

**Globalization, Growth, and Poverty
Program Initiative**

Description of the Program for 2006–11

**International Development Research Centre
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Executive summary

Growth and globalization have not led to the widespread reduction of poverty hoped for in the 1990s. In some regions and countries, poverty indices have actually worsened with respect to the benchmarks established in the Millennium Development Goals. In other parts of the world, where poverty incidence has been decreasing for several years, this trend has generally been associated with strong and sustained economic growth and “smart” integration into the world economy. Faced with this uneven record, governments and other stakeholders everywhere are struggling to understand the relevant lessons, often hindered by inadequate data and analyses.

The two key interrelated challenges are how to ensure that growth is sustained and how to enable the poor to benefit more from it. Growth must be sustained because economic recessions are among the leading causes of rising poverty levels. But fighting poverty also requires growth of a special type. Such growth will not only be concentrated in certain geographic areas, industries, and types of firms, but it will also be based on specific technologies, market and nonmarket arrangements, and linkages with the international economy. Moreover, it will not negatively affect the natural environment on which the poor — and future generations — rely.

Yet, beyond these broad generalizations, the details of an inclusive growth strategy are bound to be country specific, depending among other factors on the varied local causes of poverty, the bottlenecks hindering market-based growth, the demand and supply of public goods, and the given country’s position in the global economy. Achieving inclusive growth thus requires solid knowledge of local circumstances, constraints, and opportunities to inform policy dialogue and policymaking.

Building on the experience of its Trade, Employment, and Competitiveness (TEC) and its Micro-Impacts of Macroeconomic and Adjustment Policies (MIMAP) program initiatives, as well as on that of other corporate projects and activities, the International Development Research Centre (IDRC) is well placed to address many of the knowledge, capacity development, and policy support needs of developing countries. This document outlines the rationale and framework for a new program initiative — Globalization, Growth, and Poverty (GGP).

The new initiative will pursue four specific objectives:

1. Provide solid, locally grounded evidence on the patterns and drivers of inclusive economic growth and poverty reduction to enable governments and nongovernment actors in developing countries to design suitable policies and programs.
2. Inform policymakers and civil society actors of the opportunities and challenges involved in reducing inequality and poverty through appropriate trade strategies and by situating markets (domestically and internationally) within proper contexts of rules and regulations.

3. Develop policy analyses, proposals, and recommendations that enable governments and nongovernment actors in developing countries to design equitable and effective social protection systems.
4. Enrich policy analyses conducted by researchers in developing countries with enhanced understanding of the dynamics and nonincome dimensions of poverty and inequality, the political economic implications of pro-equity reforms, and the appropriate levels (local, national, international) of pro-equity policy interventions.

Projects and activities to be supported by the new program initiative will fall within one of three research areas:

- ***Patterns and drivers of inclusive growth***, focusing on the policy implications of facilitating and promoting growth that reduces inequality and poverty and on the functioning of the labour market (broadly understood) as a key link between various policies and markets and the well-being of populations
- ***Markets, other institutions, and inclusive growth***, focusing on the equity and poverty implications of various possible trade, competition, and regulatory policy scenarios and on noneconomic institutions mediating among growth, equity, and poverty
- ***Providing social protection***, focusing on clarifying who needs state-provided protection, what kinds of protection in various environments, and how to finance it equitably without hindering growth

In activities surrounding these research areas, the program will emphasize three cross-cutting themes that jointly define its specific approach to the policy-driven agenda:

- ***Enrichment of analyses of poverty and inequality***, by explicitly paying attention to the dynamics of poverty and vulnerability and to the various dimensions (monetary and nonmonetary) of inequality and deprivation
- ***Globalization, decentralization, and “subsidiarity”*** or the critical analysis of the appropriate levels of response — local, subnational, national, regional, global — and the policy coordination and coherence requirements for “pro-poor” change
- ***Political economy of effecting progressive change***, elucidating political economy constraints and viable pathways to reform and basing projects on substantive understanding of the policy process

Despite the presence of other development actors in this field, there is a clear niche for IDRC. First, there is considerable scope to improve the quality and nature of the research that underpins policy formulation. Second, there is still not enough support for indigenous research in developing countries with the twin goals of capacity-building and policy support. Third, IDRC is well positioned to be a knowledge broker, facilitating North–South partnerships, connecting researchers and practitioners, and bridging disciplinary divides. Fourth, the centrality of capacity-building to the Centre’s programing positions it ideally to respond to growing calls for enhanced local learning and experimentation. Finally, the research areas and cross-cutting themes outlined above

define a distinctive approach. That said, every effort will be made to work with and complement other organizations active in this field.

The GGP program initiative will channel its funding mainly into multicountry projects and thematic, regional, or subregional knowledge networks. In doing this, it will build on the experience and comparative advantages of TEC and MIMAP, allowing it to remain engaged in existing partnerships and reorient them toward an updated agenda. A smaller portion of the GGP budget will be directed toward national projects, responding to opportunities for capacity development and policy support at the national level.

Context and background

The development context and IDRC

The principles of sustainable and equitable development and poverty reduction are at the foundation of IDRC programming. The Centre's approach is built on the premises that economic growth must benefit the poor and that inequalities — in gender, ethnicity, class, religion, caste, and age — must be progressively removed. It also assumes that due to the various sources of inequality and exclusion, poverty is a multidimensional phenomenon.

The Corporate Strategy and Program Framework 2005–10 highlights some key challenges associated with reducing poverty and inequality in a globalized world:

- Despite accelerating globalization, the world remains a highly unequal and fragmented place, and the benefits of globalization have been very unequally shared.
- Domestic policy is important and countries that have prospered are those that have managed globalization best. But globalization has confronted policymakers with new and more difficult problems and has — at least to some degree and in some areas — reduced their room to manoeuvre.
- In the last few years, the growth of various developing economies has been very uneven and, even where gross domestic product (GDP) has been increasing quickly, the prevalence of income poverty is falling at a much slower rate.
- Income inequality remains stubbornly high (and possibly increasing), both between and within countries.

