

Guidance Notes on Poverty Auditing

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Introduction

This paper considers what the process of poverty auditing involves and some of the things we have to think about when using the process. This is followed by an example of poverty auditing used on an Adult Literacy Programme with a budget of US \$5 million. The seven main benefits of poverty auditing are then listed and explained.

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1. What is Poverty Auditing?

1.1 The Process

Poverty auditing is the process by which Local Government/Donor agencies/stakeholders assess policies, programmes, projects and budgets at both the design (ex ante) and/or review (ex post) stages in relation to the likely impact they will have (or have had) on poverty, its causes and effects with a view to adopting pro-active strategies for poverty reduction among identified target groups. It also measures actual performance in poverty reduction and related changes in society.

The primary objective of the process is to analyse the likely impact that specific policy or programmes will have on a particular target group – the poor, so that adverse effects can be anticipated or mitigated; or if these are significant, to warrant a major revision of the proposal in question. In the case of policies, this may involve making informed judgements on the macro-micro linkages between national policy and the institutional competence (local governance) of translating these policies into local level interventions.

The outcomes of such poverty auditing may indicate ambiguous results. Some policies may lead to economic growth, therefore enhancing the livelihood of the economically productive, but at the same time, undermine the livelihoods of the economically and socially vulnerable. A degree of compromise may sometimes have to be reached to ensure that adequate levels of economic growth are generated to ensure that resources are generated to fund social interventions. However, when choices are made, these are made in full knowledge of the likely consequences of policies and programmes upon the poor.

1.2 To Whom Is It Addressed?

Given the widespread incidence of poverty in both rural and urban environments, poverty proofing should focus more specifically on the sections of the population which are persistently or chronically poor. And since poverty is multidimensional (see diagram) and has a strong spatial content, local Government needs to assume responsibility for reducing poverty into its strategic policy objectives, organisational culture and financial allocating machinery. Targets relating to livelihood improvement of the persistently poor should be drawn up by all departments of local Government to ensure that this concern is seared into public consciousness and civic responsibilities. Poverty proofing provides a forum of public accountability on how this has been or could be achieved.

1.3 Policy Commitment

Accountability is, however, only possible if there is an already pre-existing policy commitment to address poverty and its particular manifestations in terms of target groups, nature of disadvantage and inequality. The process is highly contingent upon explicit policy commitments by national and local level governments or specific programme/project objectives to reduce poverty. This policy commitment is the driving force behind proactive pro-poor investments and budgets and it remains the externally verifiable standard against which poverty auditing takes place. A legitimate area of concern is to examine if a national policy commitment is translated into a sectoral or local government context. Conversely, however, micro-level interventions and community initiatives, such as local partnerships with communities and NGOs, can also influence the shape of macro-level policies. It is this latter aspect of poverty auditing that will receive the bulk of attention in this methodological discussion.

2. Methodology For Poverty Auditing

2.1 Scope And Application

Poverty proofing is applicable to policies, capital investments, recurrent budgets, small and medium projects; and domestically-funded programmes. Also included would be legislation, international loan agreements, debt repayment obligations and military expenditures. Budgets at national, regional and district levels could likewise be examined, testing their consistency with the national vision on poverty reduction.

2.2 Policy Level

Does a policy commitment to reduce poverty among seriously disadvantaged groups (both in statistical and qualitative terms) exist? If so, how is it translated into institutional practice and action? Is it included in the mission statement? Is there a clearly identifiable body, unit or section within the administration with the explicit mandate to audit or vet budgets for their poverty input, prior to their approval by Parliament/Council/Municipality or Steering Committee? (This does not imply that all expenditures must be oriented towards the poor but that any negative impacts of mainstream expenditure upon the poor are clearly identified).

2.3 Project Level Audit Methodology

| What To Assess | | Auditing Instruments |
|----------------|---|--|
| 1 | Objective of Project Proposal | Policy screening |
| 2 | Does it help prevent people falling into poverty? | Consult with beneficiaries Participatory Poverty Assessment (PPA) |
| 3 | Does it reduce the level of poverty? | Poverty Matrix |
| 4 | Is its effect neutral or negative on poverty? | PPA, Matrix, Stakeholder Analysis |
| 5 | Does it reduce or exacerbate inequalities that lead to poverty? | PPA, Matrix, Stakeholder Consultation |
| 6 | Are the beneficiaries reached those intended by the project? | PPA, Q+A, Surveys |
| 7 | What is the role of Local Government? | PPA, Good Governance Assessment District Poverty Profile |

2.4 Outcomes

1. If the proposal is likely to increase poverty how can this situation be reversed? (could include indirect effects on particularly vulnerable groups).
2. Assess the impact of the proposal on the extreme or chronically poor, including vulnerable groups (elderly, infirm, AIDS sufferers, long-term unemployed, orphans, disabled, ethnic or religious minorities).

3. Example Of Poverty Auditing

The example is of an Adult Literacy Programme with a budget of \$5 million US. The audit is done before the programme begins. We use the questions listed in the earlier table as a guide to presenting the audit information.

