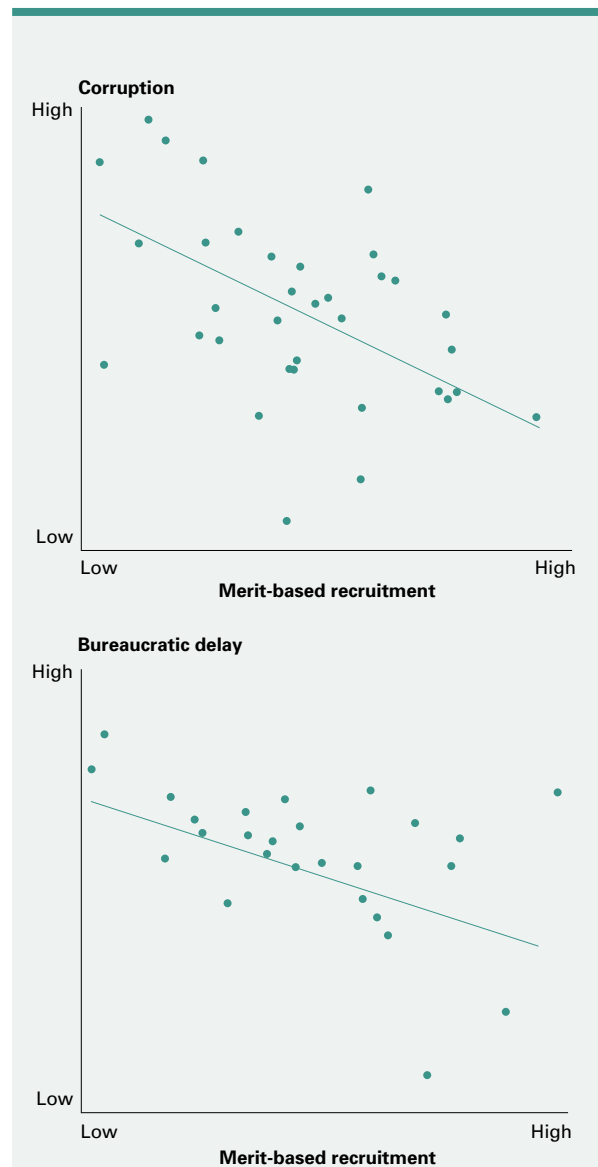
crucial to ensure steady progress toward a fully responsive and accountable state.

#### *Enabling and motivating public administrations*

Having the right performance incentives smooths the delivery of public services. Key incentives include merit-based recruitment, clear specification of tasks, rewards for good performance, and insulation from excessive political pressure.<sup>3</sup> Together with skilled technocrats and close collaboration with the business community, these make up what has been termed “the developmental state.”<sup>4</sup>

Merit-based recruitment goes a long way toward improving administrative performance. When nepotism or cronyism exists, it is difficult to motivate staff to perform well.<sup>5</sup> Cross-country analyses indicate that merit-based recruitment is associated with less corruption and fewer delays (figure 6.1). Merit-based promotion is also essential for motivating staff. If there are few opportunities for promotion, or if promotion is unrelated to performance, staff have much less incentive to perform. What is important is to promote an evaluation culture, for staff and for agencies. Also important to good performance are clearly specified and tractable tasks and competitive salaries. Compensation of public servants that is severely out of line with that in the private sector affects performance incentives and encourages corruption.<sup>6</sup>

**Figure 6.1**  
**Merit-based recruitment in government is associated with less corruption and bureaucratic delay**



*Note:* The figure is based on the responses to a survey sent to experts in developing countries, with 126 complete responses from 35 countries. *Merit-based recruitment* captures the share of higher officials in core economic agencies who enter the civil service through a formal examination system or have university or postgraduate degrees. A high score on *corruption* indicates a strong likelihood that high government officials will demand special payments and strong expectations of illegal payments throughout low levels of government. A low score on *bureaucratic delay* indicates greater speed and efficiency of the civil service.

*Source:* Rauch and Evans 1999.

Legislative oversight of the executive, carried out according to transparent procedures, is an important part of monitoring and improving performance. Public administrations also need to be supported and actively monitored by political leaders. Surveys in several developing countries show that public officials' performance improves when they know that elected representatives are overseeing their work. But sometimes this process becomes subject to the personal goals or whims of elected representatives, resulting in excessive political interference. The quality of public service is reduced when public officials are held accountable more to their hierarchical superiors than to the people they serve.<sup>7</sup>

### *Making the public sector more responsive to client needs*

Many different kinds of measures help improve public sector service delivery. One important measure is simplifying procedures and making them transparent to clients. In the Philippines several public agencies have streamlined procedures to curb corruption. At the outset of a transaction clients receive a list of required documents along with a timetable showing how long the process will take and a schedule of fees.<sup>8</sup> More generally, simplifying and improving regulatory and tax systems and privatizing state-owned enterprises can reduce the opportunities and scope for corruption.

Another important measure is disseminating information to allow people to monitor public services. Using newspapers and other popular information sources to disseminate information on budget allocations and spending enables people to hold civil servants accountable, reducing inefficiency and corruption. In Uganda, when primary enrollments did not improve despite substantial increases in budget allocations, a survey of schools examined public spending on primary education. The study found that budget allocations may not matter when institutions or their popular control is weak: in 1991–95 on average less than 30 percent of the intended nonsalary public spending on primary education reached schools. The government has since improved performance by increasing the flow of information within the system. A major breakthrough was achieved by making regular announcements in local newspapers and on the radio of the public funds transferred to districts and posting information on transfers at each school. A follow-up survey in 1999 showed dramatic improvements since 1995, with schools receiving close to 100 percent of the nonwage public funding.<sup>9</sup>

Fostering communication between civil servants and their clients is also important. Many developing country administrations have poor mechanisms for learning about and responding to users' demands. In India the "report card" on Bangalore's public services shows how a public feedback mechanism can make public agencies more accountable to their clients. Launched in 1993 by a group of committed citizens, the report card provided citizens' views of public service delivery in the city. Respondents focused on agencies they dealt with to redress a problem or to get a service—ranking their satisfaction and indicating the time spent. The findings were disseminated to public agencies, the media, and NGOs, triggering some service providers to become more efficient and accountable. The Bangalore City Corporation helped set up an informal network of city officials and non-governmental groups to meet periodically and work out answers to priority problems.<sup>10</sup>

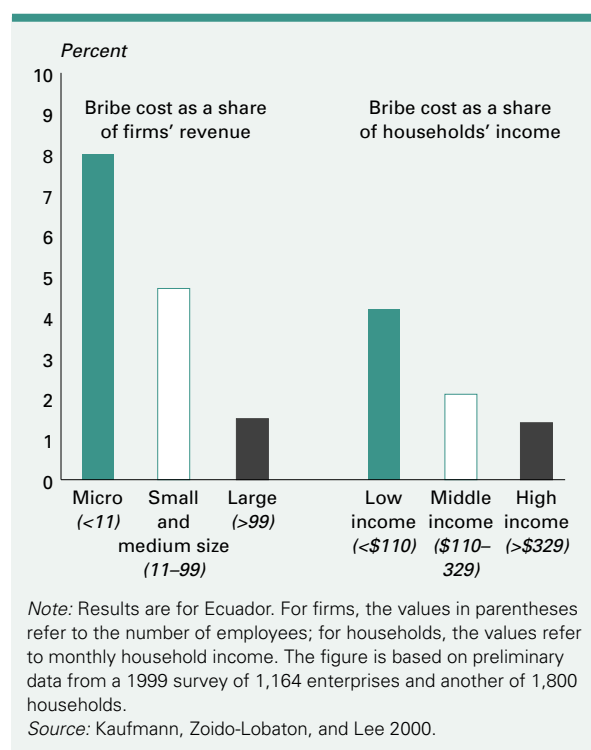
### Curbing corruption

Corruption takes a toll on economic performance, undermines employment opportunities, and clouds prospects for poverty reduction. Even petty corruption dramatically raises the cost of engaging in productive activities. In West Africa bribes in the transport industry are crippling. The estimated cost of transporting goods from Côte d'Ivoire to Niger includes bribes to customs, police, and transport officials that represent three-quarters of payments to the administration.<sup>11</sup> Similarly, a transport trip in Benin encountered 25 roadblocks over 753 kilometers—roadblocks staffed by state agents who demanded bribes that added up to 87 percent of the cost of the trip.<sup>12</sup>

