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***Requirements of Sustainable Effectiveness for Pro-Poor  
Public Expenditure:***

***A review of Literature and International Experiences  
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ملخص

استهدفت هذه الدراسة مراجعة الأدبيات والتجارب الدولية التي تناولت تخصيص وإدارة الإنفاق العام لصالح الفقراء في الموازنة العامة للدولة، وذلك من أجل تحديد مفهوم الإنفاق العام لصالح الفقراء ومكوناته ومحددات الفعالية المستدامة لبرنامج مكافحة الفقر. وفي ضوء هذا الهدف تسعى الدراسة للإجابة عن تساؤل رئيسي يمثل إشكالية الدراسة وهو: ماهي النظم المختلفة لتخصيص وإدارة برامج الإنفاق العام لصالح الفقراء في الأدبيات والتجارب الدولية، وماهي متطلبات الفعالية المستدامة التي تضمن نجاح هذه البرامج؟ ولتحقيق هذا الهدف الدراسة تم تناول سياسات مكافحة الفقر وإختلافها وإستقلالها عن السياسات الأخرى خاصة سياسات التنمية، حيث لا يمكن الإكتفاء بالتنمية وحدها كأداة لمكافحة الفقر علي الرغم من أهميتها في الحد منه ومن الهشاشة أيضا. كما تناولت مدخل الإحتياجات الأساسية لتخصيص برامج الإنفاق العام لصالح الفقراء، وأسباب عدم إمكان إستمرار العمل به وهو ما أدى إلي ظهور مدخلي الأصول الحيوية المستدامة والحقوق كأسس لتخصيص وإدارة برامج الإنفاق العام لصالح الفقراء وفق أسس الفعالية المستدامة. وقد توصلت الدراسة لأسس الفعالية المستدامة وفق مدخلي الأصول الحيوية المستدامة والحقوق والتي تشمل: (1) الإعتداد علي

الإحتياجات لتوزيع الإنفاق العام جغرافياً كبديل عن الإستهداف الجغرافي لمكونات تحسين جودة الحياة، (٢) وجود دالة توزيع للإنفاق العام علي وحدات تقديم الخدمة لتحقيق العدالة الرأسية، (٣) وجود معايير محددة للرقابة علي جودة الخدمة ، (٤) تكامل مكونات البرامج الخاصة بالجانب الإقتصادي بحيث تشمل الجوانب الوقائية ضد المخاطر والجوانب الإرتقائية، (٥) التوزيع الأمثل للأدوار بين المستويات الحكومية المختلفة في إدارة البرامج الإقتصادية الخاصة بمكافحة الفقر. وفي ضوء التجارب الدولية تم التوصل لإطار من الإدارة لمنظومة مكافحة الفقر تكون خطواتها: (١) قيام الحكومة المركزية بالتحديد القانوني لنظام الإستهداف لكل برامج ومعايير إختيار المستحقين، (٢) تقوم الجهات المحلية المنتخبة بتسلم ملفات آليات الإستهداف ومعايير الإستحقاق من الحكومة المركزية، كما تقوم بتجميع البيانات لعملية الإستهداف الأولية وإختبار المستحقين، وتتم مراجعتها من قبل المستويات الحكومية الأعلى فالأعلى من خلال الفحص بالعينة، (٣) تقوم الحكومة المحلية بتحديد أولويات الإحتياجات لمكافحة الفقر في المنطقة المحلية، (٤) يتم التسجيل الآلي على قاعدة بيانات مرئية لجميع المستويات الحكومية حول كل برنامج في الدولة ككل، (٥) يتم تشكيل لجنة مركزية ومجموعة لجان من مؤسسات الحكومية حول كل برنامج في الدولة ككل، (٦) يتم تشكيل لجنة مركزية ومجموعة لجان من مؤسسات المجتمع المدني لمراقبة عملية توزيع المستحقات، (٧) وجود جهة مسؤولة عن التنمية المتكاملة للأسرة في المستوى المحلي الأصغر. وإنتهت الدراسة إلي مجموعة من التوصيات من أهمها: ضرورة التفرقة بين مفهوم الفقر ومفهوم عدالة توزيع الموارد بين فئات المجتمع ومفهوم الهشاشة، وذلك عند رسم السياسات الاقتصادية علي المستوي الكلي وبصفة خاصة السياسات

الإنفاقية مع ضرورة التنسيق مع السياسات الإنفاقية لصالح الفقراء علي المستوي الجزئي. كما يتعين الأخذ في الحسبان عند رسم أسس الفعالية المستدامة لرسم السياسات الإنفاقية لصالح الفقراء والتي تم التوصل إليها من خلال مدخلي الأصول الحيوية المستدامة والحقوق والدراسات المكملة لكل منهما. وأخيراً عند رسم السياسات الإنفاقية لصالح الفقراء يجب الأخذ في الحسبان الإطار الإداري لمنظومة مكافحة الفقر المستقاه من التجارب الدولية.

### *Abstract*

This study aims to review the literature and international experiences that deal with the allocation and management of public spending for the poor in the state budget, in order to define the concept of pro poor public spending and its components, and the determinants of sustainable effectiveness of combating poverty programs. In light of this objective, the study seeks to answer a key question, which represents the problem of the study: What are the different systems for the allocation and management of public expenditure programs for the poor in the literature and international experiences, and what are the requirements of sustainable efficiency that ensure the success of these programs?

The study found the foundations for sustainable efficiency according to asset-based and right-based approaches, which include the following:(1) Presence of needs-based funding formulas for the regional allocation of resources.(2) Presence of needs-based funding formulas to allocate resources for first line service providers.(3) The presence of specific criteria for service quality control.(4) The integration of social protection components and the presence of transparent foundations to estimate the transferred value.(5) The optimal distribution of roles between the various levels of government.

