

CHAPTER 1. INTRODUCTION

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 to increase development effectiveness: (a) building the climate for investment, jobs, and growth, and (b) empowering poor people and investing in their assets. This sourcebook defines the World Bank's approach to empowerment for economic growth and poverty reduction.¹

There are 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. To set the discussion in context, this introduction briefly summarizes the evidence linking empowerment to development effectiveness and then identifies the World Bank's comparative advantage in this field.

The book is organized in four chapters following the introduction. Chapter 2 defines empowerment from an institutional perspective and discusses the relationship between individual and collective assets and capabilities, particularly capability for collective action. There cannot be a single model for empowerment, given very different sociocultural, political, and institutional contexts; accordingly, the chapter describes four key elements of an empowering approach. It then goes on to identify some of the broad sets of conditions that help determine what kind of approach is feasible in different contexts. Chapter 3 illustrates the application of an empowerment approach to five different areas of intervention by the Bank, and Chapter 4 summarizes lessons learned to implement a systematic approach to empowerment. Chapter 5 consists of 20 notes briefly describing relevant analytical tools and a selection of practices principally from the Bank's experience—ranging from the community to the country level—that support the empowerment of poor people.

1. Empowerment and Development Effectiveness

The need to deploy scarce development resources—whether in the form of finance or policy advice and technical assistance—as effectively as possible is a central development concern.² This chapter very briefly explores three of the key channels through which empowerment enhances development effectiveness: through its impacts on good governance and growth, on helping growth to be pro-poor, and on the outcomes of development projects. It is important to note that there is a synergistic relationship among

¹ The book will also feed into the Social Development Strategy currently being developed (see World Bank 2002b).

² A paper prepared for the April 2002 meeting of the World Bank–IMF Development Committee highlighted empowerment of poor people as a critical component of development effectiveness (Development Committee 2002).

these variables, and between key interventions to promote empowerment and effectiveness objectives. For example, support for broadening people's access to basic education and health care is central to the empowerment agenda; it is also critical for optimizing the long-run effectiveness of development strategies, including the creation of a dynamic investment climate. Finally, it should also be emphasized that empowerment, in the sense of enlarging people's choices and hence their freedom to take action to shape their lives, is much more than a means to other objectives; it is a good in itself, and a desirable goal of development.

a. Empowerment and Development Effectiveness: Good Governance and Growth

Good governance has increasingly been recognized as a crucial prerequisite for development effectiveness and the growth that it fosters. It is critical for ensuring a positive investment climate, and it has a two-way relationship with empowerment—that is, good governance promotes empowerment, and empowerment further enhances good governance. The components of good governance range very widely; some of its aspects and their relationship with empowerment and development effectiveness are briefly discussed below.

The rule of law is one of the foundations of good governance. According to Dollar and Kraay (2000), the availability (or absence) of impartial, dependable, and reasonably speedy judicial systems and associated enforcement mechanisms is important for the investment climate, and hence for countries' growth prospects. Kaufmann, Kraay, and Zoido-Lobaton (1999) found a large, significant, and causal relationship between the rule of law and the income of nations (and also between rule of law, higher literacy, and reduced infant mortality). In its equity (or inequity) aspects, the rule of law also affects empowerment: if poor people can obtain impartial justice, their freedom is enhanced. By the same token, empowerment can improve the quality of the judicial and enforcement system, especially by increasing the availability and dissemination of information about the working of the system.

Corruption is both a symptom and a cause of poor governance. It undermines the investment climate and development effectiveness. And it bears especially heavily on poor people, who have fewer resources than the better-off to pay bribes. A study in Ecuador demonstrates that poor people and small firms pay more in bribes as a proportion of their income than the rich or large firms.³ The consequences are evidently negative for empowerment. But empowering people through greater openness and sociopolitical participation can lead both to the availability of more information about the pervasiveness of corruption, and to popular pressure to eliminate it—once again illustrating the two-way relationship between empowerment and good governance. One proxy for empowerment is the strength of civil liberties in society; Kaufmann (2000), using data from 150 countries, found that those with high levels of civil liberties had very low corruption, but that the

³ Hellman and others 2000.

level of corruption was four times higher in countries that were only partly free and 24 times higher in countries with no civil liberties.

