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Poverty and Insecurity in the sub-Saharan Countries

1 Introduction

Almost without exception the countries of Africa south of the Saharan have extremely high rates of poverty and deprivation, manifested concretely in low life expectancies and health indicators. Substantial progress in reducing poverty requires long term sustained growth which is equitably distributed at rates considerably higher than those experienced since the early 1980s. These three necessary characteristics of long term growth, that it is sustained, equitably distributed and more rapid, require purposeful government intervention, which has not been the case over the 1980s, 1990s and 2000s, in no small part due to the ideologically driven policies of multilateral and many bilateral aid donors and lenders (Weeks and Stein 2006).

This chapter presents a macroeconomic framework for sustained, equitable and rapid growth which is feasible for the low income countries of the sub-Saharan region. Section 2 considers the character of poverty in the region and mechanisms to alleviate it in the short term. The flaws in all varieties of means testing are discussed, leading to a proposal for gender-focused universal benefits. Poverty elimination is a long term process that requires poverty elevation in the short term. Section 3 develops guidelines for poverty reduction that seek to balance breadth of application with the fiscal constraints of governments, a gender-inclusive poverty reduction strategy that is countercyclical and growth enhancing.

2 Poverty Alleviation

Means Testing and Anti-social Protection

Most work on poverty addresses measurement, on the one hand, and the incidence of social expenditure, on the other. Explicitly or implicitly, both of these issues are based upon concepts of the nature and causes of poverty. Essential to the design of a successful anti-poverty strategy is distinguishing between poverty reduction and poverty alleviation, and specifying the strategy for each.

The implicit view of orthodox economics, manifested in policies of the World Bank and the IMF, is that market economies automatically provide the opportunity for people to move out of poverty. It follows from this analysis that poverty results from the level of development, and is reduced through growth. Growth itself is enhanced by increasing the efficiency of markets. Because markets are intrinsically efficient, the important measures to make them more efficient are negative in nature: elimination of government regulations, a balanced budget, a monetary authority independent of political influence, and a minimal role for public provision of services. The limited role of public policy allows people to make choices based on market prices, which will result in a balance between consumption and investment that lead to a rate of growth that optimizes individual welfare.

Public provision for the poor of three types is consistent with this analysis: protection of those who cannot take advantage of the opportunities provided by markets ('safety nets'); in low income countries those at the bottom of the distribution may require transitory support until their efforts bring them out of deprivation (temporaray transfers); and in all countries natural disasters and severe economic 'shocks', such as the international financial crisis, may require temporary public provision beyond the 'safety nets' (disaster relief).

This general approach, that markets reduce poverty and some limited amount of public provision is appropriate as they do so, is the basis of almost all the anti-poverty support to sub-Saharan countries provided by multilateral and bilateral development agencies. The approach explicitly or implicitly incorporates the concept of the 'deserving poor', a category that includes all those who seek to improve their circumstances but suffer from constraints that prevent them from doing so.

This analysis and approach to poverty and its reduction is especially appealing for the sub-Saharan countries, where the majority of the poor appear superficially to be independent producers, with the vast majority engaged in agriculture. This appearance can and is interpreted as implying that the poor have the potential to move out of poverty through hard work if provided with the help to take better advantage of market opportunities. The inference that most rural households are independent, potentially self-sufficient farmers is incorrect. It ignores the complex hierarchies and employment

patterns that characterize rural communities in sub-Saharan countries. A large amount of evidence demonstrates inequality of land distribution that requires households at the bottom of the distribution to seek work from households with larger holdings.[1]

The stereotype of poor households as self-sufficient farmers is also consistent with an argument to minimize government intervention. For decades it produced the following stylized narrative about poverty in sub-Saharan countries. Poverty is an overwhelmingly rural phenomenon. Urban households are, by contrast, relatively privileged, with better access to health and education. The urban unemployment that exists is "voluntary", so-called school leavers that are inappropriately educated for manual work, and employment opportunities are limited by minimum wages and trade unions. This "urban bias" is compounded by excessive taxation of an undifferentiated class of farmers and depression of prices by public sector market boards. This stylized characterization of "the African farmer" yields the policy conclusion that rural poverty would be reduced through a focus on agricultural development combined with elimination of government regulations and interventions.