In light of the international experiences, a framework for management has been reached to combat poverty system: (1) the central government determines the legal framework for the

targeting system including programs and criteria for selecting the eligible. (2) the elected local authority receives the targeting mechanisms and eligibility criteria from central government, and also collects data for the initial targeting process and choosing the eligible. These data are reviewed through all levels of government from lowest to highest through sample inspection.(3) the local government determines the priorities of the needs for combating poverty in the local area to instigate a range of programs that will depend on the different programs defined by law., They will use their experience to add or modify the criteria for determining the needy or eligible and to classify them to allow continuity of the program and with regard to the risks suffered by the local community.(4) automatic registration on a database visible to all levels of governments regarding every program in the state as a whole.(5) the formation of a central committee and groups of nongovernmental institutions to control the distribution process of entitlements.(6) the presence of a party is responsible for the integrated development plan for the family at the local level.

The study concluded with a series of recommendations: first, the need to differentiate between poverty, equitable distribution of resources, and vulnerability concepts, when tracing economic policies at the macro, and coordination with pro-poor public expenditure policy at the micro level. Second, the foundations for sustainable effectiveness must be taken in consideration when tracing (designing) pro-poor public expenditure policy, which was reached through asset-based and right-based approaches. Finally, the framework for management in order to combat poverty seen from international experiences, must be taken in consideration when tracing pro-poor public expenditure policy

**Key words:** Pro-Poor public expenditure - sustainability - effectiveness - combating poverty - poverty trap.

### ***Introduction***

Until the end of the eighties of the last century, The role of public spending to combat poverty were only concentrate on a

short-term cash transfers or programs that take targeting a certain segments of society as a mechanism to help them overcoming the risk periods and bear the consequences of the reform according to the literature on the theory of Trickle-Down growth and development to the poor (Aghion & Bolton, 1997).

Although the sincerity of this theory for achieving economic growth, and then increase the average per capita national income to combat poverty, and providing the necessary public resources to spend on basic public services, especially education and health, which belong to the poorest. In reality, the poor are the primary categories affected by the economic crises in the various countries of the world, and often the least benefit from public services.

Also many governments are faced funding problems for Social Safety Nets programs to skip the periods of crisis problem, and therefore these programs have lost their role in mitigating the effects of economic shocks on the poor. Add to that a short-term transfers contributed to the development of poor skills and abilities to gain, but it did not avoid them negative effects of the economic crisis, which returned to the presence of structural variables cause the poverty of these categories and impede the entry into force of the fruits of economic growth. (Alderman & Haque, 2005)

During the nineties of the last century, the studies proceeded to identify and examine the determinants of poverty to formulate a set of policies that deal with these determinants as priorities to economic policy. The initial phase, the Studies dealing with the allocation and management of public spending for the poor, by analysing the determinants of poverty and provide basic needs to confront it. However, with the multiplicity associated with the basic needs approach, especially the determinants of the sustainable effectiveness for combating poverty, the literature and international experiences began to build public spending for the poor according to a new approaches tend to rely on priorities from down to up. These approaches are asset-based approach and right-based approach.

The result an evolution in public expenditure studies for the benefit of the poor through three successive generations. The first series Studies deal with determinants poverty to formulate poverty programs. The second series Studies aim to illustrate the effectiveness of interventions to combat poverty, and has shown interest in measuring the effectiveness at micro level, which includes the dimensions of the family and the place as a hub for analysis. Finally, the literature and applied Studies Dealing with the determinants of the effectiveness and the determinants of the sustainability of effectiveness for combating poverty programs.

In the begging, the author differentiates between poverty, equitable distribution of resources, vulnerability concepts. the concept of combating poverty focuses on the provision mechanisms to achieve the rise slice or sector of wealth or income to skip the minimum standard of living, which expressed in the poverty line. According to human development approach, the concept of poverty is linked to the poverty of capacity, which is measured by failing to enable the individual with the core capacities required to achieve an adequate level of sustainable self-sufficiency, or his lack of fundamental freedoms needed to avoid hunger, disease and ignorance, which is a situation leading him to poverty. Hence, poverty of capacity includes some determinants of income poverty or wealth, and not vice versa.

Also, the concept of poverty is different from the concept of equitable distribution of resources between segments of society. If levels of income in society increased by a fixed value, the equity / inequity relative measurements remain constant despite the improvement in absolute poverty measurements. Supporting policies for the equitable distribution without regard the economic growth lead to decline in the relative justice and the rise of the absolute poverty level indicators, while the pro-growth policies without regard to equity considerations result in increasing the relative equity indicators, despite the potential decline in absolute poverty in the society measurements denominated in the ability of individuals to secure a minimum standard of living (Ravallion 2003).

Also, the concept of poverty is different from the concept of vulnerability, the latter means put the family or society in conditions makes them more likely to fall into poverty, while the first mean already the collapse of the economic situation of the family and it fell below the poverty line. vulnerability concept describes the nature of the external environment in which the family and the individual live and their ability to cope with their attendant risks, and therefore the family turns in a chronic poverty in the case of the use of improperly out of the shock mechanisms, and this was confirmed by a study of Glewwe and Hall in Peru in 1995.

The study will be divided into three sections. Section one deals with pro-poor public expending concept, while section two considers Basic needs approach to manage public spending in favour of pro-poor, and section three deals with Asset-based approach and Right-based approach, in addition to an introduction and conclusion.

**This study will be divided into three sections as follows:**

- 1. Pro-poor public expending concept.**
- 2. Basic needs approach to manage public spending in favour of pro-poor.**
- 3. Asset-based approach and Right-based approach.**

#### **1. Pro-poor public expending concept**

Pro-poor public expending aims to maximize benefits for the poor and achieve the goals of combating poverty in aggregate and over time. So PEP involves decision making at different levels to consider aggregate spending and financing, spending between sectors and at local government and spending within sectors.

##### **1.1. Evolution from the determination of public spending priorities to the analysis of the determinants that benefit the poor from public spending.**

There are two approaches that deal with the concept of pro-poor public spending:

**1.1.1.** The first approach defines public spending for pro poor, as it benefits the poor through directed spending for a certain items more commonly used by the poor rather than the better off. The orientation of public spending to combat poverty measured through the share of sectoral expenditure may be directed to supporting programs, rural developments and the provision of basic needs in poorer areas. This increase in the share of investment as a component in the sectoral spending leads to an increase in the availability of basic services in areas dominated by the poor (Tanzi & Chu, 1998). This definition has resulted in the adoption of a Fast Track Initiative, announced by the international donor institutions in 2002, which aimed to ensure that sectoral policies agree with the objectives of combating poverty (Mckinnon & Rienikka, 2005).

