

CONCLUSION OF NOPOOR FINAL CONFERENCE

1. The theme of governance, quality and corruption has not been explicitly addressed, yet it was underlying many presentations. And governance matters in so far as it conditions growth which partly determines poverty and the emancipation of marginal groups.

A few examples discussed during the conference illustrate this:

- In Mozambique, the proceedings from sovereign bonds have been mismanaged: the funds destined for a specific purpose were diverted to another purpose (acquiring boats for the military navy instead of investing it in fishing). In other countries (such as Ghana and Côte d'Ivoire), funds obtained from sovereign bonds issues have been better managed, and the question arises as to what explains these inter-country differences.
- Madagascar stagnates economically and along many other dimensions owing to pervasive corruption of the political regime. Corruption is so entrenched that even the relatively well treated workers of the Export Zones (EPZs) remain poor in their big majority. The central question is therefore how to combat corruption so as to release positive dynamic forces?
- In Peru, we learn that women have no trust in the effectiveness and impartiality of social protection institutions. This mitigates the effects of policies designed to reduce domestic violence, for example.
- When a Peruvian Non-Governmental Organization (Soluciones Practicas) endowed grassroots associations of extension agents in remote areas of the highlands, the revolving fund eventually disappeared and accusations or suspicions of embezzlement and/or mismanagement led to the termination of the credit programme. As individuals, however, the extension agents turned out to be quite performing because they were considered as free operators allowed to act on a profitable basis. Failure happened when collective organizations were designed to help them overcome credit market imperfections.
- Nepal is a remarkable country from the viewpoint of village- or community-level forest groups as they have been established all throughout the country and over a long period of time. It nevertheless appears that collective actions in these forest groups often end up being appropriated by local elites, so that their effect on economic equality is disappointing.
- Political manipulation and clientelism frequently thwart the effective implementation of national programmes aimed at reducing poverty, such as the Employment Guarantee Scheme in India (particularly in the case of Rajasthan state) or the National Office for Emergencies in Chile. In India, it has been observed that local authorities distribute work preferably to households from their own villages or their own political

party. This distortion is especially pronounced when elections are close so that competition between dominant parties is strong.

2. It is not always clear that fraud is at stake since mismanagement may also arise from a lack of capacity.

- There is a clear need for support of the management of public investments. This implies a move from the rather narrow concept of aid effectiveness to the broader idea of development effectiveness, as stated in the Busan Agreement.
- There is a need for capacity-building initiatives as well as for effective monitoring mechanisms and incentive systems.
- There may also be a need for more resources: for example, emergency interventions in Chile, especially for house reconstruction, have been under-funded.

3. The difficulty to decide whether poor achievements are due to low capacity or to genuine fraud is often caused by a glaring lack of transparency and accountability at official levels.

This is true even in Ghana, a country heralded as a democratic success in Sub-Saharan Africa because of its seven consecutive free elections since 1992 and the accompanying shifts of the party in power. The main cause for concern arises from political patronage, which has expanded quickly during the last decades. Moreover, a top-down structure based on strong presidential powers impedes a widespread diffusion of responsibilities. Finally, it appears that democratic elections have apparently not succeeded in eradicating corruption, the misuse of resources, and the decline in the quality of public services.

Hence the question of the sustainability and the equity effects of democratic achievements. In particular, when there is a lot of voice yet low accountability, can democracy lead to inclusive growth ? This characterization seems to apply well to Ghana where there is a remarkably free press and democratic elections, but where accountability of high-level officials is low. No rights to information have been enshrined in the law, which may reflect the fact that citizens cannot obtain explanations from officials and bureaucrats.

4. Effective development is not necessarily associated with democratic regimes

Two African countries which have been mentioned in our discussions and are commonly referred to as model cases of effective development are Rwanda and Ethiopia. Yet, these two countries are strongly authoritarian and voice is strongly suppressed by their ruling regime. An interesting feature is that in these two countries political elites have not been born of traditional elites which have been removed as a result of big political shocks (the Mengistu revolution in Ethiopia and the Tutsi takeover in Rwanda).

