

**THE INCAPACITY OF STRUCTURAL ADJUSTMENT
REFORMS TO ERADICATE POVERTY:
AN AGENDA FOR CHANGE**

Rehman Sobhan
Chairman, Centre for Policy Dialogue

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Centre for Policy Dialogue

House 40/C, Road 11, Dhanmondi R/A, GPO Box 2129, Dhaka 1209

Tel: 9133199, 8124770; Fax: 8130951

E-mail: rehman@citechco.net; Website: www.cpd-bangladesh.org

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INTRODUCTION

The Incapacity of Structural Adjustment Reforms (SAR)

The developing world and recently the transitional economies of Europe have been exposed to two decades of *Structural Adjustment Reform* (SAR) initiated by the international financial institutions, led by the World Bank and IMF. SAR was predicated on the neo-liberal philosophy popularized in the *Washington Consensus* which was all about promoting economic growth, never about poverty or even distributive issues. Commitment to SAR was expected to initiate a process of sustained economic growth in the reforming countries. Growth in turn was deemed to be the most effective solvent for alleviating poverty. By transference the World Bank argued that SAR reforms would be the most effective strategy to reduce poverty. However, in case there were some unfortunate victims of SAR, safety nets could be put in place to alleviate the pain of its victims. After two decades of reforms it is generally recognized, even by the World Bank, that SAR neither alleviated poverty nor even assured sustainable growth, particularly in the least developed countries (LDC).

The success stories of the Asian Tigers and Chile remains far removed from the experience of much of the developing world in the last 15 years of the 20th century. It was indeed questionable that the Asian Tigers had been faithful adherents of SAR and it was argued that they had mapped out their own growth path. However, in the wake of the Asian financial crisis of 1997, even the Tiger's were in trouble and success stories such as Indonesia and Argentina, are now in a state of crisis whilst most of the reformed former USSR and parts of Eastern Europe remain disaster areas. Episodic success stories such as Ghana and Uganda waxed and waned within the fluctuating climate of a globalised world economy. The concept of a universal paradigm originating in the *Washington Consensus* is, thus, increasingly regarded as neither consensual or replicable across the developing world and transitional countries.

In such an environment of unsustainable economic growth, across much of the developing world, poverty was not noticeably alleviated and in many countries, including for the first time in the ex-USSR and Eastern Europe, it was actually accentuated. In most countries across the world, inequalities have increased sharply over the phase of SAR so

that endemic poverty coexists with extravagant accumulations of wealth and obscene levels of conspicuous consumption. Levels of corruption have accentuated, underwritten by abuse of the democratic process and violation of human rights.

Little attempt has been made within the international development community to take a self-critical look at the limitations of the SAR model or to see how the problems facing the developing world may, in some measure, have been aggravated by the reform process itself. Instead, the response by the international financial institutions (IFI), led by the World Bank, has been to protect and persist with SAR. The questionable impact of SAR has been attributed to failures of governance, a new buzzword which has been introduced into the vocabulary of development over the last decade. Governance has, unfortunately, been delinked from the underlying political economy, governing the development of these countries. As a consequence the dominant policy reform process in most developing and transitional countries still remains grounded in the SAR process but is now supplemented by an addendum which incorporates sections on improving governance and reducing poverty. This new pastiche of the reform process is being encapsulated in a *Poverty Reduction Strategy Paper* (PRSP). Unlike the SAR which even the World Bank now acknowledge, was imposed on many borrowing countries through application of aid conditionabilities, the PRSP is expected to be a more domestically owned product. However, by a strange coincidence, across most developing countries, the PRSP appears to be virtually indistinguishable from the *Country Assistance Strategy* (CAS) paper designed for the particular country by the World Bank. This happy identity of reform commitments between the World Bank, joined by the IMF and the government and citizens of the developing world, is now intended to provide the template for renewed aid commitments designed to reduce poverty across the world whilst retaining commitment to SAR.

