

PRO – POOR POLICIES*

By

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There is universally a greater recognition today of the need to place poverty reduction as the central objective of the process of development. It is, therefore, essential to search for a national development strategy that seeks to achieve human development which is secure, sustainable, equitable and empowering for bulk of the population. Perhaps the most powerful manifestation of a global commitment to poverty reduction is the Millennium Declaration passed by the General Assembly of the United Nations in 2000, where over 160 Heads of State/Government pledged their commitment to the achievement of the Millennium Development Goals (MDG). First among these goals is the target of reduction of the incidence of global poverty by half by the year 2015 (in comparison to the level prevailing in 1990). Other goals like elimination of hunger, universal access to primary education, reduction in mortality, gender equality, etc., are all essentially supportive of the goal of reducing poverty.

The concern for pro-poor policies is the consequence of a deep rooted disillusionment with the development paradigm which placed exclusive emphasis on the pursuit of growth. During the decades of the 50's and the 60's, the primary target was raising levels of investment in developing countries, initially by the injection of foreign savings (aid), in order to achieve rapid growth. The expectation was that this would lead to a 'trickle-down' effect, largely through higher employment and real wages, which would alleviate poverty. In this paradigm, there were no explicit pro-poor policies, but only 'pro-growth' policies which ultimately led to poverty reduction. But in many situations, the process of growth was accompanied by rising inequality such that the so-called trickle down effect was either weak or non-existent.

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Given this failure of growth to mitigate against poverty, the focus shifted initially to the design of targeted anti-poverty interventions in the form of ‘social safety nets’ to tackle poverty. The objective of this strategy was to reach those groups that remain excluded from or are marginalized by the process of growth. This is the implicit philosophy behind the Poverty Reduction Strategy Papers (PRSP) being prepared by developing countries for concessional financing by international financial institutions like the IMF and the World Bank. The macroeconomic framework embodied in the PRSPs continues to focus on stabilisation (leading to growth) objectives with targeted interventions super imposed to manage any negative fall outs of the strategy on the poor. But the basic problem is that if the country’s path of growth spreads impoverishment, a separate poverty program can do little to reverse the trend.

There is recognition now of the need to go beyond the establishment of social safety nets and also directly focus on providing jobs and raising incomes of poor through explicit policy interventions in the process of growth. The experience, by and large, is that countries which have been most successful in reducing poverty have been ones which have combined rapid with equity – promoting growth. Public policies need to influence both the process of generation and distribution of income in such a way as to disproportionately benefit the poor. In other words, the focus now is on ‘pro-poor’ growth.

It needs to be emphasised, however, that the importance of growth cannot be forgotten. A strategy which focuses primarily on reducing inequality, through redistribution of assets or incomes, but ignores or sacrifices growth is unlikely to lead to a sustained process of poverty reduction. Also, there are likely to be serious constraints to finding the resources necessary to finance targeted anti-poverty interventions in the absence of growth.

Therefore, growth needs to be rapid enough to significantly improve the ‘absolute’ condition of the poor. And to have the maximum impact, it should also improve the ‘relative’ position of the poor. This can be achieved either by ensuring greater equity at the start of the growth process (for example, through land reform, as in Korea and Japan) or by decreasing inequality during the growth process (such as making low-skilled jobs more readily available and thereby pushing up wages among the poor, as was achieved initially by East Asian economies,

like Thailand, Korea and Malaysia, through export-led growth in labour intensive manufactures). But efforts at improving the distribution of assets or incomes should not retard the process of growth either by dislocating economic activity or adversely affecting the investment climate or distorting the allocation of resources.

The objective of this paper is to identify pro-poor policies which while directly impacting on poverty do not have an unfavourable consequences on growth and may even promote it. Section II of the paper describes the key elements of such policies. Section III analyses different types of policies in terms of their effectiveness in contributing to poverty reduction. In section IV is indicated a framework for tackling poverty at different levels.