To address these challenges, IDRC has renewed its commitment to strengthening and helping to mobilize the local research capacity of developing countries. It has further stated its strategic intent to foster the production, dissemination, and application of research results that lead to changed policies, practices, and technologies that can help to reduce poverty and promote sustainable and equitable development.

IDRC's Corporate Strategy emphasizes the importance of scientific excellence and of the timeliness and policy relevance of the research that the Centre supports and, therefore, it affirms the complementary objectives of building research capacities where they are lacking and fostering connections between researchers and the intended users of the research. The Centre also reiterates its commitment to “building explicitly Southern agendas into current international policy debates and developmental decision-making at all levels” and to improving opportunities to mobilize the knowledge and perspectives of Canadians to address key development problems while enriching Canada through international collaboration.

Globalization, growth, and poverty

The Millennium Declaration and Development Goals (MDGs) have focused worldwide attention on the evolution of global poverty. In the context of an increasingly interdependent world, they have also brought under scrutiny the facilitating or hindering role of globalization in reducing poverty and inequality. A variety of analytic efforts have resulted in a better understanding of the interrelations of growth, poverty, inequality, and globalization. However, this has also led to a greater appreciation of the persistent knowledge gaps and the challenges associated with eradicating poverty.

For example, it is widely accepted that economic growth is necessary to reduce poverty, but growth alone is not sufficient (Ravallion 2004, and references therein). Economic growth typically benefits at least some of the poor (Dollar and Kraay 2000), but many are left behind, and the extent of poverty reduction depends principally on the *pattern* of growth pursued (Kakwani et al. 2004; Ravallion 2004). Furthermore, economic downturns are among the main causes of rising poverty levels (as witnessed during the financial crises in East Asia and Latin America) and ensuing growth accelerations sometimes do not reduce poverty as fast as recessions have increased it.

Recent research has also highlighted significant differences in *types* of poverty and vulnerability — for example, chronic or temporary — their causes, how they evolve over time, and what prevents groups or individuals from escaping them, which can help us understand the relations between poverty and the processes of growth and globalization (Conway and Norton 2002; Wood 2003; Clark and Hulme 2005). There is also increased appreciation that policy- and power-induced distortions, information failures, and physical or technological access barriers often combine to keep the poor from benefiting from market-based growth (Ferraz 2004; Were Omamo and Farrington 2004; Mytelka 2005).

In this regard, globalization in itself has neither completely blocked nor guaranteed advances in social outcomes. Defined for the purposes of this document as “national economies... increasingly linked through international markets for products and factor markets, leading to increased cross-border flows of goods, capital, labour,... and through flows of information, technology and management know-how” (Nissanke and Thorbecke 2004), globalization has accelerated considerably in the last decade and a half, driven to a great extent by policy changes and technological developments. This has been simultaneous with an apparent decline in the *percentage* of world citizens who are absolutely poor, although it is not clear that the *absolute numbers* have also been reduced (Ravallion 2003, Wade 2004).

Global poverty reduction is due mainly to positive outcomes in the world’s two most populous economies (i.e., China and India), which have certainly become more “globalized” in this period. Other developing economies (e.g., Vietnam, Uganda, and Chile) have also thrived in a more integrated world, and this has allowed them to reduce poverty at least while growth has persisted. At the same time, however, the world has witnessed the stagnation of many developing economies and increasing poverty in some

of the poorest parts of the world. The prevalence of extreme poverty in sub-Saharan Africa, in particular, was higher in 2001 than in 1990, and in terms of meeting the 2015 target, the UN's monitoring agency has reported, "no change or a deterioration or reversal" (UNDESA 2005).

Tackling poverty in Africa — the critical role of GGP

Despite the widespread perception of stagnation, substantial economic growth has occurred in parts of Africa over the past decade. For example, Uganda and Tanzania averaged about 6% annual growth between 1999 and 2003, Mozambique 7%, and Ghana almost 5%. Unfortunately, growth has not generally resulted in the expected poverty reduction. African governments and aid donors are deeply concerned with this problem and are struggling to determine what they can do differently so that economic growth has a larger impact on the poor.

A good example is Tanzania, which recorded GDP growth of 5.8% annually over the period, while household budget surveys in 1990 and 2001 showed only a slight decline in poverty. This has been widely interpreted as meaning that growth policies have not reached the poor. So what went wrong? One problem is that growth has been heavily concentrated around Dar es Salaam and a few other areas, leaving many parts of the country untouched. A second is that the growth has been concentrated in sectors — such as mining, tourism, and modern services — that have relatively little impact on the poor, who remain mostly engaged in basic agriculture. Finally, one problem was poor interpretation of the data: conclusions were being drawn on the basis of surveys that were not fully comparable.

How would good research have helped? Applied research of the type supported by GGP could make a fundamental difference in a number of areas. Sectoral analyses could help identify which sectors can contribute most to raising the incomes and employment of the poor and help government identify the main policy measures or investments that are needed to get those sectors growing. Geographic analysis could help policymakers better understand how growth and poverty are linked and what can be done to develop the areas that have remained poor. Good applied research in the agricultural sector could help the government determine which interventions would most affect the incomes of the poor where they are currently engaged. Finally, GGP could support better analysis of the data and trends, along with dissemination and engagement of policymakers, so that reliable conclusions could be drawn from the various surveys, and the results could be well understood by politicians, civil society, and donors.

In addition to the absolute or extreme poor, large portions of developing countries' populations subsist in near poverty and remain vulnerable to adverse shocks (Wade 2004). Social unrest and even violent conflict often appear to be fed by growing anxieties among these larger segments, associated with a sense of exposure to new and "unmanageable" threats arising from the global economy and patterns of technological diffusion (Nissanke and Thorbecke 2004; Moser and Rodgers 2005). This exposes the limits of too narrow a focus on extreme poverty and calls attention to the need to address the broader picture of inequality (Birdsall 2001).