Madagascar is a good counter-example: there, a self-serving traditional mobility has maintained itself in power, using strong power networks. What we have then is a non-democratic regime that has not served the purpose of encouraging development. The hard question is whether self-serving such elites, disconnected from the people, will be one day able to transform themselves into progressive elites caring for the people ? Or will they need to be overthrown ?

5. Anti-poverty public interventions

Conditional cash transfers is a major poverty-reducing programme that consists of making direct transfers to poor families on the condition that they fulfil certain stated conditions.

- In Mexico, the programme known as “Progresa” plays an important role: women play a central role in directing benefits to children and they also benefit from new independent incomes leading to empowerment. In Brazil, the programme “Bolsa Familia” is run in parallel to a minimum wage policy so that incomes can be increased outside the formal sector. During the period 2000-2016, the real wage in the Brazilian formal sector has doubled, and because the minimum wage represents the minimum value of pensions in the contributory social security system (touching 15 million people), this has caused a reduction of 50 percent in the Gini measure of income inequality.
- In both countries, implementation of the programme is rather effective.
- With regard to Brazil, there is a need to improve labor productivity in public employment programmes in order to raise the minimum wage prevailing in the formal sector and to keep inflation in check. There is also a need to raise productivity in the informal sector so that benefits percolate to the workers of that sector too: this implies that new techniques are made available and effectively diffused by competent and motivated extension agents (see the experience of Soluciones Practicas in the Peruvian Highlands).
- The country with the longest and most impressive experience in public work programmes is India. Under the Employment Guarantee Scheme (EGS), a maximum of 100 days of employment per year is guaranteed to each household belonging to pre-determined categories. If an employment is not provided within 15 days of a request, an unemployment allowance must be paid to the frustrated worker. One of the key problems is the supply of a sufficient number of jobs of sufficient quality (productivity). Because this condition is not necessarily met, a rationing of the jobs available often takes place, and the temptation is then high to allocate these jobs in a discriminatory manner (see above).
- Labour standards need to be raised as well if wage increases are not to be obtained at the cost of worsened working conditions. Here is an extremely difficult issue because standards about labour conditions prove to be quite difficult to enforce in the context of developing countries. This is attested by the apparent lack of effect of international

Free Trade Agreements (FTA) that include labor standard clauses. The new tendency in bilateral FTAs is therefore to omit such clauses.

6. Educational programmes

A general failure of many governments in developing countries lies in their unsatisfactory provision of public goods which are underfunded and/or ineffectively supplied. One striking example is education. It is a typical feature of a large number of poor countries that even when enrolment rates are high education is of generally low quality. It is therefore not surprising that various formula are being tried to remedy this situation.

- Thus, the recent experience in Vietnam suggests that a mechanical increase in learning time is not sufficient to achieve results, in terms of either enhancing skills or reducing inequality of opportunities. Apparently, what is needed to achieve significantly better results is (1°) better training of teachers; (2°) a more direct support of children from poor social background; and (3°) larger non personal expenditures.
- In this third respect, a recent experience with high schools in South Africa has shown that additional non personal funding increases student throughput from grade 10 to 12 (2 percent more students remain in school). However, no impact was detected on the quality of schooling. This absence of impact cannot be attributed to a misuse of funds: funds provided for non-personal expenditures were effectively used. The main reason behind the missing impact on schooling quality is the following: there is an incentive for school administrators to use the additional funds for recruiting more students rather than for improving the quality for existing students.
- How, then, do you improve the quality of learning ? The discussion suggested that “more targeted policies” are required. Yet, the question is which ones precisely are likely to be successful. For example, should local governments impose learning classes on teachers, or make efforts to better select them ? Or else, should they provide funds to schools partly as a function of their achievements, controlling for differences in students average social backgrounds ?
- One key aspect of the problem, which has not received enough attention in the development literature, is the harmful role of teachers’ unions. These unions, as attested by cases of Mexico, Pakistan, and India, are often self-serving organizations ready to sacrifice schooling quality to the promotion of the selfish interests of their co-opted members. They are often largely responsible for the shockingly low intellectual quality of the teaching staff which may actually not be higher than that of their pupils. To remove their perverse impact, there is no escape from a political solution that requires political leaders to curb the unions’ power. This may not be easy, however, since union leaders are often colluding with political ones.
- Turning now to the equity effects of education, it is important to bear in mind that better education is not sufficient to ensure higher equality of opportunities: social background matters. This is illustrated by the experience of India, which shows that:
 - Non fee expenditures are less easy to finance by poor families.

