United Nations Development Programme

Poverty Report 2000

OVERCOMING HUMAN POVERTY

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By the United Nations Development Programme
One United Nations Plaza
New York, New York 10017, USA

ISBN 92-1-126124-4
U.N. Sales Number E.00.III.B.2

© Photography
Cover: Michael Lutzky/UNDP
Pages 17, 103, 111: Lynn Johnson
Page 31: Radhika Chalasani/UNDP
Page 37: Robb Kendrik/Aurora
Page 45: Robert Caputo/Aurora
Page 53: Eric Lauwers
Page 63: Ruth Massey/UNDP
Page 71: Stephenie Hollyman/UNDP
Page 81: John Isaac/UN
Page 93: Claude Constante/UNDP

Book design: Landesberg Design Associates, USA

Printed on recycled paper

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FOREWORD

The launch of *Overcoming Human Poverty: UNDP Poverty Report 2000* comes at a major turning point in the global campaign against poverty. The United Nations General Assembly will soon conduct its five-year review of progress against poverty following the 1995 World Summit for Social Development. Current trends, however, are troubling. What this review is likely to find is that progress has been negligible.

At the Social Summit developing countries made firm commitments to eradicate extreme poverty and substantially reduce overall poverty. Yet they have run into numerous roadblocks—financial crises, onerous debt burdens, protectionism, war and civil conflict, and a string of natural disasters. Also apparent has been a lack of political will to make poverty reduction a policy priority in developing countries. Progress has been stalled while donors continue to fall short in providing the support needed to re-activate advances.

The global campaign against poverty needs reinforcements and a more focused and effective strategy. UNDP has pledged to provide more targeted assistance, concentrated on helping countries improve national policy-making and reform governance institutions—less spread out across a wide array of small-impact projects. In line with Social Summit commitments, it has placed increased emphasis on assisting national poverty programmes.

Overcoming Human Poverty has made a special effort to assess a broad range of national poverty programmes—to find out what is working and what is not, and to draw out some general lessons for better policies. One lesson is clear: such programmes need to be multisectoral and comprehensive. Human poverty is, after all, a multidimensional problem, cutting across the sectoral responsibilities of government departments.

Another lesson: confining poverty programmes to a set of small-scale—often disjointed—projects "targeted" at the poor is not an effective use of resources. Programmes need a more strategic approach. Many need not only more funding but also better coordination by government ministries with sufficient clout. Also essential is active participation of civil society and the private sector in a broad, united front against poverty.

It is critical that poverty programmes be country driven, not donor determined. Often the reason that they are disjointed is that external donors provide much of the funding—outside regular government channels—for individual projects. Instead, we should aim to help build up the capacities of government, at both national and local levels, to assume control and direct their own poverty initiatives. This is the vitally important capacity-building agenda for external assistance.

An important finding of this report is that ineffective governance often short-circuits the connection between anti-poverty efforts and poverty reduction. Shifting decision-making closer to poor communities can improve the connection. Supporting organizations at the community level is the other half of this governance equation. Accountability in the use of funds and accountability to people's needs are also integral dimensions of pro-poor governance.

But when external donors give assistance to governance reforms, it cannot be a new form of conditionality. Based on their Social Summit commitments, countries set their own poverty reduction targets, and they implement their own anti-poverty plans accordingly. External assistance must be geared to help them build the capacity to follow through on these decisions.

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ACKNOWLEDGEMENTS

The preparation of this report was coordinated by Terry McKinley under the direction of Eimi Watanabe, assistant administrator of UNDP and director of the Bureau for Development Policy, Siba Das, deputy director of the Bureau for Development Policy, and Stephen Browne, director of the Social Development and Poverty Elimination Division. The report team included Erika Lund, Josephine Mahinda, Elizabeth Satow, Anuradha Seth and Nritya Subramaniam. The editor of the report was Bruce Ross-Larson, the copy editor Alison Strong and the coordinator of editing Molly Lohman, all of Communications Development Incorporated.

James Gustave Speth, former administrator of UNDP, Thierry Lemaresquier, former director of the Social Development and Poverty Elimination Division, and Nada Al-Nashif, deputy director of the Office of the Administrator, gave invaluable support and encouragement during the early work on the report. Deserving special acknowledgement is Elizabeth Satow for the major role she played in coordinating work on both *UNDP Poverty Report 1998* and *UNDP Poverty Report 2000*.

