INTRODUCTION

Effective policies, institutions and processes (PIP) are recognised as essential in sustaining livelihoods. Together, they shape poor people's livelihood options. Although the importance of policy and institutional issues is widely recognised, approaches to reform are generally poorly understood. This section of the *Guidance Sheets* focuses on the concepts, methods and tools needed to help design and manage development interventions that promote pro-poor policies and institutions.

Why focus on policies, institutions and processes?

Taken together, policies, institutions and processes form the context within which individuals and households construct and adapt livelihood strategies (see 4.11). As such, the PIP dimension of the SL framework embraces complex issues concerning participation, power, authority, governance, laws, policies, public service delivery and social relations as influenced by gender, caste, ethnicity, age and so on. In effect, they determine the freedom that people have to transform their assets into livelihood outcomes.

Policies, institutions and processes determine, amongst other things:

- poor people's access to various assets (such as land or labour);
- the benefits poor people are able to derive from different types of capital (through markets);
- the environment for private sector investment;
- the extent to which poor people are able to engage in decision-making processes; and
- individual and civil society rights.

In many developing countries, policies and institutions discriminate against those with few assets and disadvantage poor people. Such discriminatory policies and institutions undermine development efforts to eradicate poverty. It is now generally accepted that significant and sustainable gains in poverty reduction cannot be achieved unless accompanied by pro-poor reforms to domestic and international policies and institutions.

What is the distinction between institutions, policies, organisations and processes?

The words ***institutions*** and ***organisations*** are used interchangeably in everyday speech but, in the context of the livelihoods approach, they have distinct meanings.

Institutions

Policy analysts define institutions as the rules, norms and values that shape our behaviour. Sometimes known as the 'rules of the game', institutions can be:

- both formal (e.g. laws that govern land tenure, market transactions or civil rights) and informal (e.g. social customs and conventions);
- created (e.g. as a result of deliberate political or policy decisions) or may evolve over time;
- present at local, organisational, national, and international levels.

Given the number of institutions that discriminate against poor people, poverty alleviation programmes and policies can make only modest contributions to improving conditions unless institutional frameworks are reformed or created in ways that provide equity and opportunity for those who live in poverty.

Table 1 provides some examples of formal and informal institutions at international, national and local levels.

Institutional causes of poverty can include:

- Economic – institutions that restrict access to markets, land, labour opportunities, and credit;
- Legal – inadequate legal protection, victimisation by violence, vulnerability to corrupt practices by police and judiciary;

- Political – prohibition of democratic processes that deny poor people a political voice;
- Social – exploitative patron-client relations.

Table 1.	Formal institutions	Informal institutions
International	International Trade Rules that impose trade barriers or allow dumping of subsidised products	Political affinities, which influence levels of co-operation Historical links between countries manifested in favourable trading relationships
National	Property rights Labour laws (Union rights, immigration rules) Intellectual property rights	Position and attitudes towards women Patron-client relationships
Local	Movement restrictions on agricultural produce	Rules for share-rearing or share-cropping

Organisations

If institutions are the rules of the game, then organisations are defined as the 'players of the game'. The distinction between institutions and organisations is often illustrated using an analogy of a game, such as football. The institutions that define football are found in its rulebook. The organisations are the teams of players that are formed to 'win the game'. Another organisation, in the form of the referee, is also created to enforce the rulebook. Different types of games (such as football, rugby or cricket) are distinguished by differences between their respective rulebooks.

Institutions are 'the rules of the game', whereas organisations are 'the players of the game'.

Broadly speaking there are two kinds of organisations: those that configure themselves to take advantage of the opportunities created by a given set of institutions (**the players**), and those that are created to implement or enforce a given set of institutions (**the referee**).

Relationship between institutions and organisations

Institutions shape organisations and their behaviour. Using the analogy of a game again, we see that the different sets of rules for football and rugby create entirely different types of team.

Likewise, in the context of governance, different institutions create very different kinds of organisation. For example, the organisations in a country that adopts a capitalist set of institutions are very different from those that operate in a country that applies a socialist set of institutions. In the former, private-sector organisations will predominate whilst, in socialist countries, organisations are typically public-sector or collective organisations.

The distinction between organisations and institutions thus has two important practical implications:

(i) It enables us to differentiate between problems concerning organisations and their performance and those concerning institutions, which demand very different remedial measures. The issues associated with organisations and how they behave are often highly visible and tangible, whereas those to do with institutions may be invisible, yet powerful in determining how people operate in society and the extent to which people may take advantage of markets and other opportunities for poverty reduction;

(ii) It improves our understanding of how to shape the behaviour of organisations to promote pro-poor outcomes. Given the importance of institutions in shaping organisational behaviour, a programme of organisational reform will often require changes to the wider 'rules of the game' that shape the behaviour of the organisation.