One specific aspect of empowerment—enhanced women’s rights and participation—deserves special mention in this context. Empowerment of women is associated with cleaner business and government, and better governance. Specifically, the greater their involvement in public life, the lower the level of corruption, even in countries with the same income, civil liberties, education, and legal institutions.⁴ At the micro level, studies have shown that women in business are less likely than men to pay bribes to government officials, either because they have higher ethical standards or because they are more risk-averse. A study of 350 firms in Georgia found that firms managed by men are twice as likely to pay bribes as those managed by women. The difference drops but is still significant after controlling for firm size, sector, and education of owner or manager.⁵

Empowerment—through inclusion, voice, and accountability—can also promote social cohesion and trust, qualities that help reduce corruption, reinforce government and project performance, and provide a conducive environment for reform, with consequential benefits for development effectiveness and economic growth. Ritzen, Easterly, and Woolcock (2000) have demonstrated the importance of social cohesion and inclusiveness for generating the trust needed to implement reforms. Knack and Keefer (1997) have established the relationship between growth and measures of trust and civic cooperation. La Porta and others (1997) have demonstrated the positive relationships between trust and judicial efficiency, anti-corruption, bureaucratic quality, tax compliance, and civic participation. Rodrik (1999) has shown that countries with the steepest falls in growth after exogenous shocks after 1975 were those that were socially divided in terms of income inequality, ethnic and linguistic fragmentation or conflict, and social trust, and had weak institutions for managing conflict.

All these findings bear, positively or negatively, on development effectiveness. To the extent that empowerment, including government support for civil liberties, is strong, it has positive effects; where it is weak, the consequences can be dire. Extreme examples of the breakdown of social cohesion and trust are war and civil conflict. Their intuitively evident consequences have been confirmed by research. For example, Collier (2000) has shown that on average civil war reduces a country’s per capita output by more than 2 percent a year compared to what it would otherwise have been. He also establishes the links between poverty, civil conflict, and economic dependence on the export of a single primary commodity (such as diamonds). A study of Indian states shows that civil strife leads to the worst investment climate and growth performance.⁶

An important aspect of poor governance, with adverse consequences for growth prospects, is the extent of “state capture” by large firms. Business Environment and Enterprise Performance Surveys carried out recently in 20 countries in Eastern Europe and Central Asia demonstrate the extent of this phenomenon and its effects in terms of firms’ capacity

⁴ World Bank 2001c.

⁵ World Bank 2001c.

⁶ Dollar 2000.

to buy influence in parliamentary legislation, criminal and commercial courts, and decision making by central banks. The study shows that, between 1997 and 1999, “high capture” countries achieved only half the sales and investment of “low capture” countries. Again, however, the two-way relationship between empowerment and good governance comes into play. Good governance can promote empowerment by encouraging the growth of civil liberties—and countries with a high degree of empowerment in terms of civil liberties have low state capture.⁷

Finally, because development effectiveness and growth depend critically on public action, including well designed and effectively deployed public spending on development priorities, sound public expenditure management is an essential aspect of good governance. Here again, aspects of empowerment, including provision of information to citizens and government commitment to transparency and accountability with respect to public spending, can play a critical role. When stakeholders, including civil society, the private sector, and intended beneficiaries (including poor people), can monitor public expenditure outcomes, performance can be enhanced. Public spending on education in Uganda provides a case in point. When Uganda, with Bank support, instituted public monitoring of funds going to primary schools and school districts, the share of nonwage allocations actually reaching schools rose from 22 percent in 1995 to about 80–90 percent by 2000.⁸ Here is an example of how key aspects of empowerment and government performance (and development effectiveness) go hand in hand: spending on improvements in education service delivery is critical for empowerment, while empowerment, in the form of citizen monitoring, is helping to ensure that public spending on education is actually reaching its intended beneficiaries—and thereby enhancing the effectiveness of public action and growth prospects.