The analysis and conclusions in the paper are based, first, on the author's research on poverty in the South Asian context, especially in his country, Pakistan. A comprehensive programme for tackling poverty has been articulated in his recent book, Towards Poverty Reduction, published by the Oxford University Press. Second, insights on the feasibility and effectiveness of pro-poor policies have been gained by the author in his role of policy maker in different governments of Pakistan as the federal minister for finance, planning, commerce and education respectively in three governments. Third, the author has had an opportunity to study a large sample of countries in his capacity more recently as the Director of the Regional Bureau of Asia and Pacific of the United Nations Development Program. Given this experience, most of the examples presented in the paper are from the Asia and Pacific Region.

II. THE NATURE OF PRO-POOR POLICIES

The basic question is whether growth with equity is possible or not. There are numerous examples of countries where this has been the case during certain periods. Perhaps, one of the best examples is China. During the earlier part of the decade of the 80's, China's agriculture-led development strategy sparked off an historically unprecedented reduction in poverty. Unlike many countries, China gave favourable treatment to farmers – dividing the land equitably among them, raising the prices of their output and giving them the incentive to benefit directly from harder work. Farmers also benefited from earlier state investment in rural physical infrastructure

and basic health and education. The consequence was a surge in 'pro-poor' growth. The resulting rural prosperity directly propelled the emergence of non-farm township and village enterprises, which further boosted employment and incomes, and created a virtuous circle of growth and poverty reduction.

During the 90's, Vietnam has followed the same strategy of transition with similar, though less dramatic, results. In recent weeks, the Democratic Peoples Republic of Korea has also announced a policy of exiting from food ration quotas at subsidised prices to market determined prices of agricultural produce, along with higher wages. It remains to be seen whether this will impact favourably on poverty by raising food production.

It needs to be noted that when China shifted gears in the 80's to a development strategy oriented towards exports and foreign direct investment (mostly located in the richer coastal region), growth became notably less pro-poor and poverty reduction slowed. It has become essential now to launch an anti-poverty programme for the more backward Western Regions.

Similarly, in the case of India the increase in the aggregate growth rate in the 90's coincided with a major economic reform process involving a degree of external trade liberalisation along with convertibility of the rupee, deregulation of industry, including relaxation of past restrictions on domestic and foreign investment, and some financial sector reform. But the rate of decline in poverty (from 36% to 26%) associated with the relatively high growth, was low.

Reasons why the process of growth in India was less pro-poor include, first, its sectoral composition, especially the relatively poor performance of agriculture which has not helped rural poverty, where much of the poverty is concentrated. Second, the spatial pattern of growth has been skewed, whereby growth has not occurred in the states where it would have the most impact on poverty nationally and, third, the problem of adverse initial conditions, such that states that lagged behind in terms of initial rural development and initial human development not only faced limited prospects of overall growth, but also pro-poor growth.

It is of interest to observe that during the decade of the 80's when the overall rate of growth was somewhat lower, the reduction of poverty in India was more spectacular (from 51% to 36%). This is explained by the agricultural breakthrough during the decade. Similarly, Bangladesh reduced poverty substantially in the 80's (from 70% to 48%) on the back of improved food production.

The general principle that can be extracted from these examples is that for growth to be, more or less, immediately poverty reducing it should have a pattern that directs resources disproportionately to the following:

- sectors in which the poor work (such as agriculture)
- areas in which they live (such as underdeveloped regions)
- factors of production which they possess (such as unskilled labor)
- outputs which they consume (such as food)

This implies that a strategy of 'pro-poor' growth consists primarily of employment generation combined with relative price stability of goods and services which are essential items, like food, in the consumption basket of the poor.

Based on these general principles, I identify four types of policies that need to suitably designed and implemented to reflect concerns of poverty. The first type is macroeconomic policies, followed by microeconomic (or sectoral) policies, restructuring policies and redistributive policies.

