



Canadian International
Development Agency

Agence canadienne de
développement international

CIDA's Policy on Poverty Reduction

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A. INTRODUCTION

The Government's foreign policy statement, *Canada in the World*, released on February 7, 1995, provides a clear mandate for Canadian Official Development Assistance (ODA):

"The purpose of Canada's ODA is to support sustainable development in developing countries, in order to reduce poverty and to contribute to a more secure, equitable and prosperous world."

Canada's development assistance program recognizes the vital link between poverty reduction and sustainable development, and is built on a broad array of programs and policies working together in an integrated way.

Poverty results from the lack of human, physical and financial capital needed to sustain livelihoods, and from inequities in access to, control of, and benefits from political, social or economic resources. In an interdependent world, poverty in developing countries increasingly affects the economic, social and political welfare of developed countries. Poverty can lead to serious global problems, such as environmental degradation, political and economic instability, and large-scale migration of people in search of a better life.

Poverty reduction is complex and difficult, and despite considerable programming experience in CIDA, it remains a challenge. CIDA's approach to poverty reduction will require:

- ◆ a better understanding of the country-specific and local characteristics of poverty;
- ◆ a coordinated use of project, program, institutional support and policy interventions to achieve maximum impact; and
- ◆ a clear view of CIDA's role and capabilities.

In this context, the policy will provide a framework for poverty reduction and will guide programming in each of the six programming priorities for ODA: basic human needs; women in development; infrastructure services; human rights, democracy and good governance; private sector development; and the environment.

In addressing the challenges posed by poverty, important distinctions must be made between "relief" and "reduction". Poverty **relief** addresses the poor's survival needs, their immediate problems, and the effects of inequities. It does not enable the poor to secure or sustain their livelihoods, or to end the ongoing cycle of poverty.

Poverty reduction is a process by which the causes of deprivation and inequity are addressed. Clearly, "relief" activities can be critical in dealing with famines and other disasters-- indeed, short-term survival strategies are crucial for the extremely poor. However, the challenge lies in making the transition from the short-term response of relief activities to interventions which work to reduce poverty in the long run.

B. POLICY

Poverty reduction will be a central focus of Canada's development cooperation program. CIDA will make concerted efforts through its programs to contribute to a sustained reduction both in the number of people living in poverty in developing countries, and in the extent of their deprivation.

(1) An Agency-wide definition of poverty reduction will be adopted.

Poverty reduction** means a sustained decrease in the number of poor and the extent of their deprivation. This requires that the root causes and structural factors of poverty be addressed. Reducing poverty places a focus on people's capabilities to avoid, or limit, their deprivation. Key aspects of this are: recognizing and developing the potential of the poor; increasing their productive capacity; and reducing barriers limiting their participation in society. **Poverty reduction must focus on improving the social, economic and environmental conditions of the poor and their access to decision making.

Poverty-reduction activities should be carried out in a manner which promotes sustainability, builds self-reliance, and avoids dependency relationships among donors, partners, and beneficiaries.

It must be clearly recognized that the scope of poverty-reduction activities can occur at the community, local, regional, national and international levels because the constraints and opportunities facing different groups of the poor can occur at all these levels. A clear distinction must be made between these levels to address the systemic causes of poverty and to promote effective programming.

(2) Poverty profiles and reduction strategies will be integrated into country or regional policy frameworks. Efforts will be made to ensure that the strategies are complementary to those of recipient countries.

A poverty profile analyzes the root causes and contributing factors of poverty, and places poverty within a country's economic, institutional and social context. It summarizes information on the sources of income, consumption patterns, economic activities, access to services and living conditions of the poor, and examines how poverty is correlated with gender, ethnic and other characteristics.

A poverty reduction strategy requires an understanding of the specific characteristics of poverty in a country or locality, the requirements for poverty reduction, and assessments of where CIDA, given its resources, can have the greatest impact. CIDA will select activities which work to diminish constraints or improve opportunities for the largest possible number of people. The identification of constraints and opportunities common to a large number of the poor in a group or country, as well as the selection of activities to reduce poverty, must be done with the full participation of people, their organizations and their governments.



(3) Programming at CIDA will be consistent with the goal of poverty reduction.

CIDA programming will be assessed with respect to its impact on the poor. To be consistent with the goal of poverty reduction, programs or projects--even if they do not directly target the poor--should minimize the negative impacts on the poor, where possible, and exploit complementarities which can also have a positive impact on the poor. (For example, in situations where private sector development can help reduce poverty by generating income and employment growth, CIDA will assist programs that support local enterprises, particularly microenterprises, cooperatives, and small businesses.)

This means that the target beneficiaries of all programming will need to be identified, as well as those who might face indirect negative repercussions; that poverty profiles will be used for non-poverty interventions; and that indicators will be developed to measure the impact of projects.

(4) CIDA will concentrate on areas where it has a comparative advantage: this includes both poverty-focussed and policy-level interventions.