b. Empowerment and Development Effectiveness: Making Growth Pro-Poor

There is a large cross-disciplinary literature and substantial development experience on the links between empowerment, growth, and poverty reduction (see especially WDR 2000/2001 and Stern’s *A Strategy for Development*).⁹ Income poverty has fallen most rapidly in economies that have grown dynamically, and poverty has remained high or has increased in countries with poor growth records. But experience also shows that growth alone is not enough to ensure substantial and sustainable poverty reduction. Country data indicate that similar growth rates can lead to very different poverty reduction outcomes.¹⁰ For a given rate of growth, poverty will fall faster in countries where the distribution of income becomes more equal, as in Uganda, than in countries where it becomes less equal, as in Bangladesh.¹¹ And even where income distribution does not become more unequal

⁷ Hellman and others (2000) note that action to reduce state capture can include encouraging societal voice, transparency in reform, political accountability, and increased economic competition.

⁸ Reinikka 2001; Reinikka and Svensson 2002.

⁹ Stern 2002; World Bank 2000c.

¹⁰ Ravallion 2001.

¹¹ See Appleton and others 1999; Wodon 1997, 1999, 2000; and World Bank 2000c.

with growth, country differences in initial inequality produce different poverty reduction outcomes for a given rate of growth.

Hence, if poverty reduction is taken as a measure of development effectiveness, then the development effectiveness of growth efforts varies with levels of inequality. A critical aspect of the empowerment agenda is to reduce inequality by broadening human capabilities (through, for example, universal basic education and health care, together with adequate arrangements for social protection¹²) and improving the distribution of tangible assets (such as land or access to capital). Such an approach brings with it the potential to enhance the poverty-reducing development effectiveness of growth-inducing policies and investments. The converse also applies. When inequality is high, poor people lack capabilities and assets (ranging from literacy to collateral for credit) and thus have difficulty in taking advantage of economic opportunity. This limits a society's potential for growth in general and pro-poor growth in particular, and consequently the effectiveness of development efforts.¹³ Gender discrimination, whether legal or customary, is a particularly important aspect of inequality. By curtailing the economic contribution of half the population, it limits overall prospects for growth and higher living standards—a situation perpetuated into future generations by inadequate investment in female education.¹⁴

Empowerment also implies more participatory, bottom-up approaches to working toward development objectives. There is now substantial agreement that such approaches, giving poor people more freedom to make economic decisions, enhance development effectiveness at the local level in terms of design, implementation, and outcomes. A particularly striking example of the positive consequences of empowering people in these ways comes from China. Two major Chinese reforms, the Household Responsibility System and the Township and Village Enterprise movement, promoted poor people's participation and freedom to make economic choices in rural areas, releasing the entrepreneurial energies of the Chinese people and thereby helping China to achieve rapid pro-poor growth. The number of poor people in rural China fell from 250 million in 1979, the first year of reform, to 34 million in 1990, with about half of the decline occurring between 1978 and 1985.¹⁵

Finally, empowerment or lack of it can also have positive or negative sociopolitical effects on the outcomes of countries' poverty reduction efforts. As noted in the previous section, societies that genuinely espouse empowerment, and take steps toward wider social

¹² See especially Stern 2002.

¹³ A recent study of 15 Indian states shows that rural nonfarm output growth was more pro-poor in states that initially had higher literacy, farm productivity, and rural living standards relative to urban areas, and lower landlessness and infant mortality (Ravallion and Datt forthcoming). Another recent study comparing inequality in Brazil, Mexico, and the United States concludes that Brazil's high income inequality results from high inequality in access to education and claims on assets and transfers that generate nonlabor income (Bourguignon, Ferreira, and Leite forthcoming).

¹⁴ One study estimates that if the countries of South Asia, Sub-Saharan Africa, and the Middle East and North Africa had started with East Asia's 1960 gender gap in average years of education and had closed the gap at the rate achieved by East Asia between 1960 and 1992, their per capita income could have grown by 0.5–0.9 percentage points faster per year—a substantial increase over the rates actually achieved (World Bank 2001c).

