EMPOWERMENT
AND POVERTY REDUCTION

A Sourcebook

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Foreword

This book is an outgrowth of *World Development Report 2000/2001: Attacking Poverty*, which identified opportunity, empowerment, and security as critical focus areas in the design and execution of poverty reduction strategies. The centrality of empowerment for development effectiveness has since been recognized in the World Bank's Strategic Framework, which identifies empowering poor people and investing in their assets as one of two priority areas for World Bank support to client countries. This book highlights the World Bank's current thinking on empowerment to improve development effectiveness.

Around the world 2.8 billion people, almost half the world's population, live on less than $2 a day. Unless we tap into the resources and capabilities of poor people themselves—expanding their freedom of choice and action and supporting their efforts to lift themselves out of poverty—the numbers of poor people around the world will only increase, and the impact of poverty on their lives will only worsen. The influence of poverty on poor people's lives is multidimensional, not simply through limited incomes and opportunities, but also through lack of education and health services, unsanitary living conditions, hunger, exhaustion, disease, insecurity, disregard, abuse, and a host of other issues.

Reducing poverty requires not only broad-based growth and improved governance at the national level, but also support to bottom-up approaches focusing on poor people and their roles and experiences in the development process. It requires increasing the resources dedicated to this goal, together with more responsible use of those resources. Further, it requires development approaches that are sustainable, so that programs and policies meant to improve people's lives today do not

jeopardize their lives, or those of their children, tomorrow. In short, empowerment means changing not only what we do, but how we do it.

We hope this sourcebook will be useful in deepening both our understanding and our application of an empowering approach to poverty reduction. It marks the beginning of a collection of experiences that will evolve with our learning on the ground. We welcome your reactions and contributions to this ongoing work.

Gobind Nankani   Ian Johnson
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Acknowledgments

This sourcebook was written by Deepa Narayan, Senior Adviser, Poverty Reduction and Economic Management (PREM), under the leadership of Nicholas Stern, Senior Vice President and Chief Economist, and Gobind Nankani, Vice President, PREM, with joint guidance from John Page, Director, Poverty Reduction Group, and Steen Jorgensen, Director, Social Development, all at the World Bank in Washington, D.C.

The book was prepared after extensive discussions, beginning in February 2001, on the empowerment framework and strategic actions that should be supported by the World Bank. The consultations involved over 1,000 people inside and outside the Bank. They included government officials, Bank staff, other donor representatives, and members of civil society in Indonesia, the Philippines, and Vietnam, as well as staff of the Asian Development Bank, the World Health Organization, the World Conservation Union, and the U.N. High Commission on Human Rights. The framework was further discussed within the Bank, as well as at a World Bank Institute–sponsored regional workshop on empowerment held in Hungary with participants from nine countries of Eastern Europe. A second regional workshop organized by the Latin America and Caribbean Region and held in Peru provided additional feedback. The framework was also discussed with external advisers on culture and empowerment and with the Social Development Board. Helpful feedback was also received from participants at two Bank-wide review meetings chaired by Nicholas Stern.

The book also benefited from discussions with Nisha Agrawal, Jehan Arulpragasam, Tamar Manuelyan Atinc, Kathy Bain, Lynn Bennett, Hans Binswanger, Anis Dani, Paula Donovan, David Ellerman, Norman Hicks,

Acronyms and Abbreviations

ATM	Automated teller machine
BEEPS	Business Environment and Enterprise Performance Survey
CAS	Country Assistance Strategy
CDD	Community-driven development
CDI	Committee for Democracy in Information Technology (Brazil)
CGAP	Consultative Group to Assist the Poorest
CIDA	Canadian International Development Agency
CMU	Country Management Unit
CPPR	Country Portfolio Performance Review
CPRGS	Comprehensive Poverty Reduction and Growth Strategy (Vietnam)
DEC	Development Economics Vice Presidency (of the World Bank)
DFID	Department for International Development (U.K.)
ECA	Europe and Central Asia Region (of the World Bank)
ESW	Economic and sector work
FOIA	Freedom of Information Act
FSSAP	Female Secondary School Assistance Project (Bangladesh)
GDP	Gross domestic product
GUAPA	Guatemala Poverty Assessment
IBRD	International Bank for Reconstruction and Development (of the World Bank Group)

