PRO-POOR GOVERNANCE

AND THE POLICY PROCESS

A FRAMEWORK

Abstract:

This paper provides a conceptual framework for assessing the pro-poor characteristics of policy making as a process. A process approach focuses on stages of policy making and the role of the main actors, their institutional environment, including participation and accountability mechanisms, and the values and incentives that shape choices. The paper is informed by recent research by the Institute of Development Studies. The paper hopes to enable UNDP country offices and national counterparts to include policy making processes as an integral component in broader governance and poverty assessments.

The paper also serves as a framework to guide the assessment of governance interventions and their contribution to enhanced pro poor policy environments. In so doing, the main aim of the framework is to serve as a tool for assessing the extent to which policy making processes are pro-poor and to help in diagnosing the necessary corrective actions for enhancing poverty sensitivity of policy processes. The framework is applied to two experiences of improved pro-poor governance in policy making: participatory budgeting in Latin America [a cross country macro perspective] and participatory budgeting in Porto Alegre in Brazil [a micro perspective].

Finally, the paper provides examples of critical questions to ask at each stage of the policy making process. It also includes a list of references to toolkits, handbooks and internet resources on issues concerned with pro-poor governance of policy with particular emphasis on participation in policy processes and participatory budgeting.

Framework Paper 2
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EXECUTIVE SUMMARY

This paper provides a conceptual framework for assessing the pro-poor characteristics of policy making as a process. A process approach focuses on the stages of policy making and the role of the main actors, their institutional environment, including participation and accountability mechanisms, and the values and incentives that shape choices. The paper is a synthesis of recent research by the Institute of Development Studies IDS; it benefited from joint work of IDS and several research members of the Overseas Development Institute ODI. [1]

The main aim of the framework is to serve as a tool for assessing the extent to which policy making processes are pro-poor and to help in diagnosing the necessary corrective actions for enhancing poverty sensitivity. Such a tool highlights the nature of pro-poor policy making and the needed elements that increase the likelihood of pro-poor outcomes. The paper hopes to enable UNDP country offices and national counterparts to include policy making processes as an integral component in broader governance and poverty assessments.

The framework looks at the stages of a policy process (policy formulation, approval, implementation, and oversight) and draws attention to three interacting components therein, namely actors, institutions and values. Actors are characterized by their interests and capacities, institutions are characterized by the incentives and constraints they contain, and values are characterized by the degree of preference for the poor. These variables come together in complex interactions and combinations that may or may not produce pro-poor governance at each stage.

To understand the nature and degree of pro-poor governance from the perspective of actors, institutions and values, the paper provides examples of critical questions to ask at each stage of the policy making process. For example, to what degree do actors have the interests and develop the capacities to seek pro-poor outcomes? To what degree do institutions provide actors with formal and informal incentives/constraints to seek pro-poor outcomes? To what degree do ideological, historical and cultural values influence the policymaking process towards pro-poor outcomes?

The framework is applied to two experiences of improved pro-poor governance in policy making: participatory budgeting in Latin America (a cross country macro perspective) and participatory budgeting in Porto Alegre (a micro perspective).

The first example focuses on budget governance in Latin America where over the past decade, Latin American countries have witnessed important reforms that expanded citizens' potential to influence the formulation of budgets at the national level. This example looks at how relevant budget actors (executive, line ministries, legislatures and sub national governments) adopted institutional reforms that have affected the budget's ability to produce outcomes that benefit the poor. The potential of participatory budgeting depends very much on the organizational power of poor citizens to effectively engage in the formulation, implementation and evaluation stages of the budget process.

The second example looks at participatory budgeting in Porto Alegre in which "bottom up" initiatives of participatory budgeting increased the influence of the poor in the policymaking process. Participatory budgeting provides an example of pro-poor governance as it operates at each stage of the policymaking process. Through several channels, poor citizens and their representatives are empowered, mobilized into policymaking by "preferential" institutions that create incentives to pursuing their interests, and imbue the entire process with the values of redistribution and reducing poverty. In thinking of the broader governance implications, the participatory budget experience offers useful lessons of how citizen involvement can help monitor and enforce the pro-poor nature of policy decisions.

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[1] This discussion paper is a synthesis paper prepared by the Oslo Governance Centre based on *Pro-Poor Governance Workbooks I-III*, (2008), Institute of Development Studies (2008), Aaron Schneider, Andy Sumner, Andres Mejia Acosta with Deepayan and Natalia Fingermann. For joint IDS and ODI work, see "Are pro-poor policy processes expert–led or citizen-led?" *International Development and Planning Review* (2009); "Does Mixed Methods Research Matter to Understanding Childhood Well-being?" *Social Indicators Research* (2008) 90(1); "Evidence-informed Policy and Childhood Poverty as a Lens on Knowledge, Policy and Power" (2008) EADI Conference Paper.

Finally, the paper includes a list of references to toolkits, handbooks and internet resources on issues concerned with pro-poor governance of policy with particular emphasis on participation in policy processes and participatory budgeting.

1. INTRODUCTION

Governance and poverty is an important thematic focus for UNDP's democratic governance practice. The 'governance and poverty' agenda is gradually gaining terrain in international for a and a growing body of research and experience is helping to build some consensus internationally as well as within states about the conceptual and empirical linkages between democratic governance and poverty reduction.

Linking democratic governance to poverty reduction has two core objectives:

- To strengthen responsive institutions that deliver to the poor and vulnerable/marginalized groups at all levels (international, national, and sub-national or local).

- To enhance participative processes which strengthen the relationship of civil society to national, sub-national (or local) and international policy making circles in order to ensure representation in and accountability of economic policy.

An enhanced linkage of democratic governance and poverty reduction policies helps to ensure that the challenges of sustainable human development are met with special consideration of the dynamics of inequality and exclusion in particular.

1.1 WHAT IS THIS FRAMEWORK ABOUT?

A key concern for UNDP is to introduce and apply a pro-poor governance perspective to how policies are made with the objective of increasing pro-poor policy outcomes and empowering local groups and citizens, especially poor citizens in policy making processes. Pro-poor governance in policy-making concerns the extent to which policy- making processes are pro-poor as well as the extent to which the policies and policy outcomes benefit the poor. This paper is focused on the process dimension examining how policy is formulated, approved, implemented and evaluated.

Much of UNDP engagement in the area of public policy advocacy could benefit from follow up in strengthening the pro-poor governance of the policy process. That requires sufficient understanding of how policy-making and implementation processes work, and at which points optimal leverage can be obtained from policy advocacy efforts to strengthen policies on issues of concern to the poor and that impact on the poor.

1.2 THE VALUE ADDED OF THE FRAMEWORK

This framework adds a dimension often missing in assessment and analytical tools and that is the "values" dimension (particularly values that are sensitive to the poor based on equity and equality) added to the dimensions of institutions and actors. In any context in which values shape the behavior of actors and the structure of institutions, the key question of concern is whether values communicate a preference for the poor. In some cases, that preference is absent, and instead discrimination or exclusion are accepted values. Actors and institutions may emerge to challenge such values, but there will be little pro-poor governance until actors, institutions, and values are aligned to privilege the poor at all stages of policymaking.

While this framework emphasizes the importance of how power and power relations in policy making, it is important to note that the framework is different but complementary to existing power analysis tools such as the '*Drivers of Change*' model.[2] It clearly defines democratic defi-

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[2] The *Drivers of Change* (DoC) approach has emerged within the UK's Department for International Development (DFID) as a way of applying political economy analysis to the development of donor strategy. Various DoC studies have been carried out involving in-depth, country-level analysis in order to identify the opportunities, incentives and blockages to pro-poor change in a given country. The DoC methodology seeks to identify the political institutions, structures and agents that can act as key levers to

cits in terms of 'inclusive participation of the poor in the policy process'. Drivers of change and power analysis focus more on macro power distribution while the framework suggested here highlights specific implications of skewed power relations that take the form of deficits the poor may have in capacities and opportunities for influencing policy processes.

The framework also complements the work of the World Bank and other development partners on pro-poor governance including the poverty and social analysis (PSIA) tool that is used to assess the potential impact of a specific social policy reform on different social groups especially the poor.[3] The Bank's seminal study, *Voices of the Poor*[4], has also provided an important information basis for a range of initiatives concerned with pro-poor policy development and programming.

Finally, with its focus on the policy process, the framework provides important cues on the points of intervention that will enhance the likelihood that pro-poor outcomes will materialize.

1.3 HOW TO USE THIS PAPER

The paper has been developed to stimulate discussion inside UNDP offices and with national counterparts, especially in civil society, on how to enhance UNDP engagement in policy processes. The framework in this paper can be used for a number of purposes:

- It can be used as an analytical tool for policy reviews e.g. during poverty reduction policy reviews, UNDAF midterm reviews etc

- It can be used as a tool for formulating and evaluating programmes focused on strengthening policy making processes.

- It can equally be used to complement diagnostic and evaluative assessment tools that are not poverty sensitive (i.e. when there is not an explicit or implicit focus on the poor) by bringing in this important dimension. For example, there is a growing body of toolkits focused on assessing governance by sector, such as the Electricity Governance Initiative (EGI) Indicator Toolkit (see Box 1 next page) that addresses decision making processes at the legislative, executive, and regulatory levels, recognizing that electricity is closely tied to larger political processes. The framework should be used along side the assessment to highlight additional areas of enquiry concerned with process and of special relevance to the poor.

Box 1. The Electricity Governance Initiative (EGI) Indicator Toolkit

The EGI Indicator Toolkit presents a framework to assess and promote good governance in the electricity sector. This framework assesses the extent to which decision making processes in national electricity sectors are transparent, allow for public participation, remain accountable to the public interest and permit access to redress. In addition, the toolkit seeks to assess *institutional capacity* to adequately meet the requirements of good process. The indicator toolkit comprises a set of qualitative research questions, whose answers generate indicators that assess decision-making processes in order to develop a metric to conceptualize good governance.