The scope of the paper

It is argued in this paper that the PRSP process is no more likely to reduce poverty than the SAR process largely for the same reasons that compromised the efficacy of the earlier reform experience. The problem with the SAR process lay in its failure to recognize the specific structural features of the economy and society of particular developing countries. These features have governed their capacity to both implement SAR as well as govern the reform process. The same social order which emerged out of the SAR process now underwrites the structural injustices which perpetuate poverty in many societies.

Unfortunately, the SAR and now the PRSP process, make little attempt to diagnose, let alone address, these injustices. There is, therefore, no attempt within this reform paradigm, to promote social change so that the reform process remains astructural and innocent of the political economy which underlies the policymaking process. It is not intended in this paper to dwell on the limitation of the SAR process both in relation to the damage it has inflicted on vulnerable Third World economies and specifically on the workers, farmers and the poor in general. These issues will hopefully be addressed by my colleagues on the panel. My presentation is designed to take the debate forward. My paper would accordingly seek to focus on the omissions in the SAR agenda to address the structural dimensions of poverty and to thereby spell out an agenda for social change to correct the injustices which perpetuate poverty across the developing world.

THE STRUCTURAL DIMENSIONS OF POVERTY

The assumptions underlying this structuralist perspective on poverty recognizes that neither targetting of development resources to the poor, nor the promotion of growth, are likely to resolve the problem of poverty. The poor are embedded in certain inherited structural arrangements such as insufficient access to productive assets as well as human resources, unequal capacity to participate in both domestic and global markets and undemocratic access to political power. These structural features of poverty reinforce each other to effectively exclude the poor, from participating in the benefits of development or the opportunities provided by more open markets.

It is, however, not enough to recognize the salience of structural issues in the poverty discourse without addressing the political economy which underlies the structural features of a society. Poverty originates in the unequal command over both economic and political resources within a society and the unjust nature of a social order which perpetuates these inequities. We may term these inequalities as structural injustice. Such injustice remains pervasive in most societies exposed to endemic poverty. Any credible agenda to eradicate poverty must seek to correct the structural injustices which perpetuate poverty. The main areas of structural injustice may be addressed in relation to :

- Productive assets
- Markets
- Human Development
- Governance.

It would be appropriate to add the injustice of asymmetrical globalization to the above themes. Responding to the unequal and immiserising incidence of globalization on countries and social groups around the world merits separate discussion and is addressed by me elsewhere.

Unequal access to assets

In all countries faced with endemic poverty and indeed many middle-income countries, inequitable access to wealth and knowledge desempower the poor from participating competitively in the market place. Indeed the market itself, as it operates in the real world rather than in text books, is designed to compromise the opportunities on offer to the poor. In most societies, with a substantial proportion of the population living in poverty, the poor have insufficient access to land, water and water bodies. Where they access such resources they do so under exploitative tenancy arrangements.

Such inequities in title and access to agrarian assets do not derive from the competitive play of the market but from the injustices of history and therefore lack moral as well as social legitimacy. Such an inequitable access to productive assets in the rural economy also tends to be inefficient because small farmer's have proven to be both more productive as well as likely to spend most of their income derived from their meagre assets, in stimulating secondary activity in the rural economy.

Unequal participation in the market

Within the prevailing property structures of society, the rural poor, in particular, remain disconnected from the more dynamic sectors of the market, particularly where there is scope for benefiting from the opportunities provided by globalisation. The fast growing sectors of economic activity tend to be located within the urban economy, where the principal agents of production tend to be the urban elite, who own the corporate assets which underwrite the faster growing sectors of the economy. Even in the export-oriented rural economy, in those areas linked with the more dynamic agro-processing sector, a major part of the profits, in the chain of value addition, accrue to those classes who control corporate wealth.

The rural poor, therefore, interface with the dynamic sectors of the economy only as producers and wage earners, at the lowest end of the production and marketing chain,

where they sell their produce and labour under severely adverse conditions. This leaves the rural poor with little opportunity for sharing in the opportunities provided by the market economy for value addition to their labours.