Government *policy* regarding social and ethical development led to changes in the UK Pensions Act (an *institution*). Since revisions in 2000, all UK investment funds (*organisations*) are to be evaluated in terms of their economic, environmental and social performance. Many pension companies are now seeking to increase their investments in programmes with positive environmental and social impacts. Thus, policy can change institutions, which can change organisational behaviour to result in positive poverty-reduction outcomes.

Policies

Policy is defined as a 'course of action designed to achieve particular goals or targets'. Public policy is made by government to achieve particular national outcomes. Private organisations or communities may also form their own policy to achieve defined goals.

Public policies are implemented through organisations and institutions. Examples of institutions used in this way include:

- legislation and regulation;
- fiscal instruments in the form of taxes and subsidies;
- norm setting through the media.

Key organisations that play a role in the implementation of policy include:

- agencies that deliver government services;
- law enforcement agencies;
- private sector and civil society groups that deliver services under contract to government.

Some policies may operate through both institutions and organisations. An example would be forest policy, which both changed the law on access to state-owned forests and devolved decision making to front-line forestry officers.

The formulation and implementation of public policy can affect livelihoods by:

- changing institutions such that they are more or less supportive of poor people's livelihoods (e.g. land-reform measures following a policy for more equitable growth);
- changing institutions such that they alter the incentive arrangements for organisations and their relationship with poor people. Privatisation policies, for example, have removed incentives for parastatal marketing boards to purchase small quantities of products from fragmented and isolated producers, thus reducing poor people's access to markets.

Processes

Processes, in the context of SL, refer to processes of change in policies, institutions and organisations. Unlike the vulnerability context (over which people have little or no control), PIPs are not 'given' but are continually evolving. Institutions are dynamic: they are shaped and are being shaped by history, politics and social negotiation. How such polices and institutions may be reformed to support better the livelihoods of poor people is of great interest to development organisations.

The ways of identifying entry points for policy reform are examined below. This section goes on to outline ways in which pro-poor policy and institutional reform may be supported (see 5.3, 5.4 and 5.5). Those parts of section 5 focus on policy and institutional reform processes, and do not explicitly address issues concerning the reform of organisations. This is because organisational reform processes are already relatively well documented (see for example Hobley, 2000). In contrast, policy and institutional reform processes are relatively poorly understood, and yet not only directly shape poor people's livelihoods, but are also essential for improving the performance of organisations that interact with poor people.

ENTRY POINTS FOR REFORM

Impact of policies and institutions on livelihoods

Policies and institutions operate at all levels, and in both public and private spheres, where they influence the formation and outcomes of livelihood strategies. Institutions may influence livelihoods in many ways:

- The access that poor people have to assets, the benefits they derive from them, as well as incentives for the development of assets, depend upon institutional arrangements. These in turn depend upon the institutional environment, information flows, asset characteristics and the vulnerability and power of different actors.
- Institutions influence a person's social capital; the institutional arrangements that she or he is able to engage in affects their relative power within a community. A person's social capital and power determine her or his access to other assets and how much that person is able to gain from them.
- Development of institutional arrangements may reduce risk and vulnerability – e.g. through definition of property rights.
- Developing and maintaining institutional arrangements, for example sharecropping contracts, is of critical importance to the poor.

Productive and equitable institutional arrangements are more than manifestations of social capital. By enhancing dignity and freedom, they may be considered livelihood outcomes in themselves. Poor people demonstrate this by investing resources in activities that promote and sustain institutional arrangements.

Identifying entry points for policy and institutional change

Examining how existing policies and institutions relate to one another and how they influence poor people's livelihood strategies is essential in making policy and institutions more pro-poor. Livelihoods analysis can help to identify potential points of contact between policies, institutions and the livelihood priorities of the poor (see 4.1). Livelihoods analysis can also shed light on key questions, such as:

- Who and where are the poor?
- What are their livelihood priorities? (What are their most important livelihood assets and what are their livelihood strategies?)
- Which policies and institutions are relevant to these priorities?
- In what way are existing institutions and policies enabling or disabling to poor people?
- What policy and institutional environment would be most conducive to assisting people to achieve sustainable livelihoods?
- What key constraints need to be removed or mitigated?
- What procedures and mechanisms are appropriate to securing the best chance for reform?