Empirical studies which evaluated the Fast Track Initiative have shown that changing public spending priorities to concentrate only on the sectors which provide the basic services does not in itself guarantee the success of this spending in achieving the goal of combating poverty. Consequently, there is an urgent need for a multi-set of reforms that ensure the sustainability and effectiveness of public spending through the Fast Track Initiative (Jha et al, 2004).

The main criticism of this approach is that it did not measure the effectiveness of directing the allocated spending towards improving the situation of the poor, which depends on the benefit incidence analysis measures. The latter are based on measuring the average benefit return to the poor from allocated spending for each program for combating poverty in comparison with the non-poorer, or by comparing the percentage of beneficiaries from different programs across different wealth categories, or through behavioural approaches that address the responsiveness of the poor for every marginal unit of public spending specified for the program.

The second approach depends on a performance-measuring concept, rather than the distribution of public spending as the only delimiter for pro poor public expenditure. So pro poor public spending may be defined as the spending which results in

an improvement in the welfare (well-being) indicator of the lowest quintiles of wealth or income greater than the improvement of the welfare of the non-poor through a set of integrated policies. This means that the effectiveness of public spending to improve the situation of the poor (by ensuring that they benefit from public spending components or the distributive benefits from public spending across income categories) depends on the benefit incidence analysis (Ravallion & Chen, 2003; Sahn & Younger, 2008).

The main criticism of the benefit incidence analysis of public spending from some empirical studies is that analyzing benefits of the average public expenditure does not reflect the impact of marginal spending. This is due to the desire of decision-makers to expand the beneficiary base of public services to those who are not currently receiving the service rather than deepening the benefits to current beneficiaries. Therefore it is important to analyze marginal spending unit rather than the current distribution of public spending (Lipton & Ravallion, 1995; Larjouw & Ravallion, 1999).

## **1.2. From focus on efficiency to focus on effectiveness**

There are two generations of literature dealing with pro poor public expenditure management that show the evolution of the focus from efficiency to effectiveness as follows:

**1.2.1. The first generation:** deal with pro poor public spending management to ensure that public spending targets benefits to the poor rather than the better off. This is based on administration improvement through the development of targeting mechanisms for the different components of spending. The spending is described as pro-poor public expenditure when the lower quintile of wealth receives a higher benefit than the second higher quintile and so on, which means a need to direct the investments to areas of concentrated poor without an integrated plan to get the poor out of the poverty cycle in a sustainable manner.

**1.2.2. The second generation:** deal with pro-poor public spending management using an outcome based approach which

means spending must be reflected in the improvement of the quality of life, so the administrative improvement must exceed the targeting public spending concept (Mkandawire, 2005; Fritzen & Barassard, 2006). Here there is a reliance on targeting accuracy indicators as criteria for the pro poor public spending effectiveness. These indicators allow measurement of the efficiency of the distribution of every unit of resources allocated for a certain program, which achieves the necessary condition for benefiting for the poor from public spending. The sufficiency condition requires allocating resources between different programs with a weight that depends on the effectiveness of expenditure in achieving its object. This required measuring the unit cost of the benefit supplied to the worthy but not regardless of its effectiveness in reducing poverty (Ravallion & Datt, 2002; Murgai & Ravallion, 2005).

A more recent idea to discuss pro-poor public spending is the shift from the concept of effectiveness to that of sustainable effectiveness, where there is no retreat of the welfare indicators of the poor so that they do not return to poverty again due to a shock or by poor quality services provided to them (Little, 2007; Krishna, 2007; Cage, 2009).

In light of the foregoing, the second approach is both the most accurate and comprehensive, and thus the pro-poor public spending definition for the purpose of this study is the spending which is drafted according to mechanisms that guarantee the benefits to the poor are greater than to the non-poor (efficiency condition). Consequently, achieving positive results represented by increasing the income of the poor by a rate greater than the real increase in average per capita national income to exit the poverty cycle (effectiveness condition) is a sustainable improvement. Individuals do not then fall back the cycle of poverty or needs once they are subjected to any shock or unfavourable conditions again (sustainability condition). Therefore, the concept goes beyond targeting the poor by resources, and doubling resources for combating poverty, to the concept of public expenditure management.

In 2004, the Wood House study represented a new beginning for the literature on the poverty producing process going beyond the idea of targeting poverty and knowing the determinants of poverty through rigid measurements, to study problems that cause the inability of the poor to benefit from public spending. Benefits burden researches find a lower share of beneficiaries of public spending, despite an increase in public spending directed to combat poverty and lack of improvement. The study showed that the presence of obstacles results in the most vulnerable entering the poverty cycle or their inability to get out of this cycle.

The obstacles according to this study are as follows: First, the problem of allocation of resources in favour of the poor, which means an imbalance in allocating resources for categories mandated to take advantage of spending, although the presence of targeting mechanisms ensure the arrival of public spending to those who deserve. This means the targeting system deprived some of those eligible to benefit from public spending. Second, problems of managing public spending in favour of pro poor, which again deprived those eligible to benefit from public spending in spite of the success of targeting, so that poverty programs failed to achieve their objectives.

Based on the foregoing, this study takes an in-depth look at the evolution of the foundations of management and allocation of public spending in favour the pro poor through international experiences and shows the new aspect represented by the determinants of sustainable effectiveness of pro-poor public spending in the following two sections.

## **2. Basic needs approach to manage public spending in favour of pro-poor.**

This approach depends on producing a plan for combating poverty through reviewing census data about basic needs that should be met for a certain geographical area, and to identify sectoral resources to meet these basic needs through a Fast Track Initiative. The main criticisms of this approach are the following:

A- Concentration on chronic poverty rather than interim poverty. Chronic poverty is related to long period poverty, and results from chronic obstacles faced by the family that deprive them of access to the minimum standard of living, while interim poverty reflects a short term lowering of the minimum standard of living for the family as a result of a shock.