This description was never accurate,[2] and rendered completely absurd by the two decades of economic stagnation and decline during the 1980s and 1990s. In no small part the result of the elimination of public interventions, required by IMF and World Bank conditionalities to their lending programs, this decline should have demonstrated the analytical, empirical and practical fallacies of the "market-opportunities-eliminate-poverty" argument. The 1980s and 1990s showed what unorthodox economists argued since the early nineteenth century: in the absence of public intervention, market competition punishes the weak and rewards the strong.[3]

Not withstanding the fall in urban incomes in the sub-Saharan region during the 1980s and 1990s, the decline in use of modern inputs on small-scale farms, and declines

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[1] A study of five sub-Saharan countries found high degrees of inequality of arable land distribution, with Gini coefficients for land per adult of over .50 for four of the countries (Ethiopia, Kenya, Malawi and Rwanda) and just below for the fifth (Mozambique). The average land worked by the lowest quartile in all five countries was less than a tenth of an acre (Jayne *et. al.* 2002).

[2] 'Under existing conditions, the ability of households in the bottom per capita land quartile to escape from poverty directly through agricultural productivity growth is limited by their constrained access to land and other resources' (Jayne *et. al.* 2002, 5).

[3] Bhorat (2005) provides a survey of poverty and labour markets demonstrating this conclusion.

in per capita income in the majority of the countries of the region, the market opportunities view of poverty reduction continued to be the implicit basis of the development assistance provided by almost all donors and lenders. The principle change, to an emphasis on political intervention by donors and lenders under the rubric of 'governance', had no impact on the anti-poverty strategy: the long term process of poverty reduction follows from improving the operation of markets, including the reduction of public sector corruption. The growth rate will rise to lift most households out of poverty, and poverty is alleviated by "safety nets" for those not lifted by growth.

The benefits associated with these "safety nets" would be limited to poor households by a process designed to limit them to recipients defined as poor, "targeting" the poor. What the World Bank calls the "gold standard" of targeting is the estimation of the income of a household.[4] This method of targeting sets an income level which by some standard is judged to be the poverty level, and those households whose incomes fall below the "poverty line" receive benefits and those above do not. For means testing on the basis of income to be effective, it must be possible a) to establish the relevant income level below which the special measures, such as free benefits and reduced charges, will begin; b) to measure individual or household income with appropriate accuracy, and c) to achieve the measurement at an acceptable administrative cost.

The identification of a non-arbitrary income for a benefit or service is itself problematical, though the wide practice of doing so lends it a superficial credibility. The most prominent example of spurious credibility is the international standard measures of one and two US dollars per day. While useful for specific analytical purposes, such as inspecting the relationship between poverty and income distribution, it provides only the roughest guide to the level of income at which basic needs would be met.

The measurement of household living standards is extremely difficult in any low income country, because of the differences in household compositions, and prices

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[4] From the relevant World Bank web page,

> A verified means test is usually regarded as the gold standard of targeting. It seeks to collect (nearly) complete information on households' income and/or wealth and verifies the information collected against independent sources.

http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTSOCIALPROTECTION/EXTSAFETYNETSANDTRANSFERS/0,,contentMDK:20795779~isCURL:Y~menuPK:1552914~pagePK:210058~piPK:210062~theSitePK:282761,00.html

between regions and rural and urban areas, to name but two difficulties. The particular circumstances of sub-Saharan countries make the measurement task difficult to the point of futile. The first of these problems, common to almost all low income countries, is that the structure of employment does not lend itself to administrative verification of income levels of households. In developed countries, this verification is made by inspecting the applicant's employment records or registration with unemployment centers. This approach is of little use in sub-Saharan countries where less than ten percent of the economically active population is employed in the so-called formal sector (see Figure 1).