When attention shifts to inequality, the panorama becomes more complex and uncertain. First, in recent times (and for diverse countries and periods) there appears to be no clear or robust statistical relation between national growth rates and within-country income inequality (Nissanke and Thorbecke 2004, and references therein). Yet, pre-existing and newly generated inequalities are undisputedly key intervening variables in the growth–poverty nexus. In fact, the more unequal a society, the greater the growth required to achieve given reductions in income poverty (Bourguignon 2004). In a dramatic

manifestation of this growth–inequality–poverty equation, it can be shown that without substantial *redistribution* many countries will not reach their poverty targets by 2015, even if they replicate their best historical growth performance (ECLAC 2004; UNDESA 2005).

Second, the various dimensions and sources of inequality and exclusion do not necessarily evolve in parallel but can interact in complex, sometimes unpredictable ways. Despite increasing global income inequality, particularly among nations (Bourguignon and Morrison 2002), some authors have recently claimed that, in terms of other indicators of material well-being, the world is less unequal today than in the past (Becker et al. 2005; Kenny 2005). This raises a number of intriguing analytical challenges regarding the role of technology and institutions. Yet, they should not obscure the opposite observation that abhorrent forms of exclusion and deprivation can persist apparently untouched by favourable economic transformations. In Pakistan, for example, in the last few decades significant per capita GDP growth and declines in poverty have apparently had no positive effect on various forms of gender discrimination, which in turn have prevented faster and further advances in poverty reduction (Easterly 2003; Kabeer 2003).

Lessons learned and knowledge gaps

The growth literature has also been yielding a number of lessons and opening new areas for investigation. Some of the most credible analyses suggest that good economic and social performance results from a well-functioning combination of markets and nonmarket institutions (Rodrik 2000, 2003). In this context, it is useful to think of markets as diverse social institutions for the voluntary exchange of goods and services among different types of economic agents. When markets allow efficient producers to get their goods and services to willing buyers, keeping exploitative tendencies at bay, both workers and investors are likely to receive better returns for their efforts, which contributes to improved living standards for more people. In a development context, this highlights the role of the private sector in mobilizing resources to generate assets and create jobs, especially the key role of the *domestic* private sector (Commission on the Private Sector and Development 2004; OECD 2004; World Bank 2004).

Yet, in many developing countries, markets are often “missing” or distorted. This can be the result of practices of powerful players, such as large retail chains that use their market power to impose arbitrary standards that exclude small suppliers (Reardon et al. 2003) or traders who squeeze the margins paid to small farmers for their crops. Markets are missing when inadequate regulation prevents otherwise sound borrowers from getting credit for viable and socially desirable projects, leaving them with access only to informal, exploitative lenders. Market-based inclusive growth is also hindered by government-induced trade distortions that exclude weaker developing-country suppliers or force the local poor to pay higher prices (Hertel and Winters 2005). In other cases, inadequate public infrastructure, lack of assets, or information constraints may prevent the poor from seizing existing opportunities; for example, when geographically isolated farmers cannot reach potential buyers with their produce or when poor rural households remain unaware of employment opportunities elsewhere (Krishna 2004). In all these situations, women are more likely to face additional obstacles, not only because of social

rules or customs, but also as a result of the reproductive burden that has the effect of a tax on their labour.

Missing and failing markets demand well-informed, targeted, and effective public intervention. In fact, many of the abovementioned “pathologies” of markets are the domain of trade, competition, and regulatory policies. The experience of relatively successful economies suggests that public regulation and institutions in these areas normally work as much to “construct” markets as to govern them.

Moreover, when markets are missing or do not function properly, societies have usually developed alternative institutions for production, exchange, and distribution. These include, for example, small enterprises that wouldn’t pass a test of economic viability but serve to redistribute income among household members or religious customs that may provide a form of insurance against certain risks. Among the variety of such nonmarket institutions, some may be equity-enhancing and others may actually reproduce cycles of exclusion and poverty.

All this suggests that inclusive growth, or growth that substantially reduces poverty and inequality, is in fact growth of a special type. It must reach the geographic areas where the poor are located; it must be concentrated in the sectors and industries that are most likely to raise incomes or create employment for the poor; and it must be based on appropriate technologies and institutions. Although governments cannot directly control the pattern of growth, a wide range of public institutions and policies do have an impact on it. These include institutions and policies that shape the business environment, arrangements to ensure appropriate use of natural resources and long-term sustainability, and efforts to ensure the smooth functioning of the mechanisms — such as labour markets and access to education and land — that allow the poor to take advantage of the opportunities created by growth. Inclusive growth will generally result from the efforts of a vibrant, diverse private sector, supported and complemented by effective public and other nonmarket institutions. As research has been demonstrating, these must be based on a coherent combination of domestic policies and links with the rest of the world that do not map uniquely into a single model of the “market economy.”

Beyond these broad generalizations, the details of an inclusive growth strategy are bound to be country specific. There is growing recognition in the international development community that specific national responses are necessary and must take into account the varied local causes and manifestations of poverty, the specific bottlenecks hindering market-based growth, the specific needs for and capacity to supply public services, and the country’s position in the global economy. Governments and other stakeholders are desperately seeking guidance on how to achieve the “right” kind of growth, but they are often limited by lack of data and proper analyses of what is going on in their countries or communities, what dynamics are at work, and what could be done differently.

GGP's response

In light of this, the GGP program initiative will respond to three major interrelated challenges.

- First, there is a growing need to understand the **patterns and drivers of inclusive growth** and align policies and institutions accordingly. Developing countries need to determine how to promote growth of an appropriate kind or quality — with a suitable geographic and sectoral pattern and respect for natural resource constraints and based on technological and institutional models that generate more and better-remunerated employment.
- Second, countries must understand and be able to harness **markets and other institutions for inclusive growth**. The challenge consists of finding out how to build, regulate, and expand the reach of markets (domestically and internationally), and understand the distributional outcomes in terms of wealth creation, exchange, and distribution with a view to improving public policies.
- Third, countries must have access to information that allows them to design and finance systems to **provide social protection**. In particular, and most closely related to the previous two areas, the challenge is to use knowledge of institutions, poverty, and growth processes to shed light on who needs protection, in what form, and how to finance it without hindering growth or increasing inequality.

