

# The Australian Aid Program: Dealing with Poverty?

*“It is widely agreed that development in the sense of alleviation of poverty should be the principle objective of aid” (Jackson, 1984 #2)*

## **Introduction**

Since the 1970s the Australian aid program has had poverty reduction as its primary stated aim, and this is no different in the 2006 White Paper on Australian aid, which centres the aid policy framework as:

*To assist developing countries to reduce poverty and achieve sustainable development, in line with Australia’s national interest’ (AusAID, 2006).*

This formulation, while having some changes of emphasis in how it has been phrased, has been remarkably consistent ever since the Jackson Committee report of 1984 (see (Kilby, 1996). At that time the focus was on the so-called ‘triple mandate’ of Australian Aid, being concerned with: poverty reduction; the national interest; and trade promotion (Jackson, 1984). Likewise in 1996 Better Aid for a Better Future (AusAID, 1997), the government’s response to the Simon’s Report, placed the priority also with poverty reduction and the national interest, with trade being subsumed under the rubric of national interest through direct trade enhancement. This has continued as the promotion of trade ‘as a path to growth’ in the 2006 White Paper (AusAID, 2006, p. xii), but now aid is generally not used to directly subsidise Australia’s trade with developing countries.

Despite the long history of an aid program ostensibly focusing on poverty alleviation: like its predecessors (Jackson and Simons), there has been little analysis in the 2006 White Paper on how such an attack on poverty might occur in any detail. The emphasis is on the promotion of economic growth as the main driver, emerging from the neo-liberal discourse that high growth rates lead to poverty reduction: but this level of abstraction provides little in the way of detail of how this might occur, or examine the debates. As the next section will show a focus on economic growth alone as the path for poverty reduction is somewhat contested (Jha, 2000; Ravallion, 1997; Ravallion, 2003). This paper argues that a dependence on growth alone is not enough to alleviate chronic poverty and argues for a more nuanced approach that deals with directly with the issues of marginalised groups, growing inequality, and the rural urban divide.

The White Paper (AusAID, 2006) and the associated Core Group Recommendations Report (AusAID, 2005) will be examined in how they see poverty reduction being addressed in the aid program, and I will make some analysis of how this aligns with contemporary development thinking. In particular I will look at the focus on economic growth, and dilemmas that emerge when it is seen as being instrumental for long term poverty reduction. It will examine growing inequality, the rural urban divide, and people’s capabilities and exclusion, all of which are areas of contestation in the economic growth/poverty discourse. Finally the alternative policies by the British agency DfID and the World Bank will be looked at, and I will conclude with some suggestions on how the practice of the Australian aid program can better match the goal of poverty reduction.

## **Poverty Alleviation in the White Paper**

Beyond a commitment to poverty alleviation and a general statement of support for the Millennium Development Goals (MDGs), the White Paper has remarkably little to say on

how AusAID's Program might contribute to the achievement of these goals. The White Paper strategy is based on four key themes: accelerating economic growth; fostering effective states; investing in people; and promoting regional stability — all within a context of promoting greater gender equity (AusAID, 2006), p.iii.). In practice the focus on economic growth will involve removing what are seen to be barriers: these are land tenure arrangements in the Pacific; infrastructure more generally; and building a skilled workforce in the Pacific. In the area of governance the focus will be on leadership, promotion of reform, anti-corruption, and an integrated approach to law and order. The stronger investment in people will be through promoting both better health (particularly in addressing the HIV pandemic); and education, including a doubling of scholarships to Australian higher education institutions (AusAID, 2006, p.xiii).

While these initiatives in and of themselves are useful and can contribute to long term poverty reduction, the question remains as to the extent that this will occur. What is missing in the White Paper and the associated Core Group Recommendations is a broad analysis of the drivers of poverty in the region and the associated changes in poverty profiles in the key countries that the aid program should focus on. Some of these drivers of poverty are tantalisingly touched upon but not elaborated in the Core Group report: 'Inequalities are also emerging within national borders' (AusAID, 2005, p.6-4); '... fast economic growth has brought significant development and social challenges' (p.6-10); and '... [there are] sharp rises in rural and urban inequality', (p. 6-12), are some examples. In the end, however, the White Paper settles for '...policies and programs to generate increases in *aggregate* growth and, *in special circumstances*, target groups and regions that for whatever reason are not befitting from broader growth gains [emphasis added]' (AusAID, 2006, p.35). This paper argues that a targeted focus should be core to the program rather than reserved for 'special circumstances'. The next section will look at changing nature of poverty: rising inequality; rural/urban disparities; and increased vulnerability, and examine how they are addressed in the White Paper.