What is the objective of the Adult Literacy Project?

The programme aims to address the literacy/numeracy needs of adults and to facilitate economic and social participation.

A key objective is to use this investment to support the strategic development of a National Adult Literacy Strategy.

Following consultation with key stakeholders and the establishment of a project selection committee, the additional funds would be allocated for a range of pilot actions, which test models and innovatory approaches which will inform future practice in regard to key objectives.

Does it help to prevent people falling into poverty?

Yes, because high levels of literacy are a prerequisite for participation in a modern, knowledge-based society. Improved literacy levels would assist in improving social and political participation, employment opportunities and access to further education and training.

To the extent that this initiative may be targeted at people already in poverty, it will have a limited effect on preventing people falling into poverty. However, it may, for instance, facilitate/encourage re-training/upskilling which would allow people to re-enter the labour market or enhance their agricultural productivity, thus preventing them from falling into deeper poverty.

Does it reduce the level (in terms of numbers and depth) of poverty?

International Adult Literacy Surveys show that lower literacy levels are associated with low income, increased likelihood of unemployment and low agricultural productivity. Local surveys and PPA have clearly illustrated the linkage between poverty and illiteracy.

An improvement in literacy levels could have a significant impact on the education, training and employment opportunities of people in this category resulting in reductions in both numbers and depth of poverty. (See poverty matrix)

Does it mitigate the effects of poverty?

Yes, by ameliorating the profound effect problems with literacy and numeracy can have in excluding individuals from participation in many basic functions such as reading a newspaper, reading a public notice, a letter from a relative, instructions on a bag of fertiliser or reproductive health information.

Have no effect on poverty?

It will have a positive effect in the longer term as it offers the possibility of improved literacy and numeracy thereby opening progression routes into empowering social and political participation, employment, training opportunities, micro-credit eligibility and greater self-confidence.

Does it increase poverty?

It would not increase the levels of poverty given the access routes offered to participants in adult literacy and numeracy courses.

Does it contribute to the achievement of national anti-poverty policy.

This programme emphasises poverty reduction, which is consistent with the literacy programme.

Does it address inequalities which might lead to poverty?

This proposal to improve literacy and numeracy skills among adults would have a beneficial effect on the community in the long term in addressing such issues as community participation, inadequate income resulting from poor educational attainment, literacy/numeracy problems, poor regard for female education and low self-esteem.

The possibility of certain groups being inadvertently excluded from the benefits of this initiative would also need to be examined e.g women, the elderly and adequately addressed.

As proposed, does it reach the target groups?

At present an estimated 500 adults, in the Council area, annually participate in existing adult literacy programmes, and this number would be expected to double with the additional funds.

Targeting those in need would be achieved by:

- Promotion of public awareness;
- Deployment of resources on outreach strategies;
- Outreach work with local agencies, NGOs and religious groups;
- Starting, prior attainment would be monitored;
- Establishing an inter-Departmental working group on literary initiatives for the unemployed. This group would pay particular attention to identifying the strategies which are most successful in targeting the illiterate, the barriers to their participation which need to be overcome, and how these approaches can be incorporated systematically into the emerging literacy framework;
- Working with the National Adult Literacy Association

What is the rationale and basis of the assessment (data/information) behind each of these proposals?

The UNESCO International Adult Survey showed:

- X% of the population were found to score at the lowest level (level 1).
- Substantially lower levels of literacy in the older age groups;
- Close links between lower scores and low education levels.
- Unemployed people scoring lower than those in employment.
- Lower literacy levels associated with low income, poverty and low productivity.

The result of the survey clearly pointed to the need for a comprehensive adult education strategy which is effectively targeted at those most in need; the marginalised and disadvantaged. The Country is lagging behind other countries of the region in terms of literacy performance.

If the proposal has the effect of increasing the level of poverty, what options might be identified to ameliorate this effect?

Not applicable.

If the proposal has no effect on poverty, what options might be identified to produce a positive effect?

Improved levels of literacy have a direct positive effect on economic, political and social participation of participants, thereby equipping them with motivation and skills to work their way out of poverty.

4. Benefits of Poverty Auditing

4.1 Recognition

Poverty auditing highlights issues relating to the distribution of goods and services in terms of communities, increases transparency and accountability to beneficiaries and makes legislators aware of the need to link action to policy.

4.2 Awareness

A poverty audit enable the poor themselves to articulate their needs and how these needs could be met through Participatory Poverty Assessments (PPA); it also highlights the different constraints experienced by categories of the population and the competing requirements being made on public budgets.

4.3 Good Governance

While a poverty audit does not examine the individual items of expenditure like a financial audit, it nevertheless holds the institution to account for the “poverty performance . . . and to track performance changes”. (CGAP). This raises the level of visible accountability in relation to the consistency between poverty policy and funding allocations.

4.4 Participation of Target Groups

The full range of Poverty Auditing methodologies brings donors, local government and civil society organisations face to face with the poor in a constructive format of policy making, thus giving them an empowering voice in the process.