Unequal access to human development

Low productivity remains an important source of income poverty. Higher income and ownership of wealth remains closely correlated to higher levels of education. Low productivity, thus, originates in insufficient access to education and technology. However, a more serious problem facing the poor, in many developing countries, lies in the growing disparity in the quality of education which divides the rural and urban areas as well as the majority of the people from a much narrower elite. In such societies today, the principal inequity in the education sector is manifested in the growing divide between a better educated elite with access to private as well as foreign education and the poor who remain condemned to remain captives within an insufficiently funded and poorly governed public education system. In an increasingly knowledge based global economy, which is driving the IT revolution, inequitable access to quality education, relevant to the dynamics of the market, could emerge as the principal deprivation of the poor.

Insufficient and inequitable access to health care is also compounding the inequities in education. The dominant problem in most developing countries is not the complete absence of health care but the incapacity of the public health care systems to deliver quality health care. Ill-provisioned health services expose the poor to a life of insecurity, where earning opportunities can be disrupted by episodes of ill health. In contrast the elite enjoy First World medical services, often abroad, because they can pay for such services.

Unjust governance

This inequitable and unjust social and economic universe is compounded by a system of unjust governance which discriminates against the poor and effectively disenfranchises them from the political benefits of a democratic process. The poor, where they are not directly oppressed by the machinery of state, remain underserved by available public services. Where such services are at all accessible to the poor, they pay high transaction costs for these services. The agencies of law enforcement insufficiently protect the poor and frequently oppress them for personal gain as well as on behalf of the elite. The

judicial system denies the poor elementary justice both on grounds of poverty as well as the social bias of most Third World judiciaries.

In such a social universe the poor remain tyrannized by state as well as money power and have to seek the protection of their oppressors, within a system of patron-client relationships, which perpetuates the prevailing hierarchies of power. Where the democratic process has been renewed, often after long episodes of autocratic rule, the poor are denied adequate access to representation in the systems of democratic governance from the local to the national level. Representative institutions tend to be monopolized by the affluent and socially powerful who then use their electoral office to enhance their wealth and thereby perpetuate their hold over power. In such an inequitable and politically unjust environment, the benefits of democracy remain the privilege of the elite supported by small collectives of sectional power.

POLICY INTERVENTIONS TO CORRECT STRUCTURAL INJUSTICE

It is however, not enough to point to the obvious inadequacies of the SAR process in reducing poverty. An alternative, and politically credible reform agenda has to put in place which can address the structural concerns which have been avoided by the SAR and now the PRSP.

This part of the paper, is therefore designed to focus attention and debate the policy interventions, needed to confront the issue of structural injustice. This discussion addresses the issue of correcting injustice through empowerment of the poor, by strengthening their capacity to participate in a market economy and democratic polity. The proposed policy interventions are structured under the following heads:

- Expanding the ownership and control of the poor over productive assets
- Enhancing their access to a knowledge based society
- Strengthening the capacity of the poor to compete in the market place
- Redesigning budgetary policy to reach public resources to the poor.
- Restructuring monetary policy to deliver credit and provide savings instruments to the poor
- Designing institutions for the poor
- Empowering the poor

The subsequent discussion is largely suggestive and is designed to initially stimulate debate as a prelude to designing more substantive policy proposals.

Expanding the ownership and control of the rural poor over productive assets

The principal assets available to the rural poor tend to be land and water. I do not share the reservations of some scholars and international agencies about confiscatory land reform, largely because the prevailing title to such land, in most developing countries, is grounded in unjust and often illegitimately acquired title to such land. However, we need to recognize that the correlation of political forces to underwrite a radical agrarian reform are not present in too many countries, today. If such a coalition could be put in place I have no hesitation to argue that a radical reform, which could transform the political economy of rural society, would not only help to end rural poverty but could also dynamise the economies of many Third World countries.