### ***The Nature of Poverty***

While there has been a marked fall in the level of poverty in some countries over the past few years as a result of relatively strong economic growth, but it is variable across many countries so raises the question of whether high growth rates alone are the expected panacea for poverty relief. For example poverty levels in India have been falling at a trend level of around one per cent per annum since the early 1970s in eras of low and high growth rates, and both closed and open economic policies (Ravallion, 2002); and seems to point to factors that go beyond high growth rates in poverty reduction. Going a step further Joseph Stiglitz (2002) and Fred Argy (1998; 2003), argue that the effects of growth without countervailing distributive policies can be counterproductive, and may in fact lead to worse poverty outcomes for some communities. This view is supported by the evidence that the total number of people living in poverty had increased in the decade to 1998; and that if China, and to a lesser extent India, are taken out of the equation then the percentage fall in global poverty is small, leading to the phenomenon of jobless growth as an emerging challenge (Chen, 2001, p. 9). This paper identifies four factors affecting the seemingly intractable issue of severe poverty: its dynamic nature; rising levels of inequality; increasing vulnerability; and the widening rural-urban divide.

### ***The Dynamic Nature of Poverty***

Poverty and the levels of poverty are not static, and there is not a constant linear fall (or rise) but rather poverty is dynamic and people are both moving in and out of poverty at the same time. Panel data such as national accounts and national surveys, however, tell us very little about who is falling in and out of poverty (and why) at any point in time: such broad statistics tend to focus on aggregate trends only, and so can be misleading in that they ignore both regional disparities and temporal changes. For example, in a study of 36 villages in Andhra Pradesh India (Krishna, 2006) found that while the level of poverty fell two per cent over a 25 year period, it was not the steady (if not glacial) fall the data suggested. In that 25 year period 14 per cent of households came out of poverty and 12 per cent of households fell into poverty, in all 26 per cent of household experienced changes in their poverty levels. (Baulch, 2002) came up with similar findings in Pakistan, but with even higher numbers of the community going into and out of poverty over time; and (McCulloch, 2003) had similar story from Sichuan Province, China. These experiences suggest that any generalised statement of slow growth and the like tells us very little of what happened and why, in any particular circumstance. Given this dynamic, the only sensible policy response is to target interventions that increase the number of people exiting from poverty and decrease the numbers going into poverty — that is, deal with vulnerability.

In the Andhra Pradesh case referred to above, while the Government had policies for pulling people out of poverty, they did not have the right policies to prevent people from falling into poverty: high rates of agricultural growth led to more work for the poor and people came out of poverty; but it was in fact access to health services and consumer credit that were required for preventing people from falling into poverty (Krishna, 2006), p. 284.). In China by way of contrast it was access to land and education that were effective in pulling people out of poverty, while in Pakistan education had little effect (Baulch, 2002). The point emerging is that there is no simple blueprint or silver bullet to overcoming chronic poverty, but rather any responses must be nuanced to meet local needs (McKay, 2003; Baulch, 2002; McCulloch, 2003); and ‘one size fits all’ responses characterised by some of the White Paper recommendations may not work. This important role of country analyses that these findings suggest will be returned to later.

### *Rural Urban Disparities*

Urbanisation as a consequence of growth is often seen as a natural way of freeing people from grinding rural poverty, however, this rush to the cities is often exacerbated by government policy and investment priorities that lead to slow growth in agriculture and other industry in rural areas, leading to an increase in poverty when there is little or no opportunity to move.. In China for example seventy per cent of rural households are expected to have a fall in real income in the period 2001-2007, while less than 10 per cent of urban households will be adversely affected (Ravallion, 2006). In China the urban-rural income gap is at a three-to-one ratio, while in India it is a much lower at 1.5-to-one (Fan, 2005). These figures would seem to reflect China’s stronger push for urbanisation, while in India because there is huge rural (voting) constituency there is greater policy investment by Government in rural areas.