- Pupils from lower social backgrounds reach the high years of the high school system less often than other children and when they do, they are less likely to accede to good jobs. This is true even if we control for results at final exam supposed to measure ability. The key behind this latter result is that other skills than pure intellectual ability matter for professional success, and these include non cognitive skills such as the ability to relate to others, self confidence in introducing oneself to others and to potential employers in particular, etc. It is therefore not really surprising that poor Brahmins (high caste) have a significantly higher probability to find a good job than poor Dalits (Untouchables).

7. Aid and trade relationships

Three issues have been raised:

- The impact of Free Trade Agreements on growth and poverty reduction appears to vary significantly across the countries of West Africa. This raises the immediate question as to which are the factors responsible for such variation.
- Intra-regional trade in Sub-Saharan Africa is remarkably low. Inside West Africa, it does not exceed 15 percent. How to improve that situation is an important issue the solution of which conditions growth prospects in the continent. In particular, one wonders how Free Trade Agreements could be better articulated with regional integration objectives.
- The aid stage has been dramatically transformed during the last decades with the emergence of new donors. Among these new donors are the BRICS (India, China, Brazil, ...). The question arises as to whether in allocating aid they follow the same principles as the old donor community. If there seems to be some evidence that new donors are concerned with reducing poverty in the beneficiary countries, geo-strategic motives also guide their process of aid allocation.

8. Non-Governmental Organizations (NGOs), civil society movements and human rights

Emphasis has been put on the role of Non-Governmental Organizations in fighting against discrimination, protecting interests of marginalized groups, and forcing local governments to be accountable. Some participants suggested that, on those grounds, governments in developing countries ought to be encouraged to support their national NGOs. This is a questionable position, however. As a matter of fact, in many of these countries the polity is run following a patronage logic that goes from top to bottom. Efforts to give official support to local NGOs and civil society movements risks entailing a loss of autonomy in so far as official support tends to be extended through co-option. In other words, to control what are perceived as potential political rivals, the governments in developing countries are often ready to provide financial means considered to be rewards for political loyalty.

The historical experience of Western Europe is worth recalling here: social actors and movements in countries such as England, Belgium, the Netherlands and Scandinavia were born and developed as grassroots initiatives that self-financed themselves through voluntary contributions of members. As a result, they were truly independent from the government and their strength and legitimacy rested on that attribute: they were perceived as unambiguously representing the interests of the groups behind them.

The same problem actually arises in regard of the support granted by external donors to local NGO's. It, too, can have perverse effects if it is considered by local governments as an unacceptable meddling of foreign countries in their own national affairs. This risk is especially serious when the activities of the local NGOs revolve around human rights and other socially and politically sensitive issues that challenge political power and deep-rooted elements of the local culture (for example, gender roles and women's rights). It may thus be the case that objectives of donor countries are better achieved through indirect interventions or through sheer abstention than through more or less public support. This is perhaps best attested by the impact on democratic practices of return migrants who worked in democratic rather than authoritarian countries. For example, return migrants from Mali who worked in France turned out to be less trustful and more sceptical than migrants who worked in less democratic countries. Yet, they are also more involved in Malian political institutions.

In this respect, the finding that Free Trade Agreements in which no clause for labour standards is included seem to better promote, or at least not worsen, the workers' rights compared to FTAs that include such clauses deserves to be pondered over. Governments of developing countries may well choose to inscribe into law a number of people's rights but this does not mean that the statutory law will be enforced. The fact that FTAs containing labour standards clauses increases the probability to adopt the UN Conventions on Workers' Rights against various forms of discrimination (for example, the right of free associations) plausibly bears out the idea that the main effect of externally imposed or externally induced laws consists of changing the letters of the law rather than modifying the reality on the ground.

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