However, articulating policy-relevant research questions and generating the answers with appropriate frameworks, data, and techniques may not be enough. Important as this work is, research also needs to be connected with policymaking if it is to contribute to pro-equity change. In particular, a key additional challenge is that many of the most pressing issues and policy dilemmas around inclusive growth do not involve a single identifiable “client” but rather require creating spaces of convergence of various actors and government departments. Research and researchers may play a convening role, but artful political work must be done in tandem with knowledge generation.

There are also opportunities that should not be missed. The widespread development and adoption of Poverty Reduction Strategy Papers has created new openings for multistakeholder policy dialogues. The move to transcend the Washington Consensus has shifted the debate on economic development and raised new issues and expectations. In developing countries, not just external pressure but also very often domestic unrest and dissatisfaction with the pattern of development create an appetite for an integrated approach to growth and poverty reduction that fully recognizes the fundamental reality of globalization.

At the same time, the local supply of usable knowledge and research-based policy advice in many developing countries remains severely constrained. Too frequently, research and higher education systems are extremely weak and unable to generate an ongoing flow of usable and rigorous knowledge on which to base policy dialogue. Low salaries, lack of resources, and poor infrastructure prompt committed researchers to look for opportunities abroad or with private or international organizations, making them unavailable to train

others or participate fully in public debate. The local private sector, in turn, often lacks incentives or fails to perceive the benefits of funding applied research for the “public good,” and governments see research and higher education as luxuries compared with other urgent claims on their resources.

The IDRC experience

The GGP program builds on a considerable background of IDRC support for economic policy research. GGP will draw on IDRC’s experience in a number of initiatives, including the Secretariat for Institutional Support for Economic Research in Africa, the African Economic Research Consortium (AERC), the Peru Consortium for Economic and Social Research, and the Small and Medium Enterprise Policy Project in Egypt. It also reflects the work of several specialized IDRC task forces and working groups (dealing with private-sector development, biotechnology and emerging technologies, and intellectual property issues), whose work informs thinking on GGP’s niche in the specific research areas discussed below.

Most important, however, GGP is intended to build on previous work supported by IDRC’s Trade, Employment, and Competitiveness (TEC) and Micro-Impacts of Macroeconomic and Adjustment Policies (MIMAP) program initiatives, which dealt with developing countries’ strategies for international economic integration and with linkages between poverty and macroeconomic policies.

Since 1997, TEC has supported knowledge generation and the enhancement of research capabilities to improve developing countries’ negotiating and bargaining capacities; contribute to the design of instruments and procedures that allow developing countries to better profit from global opportunities; and assist developing countries to promote coherence between their domestic economic policies and their international trade policies.

Projects pursued under TEC have been of three types. A first set of activities has focused on emerging issues in international trade relations, such as the environment, investment codes, competition policy, and trade in services. A second set has focused on domestic and regional policy responses to globalization. Finally, the initiative has been supporting a number of international networks of trade policy experts and stakeholders in Africa, Asia, and Latin America and the Caribbean. As an important subsidiary area, TEC has also supported targeted efforts to analyze the global governance of trade and international financial flows and to create awareness of the need for development-friendly governance reforms. The proposed GGP initiative builds on this set of interventions but shifts the focus more explicitly to their impact on poverty and inequality.

Some TEC lessons — revealed preferences for integration and the strategy of integration

In December 2003, TEC hosted a global seminar on “The World Trade System: Challenges and Opportunities from the Development Perspective” attended by project partners and other trade and development experts. During the seminar, it became clear that even low-income countries are ready to pay a high price for membership in the World Trade Organization (WTO). Accession to WTO membership is politically complex, technically difficult, time-consuming, and expensive. According to one participant, Arab countries in the Middle East have discovered that the fact-finding stage alone (one of close to 20 steps in the process) can take 2–3 years, partly due to the need for constant translation of documents between Arabic and English. An ongoing TEC-funded project involving researchers in Angola, Jordan, Bulgaria, Ecuador, Taiwan, Vietnam, and Tajikistan has shown that the time needed to complete the process has increased over time and the commitments expected of acceding countries have become more stringent, particularly in terms of tariff bindings and liberalization of trade in services.

Even so, about two dozen countries are actively pursuing membership in the WTO; a third of them are least-developed countries (including, Sudan, Ethiopia, Yemen, and Laos). Their main expectations seem to be that accession will signal to potential foreign investors that they are bona fide players in the international economic system and that accession will boost their exports. In the experience of recent new members, however, such expectations tend to be much inflated as the TEC-supported project shows.

Applicants for accession do have some room to manoeuvre. First, they can make the process work for their own purposes by identifying goals, analyzing economic options, and formulating sensible negotiating priorities and fall-back positions. Second, they can defend spaces for development policy if they are able to document the adverse development impact of requested nonmarket access commitments. Third, they can use available technical assistance and capacity-building aid to elaborate suitable strategies. These all require a minimum understanding of likely effects of commitments on their national economies and societies. They also require the articulation of *national* positions and the ability to sustain them over time, all of which cannot be simply resolved by technocrats in trade ministries.

IDRC’s MIMAP programming was initiated in 1990 in response to concerns over effects on the poor of the stabilization and liberalization reforms of the 1980s and the limited capacity in developing countries to measure poverty and analyze the impact of macroeconomic policies and shocks. The program initiative’s goal has been to help developing countries design policies and programs that meet economic stabilization and structural adjustment targets while alleviating poverty and reducing vulnerability.