The effect of rural investment on poverty levels is quite marked: to take two relatively simple examples, the multiplier effect on rural incomes from investment in rural roads was as great as 9:1 in the 1960s and today is still as high as 3:1 (DfID, 2005), p.22); and a one per cent increase in agricultural yields reduces poverty levels by one per cent due to the related rise in rural wages (Uphoff, 2003). The converse also applies if there is disinvestment in rural areas: Topalova found that in India those rural districts whose industries were exposed to trade liberalisation without any compensatory measures, had an increase in both the level of

poverty and the poverty gap index<sup>1</sup> of 2 per cent and 0.6 per cent respectively (Topalova, 2005). The AusAID White Paper has little to say about rural development (given that this is where the poor are) beyond a note on the role of the Private Sector in rural development (AusAID, 2006, p.xii). Given that in most developing countries the poor in rural areas are living in peasant or semi-subsistence economies it is hard to see how a 'Private Sector approach' will have the desired affect on addressing rural poverty. An alternative approach might be to use different livelihood strategies, that deals with each group in rural areas with a specific targeted approach, *inter alia* labour, land owners, farmers, and pastoralists (La Rovere, 2006).

### *Inequality*

The extent of poverty is not the only key measure to be concerned with in a poverty analysis, the depth of poverty and related inequality also play a key role. The Poverty Gap Index measures depth of poverty, and the Gini coefficient measures inequality<sup>2</sup> (Sen, 1976). The Poverty Gap Index is for example highest in India and China, both of which have shown very little change in this index despite increasing growth figures (Chen, 2001), p.26); and similarly the Gini also increased for example between 1981 and 1995 in rural China the Gini increased from 0.239-0.340 (Renwei, 1997). 'Some inequalities may matter more than others in how the poor share growth' (Ravallion, 1999, p. 6). The level of rural-urban inequality may be a case in point, in that dual economies in the form of separate urban and rural economies tend to emerge, so that growth in an urban economy does not benefit the rural poor due to mobility restrictions across these economies (Topalova, 2005). Similarly the life of the poor in urban China has been characterised by increasing inequality increasing uncertainty, and increased costs faced by households tend to off-set any income effect (Ravallion, 1999). This phenomenon of widening inequality can also be found in Pacific countries as well as the larger Asian states: of the countries receive priority in the AusAID White Paper, Papua New Guinea is worst ranked with a Gini co-efficient of 50.6.

The White Paper uses Dollar and Kraay's (2004) arguments that the role of growth on inequality is inconclusive, however their case is vigorously contested (Basu, 2006; Ravallion, 2006; Topalova, 2005; Ninan, 2000). Wade (2001) found that of eight different measures of inequality seven showed rising inequality poverty over the past twenty years, and the Gini coefficient, which shows the inconclusive result, gives an excessive weight to changes around the middle of the distribution and insufficient weight to changes at the extremes, in effect understating the level of inequality.

The variation in equality across countries is illustrative — for example, China showed rising inequality while in India the level of inequality while also growing was more slow (Deaton, 2002). A possible explanation to India's slower growth in inequality might lie in the fact that high levels of transfers to rural areas inherent in Indian Government policy has lead to a higher level of rural growth and reduced rural-urban inequality relative to China (Uphoff, 2003; Jha, 2000), and suggests that Dollar and Kray have not factored in these transfers in their explanation. A similar pattern of a rising urban rural divide in terms of inequality can be found across the developing world, and so it could be argued that state investment in rural infrastructure to give higher agricultural returns is one approach to dealing with inequality is worth considering (Ravallion, 1999; Mehta, 2003).

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<sup>1</sup> The poverty gap Index is average the distance of the poor below the poverty line, as a proportion of the line

<sup>2</sup> The Gini coefficient can be interpreted as the expected income gap between two individuals randomly selected from the population on a scale of 0-1 with a low number indicating a small gap, and a large number indicating a large gap.