Source: The Electricity Governance Toolkit

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enable pro-poor change and therefore improve the effectiveness of aid.
http://www.dfid.gov.uk/aboutDFID/organisation/driversofchange.asp

[3] *Good Practice Note: Using Poverty and Social Impact Analysis to Support Development Policy Operations* (August 2008) http://siteresources.worldbank.org/INTPSIA/Resources/GPN_August08_final.pdf .

The Note also provides guidance on understanding stakeholders and their relationship to the policy process, the drivers of reform and the incentives that shape the reform process.

[4] The World Bank's *Voices of the Poor* study collected the voices of more than 60,000 poor women and men from 60 countries, in an effort to understand poverty from the perspective of the poor themselves. This participatory research chronicles the struggles and aspirations of poor people for a life of dignity. See http://go.worldbank.org/H1N8746X10

2. WHAT IS PRO-POOR GOVERNANCE?

Most attempts to examine governance and poverty have explored them as separate concepts. An implicit assumption drives this, in which better governance is associated with poverty reduction as well as other desirable development outcomes. When good governance is invoked (efficient government, transparent market rules, effective market regulations, etc.), it is often associated with growth as a desirable result but not a sufficient condition for poverty reduction. To construct a more comprehensive conceptualization, there must be a closer integration of poverty and governance.

UNDP has been at the forefront of linking governance with human development in its full sense of the term, which is about expanding the capabilities people have, to be free and able to lead lives that they would choose to. Democratic governance for human development is concerned with responsive institutions, inclusive participation and promoting and protecting values based on human rights, equality including gender equality, and the equitable treatment of all citizens.

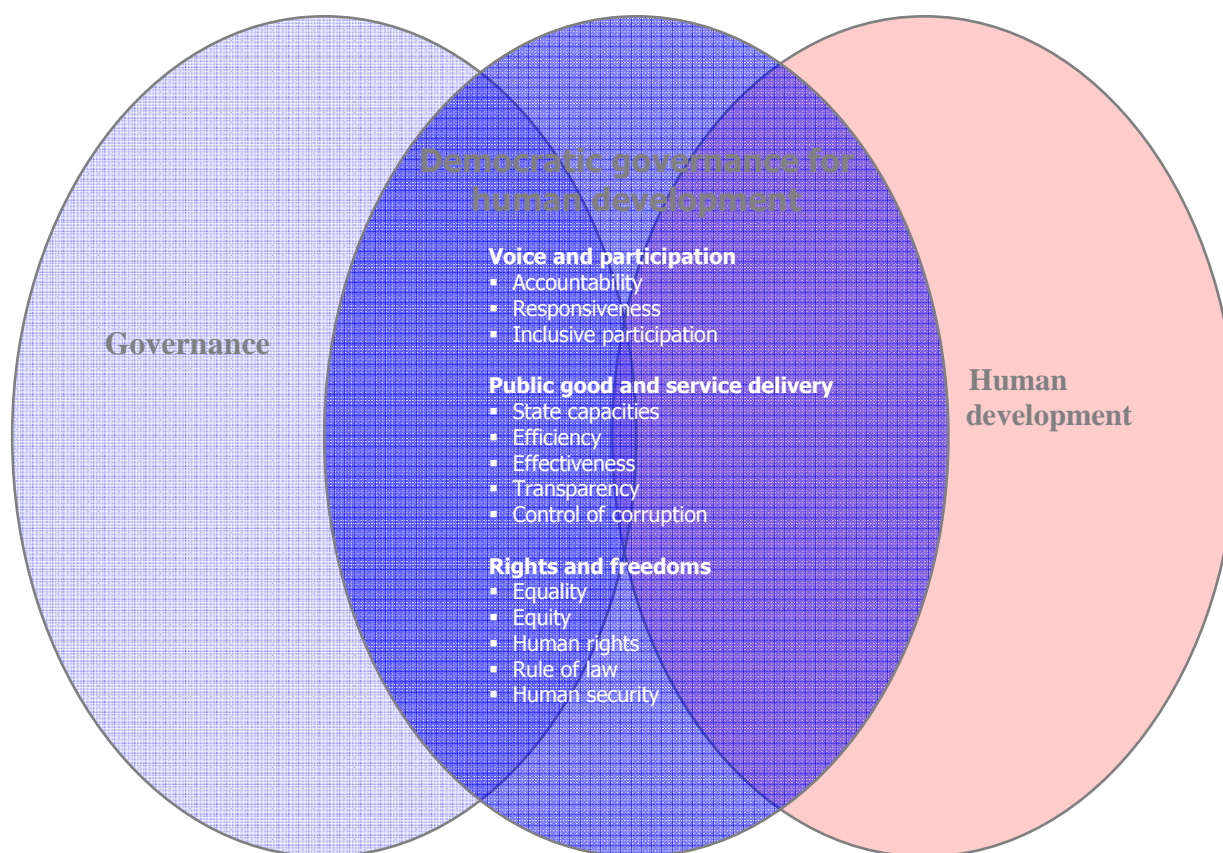**Box 2. Democratic governance: governance from a human development perspective**

At its core, *democratic governance means*:

- People's human rights and fundamental freedoms are respected, allowing them to live with dignity.
- People have a say in decisions that affect their lives.
- People can hold decision-makers accountable.
- Inclusive and fair rules, institutions and practices govern social interactions.
- Women are equal partners with men in private and public spheres of life and decision making.
- People are free from discrimination based on race, ethnicity, class, gender or any other attribute.
- The needs of future generations are reflected in current policies.
- Economic and social policies are responsive to people's needs and aspirations.
- Economic and social policies aim at eradicating poverty and expanding the choices that all people have in their lives.

Source: UNDP, Human Development Report 2002

Pro-poor governance is one dimension, or a sub-set of, democratic governance for human development as it is explicitly concerned with one group in society, the poor, and focuses on a specific goal of human development, that of poverty reduction. Figure 1. below illustrates the ways in which governance and poverty are linked. It shows an assumed linkage, in which the two concepts are defined with overlapping dimensions and concepts.

Policies that enhance rights and freedoms are presumed to have a beneficial impact on poverty because they respect, protect and fulfill the kinds of rights and freedoms that can pull the poor out of poverty. These rights, which include among others, the right to food, shelter, education, health care, are universal. They are, rooted in the human development approach and codified in various United Nations agreements, in particular the Universal Declaration of Human Rights. A focus on rights joins governance and poverty by framing, "the achievement of human rights as an objective of development… (invoking) the international apparatus [of] rights accountability in support of development action." (Maxwell, 1999).

Figure 1. Shared concepts of governance and human development

Democratic governance for human development

Governance

Human development

Voice and participation
- Accountability
- Responsiveness
- Inclusive participation

Public good and service delivery
- State capacities
- Efficiency
- Effectiveness
- Transparency
- Control of corruption

Rights and freedoms
- Equality
- Equity
- Human rights
- Rule of law
- Human security

In many cases, these shared dimensions are also presumed to have a causal relationship. For example, improved voice and participation for the poor, beyond their intrinsic value, are likely to reduce poverty when the poor have a greater say in budget formation and public expenditure priorities. The perceptions of poor people should be the point of departure because top-down understandings of poverty may not correspond with how poor people themselves conceptualize changes in their well-being.

2.1 PARTICIPATION AND PRO-POOR GOVERNANCE

The participation of the poor is not only intrinsically valuable, it is also instrumental for achieving pro-poor policies. In particular, participation has the potential to achieve more efficient and equitable outcomes in many different contexts of decision-making, such as the allocation of budgetary resources among alternative uses, management of common property resources, delivery of community services, and so on. When it comes to taking policy decisions with distributive consequences, such as how to use the resources at the disposal of the local government or how to choose beneficiaries of services to be delivered by the government, participatory mechanisms are likely to achieve more equitable outcomes compared to non-participatory ones.[5]

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[5] Professor Siddiqur Osmani. *Participatory Governance and the Millennium Development Goals* (2007) UN Department of Economic and Social Affairs (UNDESA). un-pan1.un.org/intradoc/groups/public/documents/UN/UNPAN028359.pdf

In looking at the nexus between governance and poverty, poor citizens must be capacitated and supported to participate in an inclusive manner, the institutions that structure government should respond to the interests of the poor and should provide wide public space for participation of poor citizens and their representatives in the governance process.

2.2 WHAT ARE PRO-POOR POLICIES?

It is important to examine what pro-poor policies might look like as this is a key objective in strengthening the impact and influence of the poor in policy making. Most agree that pro-poor policies are those that directly target poor people (i.e. benefit the poor more than the non-poor), or that are more generally aimed at reducing poverty. There is also a general consensus that pro-poor policy processes are those that allow poor people to be directly involved in the policy process, or that by their nature and structure lead to pro-poor outcomes. For some, the aim of pro-poor policies is to improve the assets and capabilities of the poor.[6]

In a recent consolidated reply on the UNDP Knowledge Networks[7] on the subject of measuring pro-poor policies, network contributors identified defining features of pro-poor policies:[8]

- Pro-poor policy builds on mechanisms in which the poor themselves can directly influence the setting of policy priorities and targets the specific causal issues that they have identified; .

- Pro-poor policies aim to assist the poor to make the best use of the often few assets that they actually possess which requires improving the productivity and economic opportunities offered to the rural poor; and in the urban centres creating an environment in which new employment and economic opportunities are generated for the low or unskilled labour that constitute the majority of the urban poor;

- Pro-poor policies address the gender balance in society and the need to create employment/income earning opportunities for both men and women, as well as youth generally;

- Pro-poor policies for economic growth and inclusion focus on providing opportunities for job creation especially for creating income and employment for the poor and vulnerable groups: e.g. youth and other unemployed (low-skilled), displaced people, rural/urban migrants;

- Pro-poor policies target those sectors in which the poor are employed or engaged and aim to remove constraints (e.g. poor credit availability, weak extension services, unnecessary bureaucracy for micro/small-business formation, inefficiency and poor governance standards), and create an investment and employment generating environment for the private sector;

- Pro-poor policies target the provision of more efficient/equitable levels of basic services including water, sanitation, communications and transport infrastructure, and power supplies, as well as health and education, in areas where the poor live (urban or rural;

- Pro-poor policies aim to maintain competitive prices for the products that the poor produce, and for the essentials which they need to purchase; this means ensuring a competitive external exchange rate, a progressive domestic tax structure, removing distortions in domestic prices caused by subsidies disproportionately benefiting the non-poor, and liberalizing local markets for outputs produced by the poor.