ICT	Information and communications technology
IDA	International Development Association (of the World Bank Group)
IDASA	Institute for Democracy in South Africa
IEC	Information, education, and communication
IFC	International Finance Corporation (of the World Bank Group)
IGR	Institutional and Governance Review
KDP	Kecamatan Development Project (Indonesia)
LAC	Latin America and the Caribbean Region (of the World Bank)
LLI	Local-level institutions
MASAF	Malawi Social Action Fund
MFI	Microfinance institution
MIGA	Multilateral Investment Guarantee Agency (of the World Bank Group)
NGO	Nongovernmental organization
OECD	Organisation for Economic Co-operation and Development
OED	Operations Evaluation Department (of the World Bank)
PAC	Public Affairs Centre (India)
PAD	Project Appraisal Document
PEAP	Poverty Eradication Action Plan (Uganda)
PER	Public Expenditure Review
PETS	Public Expenditure Tracking Survey
PPA	Participatory Poverty Assessment
PREM	Poverty Reduction and Economic Management Network (of the World Bank)
PRSC	Poverty Reduction Support Credit
PRSP	Poverty Reduction Strategy Paper
PSAL	Programmatic Structural Adjustment Loan
PSRL	Programmatic Social Reform Loan
RPO	Rural producers' organization
SEAF	Small Enterprise Assistance Funds
SECAL	Sector Adjustment Loan
SEWA	Self-Employed Women's Association (India)
SKS	Swayam Krishi Sangam (India)
SME	Small and medium enterprise
SPARC	Society for the Promotion of Area Resource Centers

UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific, and Cultural Organization
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization
USAID	U.S. Agency for International Development
WBES	World Business Environment Survey
WBI	World Bank Institute
WDR	*World Development Report*
ZAMSIF	Zambia Social Investment Fund
$	All dollar amounts used in this book are current U.S. dollars unless otherwise specified.

Summary

World Development Report 2000/2001: Attacking Poverty presents a multidimensional view of poverty. In particular, it underscores the importance of increasing poor people's access to opportunity, security, and empowerment for economic growth and poverty reduction. Building on *WDR 2000/2001*, the World Bank's Strategic Framework Paper identifies two priority areas for Bank support to client governments: (a) building the climate for investment, jobs, and growth, and (b) empowering poor people and investing in their assets. This book defines the World Bank's approach to empowerment for economic growth and poverty reduction. It is central to achieving the Millennium Development Goals.

A growing body of evidence points to the linkages between empowerment and development effectiveness both at the society-wide level and at the grassroots level. Empowerment approaches can strengthen good governance, which in turn enhances growth prospects. When citizens are engaged, exercise their voice, and demand accountability, government performance improves and corruption is harder to sustain. Citizen participation can also build consensus in support of difficult reforms needed to create a positive investment climate and induce growth. In addition, the empowerment agenda supports development effectiveness by promoting growth patterns that are pro-poor. This involves reducing inequalities by investing in poor people's capabilities through education and access to basic health care, as well as by increasing their access to land, financial capital, and markets.

Experience also demonstrates that empowerment can improve development effectiveness and pro-poor impact at the individual project level. Grassroots community involvement is a powerful tool for the production and maintenance of local public goods such as water supply,

sanitation, schools, health, roads, and forest management, which in turn increase the development effectiveness of investments. Empowerment strategies at the project level are supported by civil liberties in society. Evidence shows that projects in countries with strong civil liberties—particularly citizen voice, participation, and accountability—significantly outperform projects in countries with weak civil liberties.

However, there remain many questions about what empowerment means, how it applies to the Bank's work, and what actions should be undertaken to move the empowerment agenda forward. This book addresses these three issues, taking into account the World Bank's mandate and comparative advantage in this field. The final section of the book documents tools and practices that can support the implementation of an empowering approach to poverty reduction.

The World Bank's comparative advantage in pursuing an empowerment agenda for poverty reduction lies in its relationship with governments around the world. The Bank is well placed to provide analysis, evaluation, advice, and financing on issues from governance to sector reform to economic growth. The Bank can convene stakeholders to stimulate debate, consensus, and coalition building for reform. It can support information disclosure, inclusion, and participation—particularly of poor people—and public accountability mechanisms in lending products and strategies. Finally, the Bank can support the strengthening of civil society and government institutions at the local and national levels.