The burden of petty corruption falls disproportionately on poor people (figure 6.2). For those without money and connections, petty corruption in public health or police services can have debilitating consequences. Corruption affects the lives of poor people through many other channels as well.<sup>13</sup> It biases government spending away from socially valuable goods, such as education. It diverts public resources from infrastructure investments that could benefit poor people, such as health clinics, and tends to increase public spending on capital-intensive investments that offer more opportunities for kickbacks, such as defense contracts.<sup>14</sup> It lowers the quality of infrastructure, since kickbacks are more lucrative on equipment purchases. Corruption also undermines public service delivery.

Streamlining bureaucratic procedures, simplifying tax systems, eliminating excessive regulations, and motivating

**Figure 6.2**  
Corruption is a regressive tax



public servants can help reduce the opportunities for corruption. And community participation and monitoring can keep it in check.

### Poor people and the rule of law

*There are four dragons: law court, prosecutor's office, khokimiat, and head of police. Nobody can get anything until they are satiated.*

—From a discussion group, Oitamgali, Uzbekistan

The rule of law means that a country's formal rules are made publicly known and enforced in a predictable way through transparent mechanisms. Two conditions are essential: the rules apply equally to all citizens, and the state is subject to the rules. How state institutions comply with the rule of law greatly affects the daily lives of poor people, who are very vulnerable to abuses of their rights.

The rule of law is upheld through many channels, the most formal being the legal and judicial system. The legal and judicial system constrains and channels government action—and maintains clear rules and procedures for upholding an individual's constitutional rights. This

system is essential for guarding against abuse of power by the state or other actors, and it requires that the judiciary be independent of the executive and legislative branches. The rule of law protects life and personal security and guards against human rights abuses. Thus defined, the rule of law is tremendously important for all citizens—but especially for poor people, who have few private means of protecting their rights (box 6.2).

The rule of law is associated with better overall economic performance (figure 6.3), and in this sense it also promotes poverty reduction. It does this by creating a predictable and secure environment for economic agents to engage in production, trade, and investment, thereby expanding poor people’s employment opportunities and incomes.<sup>15</sup> Market mechanisms depend on credible threats of punishment for breaking contractual obligations, backed by prompt methods for resolving disputes and enforcing contracts. Without these deterrents, the transactions costs of doing business can be very high.

Although the rule of law benefits poor people in many ways, laws and statutes are not necessarily geared to pro-

tecting their interests. Legal systems, the product of power relations between different groups in society, typically focus on protecting the interests of those with political strength and representation. Making laws and their interpretation more sensitive to the needs of the disadvantaged requires building coalitions to this end. This is the goal, for example, of efforts to make laws more equitable in their treatment of women and minorities (chapter 7).

Legal obstacles leave poor people vulnerable to exploitation by local bosses and the police, and arbitrary harassment, lawlessness, and violence are constants in their lives. For poor people, a crucial aspect of the rule of law is the ability to live without fear of lawlessness and harassment. An effective modern police force is needed to maintain order by enforcing the law, dealing with potentially disorderly situations, and attending to citizens in distress.

*Making the legal system more responsive to poor people*

Even when the legal system is well run, poor people face constraints in using it.<sup>16</sup> Poor people typically have lit-

**Box 6.2  
Lawlessness contributes to poverty**

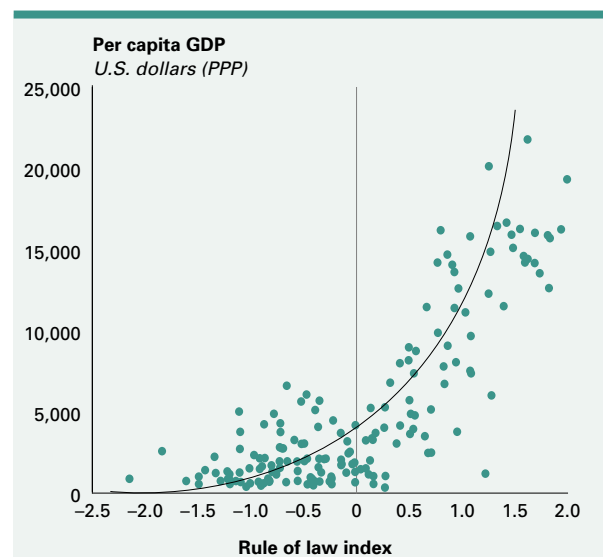
At a hospital in Babati district in Tanzania a new delivery of essential medical supplies purchased with foreign currency disappears from the public dispensary within hours but is available for purchase at the doctor’s home that evening. The poor do not receive the free medical care promised by the government, but those with the right connections and the ability to pay can secure pharmaceuticals in abundance.

In Johannesburg, South Africa, rates of theft and violent crime are among the highest in the world. Wealthy residents can afford sophisticated alarms, security guards, and other forms of private policing to protect their property and persons. Poor people are stuck in poorly built homes, sometimes without even simple locks, and are vulnerable to theft, assault, murder, and other violent crimes.

In Pakistan a man too old to work is left without assets or income after his son is murdered. To gain access to his son’s estate, he needs a succession certificate from the civil court in Lahore—more than 160 kilometers away. The train ticket and the bribe demanded by the clerk of the court send the man deeper into debt, yet after five trips to the court in as many months, he still has not received the stamped piece of paper to which he is legally entitled. The clerk refuses to produce the certificate, while the authorities in the man’s home village refuse to give him access to his son’s assets until the certificate is produced.

Source: Michael Anderson 1999.

**Figure 6.3  
Better rule of law is associated with higher per capita income**



Note: The figure shows the relationship between an indicator of rule of law and per capita GDP for 166 countries in 1997–98. Source: Kaufmann, Kraay, and Zoido-Lobaton 1999.

tle knowledge of their rights and may be deliberately misinformed. Contemporary legal systems are written and are conducted on the basis of written documents—making access inherently difficult for poor people, who usually have little formal education. Language, ethnic, caste, and gender barriers and other exclusionary practices add to these problems.

The intrinsic complexity of legal systems is exacerbated in many developing countries by the superimposition of new laws and constitutional rights over colonial legislation and customary law.<sup>17</sup> The resulting confusion makes it difficult to know one's rights, introduces arbitrariness in law enforcement, and enables the powerful to choose which legal system to apply.<sup>18</sup> This reduces poor people's confidence in the legal system. It also gives enormous discretion to authorities, often making connections and bribes central to negotiating the legal system. Making the rules simpler and clearer is especially important in the areas of greatest concern to poor people, such as labor disputes, land titling, human rights abuses, and police violence.