MIMAP activities have fallen into four categories. Country projects in more than a dozen Asian and West African countries have built capacity and applied it to measuring, analyzing, and monitoring poverty using surveys and related tools; MIMAP has supported participatory, community-level poverty monitoring strategies and the use of the results in local planning and development programs; and they have facilitated the assessment of household-level effects of macroeconomic policies and shocks through economic modeling and sector- and issue-focused studies. Thematic network projects have developed knowledge and tools in such cross-cutting areas as gender, health, the environment, labour, and micro-finance. Comparative studies have involved MIMAP country project teams in the analysis of issues of common interest, such as the impact of trade liberalization on poverty. Finally, the initiative has provided program support,

including training, technical support, and program advice from national and international experts, and support for various dissemination mechanisms. A significant share of MIMAP support is now channelled through the Poverty and Economic Policy (PEP) network, a research and capacity-building network jointly managed by the Angelo King Institute in the Philippines and Université Laval in Canada. The GGP initiative is a natural extension of those activities, shifting the focus from a concern with adjustment impacts alone to a wider concern with the poverty effects of economic growth.

Some MIMAP lessons — the poverty gains of trade liberalization

The Millennium Declaration and MDGs, intermittent progress in the Doha Round of multilateral trade negotiations, and widespread anxiety over the possible adverse effects of globalization have prompted numerous efforts in the last few years to assess the impact of trade liberalization on global poverty and poverty in the developing world in particular. One of the most recent and comprehensive attempts is Hertel and Winters' (2005) *Putting Development Back into the Doha Agenda: Poverty Impacts of a WTO Agreement*. MIMAP partners from Cameroon, Philippines, and Bangladesh produced country studies for this publication that illustrate the type of work IDRC's programing has allowed.

In their conclusions, the editors comment, "Assuming an ambitious Doha Development Agenda (DDA), we find the near-term poverty impacts to be mixed; some countries experience small poverty rises and others more substantial poverty declines. On balance, poverty is reduced under this DDA, and this reduction is more pronounced in the longer run." The MIMAP team has shown that the DDA could be poverty-reducing in Cameroon, for example, although the results greatly depend on the choice of taxes to replace lost revenue from falling tariffs (Emini et al. 2005). On the other hand, the MIMAP team in Bangladesh finds that the DDA, world trade liberalization, and domestic trade liberalization all have negative effects on poverty in the short term, although the latter turns the effect to positive in the longer term (Annabi et al. 2005).

Hertel and Winters also point out that significant cuts in developing-country tariffs would enhance the DDA's contribution to poverty reduction and that "key determinants of the national poverty impacts include: the incomplete transmission of world prices to rural households, barriers to the mobility of workers between sectors of the economy, as well as the incidence of national tax instruments used to replace lost tariff revenue." If developing countries are to take advantage of opportunities emerging in an economically more integrated world, they need to understand what precisely are the critical links between opportunities and positive outcomes in their specific circumstances, what are the transmission mechanisms and key bottlenecks, what are the viable pathways to reform, and what is in their power to reform.

Both MIMAP and TEC have also supported initiatives aimed at developing tools for gender analysis of economic policies and applying them to contribute to policy debates. These include, for example, the support provided to the International Working Group on Gender, Macroeconomics and International Economics and to the Gender Responsive Budgets initiative of the United Nations Development Fund for Women and the Commonwealth Secretariat. These form a good basis for continued support of gender analysis under GGP.

The work of TEC and MIMAP has always been strongly complementary. This is even more striking now, as the central role of poverty reduction in economic policy becomes more widely accepted and the links between trade negotiations and other areas of domestic policy become more apparent. This has been mirrored by joint TEC–MIMAP funding of a number of key activities and significant cross-over in team membership between the two program initiatives. The new GGP program initiative will build on these complementarities, drawing on the strengths of TEC and MIMAP, as well as related IDRC activities.

External evaluations of the two program initiatives in 2000 and 2003 painted a positive picture of their accomplishments. Although their missions are far from fully achieved, both have advanced the agenda in their fields. An integrated program initiative is the logical next step in the evolution of research agendas and a response to demand from the field for increased dialogue and collaboration between disciplinary and policy communities.

The program

Vision, goal, and objectives

Vision statement

The program initiative's vision is *research from developing countries informing their strategies for inclusive growth*.

In greater detail, the vision entails a world in which researchers and research institutions in the developing world are able to contribute regularly to the policy process by providing credible evidence that sheds light on key policy dilemmas and reveals impending challenges. Southern, Canadian, and other Northern policymakers, technical officers, and policy advisors (including those in international organizations and financial institutions) have improved capacity to make social impact considerations an integral part of policymaking processes and place greater emphasis on promoting growth and reducing poverty. Pro-poor civil society organizations are better able to use research-based evidence in their advocacy work. Social actors in developing countries (including various segments of the unorganized poor and the private sector) understand how and where to make decisions concerning the forms of integration into the world economy that are most appropriate to them and they benefit from these appropriate forms of integration.

Goal of the program initiative

The goal of the GGP program initiative is to support policy reforms in developing countries aimed at promoting inclusive growth and poverty reduction and appropriate international integration strategies, by generating necessary evidence and knowledge and strengthening capacities for their production and use in inclusive policymaking.

Objectives

The program initiative will support research and research-related capacity-building to:

1. Provide solid, locally grounded evidence on the patterns and drivers of inclusive economic growth and poverty reduction to enable governments and nongovernment actors in developing countries to design suitable policies and programs.

2. Inform policymakers and civil society actors of the opportunities and challenges in reducing inequality and poverty through appropriate trade strategies and by situating markets (domestically and internationally) within proper contexts of rules and regulations.
3. Develop policy analyses, proposals, and recommendations that enable governments and nongovernment actors in developing countries to design equitable and effective social protection systems.
4. Enrich policy analyses conducted by researchers in developing countries with enhanced understanding of the dynamics and nonincome dimensions of poverty and inequality, the political economic implications of pro-equity reforms, and the appropriate levels (local, national, international) of pro-equity policy interventions.