¹⁵ Stern 2002.

inclusion, broader voice, and enhanced accountability of governments to their peoples, can better achieve the social cohesion and capacity for collective action needed to carry through sometimes difficult reforms effectively. They are also more likely to have a greater degree of policy and political stability, both of which help to promote sustainable and equitable pro-poor development, broadly defined.

c. Empowerment and Development Effectiveness: Project-Level Evidence

Box 1. Why is Empowerment Important?

Empowerment is key for:

- Quality of life and human dignity
- Good governance
- Pro-poor growth
- Project effectiveness and improved service delivery

The above discussion has concentrated mainly on economy-wide relationships between empowerment and development effectiveness. This section draws on evidence at the project level that confirms the critical role of empowerment in terms of development outcomes.

Analyses of both large sets of projects and individual operations confirm the relationship between empowerment—in terms of variables such as voice, participation, and civil liberties—and development effectiveness in terms of outcomes. Isham, Kaufmann, and Pritchett (1997) found a strong empirical link between civil liberties and the

performance of 1,500 government projects in 56 countries. Countries with the strongest civil liberties had project rates of return that were 8–22 percent higher than those without, and the relationship held even when controlling for the level of democracy. Thus civil liberties, especially in the form of citizen voice based on information, participation, and public accountability, can enhance the effectiveness of government action.

Empowerment in terms of citizen inclusion and participation at the local level can help ensure that basic services reach poor people, and can lower operation and maintenance costs by comparison with centrally managed activities. A study by the Bank's Operations Evaluation Department (OED) found that Bank-financed projects managed by local communities were slightly more successful than those managed by other entities.¹⁶ Empowerment through community involvement is particularly effective in the management of local public goods such as water supply, sanitation, forests, roads, schools, and health clinics.¹⁷ The poverty targeting of village-level food-for-education programs is improved by community involvement.¹⁸ More specifically, within the range of variables associated with empowerment, a detailed analysis of village water and sanitation committees in two Indian states found that water system effectiveness, operation, and

¹⁶ OED 2000.

¹⁷ Baume, Juarez, and Standing 2001; Hoddinot and others 2000; Katz and Sara 1997; Jimenez and Sawada 1980; Narayan 1995; Venkatraman and Falconer 1998.

¹⁸ Galasso and Ravallion 2000. This study also found that targeting was worse in villages that were isolated, or had higher land inequality.

maintenance were most strongly linked to transparency of information, followed by ownership, participation, and inclusion.¹⁹

Devolving authority and decisions to the local level is not necessarily a panacea. Improvements in outcomes depend critically on local conditions, and on tailoring institutional design to meet them. For example, a study of the Aga Khan Rural Support program in Pakistan found that community-specific factors such as social heterogeneity, communal inequality, and leadership (or lack of it) accounted for half of the variation in collective performance on local infrastructure maintenance, but that project design features could compensate for adverse community-specific factors.²⁰ Institutional mechanisms for ensuring effectiveness, and for preventing capture by local elites, varied from case to case and drew on understanding of local power structures and investment in local capacity.

Finally, project-level effectiveness can be enhanced by an aspect of empowerment referred to earlier: greater gender equality. Farm-level studies of households in Burkina Faso, Cameroon, and Kenya show that more equal control of inputs and farm income by women and men could raise farm yields by as much as a fifth of current output.²¹

d. Conclusion

This section has summarized some of the linkages between empowerment and development effectiveness in terms of good governance, pro-poor growth, and project-level outcomes. But it must be emphasized that empowerment—especially empowerment of poor people—remains an ideal rather than a reality in most developing societies. The Voices of the Poor study, conducted in 60 countries, has shown that, despite very different social, economic, and political contexts, poor people’s experiences are pervaded by a common sense of powerlessness and voicelessness.²² Working to enhance empowerment is thus a huge challenge for developing countries and their external partners. It is both a moral challenge and an intensely practical one. Reducing the human degradation of powerlessness and releasing the energies of people to contribute to their societies through empowerment are two sides of the same coin, and represent not only key inputs to development effectiveness but also criteria by which the development effort of the twenty-first century will be judged.