Although poor people need to access the legal system for registration and other administrative purposes, they use the judicial system much less frequently than the nonpoor. Court systems in many developing countries are poorly funded and equipped, and mechanisms for enforcing judgments often weak. These add to the other problems poor people face in using the judicial system, such as financial costs. Waiving court fees for people with low incomes could provide some relief. Ecuador and Peru provide exemptions for court fees in certain cases. To assist poor people, legal aid is provided in many developing countries, but often more in principle than in practice. To be effective, such aid must be delivered promptly: in Trinidad and Tobago it takes the legal office about three months to process applications for legal assistance, in effect denying access to those unable to wait that long.<sup>19</sup>

In addition to government-provided services, legal aid can be provided through alternative sources. Many countries require law school graduates to provide legal aid before becoming attorneys—others require practical training of law students. In Chile and Peru lawyers must complete a specified amount of practical training after law school, often in legal aid offices, thereby providing important resources for poor people.<sup>20</sup>

Streamlining the operation of the judicial system to reduce costs and delays will address some of the problems poor people face in the courts.<sup>21</sup> Reforming court procedures helps—simplifying rules (while respecting due

process), shortening proceedings, allowing parties to represent themselves. Broader reforms, such as changing the structure of the courts, also help increase poor people's access to justice. Small claims courts and other informal proceedings can reduce the backlog and widen access.<sup>22</sup> And the teaching and practice of law can be amended to sensitize the legal profession to the needs of poor people and to the use of the law to further the public interest.

Alternative dispute resolution mechanisms hold considerable potential for reducing the delays and corruption that characterize much dispute settlement. In El Salvador mediation provides parties a means to settle disputes without a lawyer and within two months.<sup>23</sup> In Sri Lanka the Asia Foundation has assisted the Ministry of Justice since 1990 in establishing a national network of community-based mediation boards. In 1998, 100,000 cases were referred to the mediation boards, with two-thirds of cases resolved to both parties' satisfaction. An independent evaluation found that the boards enjoyed an outstanding reputation and successfully provided low-cost, accessible justice to poor people in rural areas.<sup>24</sup> In Bangladesh some NGOs have adopted the *shalish* (an indigenous practice that uses outside parties to help resolve disputes) to aid women and other disadvantaged groups, such as low-income farmers with land-related disputes. A 1999 study in Dhaka shows that women who have been through NGO-initiated mediation expressed satisfaction with the results by a four-to-one margin.<sup>25</sup> That the NGOs can back up the mediation process with litigation is a factor in that success.

These alternative mechanisms may provide more predictable outcomes than the formal system, because community mediators are typically more familiar with the details of cases than are judges.<sup>26</sup> The risk of such mechanisms is that they can give undue power to conservative forces in a community (which might, for example, be biased against gender equity) and be subverted to serve the interests of local elites. To minimize these risks, alternative dispute resolution mechanisms need to be carefully regulated and supervised by more formal legal structures. They can also be introduced gradually—for example, through pilot programs sponsored and supervised by regular courts.

### *Promoting legal service organizations*

Civil society organizations such as legal service organizations seek to help poor people gain access to the benefits and protection of the legal system inside and outside the court system (box 6.3). Protecting individuals against unlawful discrimination at work and eviction from their



homes, such organizations help people collect their entitlements, obtain basic services, and get court orders to protect women from domestic violence. They can also protect communities from being dispossessed.

Legal service organizations can help poor people by taking legal action on behalf of a group of plaintiffs. Often, large numbers of poor people suffer from similar injuries, so seeking redress as a group provides poor people with otherwise inaccessible judicial protection. Legal advocacy organizations in Bangladesh helped avert the eviction of urban slum dwellers. Evicted residents became petitioners in litigation, where the basic argument rested on fundamental constitutional guarantees: demolishing their home deprives the poor of a livelihood, in violation of the constitution.<sup>27</sup> Public interest litigation can also benefit poor people. In India it has improved the delivery of some public services and reduced environmental contamination.<sup>28</sup>

The most effective legal service organizations work outside the judicial system, protecting rights without resorting to lawsuits—important, because the costs of lawsuits can sometimes outweigh any resulting gains.

This goes far beyond the conventional idea of offering free legal representation to poor individuals and helping people or communities assert their rights through the courts.

More generally, the work of legal service organizations helps create a culture of rights that changes the way people think about themselves relative to those who have power over their lives—spouses, landlords, employers, government agencies. This encourages poor people to avail themselves of the protection that the formal legal system offers. These organizations also generate pressure for changing the way the rules are applied by judges, bureaucrats, and the police. Legal literacy and legal aid have the maximum benefit if they help create a process of self-empowerment and social empowerment that moves citizens to activate their rights and to redefine and reshape inequitable laws and practices.

Legal service organizations help change the rules that affect poor people, whether in constitutions, statutes, regulations, municipal ordinances, or myriad other codes. In Thailand the Women and the Constitution Network was very active in constitutional reform that led to

### Box 6.3

#### Legal service organizations help poor people gain access to the protections of the legal system

Almost any form of legal assistance is of value. But comprehensive services from independent legal service organizations are especially valuable to poor people, and the demand for such services is high. Standards should be developed to make them even more effective. Legal service organizations also need financial support from donors and civil society, but they have to be allowed to function autonomously, taking direction from poor people themselves.

##### Bangladesh

The Ain-O-Salish Kendra (ASK), established in 1986, seeks to reform the law through its representation of poor women and children, organized groups of workers, the rural poor, and slum dwellers. It provides legal aid primarily on family matters, including violence against women. Litigation on behalf of victims is undertaken in criminal cases and when basic legal rights are violated. ASK investigates and monitors violations of law and human rights, including police torture, murder, rape, and deaths in garment factories. It also monitors police stations to collect information on violence against women and children and to track cases reported at the stations. The work by ASK is significant because of the substance of what it does—work on basic issues for disenfranchised people—and because of the way it does it—through mediation, discussion groups, legal awareness training, individual court cases, administrative and legal lobbying, group representation, and public interest litigation.

Source: Manning 1999.

##### Cambodia

Legal aid organizations in Cambodia are struggling to create a justice system—from almost nothing. The Cambodia Defenders Project, established in 1994, focuses on criminal defense and community legal education. It collaborates with NGOs to provide services and represent women in court, especially in domestic violence cases. The organization's lawyers run training programs, comment on draft laws, and work with civil society groups to explore legal tools for influencing government. The Legal Aid Society of Cambodia works to increase public understanding of and respect for the law, while providing free legal services in criminal and civil cases. It is especially active in defending farmers being dislodged from their land by powerful business interests.

##### South Africa

The Legal Resources Center, a national organization founded in 1979 to serve poor people, initially used legal advocacy to exploit contradictions in the apartheid legal system. Since the end of apartheid the center has used legal advocacy to address land and housing issues. It successfully represented the Makuleke community in its restitution claim to land in Kruger National Park. Other activities have included cases to restore water service terminated because residents were too poor to pay and to protect the land rights of an aboriginal community in the privatization of a diamond mine.

amendments recognizing equal rights for women. The network followed up this success by launching a mass campaign to educate Thai citizens—women and men—about the new constitution and its implications.<sup>29</sup>

### How can decentralization be made pro-poor?

State institutions are often accused of being too remote from the daily realities of poor people's lives, and decentralization is often recommended as a solution. Decentralization can be powerful for achieving development goals in ways that respond to the needs of local communities, by assigning control rights to people who have the information and incentives to make decisions best suited to those needs, and who have the responsibility for the political and economic consequences of their decisions.<sup>30</sup> It is not in itself a goal of development, but a means of improving public sector efficiency. And there are important caveats. The most important is that decentralization can bolster the power of elites in settings with highly unequal power structures.<sup>31</sup> To benefit poor people, it must have adequate support and safeguards from the center and effective mechanisms of participation.