Whilst social revolution may not be round the corner there is no reason why we cannot explore agrarian reforms which are politically feasible as well as economically sustainable. Within such a perspective, some areas of agrarian reform could be considered:

- Transforming tenancy rights into either ownership rights for the tenant or through right of permanent tenancy.
- Redistribution of ownership of uncultivated land, particularly within large estates.
- Giving title to lands and water courses owned or controlled by the State.
- Correcting injustice in the system of land administration

The operative issue here is to give those who actually cultivate the land, a direct stake in the land. Without legal title to ownership or tenancy of land, the cultivators retains little incentive to invest in the land nor are they able to use land as collateral to access the credit market. The first principles of both market and institutional economics would therefore suggest that some form of agrarian reform remains part of an unaddressed agenda of economic reforms. I have never understood the logic of why the World Bank, has not applied conditionalities in the service of agrarian reform whilst it has never hesitated in using policy conditionalities on aid dependent Third World governments to

enforce changes in property rights through privatization of SOEs or promoting decollectivisation of farms in the transitional economies.

There are, obviously, significant socio-political problems which need to be addressed within particular countries, which remain specific to the design of such agrarian reforms, particularly where land remains a source of power within rural society. Here I would suggest that those development agencies which are today committed to poverty eradication through empowerment of the poor, should assume a more pro-active role in promoting agrarian reform. These agencies should underwrite work which can serve to design feasible reform proposals in various countries. Such work should not serve as an academic or consultancy exercise but should be used as part of the poverty reduction strategy of the more economically influential donors such as the World Bank or bilateral donors with a much stronger orientation in their aid programmes towards poverty eradication.

Enhancing access to human resources

In the area of human development, courtesy of the pioneering work of scholars such as Amartya Sen and visionaries such as Mahbub ul Haq, human development is already recognized as a mainstream concern of the development agenda. However, my own emphasis in this area would be on democratizing access to education and health care.

Such an agenda for human development would move beyond ensuring education or health for all, which should remain on every agenda. The priority for the next decade should move towards substantially enhancing investment for the purpose of upgrading the quality and governance of schools and health care facilities in the rural areas and serving the poor in the urban areas to a level where the poor do not feel disadvantaged compared to the privately serviced elite. This would include the goal of harnessing the revolutionary advances in information technology (IT) to reach education resources, diagnostic services and quality medical advice to the poor in the rural areas and slums of the city. Such a goal carries formidable implications as to costs and governance. What I would, therefore, suggest is a phased series of investments in upgrading these public human development facilities so that the budgetary impact and governance problems could be more easily absorbed.

Until public services in the health sector, for example, can be brought to a competitive level with private services, public resources should be channeled to establishing a system of health, disability and old age insurance for the poor to enable them to access private health care. A similar system of public scholarships should be targeted to the children of the poor to access private education, where each institution should be encouraged to set aside a proportion of places for the poor. A major internationally supported programme of using IT to serve rural schools and health care facilities can also be initiated.

Strengthening the capacity of the poor to compete in the market place

Market based institutions for the poor

The capacity of the poor to operate on more equal terms in the market place, depends in considerable measure on their capacity for collective action. The weakness of the poor, in the market place, originates in their isolation. Here investment in institutions, whether sponsored by NGOs or representing collective action by the poor, in the form of marketing cooperatives, or corporate bodies of the poor, remain crucial interventions.

The poor need to be invested with the capacity to develop the financial and organizational strength to sell their products and services, at a time and in a market, which offers them the best terms, rather than to sell their produce out of distress or the need to subsist. Such a perspective would demand interventions in the micro as well as macro-credit market to underwrite such marketing ventures, as well as deployment of professional management skills, to assist the poor in participating in the market place. International development agencies can be persuaded to initially underwrite some credit support as well as management inputs for such commercial organizations of the poor. But in the final analysis such ventures must be sustained in the market place.

Adding value to the labour of the poor

Many NGOs around the world are already providing marketing services to the poor, for particular commodities, in particular markets. However, the best service that can be provided is to help the poor to add value to their labours by moving upmarket through either agro-processing or providing inputs to the corporate sector. The pioneering role of Amul Dairy in India and more recently, BRAC, in Bangladesh, to enable small dairy farmers, or just poor households who own a cow, to become part of a milk processing

chain, enables the poor to share in the profits from selling pasteurized milk or cheese in the metropolitan market.