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[6] Zaza Curran and Paolo De Renzio, What Do We Mean By 'Pro-Poor Policies' And 'Pro-Poor Policy Processes'? Overseas Development Institute.
http://www.odi.org.uk/cspp/activities/PPA0110/docs/What_is_meant_by_pro-poor_Final.pdf

[7] www.undp.org/knowledge/index.htm

[8] Consolidated Reply: Moldova/ Measuring pro-poor policies/ Comparative experiences. 13 February 2008, Cross-posted on PRNet, DGPNet, Evalnet and Capacity-Net

3. PRO POOR POLICY MAKING PROCESS

It is important to note that a pro-poor process approach to policy making will not always lead to the best economic policies, and can in some cases open up to economic populism. Such cases of a pro-poor process leading to economic populism have proven to be unsustainable over the medium term. Conversely, it is also possible for policies to have aggregate poverty reducing outcomes that have not been the result of processes that have included the poor directly.

However, non pro-poor processes leading to pro-poor results have been few, not the majority. It is the position of this paper that policy processes that include the poor or its representatives have an intrinsic as well as instrumental value in terms of more sustainable effects on poverty reduction over time.

This section describes three dimensions that come together in the policymaking process: actors, institutions, and values, and provides insights into how their interaction may shape pro-poor governance. *Actors* are characterized by their interests and capacities, *institutions* are characterized by the incentives and constraints they contain, and *values* are characterized by the degree of preference they offer for the poor. The policymaking process is also divided into four stages: (i) formulation, (ii) approval, (iii) implementation and (iv) oversight. These stages are recognized as an often highly interactive, repeated, and non-linear dynamic.

This is obviously a simplistic characterization which is useful for establishing an overall framework and tool. It is important to note that the overall governance situation of a country is a significant determinant of the impact of both the processes (particularly the enabling environment for participation) and the outcomes of a pro-poor policy formulation and its implementation. There is also great heterogeneity in the policy environment of each country with markedly different governance cultures, capacities and legal and regulatory frameworks. Furthermore, within each country, policy actors will have conflicting interests and views, and there will be a great diversity across institutions (formal and informal, codified and non-codified practices) and values (liberal and conservative etc).

Policy and policy processes are notoriously difficult to define. Policy has components that are both concrete and non-concrete. Concrete components include actual policies and statements of intent and non-concrete components include inaction or an unintended consequence of actions taken. Moreover, policy is rarely a specific decision made by a single decision maker nor do governments speak with one, sole voice. It can be useful to identify types of 'spaces' for making policies that may be closed, invited, claimed/created, visible, hidden and invisible in their nature (Sumner and Jones 2008). Five types of spaces have been identified recently (IDS 2007):

1. Bureaucratic spaces (formal policy-making spaces within the government bureaucracy/legal system, led by civil servants with selected inputs from external experts),

2. Invited spaces (consultations on policy led by government agencies involving selective participation of stakeholders),

3. Political/electoral spaces (i.e. formal participation in elections),

4. Popular or claimed spaces (such as protests and demonstrations that put pressure on governments),

5. Conceptual spaces (where new ideas can be introduced into the debate and circulated through various media)

The dynamics of such spaces differ by sector, country and time. For example, the high level of technical expertise required to engage in trade or climate change policy debates likely provides different sorts of dynamics for policy narratives, agents and context than policies on social protection.

Despite wide variations in analyzing policy processes, some commonalities exist:

- Policy processes are inherently political in that participation is not a neutral concept

- Policy processes are based on contestable evidence in the construction of the policy narrative;

- Policy processes are seen as inter-relationships among agents and networks.

Differences of opinions are also evident in theories of policymaking. There are variations in assumptions made about the nature of policy: linear rational or dynamic iterative. There are also various assumptions made about the actors involved be that governments, political parties, CSOs, informal networks, donors. Policy networks studies also vary; some focus on policy communities (i.e. policy actors from inside and outside government), epistemic communities (i.e. experts with recognized policy relevant knowledge) or advocacy coalitions (i.e. groups of actors representing interest in an issue). Finally, the approach to policy may focus on the political economy, socio cultural or institutional dimensions of power.[9]

3.1 EVIDENCE IN THE POLICY PROCESS

The role of evidence in policy making processes is critically important.[10] Evidence based policy making is about taking decisions based on 'evidence' (including qualitative and quantitative empirical information) that can come from a variety of sources ranging from 'technical experts' to citizen based groups. Evidence-based policy-making is seen as an alternative to a reliance on untested assumptions or pure ideology which can be highly problematic if they do not promote or help establish policy-making procedures that are democratic, respectful of human rights, and accountable. Alternative influences on policy making include:[11]

- *Experience, expertise and judgment:* One group of factors that clearly influence policy and practice is the experience, expertise and judgment of decision makers. These factors often constitute valuable human and intellectual capital and include the tacit knowledge that has been identified as an important element of policy making.

- *Political ideology:* Political ideology is a major driving force of policy making. Political ideologies have always been subjected to close critical appraisal and analysis using both philosophical and empirical methods. There will always be a tension between values, ideology and beliefs on the one hand, and sound empirical evidence on the other.

- *Habit and tradition:* habit and tradition are important influences on policy making. Political institutions such as Parliament, the Civil Service and the Judiciary are steeped in conventional practices.

- *Lobbying, pressure groups and consultant:* The lobby system, pressure groups and consultants are other factors competing with evidence to influence policy making and policy implementation. Think-tanks, opinion leaders and the media are other major influences.

- *Pragmatics and contingencies:* Other factors that influence policy making and policy implementation are the sheer pragmatics of political life such as parliamentary terms and

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[9] There is an array of theories and frameworks for the analysis of the policymaking process (see for review Sutton, 1999). There are the older rational models noted (e.g. Blume, 1986), the 'bounded rationality' models (e.g. Simon, 1957), the incrementalism and/or 'disjointed incrementalism' models (e.g. Lindblom, 1959), the 'middle ground' or 'mixed scanning' models (e.g. Etzioni, 1976), the garbage can theories (e.g. March and Olsen 1976), the argumentative models (e.g. Fischer and Forester 1993), the interceptor/receptor models (e.g. Hanney, 2005), the three inter-connecting streams model (e.g. Kingdon, 1984), the ladder of utilization and receptors receptivity model (e.g. Knott and Wildavsky 1980), the problem solving/engineering models (e.g. Grindle and Thomas 1991), and the structuration model (e.g. Keeley and Scoones, 2003) to name but a few of the available theories and models.

[10] Some argue correctly that policy is not only based on evidence but is often influenced by a range of political, economic, and personal factors. Evidence can be scientific based on rigorously verifiable academic research; it is also anecdotal media stories as well as statistical data based on indicators and weighted indices. Evidence often is a combination of all these various types used within certain normative frameworks to serve specific power interests.

[11] Davies, Phillip. (2004) *Is Evidence-Based Government Possible?* Lecture presented at the 4th Annual Campbell Collaboration Colloquium, Washington D.C. (2004)

timetables, the procedures of the policy making process, the capacities of institutions, and unanticipated contingencies that arise.

Factors that might lend itself to more use of evidence in policy making include whether a country has a tradition and practice of good governance (accountability, transparency and responsiveness), whether there are open and accessible public policy processes, the dominance of donors, and the extent of professionalism among others (Court 2005 and Jones 2005). A hugely important factor in influencing the use of evidence is the demand and supply of the evidence. There might not be a culture of policy makers using evidence or knowing how to bring evidence to bear on policy decisions, conversely, there might not be the capacities to generate the empirical data and information into the policy making process.

Box 3. Influence of pro-poor evidence on the policy making process

Pro-poor evidence is sensitive to the needs and concerns of the poor. It is based on data, information or indicators that are explicitly or implicitly linked to the poor. The data, information or indicators could be chosen by experts with the poor in mind or identified by the poor themselves. The more pro-poor evidence in the various stages of the policy process, the more likely public policies will be pro-poor in their impact.
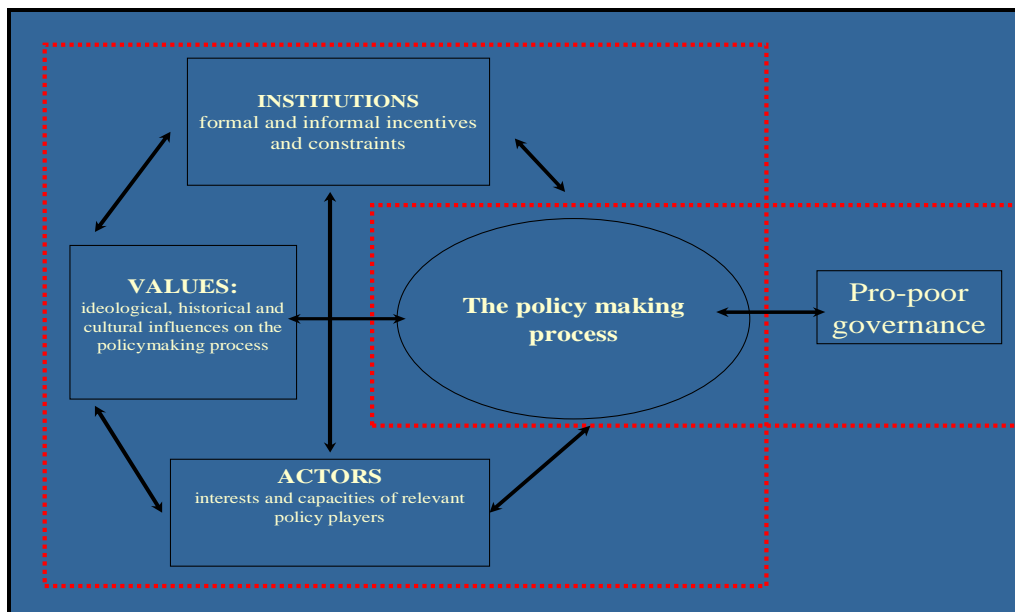
Critical factors in terms of the extent to which a policy process is likely to be influenced (in a corrective manner) by pro-poor evidence include:

- The availability of pro-poor evidence. Pro-poor governance evidence is quantitative and qualitative knowledge sensitive to the needs and concerns of the poor regarding governance inputs, outputs and processes. The availability of such evidence regularly collected and analyzed in a disaggregated manner enhances the likelihood of evidence influenced policy making.