Second, remittances from abroad, about two to three percent of GDP for the region as a whole, are a substantial supplement to household income in several countries.[5] Were it the case that the overwhelming proportion of remittances entered the country through formal channels, these could be traced to specific households, but the great proportion is not recorded. Even more serious for measurement, non-marketed activities such as consumption of food grown by the household itself make a substantial contribution to the standard of living.

These characteristics of households imply that estimating income either have to relies on the reporting of the household itself, or on direct investigation of households, an intrusive policing function subject to corruption at the local level. Even more intrusive is the alternative proposed to income measures, so-called proxy targeting, which the World Bank defines as follows:

> Proxy means tests generate a score for applicant households based on fairly easy to observe characteristics of the household such as the location and quality of its dwelling, its ownership of durable goods, demographic structure of the household, and the education and, possibly, the occupations of adult members.[6]

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[5] Based on balance of payments data, the an IMF study estimated remittances to the sub-Saharan region to be seven billion US dollars per year in the early 2000s. This is certainly an under-estimate, as the authors acknowledge (Gupta, Pattillo and Wagh 2007).

[6] These proxy elements must be combined into a single indicator: 'The indicators used in calculating this score and their weights are derived from statistical analysis (usually regression analysis or principal components) of data from detailed household surveys of a sort too costly to be carried out for all applicants to large programs'. By where statistic method they are weighted, the resulting weights are arbitrary because the units in which the separate elements are measured are not unique. Quotations are from:

Not withstanding that the substantial administrative capacity required for proxy testing,[7] it has been applied, at least in name, in several sub-Saharan countries.[8] Were it the case that incomes or proxies for incomes could be measured quickly, cheaply and with accuracy, all means testing still suffers from two fundamental flaws. First, the purpose of the exercise is to divide a population into two groups, the 'poor' that receive benefits and the 'non-poor' that do not. If those defined as poor are disproportionately concentrated geographically or ethnically, or if it is so perceived, the division is invidious and contains the potential to acerbate the conflicts that have afflicted many sub-Saharan countries. Equally serious is the police function implied by means testing, all forms of which require the state to verify the poverty status claimed by a household. The invasion of privacy resulting from verification is inconsistent with the principles of a democratic society, and a dangerous extension of state authority in non-democratic countries. A third variant of means testing, 'community-based targeting', is the most pernicious of all, replying on "group of community members or a community leader …to decide who in the community should benefit".[9] It would be difficult to design a targeting mechanism more prone to abuse of power.

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http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTSOCIALPROTECTION/EXTSAFETYNETSANDTRANSFERS/0,,contentMDK:20834872~isCURL:Y~menuPK:1552914~pagePK:210058~piPK:210062~theSitePK:282761~isCURL:Y~isCURL:Y,00.html

[7] The World Bank web page on proxy testing states, 'Proxy means tests are most appropriately used where there is reasonably high administrative capacity'.

[8] The World Bank described the food subsidy program in Mozambique as follows:

> The program provides a monthly cash transfer to recipient households. The value of the transfer is low and depends on the size of the household, starting at Mt 70,000 (US$3) per month for a one-person household and rising to a maximum of Mt 140,000 (US$6) for households with five or more members. Despite its name, the program is not a subsidy, but a cash transfer for the poor to buy food. Target groups include people who are temporarily or permanently unable to work or satisfy their subsistence needs. Eligibility is determined by a combination of proxy indicators (age, disability), means testing (per capita monthly income below Mt 70,000), and health status (chronically sick or malnourished).

http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTSOCIALPROTECTION/EXTSAFETYNETSANDTRANSFERS/0,,contentMDK:22202397~pagePK:210058~piPK:210062~theSitePK:282761,00.html

[9] In what must be considered an understatement, the World Bank web page states, 'It would not be surprising if such a system continued or exacerbated any existing patterns of social exclusion'. http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTSOCIALPROTECTION/EXTSAFETYNETSANDTRANSFERS/0,,contentMDK:20795813~isCURL:Y~menuPK:1552914~pagePK:210058~piPK:210062~theSitePK:282761~isCURL:Y~isCURL:Y,00.html.