Consultants working directly with the report team were Enrique Delamonica, Maria Figueroa and Stephanie Hodge. Continuing assistance was given by Cecile Collas and Natalia Palgova of the United Nations Office for Project Services.

The report was produced in close collaboration with UNDP's Division of Public Affairs and benefited, in particular, from the contributions of Maureen Lynch, Evelyn Samore, Elizabeth Scott Andrews, Cynthia Spence and Nicole Toutounje.

Special thanks go to all those who contributed to the assessments of national poverty programmes:

Report team members: Terry McKinley, who did the assessments of China and Mongolia; Elizabeth Satow, who did the assessments of the Gambia, Ghana and Zimbabwe; and Anuradha Seth, who did the assessments of Benin, Burkina Faso, Mauritania and Morocco.

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Special thanks go to Samina Kamal of the Management Development and Governance Division, Bureau for Development Policy, and to the poverty focal points in UNDP's regional bureaux: Adel Abdellatif, Berhe Costantinos, Enrique Ganuza, Heba El-Kholy, Saraswathi Menon, Omar Noman and Kanni Wignaraja.

Special thanks also go to those who provided data: Gül Tanghe-Gülluova and Laura Mourino-Casas (Human Development Report Office), Gareth Jones and Tessa Wardlow (UNICEF), Hania Zlotnik (United Nations Population Division) and Will Prince (World Bank, World Development Indicators team).

This report could not have been produced without the data supplied by the 134 UNDP country offices on national poverty planning, estimates and targets and the information supplied by many of them on UNDP-supported anti-poverty policies, programmes and projects.

Valuable comments were received from Randa Aboul-Hosn, Sophie de Caen, Heather Clark, Desmond Cohen, Renata Dessallien, Moez Doraid, Sakiko Fukuda-Parr, Zahir Jamal, Richard Jolly, Karen Jorgensen, Kamal Malhotra, Peter Matlon, Ian McFarlane, Pratibha Mehta, Roland Msiska, Andreas Pfeil, Kate Raworth, Jordan Ryan, Turhan Saleh, Martin Santiago, Roger Shotton, Mounir Tabet, Sarah Timpson and Caitlin Wiesen.

ACRONYMS AND ABBREVIATIONS

AIDS	Acquired immunodeficiency syndrome
CIS	Commonwealth of Independent States
DAC	Development Assistance Committee of the Organisation for Economic Co-operation and Development
GDP	Gross domestic product
GNP	Gross national product
HIPC	Heavily indebted poor country
HIV	Human immunodeficiency virus
ILO	International Labour Organization
IMF	International Monetary Fund
OECD	Organisation for Economic Co-operation and Development
SAPAP	South Asia Poverty Alleviation Programme
UNAIDS	Joint United Nations Programme on HIV/AIDS
UNCDF	United Nations Capital Development Fund
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNICEF	United Nations Children's Fund
UNIFEM	United Nations Development Fund for Women
UNRISD	United Nations Research Institute for Social Development
WHO	World Health Organization
WTO	World Trade Organization

EXECUTIVE SUMMARY

A new global strategy against poverty needs to be mounted—with more resources, a sharper focus and a stronger commitment. Based on commitments made at the 1995 World Summit for Social Development, developing countries are being encouraged to launch full-scale campaigns against poverty. Yet despite having set ambitious global targets for poverty reduction, donor countries are cutting back on aid and failing to focus what remains on poverty.

UNDP, too, has to do more to honour its commitments made at the Social Summit. It needs to provide better assistance—more focused on helping to improve national policy-making and institutions and less dispersed among a myriad of small-scale projects. And it needs to do more to help countries committed to reducing poverty put effective systems of governance in place to pursue this objective.

Effective governance is often the "missing link" between national anti-poverty efforts and poverty reduction. For many countries it is in improving governance that external assistance is needed—but not with a new set of poverty-related conditionalities imposed on top of the existing economic conditionalities.

Based on their commitments at the Social Summit, countries establish their own estimates of poverty, set their own targets and elaborate their own plans. The role of external assistance is to help them build the capacity to follow through on their decisions and resolutions.