4.5 Prevention of Undesirable Effects of Macro-Policies At Micro Level

As many mainstream policies have negative effects on groups affected by poverty, the poverty audit process facilitates taking remedial action in advance to mitigate these undesirable effects; the audit also highlights the tenuous linkages between macro policies and micro-level implications.

4.6 Development of a Culture of Partnerships

Participation, face to face meetings between sponsoring agencies and local groups encourages the culture and practice of local partnerships based upon trust, collaboration and jointly executed decision-making.

4.7 Development of an Action Plan

A poverty audit does not produce knowledge for knowledge sake but the foundations for an action plan for poverty eradication which should be properly resourced and executed in partnership with the beneficiary communities.

Benefits of Poverty Auditing

- Recognition
- Awareness
- Good Governance
- Participation of Target Groups
- Macro-Micro Linkages
- Culture of Partnerships
- Partnership-based Action Plan

APPENDICES

Ten Primary Indicators used by the EU to show the multidimensional nature of poverty and social exclusion.

1. Low Income (below 60% of median income).
2. Skewed Income Distribution (income quintile ratio).
3. Persistence of low income (chronic poverty).
4. Median Low Income Gap.
5. Regional (District or County) Cohesion.
6. Long term unemployment rate.
7. People living in households where nobody is employed.
8. Low education participation (particularly secondary level).
9. Life expectancy at birth.
10. Health status.

Household Classification Criteria

| Household Item | Type of household | | | |
|-------------------|-------------------|------|------------|------|
| | Extremely Poor | Poor | Well to do | Rich |
| Assets | | | | |
| Consumer Durables | | | | |
| Credit | | | | |
| Education | | | | |
| Food Status | | | | |
| Health | | | | |
| Housing | | | | |
| Income | | | | |
| Labour | | | | |
| Land | | | | |
| Social Capital | | | | |
| Trading | | | | |

Jedwali la Kupima Ustawi na Umaskini Katika Kata

| Takwimu za wakazi | Takwimu za Elimu | Takwimu za Afya | Takwimu za Kilimo | Takwimu za Ajira | Takwimu za Maji na Usafi wa mazingira |
|--|---|--|--|--|--|
| Idadi ya Wakazi Ke Me Idadi ya Walipa kodi Idadi ya kaya | Idadi ya Shule za Msingi Majina ya Shule: | Idadi ya vituo vya afya | Jumla ya ekari za mazao ya chakula | Idadi ya kaya za kilimo % ya wa ktk kilimo. | Idadi ya vituo vya huduma ya maji (Kioski, bomba au kisima) |
| Idadi ya watoto chini ya miaka 15 % ya watoto chini ya miaka 15 | Idadi ya watoto wenye umri wa kwenda shule (7-14) Idadi ya wanaosoma walioandikishwa % ya wanaosoma walioandikishwa | Idadi ya zahanati | Jumla za ekari za mazao ya biashara | Idadi ya wakazi walioajiriwa serikalini au katika taasisi Idadi ya wakazi wafanyabisahara Idadi ya wakazi walioajiri wenyewe na sekta zilizobaki | Idadi ya kaya zilizo na bomba za maji |
| Idadi ya wazee miaka 60 na zaidi % ya wazee miaka 60 na zaidi | Idadi ya waalimu Idadi ya nafasi za ualimu zilizo wazi % ya nafasi wazi | Idadi ya nafasi za kazi zilizo wazi % ya nafasi za kazi zilizo wazi | Idadi ya nafasi za kazi zilizo wazi | Idadi ya wanawake waliojiriwa serikali au katika taasisi | Nafasi wazi za watumishi wa Idara ya maji/Usafi wa Mazingira |
| Idadi ya kaya maskini %ya kaya maskini | Idadi ya shule za Sekondari | Idadi ya watu kwa zahanati | Idadi ya wanaotumia mbolea Idadi ya wanaotumia pembejeo | Idadi ya wakazi walioajiri/walioajiriwa katika sekta zisizo rasmi/zilizobaki | Idadi ya kaya zenye vyoo % ya kaya zenye vyoo |
| Idadi ya kaya maskini sana % ya kaya maskini sana | Viwango vya msingi Kufaulu alama: % ya waliofaulu (2001) Idadi ya walioingia sekondari (2001): | Kilomita za mraba zinazohudumiwa na zahanati | Asilimia ya mazao ya chakula yanayouzwa | Idadi ya wafanya biashara | Umbali wa huduma ya maji kwa wastani (km) |
| Idadi ya kaya zilizopo mbali na ofisi ya kijiji/kata (kuanzia km.3 na zaidi) | Idadi ya wasiojua kusoma | Idadi ya wagojwa wa magonjwa makuu 5 | Umbali toka mashambani hadi kwenye soko (KM kwa wastani) | Idadi ya wahamiaji wanotafuta kazi | Idadi ya wagonjwa wa magonjwa yanayotokana na maji |