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**Institutionality of Poverty Reduction Policies and
Programs in Latin America.**

Carlos H. Acuña
Universidad de San Andrés

Fabián Repetto
Inter-American Institute for Social Development - INDES

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Executive Summary

Institutionality of Poverty Reduction Policies and Programs in Latin America

Carlos H. Acuña (Univ. de San Andrés) & Fabián Repetto (INDES)
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This study is an integral part of the efforts undertaken by the Inter-American Development Bank's Poverty Reduction and Social Protection Network concerning the discussion and dissemination of the lessons learnt on poverty reduction and social development strategies developed in Latin America and the Caribbean. The underlying purpose of this study is twofold. First, based on particular studies carried out by the other members of the team of experts devoted to this Network study (Ignacio Irarrázaval, Claudia Serrano, Ignacia Fernández and Nuria Cunill Grau), this initiative features a comparative approach primarily focused on the challenges participation, decentralization and intersectoriality raise for poverty fighting policies. In second term, this paper defines a methodology for analysis of the characteristics of the political and institutional framework where Poverty Reduction and Social Protection Policies and Programs are applied in Latin America.

Accordingly, this endeavor has two different start points. First, it defines poverty –as a matter of public policy- as a political and conceptual structure, and specifies how a series of routes to define and measure poverty determine various conclusions on the processes and priorities involved in a single issue. Second, it offers a summarized overview on how poverty-fighting institutions and strategies have evolved in Latin America.

The first aspect of the lessons learnt from a comparative analysis of poverty fighting in Latin America refers to the fact that poverty reduction strategies need to fall apart from universal formulas: Latin America exhibits very diverse social and national conditions, and very different types of poverty. The second highlight is that regardless of what institutional framework is pursued, it will always inhering the preexisting (historic) pattern concerning formal and informal rules, and will always need to be in line with how the governing coalition (involving other actors in addition to the administration itself) defines poverty in terms of its causes and potential implications.

In this context, the prevailing practice over the last couple of decades of focusing on decentralization strategies' dynamics and outcome evidences the need to move from a fairly unfruitful "decentralization vs. recentralization" debate towards one focused on weighing the significance of building and/or rebuilding adequate intergovernmental relations that are consistent with every country's reality and every government level's comparative advantages. Among the conditions that are likely to promote proper intergovernmental relations, this paper highlights: the ongoing political will of all the parties involved, rather than of merely one of them; a clearly specified and contextualized decentralization "agreement"; the suitable technical capacity at the various management levels, consistent with the new responsibilities assigned in every particular case; the sound and efficient information systems capable of generating comparability and reporting on strategic and day-to-day decision making.

Concerning participatory experiences, findings show that promoting a new institutionality aimed at improving actions to fight against poverty fails to result in neutral processes in terms of power-relation aspects. Whenever strategies of this nature are undertaken, the following steps need to be observed: a) Giving up the illusion that actors "combine" power as part of a growth micro-to-macro process, as the resulting policy dynamics may allow actors to participate in some arenas or fields and prevent them from joining others; and b) consequently, focusing on matters in the best interest of the poorer groups, which will remain alien to the process regardless the relative progress made in including them. Any

strategy failing to acknowledge this diversity and its particularities risks including/*empowering* the poor in a scope or theme, while it excludes/reproduces the weakness of the poor in others.

On the other hand, the political and bureaucratic resistance resulting from participatory strategies confirm that the processes of institutional change aimed at improving the outcomes of the fight against poverty cause prior power balances to grow imbalanced and redefine the social influential capacity not only of the poor, but also of those who do not belong to this category (e.g., bureaucracies in charge of implementing policies and programs, middle classes or even workers organized under some kind of association). Accordingly, those are the processes that necessarily create resistance and involve threats, risks and conflicts. For processes to succeed in building a new, now comprehensive, balance that allows poverty to be overcome, the driving strategies need to acknowledge both their complexity and their natural conflictive nature. In short, the key is admitting that every process of institutional change aimed at promoting poverty reduction/elimination involves challenging a pre-established and exclusive arrangement. History shows that including those formerly excluded involved traumatic processes that many times ended up in serious tensions and conflicts. In this sense, poverty reduction is inherent to building democratic systems not only more efficient, but also fairer and more legitimate, which involves an improved management of resources (certainly, enhanced management capacities), and strengthening and actual observance of rights, which moves these strategies from the strictly technical-bureaucratic field to a ethical-regulatory environment and, through this very alley, into policy-making.