Here, I would suggest that such initiatives may take one step further, by financially empowering the vast body of small farmers servicing the private agro-processing sector, as well as handloom weavers, to become equity stakeholders in the upstream enterprises which add value to their produce or labour. Tobacco, cotton, sugar cane and jute growers, servicing export-oriented corporate bodies, could be brought together, as corporate bodies or as members of a dedicated Mutual Fund, to acquire a stake in these private corporate bodies engaged in the task of value addition. This marriage between the small farmer and the downstream agro-processor could also be promoted by local civil society organizations and consummated through a dowry provided by both multilateral and bilateral funding agencies to organized groups of small farmers to buy into such ventures.

At the global level better use needs to be made of such organization as by the *Fair Trade Movement*, which carries the produce of poor farmers and small enterprises into the retail markets of the developed world. *Fair Trade* is a commendable initiative. However, I would suggest that the movement should encourage the small businesses in developing countries, who reach out to small producers, to transform their suppliers or artisans into shareholders of the enterprises. Similarly, the *Fair Trade Movement* should, itself, consider incorporating itself and providing an equity stake in such a formidable global corporate enterprise, to the small farmers and artisans whose products are being sold in the supermarkets of the developed world. The emergence of such a global corporation of the poor and the weak, would do much to not just build global solidarity amongst the poor but to transform this into market power. There is no reason why the *Fair Trade Movement* could not aspire to emerge as the Lever Brothers of the poor.

Redesigning budgetary policy to reach public resources to the poor

Restructuring the budget

In its present configuration, budgetary policy aggregates, public expenditure programmes without setting any explicit goal to serve the poor, who tend to remain marginalized in the budgetary concerns of most developing countries. In the absence of any explicit structuring of the budget to serve the poor, most budgets contain a plethora of projects/programmes, ostensibly targeted to the poor. In many least developed countries

(LDCs) such pro-poor programmes tend to be underwritten by a variety of aid donors. A not insignificant part of the expenditure targeted to the poor, does not reach the poor, due to high transaction and delivery costs, which enrich the non-poor or expatriate consultants. Any serious attempt to dedicate public expenditure budgets to the concerns of the poor, should, therefore, be transparently structured to clearly identify not just projects explicitly targeted to the poor but resources delivered to and directly impacting on their lives.

Inducting the poor into the budgetary process

Apart from targeting public expenditure to the poor the more serious limitation of the budgetary process lies in the absence of consultation with the poor. A quite disproportionate amount of time is spent consulting business leaders and economists on budget design. Much less, if any, effort is invested in consulting the poor about what they expect from the budgetary process. Ideally, it is governments who should reach out to the poor whose votes elect them to office. Such an effort should not, however, manifest itself as a pro-forma, pre-budget exercise in bureaucratic tourism of some rural areas but should be institutionalized into the structures of governance.

All such efforts at making budgets more transparent and consulting the poor will be meaningless if they do not end up reprioritizing public expenditures to put resources into those sectors that serve the poor. This process will have to precede the task of ensuring that allocated resources actually reach the poor. However, redirecting budget priorities is not a zero sum game and the political economy of a society needs to be taken account in any discussion on the budget. If the poor are to compete with the Defense Forces to influence the allocative choices of the Finance Ministry, they will need to collectively empower themselves to compete in the political arena rather than to depend exclusively on the good sense of the policymakers.

Fiscal policy

The instruments of fiscal policy in many developing countries are usually not designed to address the concerns of the poor. It must, therefore, be recognized that fiscal systems can also be redesigned to do more than provide incentives for business enterprises and relief to the poor. The poor are also producers of goods and services and remain sensitive to the incentives offered by a well-designed fiscal policy. The instruments of direct as well as

indirect taxation need to be calibrated to make better use of their distributive and poverty reducing power.