Policy institutions may reinforce the rules and norms of family, community, cultural life, and thereby exclude some people – especially women – from access to specific types of capital.

Level of intervention

Institutions and policies interlock and overlap, making it difficult at times to recognise possible areas for intervention. One way to chart a path through this complexity to reveal appropriate entry points is to consider the various levels at which policies and institutions operate. Hierarchies of institutions may be identified that operate at international, national, organisational, and local levels (see Table 1 in 5.1).

Internationally, organisations such as the World Trade Organization determine conventions and institutions that affect the interaction of national governments for trade, and the rights and regulations that they accept and incorporate in national policies. To promote SL, we need to understand the way local contexts articulate with national and international levels. Given the cascade of linkages, reform may be needed at an international level in order to address constraints to poor people's livelihoods identified at the lowest level. However, the focus of PIP reform is usually at the national level, where most decisions on legislation, regulation and resource allocation are made, although this is changing where decentralisation has been introduced.

Saudi Arabia's trade embargo on all livestock from the Horn of Africa is a critical livelihood constraint for pastoralists, who formerly relied on trading livestock for essential food supplies from Saudi Arabia. The problem is now being addressed at an international level through the Office International des Epizooties – the livestock arm of the World Trade Organization.

Categorising institutions

Thinking about categories of institution can help to identify entry points and allow a more effective response to the multi-institutional characteristics of people's livelihoods. Five categories of institution may be identified:

- **familial** – descent or kin-based;
- **communal** – grounded in principles of trust and reciprocity;
- **social** – norms or codes of conduct derived from societal interest e.g. definition of gender roles, patron-client relations;
- **collective** – common property resource and agricultural marketing institutions;
- **policy/governance** – constitutions, legislative, regulatory and administrative norms and procedures. e.g. property rights laws, employment legislation, judicial procedures.

Some institutions may be seen as nested in others. Many village-based collective institutions are nested in the policy institutions of the government. Most institutions for common property resources also exhibit this kind of relationship. These categories and their relationships help to improve our understanding of the impact of these institutions on livelihood assets and strategies. Inter-institutional relationships may influence access to assets, and create opportunities to generate new forms of capital.

Although a livelihoods analysis will help to identify the policy and institutional reforms necessary for improving the livelihoods of poor people, additional analysis is needed to assess the prospects for successful reform. Section 5.3 outlines how policy may be reformed and identifies factors that promote or inhibit these processes. The key lessons that have emerged from successful policy reform programmes are also outlined and, together, they sketch how reform programmes may be designed.

In India, DFID supported a national review of the implementation of new watershed guidelines and the design of a field manual intended to strengthen procedures, such as monitoring and evaluation, as a result of policy dialogue at national and state levels. In Orissa, changes to State-level legislation concerning access to, and sale of, minor forest products are being considered.

In the absence of effective policy/governance institutions, villagers in southern Mali created an inter-village group to control wood exploitation and restrict access to pasture for non-local livestock herders. Drawing upon existing social interrelationships – social capital – they developed and agreed norms and practices to address the problem.

Insight

Social capital, in the form of labour is one of the most important assets for poor people. Institutions governing the use and exchange of labour therefore have important implications for poor people. DFID has developed an Action Plan to help poor men and women attain secure and sustainable livelihoods in decent working conditions. The Plan is to be taken forwards bilaterally and with international bodies through existing programmes and political lobbying, and by building on relevant international law. Priority areas for action have been identified at the national, regional and international levels. Eliminating the worst violations of international labour laws is a priority. This has meant focusing on collaboration with other agencies and governments to eliminate the worst forms of child labour and other forced or compulsory labour. DFID aims to approach governments to legislate against forced labour and will support measures for social protection and access to alternative livelihoods for people displaced from forced labour. In addressing the worst forms of child labour, DFID will support UNICEF and International Labour Organization (ILO) programmes, build on its in-country support programmes for reforming education sectors, work with NGO advocacy partners, and provide additional research, policy advice, expertise and capacity building, information and communication systems. Another priority is working with civil society, businesses, governments and international agencies to promote the Core Labour Standards as stated in the ILO's Declaration of Fundamental Principles and Rights at Work.

PROCESSES OF POLICY REFORM 5.3

This section provides an overview of the processes by which policies and institutions change, and the likely conditions under which reform typically takes place. For formal institutions, reform often occurs in the context of policy implementation. For this reason, processes to support policy and institutional reform are addressed simultaneously.