¹⁹ Abhyankar and Iyer 2001; World Bank 2001h.

²⁰ Kawaja 2000.

²¹ See World Bank 2001c; Dollar and Gatti 1999; Klasen 1999.

²² Voices of the Poor is a multicountry research initiative undertaken to understand poverty from the perspectives of poor people. The findings were published in three volumes. *Can Anyone Hear Us?* (Narayan with others 2000) gathers the voices of over 40,000 poor women and men in 50 countries from the World Bank’s participatory poverty assessments. *Crying Out for Change* (Narayan and others 2000) pulls together new fieldwork involving 20,000 poor men and women in 23 countries in 1999. *From Many Lands* (Narayan and Petesch 2002) offers regional patterns and country case studies.

2. The World Bank's Role

The World Bank's comparative advantage in pursuing an empowerment agenda as an integral aspect of poverty reduction lies in its relationship with more than 100 governments around the world. The Bank's comparative advantage is, obviously, not to work at the community level but to advise governments based on analytical and evaluative work, to facilitate links to financial investment, and to enable others directly or indirectly to work on the empowerment agenda. The Bank is uniquely placed to provide support in four areas: (a) analysis, evaluation, and advice; (b) convening; (c) enabling; and (d) capacity building.

a. Analysis, Evaluation, and Advice

The Bank advises governments on a wide range of issues, from governance to sector reform to economic growth strategies, basing its advice on sound analysis and research and learning from investment projects that it co-finances with governments. Indeed, the Bank provides more advice on systemic changes than any other organization. The Bank is uniquely placed to conduct rigorous analyses on empowerment issues and their linkages to growth and poverty reduction. It is also uniquely placed to ensure that macro, micro, and institutional reforms are reciprocally reinforcing, and that they empower poor people by increasing their assets, capabilities, and access to services while improving economic efficiency. This is important for strategies that affect poor people as consumers (food, electricity, water, transport); as producers (farmers, entrepreneurs, employees); and as citizens (access to justice, education, health, protection from crime and warfare).

b. Convening

Empowering poor people requires new relations and partnerships based on respect and tolerance among government, the legislature, civil society, poor peoples' organizations, research institutes, the private sector, and donors. The Bank can play a very useful convening role in bringing the different stakeholders together to stimulate debate, consensus, and coalition building for reform.

c. Enabling

The Bank's focus on the four key elements of empowerment can create the space for other actors, both local and international, to support empowerment strategies that are not within the Bank's comparative advantage. The Bank can play a crucial role in supporting information disclosure and public accountability mechanisms to monitor economy-wide reform, public expenditures, and sector reform, all the way down to investments made in particular communities. Fostering a climate of transparency and public access to information can enable civil society and others to play important roles in creating accountable governments. It will create a demand for strong local capacity for research, analysis, monitoring, and evaluation of social and economic outcomes. Similarly, emphasizing the need for local organizational capacity will create space for local actors to work at the grassroots level. The Bank's comparative advantage is primarily in working with governments to change rules, regulations, and investment strategies so as to make

possible the emergence of strong local organizations that can work as effective partners with their governments.

d. Capacity Building

Strong civil society and government institutions—at both the local and national levels—that learn consciously from their experience are essential for sustained poverty reduction. Bank-financed projects and programs that require local organizational capacity must also invest resources in building such capacity. In addition, the Bank has an important role to play in enabling long-term support to local institutions. In collaboration with other donors and the private sector, the Bank can support the capacity of in-country intermediary organizations, research institutes, and NGOs that conduct poverty, institutional, social, and governance assessments. Local capacity to monitor, evaluate, and communicate information back to citizens, including poor people, is critical for improving the outcomes of government programs. The Bank can also facilitate a global network of learning from poor people’s organizations and civil society intermediaries about the empowerment of poor people.