Decentralization can mean different things. Here it refers to the formal devolution of power to local decisionmakers. Less extensive forms of decentralization include deconcentration (the central government posts employees at the local level) and delegation (powers are delegated to the local level).<sup>32</sup> The size of decentralized units of government can vary enormously: decentralization to the state or province in Brazil, China, and India merely breaks government into units the size of many countries. Decentralization to smaller units increases the scope for interaction with the citizenry served.

Decentralization can make state institutions more responsive to poor people, but only if it allows poor people to hold public servants accountable and ensures their participation in the development process. The pace and design of decentralization affect its impact on efficiency, accountability, participation, and ultimately poverty reduction. But only general principles from successful models can be transferred from one setting to another.<sup>33</sup>

#### *Moving programs closer to users*

Local information has many advantages. It can help identify more cost-efficient ways of building infrastructure, pro-

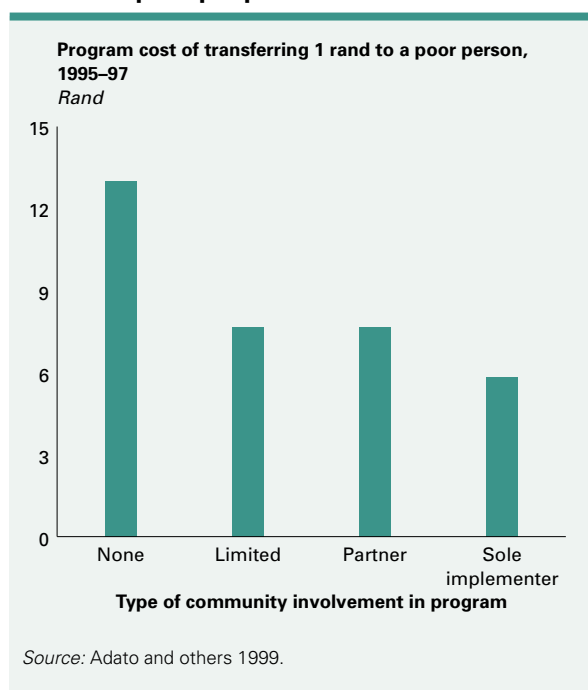
viding public services, and organizing their operation and maintenance. A study in South Africa found that community involvement reduced the cost of creating jobs and improved the cost-effectiveness of transferring resources to poor people (figure 6.4). Moreover, knowing what local needs are most pressing can help the disadvantaged. In Indonesia greater local control over funds led to more spending on health and education in priority areas for poor people—and to more spending on small infrastructure, boosting nonfarm employment and incomes.<sup>34</sup>

Local monitoring and supervision for many types of projects and programs are more effective and less expensive because of proximity to the point of provision and better interactions at the local level (box 6.4). In Nicaragua students attending schools that were “autonomous”—as measured by the share of decisions on teacher staffing made by the school—achieved better test scores than students in schools with limited or no local autonomy.<sup>35</sup>

#### *What is required to reach poor people?*

Decentralization can greatly enhance the state's capacity to accelerate local development and reduce poverty, but only if it is effectively designed. Local authorities and agen-

**Figure 6.4**  
Decentralization lowers the cost of raising the income of poor people in South Africa



#### Box 6.4 Community monitoring can reduce environmental pollution

Poor communities benefit directly from regulations that reduce pollution, but where enforcement is weak—as in many developing countries—companies run little risk of being caught and punished. Polluting firms thus have little incentive to clean up their activities, and firms that respect legal limits have less incentive to cut their pollution.

A new approach combines public information disclosure with market-based incentives to encourage factory managers to improve their environmental performance. In some countries local community representatives negotiate with government regulators and factory managers to agree on acceptable pollution levels and set pollution charges accordingly. Elsewhere, public information enables consumers, bankers, and stockholders to evaluate a company's environmental record before deciding whether to buy a product, lend money, or trade the company's shares.

Because poor people are less able to protect themselves from industrial pollution, their communities particularly value public information about which companies pollute and how their discharges affect health. Where governments have provided local communities with reliable pollution data, poor people living in the vicinity of industrial polluters have negotiated better arrangements for compensation and cleanup.

The results so far are promising. In Indonesia the government has cut industrial water pollution sharply by monitoring factory discharges and bringing public pressure on factories by publicizing their emissions data.

Source: World Bank 1999k.

cies need considerable autonomy, including on fiscal matters, as well as considerable support and safeguards from the center. Moreover, decentralized government needs mechanisms to ensure high levels of participation in the design and monitoring of programs and policies by all sections of the population to be served.

*Autonomy and fiscal decentralization.* Local authorities need to have enough fiscal control to plan their activities. But locally raised revenues are often only a small part of the budget of decentralized units, weakening ownership of locally designed policies and threatening their sustainability. While decentralized units need an adequate budget base, enforcing hard budget constraints is also essential, to make them accountable. If ad hoc funds from outside units are available to meet budget shortfalls, local bodies can lose their incentive to function efficiently. Moreover, such funding erodes the real power of the local body and its ability to effect change, as attention goes to extracting these benefits.<sup>36</sup>

While a certain degree of fiscal devolution is needed for effective decentralization, it carries the risk of exacerbating inequalities between regions.<sup>37</sup> In China, where provinces and local bodies are expected to be self-financing, social services are greatly underfunded in poorer provinces.<sup>38</sup> Mechanisms for redistribution from the central budget can mitigate these inequalities, but this is politically contentious. The problem needs to be addressed through consensus building and tax sharing so that the central government has resources to make transfers where necessary.

*Support and safeguards from the center.* Central support is required to ensure that national policies are adhered to and to coordinate the interregional interests of different administrative units—as with highway charges and access to common water resources. Common macroeconomic and redistributive goals also need to be supported. The danger of decentralization without safeguards is illustrated by the situation of Brazil in January 1999, when one state's action threatened the macroeconomic stability of the entire country.<sup>39</sup>

Support for training is also required. Studies of successful decentralization indicate the importance of creating administrative capacity.<sup>40</sup> Many local governments lack the administrative capacity for large-scale decentralization and need training in accounting, public administration, financial management, public communications, and community relations. If subnational governments have strong administrative capacity and accountability mechanisms, decentralization can reduce the scope for corruption. If they do not, it can increase corruption and reduce access to basic social services,<sup>41</sup> as in Central Asia, the South Caucasus, and the Baltics.<sup>42</sup>

Safeguards are also needed to monitor financial probity and discourage the capture of local bodies by powerful elites. One of the most serious pitfalls of decentralization occurs when power imbalances are large at the local level. In such a situation higher levels of government, less subject to local political pressures, may be more motivated than local bosses to help the disadvantaged. For example, the U.S. federal government has a long history of doing more to protect minority civil rights than state governments, which have greater representation of those interested in subverting those rights.<sup>43</sup> Studies of Argentina indicate that subnational governments can sometimes be less effective than central governments at targeting poor areas.<sup>44</sup> Similar problems are noted elsewhere in Latin America and South Asia.<sup>45</sup>

*Participation.* Widespread popular participation is vital to successful decentralization—without it, the potential benefits of local information cannot be realized. Moreover, participation creates a virtuous circle. Participating in local government helps build civil society and ensure that majority needs are heard and goals are achieved. It also helps increase the voice of poor people in local affairs.