Processes by which policies and institutions are made

Policy formulation has traditionally been viewed as a linear process; civil servants, who report to a designated head or body of people, set formal policy and institutions through a rational decision-making process. However, policies and institutions do not exist independently of people. Inevitably, they are shaped by the views of policy makers, and by groups of people that are affected by policy outcomes. The processes of reform are thus rarely the products of rational decision making, but of history, politics, decision-making and negotiation by different stakeholders.

Policy and institutional reform processes are commonly:

- Incremental, in that small improvements are made to existing policy.
- Influenced by previous policy practice. New policy typically reflects the norms and standards established by previous policy. Policy narratives or paradigms (perceived facts about the ways things happen) play a strong role in shaping future policy. Radical policy reforms are hard to achieve as they often represent new and alien concepts and ideals.
- Shaped by a wide range of stakeholders. Policy and institutions define the opportunities for organisations and for wider society, and organisations of all sizes desiring favourable outcomes for themselves or their constituents will seek to influence them. A combination of lobbying, persuasion or influence may be employed in an attempt to shape policy. Organisations may form 'actor networks' with other organisations sharing a similar vision to reinforce policy norms or narratives. This means that policy-making and the resulting institutions are typically the product of negotiation between competing interest groups.
- Political. Bureaucrats are not neutral formulators of policy. They have their own personal and political agendas to negotiate and will set policy in ways that will satisfy their personal political ambitions.

Implications for reform processes

The causes of poverty can be traced to policy and institutional frameworks that discriminate against poor people. Incremental changes to existing policy are rarely an option when seeking to restore fundamental distortions in policy and institutions. Radical policy and institutional reforms may be required to address poverty. Such radical reforms run counter to natural policy-reform processes, in that they usually:

- Introduce totally new – and often alien – concepts or paradigms to the policy arena that will challenge strongly held views about the 'ways things should be done'. Existing policy narratives may need to be rejected.
- Create new opportunities for poor people and the organisations that serve their needs. In doing so, policy reform may result in certain groups of people or organisations losing out, cut off from the benefits they formerly enjoyed under the old policy and institutional regime. This group of 'losers', many of whom are likely to be well organised and influential, will strongly resist any policy reform measures. They exert their influence by revising policy reform measures such that they act in their favour, or by mediating policy implementation such that the intended outcomes are never achieved.
- Challenge the political authority and patronage of policy makers.

Policy or institutional reforms can incur considerable costs. They require new systems and will often call for the reform of organisations to implement the new measures. These barriers to change – or costs of change – are often so great that profound policy and institutional reforms rarely take place under their own volition. That said, substantive policy and institutional reform continues to take place. Lessons from successful reform programmes provide useful insights into the likely conditions under which change may occur.

Conditions that support policy and institutional change

The following factors have been observed to be important for creating policy and institutional change:

- **Crisis**. Countries that face serious crises of legitimacy, stability or sustainability may be forced to adopt drastic measures to protect themselves. In these situations the cost of NOT changing policies and institutions is greater that the cost of change. Windows of opportunity for change can present themselves at times of crises, such as occurred in the financial crisis that hit South East Asia in the 1990s.
- **Leadership** consistently plays an important role in reform situations. It is generally leaders who put reform on national political agendas, who provide a vision, who are actively involved in shaping the content of proposals for change and who spearhead the process of generating support and managing opposition to change. The emergence of strong champions of change provides an opportunity for promoting policy reforms.

Insight

In May 1996, People's Dialogue (South African NGO) and SPARC (Indian NGO), along with urban poor community groups from Asia, Africa and South America, met in South Africa to initiate a process for strengthening grassroots savings and credit schemes. Savings and credit was recognised by all participating organisations as a critical tool in the struggle against poverty and the creation of an asset base (housing). Out of this, the Slum/Shack Dwellers International (SDI) network was born. SDI now operates in 12 countries. Each national member is a federation of groups, mainly from informal settlements, which regularly meet and organise savings schemes together.

By sharing ideas and adapting them to the local context, many fundamental processes have been successfully replicated. The key to this has been exchange visits – where slum/shack dwellers swap places with counterparts in other villages, towns and countries, and share their experiences and ideas with people living in similar contexts. For example, the African savings schemes were 'kick started' by an exchange trip between South Africa and India. There are now 60,000 federation members in South Africa, whose efforts at regular saving have amounted to a staggering $1,750,000. This model was then passed on in Zimbabwe where 17,000 people are now saving, and more recently to Namibia, where there are currently 6,000 people saving.