From a purely technical point of view, the fatal flaw in the use of means testing in sub-Saharan countries is the implicit assumption that incomes remain stable over time. If a large portion of the population is clustered close to the poverty line, as must be the case for most African countries,[10] there will be a tendency for many households to move above and below the line over the economic cycle. This creates two problems. First, even if technically feasible, the administrative task of identifying the poor becomes so expensive as to be unmanageable, because households that are defined as poor in one period are not in another.

Second, as a result of the first, the entire purpose of the means testing exercise is rendered invalid if the "poor" are not a stable administrative or practical category. Attempts to deliver benefits by income testing will result in an arbitrary delivery system with "leakages" to the non-poor. In such circumstances, means testing fails its own purpose of avoiding such leakages. The identification of the poor may be administratively possible at a point in time, but the identification is not valid over time. This represents an extreme example of the "borderline problem", in which benefit delivery on the basis of means testing systematically fails.

Income Volatility in sub-Saharan Countries

Empirical evidence on family incomes over time in sub-Saharan countries is extremely limited, because it requires identifying and following specific households over two or more surveys. A recently published study of Ethiopia does this, and indicates that the population near the poverty line was quite unstable during the 1990s and early 2000s (Geda, Shimeles and Weeks 2009).[11] Many households, both in rural and urban areas, dropped below the poverty line even as aggregate incomes grew rapidly. This implies that had benefits in the second half of the 1990s been distributed on the basis of poverty status from the survey of 1994, up to twenty percent of the "non-poor" would have been

[10] Consider the case of a country with a per capita income of US$ 365. If income were normally distributed, half the population lies below the one US dollar a day poverty line. If most people are above the level of starvation (though suffering from malnutrition), their incomes cannot be far below the poverty line. Since the income distribution is skewed, the clustering under the poverty line is all the greater.

[11] A similar conclusion, households move in and out of poverty, is implied by the statistics presented in a case study of Zambia, though the data did not allow a strict comparison across surveys for the same set of families (Weeks, *et. al*. 2006, Chapter 3, Annex 2).

below the line in at least one year, and a greater proportion of the "poor" would have moved out of poverty.

This instability in the distribution of households near the poverty line indicates that poverty status is a static phenomenon even in the short run. "Poor" households fall into four conceptual groups: 1) those well above the poverty line that fall below it during an economic crisis (as at the end of the 2000s); 2) those close to the poverty line that move in and out of it depending on the phase of the economic cycle; 3) those persistently in poverty that move out only when economic growth is strong and sustained; and 4) those households permanently trapped in poverty due to their structural circumstances, such as landlessness or few able bodied adults.

Were it the case that in the sub-Saharan countries economic growth had been consistently above population increase for the 1990s and 2000s, the proportion of households in the first three categories would have substantially declined, as occurred in East and Southeast Asia. However, after declines in per capita income for most of the countries during the 1980s, growth rates during 1990-2008 were unimpressive, as Table 2 shows. Of the forty-four countries in the table, thirteen suffered declines and nine more had rates of less than one percent.

As important for reducing poverty as slow growth is the variability of growth. The growth rate across the forty-four countries was 1.3 percent per annum, with an average standard deviation of 5.4, over four times the average for GDP growth. The importance of growth variation can be appreciated by first noting that for only seven of the forty-four countries is the standard deviation smaller than the average growth rate; i.e., for thirty-seven countries growth is less than a standard deviation from being negative. Such large annual variations in growth imply that even in a country with a relatively strong growth performance in any year there is a high probability of per capita income falling. For example, Namibia, a mineral rich middle income country, enjoyed a rate of growth for two decades well above the regional average with substantially less than average variability. Nonetheless, in any year there was a forty percent probably of growth being negative.