- A regime of openness of information sharing.

- The ability of the poor to access information and use it – to state their case, to take part in decisions, and to monitor and evaluate.

- The capabilities and capacities of the poor to understand the relevance and impact of the policy issue to their own livelihood priorities

- The existence of active CSOs that represent the interests of the poor – and have the necessary capacities to be effective advocates (political, advocacy and communication skills etc)

- Government institutions that are responsive to the participation of the poor by establishing and promoting participation mechanisms that target the poor or their representatives.

3.2 ACTORS, INSTITUTIONS, AND VALUES IN THE POLICY PROCESS

There are three basic components to consider within the policymaking process, actors, institutions, and values. The *actors* within policymaking are those individuals and groups that possess a degree of agency, in that they are able, at least conceptually, to choose among various strategic options at each stage. *Institutions* are the *rules of the game* for interaction, which present actors with a series of strategic options and outcomes from their actions. *Values* are the ideological frameworks used to understand the world, such that certain policy options appear viable and desirable and others do not.

Figure 2. below shows the interactions among actors, institutions, and values which shape the degree of pro-poor governance.

Figure 2. Actors, institutions, and values in pro-poor governance

3.2.1 ACTORS

Understanding the role of actors in pro-poor policy making requires consideration of two key aspects: *their interests and their capacities*. Interests can be material, in the sense of the distribution of resources, and non-material, in the sense of political power, cultural cohesion, or group norms. What is important is to consider the way structures and ideologies shape the contribution of actors to pro-poor governance. For example, the structural position of women in most societies has led some to characterize increased women's representation in legislatures and governments as inherently pro-poor. Certainly the physical representation of women is important, and most research demonstrates that women have been the main champions of equality for women (Schwindt-Bayer 2006; Jones 1997). Still, it is also evident that structural and ideological contexts, including socially constructed attributes of gender, mean that women are not always pro-poor, and their policy choices may reflect that bias (Chaney 1979).

The second aspect of actors to consider is their *capacity*. Capacity refers first to technical skills, information, and resources to engage in policymaking. In policy areas in which pro-poor governance can be advanced, the technical requirements are often high. Public finance, social policy, and development strategy include highly specialized capacities. Some actors that could potentially pressure policymaking in a more pro-poor direction are excluded while actors that are not inclined to advance the interests of the poor use their resources and technical training to great effect.

Capacity also refers to political capacity, in the sense of the power to convince others through persuasion, negotiation, pressure, or cooptation. Especially for the poor, political capacity requires organization; by definition they lack the material resources that wealthy individuals can use to influence policy. Organizational capacity is not available in equal measure. The rural poor, often the poorest members of society, are frequently ignored within public policy, as they face significant obstacles to political organization and communicating their interests to the public sphere.

Osmani (2006) provides a useful analysis of the existing experiments in participatory governance. It suggests that success depends largely on how well a society can deal with three dis-

tinct but inter-related gaps that stand in the way of effective participation: the capacity gap, the incentive gap and the power gap[12].

- The **capacity gap** arises from the fact that meaningful participation in the process of governance requires certain skills which ordinary people, least of all the poor and marginalized in society, do not typically possess. These include general skills such as the capacity to work in a team composed of people from different social strata and the ability to articulate one's views in a manner that influences others, many of whom may view the world through a completely different lens. But more ambitious tasks such as budgeting for the local government or planning for local development would often require a level of knowledge and skill that would be beyond even the educated elite. Osmani argues that this capacity gap must be bridged if participation is to be effective and in most cases the bridge builder will be civil society organizations and social movements.

- The **incentive gap** stems from the fact that participation in public affairs is not costless and most people would not be keen to participate actively unless they perceive the potential gains to be large enough to outweigh the costs. The costs of participation are of various types including, among others the opportunity cost of the time and effort that people would have to put into participative activities and the psychological cost of speaking up in public, especially for those who are low in self-confidence. The incentive to participate exists if the intrinsic and instrumental value outweighs the costs of participation.

- The **power gap** reflects the power distribution and balance in society and needs to be closed if the poor are to participate on an equal footing. This can only be done by creating some countervailing power in favour of the poor to compensate for the power gap they face. This can be done through different strategies including building self confidence of the poor through education and economic security; empowering the poor by implementing the full range of human rights, including both civil-political and socio-economic rights. The right to information is especially important in this context so that the poor and information intermediaries (e.g. civil society organization) can access the information necessary for making informed decisions and for holding the officials accountable for their actions.

Political parties are especially important actors in pro-poor policy making. Additional analysis is needed on the role of political parties in pro-poor policy formulation, implementation and evaluation. International IDEA in its report *Politics and Poverty in the Andean Countries: Policy Summary: Key Findings and Recommendations* (2008) based on studies of political party systems in the Andean countries have contributed significantly in filling this gap. Although there is only limited research on the relationship between these institutions and the impact on pro-poor reform, the publication identifies a number of factors that limit the "programmatic" effectiveness of parties and parliaments and ventures to make the following recommendations including:

- Providing public funding for parties to counteract the risk of over-representation of more powerful groups and under-representation of poor sectors. At the same time, it is important that funding not encourage fragmentation and that it allow for ongoing party operations beyond campaign periods.

- Ensuring equitable access to the media which is necessary to level the campaign playing field and limit dependence on special interests.

- Increasing transparency by strengthening mechanisms for accountability and information and combating influence peddling, political corruption and illicit campaign funds is key to ensuring that money is not the factor that controls the political system.

- Developing or consolidating think tank wings or party foundations aimed at bolstering access to technical information and proposal formulation or developing links to technical resources at universities, NGOs or consultancy firms.

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[12] Osmani, Siddiqur. (2006). P*articipatory Governance and the Millennium Development Goals (MDGs)* – a paper based on the Expert Group Meeting on "Engaged Governance: Citizen Participation in the Implementation of the Development Agenda" (1-2 November 2006), New York.

3.2.2 INSTITUTIONS

The key concern with institutions is the extent and kinds of incentives and constraints they place on actors. Incentives make certain actions and strategies more appealing. For example, reserved seats for scheduled castes in India create incentives to individuals and organizations from these groups to enter formal politics. Reservations in the public bureaucracy, also in India, channel political action into struggles for public employment. Incentives encourage certain kinds of strategies and behaviors, sometimes in ways that contribute to pro-poor governance, though not always.

Constraints limit actors by ruling out certain options. Requirements for voting, such as literacy or property requirements, can be a highly exclusionary institutional rule that particularly discriminates against the poor (DFID 2007). Another important example of institutional factors that constrain pro-poor actors is the right to information and freedom of expression and its implications for civil society organizations. The overall political, cultural, social and legal environment in which civil exists and functions has a significant impact on the processes and outcomes of policies and especially in regards to poverty sensitivity. There are a number of assessment tools that address this issue including the CIVICUS *Civil Society Index*, the *USAID NGO Sustainability Index* and the UNDP *A Guide to Measuring the Impact of Right to Information Programmes.*

Institutions are both formal and informal. Formal institutions are usually written, either as legal rules or as bureaucratic requirements, and tend to be enforced with sanctions that are public and backed by state power. Changing formal rules to increase incentives to pro-poor governance is often the stuff of politics, as in adoption of international treaties and human rights legislation. Informal institutions constitute rules of behavior that people respect and abide by though they remain unwritten. These are the norms and processes by which actors modify formal rules, using informal relationships and understandings to either complement or undermine formal rules. The effect may be to enhance the power of certain actors, such as executives in Latin America (O'Donnell 1994) and clientelist networks in Africa (Bratton and Van de Walle 1997).

An assessment of the incentives and constraints to pro-poor governance requires taking into account what is formally written and legislated as well as the practices that informally operate. There is no automatic link between the formality of institutions and their contribution to pro-poor policy making. Informality could potentially improve pro-poor outcomes, in cases in which informality allows discriminatory or exclusionary legislation to be ignored, for example. Still, informal institutions are less transparent, and to the degree that transparency assists pro-poor actors, informality may be prejudicial to the poor.