The Commitments to Poverty Reduction

More than three-quarters of countries have poverty estimates, and more than two-thirds have plans for reducing poverty. But fewer than a third have set targets for eradicating extreme poverty or substantially reducing overall poverty—the Social Summit commitments. This is a serious shortcoming.

Moreover, the poverty targets set at the Social Summit are based on monetary measures, while most development practitioners now agree that poverty is not about income alone, but is multidimensional. Thus countries should begin incorporating explicit human poverty targets—such as reducing malnutrition, expanding literacy and increasing life expectancy—into poverty programmes.

Another shortcoming: many anti-poverty plans are no more than vaguely formulated strategies. Only a minority of countries have genuine action plans—with explicit targets, adequate budgets and effective organizations. Many countries do not have explicit poverty plans but incorporate poverty into national planning. And many of these then appear to forget the topic.

Much remains to be learned about how to make anti-poverty plans effective. *Overcoming Human Poverty*, *UNDP Poverty Report 2000* focuses on this issue—to contribute to the United Nations General Assembly's five-year review of progress since the Social Summit and to help accelerate the collective campaign against poverty in the next five years.

Developing National Anti-poverty Plans

Anti-poverty plans help focus and coordinate national activities and build support. But to be effective, they must be comprehensive—much more than a few projects "targeted" at the poor. And they need adequate funding and effective coordination by a government department or committee with wide-ranging influence. Most critical, they should be nationally owned and determined, not donor driven. These are some of the conclusions from UNDP-sponsored assessments of the poverty reduction activities of 23 of its programme countries.

While some of the countries most successful in reducing poverty have lacked plans, they have been exceptions. A plan is evidence of a national commitment and of an explicit allocation of resources to the task. It is also a means to build a constituency for change. Without such organized public action, market-driven economies rarely promote social justice.

A major problem with most poverty programmes is that they are too narrow, confined to a set of targeted interventions. One reason: many were constructed as a social safety net during a major national breakdown—a financial crisis, a prolonged recession, a wrenching adjustment to external shocks. But macro-economic and national governance policies have as much impact on poverty as targeted interventions—if not more. Attempting to make such policies more pro-poor should be a major part of any anti-poverty plan.

EFFECTIVE GOVERNANCE IS OFTEN THE "MISSING LINK" BETWEEN NATIONAL ANTI-POVERTY EFFORTS AND POVERTY REDUCTION. FOR MANY COUNTRIES IT IS IN IMPROVING GOVERNANCE THAT EXTERNAL ASSISTANCE IS NEEDED.

One reason that many poverty programmes become disjointed is that external donors provide much of the funding for individual projects, and the funds are not allocated through regular government channels. National control and coordination get elbowed aside. And the need to build government's long-term capacity to administer poverty programmes is neglected.

Many national programmes lack a good management structure, located within the government rather than outside it. A multidimensional problem, poverty should be addressed by a multisectoral approach—cutting across government ministries and departments. But most programmes hand the responsibility for poverty reduction over to a ministry of social affairs, which generally lacks authority over other ministries. Where a central coordinating committee is set up to overcome this problem, it rarely has enough power to get the job done.

Most governments have difficulty in reporting how much funding goes to poverty reduction—unable to distinguish between activities that are related to poverty and those that are not. They often confuse social spending with poverty-related spending. But much government spending could be considered pro-poor if it disproportionately benefits the poor. Under these conditions it is probably best to set up a special poverty reduction fund—to give a better financial accounting and to allow government departments and ministries to apply to the fund for financing for their poverty-focused programmes.

Linking Poverty to National Policies

A review of national anti-poverty plans underscores the importance of developing a new generation of programmes that focus on making growth more pro-poor, target inequality and emphasize empowering the poor. The old-school prescriptions of supplementing rapid growth with social spending and safety nets have proved inadequate.

In countries with widespread poverty too many programmes still rely—mistakenly—on targeted interventions. It is better to concentrate on building national capacity for pro-poor policy-making and institutional reform—the areas where external assistance should also concentrate its resources. This focus will also help provide greater coherence to national programmes—overcoming the tendency to rely on a disjointed set of small-scale projects.