Although poverty reduction is multifaceted in nature, CIDA cannot be "all things to all people". CIDA needs to focus its efforts to find areas of comparative advantage where, given its resources, it can make significant interventions. Strategic interventions require an analysis of what CIDA's capabilities are and on what areas it should concentrate. There must be a constant search for complementarities among project, program, institutional support and policy interventions.



CIDA Photo: David Barbour

C. PROGRAMMING STRATEGIES

In light of emerging development challenges and lessons learned, and to provide a central focus and coherence across the Agency in its poverty-reduction effort, CIDA will:

(1) **Address the root causes and structural factors of poverty:**

For sustained poverty reduction, the root causes and structural factors of poverty must be addressed. This places an emphasis on improving the poor's human and productive capacities, and on removing barriers to their participation in society. Thus, a key element to sustained poverty reduction is enabling the poor to secure sustainable livelihoods.

(2) **Adopt a multi-level strategy:**

Approaches to poverty reduction can occur at both the individual or community level, and at the systemic level. The first approach works directly with those living in or vulnerable to poverty, and addresses the constraints facing them at an individual or community level (e.g., provision of assets, training). The latter approach works at the policy or institutional level, and seeks to address the broader systemic causes and factors contributing to poverty.

(3) **Use a threefold classification in addressing poverty: targeted poverty programs, focussed poverty programs, and policy interventions.**

a. Targeted poverty programs

Targeted poverty-reduction activities work directly with the poor to improve their welfare. For a project to be classified under this category, two criteria must be satisfied:

- ◆ the poor must be the specified target group (e.g., destitute women, rural landless); and

- ◆ key interventions must be designed to lead to poverty reduction through the promotion of sustainable livelihoods and the broader participation of the poor in society.

*Since 1982, CARE Canada's **Rural Maintenance Program** in Bangladesh has provided over 60,000 rural women with full-time jobs on road crews maintaining a network of roads across the country--and is now helping them start their own businesses. Even though they earn only a few dollars a week, the jobs provide steady, reliable income for some of the poorest people in one of the poorest countries in the world.*

The project has resulted in significant improvements to the lives of the workers and their families. The women have been able to improve their children's diets and send them off to school--and, on the whole, they themselves are healthier and more active in family and community life.

A new phase of the project is encouraging women to strike out on their own and set up small businesses. They are hired for a four-year period and during the third year of the program they are enrolled in a compulsory savings program and are given training in basic marketing skills and business management.

So far, about 24,000 women have "graduated" from the program and gone into business for themselves. They have confidence in themselves and are respected in their communities.



b. Poverty-focussed programs

Poverty-focussed activities refer to programs and activities which benefit the poor, but do not involve working directly with them. Examples include:

- ◆ capacity building of organizations which work with the poor;
- ◆ institutional changes to address the needs of the poor; and
- ◆ interventions, such as research into small-scale agricultural techniques, which could be employed by poor farmers.

The criteria for programs to be poverty-focussed is that they will disproportionately benefit a larger number of poor than non-poor.



CIDA Photo: David Barbour

Since 1988, the Peru-Canada Fund has improved the lives of more than a million poor people in Peru and stimulated the economies of hundreds of small towns and villages in the most isolated and impoverished areas of the country.

The Peru-Canada Fund is a private, non-profit Peruvian foundation providing support to a wide variety of community self-help projects in Peru's poorest rural areas and barrios. Using a network of community and non-governmental organizations as "catalysts" and project managers, the project has generated jobs, increased agricultural production, created small businesses and supported the marketing of products.

Funding for the community projects is generated through an innovative and highly effective "lines-of-credit" program administered by CIDA. Peruvian companies buying Canadian-made equipment make their payments directly into the development fund. (CIDA pays the Canadian supplier.) Thus, the Peruvian buyers import much-needed Canadian-made equipment--which improves the economic infrastructure--and provides local currency funding for the Peru-Canada Fund.

Since its creation, the Fund has financed over 170 projects which have directly benefited 1.3 million poor people. The value of their contribution--which is estimated at double the amount of the financing provided by the Fund--is their ideas and their labor.

The Peru-Canada Fund has become a model for cooperation programs by other donor countries in the region.

c. Policy interventions

Activities which affect the policy environment are also crucial to poverty reduction. Removing systemic constraints at both the national and international levels can work to address the root causes of poverty for both peoples and nations. Examples include:

- ◆ the promotion of equitable growth-oriented policies;
- ◆ working to reorient public expenditures towards social priorities;
- ◆ promoting and enshrining property rights which are equitable to women;
- ◆ stimulating a national dialogue on poverty issues; and
- ◆ working in the international policy area to reduce global poverty.

Canada, through CIDA, is an active participant in the Special Program of Assistance to the low-income countries of sub-Saharan Africa (SPA). This international forum of donors, chaired by the World Bank, coordinates support for economic reforms in most of sub-Saharan Africa.

Since it was launched in 1987, the SPA has sent a clear message to Africa and the rest of the world: there is a vital link between good economic policy and poverty reduction.