3.2.3 VALUES

Values are particularly important, as they may lead actors to consider some options but completely ignore or even fail to realize that there are alternatives. In this sense, ideas serve as a set of ideological blinders, opening some opportunities but closing others.
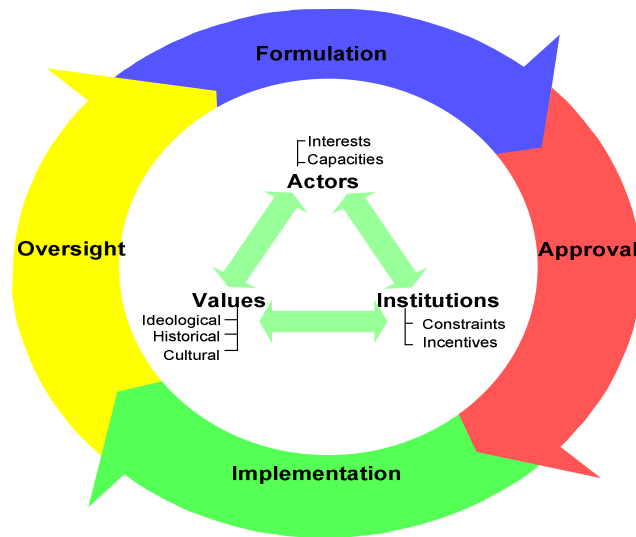
In addition to shaping the choices of individuals, values can also shape institutions. In fact, institutions can be viewed as crystallizations of values, coming to embody and enforce ideological perspectives. When institutions get imbued with values, they create incentives and constraints, and more important, serve to reproduce values in society. In considering the nature of education, for example, the values communicated through the educational system serve to shape the kind of citizens within a society, thereby hardwiring certain behaviors and tendencies that would otherwise have to be coerced or co-opted.

In any context in which values shape the behavior of actors and the structure of institutions, the key question of concern is whether values communicate a preference for the poor. In some cases, that preference is absent, and instead discrimination or exclusion are accepted values. Actors and institutions may emerge to challenge such values, but there will be little pro-poor governance until actors, institutions, and values are aligned to privilege the poor at all stages of policymaking.

3.3 STAGES OF THE POLICY PROCESS

The stages of the policymaking process can be divided into formulation, approval, implementation, and oversight.[13] *Formulation* refers to the process of setting priorities among social outcomes and designing public policy that will attain those outcomes. *Approval* refers to the process of securing agreement, and if possible, consensus, around public policies, within legislatures, in executive-legislative relations, and among the public at large. *Implementation* refers to the actions taken by the public bureaucracy or its agents to put into practice what has been decided. *Oversight* refers to the monitoring and evaluation of public policy to hold public officials accountable.

Figure 3. The four stages of the policymaking process

While it is useful as a framework for analysis, viewing the policy making process as four distinct stages does have some shortcomings:

■ In many situations, the stages are often muddled and jumbled. For example, policies may be approved post implementation, or the evaluation of a policy may simultaneously lead to the formulation of new policies.

■ Usually there is not *one* policy cycle, but a process of multiple, interacting cycles, involving numerous policy proposals at multiple levels of government.

■ The stages framework is not a causal model. It does not identify a set of causal drivers that govern the process within and across stages. In particular, it provides no answer as to why or why not policy recommendations are acted upon or not in the approval stage. This will require an additional understanding of actors, interests, institutions and incentives.

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[13] Other attempts to divide the policymaking process have carved the process at different joints, for example Perkins and Court (2005) specify problem identification and agenda setting, policy formulation, policy implementation, and policy monitoring and evaluation. Differences in the specification of stages emerge not from disagreements about policymaking, but rather as a result of different underlying concepts and variables considered theoretically important. In the case of the Perkins and Court study, for example, a critical emphasis is placed on networks, in contrast to our focus on actors, institutions, and values.

Nevertheless, in spite of these shortcomings, the 'policy stages' framework provides a useful model to capture the "process" of making policy and the importance of timing (sequence) and of cumulative effect on pro-poor governance from the perspective of actors, institutions and values. Critical questions to ask at each stage of the policy process include:

- To what degree do actors have the interests and develop the capacities to seek pro-poor governance outcomes?

- To what degree do institutions provide actors with formal and informal incentives/constraints to seek pro-poor governance outcomes?

- To what degree do ideological, historical and cultural values influence the policymaking process towards pro-poor governance outcomes?

3.3.1 POLICY FORMULATION

This stage includes multiyear and long-term planning exercises, such as those associated with the Millennium Development Goals. Such plans establish targets for social outcomes, such as literacy, infant mortality, and poverty rates. Ideally, targets are set with respect to retrospective consideration of prior actions and accomplishments and debated within the realm of potential future directions. Various scenarios can be considered, including optimistic, average, and pessimistic conditions, in which planning responds to different estimates of future social outcomes.

Closely linked to longer-term planning is policy design, in which social outcomes are traced backwards to the public policy outputs which are the immediate products of government activity, usually calculated on an annual or shorter-term basis. For example, an increase in the number of schools built is a public policy output expected to contribute to literacy, and increased number of hospital beds can be expected to decrease infant mortality.

The formulation stage also includes a further step in translating public policy outputs into the inputs required. These inputs are the immediate costs of public policy, in the form of material resources, personnel, and infrastructure. The precise specification of inputs is essential if outputs and outcomes are to be attained, but there are obvious ceilings to resources and capacities available. For example, annual budgets set the allocations for funds dedicated to health, education and other ministries, with the expectations that these institutions will apply resources to the outputs expected.

Box 4. Formulation: Children's participation in Vietnam's National Development Plan

Viet Nam's five-year Social and Economic Development Plan (SEDP) is the country's primary national development document. It maps out the sectoral and macro-economic development objectives and plans. In 2005-6 for the first time children participated in the policy formation in Viet Nam. In 15 provinces, children and adolescents (aged 12–16 years) were asked about the SEDP. Local Vietnamese youth workers talked to a randomly selected group of children from each hamlet focusing on local problems, needs and demands for the next five years, and then cross-referencing these to the draft SEDP. Participatory methodologies encouraged children to express their opinions. (Thuy et al. 2005) finds that space for children's voices in policy formation had been made, though participation was mixed in terms of gender, ethnicity, age, disability, and marginalization (e.g., street children), as some children found the environment inhibiting. In particular, it was children's capacities to participate with ease and confidence in group discussions that was a key issue. Finally, although the impact on the final SEDP was unclear the exercise certainly impacted on local and national leaders and donors about the issues faced by children.

Among the main actors within the formulation stage are political leaders within the executive branch, charged with selecting among various competing priorities. They may or may not open this stage to wider consultation, and they vary in the degree to which they consider technical evidence against political or other preferences in setting their priorities. For example, PRSP processes in Bolivia opened broadly to civil society networks, though many observers remained skeptical as to whether the main priorities remained technical or dominated by elite political interests, rather than the civil society networks incorporated in the PRSP (Pollard 2005).

It is in the formulation stage that desired outcomes are linked to available inputs. It is a stage characterized by planning, prioritization, and calculation, and it links desirable social outcomes to government policy outputs to human and material inputs. Key actors are often found in the executive branch, in which they face the incentives of national electoral priorities associated with executive recruitment, the professional ethos of bureaucracies, and the interests of those who can exert pressure during this largely closed moment of policy formulation.

Box 5. Latvia: Human Security in Formulation

Public sector reform in Latvia has changed significantly as a result of applying the human security framework in the recent Latvian National Human Development Report. To monitor and evaluate prior programs, a baseline survey of perceived insecurities among Latvians was conducted. The results of the survey led to the introduction of human security considerations to the reform process, resulting in institutional changes that privilege the interests of women and socially excluded populations.

3.3.2 POLICY APPROVAL

Whereas the formulation stage includes the selection of priorities and design of policy options, the approval process involves the construction of agreements about policy, which can involve significant changes to their substance as well as shaping the way in which they will operate in practice. In some countries, the policies designed during formulation can change significantly during approval, while in others approval is practically a formality. This stage is characterized by the search for agreement, if not consensus, on the details of policy.

Much depends on the powers enjoyed by legislators, legislative committees, public amendment or referendum processes. In part, this varies between authoritarian and democratic regimes, and within democratic regimes between presidential and parliamentary institutions. At one extreme, approval can often be little more than a rubber stamp, as policies designed during formulation are automatically approved by the legislature, where it exists.

In cases in which approval is characterized by significant changes to policy, there are useful procedural steps that can be observed. In most cases of policies designed and submitted to the legislature, the possibility of amendment opens the potential for changes to the details of policy. In addition, passage through committees, plenary, and voting can involve tradeoffs and logrolling in which accommodations within and across different policy areas are part of building working legislative majorities (Cox and McCubbins 2004).

There are also contexts in which approval includes public referendum. The potential for marginal changes, such as amendments, are not present in one-off approval processes like referendum. On the other hand, the process of designing a viable referendum requires planning for the approval process, in which the population at large will have to agree to the policies being presented.

Among the main actors during the approval stage, especially as it operates in legislatures and in executive-legislative relations, are *political parties*. The nature of party origins, ideologies, internal structures, links to citizens, and leadership and the broader political party system itself are important determinants of their contribution to pro-poor governance.

No less important are the civil society organizations that play a role mobilizing and shaping public opinion as well as influencing the nature of approval processes. Broad agreement is rarely possible without links between government, parties, and civil society organizations that help build networks of trust and mutual understanding.

3.3.3 POLICY IMPLEMENTATION

Putting policies in practice is the task of implementation, the next stage of policymaking. In principle, implementation is the execution of policy decisions, in which professionalized cadres, such as principal secretaries, are responsible for management and reporting on the implementation of public policies. They operate within the hierarchies of public institutions, such as health ministries, as well as throughout the bureaucracy as it operates in decentralized entities.

At designated intervals, these bureaucrats receive the material, personnel, and infrastructural inputs required to put policy into effect. Generally, this disbursal includes transfers from central to field offices and from higher to lower levels of government. The uses of these inputs are set in the legal details of policy and the regulations of administrative procedure.

In many cases, the constraints on bureaucrats are quite loose, and their scope for adjusting the content of policy at the margins is quite great. This is particularly the case for developing countries, in which the formal regulations on those who implement policy are weak. More broadly, bureaucrats are likely to alter the content of policy in any context in which the outcomes required greatly outstrip their inputs available or the potential of their outputs. This observation led to the focus on "street level bureaucrats," the individuals charged with implementing policies that have been designed abstractly and at a higher level of authority. Front-line bureaucrats often encounter challenges not clearly specified by policy, allowing them great flexibility in implementation (Lipsky 1980).