Macroeconomic Policies

I have suggested above that the key macroeconomic ingredients of 'pro-poor' growth are high levels of employment and low rates of inflation. But it can be argued, that in the classic Phillips' curve sense, there is a trade-off between these two objectives. That is, achieving price stability requires restricting the aggregate level of demand, with its adverse implications on the level of output and employment. Alternatively, raising the level of employment necessitates

stimulating demand, which can spill over into inflationary pressures. But this trade off can be mitigated if there is excess capacity in the economy or if efforts are made to augment factor productivity.

The traditional ‘Washington Consensus’ interpretation of macroeconomic stabilisation propounded by the IFIs – has led to overemphasis on low inflation frequently at the expense of growth and development. In particular, the obsession with eliminating fiscal deficits (and, thereby, current account deficits), if achieved through cutbacks in public expenditure, especially on development and social services, has retarded the process of growth and created more poverty. Contrary to the view that higher fiscal deficits ‘crowd-out’ private investment by raising interest rates, there is persuasive empirical evidence that if higher fiscal deficits are caused by larger public investment outlays then this may actually ‘crowd-in’ private investment on a net basis by removing physical bottlenecks of infrastructure and thereby raising the factor productivity of private investment. In addition, larger public outlays on education and health raise the productivity of the poor and equip them better to get out of the poverty trap.

Therefore, the question is: what is the optimal point in the inflation – unemployment trade off from the viewpoint of poverty reduction? The experience seems to indicate that there is a case for tolerance of larger fiscal deficits so as to stimulate the process of investment and growth. As long as inflation can be kept within a moderate range, it need not dampen growth. Moreover, growth stimulated by fiscal expansion can help finance government deficits, as long as they are not excessive, through faster growth in tax revenues. The larger levels of public investment made possible in this strategy should be used for investment that provides a more durable basis for stimulating private investment and for the purposes of human development and poverty reduction.

Pakistan’s economic performance in recent years is perhaps a prime example of the process of stabilisation gone too far, under the aegis of an on-going IMF program, which has substantially retarded the process of growth and led to rapid increases in employment and poverty (from about 20%, in the early 90’s, to over 33% currently). During the 90’s there were sharp cuts in public sector development expenditures (from almost 10% to less than 3% of the GDP).

Today, post September 11, there has been a degree of stabilisation, the current account deficit has been converted into a surplus and foreign exchange reserves have increased sharply. Favourable developments include, first, resumption of grant assistance by the USA, second, debt rescheduling on favourable terms and, third, larger inflow of home remittances.

But the growth rate has plummeted down to about 3% only. Private investment has declined in recent years as stabilisation policies have implied high real rates of interest, rise in the relative cost of imported capital goods (due to high real exchange rate depreciation), presence of significant excess capacity due to low levels of aggregate demand and the absence of complementary public investment in infrastructure. Fiscal stabilisation has proved elusive and the budget deficit has remained high (at close to 7% of the GDP) due primarily to the failure of tax revenues to grow in the presence of a stagnant economy.

Micro (Sectoral) Policies

I have emphasised above that for growth to be strongly poverty reducing, it has to contribute to employment generation in excess of the increase in labor force and to stability in prices of essential items. This implies that growth has to be concentrated in sectors which are major sources of livelihood to the poor and/or produce goods and services which are consumed by them.

As indicated already, the main sector which meets both these criteria is agriculture. It can be expected that agricultural development (in particular enhanced food production) and more broadly speaking, rural development, will make the biggest contribution to alleviating poverty, especially since bulk of the poor live in the rural areas. Of course, the extent of the impact depends crucially on how unequal the initial distribution of land is and on the nature of the particular strategy which is followed for achieving agricultural development. Importance of these factors is highlighted by the rise in rural poverty in Pakistan during a period of rapid growth (of over 4% annually) in the 90's of agriculture and the resulting attainment of food self-sufficiency. The rise in rural poverty is attributable both to high level of inequality in rural

landholdings and to changes in the tenorial system whereby sharecroppers have been converted into wage labour.