The great variability of growth rates in the sub-Saharan region implies that attempting to identify the poor is a futile task. Even in countries with a steady growth

performance a substantial proportion of households move in or out of poverty every year. The US one dollar a day poverty rates in the final column show that in addition to futile, the identification process is pointless. Poverty rates in the sub-Saharan countries are so high that when they are combined with the volatility of incomes, the majority, even vast majority, of households that should be part of poverty alleviation programs.

Table 1: Paid employment shares in Sub-Saharan Countries

Country	Year	% Labor Force
South Africa	2007	48
Cape Verde	2000	33
Botswana	2006	31
Swaziland	2000	27
Congo Rep	1990	16
Zimbabwe	2002	16
Equatorial Guinea	1983	15
Gabon	1996	15
Madagascar	2005	15
Kenya	2000	14
Malawi	1995	13
Zambia	1990	12
Cameroon	1985	11
Angola	1992	10
Cote d'Ivoire	1990	10
Ghana	1991	9
Guinea-Bissau	1983	8
Gambia	1990	7
Tanzania	2001	7
Senegal	1991	6
Eritrea	1998	5
Sierra Leone	2004	5
Benin	1992	4
Sudan	1992	4
Togo	1997	4
Ethiopia	2004	3
Mozambique	1988	3
Burundi	1991	2
Central African Rep	1992	1
Chad	1997	1
Niger	1991	1
Nigeria	1980	1

No data: Comoros, Congo DR, Djibouti, Guinea, Lesotho, Liberia, Libya, Mali, Mayotte, Mauritania, Namibia, Rwanda, and Sao Tome and Principe.
Source: http://laborsta.ilo.org/

Table 2: Per Capita Income Growth in sub-Saharan Countries, 1990-2008

	Country	PCY US$ 1990	Index 2008 (1990 =100)	Growth rate (%)	Standard deviation	Headcount Poverty
1	Equatorial Guinea	547	1589	15.4	19.9	na
2	Sudan	261	204	4.0	3.7	na
3	Mozambique	185	198	3.8	4.1	75
4	Mauritius	2535	194	3.7	1.0	na
5	Uganda	181	192	3.6	2.1	52
6	Cape Verde	854	191	3.6	2.8	21
7	Botswana	2463	179	3.2	2.8	na
8	Angola	794	171	3.0	10.6	54
9	Lesotho	338	155	2.4	2.1	43
10	Burkina Faso	175	150	2.3	3.0	57
11	Ghana	281	150	2.3	1.0	30
12	Ethiopia	129	147	2.1	6.9	na
13	Namibia	1828	147	2.1	3.0	na
14	Mali	213	139	1.8	3.5	61
15	Chad	181	139	1.8	9.7	62
16	Tanzania	267	136	1.7	2.3	89
17	Rwanda	234	134	1.6	15.9	77
18	Nigeria	370	131	1.5	3.0	64
19	Swaziland	1196	130	1.5	2.4	63
20	Malawi	132	125	1.2	6.7	74
21	Guinea	340	123	1.2	1.6	70
22	Benin	294	122	1.1	0.9	47
23	South Africa	3152	118	0.9	2.1	26
24	Senegal	460	115	0.8	2.3	44
25	Mauritania	419	115	0.8	4.1	21
26	Gambia	340	110	0.5	2.7	34
27	Eritrea	135	109	0.5	7.6	na
28	Congo, Republic	1143	106	0.3	3.5	54
29	Sierra Leone	248	105	0.3	10.8	53
30	Kenya	450	103	0.2	2.2	20
31	Zambia	383	101	0.1	4.2	64
32	Cameroon	718	99	-0.1	3.6	33
33	Niger	193	93	-0.4	4.1	66
34	Madagascar	290	93	-0.4	5.0	68
35	Togo	273	90	-0.6	6.6	39
36	Gabon	4640	89	-0.6	3.7	5
37	Comoros	416	89	-0.6	3.3	46
38	Central African Republic	271	85	-0.9	4.0	62
39	Cote d'Ivoire	658	80	-1.2	3.0	23
40	Liberia	200	74	-1.7	3.0	na
41	Burundi	152	73	-1.7	4.1	81
42	Zimbabwe	643	70	-2.2	6.4	na
43	Guinea-Bissau	182	70	-2.0	8.4	49
44	Liberia	200	74	-1.7	33.6	na
	Average	667	157	1.3	5.4	51
	Without oil exporters	595	122	0.9	4.2	52

