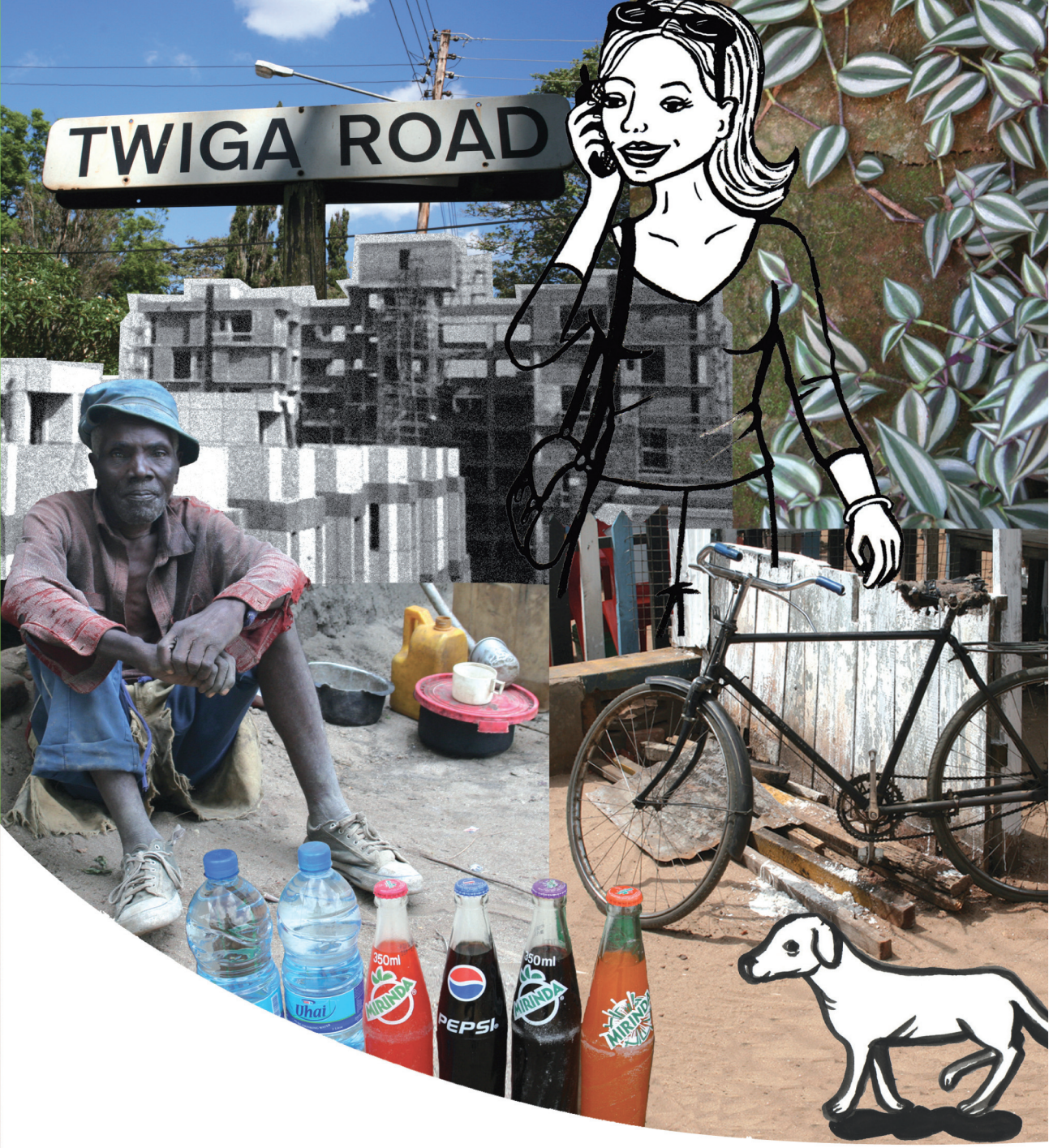

Locating Impoverishment

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Introduction

Locating impoverishment is a report on social practices and structures that create and sustain poverty. It also looks at the possibilities to break down impoverishment and how to create opportunities for sustainable livelihoods. The report focuses on selected countries and communities but the context is global.

The first text of the report is an abridged version of the book *The Impoverished: humanity's informal majority* that Kent Wilska wrote together with Max von Bonsdorff, Matti Lahtinen and Juha Rekola. It is a book about the over half the world's inhabitants who make their living through economic self-sufficiency in rural areas, villages and cities. For them being 'outside the law' is a normal situation, whereas legality and official formality are an exception and privilege of the few.

The Impoverished includes stories from different parts of the world to demonstrate how these people survive in their everyday life. Four of these cases, on Cuba, Mozambique, Nicaragua and Zambia (updated), are included in this report. Kent Wilska's contribution summarises the book's theoretical part, which clarifies how the structures, institutions and practices that impoverish these people function.

Later on, KEPA continued its analysis of impoverishment by focusing on local realities in Indonesia, Tanzania and Zambia. The empirical data for this was collected in seven communities, three urban and four rural ones. In these studies, local people describe scarcity in their lives and how they earn their living. They also reflect how their living conditions could be improved. Besides presenting the current conditions of life and the roots of impoverishment recognised in these communities, Outi Hakkarainen's contribution looks at the possibilities to promote sustainable livelihood in them. Poverty reduction is only one step towards sustainable livelihood as it goes beyond the basic requirements for living. It is

about achieving a quality of life that is embedded within the rich local cultures of many communities. Issues such as ensuring the quality of life an ecologically and socially sustainable manner, having participatory decision making and safeguarding resources and opportunities for future generations are central in sustainable livelihood. The same practices and structures that create and sustain poverty are at the same time obstacles to sustainable livelihood. The key issues of the text on the promoting sustainable livelihood are the strengthening of local economies and the relevance of formalising the informal economy, property rights and personal identity. Hence, the roles of Southern and Northern civil society organisations (CSOs) in achieving the required social changes are considered.

KEPA uses the concept of impoverishment to underline that poverty is not created by itself. Poverty is the outcome of people's active deeds or inactivity which maintains existing injustices. Poverty is a result of structures that feed societal inequality. The eradication of poverty – ending of impoverishment – can be successful only if these structures and practices will be dismantled.

We wish you inspired reading.

Helsinki, Finland, May 2007
Outi Hakkarainen and *Kent Wilska*

The Impoverished
Humanity's informal majority (summary)

Kent Wilska

All agree that poverty is a multifaceted phenomenon. It's not just a matter of insufficient income or meagre consumption. Rather, it concerns housing, nutrition, health or education. It may involve insecurity, vulnerability, or being exposed to violence, crime or natural disasters. It may be the lack of opportunity to take part in decision-making or being incapable of joining in the activity of the community. There are many efforts to gauge the different dimensions of poverty, but when we extend our conception of poverty beyond income poverty, measuring it has proved more difficult.

No one is poor or rich at birth. After they are born, people become part of the activities of a community, as a result of which they may become rich or poor in relation to others.[1] Different kinds of societal institutions create the settings in which people become rich or poor. In some countries the structures and institutions are such that the majority of people are driven into poverty. These structures can make up an almost unsurpassable void that cuts across generations.

Poverty is nearly always relative compared to something else. We can say, however, that people who experience hunger are poor in every sense, though their situation wouldn't be compared to the living conditions of other people. But poverty has a deeper and political significance if a person's situation is compared with another's, for instance in relation to money, food, housing, literacy, and possibilities for decision-making or participation. There is no other absolute objective poverty limit than death. Despite this, there is a constant effort to set various limits. What if everyone in the world earned a dollar a day? The definition of different poverty limits is affected by what others have.

There wouldn't, therefore, be poverty without wealth. All the talk about the problem of poverty only pays attention to one protagonist. The problem is the weaker one. It's not the one that has entitled itself to framing the problem.

Amidst much rhetorical dexterity up pops a new 'objective' reality – poverty. This new reality is debated in terms of how it should be measured and tackled. Nevertheless, poverty is born of social conditions that distinguish the rich and the poor.[2]

Poverty and riches, impoverishment and enrichment, indigence and wealth are inseparably interlinked. One person's wealth or poverty brings about economic, social, political and cultural interaction. Poverty is therefore the result of some activity.

The reasons for poverty are those structures that feed societal inequality. The existence and maintenance of these structures is impoverishment.[3] Impoverishment is what makes a person become poor. Impoverishment is the result of the active workings (or inactivity) by mechanisms or people, it does not occur of itself from passive poverty

The Western roots of development thought

'Development' and growth have been considered natural and positive things in the Western tradition since the time of Aristotle. Progress and rationality became strengthened at the end of the 17th century, in contrast to the superstition and stagnation of the Middle Ages. The core of Western thought was that the development of societies was founded on certain natural principles. This societal development dogma was consolidated at the end of the 19th century.[4]

Western development ideology was linked to a strong belief in the imperative of growth. The good life can be assured to all through technological progress and an ever growing production of commodities and services. Such development offered the promise of superabundance. It was considered natural, positive, necessary and indisputable. Development is a social creation but it seeks present itself as a 'natural' phenomenon that has its own dominant community law.[5]

At the end of the 19th century Western societies were seen as superior to others. The West was in the lead because the size of its production was bigger and because it had more scientific and technological inventions. Comparisons became central, and areas beyond the West were not viewed intrinsically. Different countries were simply bunched together as 'developing countries'.[6]

The central problem with these quasi-definitions was that they were based on the imaginings of one or more people about what was the ideal condition of social existence. The definition of these imaginings is wholly dependent on the speaker's own subjective viewpoint. Such imaginary worlds are very often pleasant and desirable. Who wouldn't want a world in which everyone was happy, lived longer and better, without disease, poverty, exploitation and violence? Consequently a broad consensus was created around irrefutable values. If, however, development is just a word that describes the sum of broad good humanitarian values, we can conclude that there is no development anywhere, and there probably won't be.[7] Many development visions are lists of good universal things around which it's easy to build a consensus. The ambiguity of the definition of development enables it to be advocated from many different starting points. One person's 'development' can in fact be another's 'anti-development'. We can talk of development that is right and wrong, good and bad.

Due to the UN Human Development Report we can see the abandonment of faith in the holy cow of economic growth. In its thinking the report clearly distinguishes between the acquisition of wealth and the 'good life'.[8] The definition of development in the UNDP's reports is nevertheless normative. The authors describe what they hope to see. At first sight 'enlarging people's choices'[9] appears a positive measure. In the final analysis the solution doesn't offer much that's new, the process is open, it leads to the possibilities of such enlarging and in principle is limitless. Development does not necessarily help everyone in choosing just what they want. Expanding the range of products on offer responds to demand but people's access to fresh air, pure water or clean food is curtailed. The development process also includes loss, destruction.[10]

Your freedom is my slavery?

Within a functioning consumer society conditioned by a market economy people compound in principle a common concept of what development is. For very many it's in practice increased consumption, and for that you need production growth. It's the hope of a better job from education, a higher wage, new clothes, a washing machine and television, buying a car or house and using services, going to movies, and travel.

However, not all communities living in the capitalist system are necessarily unanimous about the referent regulations of the market economy or about the means by which welfare is decided as a joint aim. In some people's opinion the market economy and capitalism means that everyone takes care of themselves by themselves. Others think that everyone should be guaranteed certain prerequisites to participate in building welfare. A central part of the economic policy debate of the last couple of hundred years has concerned the extent of freedom of economic activity and the limiting and regulation of markets.

Free markets certainly deserve credit and the need for them should be recognised, because the free participation in economic exchange is of basic importance in social life. The role of markets should not hinge only on what they can do but also on what they are allowed to do. There are groups whose interests the activity of markets gracefully serve, but there are also groups for whom this same activity is a disadvantage.[11]

It should be kept in mind that wealth is only an instrument for realising the 'good life'. Development can be seen as people's enjoyment of the enlargement of real freedoms. Freedom of political participation, freedom to take part in basic education or healthcare are the constructive elements of development.[12] The individual's ability to enjoy these freedoms depend however essentially on economic, social and political structures.[13]

Not everyone in the world has the same possibilities, neither internationally nor within a single country. Unregulated market mechanisms produce and increase these differences. Everyone barring the most hardboiled fundamentalists admit this.[14] The main issue is precisely that one person's freedom to act in the market economy may limit another's rights, opportunities or freedoms.

Is your own way of life longer possible?

There are nevertheless still communities in the world that are not part of the market economy and mass consumption society.[15] Some members of these communities do want to become a part of this present and to leave behind their old habitations in the rural areas. Some of these communities and people would still like to live guided by other values in harmony with nature in a sustainable way. One is not 'bad' nor the other 'good'. Some people have to leave against their will,

while some stay though they don't want to. Different worlds live side by side, overlapping and on top of one another.

The ever wider spread of the market economy threatens to change those people's ways of living that still exist beyond this system or on its fringes. The forced export of the market economy to communities is these people's impoverishment. They should have the freedom to choose "development", or what they want to aim for in life. This would be people enjoying the enlargement of real freedoms. But now many don't have the freedom to choose development and instead are offered just a single model.

This is not a philosophical question, because the frontiers of the market economy widen every day. It encloses community lands, privatises water, puts traditional knowledge into private ownership, patents natural diversity. These concrete actions limit people's possibilities to live outside the West's market economy.

These communities become poor because they are robbed of the possibilities to live in the way they want. And yet the communities can be extremely wealthy. It may be spiritual, a harmonious life with other natural life forms or the possibility of all to increase their own multiform cultural tradition that goes back thousands of years. Their wealth is not mainly comprised of goods and services or their consumption. If, however, these communities are robbed of the prerequisites of life, food and water, there will soon be nothing left of their other riches.

Consumer propaganda spread by the mass media can also be thought of as limiting real freedom of choice. In principle this can be fought against by closing our eyes and ears, unlike say confronting the armed guards of a forest felling company.

Is it possible for self-sufficient communities to survive as adapt to the world's present demands? Is the end result inevitable destruction, or is it possible to have peaceful coexistence and institutional pluralism?[16] Can communities be ensured the possibility to preserve their way of life, if they so wish?