B- Assumption of a direct relationship between poverty and the needs for quality of life according to this approach. However, applied studies show the absence of this direct correlation, and also significant differences between families identified for targeting according to a basic needs approach and those identified according to wealth poverty (Fan & Hazell, 2001)

C- This approach overlooked the reasons for getting into and out of the poverty cycle and focused on the needs for quality of life and development concept rather than on combating poverty.

D- Basic needs definition was to a limited set of variables, and therefore does not address the major reason for the ineffectiveness of intervention for combating poverty, due to its reliance on a top down approach.

E- The need for the availability of a set of determinants to ensure benefit from the resources provided through the Fast Track Initiative, including the power to convert the increase in the resources in a sector to an output related to welfare indicators of the poor (the absorptive capacity of delivering outcome), which is determined by, for example, the provision of qualified doctors and teachers in local area. In this case, re-prioritising public spending to combat poverty may not be useful in itself, but the direction of resources to complementary sectors may be more effective in combating poverty if that spending would utilize an otherwise idle investment (Adam & Bevan, 2004).

The application of the basic needs approach in international experiences depends on two bases as follows:

First base: the protection of the resources allocated for pro poor spending through a Poverty Eradication Fund.

Second base: providing basic needs intensively by directing pro poor public spending according to the geographical targeting of poor living areas.

**2.1. First base:** the protection of the resources allocated for pro-poor spending through poverty eradication fund.

As a result of immature experiences of full reform for mechanisms of public spending for pro poor in developing countries, which signed up to strategies for combating poverty, there are three major problems in the application are as following:

A-The difficulty of determining the cost needed to achieve the goal, due to the lack of a basis to allocate public spending and determine priorities to combat poverty at sectoral level or within each sector.

B-Preparation of state budgets does not show the priorities of public spending according to the outcome (effectiveness of indicators).

C-The lack of mechanisms to allow tracking of resources to make sure it reaches the beneficiary as required. This process makes use of expenditure tracking surveys, (Castro-Leal et al, 1999).

In light of the above, a group of countries began to create Virtual Poverty Eradication Funds, where all resources for these purposes are gathered from the state budget, aid and grants, and managed centrally to facilitate the tracking of public spending. This forms an intermediary stage for comprehensive reform for the foundation of directing public spending. A success of these funds has been in producing integrated strategies to combat poverty by providing basic services to the poor and further identifying the sectorial allocation. However, the existence of these funds has considerable side effects on state budgets:

A- These funds focus on providing primary health care and primary education for the poorest without an integrated study of the needs of roads, sanitation and provision of economic opportunities for the poor. At the same time, the mechanisms of

these funds lacked the conditions required to achieve sustainability in combating poverty, due to division of public spending management into mainstream and off-mainstream budgets (Williamson & Canagarajah, 2003).

B- Virtual poverty eradication fund financing is separate from the state budget completely and rely more on grants, aid and donor institutions, which vary with the governance requirements for public spending management. The latter requires a role of parliaments and parliamentary local councils in setting priorities and evaluation (Barder, 2009).

As a result of the failure of these funds to combat poverty, a corrective step needs to be followed to apply a sector-wide approach, which is defined as the identification of programs based on the achievement of combating poverty in each sector and to include this goal in the sectoral policy, and in the context of the main direction of the state budget and government plan (Brown et al, 2001; UNFPA and HLSP, 2005).

This trend was followed by a series of steps, including modification of the pattern of public spending management as a whole, to ensure that the poor obtain benefit from public spending as follows:

A- Transforming from a by-item budget to a performance budget.

B- Ensuring the sustainability of funding for implementation of the program to achieve the objective of pro poor public expenditure at the sectoral level. This guarantees no fluctuation in public spending to implement the plan, and reduces dependence on the annual negotiation to get the appropriation needed to implement the plan.

C- Integrating the roles of various ministries and agencies in the implementation, and clarifying the functions of each of them to avoid repetition and competition for resources.

D- Removing the separation between those identifying the needs and current investment appropriations in the state budget.

However this approach was criticized as constraining the move towards decentralization, because of the discrepancy between public spending management in order to achieve the objectives of combating poverty at sectorial level, and public spending management at local institutions which analyze local needs (Crook & Sverrisson, 2001; Williamson & Canagarajah, 2003).

**2.2. Second base:** providing basic needs intensively by directing pro poor public spending according to geographical targeting for poor living areas.

Empirical studies based on measuring benefit incidence showed that the benefits to the poorest, from social expenditure and transfer to combat poverty, are less than those to the better off, due to problems in the distribution of public spending arising from inefficiency in mechanisms targeting the poor. These studies highlighted the importance of conversion from totalitarian to targeting the poor to ensure the efficiency of public spending, and thus become the basic route to delivering public services from the concept of rights to the concepts of comparative worthiness and priority (Jarvis & Micklewright, 2001).

Studies related to targeting mechanisms began with Akerlof in 1978. However, there was consensus of economic writers on the difficulty and the high cost of targeting at the individual level, so the solution applied was that of Indicative Targeting Methods, by which a set of alternative indicators could be formulated according to the community classified and conversion of these indicators to conditional aid thereby connecting individuals with a demographical group or geographical community to get the aid.

Support for the geographical targeting process provides many economic studies with proof of the existence of the poverty trap phenomenon. This phenomenon concerns the unavailability of basics services in some geographical areas, or quality deterioration, which limits the accumulation of human capital in these areas or regions. Thus a new dimension is added to indicators of identifying the poor, namely the region where the family lives (Bigman & Fofack 2000).

Poverty maps were used, in the rationalization of available resources to target the poor, when applying a combating strategy based on basic needs, through the identification of priority areas in social spending. The poverty maps are formatted in one of two methods:

**The first method:** (World Bank method), depends on a regression equation between poor families' income in different geographic region, as a dependent variable, and family data to identify the regions in which the largest number of the poor are concentrated, and gives weightings in the composite index based on the result of the regression equation.

**The second method** (United Nation Development Program, UNDP), is based on the formation of a composite index for each local area depending on a range of inputs reflecting the different dimensions of poverty according to the degree of deprivation of basic needs. The value of this indicator is then calculated in the local region which relies on the proportion of families having access to services at the village level.