- **Ideas** – particularly ideas about the appropriate design of institutions – are important in defining new rules of the game. Most commonly, ideas are understood as political resources, a form of capital that is used to promote particular positions or to influence the outcome of decision. Drawing on foreign influences, ideas can have a considerable impact on the types of solutions offered to deal with institutional deficiencies. The content of institutional change may often be defined through exposure to new ideas from elsewhere or by piloting new concepts in country.

Being part of an international network can result in international support and solidarity. An example of this was the railway slum demolition in Mumbai, India in February 2000. What might have been a local dispute between communities and their government became an organised international effort of solidarity which helped the railway slum dwellers obtain assets of secure land and housing.

- Initiatives for reform are likely to be sponsored by political **elites** challenging existing institutions. In what may be termed 'elite projects', important political actors have championed change, often in opposition to powerful and established interests. Changes that originate as elite projects have been identified as important in economic policy reforms, the introduction of new institutions for economic management, such as the way that central banks operate, and the reorientation of social security, health and education policies. They may be helped in doing this by crisis (e.g. hyperinflation) or by particular conditions such as supportive public opinion.
- The **social organisation of the poor** is very important in a reform process (sometimes referred to the **demand** side of policy reform). It can raise the significance of issues of poverty, deprivation and inequality for political elites. Experience indicates that reform initiatives are frequently contested, even after they have been decided upon and put into practice, particularly by those whose power they may reduce. This can cause failures in sustaining reform or in its impact. One implication is that beneficiaries of the altered rules of the game need to be supported to protect the new institutional arrangements.

Insight

Youth and children in Barra Mansa, a municipality in the state of Rio de Janeiro, face problems of school exclusion, few job opportunities, urban violence and drugs. The local authority is committed to a participatory programme to promote civil rights, equality and social justice. The municipality, supported by the Municipal Secretary of Education, is implementing a programme to promote and institutionalise young people's participation as citizens. Two initiatives within this programme are the Children's secretariat and the Children's Participatory Budget Council. The Secretariat seeks to familiarise children with the workings of the municipality and the exercise of participatory democracy by integrating them into local decision-making processes. The Children's Participatory Budget Council allows young people to participate in decision-making with respect to the city budget, parallel to the adult Participatory Budget Council.

Exposing partners to existing successful SL projects and programmes may help to build relationships for policy and institutional change. Lessons learned can be extrapolated to the policy level.

Implications for design

People create policies and institutions. They are the outcome of existing policy paradigms, politics and the power and the influence of different stakeholder groups. Reform therefore requires investment in the **management of change**, a strategy that focuses on the ***process***, or the means by which pro-poor policy and institutional reforms can be brought about. A management of change strategy will entail:

- **Planning for change** – reflecting, developing a vision and building concepts.
- **Identifying 'change agents'** – individuals or groups who will lead change.
- **Recognising and managing barriers to change** – predicting the reaction of individuals and groups to the proposed changes. Opposition can be expected from people who are either unable to accept new ways of doing business, or from groups of people who stand to lose from new policy measures.
- **Building support for reform** – explaining the need for change and the ways in which people will benefit.
- **Reforming organisational structures** – to accommodate new ways of working.
- **Mobilising resources** – political, financial, managerial and technical resources are needed to sustain reform.
- **Consolidating change** – ensuring that the motivation for change is maintained and, later, mainstreaming the new way of working so that becomes part of normal procedure.

Insight

The World Bank Institute's Water Policy Capacity Building Program helps countries to choose policies that are conducive to the sustainable management of water resources and delivery of water services. Interacting with champions and supporters of reform, as well as with their adversaries and sceptics, the Program gained a unique perspective on the dynamics of the politically sensitive process of reforming water policies in countries that showed a strong commitment to change. The Program targets people and institutions who make, influence or implement policy through:

- **Policy learning events**. These are tailor-made, country or region specific learning activities (workshops, seminars, study tours) to support policy reform in the water sector. Such activities take place early in the policy reform process, disseminate best practices and current thinking on cutting-edge issues, and share lessons of experiences;
- **Support to networks** and outreach activities. This may entail promoting exchanges of people and knowledge, which strengthens networks. Outreach improves and expands public awareness and understanding of water issues and their potential solutions.

Given that policies, and the institutions through which they are implemented, are contested, it is important to know who has the power to influence policy, and in what directions. Clearly, not all groups have the same capacity to exercise influence. Section 5.4 examines how different stakeholder groups are able to exercise power over policy content and implementation, and outlines ways in which stakeholder interests can be managed to ensure pro-poor outcomes.