One direct way of ensuring participation is to hold regular elections for local government. Electoral rules can also foster broad participation by reserving seats for marginal groups. In India a third of *panchayat* (local council) presidents, vice presidents, and elected members must be women. In addition, certain other disadvantaged groups must be allotted memberships and executive positions proportional to their number in the area. Such measures can transform power relations over time.<sup>46</sup>

Participation on a more frequent basis than just at election time also needs to be fostered. In Bolivia, Brazil, and the Philippines decentralization laws require local governments to incorporate or formally associate grassroots organizations with their deliberative procedures and to give such organizations a role in administering services and projects.<sup>47</sup> Successful participatory budgetmaking in Porto Alegre, Brazil, shows that having local communities decide on the use of municipal resources can be very effective for local development.<sup>48</sup> Good information channels between governments and communities are also necessary for good results. In Chile, where calls for community fund proposals are publicly broadcast and formats for project presentation are distributed through municipalities, a survey of beneficiaries found that fund disbursements were biased toward neighborhoods and social organizations well connected with municipal and regional governments. Those with weaker connections received fewer funds.<sup>49</sup>

Decentralizing powers and resources to the submunicipal level—such as neighborhoods or villages—requires special effort, but the benefits can be considerable.<sup>50</sup> In South Africa partnerships between communities and local governments sharply increase the probability of long-term returns to the community.<sup>51</sup> In Guinea a pilot project showed that communities are adept at designing and managing such projects as building and maintaining new infrastructure. Communities mobilized local resources, used grant funds equitably and efficiently, and targeted funds to help vulnerable women and children.<sup>52</sup>

## The politics of poverty reduction: pro-poor coalitions

*If we aren't organized and we don't unite, we can't ask for anything.*

—Poor woman, Florencio Varela, Argentina

Pro-poor coalitions that link the interests of the poor and the nonpoor are important for poverty reduction. Improving the capacity of poor people to participate productively in economic activity also helps lay the foundation for faster growth. The state can support the growth of pro-poor coalitions by:

- Fostering a political climate favorable to pro-poor actions and coalitions.
- Removing legal barriers to pro-poor associations and offering them technical and other support to scale up their activities.
- Fostering state-community synergies and increasing the capacity of poor people to participate in development and local governance.

Such transformations are essentially political and have to be effected through political processes involving changes in political configurations and power balances.<sup>53</sup>

### *Creating political support for pro-poor actions and coalitions*

The interests of the poor and the nonpoor are intertwined in many ways, making it beneficial for the nonpoor to take an interest in redistributive measures and pro-poor actions. This interest can be motivated by a recognition that efforts to reduce poverty can promote social and economic development for the whole nation, thereby also raising the living standards of the nonpoor. The industrializing economies of East Asia, where the creation of a skilled, healthy workforce was crucial to success, show that investing in mass education and human capital formation provides a significant boost to national economic growth.

Control of communicable diseases is another case in which all citizens benefit from programs focused on the poor, as it is almost impossible for any group to avoid these diseases unless the sources of contagion are eradicated. Poor people, undernourished and living in environments with greater exposure to disease, are especially vulnerable to infection. They are also less likely to receive adequate preventive and curative health services. Thus poor people tend to form pockets of contagion from which diseases can spread

to other groups. This was one of the main driving forces behind the public health movements in the West at the turn of the 20th century (box 6.5). The spread of disease is intensified today by the vastly increased volume of travel: if health services are of poor quality or unaffordable for poor people in one country, drug-resistant strains of malaria and tuberculosis can spread around the globe. So both national and global efforts are needed to address some of the health problems of poor people (chapter 10).

Another motivation for the nonpoor to support pro-poor action is the specter of mass migration to urban areas, with attendant problems of growing slums and rising demands on already overburdened urban services. China and India have reduced incentives for urban migration by providing infrastructure and other services in rural areas—not just supplying schools, health services, electricity, and other basic amenities, but also ensuring that employment creation is geographically dispersed and that transport networks allow people to commute to work from their villages.

To build political support for public action against poverty, governments have to enhance the perception of common interests between the poor and the nonpoor.<sup>54</sup> Key to this is systematically introducing into the public debate the notion that poverty reduction is a public good and can further the well-being of the nonpoor. How these issues are framed in the public debate can greatly influence the outcome. Poverty's character, causes, and solutions are malleable concepts, which can be reinterpreted and represented in a variety of ways, many of them conducive to public action against poverty. In the early 20th century state governments in the United States were persuaded, mainly by national middle-class women's organizations, to spend public money to support poor families—on the grounds that this was the only way to protect the moral and physical integrity of the nation.<sup>55</sup>

Understanding the benefits of helping the less fortunate can thus be a powerful stimulus for public action. Without such understanding, the living conditions of the disadvantaged are sometimes used to justify their further exclusion. Latin American elites have sometimes viewed poor people as a danger to public well-being. This mindset makes it more difficult to eradicate poverty and mitigate its negative impact on the economy and society.

### *Facilitating the growth of poor people's associations*

The state's most important task in fostering poor people's organizations is to remove legal and other barriers to

### **Box 6.5 National coalitions against communicable diseases in the West**

*Sanitary neglect is mistaken parsimony: the physical strength of a nation is among the chief factors of national prosperity.*  
—John Simon (1858) as cited in Rosen (1993)

The public health movement in Europe and the United States brought rapid improvements in the health conditions of poor and rich alike in the late 19th and early 20th centuries, long before the discovery of antibiotics. The politics of public responsibility for reducing communicable diseases were motivated by a blend of economic, political, and humanitarian interests. Industrialists were concerned with reducing the drain on labor force productivity. States were concerned with having enough fit young men to serve in the army and expand spheres of influence. Elites felt that their environment was detrimentally affected by the ill health of poor people—and that the dangers for the population as a whole needed to be reduced. Intellectuals pointed out the connections between ill health and poverty, demanding radical change as a solution to the problems of endemic and epidemic diseases.

To reduce everyone's exposure to communicable diseases, strenuous efforts had to be made to improve the health of poor people. Measures included control of food and drugs, smallpox vaccinations, and quarantine. Central to the endeavor was securing a pure water supply, effective waste disposal, clean streets, and reduced pollution. Housing regulations were enforced to ensure adequate ventilation, toilet facilities, drainage, and sewerage in homes. Restrictions on private behavior included forbidding spitting and urinating in public spaces and banning livestock from domestic premises. Massive health education campaigns used extensive outreach to change personal health behavior and increase people's understanding of how to avoid ill health and care for the sick. These state interventions, combined with rising living standards, dramatically improved health and life expectancy between 1880 and 1920.

Paradoxically, improvements in curative technologies in recent decades may have led to less vigilance against communicable diseases in some developing countries. These powerful curative technologies need to be combined with strong public health policies aimed at improving environmental sanitation and encouraging healthy lifestyles. This will help increase economic growth and reduce poverty, averting negative consequences for national and global health as drug-resistant strains of diseases multiply.