In the context of weak state capacity and a general trend towards privatization, many policies are implemented in partnership or directly by private sector or nongovernmental organizations. This form of implementation involves a degree of distance between government principal and nongovernmental agent that includes information constraints and transaction costs associated with arm's length relationships (Joshi and Moore 2002).

The potential for remaking policy within the implementation stage has also received significant attention in regards to corruption. There are many types of corruption, for example in the distortion of elections through fraud, distortion of policy through bribery and influence, and the distortion of markets through cronyism. Still, the administrative corruption that occurs at the immediate moment of service delivery and policy implementation is often the most evident and therefore has the greatest impact on perceptions of corruption in the broader public. This administrative corruption poses a significant threat to democracy, as it undermines generalized confidence in the regime and willingness to engage in civic activity.

As institutions reduce incentive and space for participation during the formulation and approval stages in developing countries, often informal participation by informal networks happens at the implementation stage which reduces accountability of implementation. Values will of course also play an important role especially with respect to rights and civil service ethics.

> **Box 6. Implementation: Decentralization of health and education services in Andhra Pradesh, India**
>
> Public service user committees were set up in Andhra Pradesh, India in 1998 to promote participation in policy implementation for local schools and maternal/child health services. Both were traditionally centralized public services. New committees known as Village Education Committees and Mothers' Committees were established to function in parallel to elected local councils (*panchayati raj*).
>
> Mothers' Committees are responsible for child and maternal health services, supplementary nutrition, immunizations, health and nutrition education, and preschool education and consist of 8 women – one of whom is elected leader. All must be local service users. Membership is for two years and regular participation in weekly/bi-weekly meetings is obligatory.
>
> Education Committees were from 1998 until 2005 responsible for monitoring teacher attendance and performance, hiring local teachers, promoting student enrolment, attendance, retention, and scholastic achievement and managing the funding and construction of school facilities. Education Committees comprised of four members whose children attended the school, though they were discontinued in 2005 after the ruling party lost the local election.
>
> These institutional reforms led to the greater participation of the poor in policy implementation. The changes had also led to changes in rights and accountability as people claimed a right to question those in power and authority. Furthermore, public service delivery was more pro-poor by being demand-led, and there were tangible improvements in infrastructure quality and spending. However, these successes were very much tempered by the context of inequality across caste, gender and income which shaped who participated and how. Those working as daily laborers simply did not have the time to participate due to the loss of earnings that would be incurred, and in a similar vein to chair an Education Committees or Mothers' Committees was impossible for the poor because of the time and money need to get elected and conduct duties.

3.3.4 POLICY OVERSIGHT

The final stage of policymaking is oversight, a process which begins during implementation and proceeds thereafter. During the process of implementation, public officials and their agents will be expected to report their actions to internal and external accountability mechanisms.

Accountability includes a variety of relationships: hierarchic monitoring and oversight within sector bureaucracies, horizontal monitoring and oversight between one government actor and another and vertical accountability between civil society and the state. Each mechanism of accountability depends on the information available and mechanisms for enforcement.

There are several functions to accountability mechanisms. One is to ensure that the implementation of public policy is in line with the priorities established in policy formulation and agreed during approval. This is the punitive and regulatory function of accountability, gathering information and enforcing the intentions of public policy. In addition, accountability mechanisms are essential for the continued improvement of public policy. By generating information that can be used to evaluate the effectiveness of public policy, accountability mechanisms can contribute to the design of policy in the future.

The policy process model is a cycle, in which the outcomes established during formulation inform later stages, but are themselves informed by the accountability processes that occur during oversight.

Box 7. Oversight: Participatory forest governance in the Philippines

Multi-Sectoral Forest Protection Committees (MFPCs) were set up in the Philippines in 1992 to enable greater community and civil society participation in forest and environmental governance. MFPCs were assigned a broad range of functions in forest policy and governance processes. Besides performing forest monitoring functions – detecting and reporting legal infractions and apprehending illegal producers – committees have been involved in national policy reviews and performance evaluations of state institutions through the creation and constitution of a National Federation of MFPCs. At sub-national levels MFPCs have also been involved in community sensitisation and mobilisation for conservation and forest-based livelihood development.

Democratic functioning of the MFPCs system rests on its innovative networking approach. Individual members represent, report back to and receive inputs and queries from their respective interest groups, including communities but also churches, unions, NGO's and businesses. This way the system enables various interest groups to be represented and directly involved in decision making. Internal checks between individual committee members reduce the committees' susceptibility to bribe payments.

With regard to the pro-poor effects, MFPCs have been successful in dealing with large scale illegal logging by powerful individuals in communally used forests. However, small-scale legal and illegal loggers have been targeted even stronger through strict law enforcement and the cancellation of Resource Utilisation Permits, raising concerns about the negative impact on poor forest-dependent communities (Cruz and Pulhin 2006). The limited implementation of the systems livelihood component – which should have served as a compensation mechanism for enforcement activities – has further reduced the system's pro-poor impact and community support for forest conservation.

Despite shortcomings MFPCs in the Philippines represent a positive shift away from the highly centralised forestry administrations of the 1980s. The model also stands out in tropical timber producing countries, most of which have no provisions for community involvement and livelihood support in forest governance and law enforcement activities. A re-established MFPCs system will require sustainable funding, allocated to livelihood support, tenure clarification and forest enterprise development in addition to regulatory functions.

Brown, D. and Luttrell, C., (2005), *Review of Independent Forest Monitoring*, London : ODI.

Cruz, V.O. and Tapia, A. "A Review of Multi-Sectoral Forest Protection Committees," *ODI Forestry Briefing 6*, ODI: London.

Cruz, V.O. and Pulhin, J.M., (2006), "Review of Multisectoral Forest Protection Committees in the Philippines ," *Verifor Country Case Study 7,* ODI: London .

Oliva, R., (1998), *Sustainable Forest Management through Multisectoral Forest Protection Committees: Philippine Experience*, World Bank/WBI CBNRM Initiative Case.

4. A PRO-POOR APPROACH TO THE POLICY PROCESS

The previous section divided the process of policymaking into four stages. The aim in specifying these stages was to set a framework for understanding pro-poor governance in practice. In order to assess opportunities for pro-poor governance *indicative questions* are set out in the table below across the four stages of the policy process and from the perspective of actors, institutions and values. .

4.1 KEY QUESTIONS RELATED TO ACTORS

Stages of the Policy Process	Actors
Formulation	■ What are the relative capacities and capabilities of the poor (or those who represent them) to engage in policy design? ■ Are poor people directly involved in the policy design? ■ Can civil society groups and social movement leaders influence the policy design without fear of retaliation or intimidation? ■ Which actors promote and protect principles of non-discrimination and equity (e.g. human rights institutions etc)? ■ Is the policy design discussed in participatory organisations, such as local associations or through the national media? ■ Are actors fully able to introduce their concerns in the public arena? ■ Does the formulation process include the views of women, minorities, poor citizens and/or their representatives?
Approval	■ Do civil society groups and social movements have the power to pressure politicians and negotiate during the approval period by expressing their perceptions in formal institutions? Can the opposition voice dissent? ■ To what extent is the legislative accountable to civil society's expressed demands and needs? ■ What is the effective number of actors involved in the decision making process? Is it fairly unified or rather fragmented? ■ Do relevant actors tend to represent the interests of larger organized groups, selective interest groups or privilege their individual needs? ■ How dependent are legislators on the financing of lobbyists?
Implementation	■ Do the poor directly participate in the implementation process? ■ Can civil society organizations and social movements contribute during the implementation process? How? ■ Is the implementation process bottom-up or top-down? ■ Are for profit, private-sector actors contracted to provide social services?
Oversight	■ Who monitors and evaluates the policies implemented? Only the government or the government and other stakeholders involved and non-involved in the process? ■ Is the media equipped and interested in conveying information relevant to and expressing concerns of the poor? ■ Is information on accountability mechanisms available without bias to all actors e.g. accessible from the Internet or other media sources? Do the poor, or those who represent the poor, access to the information available? ■ Do policymakers have the time and the political incentives to oversee an appropriate execution of policies that have been agreed to?

4.2 KEY QUESTIONS RELATED TO INSTITUTIONS

Stages of the Policy Process	Institutions
Formulation	■ Are there any formal or informal provisions that encourage power sharing arrangements between the most relevant decision makers? ■ Which institutions (formal and informal) promote the values of equity and fairness? ■ What is the relationship between political parties and the poor?
Approval	■ What are the mechanisms that formally empower relevant decision makers e.g. between the executive, legislators, political parties, civil society actors etc? ■ Does the legislature have significant power to amend budget allocations submitted by the executive? ■ Do the rules of budget amendment set incentives for constituency specific or politically inspired spending?
Implementation	■ Are there institutions such as the judiciary or the office of the ombudsman that ensures proper implementation of policies? ■ Is the implementation process centralized or decentralized to local government? ■ Are the implementers of public policy rewarded for improving service and reaching the poor? ■ Does spending follow the mandate of the budget, and when it deviates, do social sectors lose more than others? ■ Do state agencies recruit members on the basis of merit, political appointments, or on the basis of some other criteria, such as ethnic affiliation or tribal membership?
Oversight	■ Are the formal monitoring and mechanisms transparent? ■ What are the formal and informal incentives for legislative oversight? ■ Do judicial authorities and control agencies enjoy sufficient prerogatives to investigate into alleged cases of corruption and abuses of power? Do they enjoy sufficient freedom from political pressures to be able to indict and punish violations of the law by members of the executive, legislature or the bureaucracy? ■ What incentives and constraints do human rights councils and similar institutions face? ■ Are legislators within social policy committees, such as health or education, empowered to question ministers and hold them to account?