Standing in the way of integrated poverty programmes, however, is the common "two-track" approach to poverty reduction: growth on one track and human development on the other. The two tracks rarely intersect: economic policies are not made pro-poor, while social services are assigned the burden of directly addressing poverty. This is one legacy of old-style structural adjustment programmes, which took up poverty after the fact or as a residual social issue.

IF TRADE EXPANSION IS TO BENEFIT THE POOR, THE INTERNATIONAL RULES OF THE GAME MUST BE MADE FAIRER. A HIGH PRIORITY IS TO ELIMINATE THE PROTECTIONISM THAT IS BIASED AGAINST DEVELOPING COUNTRIES.

The current consensus on the importance of pro-poor growth is still hobbled by an inability to recommend practical policies and concrete reforms of structural adjustment programmes. Part of the problem is confusion about what constitutes pro-poor growth and how to gauge it. Another part stems from failure to squarely address the sources of inequality—such as unequal distribution of land, the most important asset of the rural poor in many low-income developing countries.

Linking Countries' International Policies to Poverty

Countries should link their poverty programmes not only to their national policies but also to their international economic and financial policies—a connection rarely made. In a world of increasing economic integration, this link can be crucial.

External debt is now being clearly linked to poverty. But as preparations for World Trade Organization (WTO) negotiations illustrate, trade policies are not.

The Enhanced Heavily Indebted Poor Countries Initiative promises faster, deeper and broader debt relief, and the World Bank and International Monetary Fund are seeking to tie debt relief to national poverty reduction strategies. But many of the indebted countries doubt that these measures will go far enough—especially if donors reduce aid to finance debt relief. And countries are wary of being subjected to new poverty-related conditionalities.

One reason that poor developing countries cannot pay off their debt is that they cannot penetrate major export markets in industrial countries—in part because of the formidable walls of protection that remain. Rich countries continue to protect their farmers, for example, while developing countries are being asked to open up their own agricultural sectors—a measure that threatens to undermine their food security and spread poverty.

But such concerns were not addressed at the WTO meeting in Seattle in late 1999. If trade expansion is to benefit the poor, the international rules of the game must be made fairer. A high priority is to eliminate the protectionism that is biased against developing countries. And to do this, the capacity of developing countries to negotiate global and regional trade agreements needs to be strengthened—another important area for development assistance.

Official development assistance is supposed to strengthen the hand of developing countries in combating poverty. But it not only has been declining markedly; it also

remains ill focused. Many donors still do not make poverty reduction a priority, or know how to focus their resources on the poor or monitor their impact. They say that they are opposed to aid conditionality but have not yet figured out how to make their counterparts in developing countries equal partners. Partly to blame is donors' hit-and-miss project approach to development—bypassing the government, dispersing efforts and eroding sustainability.

Governance: The Missing Link

Responsive and accountable institutions of governance are often the missing link between anti-poverty efforts and poverty reduction. Even when a country seeks to implement pro-poor national policies and target its interventions, faulty governance can nullify the impact. So to get poverty reduction campaigns off the ground, reforms of governance institutions often need to be emphasized.

Holding governments accountable to people is a bottom-line requirement for good governance. Having regular elections—free and fair—contributes to accountability, especially if they are also held at the local level. But such democratic forms are no vaccination against poverty.

To hold officials accountable between elections, people need to be organized. And to make democracy work, they need to be well informed. New technologies can make information readily available, but special efforts are needed to connect people to the technologies. Making these connections can be an important contribution of development assistance.

Shifting decision-making power closer to poor communities by devolving authority to local government can help promote poverty reduction—as long as the new responsibilities are accompanied by resources and capacity building. But that is only half the story. The other half is helping poor communities organize themselves to advance their interests. A major source of poverty is people's powerlessness—not just their distance from government.

Accountability in the use of public funds is crucial to poverty reduction efforts. The poor pay a high price for corruption. And programmes that target resources for poverty reduction are less likely to be bankrupted by the administrative costs of identifying and reaching the poor than by the diversion of a big part of the resources into other hands.

If corruption were cleaned up at the same time that the poor organized themselves, many national poverty programmes would undoubtedly ratchet up their performance in directing resources to the people who need them. Many problems of targeting are, at bottom, problems of unaccountable, unresponsive governance institutions.