MANAGING STAKEHOLDER INTERESTS

The importance of stakeholder interests in reform processes

Many institutions are created to service the interests of those with the bargaining power to design the rules.

Given the diversity of livelihoods within any one country, specific policies are likely to be more supportive of some livelihood strategies than others. Policy and institutional reforms will therefore affect people in different ways. New policies often reconfigure roles, structures, and incentives, thus changing the array of costs and benefits to implementers, direct beneficiaries and other stakeholders. Some groups will benefit from changes (the 'winners'), whilst others may lose certain advantages that they enjoyed under former policy and institutional arrangements (the 'losers'). Individuals and organisations will seek to influence the reform process to ensure favourable outcomes. However, power and the ability to influence are rarely evenly distributed. Some groups are able to exert greater influence on policy reforms than others are. If pro-poor reforms impact negatively on influential groups (potential losers) then they will seek to undermine the reform process. On the other hand, potential winners, especially poor or marginalised people, may be too weak politically to drive change in their favour. A reform programme must recognise the influence that potential winners and losers can exert on policy reform – and manage these conflicting interests so that the outcome is pro-poor.

A stakeholder analysis helps to identify potential winners and losers and the relative power and influence that different groups can exert on policy formulation and implementation (see 4.4). A stakeholder is any person, group or institution with an interest in a policy outcome. This definition includes both intended beneficiaries and intermediaries, winners and losers, and those involved or excluded from decision-making processes.

Identifying stakeholders and their interests

A stakeholder analysis distinguishes between primary stakeholders (those that are the intended beneficiaries of reform) and key stakeholders (those who can significantly influence the outcome of the reform process, but who are not necessarily the intended beneficiaries of reform).

Stakeholder analysis aims to:

- identify and define the level of influence of primary stakeholders;
- identify and define the characteristics of key stakeholders;
- assess the manner in which they might affect or be affected by the intervention;
- understand the relations between stakeholders, including an assessment of the real or potential conflicts of interest and expectation between stakeholders; and
- assess the capacity of different stakeholders to influence reform processes.

Involving those who stand to win or lose from policy or institutional reform, or who may influence the reform process, helps to make the interests of key stakeholders transparent and to build ownership of the reform process.

Balancing and managing stakeholder interests

A stakeholder analysis will identify key players in a reform process, but offers no practical guidance on how to resolve the conflicts that arise when reform initiatives are contested by different stakeholder interests. This is where stakeholder negotiation – also known as stakeholder engagement or consensus building – is required. Stakeholder negotiation is a process of discussion and/or decision-making among different parties with different interests and values at stake in a particular situation. Stakeholder negotiation brings together a diverse range of disciplines including politics, law and business management.

Principles of consensus building

- A full stakeholder analysis (including those who may contribute to resolving or exacerbating disputes);
- Accommodation of cultural differences in the design of capacity building and negotiation strategies;
- Acknowledging and transforming perceptions;
- Opening communication channels;
- Developing a level playing field for genuine collaborative negotiations;
- Building rapport;
- Focus on underlying needs and motivations;
- Identifying and exploiting the common ground;
- Brainstorming creative options and widening field of potential solutions;
- Facilitation of mutual gains;
- Testing agreements for financial, technical and democratic feasibility.

Conroy et al. after Warner, M., 1998.

A key part of the consensus-building approach is to identify appropriate capacity building options. These may include:

- building upon customary approaches to dispute resolution (e.g. by providing training in negotiation skills);
- training community leaders in ways of mediating conflicts between their community and external organisations;
- training legal representatives in facilitation and mediation to find 'win-win' solutions (e.g. local land mediators);
- involving powerful stakeholders in the process, otherwise they will block negotiations and attempts at implementation. Attitudinal change can be facilitated by involving decision-makers from the beginning;
- identifying the incentives that can motivate people to co-operate and support the reform process. In many cases, a compensation package may need to be negotiated to secure the support of potential 'losers' to a particular reform programme.

Implications for implementation

A programme of policy reform should build in-country capacity to manage and negotiate different stakeholder interests. Successful policy-reform iniatives are driven by change-management teams that comprise representatives from key stakeholder groups who have been trained in conflict management, negotition and faciltiation. The use of such teams helps to create ownership and support for reform from groups that might otherwise sabotage the implementation of new policy.