The system thrown off track

Over half of the world's inhabitants make their living through economic self-sufficiency or from their own work in rural areas, villages and cities. A large number of these people live outside of the networks of decision-making and support or somewhere on the 'official' and 'unofficial' borderlines. In many developing countries informality or being 'outside the law' is a normal situation, whereas legality and official formality are an exception and privilege.

Informality is the reality for the majority of humanity, in which people's lives are directed and controlled by norms and practices beyond the law. For housekeeping this means, for instance, that you won't have water unless you get it yourself from the river kilometres away, you won't have electricity unless you drag cables from the power lines to your cardboard and corrugated iron shack. You won't have money unless you make it somewhere. There's no social security. The formal social norm 'Don't steal' quickly becomes 'Steal what you can from where you can, because it's the only way to keep your kids alive.'

Most economic activity in developing countries has never been formal in the same way as in Western countries. Relatively few formal jobs are nowadays generated in developing countries. The formal arrangement of their creation has to do with local and foreign companies and the public sector. Alongside this slowly growing system is the massive, lively and rapidly growing informal economy.

From the standpoint of development policy making what is decisive is whether to take people and their daily reality as the point of departure or just the parameters of the macro economy and their reality.

The widespread ignorance of groups of people or the deliberate exclusion of them from formal networks is their active impoverishment. Economic parameters may improve but there is no significant decrease in poverty. One after the other, different economic strategies fail in trying to reduce poverty, because improving the living conditions of people existing outside the formal networks is not the primary aim of political actors – or because political decision-makers living in their ivory towers simply don't understand how ordinary people exist, and so measures carried out never achieve their desired results.

Birth of the global village

The Peruvian economist Hernando de Soto has declared that capitalism has lost its way in the developing and former communist countries. There capitalism has has no connection with those who should be its basis. It has become the self-consuming command ideology of businessmen and technocrats. It makes no sense to demand current liberal economic reforms if you don't admit that they open the doors to just a small globalised elite and shut out the majority of humanity.[17]

When European capitalism spread during the colonial period to the regions of today's developing countries, the majority of people in the new world countries were left out of the new formal economic and political structures. Those who were integrated into the formal system started to play by European rules but remained with the traditional system of life or – where the old system was crushed but nothing was built in its place – with nothing.

The start of Europe's rise coincides with the renewal of trading in the 11th century.[18] In the development of local and international exchange Europeans' contacts with other customs and cultures increased. New forms of production spread, autarky diminished and cities flourished.[19] As migration from the rural areas grew, cities developed increasingly more restrictions on economic activity to protect their own guilds. Not all rural migrants found work. Cities gradually bulged with street merchants. Professional practices and entrepreneurship beyond the law expanded.[20]

Access to 'legal' professions was restricted. With the tightening of laws and stipulations entrepreneurs were driven into the suburban areas. Unauthorised workers were punished and even killed in France, Spain and England. The governments of Europe were however soon to give in to the growth of informality and to expand legality and to integrate the largest population groups as part of the formal system. Conflicts between the power elites and the majority of the population led to popular uprisings and unrest around Europe. One of the background causes of the French and Russian revolutions can be seen as the gulf between those who belonged to the formal system and the majority people living outside it.[21]

In industrial countries workers became a part of the formal machine with the establishment of jobs legally or 'officially'. At the same time, they became

part of the development of formal working regulations. The state began to regulate and restrict the activity of the labour market through legislation. This did not, however, take place by itself, but due to the organisation of the working class. In England, for instance, the deduction of working hours was the result of a struggle lasting hundreds of years.[22]

The success of present industrial countries is found in connection with the remarkable history of public activity, including education, healthcare and land reform. In the West the distribution of social opportunities included the bulk of people in economic growth.[23] The exclusion of a part of the population from formal society is active impoverishment.

As colonial masters Europeans were not concerned with including the people of the conquered territories in the formal circles of society. The inhabitants of colonies were of secondary importance in the view of Europeans. In developing countries the majority of people never because part of the formal structure, many didn't even have birth certificates and were not registered – to the authorities and those in power they didn't therefore exist. Illegal immigrants don't have personal documents, and they can't open bank accounts or conduct what to us are everyday legal transactions. They don't own formally registered property or work within the official economic sector under formal contracts.

People living in rural self-sufficient economies and informal workers in cities are equally excluded from political decision-making. To them the state machinery is abstract and distant. In many countries it has become patently clear that the authorities and economic elites are neither able nor want to integrate the informal and self-sufficient economy into the formal organisation of society. In part this leads to a lack of economic and human capital. And in part it's also a matter of lack of vision.

On the margins of the global village

The 'formal' areas of society always lean for support on the norms and regulations drawn up by government. The terms of exchange born within their frameworks are always calculated, as jobs, GDP figures, how many people educated,

how many sick, exports, imports etc. This is not so in the 'informal' areas. Regulations can be created for each and every situation or relationship separately, or then they are ascribed common conventions. These are not always written down, but they are always in mind. The extent of their terms of exchange can only be guessed.

The daily lives of most people in developing countries take place in this 'informal' setting. This does not mean that there are no rules, norms or settlement or solution of disputes associated with it. These rules are not necessarily the same as those for the 'formal' sector. They are not as generally comprehensive. In a small community it's easy to monitor and direct compliance with rules. In cities or in other multicultural interchange the parties don't necessarily have common value based norms. Therefore agreement is 'free', its dictate often more powerful and more 'rich'.

This informal economy is found everywhere. The majority of the world's poor still make their living from self-sufficient agricultural production, but the cities are swelling with increasing speed. In 20-30 years the majority of people in the world will live in cities

Extreme entrepreneurs

People everywhere have to do something to make a living. In those countries where social security is weak or non-existent people are forced to work for themselves by whatever means, if they can't find jobs or are not wealthy enough to manage without working. Income has to be secured somehow without legal help or the protection of social security. This way people become workers in the informal economy, because the setting up of an enterprise in developing countries is often too complicated, expensive and time consuming. This is not a marginal phenomenon. It's the reality facing most people outside the industrialised world.

Unemployment is conceived of as part of the official labour market. The unemployed are those who actively seek work but don't find it. The definition is for the most part irrelevant for those countries in which there is a large informal sector, because in practical terms everyone, including children, is involved in some kind of economic activity in order to live. It's meaningless to make a con-

ceptual difference between those who are employed in the formal sector and the unemployd.[24]

The proportion of urban and rural informal work in relation to overall employment is extremely large in many developing countries. Nearly every second person working outside the agricultural sector in developing countries earns their income from informal work. At the extreme end are countries in which informal work constitutes three-quarters or more of total employment. Such countries include Benin, Philippines, Guinea, Indonesia, India, Kenya and Chad.[25]

In the 1950s and 1960s it was still thought that poor 'traditional' economies would rapidly change into modern developed economies. It was thought that street hawking, small production and different kinds of occasional work would disappear and melt into the modern and formal market economy. By the 1970s it started to be clear that this would not be so, at least not very quickly. The term 'the informal sector' came into use at the beginning of the 1970s, and since then it has become part of the development discourse.[26] The legal-formal nature of economic activity or its external-informal character has nevertheless been a feature of human history.

According to the definition of the International Labour Organisation (ILO), informal employment covers all remunerative work, both self-employment and wage employment that is not recognised, regulated or protected by existing legal or regulatory frameworks and non-remunerative work undertaken in an income-producing enterprise. Sometimes informal work takes place in very small scale business activity.[27]

Informal economic activity takes place in many different forms. It comprises household production for self consumption, which includes self-sufficient agriculture. Domestic workers are also reckoned as belonging to the informal economy, if they do not have contracts. Informal sector enterprises may be one-person projects, when the individual works for themselves. When informal micro businesses employ family members and outsiders, their labour relations too are informal. Labour linked to the informal economy may also be performed in formal enterprises. Here workers are those who do not have contracts and whose employment does not incur legal protection or social security. These workers include family members working in an enterprise who do not have contracts.[28]

Micro-business owners live from hand to mouth

Although the informal and formal economy is defined as separate things, in reality they are interconnected in many different ways. The line between them is fairly vague.

Many informal businesses have production or distribution agreements with formal enterprises.[29] Many formal enterprises use people working without contracts as part of a very formal chain of distribution. Such workers include, for instance, the masses of ice cream or newspaper sellers seen on the intersections of big cities. They can be distinctive, standing out because of the work clothes they wear as representatives of certain employers, but they nevertheless don't work for them. Working clothes may be just a simple vest or they may be a dress suit. In Santo Domingo the French cell phone operator Orange fitted out the menials of its distribution channels in orange waistcoats, which in addition to the firm's logo is equipped with a uniform plastic phonecard box. This way Orange wanted to present the image that the phonecards sold by the hawkers are the firm's own and not forgeries. With this sort of closeted formal activity it's typical that the employee has just one client. It may be the local branch of a multinational corporation or a street corner grocery store. It's not a question of actual entrepreneurship.

A second group in trade and distribution are informal entrepreneurs. This may involve just a single person. However, such entrepreneurs have many clients or they can act on their own account and buy goods to sell themselves. The sellers may work from a fixed place of business or may go from town to town. In addition to trading, there's plenty of informal work made in the service sector, such as cleaning, shoe-mending, plumbing and electrical work, shoe-shining, porterage, driving and attending parked cars. Informal work is also found in manufacturing in which business owners make or process products for sale. Such work includes various kinds of wood and metal working, sewing and handicrafts.[30]

The growth of the informal economy does not always happen as a result of conscious activities to avoid registration, payments or taxation. Self-employment may be the only way of staying alive when there's no social security or unemployment insurance. People do not employ themselves outside the formal system because it's cheaper to do so than within the formal structure. Far from it,

it may often work out more expensive. Micro-businesses have to pay high interest rates, permit costs and bribes.

Micro-business owners have to invest all their capital practically daily. Similarly, the next day's investment opportunity depends on the sales of the day before. So, if things go badly it's not only that you'll lose that day's meal but also your next procurement. You have to get money from somewhere to get new goods for sale. Keeping food for sale is especially a problem in tropical countries. The timeframe of the micro-business owners living from hand to mouth is short and the ability to take risks imposes limits on ensuring the daily survival of the family.

Rural women the heroes of informal labour

The proportion of self-employment outside of agriculture is in many countries 60% or more. The rest are in informal wage labour. In many countries statistics produced on the informal economy don't take account of agriculture, and only speak of the urban informal sector.

If agriculture is brought into the equation, the importance of informal labour increases remarkably. Invisible in statistics, the rural informal sector produces for local markets from self-sufficient work or family-based production.[31]

Informal work involves women above all. In nearly every country, if statistics are available, the level of women's employment in the informal urban sector is higher than men's, with the exception of Arab countries.[32] Women are also greatly employed in self-sufficient agricultural production, in which the significance of women's informal labour is more far reaching than statistics on urban employment suggest.

Different forms of the free economy

Informal economic activity comprises the entire economic activity people do outside of government regulation, and which can also be called the free economy. This activity is also an informal structure insofar that it does not fulfil legal or other regulatory demands. Most of the housing in the big city slums is informal or illegal. Slums are areas that broadly have these features: lack of clear water

available, lack of sewage systems and other basic infrastructure, bad housing, overpopulation and unsure housing administration and ownership.[33]

People save up money even though there are practically no more banks in the cities than the rural areas of remote regions.[34] But statistics don't cover the savings and finance mechanisms that take place outside the formal financial institutions. The more traditional means of savings is to have a feed pig or partially of a built house. You build the roof while there's a bit of extra cash and then, when there's more, do the floor. If you get a small capital loan you can set up a credit circle together with your companions and work friends. The weakness of informal savings methods in terms of the national economy is that savings can't be efficiently channelled through them to productive activity.[35]

Actual interest charged by money lenders is astronomical and repayment times short. Securing funding is often much more expensive for entrepreneurs in the informal economy than for those in the formal economy. The annual rate of interest may be more than 1000% for debts owed to money lenders.[36]

In defining the informal economy it's worth making a distinction between the sorts of unregistered economic activity whose operational logic is to do with coping, self-employment or a traditional community form of labour, and actual illegal organised crime, such as drug dealing. For instance, in Thailand the illegal economy is massive. It includes drug dealing, gambling, prostitution, smuggling of foreign labour, oil smuggling and arms trading.[37] On the other hand, within the informal economy there are also registered actors that for instance circumvent taxes and payments to reduce production costs.[38] The link between the criminal and formal economy may also be highly important. In money laundering it's a question of criminally earned wealth being brought into the arena of the formal economy, so that it can be legally used as capital in producing profits for owners.

Public services discriminate against the informal sector

The urban poor live in a world outside the law, in areas not shown on maps. There is no waste disposal in such areas, nor other public services. Neither do residents

pay tax. Officially they don't exist. Mafiosos or other slum bosses may act as the local 'authorities' far more than city council members. Representatives of the formal system may often not even dare to come to these areas and do not try to reinforce their authority. Residents have neither ownership rights nor any definite administration concerning residence. They have to make different sorts of decisions at a high price on the informal and unregulated parallel market. Slum residents are unable to be part of most of society's formal institutions. Without legal addresses they often can't use social services, healthcare or education. Instead of assisting these people, governments usually drive them away and prevent them from trying to build up the basics of life – a roof over their heads and some kind of income.[39]

Although in many countries more attention is being given to the informal economy, in drawing up development policy it's still considered a separate entity from other economic sectors. There is no desire to clearly see its connections to the formal economy and there is a lack of comprehensiveness. For instance, foreign trade policy usually doesn't pay attention to the protection of those products that are produced in the informal economic arena. In general economic policy measures more often favour large formal private and public companies with customs and tax benefits, subsidies and funding. This reveals precisely that the integration of the informal economy as uniform part of the national economy in many countries is not a priority, even though the majority of the population supports itself outside the formal network.[40]

For instance, government doesn't often give much thought to improving transport, or electricity, water or refuse disposal in areas where there is a lot of informal activity. Slums are razed to the ground even without warning their residents beforehand. Often informal businesses become the subjects of direct harassment and outrages by the authorities. Street traders are driven away and their goods confiscated if they fail to pay protection money or bribes. Informal entrepreneurship is sometimes much more expensive than activity within the formal economic sphere.[41]

Problem or solution?