The quality of the economic growth and the notion of pro-poor growth are an important factor in dealing with rising inequality. For example, in China while the overall growth rate for the decade 1990-99 was 6.2 per cent, for the poorest households it was only three per cent, and for the poor overall growth was only a little better at four per cent (Ravallion, 2003). These results would indicate that if poverty alleviation is to be an objective of growth then a much sharper focus of that growth should be at specific sectors and communities. Likewise the initial level of poverty and literacy levels at the beginning of a growth period also play a role in both the level of poverty and inequality that results from that growth. (Birdsall, 1997) p.36 argue that 'the long standing inattention in the distribution of assets [the poor's access to them], especially education, has been costly'. The example of the Middle East and North Africa is a case in point where, because of high levels of distribution and equality, there has been low poverty and low inequality in a low-growth environment (Adams, 2003).

While there might be some debate on whether inequality is increasing or decreasing in certain countries what is generally agreed is that high levels of inequality are a brake on poverty reduction in period of economic growth (Ravallion, 1997). The fact that it is not directly addressed in the White Paper may be that AusAID sees the issue of inequality as less relevant than dealing absolute poverty in development policy; and interestingly none of AusAID's country analyses deal with the issue of inequality either (AusAID, 2005). The problem, however, is that when international security is a growing concern, and in fact is a factor in Australia's own national interest, then the link between growing inequality, and rising insecurity and global violence is important at a policy level, and is relevant to the White Paper discussion (Wade, 2001; Li, 2004).

### *Vulnerability and Capability*

Vulnerability is also seen as a key indicator of relative poverty along with human capital, housing, and assets (Jha, 2006; Zeller, 2006; Mehta, 2003). It is important as the dynamic nature of large numbers of people on the margin, discussed earlier in this paper, who are moving in and out of poverty over time. While consumption has been the measure of poverty this is an annualised aggregate which tells us little about living standards and consumption, and seasonal shocks. For example, the welfare of India's rural poor has been rising much more slowly than would be indicated by average consumption growth and GDP growth, and can be explained by the inability of the rural poor to smooth consumption over time (Jha, 2006). They are more vulnerable in that they have '... to live more in the present and discount the future' (Wood, 2003, p. 468), leaving them more susceptible to adverse events. In the case of China the rural poor had experienced an initial fall in poverty in the 1980 followed by an upturn with a relative increase in poverty according to World Bank measures, as well as a marked increase in the Gini index (Yao, 2000; Ravallion, 2006). The point here is that from this evidence and the cases of China, Pakistan and India cited above, it can be agreed that vulnerability is rising particularly in rural areas (Yao, 2000; Baulch, 2002; McCulloch, 2003).

The other side of the vulnerability coin is capabilities (Sen, 1999); that is, the requirements for people to function and expand '... the range of things that a person can be and do, such as to be healthy and well-nourished, to be knowledgeable, and to participate in community life' (Fukuda-Parr, 2003, p. 303). Part of this is about:

...claims to fundamental entitlements that are to some extent independent of the preferences that people happen to have, preferences shaped, often by, unjust background conditions' (Nussbaum, 2003).

These principles are the basis of the Human Development Index (HDI) which has been developed and expanded through the 1990s. The HDI is an attempt to address the fundamental criticism of the neo-liberal approach to defining well-being as utility maximising, and the inherent neglect of rights, freedoms, and agency that are also necessary to achieve what Uphoff (Uphoff, 2003) calls 'life chances', implicit in this approach (Nussbaum, 2003). A capabilities approach recognises economic growth is important but as a means rather than an end, with equity becoming the major policy objective, and measures of deprivation and distribution being central. Approaches that focus on the material tend leave out a whole set of the poor who are destitute: for these people '... [most] antipoverty policy is irrelevant ... and the financial resources directed to challenging destitution are entirely inadequate ... leaving most destitute people reliant on their own heavily constrained forms of agency' (Harris-White, 2005. p. 888).

The question then is what sort of policy approach in official aid program can address these key issues of intractable poverty. The next section will draw on two case studies of approaches to Poverty Strategies: the first will be The British Aid Agency Department for International Development (DfID); and later I will examine the World Bank's Poverty Reduction Strategy Papers (PSRPs), by way of contrast.