The experience with pro-poor agricultural growth is that this has depended more on appropriate technical progress, for example, the dissemination of high yielding varieties of seed for increased food, as happened during the Green Revolution in the 60's, and on larger investments in rural infrastructure, for example, in the secondary and tertiary irrigation network and farm-to-market roads, electricity, etc., along with the spread of basic social services. Removing farm price repression has helped to stimulate farm employment and production through improvement in incentives. However, this has to be weighed against the adverse consequences on the urban poor and the fact that in many unequal countries even the rural poor are mostly net food buyers. Greater farm mechanisation, facilitated by expanded provision of credit, has contributed to a more unequal distribution of output gains and led to eviction of small farmers and greater landlessness.

Another sector which comes closest to meeting the above criteria is construction, especially if this is focused on the development of shelter for low income families and to the provision of pro-poor infrastructure in urban slums and squatters or to villages in the more backward areas. The big benefit of rapid growth of the construction sector is that it is a labor-intensive sector and can absorb a significant proportion of unskilled labor. Many countries have included a public works program as an important component of their poverty reduction strategy for purposes of absorption of seasonally unemployed agricultural workers and unskilled migrant workers in the urban areas.

Restructuring Policies

In the 80's and 90's, policies of economic structuring have increasingly focused on diminishing the state's role as the leading agent of development and of integrating countries more closely to the global economy. This has involved a standard set of measures such as privatisation and deregulation, financial sector liberalisation, trade liberalisation and capital account convertibility.

Lessons from recent experience highlight the need for proper sequencing and pace of reform. The financial crisis which hit the East Asian countries in 1997 demonstrates clearly the need for stronger regulations of the domestic capital market and the banking sector. This crisis which also triggered off a collapse of the real economy, led to dramatic reversals of poverty in countries like Indonesia and Thailand. Overnight, gains in reducing poverty over decades were wiped out.

Problems of wrong sequencing are visible in countries like Pakistan where financial sector liberalisation, involving move to market based interest rates, prior to fiscal reforms has exacerbated the problem of large fiscal deficits due to the resulting explosive growth in debt servicing liabilities. This has crowded out development expenditures and led to substantial underinvestment in human development.

Privatisation has had ambiguous impacts on poverty depending upon the particular situation. Where it has contributed to greater efficiency it has conferred consumer benefits by either reducing prices or limiting price increases in basic utilities. But in other situations where it has led to the formation of quasi – monopolies it has restricted access to the poor through removal of cross-subsidies and phasing out of loss making services. In addition, privatisation involving substantial downsizing of labor, has led to more unemployment and poverty in the absence, first, of buoyant private investment for creating new employment opportunities for the displaced labor and, second, of adequate social safety nets, like access to credit and retraining mechanisms.

Policies for enhancing private sector participation in the provision of basic social services like elementary education and curative health services have led to a dualistic structure of provision, with the rich gaining access to higher quality services provided privately while standards have fallen of service to the poor. This is due to the retreat from provision by the public sector and the diversion of highly skilled personnel like doctors and teachers to the more remunerative private facilities. It seems that while a case can be made for privatisation of

industry and trade on the grounds of efficiency, the role of the government remains crucial in terms of enabling access to the poor in the area of basic utilities and services.

Trade liberalisation was heralded in the 90's as the basic strategy for developing countries to benefit from the process of globalisation and achieve fast export-led growth. In countries where the initial level of trade repression was high, like India and Bangladesh, opening up did confer significant gains in the early to mid 90's. Most countries have continued to bring down their import tariffs and phase out their quantitative restrictions along with a move towards market based exchange rate regime, in an effort to encourage investment in export promotion rather than on import substitution. Simultaneously, there has been opening up of more sectors for FDI combined with attractive fiscal incentives. But the optimism has gradually faded away in the face of overall recession in the world markets in recent years and the barriers to labor-intensive exports by developed countries in the form of export quotas (as in textiles) and enormous subsidies (especially to agriculture) to domestic producers, while foreign direct investment remains largely concentrated in middle-income countries.