Some emphasise the qualitative differences between informal economic activity for its reciprocity, fairness and morality compared to the 'formal capitalist economy'. For instance, in Africa many entrepreneurs seek to curtail competition by sharing production and marketing ideas. A poor customer may get a cheaper price or a healer may not ask for a pay. Occasional payment defaults in credit circles can be forgiven, because you never know when you'll have problems yourself and it'll be your turn to need help.[42]

The solidarity aspect of the informal economy is however only part of the truth and it shouldn't be overestimated for ideological reasons. There are also many disadvantages with informal economic activity. Workers are often exposed to abuse, and in its worst forms informal work is forced labour, debt labour and slavery. People often have to work in unhygienic conditions, exposed to poisons and filth.[43]

Income from informal work is also often poor, though it may sometimes be better than that from formal employment.[44] Despite this, informal work appears to be clearly tied to poverty, uneven income distribution, poor working conditions and feeble security.[45]

Nevertheless, informal economic activity is not only a negative phenomenon. It's also a means of survival. The streets of big cities in developing countries are abuzz with the bustle of robustly developing business activity. Such activity develops small and medium-large companies, jobs and welfare. Families build their homes themselves as if from nothing, struggle against seemingly impossible odds. Hernando de Soto is indignant that these 'hero entrepreneurs' are presented as having an impact on poverty.[46] To him they are the solution. Keeping these people outside capitalism is active impoverishment. Without formal property it doesn't matter how much people work or amass wealth – they so not succeed within capitalist society. They remain outside of the 'radars' of policy makers and official statistics and so are economically invisible. At issue is a deficiency of proper institutions, the exclusion of people, for instance from education, guidance, permits, spaces, formal property rights or via belonging.

The formal and informal economies are broadly understood as operating in parallel and in contact with one another everywhere in the world. The key

issue is whether the reciprocity of formal and informal economies is an impoverishing mechanism. When the world's largest economic players unite and the majority of the inhabitants of the rich countries work in the formal economic sphere the doubt arises that those left outside of this system can fully take part in the globalisation of the market economy and equitably benefit from it.

Local communities' means of survival

The majority of the world's poor make their living from self-sufficient agricultural production.[47] They produce agricultural goods mainly for their own consumption. They take decisions concerning their lives from information and skills found in their immediate surroundings and resting on people nearby, natural resources and taking advantage of simple available materials. Building welfare is intertwined with the shaping of people's social, cultural and political identity. The form of local community systems is, in addition to creating people's material welfare, a foundation of cultural identity of broader significance. Real development can't advance without understanding and taking into account local special features and their customs and networking activities, which help people cope in everyday life.

The production and productivity of self-sufficient cultivation is minor. Tools used in cultivation are extremely simple and capital investments very small. The most important production factors are land and labour. In the rural self-sufficient economy life contains many risks and uncertainties. The main aim of production is to safeguard your own subsistence. Small growers don't maximise profits, but rather their families' possibilities to survive. When the life of the family is at stake, you approach risk taking and new inventions and experiments with caution.[48]

How people maximise their chances of survival need to be understood. The economy that functions through the networks of rural families of small growers can be examined as a joint responsibility operation, which gives rise to communities' traditional working customs and organisations. Work is based more on voluntary solidarity than the maximisation of individual profits. The aim is to generate work, not amass capital. The issue is not only the difference based on scale or legislation but that of a qualitative difference in activity. Activ-

ity is usually based on cooperation and the collective ownership of the means of production. Income gained can be invested in the development of the community or divided among its members.[49]

The individual and common economy

The majority of people's work is aimed at getting material benefit, though it can't be denied that people derive advantages and satisfaction from different sorts of work. People won't make great efforts and try unless they or those who they see as entitled to it benefit from the results of work. Community work can seem strange when looked at from a society that stresses individuality. But in a small village, where everyone knows everyone else, common efforts for the common good can be an extremely effective incentive for improving living conditions. In a tight community the 'those who they see as entitled to it' requirement is carried through. The limitation is that the benefits are local and no-one benefits essentially more than the others. Community economy is based on the loyalty and impartiality of the group.[50]

Community economic activity is threatened to be destroyed in the spread of individualism or when individuals spot the opportunities for wider trading. The community economy based on trust and loyalty operates well in stable circumstances. The system can also adapt to changes as long as they benefit everyone equally. However, this is not typical of economic development.[51]

In old societies the working unit was the family, clan, craft guild or some other such group. This sort of working unit is a kind of cooperative. Carrying out work together has its advantages, especially in a community with a self-sufficient economy, because it provides protection and security. A large family is efficient social security in a community living at subsistence level. Just as in society, where it's awkward to rely on the outside, family members offer the opportunity to broaden undertakings. It's also fairly usual that farmers make up groups in individual areas for carrying out work or building houses. The community form of production is not, however, able to become very large as it's based on the mutual trust of the people participating in it and a sense of belonging.[52]

Members of a community can shoulder the same problems that threaten the community's existence. Day to day survival is the propelling force of eco-

nomic activity. The members of the community know that their own future depends on the survival of the other community members. The values steered by economic activity are not at the time stipulated according to the market but by the community, family or kin.[53] Instead of the market or planned economy we can speak of the 'survival economy'.

With people moving to cities these old community forms of survival strategy have to be adapted to new circumstances. More clear mechanisms for maintaining reciprocity and trust are needed, as the basis of activity is no longer necessarily the rural emotional relations of family, clan, ethnicity or similar foundation.[54]

Rights to land and natural resources

The mystery of capital

Capital gives the tools for specialisation, the exchange of production and wealth in an expanding market. Capital is a growing source of productive and national welfare, but it's not located in specific wealth, rather in its potential, which is at the disposal of new production. This potential is abstract. It has to be processed and attached to something tangible before it can break free. Capital is often confused with money, which is just one of the forms in which it moves. Money is not fixed to capital. Capital loses much of its mystery when it's not thought of as money.[55] In the West, capital came about via the indiscernible processes that buried property systems. Those processes, circumstances and rules that made certain kinds of property formal are tied to those sorts of wealth that can be used as active capital.

From the legitimate property system emerged the links by which states transferred wealth from the world in its natural state to the conceptual world of capital. In the West intricate juridical and enterprise structures have over time limited participatory activities by diminishing the uncertainty of social reciprocity. Such structures include closely defined and implemented property rights,

formal agreements and securities, trademarks, company shareholders' limited liability and bankruptcy legislation. In developing countries some of these structures are either weak or nonexistent.[56]

The contribution of formal wealth to economic development is not the protection of property, as is often thought. The real revolution is to improve the communication between formal wealth and its potential. Owners become 'economic actors' who can transform wealth within a larger network. Property systems safeguard the individual's business activities. Property binds its owners, they become answerable and accountable. Owners can be recognised and located. The power of formal property is centrally connected to the accountability it creates. People can be held to their commitments, their property can be located, they can lose their creditworthiness or they can be distrained by interest on arrears, fines or maintenance payments.[57]

The advantages of formal property are also the divisibility and combinability of property. There may be countless owners of a factory who can sell off their shares without having a palpable effect on the factory. The majority of people in developing countries don't have formal property, and so they are unable to conclude productive agreements with non-familiars, be granted credit or carry out other economic legal activities with anyone other than people in their own immediate circle.[58]

The formal organisation of wealth gives birth to capital. Any movement of wealth on the market is very difficult unless it's part of the formal property system. This is the central difference between the majority of people of western and developing countries. In the West wealth is exactly marked and registered. Only in western countries and among small well-off enclaves of people in developing countries is it possible to mark and present wealth, in other words to produce and use capital effectively. Foreign and local investors are just a small minority, and most people in developing countries are excluded from capitalism's private club.[59]

Hernando de Soto stresses the formalisation of property rights as one solution to developing countries' problems. His arguments for this are strong, if we analyse why capitalism has not worked well outside the West.[60]

Despite their certain ideological stamp, Soto's ideas are certainly relevant from the angle of wealth creation.[61] However, formal property rights would not

overcome many of the internal problems of the market economy. They would not eliminate income gaps and poverty. The real inclusion into society of the majority of people of developing countries demands an active role by the state, for instance in education, healthcare, income distribution and legislation. Part of this inclusion would be the integration of the informal economy with 'formal' society. This would not succeed without the pulling power of the state. Because the governments of developing countries have not started to do this, pressure has to be exerted via civil organisations.

New ownership system?

Conflicts are likely if a common property arrangement is started to be built by force at the behest of the political and economic elite, without taking notice of local community conditions. The consensus of the rarefied viewpoint of the power elite is not enough, even though it might have the blessing of the parliament sitting in the national capital. Large groups of people in developing countries have always lived outside formal democracy.

The problem is to construct the kind of property system that enables broad pluralism, for instance protects community property and the rights if indigenous people to natural resources. It's therefore a question of a great juridical effort requiring significant political will. The end result may not necessarily be economically the most efficient, but it could both satisfy and be more just and sustainable than the current model.

The linking of money, trade and individualism to remote communities involves a new logic and begins a transformation process that is hard to stop. But the issue shouldn't be romanticised. In many of these communities there are people who happen to want to join up with the development of the rest of the world, and there are others who don't. You can't come from outside and say "stay there in the forest, because your lives are really much richer and it's a whole lot more beautiful where you are than in the city." At the same time, those communities shouldn't be coerced into the consumer society.[62]

If traditional ways of life are threatened, for instance in the name of cutting poverty, then those people who are directly affected should have the opportunity to take part in the decision-making on the matter. Modernism can't

be unilaterally set aside at the demand of politicians, religious leaders or anyone else wanting to put traditional cultures in museums.[63] Communities should be allowed the possibility to decide on their own way of life. The indigenous people of the coast of Nicaragua live in the present world and are conversant with money and control technology and information. They know what they want, but land and the opportunities to realise their visions have been taken away from them.

Knowledge capital

Ideas and knowledge have become more important factors in business. Most of the value of high technology is based on invention, innovation, research, design and experimentation. Wealth is created increasingly on the knowledge and ideas contained in products traded. Knowledge is an important production factor. The ownership of this factor is a central issue from the viewpoint of the creation and distribution of wealth.

The starting point of industrialised countries of fashioning immaterial and patent rights legislation has been heavily criticised. It rests on protecting the free flow of the common heritage of human knowledge and resources from the South to the North, but in the opposite direction there is nothing but protected private property. The legislation of industrialised countries has long been based on the assumption that information must be safeguarded in order for people and enterprises to make new inventions and goods from research and development. Private ownership rights to knowledge and natural resources are an alien notion to indigenous communities. The conflict between these systems is exacerbated by robbing communities of knowledge and had serious consequences for the preservation of communities and natural diversity.[64]

The WTO agreement on trade-related aspects of intellectual property rights (TRIPS) industrial and copyrights can be seen as an instrument for privatising intellectual commons. This enclosure of knowledge and natural diversity continues the chain of enclosures started by by the colonial conquests. Vandana Shiva considers multinational companies guilty of the blatant robbery of knowledge and biopiracy, a result of which is that food and medicinal crops are in danger of becoming patented by Western corporations. Millions of traditional communities in India have made use of nature's diversity as one of their resources

over hundreds of years. The common inventiveness acquired by communities has been the basis of the local economy and culture. People's nutritional and health needs have been met by the solutions based on the traditional knowledge of medicines, agriculture and fishing.[65] These people's livelihoods are under threat if they are forced to pay for what was once the use of common wealth.

The problem isn't that legislation concerning immaterial rights recognises informal, communal, inventive systems. The protection of immaterial rights emphasises the private ownership of knowledge. It's as if knowledge had existed in an isolated time and place. But knowledge is by its nature communal and grows from a previous foundation. The knowledge of indigenous communities is not changing into a commodity but is communally owned and shared. What should be developed, therefore, is a protective structure of pluralistic immaterial rights that would safeguard the knowledge systems and practices of indigenous communities and the livelihoods based on them.[66] New legal means are needed related to the ownership of knowledge. Without these, the conflicts between the business practices in the arena of the 'formal' market economy and the communities living on its margins will increase. They will end in the defeat of the latter, as survival on the fringes of the dominant system is extremely precarious.

Some, however, view the West's system of protecting immaterial rights as being from the outset incompatible with the nature of traditional knowledge. Immaterial rights are based on the isolation of individual fragments of knowledge from their contextual origin. Traditional knowledge is intrinsically indivisible. It's destroyed if it's isolated from the social, economic, cultural and intellectual environment of which it's a living part.[67]

The protection of traditional knowledge may then require the protection of the whole way of life of indigenous peoples and communities – by strengthening these communities' rights of self-determination concerning both land and culture. The development of the system of knowledge ownership should emanate from this principle. The basis of legislation should be the customary law of communities.

Those quarters interested in the uses of natural resources have both wealth and technology. Such investors or economic actors operate within the framework of the formal economy. For their investments they need the protection of ownership rights that can be implemented. Arrangements existing in de-

veloping countries outside the formal legislative framework comprise different combinations or rules borrowed from legislation, case-related improvisations, old practices or locally-developed customs. They are kept together by a social contract that the community has adopted and which leaders chosen by the community oversee. This sort of property arrangement does not, however, function as capital outside the community.[68]

The logic of economic reform is internally functional as long as there is the desire in those countries to take the economic development based on capitalism forward. The decisive issue is whether small, self-sufficient communities have the possibility to survive in the market economy. Is there space in the world for alternative ways of living? Are community ownership[69] and the sustainable control of natural resources compatible under modern capitalism?