4.3 KEY QUESTIONS RELATED TO VALUES

Stages of the Policy Process	Values
Formulation	■ What are the policy positions and platforms of the major political parties and do they prioritise the rights, concerns, needs and interests of the poor? ■ Do political parties that promote pro-poor ideologies in the public (electoral) arena, consistently pursue those same values when they enter their policymaking proposals in the government agenda? ■ Are poverty and distributive issues solely addressed by government actors or are they also addressed by the private sector or charity? ■ Are principles of fairness and equity reflected in written documents, unwritten practices, media and educational messages?
Approval	■ Are legislators considered the representatives of the people as a whole, of individual geographic units, or hereditary or appointed members? ■ How polarized or moderate are the views/ideological differences of actors involved in the approval process? ■ Is there a prevalent history or tradition that privileges consensus building attitudes among decision makers?
Implementation	■ Are deviations or delays from implementation usually tolerated by government officials, the media and/or the public opinion? ■ Are policies implemented consistently with a human rights based approach in that there is a focus on the obligations of duty bearers (state institutions) to rights holders specifically the rights of vulnerable groups?
Oversight	■ Do citizens and policymakers have a culture of accountability, transparency and responsibility towards one another? ■ Do evaluations of policy consider efficiency (value for money) or issues of justice (distributive impact for the poor)? ■ Are policies systematically evaluated for their contribution to promoting and ptotecting economic and social rights including gender equality and non-discrimination?

5. APPLYING A PRO-POOR GOVERNANCE PERSPECTIVE TO POLICY CASE STUDIES

This section uses the pro-poor governance framework introduced earlier to understand country-specific experiences of improved pro-poor governance in policy making. Two examples are used: a macro perspective on budget governance in Latin America and a micro perspective focused on participatory in Porto Alegre in Brazil.

Both examples focus on two primary concerns:

1. The mechanisms by which non influential actors, namely the poor, the unorganized and the de-mobilized can gain greater influence over the policymaking process,

2. The ways in which successful reforms are best sustained when actors develop long term cooperation patterns.

For those working on different governance processes in developing countries, this section hopes to contribute to understanding why actors cooperate with one another, when formal or informal rules matter, and how time/context specific values shape the policy agenda.

5.1 BUDGET GOVERNANCE IN LATIN AMERICA: A MACRO PERSPECTIVE

The formulation, approval, implementation and monitoring of a country's fiscal budget is a critical policy arena to analyze a pro-poor governance approach. In a democratic setting, diverse ethnic, regional, and economic actors interact at different stages of the budget process to extract and allocate public resources. The discussion takes place in the broader context of Latin America, where an ambitious agenda of structural reforms promoting strict fiscal discipline and economic austerity throughout the eighties and most of the nineties significantly shaped the process of extraction and allocation of public finances. The interaction between increasingly fragmented –and newly mobilized- actors, new but fragile democratic institutions, and market-oriented policy priorities (values) dramatically changed the ways in which fiscal outcomes benefit (or not) the interests of the poor over time.

In contrast with the second example presented later where "bottom up" initiatives of participatory budgeting increased the influence of the poor in the policymaking process, this example helps to clarify the limits and possibilities of the micro approach by taking the macro national context into account.

Improved budget governance is directly related to the capacity of the state to efficiently extract and allocate resources for the public good. A sound budget process will produce outcomes that:

- Preserve the fundamental rights and demands of the majority of citizens (in terms of education, nutrition, etc.), especially poor citizens,

- Ensure greater value of public investment through the efficient allocation and use of resources,

- Observe macroeconomic equilibria over time, and

- Are less vulnerable to or dependent from (positive or negative) economic shocks such as changes in price of commodities, or financial volatility.

Taken from a macro political perspective, there have been significant advances in the ways in which budget actors, formal institutions and policy values have improved budget governance at different stages of the budget making process in Latin America.

5.1.1 BUDGET FORMULATION

Over the past decade, Latin American countries have witnessed important reforms that expanded citizens' potential to influence the formulation of budgets at the national level. A basic

premise of a pro-poor budget process is that spending allocations should reflect the preferences of the majority of poor voters. One way to evaluate this possibility is to see whether the vote of individual citizens is *proportionally represented* in the legislature, following the "one man, one vote" democratic principle. The opposite scenario is one of malapportionment, where citizens in highly populated districts are under-represented by their elected officials, while scarcely populated districts are politically over-represented by legislators (Samuels and Snyder 2001).

The adoption of electoral reforms have significantly contributed to improve the territorial representation preferences of citizens in the legislative process, as well as improving the accountability links between voters and elected officials. For example, countries like Mexico, Venezuela and Bolivia adopted some form of mixed proportional representation rule during the nineties to allow the election of legislators in single member districts, and Brazil, Ecuador and Peru adopted some form of personalized voting within proportional lists to allow citizens a direct choice of their elected representatives, bypassing the influence of political party leaders. The adoption of further reforms such as reserved seats for religious, social, or ethnic minorities and women sought to increase the representation of these groups who were traditionally marginalized from political representation and the budget process. Although the effective representation of citizens depends on the interaction with the remaining stages of the budget process, electoral reforms adopted in the nineties have increased citizens' expectations of having a greater or more direct influence on the legislative processes.

In the budget formulation stage, institutional reforms impacted actor representation which affected policy discourse and values.

5.1.2 BUDGET APPROVAL

A second important shift has been the gradual inclusion of multiple actors in a policy arena where the executive has traditionally been identified as a "budget dictator." Although the responsibility for budget making largely remains the exclusive prerogative of the executive branch (especially the Minister of Finance), in some Latin American countries the legislature has gained or maintained some (formal or informal) influence in the way budget allocations are introduced and approved.

In addition to the strengthening of electoral ties between voters and elected officials, legislatures in Latin America have adopted procedural legislative rules to promote the professionalization of legislative committees, and to create budget offices with greater technical abilities (Saiegh 2005). In Brazil, the increasing professionalization of legislators during the nineties made Congress a relevant policy arena for budgetary approval, shifting the power away from State governors who had been the key actors for budget bargaining in the eighties (Pereira and Mueller 2004).

The process of budget approval has also seen improvements by reducing the amount of discretionary spending power available to the executive. Through the adoption of important fiscal stability laws, the executive has lost much of its ability to earmark funds for discretionary use, and has lost the ability to introduce amendments to the budget once it has been approved by the legislature (Scartascini and Filc 2006). Other initiatives such as the creation of Stabilization Funds have sought to protect public finances from external economic downturns while prioritizing government investment in strategic areas.

Strengthening the influence of the legislative actors in the approval process and reducing the discretionary spending powers of the executive were important factors in increasing accountability in the budget process to citizens and the likelihood of pro-poor outcomes.

5.1.3 BUDGET IMPLEMENTATION

A significant development contributing to improved budgeting is the relative expansion of politician time horizons. Typically, the incentive structures led politicians to operate on short term cycles, directing them towards immediate political reward rather than long-term development.

The adoption of rules allowing the reelection of the executive (in Brazil, Peru, Argentina, Venezuela) and lifting restrictions on term limits on legislators and mayors (Ecuador and Peru) has, in theory, enabled politicians' to develop longer term political cooperation or coalitions around sustainable budget outcomes. Political continuity, it has been argued, plays a substantive role to enable long term planning for undertaking infrastructure or industrialization projects that have long maturities, and it helps develop political consensus around the policy choices that work best in a given society and provides political continuity to implement them accordingly (Stein et. al. 2006).

At the very least, re-election incentives have encouraged politicians to be mindful of voters' preferences in democratic elections. Delivering on promised budget allocations is a legitimate mechanism to maintain political accountability through the electoral connection. Different from the eighties and part of the nineties, politicians are less willing to engage in cyclical electoral spending and face greater international constraints to limit inflationary dynamics. All things equal, elected public officials are increasingly aware of how budget allocations affect the well being of their voters and their own political careers.

5.1.4 BUDGET MONITORING AND OVERSIGHT

An important innovation in the budget process relates to the active role played by the mass media and citizens organized around "fiscal watchdogs" to ensure an adequate monitoring of fiscal spending on strategic areas such as education, health and other forms of social spending, and newer initiatives to monitor the transparent use of natural resource rents, debt repayment, etc. In many countries, the proliferation of such watchdogs responds to recent legislation guaranteeing citizens their right to freely access government information. In Ecuador, the United Nations system sponsored the workings of a fiscal watchdog (observatorio fiscal) to keep track of government committed social spending, but rapidly grew to analyze and report on other aspects of fiscal spending. Larger transnational initiatives such as the *Open Budget Index*, have provided local actors with measuring and monitoring tools to assess their governments' commitment to budget transparency and accountability (www.openbudgetindex.org/).

Although these reforms have not dramatically altered the centralization of budget making authority in the hands of the executive over time, they have allowed opposition parties, civil organizations and interest groups to strategically alter the balance of power or at least "puncture" a centralized decision making process. Generating and disseminating alternative views to the predominant objectives of fiscal discipline or macroeconomic equilibrium is a critical step to discuss country specific reforms aimed at improving people's lives.

5.1.5 LIMITS TO REFORMS AFFECTING ACTORS, INSTITUTIONS AND VALUES

The budget making process offers a fruitful arena to further explore the conceptual and empirical linkages around pro-poor governance however it is important to underline two caveats:

1. *The interaction between actors, institutions, and values does not take place in isolated arenas or even stages of the policy process*. A reform that intends to improve the voices of citizens at the formulation stage may compromise or contradict reforms seeking to streamline budget approval or ensure an efficient implementation of budgets at a later point in time. In Ecuador, electoral reforms approved in 1997 provided the *institutional channels* by which legislators became more directly accountable to their voters, but legislators had previously lost, on a separate reform in 1995, their ability to negotiate budgetary allocations for their districts with the president, in other words, they lost the *financial means* to be responsive to their voters' expectations (Mejia Acosta et. al. 2006). In the face of counterintuitive or contradictory reforms, avid politicians soon discovered that they could make sense of the link between electoral accountability and effective policy-making at the sub national level. After the 1997/1998 reforms, many legislators preferred to abandon their "sterile" congressional seats and sought to provide better con-

stituency service from city governments, where they had access to greater government resources and were more directly responsive to their voters' preferences.