Source: *World Development Indicators 2009*. Head count poverty is the share of population with income less than US one dollar per day. Liberia excluded from averages for standard deviations.

Poverty Alleviation with Universality

The practical difficulties with means testing in sub-Saharan countries do not negate the fiscal resource constraints that limit the extent to which governments in the region can finance poverty alleviation and poverty reduction. Some mechanism is required to establish expenditure priorities, especially for current expenditure on poverty alleviation. An alternative to means testing for poverty alleviation programs is universal provisional with categorical targeting. This directs benefits to groups of the population that can be administratively identified (categorical targeting), without dividing the group between beneficiaries and non-beneficiaries (universal provision).[12] Examples are programs for mothers with young children, old age pensions and child allowances. The great advantage of this approach is its administrative feasibility, and the population categories can be chosen to maximize the poverty-reducing effect. An argument against this approach is that some benefits accrue to those who by some definition "do not need them", so-called leakages, and as a result of making payments to the non-poor, the level of benefits to the poor is reduced.

The use of the term "leakages" reflects either analytical confusion or an ideological view of poverty. It was demonstrated above both analytically and empirically that no clear division between the poor and the non-poor is possible in the sub-Saharan countries. "Leakages" presupposes this division. Given the insurmountable difficulties of making the division, its application is a political vehicle to limit expenditures and maintain the ideological view that poverty is a marginal phenomenon in market economies.

Markets are part of the institutional framework of society which generates economic growth and development and, therefore, part of the long term poverty reduction process. Markets also foster processes that create the conditions for poverty in the process of development. The most obvious mechanism in sub-Saharan countries by which markets are poverty creating is through the modernization of agriculture which

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[12] On the World Bank web site this is called 'demographic targeting', where the discussion is almost entirely on programs based on age.
http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTSOCIALPROTECTION/EXTSAFETYNETSANDTRANSFERS/0,,contentMDK:20834872~isCURL:Y~menuPK:1552914~pagePK:210058~piPK:210062~theSitePK:282761~isCURL:Y~isCURL:Y,00.html

leads to landlessness as mechanization and land consolidation raise productivity. This process in which the labor is expelled from agriculture then employed in secondary and tertiary sectors is the essence of the development process. Even in the East and Southeast Asian countries with their rapid employment growth, this structural change generated landlessness and unemployment along with development.[13]

In addition to this fundamental objection to the concept of "leakages", the advantages of avoiding them are open to question. Considering the trade-off in level of benefits, for any level of benefit the universal program is likely to have lower unit costs than the means tested program. This is for the obvious reason that the universal program would not need a bureaucracy to verify and to police qualification for benefits. Under a universal program each benefit unit accruing to the "non-poor" does not represent a full unit that would accrue to the "poor" if there were a shift to means testing.

Further, it appears from the experience of developed countries that means testing can undermine the political sustainability of social programs because those excluded from benefits have no direct material incentive to support increased funding for such programs. This prevents the development of a political coalition that would favor a pro-poor growth strategy. In an important sense, means testing is a barrier to poverty reduction because it fosters the belief that markets have no poverty creating effect, and perpetuates a growth strategy that excludes much of the population.