The formal economy's solutions

The aim of many developing country governments in recent years has been to integrate with the international market economy. In reality the inclusion in the international economy of people living within the national economies of developing countries is very marginal. Alongside the 'global sector' in foreign and domestic ownership, and in part its competitors, are national private and public enterprises. In many developing countries this sector is weak and narrow. Economic models so far have not been able to involve large groups of people or they have actually taken away the traditional livelihoods from many communities. This is clear from the growth in inequality, the slowing in the reduction of poverty and social and political unrest.

From economic abstractions to real people

Why is it that the economic policy practiced in recent decades in so many developing countries has spent so little time on cutting poverty? This is partly because part of the population remains outside the analysis of political factors. The central goals of economic policy are not selected from the viewpoint of this over-

shadowed population. This is why the benefits trickle down to them only very slowly, if at all.

Measurement ideology has since the 17th century played an essential role in justifying the choice of system used. Only that which can be measured and presented in figures is real. Measurement results refute what we see and sense to be the case.[70] From its point of departure, the examination of the macro economy, foreign trade and investments at national level leaves aside most developing country reality. True, the poorest of the poor, landless coffee picker has a microscopic input in the stream of the global economy, but the greater the abstract level on which we act the more distant is the view of how other people really live. And the further away we are from other people's real lives, the harder it is for instance to plan how their poverty can be reduced.[71]

Take the example of one of the world's least developed[7]countries, Mozambique. The UN Commission for Africa reported that country is in the midst of economic structural change. Industry is becoming the country's widest economic sector. The GDP share of agriculture dropped in the early 1990s from about a third to a fifth in 2001. At the same time, industry grew, especially aluminium industrial production and gas and electricity.[73] But the issue is still only that of GDP structural change, not economic structural change. The absolute majority of the Mozambican working population, about 80%, still make their living from agriculture.[74] Self-sufficient farming is the population's primary source of income and the mainstay of the economy.

Analysis of people's income and labour as the actual starting point alters the practice of development policy crucially. The mental exercise is more difficult, time consuming and revolutionary than you would first think. You have to get out of your air-conditioned jeep and try to really understand how others live.

When talking about the interests of a developing country it's easy to confuse the interests of the country's economic elite and those of the population. The reality of the narrow formal economic sector of developing countries is very different from that of self-sufficient farmers in rural areas. When speaking about the growth in foreign trade or GDP many think that the benefits involve the country as a whole. But there are no distributive mechanisms that automatically have such an impact. Income distribution in many developing countries is extremely uneven.[75]

Analysis of GDP or trade flows among states gives a misleading view from many different standpoints. It often gives the idea that the local trade and economy are unimportant. Let's just examine the export income derived from foreign trade and forget about where people work, and from what and how they make a living. Total production value is determined on the market by supply and demand, not by where people work. The use of machinery and appliances as well as low labour input can produce ten times more valuable production than a huge amount of people working in rural self-sufficient production. But, when we talk about poverty, we can't be oblivious to where they get their income.[76]

Looking for alternatives

The concept of 'economic globalisation' is so over used that it's worth making a few clarifications.[77] Technological development has shrunk time and place. This has come about from the development of both transport and communications. This technological development has facilitated the fierce growth of international activity by financial operators. It would be almost impossible to halt technical and scientific development. On the other hand, the freeing up of trade and finance flows is an economic policy choice. There are alternatives and possibilities in that area for conscious decision-making. Economic globalisation is therefore not an irrevocable, uncontrollable advancing force.[78]

The rise and fall of paradigms

Firm believers in the power of markets think that their economic model is the only option. There has been an effort to shroud economics as being politically neutral, above and beyond existing realities. There is an effort to distance politics as far as possible from economics.[79] The economics Nobel laureate Milton Friedman believed that economics is an objective science similar to any natural science.[80]

However politics has by no means dropped out of economics. Belief in the free market is a political decision. The issue is also partly to do with the reduc-

tion of competing schools of thought in economics, compared for instance to the 1950s-1970s, when economics was more openly political and visa versa.

The market mechanisms prescribed for developing countries over the last couple of decades have mainly come from the International Monetary Fund, the World Bank and regional development banks. Many opponents of the new economic globalisation consider these institutions and the WTO as the main preachers of neoliberal economic policy. But are these international economic monoliths really as significant as we're led to believe?

The development debate progresses continually, but the World Bank is still accused of preaching neoliberal economic policy. But many of the original dogmas held by the Bank have been abandoned or have been reworked and supplemented. The World Bank's economists do not exist in isolation from academic and other communities where development issues are deliberated.[81] Over the years, the Bank's development thinking has also changed. Now it emphasises sustainable development, new growth theory, social capital, the building and running of the right institutions.[82] This thinking will develop further, and the things now being stressed are not the final word.[83] Mainstream ideas in developing thinking live only a certain period of time.

Can the place of the paradigm attained in economic thinking contain as valid truth as in mathematics, astronomy or chemistry? Have neoclassical economic ideas become normal science where the bases of theories are no longer questionable? Is the analysis of new phenomena central or can the problems initiated by the issue only be resolved within the paradigm? Many of the lessons of market belief are drawn from the conclusions of basic neoclassical economic textbooks and have spread beyond economics.[84] Gradually, unorthodox ideas are removed from school and other textbooks and confined to the tomb of economic history.[85] It was not long ago when nearly every young economist was able to identify situations in which market mechanisms were weak. The same error list was repeated in textbooks. Now referring to potential weaknesses of the market is labelled old fashioned and opposed to modern culture.[86]

There is often no rationally sensible decision on changing paradigms. It can be compared to changing beliefs. The validity of the truth is contested only in crises, when defenders of the new paradigm try to highlight its ability to solve problems better than was done in the past.[87]

The lack of economic policy alternatives is therefore in part a delusion. The options are few because solutions are sought from within the existing paradigm, which limits the attainment of concrete solutions at the national and international level, for instance concerning the debt problem, the structure of the world economy or the management of economic crises.

Need for historical perspective

The answer to development problems is not black and white. It contains shades of grey. No country has in practice taken any big steps on development according to textbook formula. The answer to development can't be found from traditional antithesis: inward-oriented strategies against export-oriented, the private sector against the public sector, markets versus regulation. Success stories are often a mix of orthodox and unorthodox economic policies. There is much experience of this for instance from East Asia.[88] What is needed, therefore, are solutions tailored to local circumstances.

Economic globalisation is believed to have made the world extremely similar. This is true of only a small part of it. Most people in the world live in very different circumstances than those in industrialised countries. You're not however supposed to look in the rear-view mirror. But shouldn't developing countries draw lessons from the earlier development of industrialised countries? How are poor countries supposed to attain the same development goals together with rich countries using the same means but different starting points? Unless there are economic policies planned from developing countries' own starting points they will probably always trail behind.

Neoclassical economics has however categorically abandoned inductive, empirical reasoning, and current development policy debate has become particularly unhistorical. Development literature is now crammed with theory-based propositions along the lines of 'free trade benefits everyone'.[89] If only such exponents would set aside theoretical models and their desperate search for variants for a moment and go and see what reality looks like.

Go and check out reality!

The building of endogenous processes and one's own institutions is believed to be the correct way to higher development. Present industrialised countries are able to realise their own economic and social policies far more independently than present developing countries. In their current situation they have managed by trial and error. Institutions can't be acquired from outside without important local adjustments. The shape of these adjustments demands an active role by the state and civil society. Collaboration is needed to promote the building of enterprises and institutions. There is a need for less universal consensus and more experimentation.[90]

There is no need for worldwide general instructions that should be acted on and valid always and everywhere. Many developing countries are now free to choose just one option. Developing countries need their own thinkers, whose ideas emanate from their own starting points and their own countries' realities, as well as space to try them out.

The further we get lost considering macro economic and global economic policy issues the greater the distance grows in tackling people's existing individual problems.

The fact that vast groups of people in developing countries live outside of formal social structures partly explains why certain well-meaning economic or development policies do not achieve their desired results. There should be a better understanding of self-sufficient and informal economic activity. Attention needs to be focused above all on the points of contact between the formal and informal economy, in order to analyse what possibility there is of the benefits of the formal economy trickling downward.

Towards local participation using poverty programmes

The role of civil society and emphasis on the local gave emerged into the mainstream of international development policy debate. The perspective that special national conditions have to be taken into consideration is also growing among the universal teachings offered by international finance institutions. It's hoped that the inclusion and participation of civil society will improve the ownership of development strategies and that the results of programmes will improve. These sorts of elements are especially built into the Poverty Reduction Strategy Papers[91] drawn up under the direction of the World Bank.

In emphasising the significance of special national features the aim is to stress that developing countries themselves have to have a stronger opportunity than before to determine their own development priorities. Developing country ownership of their own national politics[92] has become the new key concept of the 21st century in development cooperation circles.

Now, the development of different kinds of national action programmes are appended to, and even required by, many international development programmes. In order to receive international aid poor countries have to define their own development goals.

The central starting point and principle of PRSP policy is that it's a national poverty reduction programme, prepared with the participation of the country's citizens and approved by its democratic structures. It should therefore reflect the goals of citizens, particularly the poor and vulnerable population groups.[93]

Although the UN Millennium Development Goals have been lauded as the central global framework of international development policy, they have also been criticised. According to some critics, these global strategies do not seriously take account of local contexts and needs, and in many cases are not based on how development really happens.

UN circles stress that the MDGs should not be regarded as a development programme as such that should be directly applied nationally. Their intention is more to be a yardstick for progress in national and international development policy and not as determinants of national policy priorities. Within the UN it is pointed out that the millennium goals can only be achieved if they are really relevant to the billions of people whose welfare and preconditions for life they

aim to address. The hope is that the MDG aims will be anchored in the national discussions in developing countries. Then different civil society groups and communities can use them and be supported by them to demand political reforms from their own governments.[94]

Although the viewpoint that says development processes have to be led by developing countries themselves has become more general, there are still noticeable problems with the approach. The conditions and background assumptions of development programmes can set important limits on real endogenous development. And what determines these limits is the existing development paradigm.

According to many studies, the PRSP processes have increased political openness in developing countries. In many such countries representatives of civil society have had more of a part and more possibilities to influence the PRSP processes than was the case in connection with corresponding ones earlier. Many critics have however said that the consequence of these processes has not yet done anything important for the political strength of civil society. Opinions have also been expressed that the participation of many important groups and social movements was limited, or didn't happen at all in the first generation of PRSP discussions. Such groups include members of parliament, trade unions, women and many poor groups from the population.[95]

Political conditions from above

What is also problematic from the angle of democratic development is that accountability for seeing the programmes through runs from the governments of the developing countries to their donors, and not from the parliaments to the people. The PRSP processes have not originated as a result of developing countries' peoples' own political movements and campaigns, but instead as a condition set by international policy. So it's not surprising that developing countries' own broad-based NGOs, such as trade union movements, have not immediately adopted them as their own but have considered them as alien.

The journey from the realities of population groups to the PRSP consultations led by civil servants is often very long. Some critics have said that it's not always clear where in the extensive PRSP processes participating NGOs really rep-

resent the interests they say they do.[96] Many evaluations express astonishment at how similar the poverty reduction strategies are for different countries, both to one another and compared to the previously economic structural adjustment programmes imposed from outside.[97]

An evaluation carried out by a Finnish development research team in 2003 also took up this issue. In their view, the goals and priorities built into the Africa PRSP programmes are often at variance with the aims and objectives of poor people in Africa. They reckon that the PRSP programmes reflect more the interests of the developing country governments and international finance institutions than those of poor population groups. The research team also emphasises that despite all the talk, within the donor's PRSP consensus there does not appear to be sufficient political will for strengthening the political influence of the poor and taking their viewpoint into account in the democratic process.[98]

Analysts say that the construction of the Finnish welfare state was something totally different from a bureaucratic project planned and presented to the people by the top-down method. It has been a very difficult and painful process lasting hundreds of years, in which ordinary people, churches, communities, workers movements, businesses and political parties representing different ideologies have, against the backdrop of Finnish beliefs, culture and history, been ready and willing to learn from their mistakes, differences and common interests to build a society for all Finns.[99]

The historical experience of Finland and many other industrialised countries indicates that only transformation processes and campaigns led by social development movements can eradicate poverty sustainably. These days too, movements searching for alternatives are springing up and growing in different parts of the world. They do not only operate locally but seek increasingly strong international cooperation with people and their movements campaigning on the same problems of impoverishment

Local answers to global questions

With economic activity some people may benefit and some may lose out. Limiting economic activity also benefits some people, while for others it hampers their room to manoeuvre. Where to draw the line by which some people's freedoms

can be limited so that others can enjoy what they have? How are choices and limitations carried out? These are crucial questions. And it's precisely these questions that people should have the right to influence – locally.

This is an important challenge. The expansion of economic globalisation has shown that decisions on people's living conditions are increasingly made by international institutions, such as the World Trade Organisation and the World Bank.[100] The democratisation of global politics is an important political problem. We must not however lose sight of people nearer at hand, of local and national political institutions and of safeguarding their conditions for operating. Does our era of global policy era impoverish the opportunities for national and particularly local politics? Will the role left for the local and national level only be that of adjusting to the set frameworks of rules, agreements and programmes agreed at global level? There seems to be increasingly little space for civil society movements to put through changes locally. Politics is being impoverished.

The current logic of economic globalisation requires the spread of western consumption habits and the basic institutions of the western market economy, such as the system of ownership rights. Although this process will certainly create stronger conditions for economic and social development in certain areas and states, it will at the same time impoverish many people and population groups.

Economic globalisation aims to expand the terrain of activity and manoeuvre as widely as possible around the world for business and investment, not people. This requires national policies in different countries that regulate and limit these activities a little as possible and create the same kinds of operating conditions – institutions and standards – in different parts of the world. The freedom of mobility of international trade and capital has long been at the heart of global policy. This developmental path hampers the possibilities for people and communities to choose different societal policy alternatives, because it locks politics into a single model.[101]

The struggle is always local

In speaking of impoverishment instead of poverty we have sought to underline that poverty is caused by many often highly complicated and multilayered societal phenomena. What they often have in common is that with the consequences

of the impoverishment processes most of the suffering, the poor and the vulnerable hardly have any possibilities to influence these processes themselves. They are usually far from the decisions and decision-makers who have a crucial impact on their society's development. In recent decades political power has shifted increasingly to the supranational level. This has further debilitated democratic possibilities worldwide.