Pro-poor Local Governance: The Neglected Reforms

Campaigns against poverty have often bypassed and ignored local government. Donors used to favour funnelling resources through central governments and now increasingly rely on civil society organizations. But the critical role of local government—when elected and accountable—continues to be forgotten. Thus the effectiveness of poverty programmes in reaching the poor continues to be hampered.

If poverty reduction programmes are to succeed, local government must be strengthened—and held accountable both to the central government for the funds allocated to it and to its constituents for how it uses them. Central government has to continue its involvement, monitoring how local government exercises its new authority and disburses funds—and helping prevent the capture of power by local elites.

In the long run building stronger and more accountable local government is the only way to make decentralization pro-poor. But it requires time, resources and capacity building. For the poor the lasting benefits will outweigh the immediate costs. The current fad, however, is to opt for quick-disbursing mechanisms, even though they are unlikely to be sustainable.

Opening up local government to popular participation and building partnerships with civil society organizations can foster greater transparency and accountability. Instituting monitoring and evaluation systems that tie financing to performance can also enhance accountability. Complaints about lack of local capacity often mask other problems, such as an inadequate incentive structure to motivate poverty reduction efforts by local government.

The Poor Organize: The Foundation for Success

The foundation of poverty reduction is self-organization of the poor at the community level. Such self-organization is the best antidote to powerlessness, a central source of poverty. Organized, the poor can influence local government and help hold it accountable. They can form coalitions with other social forces and build broader organizations to influence regional and national policy-making.

What the poor most need, therefore, is not resources for safety nets but resources to build their own organizational capacity. Ensuring resources for such capacity building is the direction in which UNDP's support to civil society organizations is moving.

Civil society organizations arising outside poor communities can play an important role in delivering essential goods and services but are less successful in directly representing the poor. Moreover, relying on these organizations for the delivery of goods and services—more the responsibility of government—is inadvisable over the long term.

But such organizations can play a valuable role by engaging in policy advocacy on behalf of the poor and influencing national policy-making. By contrast, community-based organizations are effective in directly representing the poor, but have difficulty in wielding influence outside their localities—until they build broader organizations.

When national or local governments are unresponsive, people must rely on civil society organizations to advance their interests. The goal is not for civil society organizations to take over the legitimate functions of the state, however, but to forge a strategic alliance between the state and civil society for poverty reduction.

A new generation of poverty programmes focus on building community organizations to directly articulate people's needs and priorities—rather than concentrating on income-generating activities alone. Some of their greatest successes have been in mobilizing and organizing poor women. Experience confirms that, once afforded the opportunity, communities can quickly build their own organizations and develop their own leaders. Communities often start with small self-help groups, then combine these into larger area-based institutions to exert influence with local government or the private sector.

The most successful community organizations tend to be broad-based—including both poor and non-poor—and to use participatory methods to encourage people's active involvement. One of their greatest accomplishments is to increase people's access to knowledge, skills and technology—often the biggest priority cited by community members.

Focusing Resources on the Poor

Most national poverty programmes rely on targeting benefits to the poor, but still assume that external agents deliver the benefits and that the poor are passive beneficiaries. Little wonder that the benefits rarely reach the poor. At the root of this predicament is a governance problem.

If the poor lack organization and power, the benefits of poverty programmes are unlikely to reach them—or, if they do, to make a lasting difference. Effective targeting follows from empowerment, not the other way around. The very term *targeting* probably clouds the issue: better to talk more generally about focusing poverty reduction resources.

One way to focus resources is to adjust macroeconomic policies to make growth more pro-poor. Another is to direct resources to sectors where the poor are employed—agriculture, rural off-farm enterprises, urban microenterprises. A third way is to allocate resources to poor areas or communities. To be effective, this third approach requires a geographical map of poverty based on a reliable set of human poverty indicators.

IF THE POOR LACK ORGANIZATION AND POWER, THE BENEFITS OF POVERTY PROGRAMMES ARE UNLIKELY TO REACH THEM—OR, IF THEY DO, TO MAKE A LASTING DIFFERENCE.

Geographical targeting invariably includes many non-poor households. But trying to direct resources to poor households alone is both difficult and expensive. Moreover, if the delivery of resources to the poor is tied to their empowerment, targeting by government should probably stop at the community level—and let community organizations take the lead.