Restructuring Monetary Policy

Taking micro-credit out of the ghetto

Nowhere is there a greater need for developing a macro-perspective for poverty eradication than in the area of monetary policy. The instruments of monetary policy appear to be exclusively targeted towards ensuring macro-economic stability, moderating inflation and meeting the credit needs of the corporate sector. The financial needs of the poor, once left to the informal sector, have now been segregated in the micro-credit market. This apartheid within the monetary system remains a major anomaly in the global development discourse. The micro-credit movement has, in many ways, revolutionized the banking system of many countries such as Bangladesh by moving a large segment of the rural population, from the informal to the formal capital market through access to institutional credit. In Bangladesh 10 million poor households, mostly women, have graduated from the informal money market into organized banking, where recognition of their innate sense of fiduciary responsibility for repaying loans and making regular savings has been institutionalised. No less important, the micro-credit system has established the creditworthiness of the poor and laid to rest the myth that only men of property should be eligible to access the institutional banking system.

I do not here intend to go into the merits and limitations of micro-credit or to suggest that it is the panacea for poverty eradication. Indeed, I would argue that, by its very nature, micro-credit can never aspire to eradicate poverty since it only addresses one component of the various markets which condition the lives of the rural poor. It is arguable that by locking the poor into the micro-credit system, based on the fiduciary responsibility of the household, they have been excluded from participating in the macro-economy, have been isolated from collective action and condemned to live on the fringes of the poverty line.

Regrettably, few Finance Ministers in the developing world have registered the crucial lessons from the micro-credit revolution that the poor are bankable and creditworthy. The logic of this discovery would be to enable micro-credit organisations to graduate into corporate banks, owned by the poor. This, indeed, is the path followed by Grameen Bank, in Bangladesh, the world's premier micro-credit institutions, which is a corporate body

with over 2 million shareholders, composed mostly of poor women, who are also the clientele of the Bank. Bangladesh and indeed a number of other developing countries, are ready to sustain many more such banks, owned by the poor and serving the poor. Given the high level of non-performing loans in the regular banking system of Bangladesh, the fact that Grameen Bank, with a credit volume comparable to the largest commercial banks, can limit its portfolio of non-performing loans in the range of 10%, demonstrates that it has the capacity to operate as a competitive bank, whilst serving the needs of the poor. There is, today, no reason why such organizations, of the maturity of Grameen Bank, should not graduate into the macro-finance system by accessing the deposits of the public, including the urban middle classes and even marketing its assets at the global level, through such financial instruments as securitisation.

Restructuring financial services to serve the poor

If Grameen Bank can move upmarket, there is no reason why commercial banks should not redirect their loan portfolios to the poor on account of their creditworthiness, particularly in an environment when many of their largest commercial borrowers remain habitual defaulters. This is not to suggest that commercial bankers have to immediately move out of their air-conditioned offices and visit each client in their village home, as is the practice with the micro-credit organisations. A number of banks are already using NGOs and, community-based organizations, to retail banking services to the poor. Commercial banks have to adjust their perspective as well as portfolios to the market opportunities provided by the poor.

Corporate banks may be more inclined to do this if the government were to incorporate such a redirection of banking services into the design of financial sector reforms. The World Bank has, for many years, been promoting financial sector reforms across the developing world. Regrettably, there is no evidence of any insistence by the World Bank that the reform process should also aim to restructure the macro-financial system to deliver financial services to the poor, on grounds of both market efficiency as well as alleviating poverty.

Mutual Funds for the Poor

Apart from the issue of redesigning monetary policy to deliver credit to the poor, the monetary system also needs to put in place a much wider spectrum of financial

instruments which can serve to mobilize the savings of the poor. An organisation such as Grameen Bank has accumulated Tk. 10 billion (about \$187 million) in savings from its 2.3 million members. All these savings remain on deposit with Grameen Bank and are used for further lending to its members. Savings mobilized by NGOs, community organizations as well as by individual households around the developing world, indicate that the poor remain formidable savers. Their real problem is the absence of suitable financial instruments to tap their savings and channel it into productive investments where the poor can share in the ownership and profits.