This text especially deals with characteristics and disparities of the informal and formal worlds. For the majority of humanity these in practice mean that formal public policy – the state – is unable to guarantee the basic security of its citizens. This is why people have to seek their basic income from beyond the scope of government. In the process they are left outside of formal society, or at least on its margins. And yet everyone should have the same possibility to construct their own welfare from their own starting points and be proper members of their own society.

It's important to see that in many different developing countries the state is a weak organisation. This is not just because of lack of resources, for in many developing countries the whole appropriateness of the existing social contract is, from the viewpoint of the majority of people, dubious. States are weak because within national borders there in practice there is a single formal, minority social structure with a broad network of communities existing on its margins or outside it altogether. That's where the majority of people live. There is no rule by the people unless the people rule.

Social contracts are born out of the political struggles and mutual agreements of different interest groups. In order for these contracts to be socially sustainable and just, the poorer sections of the population have to be involved in drawing them up.

The 'struggle against poverty' is not an abstract goal or to attain the indicators of set parameters. Ending impoverishment is a struggle for raising real people out of poverty. It's pursued in their interests. And in the end the struggle is therefore always local.

Epilogue

Kent Wilska

The struggle against impoverishment

The book *The Impoverished: humanity's informal majority* published in 2004 was the first book in a series of reports to be written on global development issues by the Service Centre for Development Cooperation (KEPA). One of the aims of this first book was to give substance to the main concept of the 2004-2006 policy programme of KEPA, 'impoverishment'. The book did not, however, aim for an exhaustive definition of this concept or to set out a clear political programme for ending impoverishment, which is why there is no particular place in the book with a concise and ready answer to what is impoverishment is or how it can be stopped.

The book departed from local level individual experiences in developing countries and attempted to anchor this reality to theoretical literature. The book had three broad goals. It had to be academically sound, easy to read and it had to contain a clear political message. The first of these goals seems to have been realised to some extent, as since 2005 the book has been an exam requirement for students majoring in development studies at the University of Helsinki. As to the readability of the book, I'll leave that for the reader to judge.

The third aim concerned the political message to do with ending impoverishment. The details of this have itself been partly clarified through the numerous training events, seminars and interviews of the last couple of years following the writing of the book. This epilogue is an attempt to encapsulate my thinking on the concept of and struggle against impoverishment. It is an epilogue to the abridged version of the book. These ideas are my own and do not necessarily represent KEPA's views or those of the book's other authors.

Who defines development and poverty?

Before we get into discussing impoverishment or its eradication we should take a moment to think about what development and poverty actually are. Opening up the concept of development is not a trivial pursuit. Official and civil society discourse overflows with vague interjections about the 'development angle' or 'development dimension' that mean everything or nothing. The starting point of the book is that 'development' is pretty much a subjective concept. So-called definitions[102] of development are often one or more person's ideal conceptions of social existence. Development can also be understood as societal processes that strive for an ideal. The 1986 UN Declaration on the Right to Development defined development as a comprehensive economic, social, cultural and political process that seeks the constant improvement of the well-being of humanity. This should come about through the individual's active, free and meaningful participation in development.[103]

Everyone nevertheless defines the basic factors in their own well-being, what they want to aim for in life. The vision of the one who sets the aims is decisive. It is essential to be able to take part in determining, choosing and realising these 'development goals'. The definitions of development are multiple. This is why one person's 'development' can be another's 'anti-development'. In practice, in the real world, there is therefore no such thing as 'development' that benefits everyone, though we often act as if there were.

Efforts to end impoverishment hinge on a so-called rights-based approach in development thinking. In this approach is crucial to analyse the structural causes of poverty and to focus on inequality, inequity and exclusion, and to support inclusion.[104] Poverty is not just a lack of income or low level of consumption. It may be also related to a lack of opportunities to take part in decision-making or being unable to join in the activities of the community. Because poverty is relative, the reasons for it are the societal structures that feed inequality. Impoverishment is the existence and maintenance of these structures. People don't get poor by virtue of some magical force, but as the result of economic, social, political and cultural interaction and activity.

Impoverishment and the ending of it are political processes. 'Political' is understood as a process that is basically a question of who gets what, when,

where and how.[105] Development and poverty are therefore things related to the aspiration or preservation of the interests of organisations, groups or individuals. So action to reduce poverty is not neutral, objective or apolitical, though it is often posited as such.

But how can impoverishment be stopped? We first have to ask from whose viewpoint the issue is being examined. For whose benefit and with whom one intends to cooperate? We have to take the vantage point and reality of a certain individual or group and begin to analyse the causes of poverty from local systems towards global solutions. There are no very far-reaching universal answers, because impoverishing societal structures and people's living conditions vary greatly depending on their country and place.

Let's consider the economic dimension of development. The physical and immaterial resources of a particular community are always shared in some way among the individuals who belong to the community. The individuals – actors – own and/or use these resources. The way that resources are owned and used happens in the framework of certain rules and systems that are agreed in common or imposed by others. A result of individual activity is that some succeed while others don't. Some manage to acquire more wealth than others. In time, those who do well are able to exploit their position and manage to create social contracts or other arrangements – 'structures' – that benefit them more than other members of the community. These structures become impoverishing in relation to others. Individuals are naturally different, and some have the ability to succeed despite the existence of impoverishing structures. These structures do not explain everything nor do they eliminate individual responsibility. The majority of people are not, however, able to successfully struggle in a disadvantageous environment but are sentenced to a life of poverty because they don't have the chance, for instance, to get an education.

The right to participation is key to development

Development can be viewed as a process toward particular basic rights, such as the realisation of universal human rights. The UN Declaration on the Right to Development states that member states should undertake at the national level all necessary measures to ensure, among other things, equality of opportunity for

all in their access to basic resources, education, health services, housing, employment and the fair distribution of income. In reality the resources of communities are however always limited and not all rights necessarily can or are wanted to be realised immediately or simultaneously. What is central is the right to take part in the decision-making of the community on what rights are to be realised or enforced and when. Only participation makes it possible to demand other rights and their enactment. The right to participation is therefore key to the achievement of all other rights.[106]

Development is largely about selection processes concerning communities, in which there may be legitimate group and community interests competing with one another. Political debate and struggle may lead to solutions that either benefit all or only some. It is often impossible to improve the situation of everyone at the same time, and so choices have to be made. Because the definition of 'well being' is ultimately subjective, decision-making is often about a situation where not everyone can be satisfied.

In addition to setting goals, it is essential to take part in the discussion of the measures by which it is intended to realise them. For instance, there is broad consensus the UN Millennium Development Goals but they won't necessarily ever be attained. Their accomplishment has to be realised by different social-political actions that have practical consequences. These consequences vary in time and place for different people. Some of them may even increase poverty.

To stop the impoverishment of a group work can be done to support its opportunities to participate and influence decision-making at local community and national level, where the societal frameworks are set up in which welfare is created. You can also support a community's material and mental requirements for creating welfare. Such support can consist of physical resources (such as materials, equipment or food), mental resources (such as training), money to procure these or contributing one's own work. The types of support do not counter one another; different kinds of support are needed to meet different needs. There may be a direct crisis or shortage so that immediate support is needed, and sometimes it can seem that focusing on uncertain future processes is pointless. However, in terms of ending impoverishment it is not enough just to direct support for immediate needs. In order for the impacts of the support to be lasting you need a more political approach. Support directed at meeting immediate needs cannot

replace activities that in the long term cut into impoverishing societal structures. This is why the role of donors always comes second compared to a community's own solutions.

Many impoverishing structures are very close at hand. It would however be misleading to say that all impoverishing structures are local or even national. Individuals and local communities are connected by economic interchange to one another across the world nationally and internationally. Nearly all human communities in the world are interlinked in one way or another.[107] Global solutions have an increasingly strong impact on our lives and decision-making takes place further away from local communities. At the same time, the further you go from the local level the harder it is to indicate the direct cause and effect relations linked to impoverishment or to have an impact on them. In terms of ending impoverishment it is essential to be able to unmask these concealed interconnections. The better we succeed in doing so, the more we can have an impact on people's chances of getting out of poverty. We must therefore be able to understand our own role as a part of global networks. Your own government may for instance take part in the system of international treaties that contribute to the impoverishment of other communities. It's therefore important to influence our countries' decision-making using different forums. We must also understand our own role as part of the activity of international trade and economy. Do our actions take bread from the mouths of others? Do my interests wreck the value of another's labour? Who has to suffer the environmental consequences of my consumption patterns? As consumers our lives are filled with everyday choices: should I buy that carpet that's been made with child labour, do I drink fair-trade coffee, should I buy that garden furniture made out of illegally cut timber?

It's not enough simply to do no 'harm'. Impoverishment is not just the outcome of people's active deeds; it can also be the result of inactivity. It lies in the maintenance of existing injustices. Take the situation of ten year-old children living by night in the gutters of some Southern city and by day scraping a living from the local garbage dump: anyone who contributes to things remaining as they are is potentially adding to impoverishment. That's why we must act!

Kent Wilska
Helsinki 7.11.2006

A stove and fridge on friendship credit

Lotta Valtonen

Virginia squeezes into the packed minibus that takes her from the dusty outskirts of Maputo right to the centre. It is here in the 'asphalt city' that the family of her foreign employer lives. A new day's work has started – doing the washing clothes and dishes, cooking lunch, cleaning the house and taking care of the kids. Everything that goes with being a domestic help. Virginia is one of many Mozambicans working outside the formal economy.

Unlike many others, Virginia gets a reasonable wage for her work, enough to put a small sum aside each month. "And so three years ago three of my friends and I decided to join together and set up a friendship credit circle," she says. None of the friends has a bank account of other means of savings and credit, so xitique – the informal credit and savings arrangement based on mutual trust – was the obvious choice.

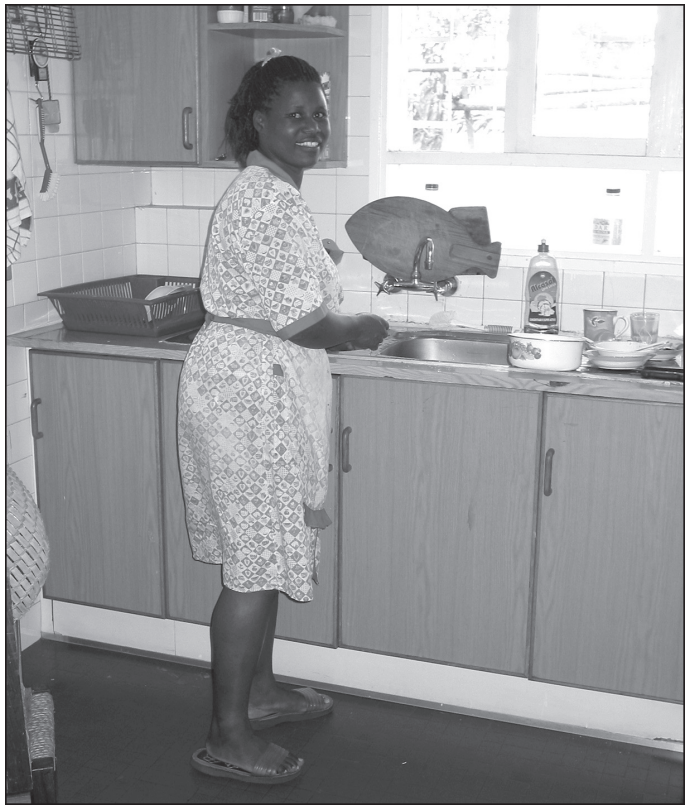
Friendship credit, known locally as xitique – is an old tradition that at times was dying out. A group of friends get together and each pays a small sum, say 20 euros, each month into a kitty. The following month one of them gets the jackpot. The system works well in a country where few people get the chance to open a bank account and where a poor person finds it almost impossible to get commercial credit.

Friendship credit has come to life again in Mozambique following the peace agreement. At times the custom was forgotten amidst such things as the removals caused by the civil war. People didn't necessarily know who their new neighbours were and the need for credit didn't arise. Today xitique is used widely, especially in the cities among women on small earnings. People in the cities usually have some source of income, and having a kitty lets it accrue.

Using friendship credit Virginia has bought herself a fridge and oven. She used to do the cooking everyday on a charcoal grill and couldn't keep leftovers for the next day. "I also want to have beautiful things. Getting a fridge made my life a lot easier," she says with a smile. She uses friendship credit also to get clothes and things for the kitchen.

Using friendship credit and a loan from her employer, Virginia has also built herself a small brick house. This is something of an achievement in the suburb where many still live in houses built of reeds. She explains the credit needs of the circle's members. "My friend sells goods in the market and with the help of friendship credit has improved her product range."

People in Mozambique use many informal assistance networks, of which xitique is just one. Other usual kinds include rotating voluntary work (such as when one family's and then another's field is harvested communally), 'food work' projects (where workers are paid in food after completing a job), regular voluntary work and rearing cattle, goats and chickens or something similar (where a family looks after another family's animals and receives a calf in payment).



Virginia at her work. Thanks to friendship credit she now has a fridge and an oven in her home.

Changes in land ownership speeded up from the community level

Kimmo Lehtonen

"The new law is in force, so now the grumbling can stop and people can start working", Monkey Point community leader Pearl Watson exclaims when the new land ownership law was put to the community.

In spring 2003 the Monkey Point community, which had suffered from land disputes and illegal trading, held an information briefing on the significance of the new law. Those invited to the meeting included members of the nearby Punta de Aguila Rama Indian community. For them the issue in the long run is one of life and death.

In recent years both communities have endured numerous land disputes. At worst these led to violent clashes between villagers, outsiders seizing community lands and foreign investors' armed guards despatched to the area. The investors were speculating in the local lands for themselves by exploiting Nicaragua's entangled legal jungle and land ownership situation.