As previously stated, intersectoriality is a component of integrality; hence it is an irreplaceable element in the policies and programs aimed at fighting poverty. Consequently, it is most urgent to pay particular attention both to the “integrating mechanisms” and the “integrating rationality” necessary to give intersectoriality policy and technical foundations. Subsequently, the aforementioned raises a major challenge for the actors related to the fight against poverty as a whole, and particularly for that central body accountable for promoting intersectoriality.

The issues identified regarding intersectoriality highlight, first of all, the major role played by formal norms that assume they can “rule” wills, interests and resources of conflicting groups and/or organizations, yet no significant outcome may be identified in practice. An extensive and far-reaching legal framework fostering coordination has been identified in some countries, although actual synergies remain unseen. A second focus element that is closely related to the foregoing issue refers to neglect for unwritten rules that govern the policy-making conflict. The steep operational costs resulting from the poor quality of many unwritten rules have a direct impact on the possibility to formalize integrality-boosting interactions in social matters, as there is little room for developing and observing agreements aimed at enhancing social equality in the long run. The third aspect highlighted is lack of confidence by the very players regarding the core components of social institutionality. Certainly, if the general and particular rules of the game affecting management fail to promote confidence and encourage commitment among the parties involved, little success will be attained in terms of a valuable policy and program coordination.

Findings on decentralization, participation and intersectoriality disclose a complex set of various actors with different interests, perceptions and resources, as well as rules of the game –some formal, other informal- concerning levels and impact also very diverse depending on the cases and/or circumstances involved. The decentralization, participation and intersectoriality logics are just as diverse as their outcome and level of “transmission” of a lesson from one society to another. Moreover, the conclusions reached on institutionality of poverty-fighting in Latin America also show that, a) greater empirical information seems to be required (especially in view of Latin America’s characteristic heterogeneity) on how the different types of decentralization, participation and intersectoriality affect the fight against poverty and, more importantly, what happens when different types of each of these three institutional arrangements are combined; b) designing better poverty-fighting institutions also implies the recognition of significant potentialities of centralized, non-participatory and sectoral matters; c) building and increasing capacities must be the guiding principle of any institutional design aimed at fighting poverty, not only in the state sphere (at the national, sub-national and local levels), but also in the civil society arena; y d) although the institutional framework and its hierarchical structures deserve

some attention, the main focus should be on strengthening intermediate institutions that help create the conditions to ensure continuity of those social policies that are pertinent to a successful fight against poverty.

Finally, this initiative develops a methodology for analysis of the institutionality of the poverty reduction and social protection policies and programs applied in Latin America by defining:

- the variables required for analysis (institutions and actors);
- the capacities and dimensions affecting the feasibility and appropriateness of various poverty reduction policies: policy, budget and organizational capacities;
- the characteristics of the decision-coordination-conflict system and various subsystems (arenas or battlefields) where these variables operate (that is, where the impact of the institutional structure managing them, and where poverty-fighting actions by the influential public actors are sensed).

The methodological approach stresses the notion that the actors influencing poverty reduction policies operate at various political environments and subsystems. These institutional fields where actors interact are the pieces or layers of the puzzle, the articulation of which defines the political and institutional capacity supporting the development and implementation of poverty reduction strategies. Ultimately, subsystems are the arenas, fields or games structuring power distribution, options and incentives where and regarding which players display their strategies. Their articulated nature only confirms the fact that actors perform in several arenas simultaneously. Accordingly, their performance not only results from their inherent resources and ideology, but does also stem from mixed and even contradicting incentives imposed by the arenas (or games) in which actors participate. In this sense, preventing disaggregation of the political and institutional analysis of these “parts” or “pieces” is impossible, as their articulation supports the institutionality that provides the foundations for poverty reduction policies and programs.

Finally, this discussion defines a strategic and priority nature referred to as “governance/coordination subsystem” within the institutional system that articulates the fight against poverty in a society. The core administrative role of this organism or institutional space in generating cohesion and the coordinated actions involved in the fight against poverty is the element that justifies its leading position among analysis activities. On the other hand, this core nature also involves political implications: no governance or coordination will be possible among the major poverty-fighting institutions and actors until the very same governance and coordination issues have been solved within the organism acting as the governance/coordination subsystem of the fight against poverty. Without sufficient autonomy, cohesion and collective action capacity for this national management/leadership body to perform its duties, the chances to generate and support efficient and effective poverty-fighting strategies at national level will be non-existent. Consequently, from the methodological, political and institutional points of view, the governance/coordination subsystem appears as the starting point of any analysis, and should also be the starting point of the political, institutional, budgetary and organizational strengthening of the poverty-fighting system as a whole.