### ***DfID Poverty Policy***

The British Aid Agency Department for International Development (DfID) released its White Paper on aid in 2000 and like its Australian counterpart it also has a direct focus on poverty with the ambitious title of 'Eliminating World Poverty: making Globalisation Work for the Poor' ((DfID), 2000). Following the release of the DfID White Paper a number of important policy documents have been developed, which specifically focus on various dimensions of poverty and how they may be combated. The policies tend to eschew sweeping statements about economic growth but rather look at strategies that deal with *inter alia* social exclusion, urban poverty and the role of agriculture which they see as the 'heart of poverty reduction' and key to their overall strategy (DfID, 2005, p.1). Social protection is specifically identified with DfID (2005) arguing that many poverty reduction strategies fail to reach those especially excluded groups (women, children, minority groups, indigenous peoples etc. (Mehta, 2003, p. 507) unless there are policies specifically designed to do so.

The reason DfID policy focuses on these key areas is that the issues they deal with were found to be the real blockages to sustained poverty reduction. For example, in the area of social exclusion DfID take the view that it is a key cause of poverty and so should be directly attacked (DfID, 2005, p. 5) through promoting regulatory and policy frameworks, putting in place affirmative action programs to ensure equal access to public expenditure, improving economic opportunities, and promoting political participation (p. 8). This is quite a radical approach that is built upon a poverty analysis, which identifies and attempts to measure the areas of social exclusion to be addressed, develops programs and then evaluate the effectiveness of the policy within a three year time frame (p. 21).

As an example, in Bangladesh the UK government has supported a "Cash for Education" programme that reaches 2.4 million children, which has increased primary school enrolment by up to a third, and children stay at school for up to two more years. More education means increased future earnings for these young people, by up to a quarter. In another example in Ethiopia, five million people have been taken out of emergency relief and now receive predictable transfers through a national safety net (Hilary Benn MP, 2005). This move to direct payments for certain services are one way that DfID see the poor being directly

reached. While there may be scepticism for direct payments and they may encourage a 'welfare mentality', the reason these programs are supported is that

... they ensure a healthy and well-educated workforce, including amongst poor people. Such transfers give people a cushion in times of trouble, preventing the need for emergency sales, where often they are forced to sell their assets - such as chickens, their recent harvest or a bicycle - thereby driving people into deeper poverty. And some costly emergency interventions would not be required if chronically poor people were provided long-term protection. Even during hard times, people can and want to be productive (Hilary Benn MP, 2005).

The approach of DfID is through a range of targeted programs with strategies that are appropriate to local contexts which directly reach those marginalised groups and those areas where chronic and intractable poverty is found. By way of contrast another approach is to Poverty reduction is quite different and is based on the Poverty Reduction Strategy Papers (PRSPs), an approach emerging from the World Bank, which is looked at both more broadly and also with specific relations to gender, to show how the problems these broad brush approaches have in dealing with poverty. .

### ***Poverty Reduction Strategy Papers***

The AusAID White Paper, to the extent it is explicit in its approach to poverty reduction, seems to be based on some of the principles of the Poverty Reduction Strategy Process of the World Bank in that it is framed in a neo-liberal model of development. The PRSP process started in 1999 in response to growing criticisms of the effect of Structural Adjustment conditionality that were being imposed as part of World Bank development loans and IMF structural loans through the 1980s and 1990s (Zuckerman, 2002). As a consequence of these concerns the IMF replaced Structural Adjustment to Poverty Reduction Growth Facility (PRGP) and the World Bank replaced their Policy Framework Papers to Poverty Reduction Strategy Papers (PRSPs), as preconditions for loan and debt relief. The important feature of the PRSP process is that it had to be prepared by the recipient country (not the Bank), with a broader base of consultation within the country, and the consultation with community and civil society groups, business, as well as Government, and finally it has to show the implications for poverty reduction in all aspects of government programs (Devarajan, 2002).