*Source:* Rosen 1993; Preston and Haines 1991; Schofield, Reher, and Bideau 1991; Caldwell and others 1990.

forming associations and to provide an administrative and judicial framework supportive of such associations.<sup>56</sup> Without this, it is very difficult for poor people's associations to flourish and to influence public policy. Poor

people face enormous constraints in forming associations to increase their voice and improve their circumstances. They usually take little part in politics because participation seems irrelevant to their primary concerns, futile, or both. They often have low expectations of their government—and may even fear reprisals from state or local authorities if they organize. Even for matters where the government is viewed as relevant, poor people see individual and collective efforts to exert influence as having little effect. When poor people do participate, their class identity is not the only influence on their decision to do so. As with other citizens, the forces that move them to action are often tangible, short term, and local.

Reducing asymmetries in information can do much to change poor people's hesitance to participate—and to empower them. Formal education enables people to gain access to better economic opportunities (chapter 5) and gives them the means to articulate their needs and demands in public forums and in political processes. All this is enhanced by widespread dissemination of information. Today's information technology and lower information costs, combined with rising demand for greater access to public documents, can have powerful benefits for the poor.

Major impediments to organization by poor people are lack of time, resources, information, and access to outside sources of help. Added to that are physical constraints on collaboration, such as geographic dispersion and poor transport and communications infrastructure. Ethnic and other social divisions are another impediment (chapter 7).<sup>57</sup> Despite these difficulties, many countries have seen an explosion of community-based, participatory grassroots organizations in the past few decades. Throughout Latin America popular and indigenous organizations, sometimes based on traditional forms of association, now give voice to the underprivileged and deal with immediate needs in health, schooling, and public infrastructure.

Such grassroots organizations require many forms of support from the state and from civil society. They often need technical assistance and skill building to become sustainable and effective. They also need help in scaling up their membership, range of functions, and political engagement.<sup>58</sup> Many grassroots initiatives are limited in scope and depth and never reach the national political arena. Studies in Latin America have found that some organizations are effective in addressing some of the immediate concerns of poor people, but their sustainability is constrained by difficulties in linking up with external

agencies.<sup>59</sup> To counter these problems, some peasant organizations in Bolivia and Ecuador have worked through NGOs to link up with national agricultural agencies, enormously expanding their range and effectiveness.<sup>60</sup>

In most developing countries NGOs are central actors in antipoverty policies and programs.<sup>61</sup> The social and educational background of many NGO staff enables them to interact easily with the staff of national institutions, and they can help create bridges between these institutions, outside agencies, and grassroots organizations. NGOs can also be very effective in delivering technical assistance to poor people,<sup>62</sup> as Mopawi has been in Honduras (box 6.6).

In Bolivia a Dutch NGO helped a *campesino* federation link with research institutions involved in the national

#### **Box 6.6** **NGOs can help mobilize and empower communities**

Since 1985 the NGO Mopawi (Moskitia Pawisa, or Development of La Mosquitia) has been working alongside the indigenous communities of La Mosquitia, a remote area of western Honduras and one of the last remaining areas of tropical forest in Central America. Over the years Mopawi has developed a large and complex development program. It has worked to change government policy for the region through continuous lobbying and advocacy, helping to form links between government, international NGOs, research organizations, and indigenous organizations to raise awareness and inspire action. It has worked with local communities to find ways of improving livelihoods without harming the environment. Mopawi has also addressed deforestation in La Mosquitia, combining advocacy with practical prevention. Most of its staff are from La Mosquitia, which has proved to be a major strength.

The organization has helped improve people's livelihoods by identifying alternative models of resource use and involving local communities in decisionmaking and management. For example, small businesses have been set up, and experiments conducted with agriculture and agroforestry. An agroforestry and pasture project being conducted with settlers and indigenous communities includes experiments with sustainable management of the forest and restoration of degraded areas. And efforts targeting women are aimed at cultivating vegetable plots to improve health and nutrition.

To strengthen local organizations, Mopawi has worked with Masta (Mosquitia Alsa Tanka), the federation of representative indigenous organizations in La Mosquitia. With Mopawi's help, local organizations have taken on legalization of land ownership and use rights and developed their capacity for advocacy.

*Source:* Brehm 2000.

potato program by contracting with an international expert to work with the federation at the onset of the project. The consultant had no difficulty establishing high-level contacts with research institutions, and on the basis of these meetings the federation established strong links with the national potato program. The result was higher crop incomes for federation members.<sup>63</sup>

Sometimes NGOs reflect the political system in which they thrive, or local interest groups, and thus may not serve the interests of poor people as well as they might.<sup>64</sup> NGOs are no panacea—it is important that they be accountable for their actions, especially to the poor groups that they seek to represent.

### *Fostering state-community synergies in growth and poverty reduction*

The state can facilitate interactions between local administrations and communities to engender development and reduce poverty.<sup>65</sup> There are two main aspects to this role: reducing obstacles to collective action in communities and encouraging greater collaboration between communities and local governments. To forge ties within communities and facilitate local collective action, the state can initiate programs that build up the assets of poor people and make public services more accessible. Such programs reduce the perception among poor people that their survival depends on avoiding risks and keeping their patrons happy—releasing their energies to pursue actions for upward mobility and to collaborate with others on a more equal footing.

The combination of a more egalitarian social organization at the community level and better local administration enables the creation of powerful coalitions for rapid development. Strong links between local administrations and communities improve service delivery and reduce the potential for local capture of development programs. This arrangement has been used successfully in very different political and administrative settings: Brazil in the 1980s, the Republic of Korea in the 1960s and 1970s, and Taiwan, China, in the 1950s.<sup>66</sup>

The example of Brazil shows that institutional change is considerably more difficult in highly unequal settings. Lacking the prior extensive land reform of East Asian countries, the state in its efforts to reform local government had to tackle problems of landlord interests and political connections with local government. This created problems, because large landowners, private contractors, and relief suppliers were accustomed to cornering re-

sources. In the 1987 drought the state used agricultural extension workers to break the grip of patronage in the distribution of drought relief. But sustaining such successes requires much continuing effort.

The Brazilian experience also shows that many of these obstacles can be overcome by bringing grassroots electoral pressure to bear on local governments. Political interference has been kept at bay by the state governments' insistence that municipal councils for disbursing development funds have at least 80 percent representation from end-user communities. Moreover, if communities feel they are treated unfairly by the municipal councils, they can apply for funds directly from the state government.<sup>67</sup>