The Meaning of Empowerment

Empowerment refers broadly to the expansion of freedom of choice and action to shape one's life. It implies control over resources and decisions. For poor people, that freedom is severely curtailed by their voicelessness and powerlessness in relation particularly to the state and markets. There are important gender inequalities, including within the household. Since powerlessness is embedded in a culture of unequal institutional relations, the book adopts an institutional definition of empowerment in the context of poverty reduction, which also helps draw out the relevance to the Bank's work:

> *Empowerment is the expansion of assets and capabilities of poor people to participate in, negotiate with, influence, control, and hold accountable institutions that affect their lives.*

Since poverty is multidimensional, poor people need a range of assets and capabilities at the individual level (such as health, education, and housing) and at the collective level (such as the ability to organize and mobilize to take collective action to solve their problems).

Empowering poor men and women requires the removal of formal and informal institutional barriers that prevent them from taking action to improve their wellbeing—individually or collectively—and limit their choices. The key formal institutions include the laws, rules, and regulations upheld by states, markets, civil society, and international agencies; informal institutions include norms of social solidarity, sharing, social exclusion, and corruption, among others.

Four Key Elements

Because state actions create the conditions in which poor people and other actors make decisions, the primary focus of this book is on state reform to improve provision of basic services, local and national governance, pro-poor market development, and access to justice. These reforms are premised on a mindset and values shaped by the view of poor people as partners and initiators of development rather than as problems. The book also highlights civil society roles to support pro-poor policies and actions at all levels.

Since social, cultural, political, and economic conditions vary and institutions are context-specific, reform strategies must vary as well. Although there is no single institutional model for empowerment, experience shows that certain elements are almost always present when empowerment efforts are successful. These elements act in synergy and strengthen the demand side of governance. The four key elements of empowerment that must underlie institutional reform are:

- *Access to information.* Information is power. Two-way information flows from government to citizens and from citizens to government are critical for responsible citizenship and responsive and accountable governance. Informed citizens are better equipped to take advantage of opportunity, access services, exercise their rights, and hold state and nonstate actors accountable. Critical areas where information is most important include state and private sector performance, financial services and markets, and rules and rights regarding basic services.

Information and communication technologies often play a pivotal role in broadening access to information.

- *Inclusion/participation.* An empowering approach to participation treats poor people as co-producers, with authority and control over decisions and resources devolved to the lowest appropriate level. Inclusion of poor people and other excluded groups in decisionmaking is critical to ensure that limited public resources build on local knowledge and priorities, and brings about commitment to change. However, in order to sustain inclusion and informed participation, it is usually necessary to change rules and processes to create space for people to debate issues, participate in local and national priority setting and budget formation, and access basic and financial services.

- *Accountability.* State officials, public employees, private providers, employers, and politicians must be held to account, making them answerable for their policies and actions that affect the wellbeing of citizens. There are three main types of accountability mechanism. Political accountability of political parties and representatives takes place increasingly through elections. Administrative accountability of government agencies is ensured through internal accountability mechanisms, both horizontal and vertical, within and between agencies. Social or public accountability mechanisms hold agencies accountable to citizens, and can reinforce both political and administrative accountability.

- *Local organizational capacity.* This refers to the ability of people to work together, organize themselves, and mobilize resources to solve problems of common interest. Organized groups and communities are more likely to have their voices heard and their demands met. When such membership-based groups federate at higher levels, they can gain voice and representation in policy dialogues and decisions that affect their wellbeing.

These four elements are already present in some of the Bank's ongoing work in projects, although investment in local organizational capacity is the least developed. They are much less present in policy loans and in analytical work. They also need to be reflected much more systematically in the Bank's Country Assistance Strategies, in its support for poverty reduction strategies, and in related mandates and analytical guidelines.

Application of Empowerment Approaches

Empowerment approaches can be applied across a broad range of the Bank's work. To provide some practical illustrations from Bank and non-Bank activities, this book focuses on application of the empowerment framework in five areas:

- Provision of basic services
- Improved local governance
- Improved national governance
- Pro-poor market development
- Access by poor people to justice.

In the past, strategies for improved governance and poverty reduction have focused on formal systems, with little connection to citizens and those working at the community level. An empowering approach to state reform can be viewed as strengthening the *demand side of governance* for greater public effectiveness. A demand-side approach focuses on creating laws, rules, and procedures that enable citizens and poor people's organizations to interact effectively with their governments. Such an approach invests in educating and informing citizens, in creating institutional mechanisms for their sustained inclusion and participation, and in enabling the emergence of strong poor people's organizations and citizens' groups.