The advantages of relying on geographical targeting for the poor relative to indicative targeting are the following:

- A- The clarity of criteria for choice and information.
- B- Ease of control, management and follow up.
- C- Ease of using local nongovernmental organizations in combating poverty.
- D- Ease of locating and analyzing the impact of intervention.
- E- The effectiveness of geographical targeting is improved by increasing the homogeneity of the targeted group, and empirical studies have confirmed that geographical targeting is to be preferred when applied to the lowest level of local regions (Ravallion & Wodon, 1997; Baker & Grosch, 1994).
- F- Geographical targeting is the only mechanism that enables the decision maker to integrate and intervene heavily in poverty combating programs, so geographical targeting solves the difficulty of coordination between sectoral programs at the state level problems (Abuzar et al, 2006).

However, several critiques of geographic targeting in particular, and indicative targeting in general, have appeared in the literature since the second half of the first decade of the current millennium, and can be explained as follows:

A- There are multiple dimensions of welfare and there is no inevitable correlation between them, so local areas described as poor according to one indicator of measuring the poverty may be not so represented another (Baker & Grosch, 1994; Haan, 2002).

B- Poverty maps depend on the census, which is done every ten years in most developing countries, so these lose a dynamic understanding of the reasons for entry and exit from poverty cycle (Benson et al, 2007).

C- Deprivation types differed between geographic areas, so there are different mechanisms for combating poverty. For deprivation concentrated in a certain geographical area by all its dimensions, reliance on geographic targeting is the most effective mechanism for integrated intervention to combat poverty. However, deprivation in various dimensions and levels between different geographic areas requires comprehensive study of the needs of each area (Baud et al, 2008).

D- There is no equal distribution of income within areas classified as the poorest, or in smaller local levels and with a population of no more than 5000 families. Empirical studies showed the Gini coefficient for these areas rise more than the average for the state. Thus there is an absence of governance mechanisms and supplementary interventions to insure benefiting the poor from additional resources, which are injected extensively into the targeted areas. The program may result in benefit to the better off rather than the poorest and of deprivation of the poorest from interventions due to the presence of the better off in the targeted areas (Elbers et al, 2004).

E- The inadequacy of using geographic targeting fully and exclusively to achieve effectiveness in combating poverty is due to the following:

- Some studies confirm that economic theory is unable to provide a decisive result on whether giving more resources to the poorest districts improves or hinders targeting poverty in itself (Ravallion, 1997). Other studies have found that the richest districts in Argentina had a motivation and a great capacity for targeting poverty than the poorest districts. This shows that a priority of targeting the poor in rich districts rather than the poor in the poorest districts is more effective, and also demonstrates that the structure of society may significantly alter the foundations of indicative targeting literature (Bigman & Fofack, 2000; Dasguta & Kanbur, 2005).

- Empirical studies proved a positive effect on illiterate poor individuals belonging to educated families or districts. This means such individuals need a differing program for combating poverty from illiterate poor individuals belonging to fully illiterate families (Basu & Foster, 1998).

F- Risk availability resulting from a narrow view of the areas of combating poverty geographically and the concentration of resources to these areas, may also affect funding of the geographic targeting plan that depends on changing the public spending components geographically or sectorally in favour of targeting program. For example, Brazilian experience showed that expansion of conditional cash transfers in favour of the poorest, according to a geographical targeting plan, leads to a decrease in the school running expenses in the state as a whole. This, in turn, has led to a decline in the indicators of success for educational processes in the whole state, despite the high enrollment rates among the poorest categories in the targeted areas.

G- Unsustainable impact of the Fast Track Initiative and geographic targeting to combat poverty in light of the continued lack of inclusion in the state budget and development plan. An example is the Philippines experience to combat poverty through geographic targeting intervention under the name of comprehensive integrated delivery of social services (CIDSS) during the period 1991-1998. As a result of this strategy, the population proportion below the poverty line in villages fell by

8%-10% during six years, but the effect was not sustained as the combating poverty indexes declined after eliminating these areas from the agenda of priorities, with increasing poverty in the provinces non-targeted during the implementation period of the program (Baliscan, 2007).

### **3. Asset-based approach and Right-based approach.**

The international experiences showed not only a lack of success for traditional strategies in managing public spending in favour of the pro-poor but also ineffectiveness at a national level. At this point the literature began to address the foundations that must found to achieve sustainable effectiveness in pro-poor public spending management, which has become the axis of second generation strategies of combating poverty for the World Bank, United Nations Development Program (UNDP), and British Department for International Development (DFID). There are two approaches for dealing with the determinants of sustainable effectiveness for pro poor public spending as follows:

#### **3.1. The first approach: Asset-based approach**

Vital assets are defined as a concept that includes capabilities, physical and social assets and activities required to provide a livelihood. The assets are described as sustainable assets if characterized by the ability to persist and provide benefits after shocks (Chambers & Conway, 1992). Another study defined a sustainable vital asset as the ability of the family and community to accumulate assets and increase capital continuously over time (Krantz, 2001).

The Sustainable Asset-based approach is based on two schools for combating poverty strategies as follows:

##### **3.1.1. United Nation Development Program**

This program is working to increase the benefits to the poor from available assets and the sustainability of these benefits. The first step for the implementation of this program is to find out the reasons why the poor fail to benefit from their assets; the

second step is to achieve sustainability in combating poverty through three basic axes.

A- The ability to cope with risks without an inefficient use of their assets.

B- Warrant the effectiveness of applied policies through control and follow up mechanisms.

C- Fairness in access to services.

### **3.1.2. British Department for International Development**

This program formulated a sustainable exit from the poverty cycle depending on two axes: first, to study the needs of the poor as a category of individual within the community and not the needs of the local community as a whole. Second, provision of the determinants of institutional sustainability includes the needs for combating poverty within the state master plan. This program aims to achieve three outputs for each poor family: improve their level of income by a rate more than the average rate of growth of national income, improve the health and educational welfare indicators, and reduce sources of vulnerability of income. The most important criticism of this program is in its application, because the authors of this program do not provide clear institutional factors to ensure sustainability. This was completed by the rights approach (Krantz, 2001).