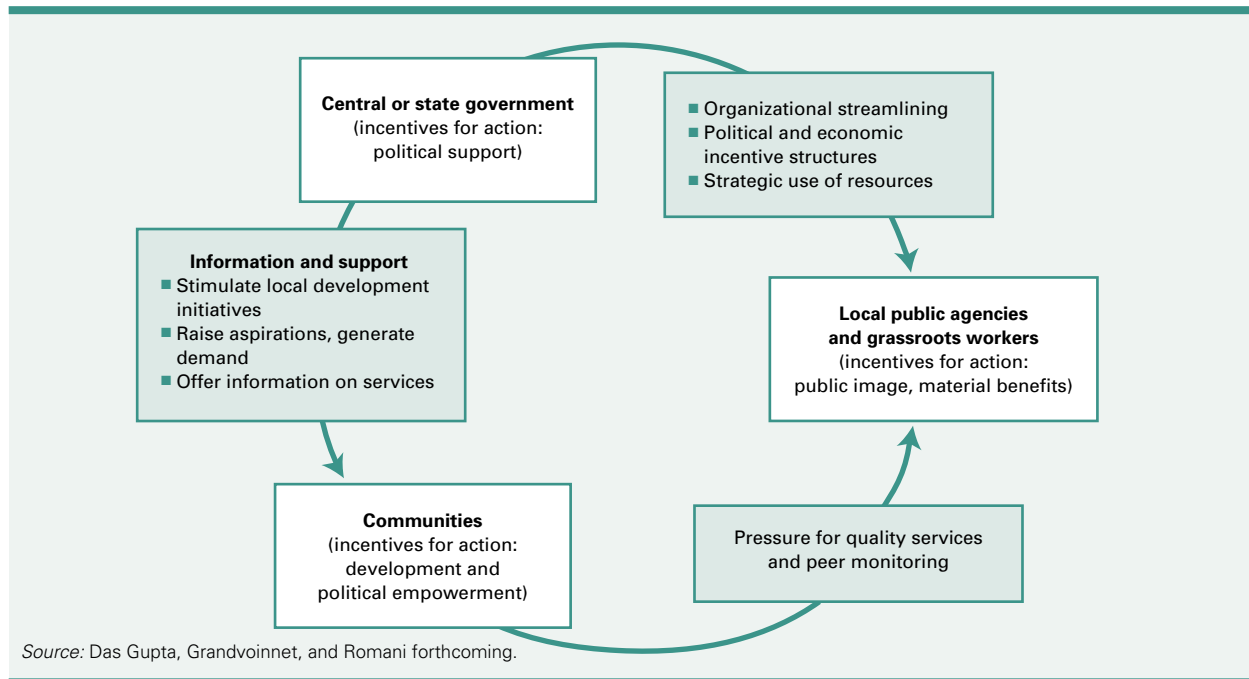
The state can undertake several key actions to foster developmental synergies between communities and local governments (figure 6.5):

- Generating community demand for better public administration and service delivery, through intensive dissemination of information.
- Forming dense networks between the state and communities and making available to communities the information and technical, marketing, credit, and other support they need to implement programs.
- Changing local agencies' mode of operation by putting pressure on them from above and below. In Brazil the state used official job recognition to motivate staff.
- Motivating grassroots workers and leaders through positive and negative sanctions, including respect from peers. Where the workers are also community members, as in the Republic of Korea, the potential sanctions are especially strong.
- Adjusting the roles of higher levels of government, training and motivating their staff to focus on managing overall strategy, and providing technical support, regulations, and facilitation.

These initiatives yield substantial political payoffs for the governments in legitimacy and in popular support. In a municipal election in Brazil candidates said that if they wanted to get elected, they had to support the new arrangements for increasing public accountability of local government and improving public service delivery.<sup>68</sup> This helped to strengthen potentially weak governments and motivate them to engage in these difficult tasks. At the same time the conditions for a plural polity were strengthened.

Collaboration between communities and local governments can also promote many different forms of development. In addition to local improvements in

**Figure 6.5**  
**State-community coalitions can foster rapid development and better service delivery**



infrastructure and living conditions, such collaborative efforts have delivered health and drought relief in Brazil and supported industrial production for export markets in Taiwan, China.

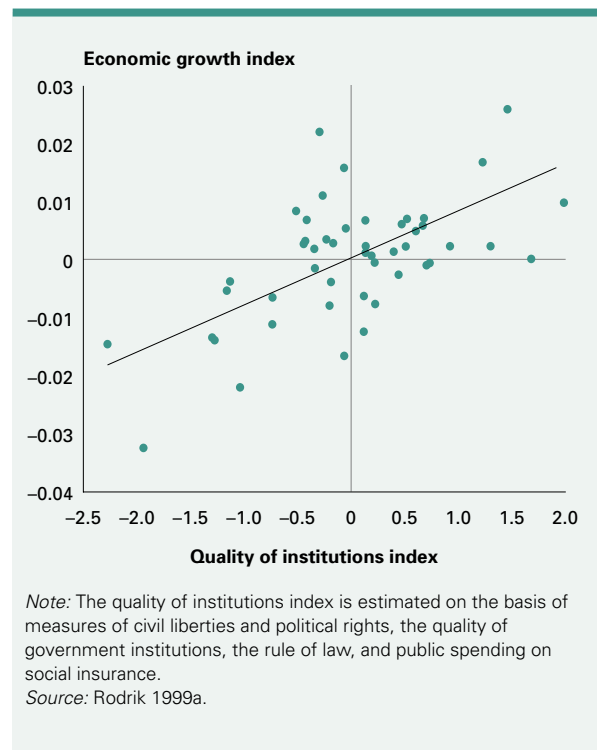
Changes are incremental and can often take time, but as success stories accumulate in a given setting, they create a demonstration effect for others. The examples suggest that it is possible, in the space of decades, to reengineer state institutions to quicken the pace of development, growth, and poverty reduction. They also show that with creative political thinking these changes are possible even in relatively weak institutional settings.

**Political regimes and poverty**

Voicelessness and powerlessness are key dimensions of poverty, and an important aspect of voice relates to political rights and civil liberties.<sup>69</sup> Democracy is intrinsically valuable for human well-being as a manifestation of human freedom. Political freedoms have enormous impact on the lives and capabilities of citizens.<sup>70</sup>

Participatory political processes can also help build a good institutional base for the polity, society, and economy, enabling all voices to be heard and to interact in determining outcomes (figure 6.6).<sup>71</sup> Civil and political

**Figure 6.6**  
**Good political and administrative institutions go hand in hand with economic growth**





liberties, along with competitive elections, are powerful instruments for holding governments accountable for their actions. To translate this potential into reality, many institutions need to be in place to ensure that democratic processes function as they should—among them, independent media to monitor electoral and administrative processes, an independent judiciary to uphold the constitution and rule of law, and strong parliamentary institutions with the capacity to monitor the executive through such mechanisms as public accounts committees. Building these institutions takes time, and constant vigilance is required to ensure that democratic processes function as they should. But it is worth the effort, for these processes offer the most effective means of guaranteeing voice and participation.

### *Promoting democratic politics to foster stable environments for growth*

Evidence on the relationship between the type of political regime and the rate of economic growth is mixed.<sup>72</sup> In part this reflects measurement problems,<sup>73</sup> and in part, the experiences of growth with significant poverty reduction in a few notably development-oriented countries, such as the Republic of Korea, before they became pluralist democracies. These countries developed the preconditions for a developmental state—notably, political elites committed to development and supported by an efficient public administration that was insulated from political pressures and had close links to the business community.<sup>74</sup>

Another major factor in the success of these economies was their early emphasis on equity—especially extensive land reform and universal education, which laid the foundation for rapid and equitable growth.<sup>75</sup> These efforts were facilitated in some cases by the devastation caused by war and the attendant disempowerment of entrenched elites. These circumstances lowered the resistance of politically powerful vested interests to drastic land reform.

In most nondemocratic settings, however, lack of institutionalized accountability has resulted in poor performance in growth and poverty reduction. Even successful developmental states point to an important lesson: undemocratic regimes face serious abuses of state power, and they are prone to rapid policy reversals that can make their development gains fragile. These states are moving to resolve some of these problems by changing their political institutions to increase official accountability.

The checks and balances of participatory democratic regimes—and the procedures for consensus building—limit the scope for rent seeking and drastic policy reversals, offering a much more reliable and sustainable path to development.<sup>76</sup> Participatory political regimes are associated with more stable growth<sup>77</sup>—very important for poverty reduction, given the highly adverse effects that shocks have on poor people (chapters 8 and 9). There are several reasons for this association.