At least now there's the law to lean on. The process for land ownership of the autonomous regions of Nicaragua's Caribbean side took a little under four years. In the end tough work and lobbying by civil society, the autonomous government, parliamentarians visiting the region and NGO, paid off.

To many people's surprise the law put forward at the end of 2002 was passed by parliament.

The decision means that Nicaragua finally recognises the indigenous population's communal rights to their historical lands. For the continent it's a unique law and it safeguards the possibility of the country's indigenous population to win back their lost land areas, secures their current ones and ends the future abuse of their region's natural resources. According to the law the lands, coastline, water resources and forests belonging to the Indian communities cannot be sold, given away or exchanged by anyone, not even members of the communities.

Acceptance of the law is nevertheless another thing, as is putting it into effect. Those most optimistic about the initiation of the issue think that even on a fast track the process will take long and the interested parties will have to wait years for their reward.

There is a tangle of ownership disputes over the Caribbean region's natural resource-rich forest and coastal areas that include the indigenous communities, local authorities, Nicaraguan business owners, migrant peasants and the state, as well as a band of foreign investors.

"We have to hang on, otherwise we won't make it", Allen Clair, one of Monkey Point's community leaders told the people who had gathered for the meeting in a local school.

On top of other problems future disputes will arise over the distribution of the economic profits from the use of the region's natural resources, which under the new law commit 25% to the community, 25% to the municipality, 25% to the autonomous government and 25% to the central government in Managua.

Even this division would be a splendid agreement for the community, municipality and autonomous government. At present about 95% of the tax on the use of natural resources in the Caribbean region end up in the central government's coffers.

Nicaragua has finally recognised the indigenous people's communal land rights.

A rabbit farm in a Cuban concrete suburb

Kimmo Lehtonen

As we trudge along the concrete street in Havana's Cerro district Roberto Sanchez, who works for a Cuban environmental NGO, remembers how ten years ago everything collapsed – together with real socialism in Europe.

The end of trade with the East for food security and brotherly assistance had a fateful impact. Eastern Europe's ineffective and herbicide drenched 'socialist intensive agriculture', also planted in Cuba, didn't leave a very fertile heritage of ideas in its trail for what to do next.

The situation wasn't made any easier by the tightening of the US economic boycott in the 1990s. Using existing legislation the US tried to block countries and firms that trade with Cuba from having activities in the US.

"There was hunger in places here. Rural production was rock bottom. We had to find ways to produce food in the cities", Sanchez recalls.

With the collapse of food production the supply of calories and protein dropped by 30% in the early 1990s. There was a lack of everything. That's when the período especial started, when Cubans reinvented the wheel in a million different ways. Every single moveable resource was mobilised to deal with how to satisfy the people's hunger in the prevailing circumstances.

To escape the situation people worked out how to cultivate organic food even in concrete jungles such as Cerro, where practically nothing grows anyway.

Urban coping chain

Nelson Aguilar draws up in front of his house in the sidecar his neighbours' motorbike. He lifts a pail from the motorbike onto the terrace and greets me. The neighbour returns on his bike across the street. I take a peek in Nelson's bucket, full of food remains – macaroni, chicken waste, some bits of vegetables.

When Nelson notices my surprise he shows me what happens next in the kitchen. He puts waste from the local hospital and school through a gas run dryer he's put together himself for making waste pellets. This is how to make organic waste that can be used as fertiliser or for animal feed.

On the roof in each of dozens of cages there are rabbits a few chickens and the lemming-like cuyoja. The garlic and herb growing is just starting. He grinds up the animal waste for fertiliser. Everything's done by recycling.

Nelson makes a reasonable income selling rabbits, for driving Nelson on his motorbike his neighbour gets rabbit meat, and Justo Torres, who grows the herbs, gets the rich soil for his plants. In turn, Nelson gets herbs from Torres. The coping chain is in place.

This is how Cuba's survival economy runs, which the world marvels at and the results of which have attracted special attention. Above all, it's ecological and its technology is most innovative for food production nowadays.

"Out of the survival strategies developed at the beginning of the last decade the results of this have remained constant, and the system works", says Roberto. In ten years Cuba has become a model country for food security experts, environment and development researchers in the area of sustainable cultivation and urban close-range production.

Nelson Aguilar created his own coping chain when the official system failed

In addition to neighbours, many schools and hospitals in Havana are able to secure their food supplies the same way. They have their own plots – organopoleja – in the centre of town. There are some 350,000 patio, roof or backyard plots alone, according to Roberto. Millions of Cubans use them to significantly improve their food security. In 2002 it was calculated that there were some 35,000 urban areas given over to food production. They mostly produce fruit, herbs and vegetables – all in all 3.2 million tonnes. The results are there, no matter whether it's from Fidel's socialism or neighbourhood committees.

Cuba's praises were sung a few years ago by the then head of the World Bank James Wolfensohn, who voiced his wonder at how Cubans managed to keep their basic services running well without his firm and a worldwide army of aid workers.

There are now fears about what will happen when the market economy food giants stampede over Cuba. Will the tasty and fresh backyard organic produce end up in Cargill canneries? The answer in the end lies with the Cubans themselves. It could be, though, that many food security specialists and development aid circles will have to hurry to make a study trip to Cuba!

At Chawam market

Janne Sivonen & Kirsi Salonen

The market at Chawama township on the edge of the north-western Zambian city of Solwezi buzzes with activity. City folk sell agricultural produce that has been bought from local small farmers. Practically no one has got regular work in Chawama, so the majority of residents try to get by on small trading or by hunting for odd jobs. The luckiest get cleaning or gardening work at the homes of wealthy foreigners who are employed by aid organisations.

Maureen Matoka has lived in Chawama for 25 years. "It is hard to get any income nowadays", she says over her sales table. "I earned better before, when I used to buy fish and maize and sell them roasted. When cooking oil got more expensive it was not worth it anymore. So now I just sell sweet potatoes, which I can trade just as they are."

Matokabought cheap cooking oil from Zaire (now the DRC), the border of which is about 20 kilometres away. "I also bought clothes there to sell this side, but now it is too expensive to travel to Congo," she says.

Matoka explains that just selling sweet potato is not really enough to live on. She buys a sack of sweet potatoes for two euros from the small farmers in the rural areas and sells them on for three euros. People in Chawama have very little money, so it takes a long time to sell a whole sack.

Support and security in the family

Matoka's earnings support 20 family members. She has five children and 15 grandchildren. Only one of the family has regular work, at a restaurant, but there is a little extra coming in from one of the grandchildren, who sells sweets on the streets after school. Sometimes a member of the family manages to get a few hours paid work for instance loading a trailer-truck.

How does the Matoka family manage if one of them runs into problems? "When something comes up, for example to get treatment for sickness, we sit down and put together all the family's money. If there is not enough to see a doctor, then we don't. There is no one outside the family from whom we could ask help," Matoka says.

What does the family do if there is not enough money even for food? "We are used to managing with only a little food," she smiles at the obvious reply to this question. The answers given by other market traders to the question are the same: if there is not enough money for food the only option is either to have a smaller daily meal or skip it altogether.

Though neither Matoka nor any of her family has ever worked at the nearby copper mine, its presence has had a big impact on her income. When Zambia adopted the World Bank's and IMF's liberalisation prescriptions the copper mines were privatised. Some of them were closed down as the new foreign owners reckoned they were unprofitable.

Production at the Solwezi mine was suspended and the new owners drove the miners living on the land from their homes. In addition to losing their homes and jobs, the miners' families also lost the schools maintained by the mining company, health clinics and pensions. Solwezi and other mining towns were driven into severe straits, and the business of Matoka and many others suffered as no one had money to buy anything anymore.

Days of glory are over

Copperbelt area is remembered by many Zambians as the hub of industrial activity. After the rush of privatisation, the towns are now a shadow of their former glory. A drive through the industrial area of city of Ndola reveils sad stories behind the doors of locked down factories.

One of them is of Nambod, the former Nationald Agricultural Marketing Board, that was dismantled in the late 1990's and streamlined into the current Zambia Food Reserve Agency. Its huge grain silos are now empty and in its store sheds copper ore is being stored by a Chinese company renting the premises.

"There is no real employment, only piece work", complain a group of young men outside the storage halls. They prefer to remain anonymous.

”We come here for piece work and they take us on for 2 days a week. Conditions are very bad. We are not given protective clothing even though the job is to handle copper ore concentrate”, they recount. For a full day’s work they earn 3 euros.

High copper prices no consolation for the poor

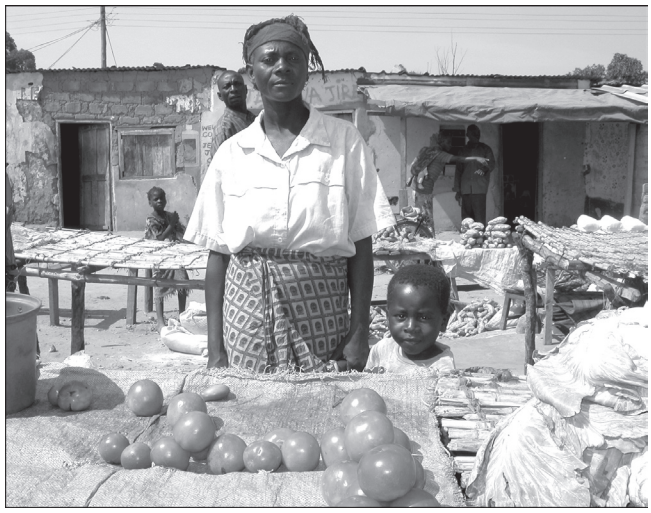
Prices for copper and other extractives have risen steadily for the past few years. Zambia has a huge potential for the industry, and with the price hike new investments have started to flow into the stagnated mining areas.

But so far most of the foreigners’ tax free investments have not benefited the people of Chawama and other poor areas.

According to a recent report by Christian Aid, Zambia’s income from the copper has halved, when the world price of the commodity has doubled. Details of the agreements between the Zambian government and the mining companies were published by the report and it was found that the conditions given to the companies were generous.

New jobs have been created in different parts of the Copperbelt, but the quality of employment is questionable, lament the trade unions. Casualisation and poor conditions are now a rule rather than an exception.

This means that the spill-over effects to the Chawama market might also be modest. And Matoka and the other vendors and their families will have to go to bed hungry.



Maureen Matoka’s market income supports 20 persons.

Breaking down impoverishment and searching for sustainable livelihood

Outi Hakkarainen

After publishing the book *The Impoverished*[108] KEPA continued its analysis of impoverishment by focusing on local realities in the global South. The empirical data for this was collected in Indonesia, Tanzania and Zambia, covering seven communities, three urban and four rural ones. The focus of these studies was on livelihoods and the functioning of local economy and its links to national and international economies; relations between residents, civil society organisations and the state; and the relevance of policies and programmes to reduce poverty. The local residents were the focus of the studies and main source of information: how they earn their living, describe scarcity in their life, think solutions can be found.[109]

The results support the notions in *The Impoverished* that the low-income people in the global South make their living mainly from self-sufficient agriculture or otherwise in the sphere of informal economy, that informal work above all involves women and in the informal sphere it's difficult to get reasonable credit. Hence, illegal economy is usual, including prostitution, but the informal economy is not, however, purely a negative phenomenon but also a means of survival. People living in rural self-sufficient economies and informal workers in cities are equally excluded from political decision-making. The real inclusion of people into society in the global South demands an active role of the state and civil society, and there should be a better understanding of self-sufficient and informal economic activity in order to make viable development plans. *The Impoverished* ends by underlining that the struggle is ultimately always local. These studies largely support this notion, as various structures and practices of impoverishment need especially to be dismantled in the local context and viable ways to promote sustainable livelihood need to be developed first of all locally.

However, the case studies also demonstrate the intensity of the influences of national and international policies even in a very remote village.

The definition of poverty was also among the issues to be discussed with the residents of the communities studied to understand how local people experience and define poverty. Multiple notions of poverty were mentioned, mainly referring to the lack of the most basic necessities, e.g. food, money, clothes, proper housing, clean water, salt, soap, tableware, bedclothes, a reed mat on which to sleep, bicycles, tin-roof, cement floor, livestock, domestic animals, arable land, and maize mill. Also, lack of resources to educate children or to take them to the health clinic was mentioned. Non-material issues were mentioned only when asked about, and the most common reply concerned the lack of markets and transport. The lack of political participation was not commonly mentioned by the local residents as an element of poverty but the residents of an urban community in Indonesia had a more politicised vision of their poverty than the people in the other communities (see below).

The definitions of poverty varied according to people's economic situations, level of politicisation of the community and influence of outsiders. The most vulnerable mentioned usually the most basic needs, but the more well-off also mentioned things such as having a tin-roof and cement floor. The influence of outsiders was present in the communities in the Indonesian and Tanzanian studies. In the rural area in Tanzania lack of sanitation was mentioned as one of the indicators of poverty but it was never mentioned in the urban community studied. PLAN International ran campaigns and assistance to construct toilets in the rural area. In Indonesia, residents of two study sites presented quite different views of poverty. For example, the head of a family of four that lived on about 25 USD a month didn't see his family as being poor as they were still able to feed themselves and more or less buy the necessary essentials. The urban poor community is instead much more politicised and class conscious, referring to themselves as 'the poor' and that was partly due to the active work of civil society organisations such as Urban Poor Consortium (UPC) in the greater Jakarta.

The studies also revealed the terminological difficulties related to the use of the concept of poverty[110] and underlined how complicated the concept is, and especially how difficult it is to define it so that it respects those who are defined

as poor by others. This concern was acknowledged by the authors of the Indonesian study:

"This is something which we encountered throughout the field research. By conducting research for an impoverishment analysis we a priori labelled the communities in question as being poor, impoverished, marginalised – even if they themselves don't necessarily see themselves as falling into that category. In many societies and cultures, poverty carries a strong negative stigma with it and thus people understandably might resent to be called that."