Meanwhile, the reduction in import tariffs has had a number of deleterious consequences, especially from the viewpoint of the impact on poverty. A number of industries have died because of the inability to face up to competition from cheaper imports. For example, the indigenous artisan and crafts sector of India, employing large number of people in cottage and home-based industry, is facing extinction due to the availability of mass produced basic consumer goods from abroad. Sectors which have benefited from trade liberalisation and foreign direct investment in India, like the information technology sector, have essentially emerged as export 'enclaves,' having little backward or forward linkages with the domestic economy.

The conclusion now from research is that developing countries should attempt to engage cautiously with the world economy and on their own terms. Premature opening could either lead to a, more or less, immediate displacement of economic activity and loss of growth or to an uneven distribution of whatever gains are realised. Globalisation can only be favourable for interests of the poor if there is appropriate sequencing of the process of trade and capital account liberalisation. Reliance should be placed on a domestic investment strategy to initiate an

indigenous growth process before opening up to the global economy. Simultaneously, efforts must be made to raise levels of human development to face up the competitive pressures of globalization and to tackle the institutional constraints which hinder development of the export sector like the absence of adequate arrangements for marketing, quality control, transfer of technology and R & D.

One of the implications of trade liberalisation which has seldom been highlighted is its adverse implications on human development via the impact on public revenues. Most developing countries rely heavily on taxes on international trade for revenue, due to their relative ease to collect. Scaling down of import tariffs, as part of the process of trade liberalisation, has meant sizeable revenue losses due to the inability to substitute custom duties with more effective taxation of domestic incomes, production and transactions, which require a more sophisticated tax administration. The shortage of revenues has meant large cutbacks on human development, especially at a time when they are most needed.

Redistributive Policies

A recent study by WIDER has documented that inequality has increased in two-thirds of countries for which reliable data are available. A number of explanations have been offered for this including skill-based technological change, weakening of labor unions, trade liberalisation and the skewed distribution of foreign direct investment. Globalisation has not only contributed to greater inequality among countries but also within countries. Growth of the world economy during the decade of 90s has, therefore, been less pro-poor.

I have emphasised that there is need to find inequality-reducing policies that can also contribute to growth or at least be neutral with respect to it. One key area of reform in the realm of redistributive policies is altering the allocation of public resources through changing the pattern of expenditure and taxes. In many countries, hidden or perverse subsidies or tax expenditures which benefit the rich are pervasive. For example, in Pakistan, subsidies on services which are largely consumed by the rich add up to as much as 4% of the GDP while the corresponding estimate for India is even larger at close to 7% of the GDP. Underpriced pro-rich

services include irrigation, electricity and higher education. If proper pricing policies could be implemented in these services, then the additional revenues generated could be used to cross-subsidise the expenditure on basic services for the poor.

Tax expenditures, in the forms of exemptions or concessions in the application of tax laws (especially relating to direct taxes), are rampant in many countries. In Pakistan they are estimated to cost almost 4% of the GDP in terms of forgone revenue. These include favoured tax treatment of various forms of unearned income, including income from capital gains or interest income, very low effective rates of taxation of real estate, tax free privileges to high level government functionaries, tax exemption of agriculture income, etc. One effective way of broadening the tax base is the withdrawal of these tax expenditures along with simultaneously a reduction in tax rates of indirect taxes, which are generally regressive in nature and impact more adversely on the poor.

Another major area of reform in public expenditure is change in its composition. For example, defence outlays in many South Asian countries substantially exceed social expenditures. Efforts at achieving greater peace and stability in the region could yield a substantial dividend in terms of creating the fiscal space for larger spending on health and education.