### **3-2.The second approach: Rights-based approach**

This approach addresses the role of the state to ensure that the poor benefit from public spending for combating poverty through a range of rights guaranteed by the Universal Declaration of Human Rights. This approach depends on two principles, namely International declarations on human rights as the basis for combating poverty, and the formulation of strategy through equity, participation, empowerment and accountability mechanisms. It also relies on two axes:

- Social sustainability can be achieved through the minimization of social vulnerability (marginalization) and maximization of social capital.

- Institutional sustainability can be achieved by providing a clear relationship between the authorities to ensure continuation of the implementation of the requirements for combating poverty in an integrated framework within the state master plan (Campase et al, 2009).

The most important aspects of the agreement between the asset-based and rights-based approaches are centralization on people, empowerment of the poor and holistic approaches to include all possible opportunities to improve family conditions and all patterns of risks they face, and linking micro outcomes to macro related intervention to combat poverty (Foresti et al, 2007).

Analysis of the international experience shows that integration between the vital asset approach and the rights approach, locality application and management, with centralization of the foundations of justice, are the main requirements to achieve sustainable effectiveness for combating poverty according to the complementarity between the previous two approaches. With integration between the two approaches, the components and determinants of sustainable efficiency can be shown to be as follows:

- Indirect intervention to combat poverty through horizontal equity in access to services.
- Direct intervention to combat poverty through social protection systems.

### **3.2.1. Indirect intervention to combat poverty through horizontal equity in access to services**

The determinants of sustainable effectiveness include the following:

- Presence of needs-based funding formulas for the regional allocation of resources.
- Presence of needs-based funding formulas to allocate resources for first line service providers.
- The presence of specific criteria for service quality control.

### **3.2.1.1. Presence of needs-based funding formulas for the regional allocation of resources**

There is no doubt that the existence of these functions is one of the most important determinants of the sustainable effectiveness of public spending in favour the poor, because it ensures the provision of basic needs for everyone in the community regardless of their geographic location.

The following deals with needs-based funding formulas for the regional allocation of resource in the international experience in general and in countries that provided strategies to combat poverty in particular.

#### **3.2.1.1.1. Composition of needs-based funding formulas in developed countries**

Many developed countries rely on the Barnett function in the formula for geographic funding based on needs to achieve the equivalent of per capita spending, which means reliance on the population number as a single a criterion to determine the needs. International experience showed that the distribution of public spending according to this formula does not guarantee the proportionality with actual needs. This is because the cost of services delivery may decrease with an increase in population density due to economies of scale, which denies the existence of a direct relation between the population and the needs of the appropriations of public spending. It may also result in the allocation of public spending according to population only, hence directing spending towards unrequired items in a local area (Barder, 2009; Reeder & Bagi, 2010).

#### **3.2.1.1.2. Composition of needs-based funding formulas in countries adopting strategies to combat poverty**

These formulas rely on the number of poor as a parameter to guide public spending resources geographically. However, a criticism of this method is that the allocation of public spending does not depend on the poor concentration only. Also this method in itself creates a new deprivation of services in non-poor areas. In addition the poverty concept and welfare varies from one locality to another, and while services may available in

a place, there are another reasons to hinder the benefiting of the poor. In this case, pumping more of the sectorial spending into the poor areas does not necessarily mean supporting public spending in favour of the poor.

Because of this, the international experiences developed transparent standards for distributing public spending geographically. These international experiences divided into four schools:

**-The first: measuring the needs-revenue gap in decentralized countries.**

Here public spending is distributed according to the distribution of population in the area, and local governments get a grant equal to the gap between needs and revenues collected locally. Grants may be conditional according to sectorial distribution, as the case in India and Indonesia (Shah, 2007; Boadway, 2004).

**-The second: needs-based formulas**

Here the equivalent grant is distributed according to welfare indicators, where estimating indicators for the needs of the region arise from sectorial public spending. As a result of giving equivalent grants, the geographical areas allow equal availability of the services, and South Africa is a model for the countries belongs to this school (Shah, 2007).

**The third: needs functions formulas for different service provision cost**

Here the indicators of the needs are estimated, and then the equivalent region's share of public spending depends on the cost of providing services in the local area.

**The fourth: funding with control performance**

Here equivalent grants consist of two components. The first is the conditional equivalent grant to sectorial expenses for achieving specific objectives linked to welfare indicators for the lower wealth category. The second component is the unconditional transfer, which is entirely routed to elected local councils subject to a number of conditions. Uganda applied this system, where the Ministry of Local Development monitors the

performance of local councils according to several criteria: investment plan quality, employees' capabilities and their performance in financing the allocation of receivables and purchases (Shotton, 2004). Unconditional transfers are stopped in cases where performance criteria are not met (Fan et al, 2004).

### **3.2.1.2. Presence of needs-based funding formulas to allocate resources for first line service providers**

By expenditure tracking methodology in a group of developing countries, empirical studies showed several reasons for the lack of appropriations for the operation of services providing units, especially units benefiting the poor. These reasons include:

a- problems arise in spending distribution among the various levels of government and within the local level. After the central government has directed the resources to the districts for distribution to service providing units, the districts have monopolized the majority of resources. In Uganda, tracking of education spending showed 87% of appropriations for purchasing goods and services in districts for education was used in the form of allowances and moving expenses for employees and not directed to improve the quality of the educational process (Reinikka & Smith, 2004).

b- The direction of public spending for service providing units to the benefit of the better off within the same district, due to the latter's ability to negotiate and a lack of accountability from the beneficiaries. Empirical studies in a group of developing countries showed that every 10% increase in income categories representing the main customers for service providing units, increased the appropriations for operating service providing unit by 3% (Reinikka & Smith, 2004).

### **3.2.1.3. The presence of specific criteria for service quality control**

The accountability for the services provided to the poor requires three parties, namely the citizen, service provider, and policy maker. Poor relationships between the parties result in problems

of service delivery to the recipients at the required quality, and this is due to three reasons:

a- Political interference were in recruitment, operating policies, management system, and fees for provision of the service.

b- The lack of competition between services providers.

c- The lack of communication channels between service providers and beneficiaries (Ajwad & Wodon, 2001; Hilhorst & Van der Wal, 2007).