2. *Actors, institutions and values can be dramatically affected by exogenous changes in the original allocation of resources.* The recent and significant presence of windfall revenues proceeding from exporting natural resources in countries like Venezuela, Bolivia, Ecuador and Peru has resuscitated fears that natural resources would undermine these countries' productive industries and potentially accentuate corruption and rent-seeking behavior on the part of influential interest groups, the military or the political elite. Thus far, the resource bonanza has triggered the expectations of voters and government officials to increase pro-poor spending (Weyland 2007). Such expectations however, have not been accompanied by long term spending plans, nor are they grounded on empirical projections of real revenues.[14] Thus, it remains an empirical question whether a larger allocation of resources –and the nature of these resources whether they come from international aid, natural resources or illegal money flows- can indeed facilitate greater pro-poor investment and more effective pro-poor governance.

5.2 PARTICIPATORY BUDGETING IN PORTO ALEGRE: A MICRO PERSPECTIVE

The second example to be explored is participatory budgeting, as practiced in Porto Alegre, Brazil since 1989. Participatory budgeting provides an example of pro-poor governance as it operates at each stage of the policymaking process. Through several channels, poor citizens and their representatives are empowered, mobilized into policymaking by institutions that create incentives to pursuing their interests, and imbuing the entire process with the values of redistribution and reducing poverty. In thinking of the broader governance implications, the participatory budget experience offers useful lessons of how citizen involvement can help monitor and enforce the pro-poor nature of policy decisions.

The political momentum around participatory budgeting with its origins in Porto Alegre has now spread to one hundred municipalities in Brazil and been adopted by reformist municipal governments elsewhere in Latin America.[15] In this influential Brazilian experiment the emphasis on mass participation in deliberating public budgets was central to a democratic project of widening citizen engagement and oversight in which budget priorities would more closely correspond to local priorities and popular needs.

The administration elected in 1988 initially faced a bankrupt municipal government, an opposition majority in the city legislature, and a hostile public among neighborhood associations linked to the party of the outgoing administration. To meet these challenges and mobilize support, the administration established an open system of neighborhood meetings that would make decisions on the budget (Fedozzi 2000). . The meetings allowed community movements to participate, skirting hostile neighborhood associations as well as creating a direct link between the executive and the populace that would avoid mediation through the municipal assembly (Goldfrank and Schneider 2006).

5.2.1 PARTICIPATORY BUDGETING IN PORTO ALEGRE: ANALYSIS OF POLICY MAKING STAGES

■   *Formulation:* During the formulation stage, at the start of the year, participatory meetings are held in each neighborhood. These feed into 16 regional meetings for the city, along with additional meetings that were added for five thematic areas considered of

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[14] Empirical evidence emerging from Venezuela challenge the idea that oil revenues have been efficiently allocated to reduce social and economic inequalities (Penfold 2007).

[15] Mark Robinson. *Budget Analysis and Policy Advocacy: The Role of Nongovernmental. Public Action.* September 2006. Working Paper 279. Institute of Development Studies, United Kingdom

cross-cutting importance to the city as a whole (Abers 2000, Fedozzi 2001). The tasks of the meetings are to select priorities for the neighborhoods and the themes, and also to select delegates to a citywide participatory council. To allocate funds across neighborhoods, priorities of the regions are plugged into a formula that also takes into account factors such as the infrastructure needs of different neighborhoods, levels of poverty, and population. The resulting allocation is discussed in the council and, once approved, integrated directly in the municipal budget sent to the legislature (dos Santos 1998).

- *Approval:* The participatory process integrates aspects of legitimation into the design stage, providing citizens with an opportunity to approve the budget proposal before it is sent to the legislature. Formally, the legislature retains the power of approval, and has significant power to alter the budget through amendments. Informally, however, the weight of citizen participation remains present, and legislators are reluctant to use their power to alter priorities that have been pre-approved in direct consultation with citizens. In addition, on occasions of contentious votes, such as the votes for municipal health and education services, citizens attend legislative sessions, pressuring and monitoring their representatives, to ensure accurate representation of their interests within the plenary and committee discussions.

- *Implementation:* Once approved, many of the projects selected involve direct community participation, such as the provision of services in crèches and adult literacy projects. In such instances, the close participation of citizens during the design and approval stage ensures that they are closely involved with implementation, often providing the services that had been priorities decided in the participatory process.

- *Oversight:* While implementation is ongoing, regional meetings and the council of delegates provide oversight, including periodic reports on progress in implementation to each neighborhood. In the event that projects are not being fulfilled, citizens can pressure administrators to respect the legal obligations of the budget and implement funding allocations. In addition to these oversight activities, the end of the fiscal year and the beginning of the following year are used to look back on the effectiveness of the process. If there are to be any modifications to the procedural rules of participatory budgeting, these are decided by the citywide participatory council and applied in the following year, such as changes to the investment formula, designation of regions, or structure of participation. [16]

5.2.2 PARTICIPATORY BUDGETING IN PORTO ALEGRE: ANALYSIS OF ACTORS, INSTITUTIONS AND VALUES

- *Actors:* The potential of participatory budgeting depends very much on the organizational power of poor citizens. Porto Alegre is known throughout Brazil as a relatively affluent, middle-class, organized city, in which neighborhood, professional, and civic organizations play an important role in public life. At the same time, like all cities in Brazil, Porto Alegre exhibits great inequality, with significant concentrations of poverty, especially in irregular settlements in which public services are limited. The contrast between relative wealth and poverty in the context of great degrees of social organization provided an important impetus for both autonomous civil society organization among poor citizens and a degree of pressure and opportunity for political actors to mobilize citizens in direct appeals. Poor citizens were both the most interested and the most dependent on the small-scale investment projects that were at stake in the regional meetings (CIDADE 2000). As a result, political organizations, including unions and political parties, had long played an important role in articulating popular demands in the city. In particular, many organizations attempted to patch together the middle class and poor citizens of the city in a viable political coalition. In part, participatory budgeting encouraged this coalition, providing the

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[16] In addition, once all projects have been closed, they are reported for the start of the planning cycle in the subsequent year, and factored into the deliberation over priorities and projects for the following year budget.

efficient and transparent government demanded by middle class citizens and the public services required by the poor (Schneider and Goldfrank 2006).

■ *Institutions:* Formal rules play a critical part in participatory budgets. First, the reshaping of electoral boundaries for poor districts (gerrymandering) facilitated collective actions of the poor as they became a "manufactured majority" in many regions. Secondly, participatory budgeting enhanced the workings of formal budgetary arenas. The local legislature retains the ability to approve and amend budgets, but participatory mechanisms provide the means to a) legitimize the proposal before it is sent to the legislature, and b) pressure and monitor the discussion and execution of submitted proposals. Active citizen participation is likely to produce this binding effect especially in the case of controversial votes.

■ *Values:* In addition to greater participation by poor citizens, there is also evidence that the priorities selected had a progressive emphasis. Not only were smaller neighborhood projects selected in greater quantity, but the formula for allocation ensured that the poorest neighborhoods received a larger proportion of the funding. Funds were allocated by calculating representation according to participation and allocation of funds according to indicators like infrastructure need and poverty (Marquetti 2002). In fact, the motto of the program, at least for its first years of operation, was "Inverting Priorities," making reference to the traditional attention to the wealthy and neglect of the poor that characterized Brazilian government.

6. CONCLUSION

Policy making processes are a critical area for UNDP and other development partners to strengthen poverty sensitivity not only in ensuring that all policies help to advance development that benefits the poor and other vulnerable groups in society but also for devising strategies that increase opportunities and capabilities of the poor to participate in policy making itself.

The paper has provided a framework for breaking down the policy making process and identifying key stages and components from which to analyze the sensitivity or otherwise to the poor. While each of the policy making stages (formulation, approval, implementation and oversight) might not always be neatly delineated and while actors, institutions and values might not always be conveniently separated, the framework and the example search questions provide a basis for conducting an analysis and assessment of the extent to which a policy making process is pro-poor.

The widely written about, discussed and emulated examples of participatory budgeting emanating from predominantly Latin America and increasingly other regions provide a backdrop from which to discuss the framework. They were selected for focus because such participatory budgeting programs are arguably the most innovative policy making processes and are designed to incorporate citizens into the policymaking process, spur administrative reform, and distribute public resources to the poor.

The budget governance example shows how ideological determinants affect macro economic processes with the potential for establishing associations between country cases or over time (i.e. cross country comparisons of fiscal performance data, social spending). It is therefore a useful approach for understanding broader patterns of variation across cases or over time and be an important step in identifying interactions that need further qualitative and detailed attention. While it provides more reliable explanations to observable phenomena, it can not easily identify the critical mechanisms and formal and informal institutions that influence the extent to which actors are concerned with pro-poor outcomes.

The participatory budgeting example provides a rich description of policy processes, understanding the goals, ambitions and constraints of actors given a set of fixed incentives and dominant values. These two case studies, as well as the case study examples (Latvia, India and the Philippines) of the four stages the policy making process, show different approaches for in-

cluding mechanisms that enable the interests of the poor to be voiced and realized. These mechanisms range from using surveys that capture the voice of women and socially excluded populations to inform institutional reform changes, decentralization of public services (public service user committees) that allow for greater participation of the poor and the establishment of multi-sectoral consultation systems that enable interest groups to be represented and directly involved in decision making.

The pro-poor policy making framework has multiple uses. Its most obvious use is as a tool to assess pro-poor governance in the context of reforms of policy making processes. Many development actors, national partners as well as donors see merit in making policy processes more democratic (open, transparent, representative, inclusive, and equitable). The framework not only incorporates these concerns but does so in a manner that reinforces the rights and concerns of the poor and other vulnerable groups.

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