An area where redistributive policies could be effective is in the allocation of bank credit. This would involve orienting the banking sector towards micro credit to low income households and to loans for small and medium enterprises. The emphasis should be on increasing access rather than on subsidised credit. The experience of financial institutions like Grameen Bank of Bangladesh is that intermediation costs could be kept low through group based lending while the repayment performance could be sustained at high levels, even at near market rates of interest, through peer group pressures and the prospect of repeat borrowing. As opposed to this, large borrowers are more likely to be prone to 'wilful default' due to the system of political patronage and 'crony capitalism,' especially in state run banks. In addition, credit made available to small borrowers can contribute to substantially larger income and employment multipliers and, thereby, help more in poverty reduction.

Finally, the case for land reform is high in countries where the distribution of land is highly uneven. For example, in Pakistan and Philippines, the top two to three percent of farmers own over one-thirds of the land. The issue of land reform is, however, considered as contentious from the viewpoint of impact on agricultural productivity. But much of the empirical evidence highlights the absence of a positive relationship between farm size and productivity. It appears that while larger farms can use capital and non-factor inputs more intensively, small farms are likely to be characterised by higher land use, cropping and labor intensities. Altogether, land reform coupled with expanded credit and better marketing arrangements can fundamentally alter the position of the rural poor.

III. THE POLITICAL ECONOMY OF 'PRO-POOR' POLICIES

I take up the question next of the feasibility of adoption of pro-poor policies and the conditions under which they are more likely to be resorted to. It is perhaps surprising that even in supposedly democratic societies we see evidence of state capture by the elites, whereby public policy and the allocation of public resources are biased in favour of the rich and powerful. The experience is that pro-poor economic policies are not likely unless the politics and the process governance are more pro-poor. For economic policies to be focused on poverty reduction governance structures need to be effective in achieving this objective. And to make such structures effective, broad pro-poor coalitions are necessary.

The choice and implementations of pro-poor policies clearly depends upon the political economy implications of the process. Who are the gainers and losers? The basic question is whether effective coalitions can be organised to thwart attempts by powerful vested interests to block the change and preserve the status quo.

If the change is seen as a zero sum game, with well-defined gainers and losers, then strong resistance is more likely. This is why attempts at once-and-for-all inequality reduction, like progressive land reform, are extremely difficult to implement. The opposition to this reform is intense not only because of potential economic losses but also because of the fundamental

impact on the rural power structure. Therefore, land reform has usually come in the aftermath of a cataclysmic event (like war as in Japan or following the partition of India) or when the problem of poverty and the resulting social breakdown have become so serious that radical governments have emerged with an agenda involving major structural change. The recent experience of Nepal reveals that in the face of a Maoist insurgency, the government has been compelled to announce major land reforms (although these have remained largely unimplemented to date).

It has been argued that pro-poor policies are more likely to be adopted in the context of a positive sum game. This is the case when incomes are generally increasing rapidly and it becomes possible at the margin to distribute a disproportionate part of the income gains in favour of the poor. For example, Malaysia was able to successfully pursue a strong affirmative action program in favour of the indigenous Malays, who were poorer than the Chinese or Indian residents, on the back of a strong growth performance. This is why it is important to demonstrate that pro-poor policies are also pro-growth and the development strategy is such that much of the poverty is not tackled upfront but during the process of growth.

I turn now to the identification of the key elements of governance which are likely to be supportive of the adoption of more pro-poor policies. These are essentially systemic and institutional changes which enable the poor to have a stronger voice in the formulation and conduct of public policy, as follows:

Rule of Law: The interests of the poor can be subverted either by the presence of inherently inequitable laws (such as those relating to property rights or to the discriminatory treatment of minorities and women) or by the inequitable application and enforcement of laws. More broadly speaking a proper and judicial system is required which promotes stable and higher economic growth while respecting property rights, guaranteeing the sanctity of contracts and lowering transactions costs.