Stakeholder negotiation is one way of balancing the influence of powerful interest groups with that of less powerful groups. It does not on its own address the fundamental imbalances in power that allow some groups to have more influence on the reform process than others; reform initiatives may therefore need to be accompanied by programmes to promote poor people's contributions to, and influence over, the reform process. Section 5.5 examines the ways in which poor people can be empowered to participate in and influence policy and institutional reform processes. Initiatives that promote a more equitable balance in power and influence within society increase the prospects for effective policy implementation and pave the way for more equitable policy and institution-setting in the future.

POLICY REFORM

BUILDING OWNERSHIP AND PARTICIPATION 5.5

Stakeholder participation is a process whereby those with rights and/or interests plan and decide on policies and activities that affect them.

Why promote participation in reform processes?

Institutions and policies reflect the physical and social needs, capabilities and political interests of those who designed them. Thus, they tend to reinforce the interests of more powerful groups within societies: rich before poor, men before women, adults before children, urban before rural, transnational corporations before national interests. Participatory processes for reform in policy and institutions aim to reverse such trends to ensure more equitable outcomes and more secure livelihoods for the poor.

Participation checklist

The following questions may help in the design of participatory policy reform processes:

- Who are the key stakeholders who might participate in policy and institutional review processes, and what are their potential interests and contributions?
- What mechanisms and opportunities for meaningful participation exist, and to what extent are important stakeholders able to make use of them?
- What scope is there for participation in the policy and institutional reform process, and how can the participation of stakeholders, particularly primary stakeholders, be brought to light?
- What indicators suggest that participation actually resulted in influence and shared control over reform decisions?

Ways of securing participation

For more than two decades, participatory methodologies have proved effective in enabling people to take greater control of the development process. However, with few exceptions, efforts have focused on increasing local participation. More recently, this has broadened.

Formal Planning Processes

Some countries have managed to engage the direct participation of poor people in the formal planning process. Participation can be promoted by holding workshops and events throughout the country where participants can engage in debate. Examples of such fora are national strategies for sustainable development, land policy reform, and participatory poverty assessments feeding into PRSPs.

Insight

One recent example of pro-poor reform is the Programme for Eradication of Poverty in Uganda. This called for support from central government, local government, civil society and donors for Government and making use of existing data and research to refocus public policies and interventions to be pro-poor. The programme has emphasised process and wide consultation using tools, such as workshops and participatory techniques, which involve all stakeholders (from civil servants to villagers). The process has involved gradual changes in ideas, language and in priorities. The Ugandan government has been quick to translate the programme into its budget and spending framework and public expenditure on basic services has already increased dramatically. Donors are supporting the Ugandan government in testing new ways of working and providing budgetary support to help fund appropriate public good and capacity-building investments.

Developing effective channels of communication between poor households and the central policy network is one of the biggest challenges of adopting a SL approach to policy reform.

Communications and media

New kinds of communication and dialogue are required for broader stakeholder participation and this can be promoted by the use of various media. For example, participatory video is an immediate and powerful tool that enables villagers to present their priorities visually and to open dialogue with policy-makers and local authorities. It overcomes literacy barriers and permits different groups of local people, rather than outsiders, to present their own views and interpretations. The response of policy-makers can also be recorded and the process of dialogue continued through time. The intensive process of facilitating representation can incur considerable costs. However, these should be compared to the costs and risks that would be incurred as a consequence of developing inappropriate policies.

The Shelter Forum (SF) is a formal network of 600 community groups and NGOs, which was set up in Kenya in 1990. Its goal is to *facilitate sustainable access to affordable and decent shelter for all.* SF restricts its activities to providing information and networking while its members look after housing. SF has managed through lobbying and negotiation to change building standards and planning codes so as to benefit poor communities.

Insight

Rural energy programmes in Malawi have been focused on the distribution of improved stoves. However, these programmes were found to be unsuccessful and few of the stoves were adopted by villagers in practice. Participatory research showed the complexity of rural energy problems and their causes, and highlighted the need for cross-ministry approaches to resolving them. Villagers debated their problems and identified communication strategies. Some of the problems identified required internal negotiations and some required dialogue with authorities. The villagers made their own videos and showed these to national level policy-makers, which contributed to the reform of the national Energy Strategy. Staff from the Ministry of Energy and Mining and the Forestry Department were involved in the research from the beginning to increase ownership of the findings and to increase the likelihood of implementation of the findings.