Research areas and cross-cutting themes

The first three objectives define three research areas that will guide our selection of work activities. They focus on specific policy issues or sets of policy instruments crucial to the inclusive growth challenge. Three cross-cutting themes jointly define the program initiative's distinctive approach to the policy-oriented agenda and its intended contribution to enriching development thinking and practice and expanding policy horizons (its fourth objective). They do not define new research areas but rather reflect expected features of supported activities.

Research areas

Three research areas follow from the first three program initiative objectives: the patterns and drivers of inclusive growth; the shape, functioning, and phasing of appropriate combinations of market and nonmarket institutions to promote inclusive growth; and the design and equitable financing of social protection systems. Below we outline key entry points and possible research questions in each of these areas, along with expected outcomes of IDRC support.

Patterns and drivers of inclusive growth: We recognize that growth that is conducive to greater equity and poverty reduction is qualitatively different from growth that does not accomplish those goals, even if both are similarly market-based. As suggested above, inclusive growth will likely be concentrated in industries, types of firms (small or large, formal or informal, domestic or foreign owned) and geographic areas where the poor disproportionately live or can be employed. It will be characterized by technologies and ways of organizing production and distribution that generate more and better employment opportunities for poorer populations and that do so in consideration of environmental constraints, while generating outputs that are competitive in domestic and international markets. More generally, it will engage entrepreneurs and the local private sector in key roles. Growth of the kind sought will be accompanied by accumulation of human capital and the creation and preservation of other assets that enable the poor to benefit more from the growth process.

The drivers of inclusive growth will vary from economy to economy and there will be differences in how growth is translated into meaningful improvements in social conditions. The transmission mechanisms depend on the geographic and sectoral distribution of the labour force, the role of agriculture, the labour absorption potential of various industries, and the opportunities for labour mobility across sectors or regions, as well as the way markets adjust through changes in prices of goods and factors of production. Thus, the details of an inclusive growth strategy will be region or country-specific. Policymakers in most developing countries need better evidence and analyses to allow them to facilitate and promote this type of growth, in formats and languages that are user friendly without sacrificing technical rigour. Researchers in those countries need financial resources and technical assistance to produce such analyses on a more systematic basis and to communicate their work effectively.

Activities related to this research area will focus on

- Identifying the sectors and subsectors, regions, and types of firms whose growth is most likely to reduce inequality and poverty and examining policy changes that can promote enterprise development, stimulate investment, and enhance productivity in these areas
- Analyzing the determinants of labour market outcomes (such as rates of unemployment, types of employment, earning levels, including both wage employment and self-employment) with a focus on equity and poverty implications by sector and geographic area

Expected outcomes of programing in this area:

- Researchers are better able to identify bottlenecks that hinder the expansion of high poverty-reducing sectors and activities and produce policy recommendations to facilitate their sustainable growth.
- Researchers have greater capacity to uncover the policies that are most conducive to boosting job creation and sustainable growth of incomes, especially those benefiting primarily poorer workers.
- Policymakers (particularly policy advisors in a variety of government departments and at subnational levels) and various stakeholders (civil society organizations, private sector organizations, donors, university lecturers) are aware of research results and debate policy options on the basis of more solid evidence.

Markets, other institutions, and inclusive growth: Although markets are a powerful tool for generating wealth and allocating resources efficiently, they must be supported by an assortment of public institutions and various forms of collective action to achieve fairness and efficiency. The GGP program recognizes the incomplete nature of markets in the developing world and maintains that the functioning of markets can only be understood by paying attention to the social context in which they operate. In other words, state and nonstate actors jointly have the capacity to shape a market economy that works locally for equitable growth. This requires better evidence on the distributional implications of existing and alternative institutional arrangements and the transition between the two. In particular, it implies re-examining ongoing “liberalization” processes as well as addressing the need for regulation (especially with respect to their pace, sequence, and

complementary reforms) and making knowledge of their social impact more central in decision-making.

Activities related to this research area will focus on

- The poverty and equity implications of various forms of trade liberalization (i.e., unilateral, bilateral, regional, and multilateral trade negotiations and agreements) and how those considerations can be made more central in trade policymaking
- The poverty and equity implications of concentration of market power, uncompetitive practices and failures of regulation, and the design and phasing of competition and regulation regimes for promoting inclusive growth
- The nature of noneconomic institutions associated with failed or missing markets and the extent to which they may become pro-equity alternatives rather than producing cycles of exclusion, poverty, and deprivation

Expected outcomes of programing in this area:

- Researchers are more capable of analyzing the distributional implications of existing combinations of market and nonmarket (public and private) institutions and have developed empirical bases to assess the likely distributional impacts of various reform scenarios.
- Researchers from various disciplines and specializations (e.g., trade, economics of regulation, various schools and approaches to poverty analysis) have become accustomed to collaborating to generate such knowledge and use suitable frameworks and tools to produce rigorous assessments.
- Policymakers (particularly technical advisors in the fields of trade, competition, and regulation) are aware of the distributional implications of their actions and of viable alternatives.
- Private-sector, civil society, donors, and other stakeholders are aware of and use indigenous evidence-based research on distributional impacts of reforms to articulate their positions in local policy debates.

Providing social protection: Markets and other institutions must be aligned to produce more wealth efficiently and sustainably and to allow greater participation in their gains by those who are less well off. However, public interventions and systems that are more directly aimed at redistributing wealth, protecting populations from shocks, and compensating for various forms of exclusion are increasingly recognized as essential for equitable development, even in low-income countries where they were traditionally viewed as a luxury.

Debate continues around the extent, forms, intended beneficiaries, financing, and effects of social protection systems, with equity, effectiveness, and efficiency dimensions expressing themselves in discussions about “targeting,” “protection–incentives tradeoffs,” “taxes and efficiency,” or “fiscal sustainability.” But there is a clear rationale for social protection as part of inclusive growth in the globalization agenda. First, the pro-equity and anti-poverty goals would be incompletely served by analyses that stopped at what markets and market-supporting institutions can deliver. Fighting poverty and inequality also requires legitimate and growth-conscious redistribution through fiscal policies.