Transparency and Accountability: Serious problems with economic governance include the over-centralization of decision-making and the non-involvement of stakeholders. This has enabled patronage of powerful special interests and high levels of corruption. Clearly,

the process of policy making will have to be made more transparent and accountable. Information systems will need to be more closely linked to ground realities and the bureaucracy made more responsive. Elected parliaments should be given a stronger oversight function to monitor the allocation and utilisation of public expenditure. Independent accountability institutions will also have to be set up to detect and punish the worst examples of corruption.

The development of an appropriate legal and fiscal framework will be essential for providing a suitable enabling environment for the emergence of a strong movement of non-governmental organizations. Civil society can play a major role in articulating the concerns of the poor and NGOs can be effective in targeting and delivering services to the unreached segments of the population. Simultaneously, a free and vibrant press can contribute to greater transparency and accountability in the system.

Decentralisation: Decentralization and devolution have been considered as one of the most powerful ways of increasing peoples' participation and empowering the poor. There is currently a wave of decentralization in the Asia and Pacific region, with major efforts at strengthening local governments in diverse countries like India, Pakistan, Nepal, Indonesia, Thailand and China.

But for this reform to lead in particular to a more pro-poor allocation of resources the process will have to be strengthened, first, by mechanisms to avert local elite capture by giving special representation to particular disenfranchised groups like peasants, workers, women and minorities, second, by political education which organizes the poor, creates awareness of issues, fosters local leadership and promotes higher voter turnout, third, by genuine fiscal decentralization which transfers significant resources to the lower tiers of government on the basis of objective and transparent criteria and permits the exercise of true fiscal autonomy and, fourth, by capacity building of local governments.

The real challenge in most countries is to improve the process of governance in such a way that public policy fundamentally protects the general public interest rather than being a

hostage to vested interests. This will enable the formulation and implementation of more pro-poor policies.

IV. FRAMEWORK FOR POVERTY REDUCTION

For attainment of the MDG target of reducing poverty by one half by 2015, research at UNDP reveals that the following will be required:

- the average per capita income growth in developing countries will have to be faster at about 4% per annum as compared to the past average of 3%; and
- inequality will have to fall sharply within countries, such that the rate of decrease in the percentage of poor is at least 50% faster than the rate of growth.

For achievement of these ambitious targets pro-poor policies will have to be implemented at various levels, as follows:

Global: Policies for allocation of ODA will have to more effectively target countries which have a high incidence of poverty and also demonstrate a strong commitment to the attainment of MDG's. In addition, trade restrictions will need to be relaxed to enable access especially to the least developed countries in agricultural commodities and labor-intensive manufactures, along with expanded debt relief and transfer of technology.

Regional: Recognition of the need to reduce war tensions and to move towards peace and stability, which will enable the diversion of defence expenditure to fight the real war against poverty. This will have to be combined with the emergence of effective regional trading arrangements that lead to more intra-regional trade diversion and creation and equip countries better to face collectively the challenge of globalisation. Also, special institutional arrangements will have to be evolved that facilitate and organize the development of regional trunk infrastructure for transport, gas, hydroelectricity, etc., and tackle the problem of cross-boundary spill-overs like trafficking and environmental hazards.

National: Reforms in governance which enable the adoption of the appropriate mix of pro-poor macroeconomic policies, sectoral policies, restructuring policies and redistributive policies. This will have to be accompanied by well designed and managed social safety nets for targeting the chronically poor.

Local: Governance reforms and social mobilisation will be necessary to stimulate greater people's participation and their empowerment. Efforts will have to be made to strengthen local governments and community based organizations.

It is clear that poverty will have to be tackled at all levels-global, regional, national and local – through pro-poor policies if the over one billion poor people of the world are to be given a real chance to get out of the vicious poverty trap and lead lives with a semblance of human dignity and security.

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