Provision of Basic Services

This refers to improving poor people's access to and effective use of basic services including health care, education, water, and roads. The Bank supports government efforts to get resources down to the community level through a variety of institutional models: through private or public actors, through central agencies, sectoral agencies, or decentralized authorities of local government, through stand-alone sector projects or multisectoral community-driven development projects.

An empowering approach to provision of basic services focuses on a variety of co-production strategies. These include (a) putting information about government services and performance in the public domain; (b) designing mechanisms for inclusion and participation, including service delivery schemes that poor people can afford or demand-side financing strategies; and (c) promoting social accountability and local

organizational capacity by giving community groups authority and control over key decisions and financial resources in community-driven development projects. These can be multisectoral, or they can be single-sector projects such as those in rural water supply and sanitation or education.

Improved Local Governance

Improved local governance is critical for better service delivery and greater responsiveness to poor people's priority problems. Decentralization and local government reform have so far focused primarily on the supply side of formal systems and not on strengthening the demand side through actions that enable citizens to effectively utilize the space created by new rules and regulations. Empowered local governments (with authority and resources) need to empower local communities through mechanisms that increase citizen access to information, enable inclusion and participation, increase accountability of governments to citizens, and invest in local organizational capacity. In general there has been insufficient attention to the relationship between citizens and local governments, and very few cases of investment in strengthening poor people's organizations or other local civil society intermediaries to enable them to play new roles effectively.

Improved National Governance

Macroeconomic policy choices are areas that are just beginning to open to societal engagement. Since national processes and policies determine poor people's access to resources and opportunities, it is critical that these processes incorporate the four empowerment elements. Actions include linking information from poor people to the process of national budget and policy formulation, as well as civil society involvement in expenditure tracking, or citizen feedback through social accountability mechanisms. This will require strengthening the capacity of poor people's organizations and other civil society groups to perform these new functions to keep national governments responsive and accountable.

Participatory processes are being incorporated in some policy-based lending, in programmatic loans, and in the formation of national poverty reduction strategies. Mechanisms are now needed to institutionalize participatory strategies and increase their effectiveness by incorporating the other three elements of the empowerment framework.

Pro-Poor Market Development

Poverty and vulnerability will not be reduced without broad-based growth fueled by private sector activity. However, economic growth cannot be sustained if poor people are excluded from optimal engagement in productive activities. While an overall investment climate that fosters entrepreneurship, job creation, competition, and security of property and benefit rights is crucial for poor people's involvement in market activities, it is not enough. Micro and small enterprises face constraints and exclusion that are not automatically corrected by improvements in the macro investment climate. Poor people are often excluded from equal access to economic opportunity because of regulations, discrimination, and lack of information, connections, skills, credit, and organization. Elements of empowering approaches can help to overcome many of these barriers that prevent poor people's entry into new markets. Changes in regulations can encourage private sector actors to innovate and develop new products that can potentially reach large numbers of poor people with financial and insurance products to manage vulnerability.

Access to Justice and Legal Aid

Rule of law and a functioning judicial system are important not only for the investment climate, but also for protecting poor people and their livelihoods. A new generation of judicial and legal reform projects is creating the legal environment for accountable governance and empowering poor people by increasing their access to justice through a mix of strategies. Currently, more than 400 Bank-financed projects have legal and judicial reform components. In addition, there are 30 freestanding projects in five regions. These projects focus on (a) improving administrative justice and making administrative decisions accountable and affordable to ordinary citizens; (b) promoting judicial independence and accountability; (c) improving legal education; (d) improving poor people's cultural, physical, and financial access to justice; and (e) public outreach and education.

Conclusion

Empowerment approaches focus on enhancing poor people's freedom of choice and action. Empowerment of poor people is an end in itself and is also critical for development effectiveness. It is not a

stand-alone strategy but a way of doing development, grounded in the conviction that poor people themselves are the most invaluable partners in the task of poverty reduction. Empowerment approaches include behaviors that build people's self-confidence and their belief in themselves, and respect their dignity.

There are examples of this approach in ongoing work by the Bank and others, some of which are highlighted in this book. Systematic application of the four empowerment elements more broadly in the Bank's work will require leadership, contextualization, and capacity building, as well as incorporation of the elements in existing guidelines. Reliable data must be assembled to monitor empowerment processes and outcomes and to develop diagnostic tools to guide application across sectors. Nonetheless, there is certainly sufficient research and experience to move forward, learning through doing and through partnerships.