Much effort is currently being put on defining and measuring poverty as a multifaceted phenomenon, while on the other hand the dollar-a-day (USD) poverty criterion is still widely used. For example, one of the three aims of the first Millennium Development Goal (to eradicate extreme poverty and hunger) is to reduce by half the proportion of people living on less than a dollar a day. But what difference does it make to someone's living conditions if the daily income is half a dollar more? On the other hand, many people may have good lives although they earn less than a dollar a day, as there are many other things that determine the quality of life than money, for example access to natural resources and social safety nets. The eradication of poverty, of course, aims at achieving a decent life for those who are considered to live in poverty but the definitions of their lives largely focus on the nature of their poverty and not on the elements which would give them quality of life. Therefore this analysis focuses, instead of poverty, on promoting sustainable livelihood.

It is neither possible nor reasonable to make an exact universal definition of sustainable livelihood because different ecological, social, cultural, historical and political contexts influence the understanding and construction of it. However, we can define its general principles. One key denominator is to go beyond the basic requirements for living (food, shelter and clothing), because sustainable livelihood is about achieving a quality of life that is embedded within the rich local cultures of many communities. Also, issues such as ensuring the quality of life in an ecologically and socially sustainable manner, having participatory decision-making and safeguarding resources and opportunities for future generations are central in sustainable livelihood. It's also crucial to acknowledge

that although sustainable livelihood is usually discussed at the local context its strengthening or weakening is linked to national and international contexts. This means, for example, that the ways of living in the global North is linked to those in the global South: our way of living can't be sustainable if at the same time we prevent others from having one.

Achieving a sustainable livelihood for all is an enormous task in our current world. It is a setting in which wars are constant, the conflict between civilisations is heated, and where there are a wide variety of competing interest groups – many of them criminal, violent and economically powerful – and where incompetent political leaderships are common worldwide. However, we shouldn't give up our fight for more equitable distribution of world's resources and income, and more democratic power relations locally, nationally and internationally. One of the key obstacles to achieving a sustainable livelihood is the lack of interest to understand the reality of different local contexts and plan the development policies on the basis this kind of understanding. We are still – luckily – far away being just one homogenised globe, although the dominant neo-liberal hegemony is approaching the image of one global market and one global (materialised) culture. It is indispensable to reveal people's reality of life in which the promised trickle-down of prosperity has not happened.

Long-term activist Ville-Veikko Hirvelä speaks about the exclusion of world's majority from the modern civil society, his ideas are important in planning civil society efforts to promote sustainable livelihood. He writes that the world's marginalised majority can't get issues raised in public debate that are important to their lives, such as the right to basic livelihood or the right to self-sufficient farming, collection or small production based on non-official exchange. In Hirvelä's view, big influential civil society organisations marginalise voices of the world majority because these organisations most easily take a stand on issues that are already in the media. He asks how truly the actors of modern civil society really can represent the world's marginalised majority.[111]

There might be nowadays a more participative approach in the development field than some years ago, but still the top-down and North-dominated approaches have in practice a surprisingly steady position, also in the development cooperation of the civil society organisations. Professor Marja-Liisa Swantz spoke about recent problems Finnish aid was having in Southern Tanzania, where Fin-

land has worked for 30 years. The Regional Commissioner had explained that the Finns don't listen to them but the Finnish ambassador had instead said that they really listen to them all the time. However, the Finns already had the terms of reference prepared when they came. Swantz explained that the problem of these initiatives usually is that those who come from outside think that they have to have something to say. They come with their suggestions in order to have a basis for negotiation but for example in African culture it's even more difficult to say no than in many other cultures. She said: "I feel that after all these years of cooperation and discussion about these development questions, we have never been in such a dead end as we are now"[112].

However, there are also promising processes going on in different parts of the world to give space and policy attention for the experiences and visions of the marginalised ones. For example, the collection of "Unheard Voices" reports could be mentioned here which were produced by Citizen's Global Platform and Vasudhaiva Kutumbakam network (India and Finland) to highlight the hearing of marginalised voices at the Helsinki Conference and also elsewhere later on.[113]

This analysis is one of KEPA's contributions to promote policies based on those people's life and visions who experience in their everyday life the unfair consequences of current national and international economic policies and many social phenomena common in the global South as corruption and deep social polarisation. Besides presenting the conditions of life in the seven communities studied in Indonesia, Tanzania and Zambia and the roots of impoverishment recognised in them, this analysis presents ideas on possibilities to promote sustainable livelihood in these communities. In this pondering the key issues are strengthening of local economies and relevance of formalising informal economy, property rights and personal identity. The roles of Southern and Northern civil society organisations in achieving the required social changes are also considered.

Case studies of KEPA's impoverishment analysis

The seven communities studied in KEPA's impoverishment analysis are the urban community Kampung Kolong Tol and Maladofok village in Indonesia, the Sultan Area and Mji Mpya wards and Michenga and Mkangawalo villages in Tanzania, and the village of Kundalumswhaya in Zambia. The sites in Indonesia were chosen based on the recommendations of KEPA's partners from Urban Poor Consortium (UPC) and Triton. In Tanzania the four communities studied were randomly selected from a list of communities provided by local authorities as being among the poor areas in the Morogoro Urban and Kilombero districts. Kundalumwanshya village in Zambia was familiar to KEPA as one of its Zambian partner organisations Green Living Movement (GLM) works there.[114]

Kampung Kolong Tol is an 'illegal' settlement in the northern part of Jakarta which is the capital and the administrative and economic centre of Indonesia. Betawi, Javanese and ethnic Chinese form the majority of about 25 million inhabitants of Greater Jakarta but there is also a mix of practically all other ethnic groups in Indonesia and foreigners. Kampung Kolong Tol has been constructed next to and underneath the bridges of one of the toll roads connecting central Jakarta with the airport and surrounding urban centres. About 4,000 people live in the settlement, mostly in makeshift houses. Most of them moved to the settlement in 2000 because they could no longer afford to buy or rent houses in legal *kampungs* after the 1998 financial crisis.

Maladofok is a Moi tribe village, two-three hours drive from the city of Sorong, located on the western tip of West Papua which is one of the centres of Indonesia's oil and gas industry and has approximately 500,000 inhabitants. The majority of them are non-Papuans, mostly migrants from Java and Sulawesi who have come to the area due to national transmigration policies (see chapter 4). A further 300,000 live in the surrounding sparsely populated rural area. The majority of the Papuans are Christians (Catholic or Protestant), though animism is also abundant, while most of the transmigrants are Muslims. Much of the rural area consists of rainforests, swamps, mangroves and mountains and most of the

arable land has been cleared and has mainly been given to either transmigrants for rice cultivation or to commercial plantations, mainly of rubber and palm oil. A minority of Papuans still live according to traditional, semi-nomadic lifestyles but most have been settled in villages and in semi-urban and urban areas. Many of the Papuan villages still rely on slash and burn cultivation as opposed to the more sophisticated methods and government support available to the transmigrants. About 350 people live in the Maladofok village, which is surrounded by forests, the only connection to the outside world is a dirt road that is impassable when there is heavy rainfall.

The case communities in Indonesia are Kampung Kolong Tol in Jakarta and Maladofok village, two-three hours drive inland from the city of Sorong in West-Papua.

The *Sultan Area* and *Mji Mpya* wards belong to the Morogoro Urban district, and the *Michenga* and *Mkangawalo* villages to the Lumelo and Mchombe wards respectively in Kilombero district. Both districts are divided into 19 wards and are located in central Tanzania in the Morogoro region, which lies between the

central highlands and the coastal lowlands. Morogoro Urban District houses the administrative headquarters of the region while Kilombero is among the largest districts. Morogoro is the fifth largest town in Tanzania, located 350 metres above sea level in a plain, at the foot of the Uluguru Mountains, 200 km west of Dar es Salaam. In Morogoro Urban, there are 229,000 inhabitants, the urban district attracts many people looking for work in industry and the surrounding sisal estates as well as in services. However, the majority of people in the district live in rural areas.

The case communities in Tanzania are two communities (Sultan Area and Mji Mpya) in the Morogoro Urban district and two (Michenga and Mkangawalo) in Kilombero district in the Morogoro region of central Tanzania

Kilombero has 323,000 inhabitants and is situated on a floodplain, between the Kilombero river in the south-east and the Udzungwa Mountains in the north-west. The main ethnic groups are Wapogoro, Wandamba, Wabena, and Wambung and several others in small proportions. Kilombero is predominantly rural with the semi-urban district headquarter Ifakara as major settlement. The majority of the people are subsistence farmers of maize and rice but there are also large plantations of teak wood and in the north-west the sugar-cane plantations of Illovo

Sugar Company occupy most of the low-level area. In Kilombero, houses mainly have thatched roofs and mud walls and often have inadequate water supply and poor waste disposal. There are no paved roads, and some villages are cut off for parts of the year as a result of flooding, the site has no telephone service and most houses have no electricity.

The case community in Zambia is a village of Kundalumwanshya, which is about 70 kilometres south of Serenje.

Kundalumwanshya is a relatively remote village in the Serenje region of Zambia's Central Province and to the North from the Muchinga escarpment that bounds the Luangwa river valley. The undulating landscape is dominated by the Miombo-woodland[115] and by the rivers and streams cutting through the region. The distance from the village to nearest town is, due to the condition of the roads from 50 to 100 kilometres, and 52 to the highway connecting the capital and Northern Zambia. The villagers belong to Lala people, whose ancestors moved to the current living areas in the 16th century from the regions of Lunda-Luba Kingdom, present-day Congo. The residents are either Jehovah Witnesses or unbelievers. The village of Kundalumwanshya was formed approximately in 1935.

The colonial administration did not have much contact with the village but the independence and the President Kenneth Kaunda's socialist system (1964-1991) did influence the way of life in the village, as has the liberalisation of country's economic policy since early 1990's.

The case studies of KEPA's impoverishment analysis were carried out in 2004/05 (Zambia), 2005 (Tanzania) and 2005/06 (Indonesia). They were all different in nature but none of them an academic investigation, merely a review of certain elements of the local realities. The Indonesian study was carried out by Hary Prabowo, Melevlev Bahrumrum (INSIST) and Henri Myrttinen (KEPA Yogyakarta)[116], their field assistants were local community organisers and researchers who have been actively working with the target communities over a period of years. Tanzanian study was conducted by Dr. Damian M. Gabagambi and Dr. Flavianus T. Magayane and their student assistants. The Zambian study was carried out solely by Janne Sivonen, who worked at the time as an information officer in KEPA's Zambia office. Recent information has been received on Kundalumwanshya also from Leena Antila.[117]

The methodology varied to some extent from study to study, though the participative method was central to all of them. The data collection was realised mainly by half-structured interviews with individual villagers, families and village leaders, focus groups discussions and participative observation. Secondary data was also collected. The authors of the Indonesian study described their research visits in Indonesia as a kind of repeated parachuting exercise, as the researchers had neither time nor resources to spend extended periods of time with the communities. The interview situations had been quite different between the two communities studied, as in Kampung Kolong Tol men and women gave openly and loudly their opinions, while in Maladofok the community gathered together but let only two-three elder men speak on behalf of all. In Tanzania, primary data collection involved interviewing a random sample of households and holding discussions with a number of key informants and groups in the study area. A pre-tested questionnaire was administered to a random sample of 120 households. Twenty group discussions were conducted. The groups were constituted in each study area based on sex, age and leadership and included one each for female youths, male youths, women, men, and village government.

Janne Sivonen collected the data for the Zambian case study mainly during a month-long visit to Kundalumwanshya in October-November of 2004 but also during shorter visits before and after this period, besides his other work duties. He was in touch with about 50 people in the village. The participative observation had been for him the most important and valuable research method. The farmer's clubs participated in the focus groups and thus there were more female than male participants as four out of five clubs accept only female participants (although each club also has their male protectors). Club members are from relatively well-off families in the village but in the individual and family interviews data was collected also from people from very different backgrounds, including some of the poorest and most vulnerable.

Making a living in seven Southern settlements

The residents of the communities studied are involved in a wide range of economic activities, mainly in the informal economy. These activities are similar from country to country but differences exist between rural and urban ones, and those done by women and men. In the urban areas, people work as small-scale traders, drivers (busses, taxes, bicycle rickshaws, motorcycle taxis), construction workers, teachers, casual labour, repairers, mechanics, masons, miners, maids, parking attendants, charcoal and firewood sellers, or they run small food stalls, shops, kiosks or workshops (sewing, motorcycle repairing, craft making, barbering). Although non-farming activities are the most predominant in the urban areas also farming, gardening, livestock keeping, fish selling and local brewing are important. In the urban district of Morogoro about 64% of respondents mentioned agriculture as one of their main livelihood activities.

In the rural areas people are largely subsistence farmers, growing mainly rice, maize and cassava but also, for example, finger millet, sweet potatoes, beans and groundnuts. Farming was the occupation of over 98% of all the respondents in the Tanzanian rural district of Kilombero. However, the rural dwellers also

occupy many non-farming activities largely similar to those of the urban areas, construction being the main one. In the Indonesian Maladofok village practically all people are small-scale subsistence farmers but they also sell cash crops in Sorong. A limited source of additional income is the remittances sent by the handful (6-8) villagers who have managed to find work in Sorong. In the Zambian village of Kundalumanshya the inhabitants' main economic activity is agriculture, but when necessary they also carry out other activities, such as local beer brewing, growing vegetables, unauthorised digging of semiprecious stones, sowing clothes, selling cakes during special events, working in construction and keeping small kiosks to sell basic goods.

In Kundalumwanshya only the village teacher could be defined to be part of the formal economy and in Maladofok also the teachers and the village priest. In the urban district in Tanzania 8.2 % of respondents have formal employment and in the countryside almost none. It also emerged that youth marginalisation in formal economic activities was taking place in Tanzanian urban communities studied.