This broadening of approach, however, does not mean that there has been a sea-change in outcomes, but the PRSP process seem to be little more than same as before under a different guise (Shah, 2005; Grindle, 2004; Craig, 2003), and for a broader criticism of the underlying approach (Petras, 2002). This continuing neo-liberal approach sees the poor as '... those who are not effectively integrated into the market economy.' (Hulme, 2003, p. 404). The main criticism of the PRSP focus lies in the seeming continuation of a neo-liberal approach, and what (Craig, 2003) refer to as:

'...a third way a re-morphing of neo-liberal approaches' [that argue for] combining global market integration with efficient disciplined governance and enhanced activated social capital' (p. 54).

In this model deep poverty and its related inequality are poorly addressed if at all, with PRSPs being silent on issues of unequal market power, the consolidation of corporate power, and restrictions on migration (Craig, 2003). The underlying focus seems to be that the market can 'liberate' the not-so-poor, but this is at the expense of the chronically poor who in fact may be made worse off (Hulme, 2003, p.404). In short the PRSP model is a technical approach to what is essentially the political problems of how power is exercised in communities. Examples of this are decentralisation

programs (a favourite in PRSPs), which are essentially a technical approach to governance and poverty alleviation that has the effect of ‘decentralis[ing] tyranny’ (Craig, 2003, p. 66).

### *PRSPs and Gender*

Gender is another case in point and while many PSRPs analyses touch on poor households and the like, they seldom disaggregate the data into women and men, girls and boys and certainly not into ethnic groups (Zuckerman, 2002) — there is an inherent assumption that intra-household resource distribution is equitable. At best the PSRPs adopt a WID approach (Zuckerman, 2002), and this seems to be what the White Paper does in its analysis. The problem is that PRSPs fail to analyze the fundamental underlying power relations, and tend to reduce gender to a passing mention ‘... isolated freestanding paragraphs and sentences’ (Zuckerman, 2002, p. 90), with seldom any programs or approaches to eliminate gender inequalities.

This is not an unimportant issue: impact studies looking at the effect of economic growth on gender inequality have found that while economic growth has improved the status of women as measured by the Gender Development Index (and is what would be expected under neoclassical and WID approaches), Gender Inequality as measured by the GI Index has been ‘... more impervious to change, and economic growth in some countries might result in rising rather than declining inequalities’ (Forsythe, 2000) p.608.).<sup>3</sup> India as one example in the Asia-Pacific region in which rapid growth was followed with greater gender inequality, while Papua New Guinea and Fiji on the other hand, while having poor growth, showed rising gender equality between 1970 and 1992 ((Forsythe, 2000. p. 604). The point that is being made here is that growth alone will not lead to greater gender equality, it also requires the putting in place of policies and affirmative action programs to ensure that the benefits of growth are equitably distributed so they lead to greater inequality rather than greater inequality.

### *AusAID and its Approach to Addressing Poverty: a way forward*

The Australian aid program has been grappling with chronic poverty in developing countries since the Jackson report, but generally it has taken the view that a growth path is the most effective to deal with poverty rather than directly targeted programs (Jackson, 1984). The previous AusAID approach to Poverty Reduction rested on four pillars

First, strengthening frameworks for sustainable and inclusive economic growth that will benefit the poor; secondly, supporting interventions that enable the poor to increase their productivity; thirdly, encouraging governments, institutions and donors to be more accountable to the poor; and, fourthly, reducing vulnerability through, for example, conflict resolution, disaster mitigation and emergency assistance (Downer, 2001).

Again with the exception of dealing with emergencies the White Paper does not seem to take on the lessons learnt from DfID and the World Bank PSRP processes, and so avoids mention of targeted programs to the poor, and a rural focus through a targeted poverty reduction strategy, but rather focuses more on growth where it identifies governance issues and property

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<sup>3</sup> Gender Development Index measures changes in life expectancy, education and access to income. The GI measures the gap relative to the countries Human development Index  $GI=(HDI-GDI)/HDI$ . That is rather than measure absolute change it measures the relative change in these three indicators of GDI relative to the rest of society i.e. men.

rights<sup>4</sup>, reducing conflict, and macro-economic stability as key drivers in the aid program (AusAID, 2006). This paper has argued that the approach taken by the White Paper is very limited, and whilst there are some changes in focus there has been little change in the actual poverty focus over the past two decades. This paper recognises that the White Paper provides and opportunity for the Government to flesh out the approach to poverty, and in this way there is flexibility within the framework to focus in different areas. As a way to more sharply address poverty AusAID this paper suggests a focus on key themes that are based on the Millennium Development Goals, but at the same time recognise the key criticisms of them. The framework I would suggest is one that is based on:

- i. a sharper country Poverty Assessment that is based analysis of the depth and spread of poverty, and the nature of social exclusion, in particular contexts ;
- ii. an investment of resources in building the capabilities of the poor through more programs directly targeting the poor;
- iii. a rural infrastructure support program that recognises the important role that Governments play in developing and maintaining rural infrastructure, which is essential for creating economic growth in agriculture, and to provide jobs and higher wages for the very poor, who are usually found in rural areas.
- iv. an approach to aid delivery that focuses on downward accountability to the beneficiaries, in this case the poor, and thus having programs that are more inclusive and relevant.

The lesson from recent studies on the nature of poverty is that it is nuanced and affects different people in communities differently, and that people on the margins are regularly falling in and out of poverty, something that panel data tells us very little about. The current AusAID poverty analyses that are contained within Country Strategy papers, for example, provide an overview of where the poor are but much less as to who the poor are and why (for example see (AusAID, 2004). All Country program should be able to demonstrate a greater focus on marginalised women and minority groups; how they are differently affected; and finally some analyses of the factors that restrict their capabilities, and block their broader participation. From this the focus would emerge to strengthen the capabilities of the poor to reduce their vulnerability of falling into poverty.

The second question then, is what activities to implement in a particular context. While it is important to work only on a few themes such as those outlined in the White Paper, it is also important to recognise that any approach that targets poverty should be relevant in a particular situation. So if it is recognised (which it usually will be) that women and minority groups such as indigenous people are the very poor (Mehta, 2003) then the approach used should be one that recognises there are particular needs, whether it is in health and education, but also, for example, in governance such as the poor's participation in local community processes. The overwhelming evidence is that the poor and most vulnerable are in rural areas, and that investments in rural infrastructure and production will directly affect the poor in these areas, reduce urban migration, and see a

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<sup>4</sup> It can be argued that the focus on property rights such as the Pacific Land Mobilisation Program can lead to greater uncertainty and social instability, a key driver for increasing poverty. The privatisation of communally owned land generally has not been successful, and is arguably a high risk strategy in any approach to poverty alleviation.

much quicker set of outcomes in terms of MDGs (Fan, 2005; Jha, 2006; McCulloch, 2003; Mehta, 2003; Renwei, 1997; Topalova, 2005; Uphoff, 2003).

In terms of approaches to aid it is important to recognise how procedures influence behaviours (Chambers, 2004): at a practical level then, a greater participatory processes would be required so that the affected communities have a greater role in program design and activities; this is not only important for relevance reasons but in itself is an empowering process (Kilby, 2006). This would necessarily lead to a re-think of the planning tools used in aid projects, with a focus on '... principles, direction and process' and less on outputs and indicators (Chambers, 2004, p. 148).

### ***Conclusion***

This paper has outlined a few key issues that emerge from the White Paper and the direction the Australian Aid program should take in its poverty approach. The key issue is the lack of nuanced analyses of poverty that recognises key elements including growing inequality, the rural urban divide, vulnerability, and the role of marginal groups. DfID's strategy that has developed since the British White Paper on aid of 2000, is for a program that more directly targets the poor and the reason for their poverty rather than merely looking at the drivers and inhibitors of high growth rates. This paper suggests a similar approach.

The key point I would like to make that is being made is that a dependence on high growth is not enough and in some circumstances can be counterproductive. A more nuanced approach is required from AusAID that recognises that sharper targeting is required to reach the very poor, and the sectors in which they are found. From a practical point of view this would mean a focus on rural areas that goes beyond the private sector pointed to in the White Paper, but also involves the developing of infrastructure to ensure markets and jobs can be expanded in these areas. Second, there should be a recognition that there are marked differences in access to the capabilities of people to move out of poverty and these may be related to gender ethnicity and other social characteristics that lead to exclusion. Finally, a process of active involvement of those affected by the program in its development i.e. the beneficiaries is critical for sustainability and the relevance of these programs.

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