Second, the other side of understanding the drivers and poverty-reduction potential of market-based growth and the distributional effects of market and nonmarket institutions is determining the limits of those processes and policies. Social protection can assume a number of roles depending on the relation of a population to the growth process (i.e., protection for those unable to participate in the economy as producers, such as children, the aged and the ill; safety net protection for those affected by economic restructuring or adverse shocks; transition-facilitating protection for those who are economically active but poor and could shift to higher return activities), and evidence should inform the design of targeted responses to each type of need.

The net benefit in terms of inclusive growth of putting in place social protection mechanisms will also result from the way in which they are financed: financing mechanisms should not conflict with countries' growth objectives and they should be equity-enhancing. The financing of social expenditures has acquired new salience with structural reforms that affect traditional sources of revenue (e.g., duties on international commerce) and has especially difficult, governance-related connotations in poor and aid-dependent nations as well as in other developing countries.

The program will thus focus on two sets of issues most directly connected to the globalization–growth–equity nexus:

- Understanding what types of protection are needed in particular socioeconomic environments (who needs protection, to attain what, in what form, and for how long) to assist in the design of social protection systems
- Addressing issues surrounding the design or reform of tax systems to finance social protection equitably without harming growth

Expected outcomes of programing in this area:

- Researchers are better able to analyze empirically the effectiveness of existing and planned social protection mechanisms and the efficiency and equity of their possible financing.
- Policymakers (including legislators and technical advisors) and donors are aware of research results on the social protection needs of various segments of society and on viable forms of equitable financing of protection mechanisms, and they use this knowledge to design and evaluate social protection systems.
- Civil society organizations are aware of and use this evidence-based research to hold governments accountable and to advocate social protection measures and financing arrangements that are conducive to inclusive growth.

Cross-cutting themes

Three cross-cutting themes will be emphasized in all GGP activities, providing a basis for choosing among alternative projects and guiding the program initiative in its interactions with partners during project design. These themes do not constitute additional research areas but rather ways of approaching the research questions identified above.

Enrichment of poverty and inequality analyses: Although traditional approaches to poverty and inequality measurement (income–consumption based, usually static) remain important, promoting equitable growth requires richer approaches in at least two senses.

First, there is a growing need to develop a dynamic understanding of poverty and inequality. This involves illuminating the pathways into and out of poverty of households and individuals, recognizing the specific challenges posed by “chronic” poverty, and uncovering the links between variability in socioeconomic status and dynamism in various parts of the economy. This entails investigating the effects of various patterns of migration (within or beyond borders, permanent or temporary, legal or illegal) and the associated flow of resources (i.e., remittances and changes in the stocks of human capital), as well as other adaptive strategies that the poor create for themselves. It also directs attention to ethnic, religious, cultural, political, or other forms of exclusion that prevent certain populations from participating in dynamic economic sectors or otherwise benefiting from wealth creation and redistribution.

Second, there is a need to transcend narrow income- or consumption-based definitions of poverty. For example, it has been argued extensively that neglecting gender inequalities within or outside the household may prevent otherwise sound policy strategies from achieving the intended poverty-reduction goals. Moreover, notions of inequality and deprivation that recognize and emphasize the multiple dimensions of human realization (including a role for human rights, agency, and freedom) also demand more comprehensive definitions and empirical approaches, including those that put gender equity at centre stage. Many of these multidimensional approaches are at an early stage of methodological development and demand the integration of quantitative and qualitative data. IDRC has been associated with their early development, and GGP will support their further elaboration and application to policy analysis.

Projects financed by the program will be expected to enrich policy debates by expanding the understanding of poverty in one of the two directions outlined above. To the extent feasible, the program will invest in cost-effective data generation efforts to fulfill this goal or, more often, catalyze joint efforts by various stakeholders to expand or link disjoint national and local data sources (e.g., supporting time-use surveys to determine intra-household dynamics and the effects of policies on women and children not in “visible” labour markets; panel surveys to understand the extent and features of chronic and temporary poverty and labour market dynamics; or the integration of household, firm, and public service datasets to illuminate the impact of policy reforms).

Globalization, decentralization, and the “subsidiarity” issue: The process of globalization not only creates new threats to equitable development, but also presents new opportunities for tackling difficult challenges through international policy coordination. Such coordination may strengthen weak states (and nonstate actors) vis-à-vis other powerful global or domestic players. In a way, the wave of regional integration agreements of the last decades can be seen as an attempt by countries to “manage” their international economic integration, creating smaller fora in which their concerns might receive greater attention and seeking allies in joint responses to global developments. At

the same time, federal and unitary countries alike have been struggling with the question of what is the adequate degree of decentralization of policymaking rights and responsibilities to subnational units. They have found that there is no simple rule to follow and that the answer depends on whether an issue is best dealt with at a higher or lower level. These issues can be regarded as variations of the more general problem of allocating policymaking responsibilities to different levels of political organization, from the local to the global.

Projects financed by the program initiative will normally focus on one level of intervention (e.g., policies at the national level), but through dialogue during project development and monitoring and targeted explicit activities, when appropriate, partners will be encouraged to examine the implications for other levels (regional or international coordination or local-level policies) and contribute creatively to debates on optimal policy design and coherence.

The political economy of fostering progressive change: The experience of IDRC and many other development actors demonstrates that better evidence alone does not trigger or even promote pro-equity change. Research must be conducted at sites (real or virtual) and in ways that facilitate its absorption by those who can initiate or promote change. It must take into account the key features of the policy process, relevant political economy dynamics, and institutional bottlenecks. Projects designed exclusively by researchers tend to neglect important constraints that are often tacitly assumed by policymakers or other actors. On the other hand, adequately placed and communicated academic research can be a powerful accountability instrument by demonstrating the distance between stated goals and outcomes and by examining the factors affecting performance.