The financial system in developing countries needs to design special financial instruments to attract these micro- savings into the corporate sector, particularly where it can be structured to serve the poor. The concept of Mutual Funds for the poor provides a significant institutional mechanisms to move the poor out of the village economy and into the more dynamic corporate sector, to a stage where a significant share of corporate wealth could be owned by the poor. The savings of the poor can not only augment the national savings base of poor economies but also broaden the investment capacity of the economy, whilst transforming the poorest rural household into stakeholders in the process of national economic growth.

The channeling of the savings of the poor into corporate investments should be matched by the channeling of urban savings to finance the corporate as well as micro-credit needs of the poor. An integrated monetary system is a two-way street where financial intermediation by the banks should be able to channel the savings of the rich to underwrite the investment needs and creative capacity of the poor. Within such a perspective, credit from the commercial banks should also be made available to organizations of the poor to leverage their investments in the corporate sector.

Such an integrated financial system carries obvious risks associated with the nature of the market mechanism, as well as the probity of the corporate sector, which will demand special safeguards to protect the interests of the poor. But unless these opportunities for linking the poor to the corporate sector are explored through widening the horizons of monetary policy, the poor will remain permanent captives in the ghetto of the micro-economy.

Expanding the stakes of the poor

The Mutual Fund is but one institutional mechanisms to link the poor to the corporate sector. The underlying premise of the Mutual Fund is the notion of creating possibilities for the poor to own corporate assets. We have already identified the opportunities for linking the farmers to the agro-processing corporate sector by giving them an equity stake in such enterprises. At the same time, the agro-corporations should be motivated to invest in improving the productivity and capacities of their rural partners.

Financial policy could also be restructured to ensure that all assets, from urban land, to real estate development, from banks to corporate trading houses, could be redesigned to accommodate the poor as equity partners. The two institutional instruments to make this possible remain the Mutual Fund and the need for private limited companies to transform themselves into public limited companies. Here monetary and fiscal policy can provide incentives to encourage the corporatisation of private wealth along with the reservation of space for equity ownership of this wealth by the poor.

It may be suggested that the opportunities for democratizing ownership of corporate wealth should not be limited to the rural poor but could be extended to workers, to own shares in the enterprises where they work. The poor, mostly underpaid workers, many of them whom are women, working in labour intensive industries around the world, are no less deserving of being made stakeholders in the more dynamic sectors of the economy. These workers, who remain a source of value addition in some of the principal export industries such as readymade garments and plantation based enterprises, could also be given an equity stake in the enterprises where they work. This would not only enhance their earnings but also give them a stake in improving the productivity of their enterprise.

Institutions of the Poor

Collective action by the poor

The poor survive as individuals with no institutional persona. The primary task of building institutions for the poor should be to enable them to rediscover their collective identity. The forging of such a collective identity does not, however, develop out of abstract notions of identity but is likely to emerge out of a process of collective action underwritten by the force of law. Such collective action could be constructed around particular social actions or through shared participation in pursuit of economic gain. Here, if the poor are to be mobilized for collective action, special, legally empowered

institutions of the poor, may need to be constructed. Two such institutional arrangements are discussed below:

Corporations of the Poor

Over the last two decades the NGOs have come to play a growing role in most developing countries, principally as delivery agents, contracted by donors to deliver certain services targeted to the poor. It has, however, been argued that the emergence of the NGO as aid contractors, keeps them heavily dependent on aid. This external dependence is increasingly compromising the role of NGO's as social mobilizers and advocates of the poor.

It is suggested that the long term sustainability of the NGO, as a financially autonomous institution of civil society, lies in its reinvention as corporations of the poor. The future of the NGO as a social institution lies in its ability to use its institutional capacity, which has extended into rural communities across the world, thereby giving them direct access to vast numbers of the poor, to use this reach to link the poor to the market. This can be done through transforming NGOs into corporations of the poor, where their micro-beneficiaries are transformed into the owners of a corporate NGO. Through such a measure, the individual weakness of the poor could be aggregated into the legally recognized power of the many. At the same time, NGOs would be made legally accountable to their client base of the poor.