Significant progress has been made in highlighting the importance of "gender equity"--recognition that men and women are affected differently by economic reforms. African women, for example, do the bulk of farming and trading, but are constrained in their ability to respond to new economic incentives, due to factors such as limited access to credit and appropriate agricultural extension services, an already heavy workload, etc. With the acceptance by the SPA that gender should be recognized as an important part of the adjustment agenda, Canada established the Structural Adjustment and Gender in Africa initiative--or "SAGA"--a collaborative framework for SPA donors and working groups.

As a result of Canada's initiative, a set of recommendations for the explicit and systematic consideration of gender issues in economic reform programs was endorsed by the most recent SPA plenary meeting in Paris in November 1995. Highlights include:

- *upfront gender analysis in designing adjustment operations;*
- *protecting and enhancing public expenditures that foster gender equity, such as primary education, basic health services; and*
- *finding ways to increase African women's participation in economic decision making.*

There is now broad acceptance that effective integration of gender concerns into the design and implementation of measures to support economic reforms in Africa can lead to improved results.



(4) Combine economic growth and social investments:

There is no automatic link between economic growth and poverty reduction. Economic growth reduces poverty when the productive capacity of the poor is matched with the physical location and the labour needs of the growth sectors. Sound economic management, openness to domestic and international trade and investments, private sector development, investment in infrastructure services and in social sectors to meet basic needs, have been key elements of national policies which have strengthened the positive links between economic growth and poverty reduction.

National governments and political leadership committed to poverty reduction play a critical role. The conditions established by governments' economic and social policies are crucial to the long-term sustainability of poverty-reduction measures. Governments determine the economic policy framework, redistribute resources, provide critical social investments for the poor, and frame the legislation that establishes property rights and the legal basis for removing gender inequities.

(5) Address basic human needs:

Addressing priorities such as basic education, primary health care, nutrition and family planning, water and sanitation, and shelter, play a key role in poverty reduction. Education, particularly basic education, has significant benefits for the poor by increasing incomes; it also promotes participation by educating people on social issues. Educating girls is, in particular, the single most effective development investment.

(6) Achieve food security:

Food security allows people to protect and sustain their broader livelihoods--while food insecurity can lead to powerlessness, dependency, pain, and reduced physical and intellectual growth. Food insecurity reinforces the cycle of poverty.

CIDA will take steps to ensure that food aid is consistent with, and better integrated into, overall poverty-reduction and food-security programming strategies.

Project and program food aid, which is used as a delivery channel for bilateral programming, must be explicitly integrated into overall programming strategies to increase effectiveness. Food aid must be recognized as only one aspect of food security and poverty reduction, and must be closely integrated with other development inputs and programs.

However, given the nature of relief activities and the countries in which they take place, there may not be country development policy framework strategies available for emergency food aid programs. This is because strategies are only done for countries which are core-funded. In such cases, the development of food-security strategies and the choice of partners will be crucial. It is critical that Canada work with partners who will be present to work on the transitional and rehabilitative needs, beyond the immediate relief requirements.

(7) Promote participatory approaches: build networks and involve governments:

Supporting the work of local non-governmental organizations (NGOs) and the international financial institutions (IFIs) is an area in which CIDA will continue to make a contribution.



CIDA can operate at a much smaller scale than the IFIs, more consistent with smaller absorptive capacities in many countries and areas.

Working with recipient governments in building national approaches to poverty reduction is vital. For example, CIDA can assist countries in developing anti-poverty action plans by building on existing strategies for the provision of basic education, primary health care, and improving the welfare of children. This can also facilitate donor coordination if donors are placing their activities in overall country frameworks for addressing poverty.

To further promote participatory development, CIDA will:

a. Enable people to realize their own capacities and goals through participatory processes:

Growth, through industrialization and modernization can marginalize the poor if they are not able to participate in, or be integrated into, technological production processes. Political and economic participation in society is essential for the empowerment of the poor and sustained poverty reduction, and enabling the poor to participate in emerging opportunities is crucial.

b. Implement policies and programming to address the gender-poverty nexus.

CIDA is recognized as an international leader in promoting and addressing women in development (WID) and gender equity issues. However, although the Agency has traditionally worked at the targeted level, experience indicates that to be successful, programming must also address the root causes of gender inequities. CIDA will contribute to both the policy and programming strategies of addressing the gender-poverty nexus.

c. Contribute to donor coordination mechanisms.

With increasing donor interest in poverty reduction activities, the need for consultation and coordination becomes paramount. CIDA, in conjunction with like-minded donors, will take a lead in harmonizing projects and interventions with conflicting goals. This is particularly important in integrating short- and long-term objectives and in promoting relief-reduction transitions.

d. Support capacity building and institutional strengthening of various groups and organizations.

Developing the capacity of peoples and countries to reduce poverty themselves is central to sustained poverty reduction. To achieve this, CIDA will work actively in assisting the capacity and institution building of NGOs, government departments, administration and research bodies. Whether at the community or national level, sustainable interventions will require both the commitment and the capacity of the developing country.



CIDA Photo: Patricia Baeza



D. MONITORING

CIDA will prepare periodic progress reports outlining achievements, progress in implementation, and priority actions for the following period. A formal evaluation of the policy will be conducted within five years.



CIDA Photo: Roger LeMoyne