### **3.2.2. Direct intervention to combat poverty through social protection systems**

Determinants of sustainable effectiveness of these programs include the following:

- The integration of social protection components and the presence of transparent foundations to estimate the transferred value.

- The optimal distribution of roles between the various levels of government.

#### **3.2.2.1. The integration of social protection components and the presence of transparent foundations to estimate the transferred value.**

The social protection concept emerged during the nineties of the last century in contrast to the narrow concept of social safety nets, and with it the evolution of thinking about determinants of poverty and how to combat it in strategies including how to benefit from the assets-based approach .The view of the social protection concept divides into two trends.

#### **The first trend: social risks management approach**

According to this approach, social protection aims to reduce risks and limit their impact, allowing the poor to direct investments towards assets generating more yields (World Bank, 2000). The approach depends on formulating programs for

intervention to cover three levels of risks to which the individuals and families are susceptible. These are:

- Level of risks reduction: intervention before the occurrence of the expected risks to increase the level of income and reduce its variability.
- Level of risks mitigation: intervention programs to reduce the collapse of income in the event of potential risks, including insurance.
- Level of dealing with risks: intervention after the occurrence of the risks, with the aim of reducing the impact of the shock that has already occurred. This intervention is based on support programs and lending programs.

The main criticisms for this approach in construction a protection system are the following:

a- The approach definition of vulnerability is limited, where it links vulnerability characteristics with geographic or demographic categories or properties at a point in time in the life of the individual. Consequently (according to this definition) for example, the individual who suffers from disabilities is more vulnerable and affected by the risks than healthy individuals. But more recent studies dealing with the social protection concept tend to define vulnerability as a result of the socio-political framework existing and not as a result of exposure to an external variable represented in the risk itself. So the shift has been from building social protection as system that is working to reduce the impacts of the risk on a particular group of individuals in specific framework to building a system working to change a set of frameworks that lead to vulnerability of the poor (Anand et al, 2005).

b- The definition of this approach for a social protection system does not include clear policies to deal with chronic poverty, which is not linked to vulnerability, risks, and fluctuations of income (Barret and Swallow, 2003).

### **The second trend: transformation approach**

This approach was based on International Labor Organization (ILO) definitions for a social protection system as "a set of procedures which are based on providing families and individuals with privileges protecting them from a deterioration in the standard of living and its consequent physical and human capital, in addition to a range of programs aimed at improving the social situation and the system of rights for a vulnerable group".

The mechanism to formulate social protection components requires a range of programs to provide four bases for combating poverty:

- Social support to families and individuals in extreme poverty.
- Social services for groups that need special care or cannot access public services.
- Social insurance to protect individuals from risks and the consequences of shocks to the vital assets.
- Social justice to protect individuals from the social risks associated with discrimination or abuse of power.

One can visualize an integrated social protection program in four types of intervention: protective intervention, preventive measures, promotive measures, and transformative measures.

### **1) Protective interventions**

These are represented in social safety net programs, which include non-covalent cash transfer to the poor in chronic poverty and who do not and will not be able to work again. It includes social security pensions and temporary pensions for families in interim poverty.

International experience has shown the value of social security pensions defined as a percentage of the minimum wage, as in the case of Brazil; or a certain amount provided for a period not exceeding five years with its minimum level one third of the average per capita GDP as in the case of Bolivia; or an amount to cover a certain percentage of the poverty gap in the targeted

category as in the case of South Africa. In all cases, the temporary pension is directed to poorest families for an interim period. International experiences have shown three ways to deal with the issue of freeing the poorest families from the need cycle:

- Laws impose rigid and clear standards to involuntary expulsion such as determining the maximum periods for receiving the pension if the family circumstances have not changed, as in the case of India and Philippines. This method forces the family to improve their income during a specific period, but it may deprive some families who have not been able to combat poverty.

- Reducing the value of the pension at rates determined by the law in proportion to the improved income of the beneficiary family, as in some of the programs in South Africa, but the criticism is that it may lead to deliberate poverty trap (Besely & Coate, 1992).

- The law does not determine the standards for involuntary expulsion and it is left to the assessment of the local administrator. If the families do not fulfil the requirements to get the pension, they will be ineligible, as in the case of Brazil.

## **2) Preventive measures**

These include social insurance programs for vulnerable categories such as health insurance programs, and temporary support programs. Without these programs the poor depend on their personal means, which include avoiding a higher risk option even if it is a higher yield, and selling saved assets in boom periods (Dercon, 2003). These temporary strategies to avoid risk do not have zero cost for the poor and most vulnerable, because it leads to less efficient asset management by preferring liquidity, and leads to a decline in the average permanent income. In 1993 Binswanger and Rosenzweig found the gap in asset management efficiency between the richest category and poorest category to be 25%, from a survey at the family level in 24 Indian provinces.

## **3) Promotive measures:**

The aim of this intervention is to improve real income and capabilities through micro-loan programs, school feeding, and conditional cash transfers. In a group of African countries conditional cash transfer programs did not receive the same success as in Latin America countries, due to the higher unemployment rates among adults in the former compared with the latter, which reduces the cost of labour and increases unemployment of the non-young in the majority of families. In addition, low quality of public services is the main reason for the leakage of children from school and that families are not provided with health care. So the lower administrative costs for conditional programs and directing them to improve service quality may be a more efficient alternative in some areas (Fiszbein et al, 2009).

#### **4) Transformative measures**

These include determining the minimum wage level, workers' rights protection laws, and ensure governance in the distribution of benefits for transfers that have already occurred.

##### **3.2.2.2. Optimal distribution for roles between the various layers of government**

After determining the components of the programs for combating poverty, the author will discuss the administrative and institutional aspects in the application of poverty strategy to social protection. This is mainly related to the relationship between central government and local government. International experiences have shown two models for this intervention to combat poverty.