The alternative to means testing, targeting easily identifiable groups with universal programs, has the political advantage of giving the non-poor an incentive to support poverty-reducing programs. It also avoids the social stigma of dividing the population between the poor and the non-poor. On the basis of the characteristics of sub-Saharan countries an effective and feasible poverty alleviation strategy would provide access to benefits by targeting clearly identifiable groups with programs of universal access, "universal access within categorical targeting".

Simple to administer and effective for poverty alleviation in sub-Saharan countries are those programs directed to women. Such programs operate in the region, often associated with what are called conditional transfers, in which receiving the

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[13] For a discussion of development in Asian countries and the relevance for the sub-Saharan region, see Stein (1996)

specified benefit requires some action on the part of the recipient. An example would be cash payments to mothers on the condition that their children attend school (Lund *et. al.* 2008). There is little or no evidence to assess the impact of setting behavioral conditions on benefits,[14] and as for means testing they suffer from the need for verification. The imposing of behavioral conditions for poverty alleviation is a continuation of the "deserving poor" view of poverty, in which benefits are not exclusively motivated by the purpose of aiding the poor, but aiding the poor to behave in a deserving manner.

We can summarize the practical guidelines for poverty alleviation programs as follows: they should be made administratively and fiscally feasible by categorical targeting, universal within the category, equitable, directed to girls and women, and consistent with the government's long term poverty reduction strategy. The design of the associated poverty reduction strategy is considered next.

3 Poverty Reduction

The Neo-liberal economic macroeconomic policy that prevailed in the sub-Saharan region before the crisis of the 2000s expected market forces to drive development. Fiscal policies was constrained to keep deficits low, monetary policies fixated on low inflation targets, and exchange rate policies committed to full flexibility. This combination was unlikely to foster growth and, as shown Table 2, it did not.

The pro-growth poverty reducing alternative has the following elements, each a break with Neo-liberal policy:

1) fiscal policy should be expansionary and include short term poverty alleviation expenditure from the current budget and poverty-focused public investment in the capital budget;

2) the exchange rate should be managed in order to promote export competitiveness and currency stability;

[14] '[T]here have been no rigorous analyses there of the respective costs and benefits of conditional versus unconditional transfers, so that the impact of conditionality itself is unknown.' (Schubert and Slater 2006, 1).

3) monetary policy should accommodate fiscal expansion and export promotion, with low real rates of interest that promote private investment and moderate public-sector debt.

The conditionalities imposed by stabilization and structural adjustment programs that compelled governments to seek very low fiscal deficits, as well as low inflation rates, constrained growth (Stein 2006). The obsession with low deficits prevented a growth-focused fiscal policy in sub-Saharan African countries. Evidence for thirty countries for which the IMF reports relevant statistics shows that deficits over five per cent of GDP have not been common. During 1985-2005 never more than one fourth of these countries had a larger deficit in any year. For all years during this period at least half the countries had a deficit below three per cent (Weeks and Patel 2007).

In a poverty reduction growth strategy deficits would be used as a policy instrument, not treated as a problem to be minimized.[15] The movements of both revenues and expenditures are linked to the economic cycle: revenues fall when private income falls but social expenditures need to rise in order to compensate for income losses. Insisting on low deficit targets renders fiscal policy "pro-cyclical"; it aggravates downturns rather than moderating them. Deficits also should be used as part of a long term strategy through borrowing to finance public investment in essential economic and social infrastructure. Without extensive public investment in part financed by public borrowing, poverty reduction would not be possible.

While stabilization and structural adjustment programs were decommissioning fiscal policies with deficit limits, they converted previously active management of exchanges rate into so-called floating or 'free market' regimes. Contrary to expectations, non-intervention led to increased volatility of nominal exchange rates, often precipitated by transitory external "shocks", such as international price changes or manipulation by large traders in narrow currency markets (see Weeks *et. al*. 2007). In the small open economies of the region exchange rate volatility gravely jeopardized macroeconomic stability. As the prices of some primary products, especially petroleum and minerals,