First, participatory political processes encourage the use of voice rather than violence to negotiate conflict. Combined with guaranteed political rights, these processes reduce the potential for ethnic and other intergroup conflict, averting major sources of social and economic vulnerability for poor people.<sup>78</sup> For example, India's strong democratic political institutions help mediate the potentially conflicting demands of its highly heterogeneous population.

Second, political and civil rights and a free press allow people to draw attention to their needs and demand appropriate public action.<sup>79</sup> This is especially important for averting or responding quickly to major disasters. And third, democratic elections confer legitimacy on governments, fostering sociopolitical and economic stability.

### *How can democracy deliver more effectively for poor people?*

Democracy—both representative and participatory—is a good in itself. But democratic political processes alone are not enough to ensure that poverty reduction is taken as a key priority in society's efforts. Political and social ideologies shape the extent to which democratic systems actually reduce poverty. Different philosophies underlying welfare policies in OECD countries produce very different outcomes in poverty reduction—despite the fact that all these countries have a long history of democratic political institutions and high per capita income (box 6.7).

Representative politics allow all citizens' interests to be expressed, but the outcomes depend on how different group interests play out.<sup>80</sup> Groups that are politically connected or better educated have a natural advantage over others in influencing public policy. This is reflected in the United States in the large discrepancies between affluent and poor communities in funding appropriations for law enforcement and public schools. In developing countries, where the distribution of education and po-

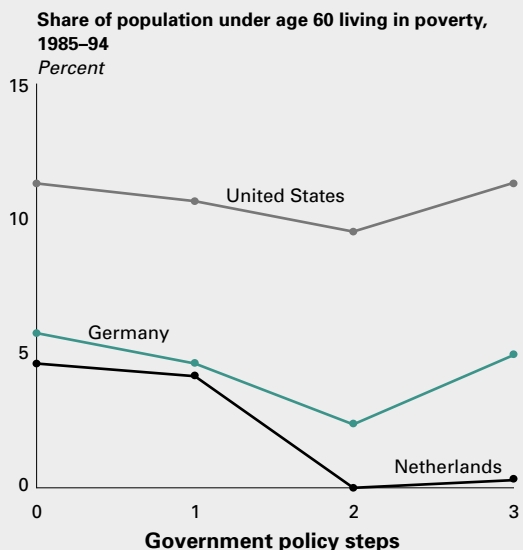
### Box 6.7 Politics and poverty in OECD countries

Poverty is not restricted to developing countries. There are significant pockets of poverty in some OECD countries. Although these countries are all affluent market economies with democratic systems, ideological differences and corresponding differences in popular support for poverty reduction programs result in very different levels of poverty for their citizens.

A comparative study of poverty trends in Germany, the Netherlands, and the United States examined the incidence of poverty and how it was affected over a 10-year period by government programs. The study found wide differences in poverty incidence among the three countries, differences that were widened by government programs. Levels of “pre-government” poverty (based on earned and unearned personal income excluding taxes and transfers from government) vary, largely a result of marked differences in labor laws and other market factors. Pension payments reduce poverty in all three countries, but the design and impact of other public transfers and taxes aimed at reducing poverty differ.

Especially striking are the low levels of poverty in the Netherlands, a result of universal benefits. Although the transfers have large targeting errors—they go to the non-poor as well as the poor—they do not appear to have resulted in slower economic growth compared with the other countries.

#### Government programs widen differences in poverty among OECD countries



Note: Policy steps: 0 = “pregovernment” poverty rate, 1 = social insurance pensions, 2 = 1 + other public transfers, 3 = 2 + taxes. Poverty is defined as having less than half the median disposable household income of the country. Incomes (net of inflation) were cumulated for the 10-year period.  
Source: Goodin and others 1999.

litical know-how is far more skewed than in the United States, large segments of the population remain underserved.<sup>81</sup> In Côte d’Ivoire 35 percent of public education spending goes to the richest 20 percent of the population (see table 5.1 in chapter 5), and 55 percent of tertiary students come from this group.<sup>82</sup> Democratic politics are also subject to manipulation by political leaders. Leaders may favor spending resources on immediate consumption rather than investment, on populist rather than productive measures.<sup>83</sup> In addition, interest groups can be bought off or co-opted with favors from politicians.<sup>84</sup>

There are three main ways to strengthen the institutional environments of democratic regimes to make them more effective at reducing poverty. First, democratic processes must permeate all major levels of decisionmaking. Some regimes are more democratic in principle than in practice. Others, like India, are genuinely democratic at most levels but have historically found it difficult to ensure that political accountability reaches all levels of decisionmaking, particularly for the poor. India’s ongoing *panchayati raj* drive toward decentralization and community empowerment is an effort to correct this by increasing the powers of local elected councils.

Second, citizens must be given systematic access to information so that they can hold their civil servants and politicians accountable. If information on budgets and on the use of funds—from the federal to the local level—is made available in newspapers and other information sources, people can hold their leaders accountable for results. Such public accountability can help to reduce inefficiency and corruption. This dissemination of information needs to be legally mandated to ensure that it does not stop with a change of government. Progress in information technology and increasing exposure to global currents help to create a new environment of public awareness that reinforces democratic politics.

Third, strong civil society organizations can promote the political empowerment of poor people, pressuring the state to better serve their interests and increasing the effectiveness of antipoverty programs.<sup>85</sup> Case studies in the Indian state of Kerala and elsewhere show that a highly engaged civil society contributes to better outcomes in health and education.<sup>86</sup> What is needed is an enabling institutional environment for civil society to develop and thicken (box 6.8).<sup>87</sup>

**Box 6.8**  
**The evolution of civil society and state reform in Mexico**

Traditionally, Mexico has had well-institutionalized systems for channeling and controlling political activities—and using state resources to cement political support for the regime. These systems were more concerned with controlling society's demands than responding to them. The state had developed a highly effective and sophisticated machinery for co-opting and managing demands and dissent. Although the capacity of civil society to demand responsiveness was limited, the state was sensitive to the ongoing need to cement loyalties, garner support, and resolve conflict.

In the 1980s these relatively strong political capacities came under siege: responsiveness, representation, and participation became issues of great contention. Day-to-day management of political and economic conflict became an increasingly difficult task for public officials. Financial resources reached historically low levels, and government legitimacy plummeted. While civil society de-

*Source:* Grindle 1996.

manded that the basic social contract between state and society be renegotiated, political leaders and parties attempted to respond in ways that would give them the leverage to determine the scope and nature of that contract. This conflict remained unresolved in the early 1990s, with the potential to develop a more open political system depending on the capacity of civil society to force change.

In recent years prospects of real change have emerged in Mexico. A much more open and democratic political process has developed, and an independent electoral commission and civil society organizations widely encouraged citizens to vote according to their conscience, free of coercion and inducements, in the July 2000 election. While much remains to be done to open the door further to civil society participation and the expression of citizen demands, this is a cautious, lurching, but in the end irreversible, first step.

• • •

Respect for the rule of law, an efficient public administration, and high-quality political systems facilitate the emergence of state institutions inclusive of poor people. But the impact of these factors on poverty depends on how effectively they are translated into empowerment at the community level. Even in states with extensive political and civil liberties and with governments that are neither captured by elites nor corrupt,

poor people are often voiceless—and their interests figure little in public policy. Poor people need direct voice in the interventions that affect their daily lives, as well as the ability to organize and vote. Actions are needed to bring down barriers—legal, political, administrative, social—that work against particular groups and to build up the assets of poor people to prevent their exclusion from the market. Some major social barriers to poverty reduction are discussed in the following chapter.