Civil society organisations

In practice, most citizens influence policy by working through some collective action or civil society organisation. Civil society organisations represent their members' interests in a number of ways, including lobbying, representation on public bodies, and participation in consultative processes. In many developing countries, however, lobbying can be seen as a difficult and risky activity, which requires resources and specific skills. Strengthening the capacity of civil society action groups to lobby for, and negotiate in, policy reform processes is an important way of promoting pro-poor policy and institutional reform. Such civil society organisations might include community-based organisations, producer associations, unions or NGOs concerned with civil rights.

Insight

As stated in the Action Plan for Secure and Sustainable Livelihoods in Decent Working Conditions, DFID will avoid working directly with Governments that deliberately use forced labour as a political tool to enforce social exclusion, marginalisation and poverty; the Burmese regime is an example of this category of government. Where possible, alternative development support will be provided in collaboration with civil society. DFID will work through UN organisations to discourage direct contact with such Governments, outside of addressing public health issues, and so encourage international pressure for internal domestic reform.

Building capacity for poor people's participation in policy reform

The voice of poor people and their demands for policy reform are often mediated through government agencies or other secondary stakeholders. Many such agencies are ill prepared to adopt more participatory, client-focused consultations. Participatory reform often needs to be accompanied by programmes that address the value systems and capacity of these mediating agencies such that they are willing and able to listen to - and act upon - the concerns of poor stakeholders.

Institutionalising participatory approaches

Building capacity for promoting participation in policy and institutional reform is critical. However, capacity building alone is unlikely to improve participation in the longer term. Participatory policy reform processes must become embedded within the political economy of the country. This often requires the legitimisation and protection of the rights of poor people to exert their demands over policy. New institutional arrangements (or sets of rules) are thus often needed before poor people can participate in, and shape, the reform of other institutions. Institutional arrangements that promote pro-poor policy influence include:

- The decentralisation of decision-making powers to local authorities or communities as a means of bringing policy-mediating organisations closer to the voice of their constituents.
- Making public organisations accountable to civil society, so creating incentives for public organisations to listen to, and act upon, the needs of poor people.
- At a higher level, constitutional changes may be required to legitimise civil society groups, to permit freedom of speech (including the liberalisation of media) and to allow civil society to sanction the actions of government (by, for example, ensuring regular open and free election of government).

Insight

In Western Orissa, a sustainable livelihoods approach was used to broaden earlier DFID ideas for a watershed development programme. People's livelihoods were less dependent on natural resources than expected, partly because the poor had such limited access to these resources. Livelihoods analysis identified that poverty was related to social institutions (e.g. bonding of land and labour by moneylenders, caste) and limited government capacity. A SL approach helped to identify how to empower the poor to break existing cycles of impoverishment. The approach suggested strengthening poor people's access to capital assets and working at policy and institutional levels to strengthen the capacity of the public sector, local government and NGOs jointly to design and implement poverty-focused programmes. Livelihoods support teams are to be deployed to analyse the livelihood needs of the most vulnerable, initiate social organisation and capacity building, and facilitate negotiation of resource rights for the poor. A crucial role for the support teams will be to facilitate confidence-building to enable groups to recover mortgaged assets, access government programmes, ensure fair return from labour contracts, and reduce dependence on money lenders. Activities have been planned sequentially. The project aims to build upon assets in uncontested domains initially, before embarking on activities more likely to be contested.

The project recognises the importance of working to develop an enabling policy environment. For example, without improvements in land-tenure policy and implementation, it is questionable whether the benefits of investments in land and water resources will reach the poor. An important window of opportunity for the project to influence policy is the policy on non-timber forest products (NTFPs). Opportunities exist for improving the rights of NTFP collectors and their organisations to collect, process and market NTFPs but as yet lacks the support of the State government. Such rights need to be supported by a pricing system to prevent exploitation by middlemen.

Many examples of decentralisation, or more broadly 'designing structures and programmes such that they strengthen the hand of local-level civil society advocates for the poor' have proven positive. This trend should give rise to processes that are much more supportive of a SL approach. In Uganda, transparency in central-local disbursements, incentives for good performance, and information sharing on the performance of local government have increased accountability and responsiveness to the needs of poor and marginalised people.

Insight

'Over the past few years, it has become clear that where local government has decentralised powers, and civil society is buoyant, the gains for poor urban people can be substantial. There are a number of examples where city authorities have changed their policies or procedures to provide more scope for greater participation by grass-roots organisations in municipal plans and actions. Examples include participatory budgeting in Pôrto Alegre and other Brazilian cities, and the participation of low-income squatter groups in determining the location, timing and form of their relocation in Mumbai, India'. (*DFID's Urban Poverty Reduction Strategy*, 2000)