[15] In early 2010 the chief economist for Africa of the World Bank, Shanta Devarajan, in his blog argued against a fiscal stimulus 'for Africa' on the grounds that increasing a fiscal deficit would result in inflation or a reduction in private investment ("crowding out") or both. Accessible at http://blogs.worldbank.org/africacan/a-fiscal-stimulus-for-africa.

rose in the 2000s, exchange rates briefly appreciated before the crisis at the end of the decade. Under such conditions of global instability exchange rate management is an essential policy instrument to reduce the volatility of economies. Exchange rate management is essential for maintaining short-term stability of the nominal exchange rate, and achieving a real exchange rate that can foster broad-based export competitiveness and structural diversification of the economy.[16]

A macroeconomic framework oriented towards poverty reduction does not have to be discovered: it is known and it is feasible (Weeks 2009b). Fiscal policy should be expansionary and focused on poverty alleviation programs in the short term and public investment in the medium and long term. Exchange rates should be managed in order to maintain short-run price and currency stability and foster long-term competitiveness and diversification of the economy. Monetary policy should accommodate fiscal expansion instead of restricting it through the targeting of unreasonably low inflation rates with correspondingly high real rates of interest. Over the long term, this framework implies a greater reliance on domestic finance and less on official development assistance, which often is unpredictable (UNCTAD 2000).

Public investment, key to long term poverty reducing growth, requires careful design. The principle guidelines should be that the investments contribute directly to improving the lives of the poor, are implemented with methods that are labor using, and have an explicit impact on the welfare of girls and women. The type of investments that would directly help the poor will vary among countries. Projects that provide safe water to villages and urban slum areas would meet all three guidelines. Another type is the provision of electricity to rural and urban areas, as in Sierra Leone. The repair of power lines requires considerable labour, and the electricity would reduce the work load of poor women through the pumping of water and cooking.[17]

A much neglected mechanism for directly generating income for poor women is to assign gender quotas to public projects. Despite resistance to such quotas by many

[16] The necessary complementarity between a poverty-reduction strategy and exchange rate management is discussed analytically and applied empirically to the case of Sierra Leone in Weeks 2009a and 2009b.

[17] Increasing the provision of electricity was one of the most important projects in the government's Poverty Reduction Strategy Paper (Sierra Leone 2008).

national and local governments, there are very few projects that could justifiably exclude women on health grounds. In what one hopes could be a precedent setting measure, in 2008 the government of Sierra Leone set a quota for women participants at forty percent in a cash-for-work program funded by the World Bank (Weeks 2009a). Quotas for women are of great practical importance for poverty reduction in countries recovering from conflict and those characterized by substantial labor migration. For both types of countries the proportion of households is high in which women are the only sources of income.

4 Summary and Conclusions

Central to the Neo-liberal macroeconomic framework that came to dominate policy in the sub-Saharan region was the faith that markets "freed" from public regulation would generate wide spread growth with only a few left behind, who could be supported by "safety nets". This policy framework did not generate much growth, much less was that growth pro-poor. To achieve poverty reduction purposeful government action is required, which integrates poverty alleviation and poverty reduction in a long term strategy.

That long term strategy should be based on the principle of universality. Short term measures to alleviate poverty should not divide the population arbitrarily between the "poor" and the "non-poor". Nor should the poverty reduction strategy be based on market processes that reward the "winners" while consoling the "losers" with "safety nets". Due to the nature of the economies and societies of sub-Saharan countries, the poor/non-poor dichotomy is invalid. It is a false dichotomy both technically with regard to measurement, and administratively with respect to identification of households. The mistakes and lack of fairness inherent in that false dichotomy can be avoided by categorical targeting of poverty alleviation benefits to girls and women without means testing.

Making the long term poverty reduction strategy effective requires a fundamental shift in the macroeconomic framework. This shift abandons the pro-cyclical Neo-liberal obsession with low fiscal deficits and low inflation, and adopts a strategy that employs

current expenditure to counter external shocks in a countercyclical manner, and uses capital expenditure to foster poverty reducing expansion of productive capacity.

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