The NGOs are not the only agency for forging collective solidarity within the poor. Community based or self-help organizations of the poor, cooperatives and activity based organizations, which bring groups of the poor together, should aspire to forge an institutional identity. Corporitising these CBOs will provide the legal foundations for collective action, to enable these bodies of the poor to access credit, enter into contractual relationships and deal with international organizations. The precise legal persona of these corporations may vary from limited liability companies, with the poor as equity owners, to cooperatives with the poor as partner members. But the common feature of all such corporate entities of the poor is that they much operate in the market place and generate income rather than limiting themselves to survive as savings and loan associations.

Empowering the poor

The entire process of building a collective identity for the poor through specially constructed institutions, derives from the need for the poor to claim a place in society which is more commensurate with their numbers. The poor remain disempowered because they are isolated. Bring them together and they emerge as a major force in the economy, in society and eventually in the political arena. Incorporating the poor, around opportunities for collective economic benefit, may invest them with a sustainable sense of solidarity which may not have been possible through more, episodic participation in various class actions. However, in the final analysis, it is only when the poor are sitting in the representative institutions of the state, in local elective bodies as well as in Parliament, that they will be able to ensure that their special concerns will be mainstreamed within the policymaking process.

It is argued that a society populated by a large number of corporate bodies of the poor, bound together by opportunities for economic gain, could aggregate into a powerful political force which could transform the balance of power in many parts of the developing world. This vision, however, lies in the distant future and we should not tantalise ourselves with the prospect of instant social transformation. My purpose in putting these ideas for empowering the poor before you is to spell out a broad continuum for policy action. This approach demands a change in perspective from poverty alleviation to poverty eradication through structural change.

It is unlikely that many governments in the developing world would be inclined to rush towards building up institutions of the poor to a point where the balance of power in society could be transformed. Those governments who do have a genuine commitment to eradicate poverty may essay a beginning by encouraging the emergence of a Mutual Fund for the poor or promoting community based organizations. In South Asia, for example, most governments have accepted the idea of expanding the coverage of CBOs, as an instrument for rural development.

However, neither the concept of building corporations of the poor or the Mutual Fund, depend exclusively on the government for its advancement. NGOs are at liberty to reconstruct their corporate identity, as are the poor to organize themselves. Though in some countries such a process may require enabling legislation. The international development community can, however, help to accelerate such a process of empowering

the poor, by redirecting their aid programmes towards both encouraging the emergence as well as enabling corporate bodies of the poor to acquire wealth. This could suggest provision of resources to support acquisition of land, water bodies, leveraging purchase of shares, building capacity to compete in the market, and enhancing the knowledge base of the poor, particularly to participate in the IT revolution. Indeed, all such programmes could themselves derive from a new generation of locally owned structural adjustment reforms, premised on the empowerment of the poor.

Conclusion: The challenge ahead

I do not think that anything I have said today is particularly radical. However, when such an argument is viewed within an holistic policy framework, it does represent a change in the direction of the agenda for poverty eradication, away from narrow programmes of income gain for the poor to their empowerment through collective action for economic gain. If this perspective can eventually inform the agendas of some governments and some forward looking international institutions, then some value addition to the global development discourse may emerge out of my presentation.

However, for such ideas for structural change in the conditions of the poor to move forward, a vanguard role will have to be played by those political forces as well as by institutions of civil society committed to the concerns of the poor. Considerable professional work, as well as an ongoing dialogue within civil society will be required to give substance to the ideas presented in this paper. However, the most important task for political activists and civil society will be to conscientise the poor on the need for collective action and to mobilize them around a creative agenda for correcting the injustices which have kept them poor. Such an agenda would need to organize the deprived to claim entitlement to ownership over wealth-creating assets, opportunities for more equitable participation in the market as well as access to human development and finally in democratizing access to political power. This remains a formidable challenge in all societies and one should not underestimate the resistance this will face from the privileged elites.