**a. Centralized model:** The central government provides transfers for every individual where his per capita income is below a poverty line according to specific criteria set by central government, and for all individuals who are equally in poverty conditions at the state level. The advantage of this model is its transparency in determining the targeting criteria for the deserved from the program. However it is criticized because it does not offer any motive for local government to participate in determining the deserved for transfers or to participate in direct

intervention plans for combating poverty according to local information about poverty and its causes. It also has the fault of including the non-eligible for central accounts. (Rao, 2005)

**b. Decentralized model:** The centralized government gives local government non-detailed grants to spend on a range of dedicated programs to combat poverty, so that this model separates the funding task from identifying local needs. The advantage of this model is that targeting errors do not affect the allocated grant from the central to local government since it pre-defined, but the effect of targeting errors is limited to the problem of combating poverty in the local area.

This model has the advantage that the targeting errors do not affect the value of transferred grants allocated from the central government to local government, since it pre-defined, but the effect of targeting errors are limited to the actual confrontation to the problem of poverty in the local area. However it is criticized because it depends on rigid standards for distributing needs on local areas, which lead to the difficulty of access to accurate knowledge of the actual needs of the local area.

**In light of the international experiences, a framework for management has been reached to combat poverty system:**

1- The central government determines the legal framework for the targeting system including programs and criteria for selecting the eligible, and if targeting requires measurements of alternative livelihoods, the central government formulates measurement indicators and questionnaires and gives a weight for every indicator at the individual and family level (Ravallion & Wodon, 1997).

2- The elected local authority receives the targeting mechanisms and eligibility criteria from central government, and also collects data for the initial targeting process and choosing the eligible. These data are reviewed through all levels of government from lowest to highest through sample inspection. At this stage, one of two mechanisms for recording in the program is followed (Davis, 2003; Castaneda, 2005):

- **Survey method:** the social official makes a survey for the local area. The advantage of this method is accessibility for the vulnerable, who do not have information about their rights and how claiming it. But critics of this method cite the higher cost in the cases of low numbers of the eligible and their lack of concentration in specific areas. In addition, where there is maturity of some programs related to a specific budget, the survey may not continue in case the permitted number of eligible is breached; finally it is difficult to reply to the survey where the circumstances and requirements are changing periodically for families. However, this method is suitable when poverty exists in a homogeneous region, both in the level and the needs, and with a low level of education in the region and where the population is not aware of their rights. It is used to combat poverty in remote areas of Mexico, which requires accurate measurements of the beneficiaries.

- **Utilization method:** here the beneficiaries must apply for the use of the program, so the better off do not apply, and therefore a great transparency is achieved. Critics of this method point out that the poorest lack knowledge about their rights, and it requires a second phase of work to make sure that the eligible receive the services. This method is suitable in the case where there is no concentration of poverty in specific areas or is concentrated in areas surrounded by less poor areas, where there is a high level of education and awareness in the region, and where local officials undertake regular awareness campaigns. This method has been used for social security pensions in Mexico, India and Philippines.

3- The local government determines the priorities of the needs for combating poverty in the local area to instigate a range of programs that will depend on the different programs defined by law., They will use their experience to add or modify the criteria for determining the needy or eligible and to classify them to allow continuity of the program and with regard to the risks suffered by the local community.

4- Automatic registration on a database visible to all levels of governments regarding every program in the state as a whole.

5- The formation of a central committee and groups of nongovernmental institutions (civil society organizations) to control the distribution process of entitlements.

6- The presence of a party is responsible for the integrated development plan for the family at the local level (Castaneda et al, 2005).

### ***Conclusion***

The study deal with the evolution of the pro-poor public spending concept form the first approach, which focused on distributive justice and re-prioritize spending concepts to focus on the goal of combating poverty, while the second approach focused on measurements sustainable effectiveness pro-poor public spending and the achievement of the objective of this spending. Therefore, the second approach is both the most accurate and comprehensive, and thus the pro-poor public spending definition is the spending which is drafted according to mechanisms that guarantee the benefits to the poor are greater than to the non-poor (efficiency condition). Consequently, achieving positive results represented by increasing the income of the poor by a rate greater than the real increase in average per capita national income to exit the poverty cycle (effectiveness condition) is a sustainable improvement. Individuals do not then fall back the cycle of poverty or needs once they are subjected to any shock or unfavourable conditions again (sustainability condition). Therefore, the concept goes beyond targeting the poor by resources, and doubling resources for combating poverty, to the concept of public expenditure management.

The study found the foundations for sustainable efficiency according to asset-based and right-based approaches, which include the following:(1) Presence of needs-based funding formulas for the regional allocation of resources.(2) Presence of needs-based funding formulas to allocate resources for first line service providers.(3) The presence of specific criteria for service quality control.(4) The integration of social protection components and the presence of transparent foundations to estimate the transferred value.(5) The optimal distribution of roles between the various levels of government.

In light of the international experiences, a framework for management has been reached to combat poverty system: (1) the central government determines the legal framework for the targeting system including programs and criteria for selecting the eligible. (2) the elected local authority receives the targeting mechanisms and eligibility criteria from central government, and also collects data for the initial targeting process and choosing the eligible. These data are reviewed through all levels of government from lowest to highest through sample inspection.(3) the local government determines the priorities of the needs for combating poverty in the local area to instigate a range of programs that will depend on the different programs defined by law., They will use their experience to add or modify the criteria for determining the needy or eligible and to classify them to allow continuity of the program and with regard to the risks suffered by the local community.(4) automatic registration on a database visible to all levels of governments regarding every program in the state as a whole.(5) the formation of a central committee and groups of nongovernmental institutions to control the distribution process of entitlements.(6) the presence of a party is responsible for the integrated development plan for the family at the local level.

The study concluded with a series of recommendations: first, the need to differentiate between poverty, equitable distribution of resources, and vulnerability concepts, when tracing economic policies at the macro, and coordination with pro-poor public expenditure policy at the micro level. Second, the foundations for sustainable effectiveness must be taken in consideration when tracing (designing) pro-poor public expenditure policy, which was reached through asset-based and right-based approaches. Finally, the framework for management in order to combat poverty seen from international experiences, must be taken in consideration when tracing pro-poor public expenditure policy

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