The grounding of economic policy analyses, in turn, affects whether research outputs will eventually be able to enhance the capacity of progressive actors to make changes and support the democratization of the policymaking process. For example, analyzing regulatory or trade policy reforms without taking into account the interplay of interests that will be affected and those that could be mobilized may lead to proposing unfeasible objectives, neglecting necessary intermediate steps and prerequisites, or getting the sequencing of reforms wrong.

The program will demand that projects be based on a substantive understanding of the policy process and the political economy factors at play. Applicants will be expected to demonstrate that they have an adequate strategy for generating knowledge that can promote or support change or that they will invest in highlighting the political, institutional, and organizational factors that would impinge on pro-poor changes in public policy.

Programing approach and strategies

In line with IDRC's mandate and objectives, the program initiative will seek first and foremost to strengthen local capacities to produce relevant, rigorous, and usable

knowledge and to integrate it into the policy process. To achieve this, the program initiative will adopt three distinct modalities of research support: ongoing thematic and regional networks; time-limited multicountry projects; and individual country projects. The program initiative expects to invest about half its budget in ongoing thematic and regional networks, with the remainder split roughly evenly between one-off multicountry projects and individual country projects.

Thematic and regional networks have been a distinctive mark of IDRC's work in the past. Such networks — anchored in Southern institutions and linking researchers, policymakers, and development practitioners in multiple countries — will continue to be supported by GGP. Among their many advantages, networks facilitate peer review and learning, not just among academics, but also among a wider range of participants in developing countries (i.e., allowing informal peer reviewing of policies and institutional arrangements). They also build capacity through direct mentoring of less-experienced members, by generating demonstration effects (e.g., promoting the dissemination of best practices and models) and by creating formal and informal mechanisms for information exchange and technical support. Networks break the isolation of experts in countries with weak research systems and may also work as informal diplomatic channels to build trust and cooperation at regional or cross-regional levels (e.g., as in the case of trade knowledge networks that allow trade negotiators to meet unofficially).

Particular attention will be paid to network designs, to ensure that they support and facilitate research-to-policy linkages at the appropriate local level. This will involve careful and creative consideration of issues of membership, coordination, technical support, modus operandi, lifespan, funding, and incentives to ensure that networks bolster their members' ability to promote change in their local contexts. Lessons from IDRC's strategic evaluations on networks and policy influence and from TEC's and MIMAP's experiences will be applied to that end.

One-off multicountry projects, with predetermined, shorter lifespans, will also be supported to address some of the program initiative's objectives. These will normally be set up to serve the needs of identifiable stakeholders, to promote time-bound policy dialogue, or as a way of exploring the viability of new networks. These may include cross-regional initiatives involving teams from countries at similar levels of development or research capacity (e.g., larger developing countries such as South Africa, Brazil, India, and China). In addition to facilitating innovative forms of South–South cooperation, the participation of GGP and other Canadian partners in these initiatives may make it possible to share knowledge on Canada's responses to specific policy challenges, to gain insights into emerging global dynamics, and to make substantive collaborative contributions to global development thinking and practice.

GGP and capacity- building

Building research capacity in developing countries, which is at the core of IDRC's programming, may mean various things and take place at various levels (Lusthaus and Neilson 2005).

At the *individual* level, GGP will contribute to building the capacity of individuals by providing funding that enables them to devote time to producing applied research, thus facilitating "learning by doing"; assisting in the design and establishment of networks, or supporting existing ones, to pair up less-skillful with better-trained researchers to achieve concrete knowledge production goals; raising awareness of emerging policy and applied research issues; and facilitating technical assistance to upgrade skills or introduce individuals to tools and approaches unknown to them. This may happen through peer review of research outputs, mentoring, and coaching in networks, through workshops embedded in larger research projects, and occasionally through direct support to training-only initiatives aimed at enhancing research capacities.

GGP recognizes the possible trade-offs between capacity-building at the individual level (which often means working with less than fully trained researchers) and the exigencies of influencing policy or enriching policy dialogue (which normally requires solid and credible outputs). Without relinquishing either of these goals, it will influence the design of knowledge networks, tailor project objectives, and manage thematic and regional portfolios to address each goal according to the realities of each region.

GGP also recognizes that investment in the capacities of individuals may have limited development impact if the institutional environment in which they operate is not supportive of their efforts. Although some limited investment will continue to be made in core support to Southern *research institutions* and consortia (normally as a minority donor such as, for example, in the African Economic Research Consortium), the predominant form of support for institutional capacity-building will be through projects with specific and time-bound research objectives. In particular, multicountry research projects provide Southern institutions with opportunities to learn about successes and failures in research management from peer institutions in comparable environments, expose them to alternative models of financing and organization, and give the most capable ones the opportunity to further develop their strengths and share their expertise through the coordination of international knowledge networks (e.g., as with the Angelo King Institute in the Philippines, which coordinates a major MIMAP-supported network).

A minor portion of the program initiative budget (about a quarter) will be devoted to *single-country initiatives*. In deciding where to invest these funds, the program initiative team will identify a limited number of countries so as to build a critical mass and make a significant difference in capacity development and availability of knowledge. Limiting such investments to a few countries is also meant to build synergy among the various projects addressing the program initiative's objectives. Priorities for country selection will be determined in consultation with IDRC's regional offices, taking into account the human development status of countries, the availability of local partners and human resources, opportunities for research to inform policymaking, and other donors' ongoing or planned initiatives (with due attention paid to Canada's foreign policy and the priorities of the Canadian International Development Agency).

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Acronyms

AERC	African Economic Research Consortium
DDA	Doha Development Agenda
GDP	gross domestic product
GGP	Globalization, Growth and Poverty
IDRC	International Development Research Centre
MDGs	Millennium Development Goals
MIMAP	Micro-Impacts of Macroeconomic and Adjustment Policies
PEP	Poverty and Economic Policies
REC	regional economic community
TEC	Trade, Employment, and Competitiveness
UN	United Nations
WTO	World Trade Organization