UNDP has supported many regional development programmes and rehabilitation programmes in poor areas. The success of these programmes has depended on combining decentralization of government decision-making to regional and local authorities with empowerment of communities. This model has worked well even in countries with unstable or adverse national conditions.

But programmes that focus resources on poor areas, no matter how successful, might not reach disadvantaged social groups—women, ethnic minorities, indigenous peoples, low-status castes. Special interventions are usually needed. Take the situation of indigenous peoples, who often suffer the most severe poverty.

Self-determination as a people is one of their most pressing demands. Thus participatory methods are needed more than usual—particularly those that help foster their distinct languages and cultures. Their self-determination also depends crucially on control of their ancestral lands and the natural resources these lands contain. Thus conservation of the environment is often closely tied to protection of their livelihoods.

Sometimes targeting is carried out not by trying to reach a certain group but by using a certain type of intervention—such as providing basic social services, microfinance or physical infrastructure. Such interventions are common components of national poverty programmes, which assume that the poor will benefit most when these resources and services are offered to all.

Restructuring government expenditures to make resources and services more available to the poor does not guarantee, however, that the poor will use them. In some cases the moderately poor might benefit more than the extremely poor—such as from rural roads that can be used to market agricultural products. And when services are offered on a subsidized basis—as microfinance often still is—they are not financially sustainable.

While such local interventions can often be effective in reaching the poor, the bigger problem is that too often they are regarded as the core of national poverty programmes—and as a substitute for reform of national economic policies or governance institutions.

Integrating Key Issues into Poverty Programmes

A general weakness of poverty programmes is their lack of integration. Part of the problem is that they are seen primarily as a set of targeted interventions—a series of small-scale projects not integrated with national policies. Another part of the problem is the artificial divide between economic and social policies. A third is the habit of thinking sectorally—and organizing government departments along sectoral lines. Poverty, a multisectoral problem, does not fit neatly into any one department or ministry.

The problem is especially acute with respect to such issues as gender and the environment—two major areas of concentration for UNDP. The links between these two areas and poverty remain weak.

Most poverty programmes do not focus on gender inequality as a major source of poverty—despite stark gender differences in human poverty. They rarely incorporate major components for women or examine how their components will benefit poor women. Instead, small-scale interventions tend to be preferred for tackling women's poverty, downgrading it, in effect, to a minor problem.

Nor do national poverty programmes usually have a strong environmental component. Even in countries where environmental degradation has a big impact on the poor, the ministry of environment is rarely represented on government coordinating committees for poverty reduction. So far, countries have kept poverty plans and environmental plans separate.

Part of the reason is the rigid functional divisions within governments that work against cross-cutting concerns. Another part is the assumption of a straightforward causal link between environmental damage and poverty. This assumption leads to simplistic policies that strive either to reduce poverty at the expense of the environment or to protect the environment at the expense of the poor. But UNDP has found that "win-win" solutions exist for both the environment and the poor—policies and public actions that can break the supposed "downward spiral" of impoverishment and environmental damage.

Initiatives to promote basic education and health care—perhaps surprisingly—also need greater integration with national poverty programmes. The close links between ill health and lack of income still are not fully appreciated, even in anti-poverty policies. Recognizing these links is particularly important for combating major health epidemics, such as malaria and HIV/AIDS, which continue to ravage many developing countries.

Monitoring Progress against Poverty

Countries need a comprehensive but workable monitoring system to gauge their progress against poverty. Targets for eradicating extreme poverty and substantially reducing overall poverty should guide this system. And tracking progress against human poverty should be an integral part of it.

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Traditional surveys do not illuminate the causes of poverty or generate enough policy-relevant information. So large income and expenditure surveys will have to be supplemented with rapid monitoring surveys focused on human poverty and with participatory assessments.

Many countries want to generate information more frequently to influence policy-making, but this can be expensive unless done with light surveys, using short questionnaires and canvassing small but representative samples. Participatory assessments are particularly useful for policy-making because they provide valuable insights into how poor people assess their situation and what they think should be done.

A general weakness of poverty monitoring systems is that they are not designed to also provide evaluations of anti-poverty policies and programmes. Thus there is little systematic verification of what policies work—and what policies do not—to help countries move closer to their poverty reduction targets.