Although some clear differences between the sexes could be made in the Tanzanian study, various activities are carried out by both sexes. For example, the hair saloon business, charcoal and firewood selling were more prominent for females than for males. Casual labouring was more prominent among men in the urban district while both sexes were equally involved in this activity in the rural district; commuter bus driving and formal employment were practised by males; food selling was mainly carried out by women but men mainly take care of potato or cassava chips' frying and barbequing, especially in the evening at local brew pubs.

In both Indonesian communities studied economic activities, as with social and political positions, are highly gendered. While the urban, culturally mixed Jakartan kampung offers women new, albeit limited, socio-economic possibilities, the community in Maladofok retains its traditional gender power balance as women work in their traditional roles both in the fields and at home. While few new socio-economic possibilities are available, there is on the other hand the cultural safety net of the community still present. In Kampung Kolong Tol, most women participate in the informal economy, including the most precarious sector, sex work. Also, in Tanzania the lack of decent opportunities

of earning most brutally hits the young women, it was found out that many of them earn money for their families by prostitution. This was accepted by their mothers and openly spoken of also by the young women themselves despite the fear of stigmatisation.

The Indonesian study revealed the crisis of masculinity, which the authors recognised as an initial trend in the study areas. It has been difficult for men to cope with the forces of transition especially in West Papua where feelings of inferiority have been instilled into Papuans through the unequal transmigration policies. This has lead to frustration, abuse and violence against the self and others, with massive alcohol abuse and increased domestic violence. It's also more difficult to come up with the bride money for a traditional marriage and thus the men become more cut off from the traditional Papuan gender roles.

In all communities studied the average earnings of local residents vary mainly from less than 1 USD to a little more than 4 USD a day, and mostly between one and two USD. In Tanzania, the average daily income for people living in urban areas was more than double the income of those living in the rural areas. In Morogoro Urban, this was about 4.20 USD and in Kilombero District 1.7 USD per day. The monetary calculation of income was common in the urban areas but in the countryside well-being was measured mainly by the number of meals a day. A sufficient number is generally three meals a day.

About once a month, the family heads of the Maladofok village make the journey to Sorong to sell excess produce and to buy necessary products, such as rice, cooking oil and clothes. The sales amount to about 30 USD per family and the villagers agreed (in early 2005) that this was 'good enough,' as it covered most basic needs. On the other hand, this was almost only enough to drive into the town to buy rice and cooking oil once a month. When possible, this was supplemented by beans, papaya leaves, sago and occasionally chicken or pig meat from the village. However, the situation had changed by 2006 with the fuel price hike (see next chapter). This has greatly increased the cost of transport to town to now approximately 5-10 USD as well as raising the prices of goods to be purchased. Electricity generation has also been reduced after the price of petroleum went up.

Roots of impoverishment

Various structures and practices of impoverishment were recognised in the case studies, and were named either by the interviewed or analysed by the authors of the studies. These roots of impoverishment will be presented here under following subtitles: contradictory national policies; absence of poverty reduction programmes; corruption, informality and the incompetent state; and issues related to production, markets and natural resources.

Contradictory national policies

The above-mentioned fuel price hike in Indonesia was due to the gradual slashing of the fuel (BBM) subsidy and raising fuel prices by about 200 % in 2005 on two occasions. The government announced this decision as a pro-poor move, explaining that the saved money was to be used for education and health projects and that the poor people had hardly benefited from the subsidies as they consume so little petrol in relation to upper classes. However, the Indonesian case study revealed that the government wasn't taking into account that the relative impact of the rise in the petrol price will be harder for those earning little. The new prices hit the rural areas heavily where people rely on roads and waterways to reach local towns where they sell their products and use services. The rise in fuel prices caused immediate increases in the price of basic necessities, the price of rice in Yogyakarta, for example, almost doubled overnight following the second fuel price hike.

In the context of transportation the negative impacts of the higher fuel price will be less for the urban than rural poor due to shorter distances and the possibility of alternate modes of transport.

However, the problem of not being able to buy kerosene will be greater in urban areas as there is not available the rural alternative of switching back to wood or charcoal. The net effect of the price hikes will in all probability lead to a decrease in the incomes of the urban poor, as the customers of the sellers working in the informal sector as well as of the *becak* drivers tend to be from the lower income sectors of society whose buying power has decreased.

Another questionable national policy in Indonesia is the transmigration scheme, which has negatively influenced the Maladofok village. The Indonesian study brings up that the Suharto-era transmigration programmes, largely funded by the World Bank, have had the most profound impacts on Indonesian society outside Java. The aim of this scheme was to reduce rural poverty on the most heavily-populated islands of Java, Madura and Bali by moving landless peasants to 'emptier' islands, and to develop these 'underdeveloped' islands with the help of these 'more cultured and cultivated' people from the 'inner islands.' The results have been contradictory. Though the transmigrants were given preferential access to land and resources, they were seldom successful in growing the crops (mainly rice) due to different climatic and soil conditions than they have been used to. Nevertheless, they are in a better position than the local population because of better social benefits. Later on, many of them moved on from agriculture to trade, business and administrative positions and thus strengthened their social and political influence in their new communities. The unfair social setting has caused resentment against the transmigrants, sometimes the tensions between them and the local population erupt into violent conflicts.

The strong influence of the transmigration scheme on the food culture has had negative consequences for food sovereignty in the 'outer' islands. Local staple foods, such as sago or cassava, have been replaced by rice. The situation is described in the Indonesian study as follows:

"The food sovereignty issue is made more difficult by the lack of control over land and resources leading to a dramatic impact on the living standards of the indigenous Papuans, an impact which has been exacerbated by processes of trade liberalisation and cultural changes brought upon by Indonesian rule. In terms of food sovereignty, the prime example for illustrating this is rice. Previous to Indonesian rule, practically no rice was cultivated on Papua and local carbohydrate needs were covered by sago, cassava, boiled bananas, yams and sweet potatoes. The 'cultural colonialism' of Indonesian rule, however, with its heavy Javanese bias, has, in effect, e.g. through the educational system, the example set by transmigrants and through the media convinced Papuans along with other East Indonesians that in order to be a fully-fledged and fully-fed Indonesian citizen, one needs to eat rice at least twice a day. Knowledge of the use of local plants as a source of nutrition is

fast being lost. This shift in nutritional habits coupled with a liberalisation of the rice markets in South-East Asia has turned Indonesia, previously self-sufficient in terms of rice, into a net rice importer and most of its small-scale farmers into net food consumers rather than producers."

The difference between the lives of the local people and the transmigrants is conspicuous also in the reality of Maladofok village. The village has no paved roads, no shops, no safe water supply, no health care workers, an overcrowded school and relies on an unreliable generator for electricity, fuel for which has to be brought in from Sorong. The nearby transmigration community Satuan Pemukiman has paved roads, a steady electricity supply, shops, food stalls, petrol is readily available, and the wealthier inhabitants have TVs, satellite dishes and computers. About 3,000 people live in this community, only 10 % of whom are indigenous Papuans. The community has three kindergartens, three elementary schools, one junior high school and one senior high school.

There is a great sense of frustration in the Maladofok as the villagers find themselves in a new system that they don't yet master, while on the other hand the old traditional system that they know well no longer seamlessly applies to their lives. The most common comment about their condition was 'susah' – difficult. According to one villager, they "feel marginalised on their own land" as their possibilities of economic and social advancement are blocked by non-Papuans who have taken over and transformed the economy in Sorong.

In Tanzania, a significant change of course in economic policy has influenced a lot on the conditions of agriculture. The liberalisation of Tanzanian economy was initiated in early 1980´s and by 1992 the private sector had taken control of almost the entire grain market. The impact of the changes, including the withdrawal of input and transport subsidies, has been a sharp decline in the profitability of smallholder cultivations in some areas of the country and especially in cultivation of maize. Agricultural subsidies are seen by the WB as causing economic inefficiencies and the bank demanded that they should be abolished altogether. In 1995 the IMF stated: "With the support of international community... the authorities [of Tanzania] are transforming perhaps one of most regulated economics in Africa into one of the most liberalised"[118]. However, data on crop production shows that the promises made on the threshold of economic

liberalisation hasn't been fulfilled as labour productivity, yields and production per capita of food grains have stagnated or declined.[119]

There are some state-run development programmes partly related to agriculture but interviewees mentioned in the Tanzanian case study the poor implementation of government's development programmes and the neglect of the agricultural sector, which is supposed to employ the majority of the population. The districts of Morogoro Urban and Kilombero are already in the Local Government Reform Programme, in which districts are expected to include agricultural development plans in their district development plans. However, district efforts don't seem to have permeated to the villages studied. Community members in the villages are not aware of the policies and strategies related to production activities. Given the short period in which the districts have had the opportunity for implementing the various agricultural development projects under the Agricultural Sector Development Strategy (ASDS), which invariably concentrates at capacity building initially, it's conceivable that not many communities have been reached to undertake activities of District Agricultural Development Programme (DADP).

The Zambian case study explains how Kaunda's era and the neo-liberal economic policies since the early 1990s have made the people of Kundalumwanshya to undergo even dramatic changes in their lives. At the time of independence, the country's economy was based on copper mines and Kaunda's government had due to high world price of copper by African standards a lot of resources to develop the country. The cornerstones of Kaunda's policy were diverse and self-sufficient industry and strong support for agriculture and especially for the maize cultivation. During Kaunda's period maize was once and for all made part of the life of people in Kundalumwanshya. At the same time, the villagers got also started livestock rearing, which didn't belong to Lala's traditional livelihoods.

Subsistence farmers of the retired village became in Kaunda's socialist system 'market-oriented' small farmers who grow hybrid maize with chemical fertilizers in their yields. The surplus was sold first to the National Marketing Board (NAMBOARD) and later on to state-run cooperatives for national markets. This trend linked the villagers more intensively to outside world and monetary economy. The places to sell grain were in the villages, the payments were quite reliable and the farmers didn't need to take care of storing their grain. Later, Kaun-

da's maize based agricultural policy was heavily criticised, in many areas other plants would have fared better. In Kundalumwanshya, the factory-based fertilisers acidified the soil and thus weakened its fertility, in some villages the limited rains destroyed more easily maize yields than original African grain crops.

Initially, the problems of the national economy were not strongly seen in Kundalumwanshya, because the support for the cooperatives continued with the support of Zambian state and foreign donors. Also, the Finnish government supported cooperatives in the 1980's in the near Luapula province. However, the dissatisfaction of people was increased by the worsening corruption which was overrunning at any level of the cooperatives. In 1983, at the request of the World Bank and IMF, Zambia initiated a structural adjustment programme and in 1986 Kaunda had to remove the farming subsidies for maize, though he later had to retract because of nationwide protests.

Together with changes in Zambia's economic policy, the country's political system was transformed when the 20 year-old one-party system ended in 1991 with multi-party elections. The unsatisfied citizenry voted for change and a new president of the country was Fredrik Chiluba from the Movement for Multi-party Democracy (MMD). The new regime carried out the liberalisation plans faster than any other Southern African country. Zambia's economic reforms were based on the prescriptions of the WB, IMF and other donors. The economic changes were set as a condition for debt relief and development aid, for example in the HIPC initiative, which aimed to relieve the debt burden of the poorest countries. The success of the programmes by WB standards is measured, among other issues, by the extent of privatisation, the amount of foreign investments and success of the privatised companies.

The freefall of the education and health care sectors due to the policy that less money was spent on the social sector is still seen in the Kundalumwanshya but the most significant change the liberalisation caused in the village was the state's withdrawal from the agricultural sector. According to the villagers this initiated the worst era of the village, and this continues. The state hoped that private markets would fill the hole the state left behind, but this did not happen in Kundalumwanshya. Transporting a small amount of grain from the remote and badly connected villages to the cities is not profitable business for the private sec-

tor. Martin Changwe, chairperson of the development committee of the village explained the situation:

"When the agriculture was liberalised in the years of 1993 and 1994, the government said, that now we small farmers are all entrepreneurs which they themselves sell their grain. My own yield got rotten as nobody came to buy it. At the same time the drought came and the old debts needed to be paid although the loss of the yield took the next yield and the income. At the same time also the coming of fertilisers got stopped. Before the liberalisation we got loans for the seeds and fertilisers, and there were also medicine for the animals available."

Janne Sivonen writes that it's difficult to find a recommendation, research or report that doesn't start with the notion of Zambia's huge potential in agriculture, as around 85 % of country's arable land is not in use and agriculture is seen in government policies as one of the most important motors of the economic growth. The varieties of grain have grown and one of the trends of the national economy is a slow shift from mine industry to agriculture. However, the potential of growth is true only in some parts of the country, i.e. total productivity and export of the products will be pushed forward mainly in areas with proper means of communication. Kundlaumwanshya and other similar kinds of remote villages aren't included in these plans. Sivonen concludes that the liberalisation of agriculture didn't turn the maize-growing farmers of Kundalumwanshya into entrepreneurs, that the changes locked the villagers outside the markets and, largely, the monetary economy. Zambian economic and agricultural policy's historical development has thus set a trap to the small-scale farmers of the village and it's very difficult for them to break free.

Limited impact of poverty reduction programmes

All the case studies revealed that the possible benefits of the poverty reduction programmes initiated in the case countries haven't trickled down much to the communities studied. In the Tanzanian study the interviewed had never heard about the nine national and international policies and programmes related to halting poverty that were reviewed in the study[120]. The same was the case in In-

donesia as people in the communities studied couldn't recall any government-funded or other poverty reduction programmes that would have impacted their lives in anyway. In the authors' view this perception is interesting, as the lives of both communities have been heavily impacted upon by programmes, implemented by the government and demanded, supported and sometimes paid for by outside agencies, which have been billed as measures to reduce poverty.

In Kundalumwanshya the situation is to somewhat different as some national poverty reduction programmes have at least little bit involved people from the village but Zambia's first Poverty Reduction Strategy Paper (PRSP) (see page 89) for the years 2002-2005 was not one of them. This PRSP pointed the agriculture and tourism as the main motors to eradicate poverty. The plan offered growth of agriculture, processing of agricultural products, food security and jobs in the countryside, and promised improvements in social sector, among others, in education and health care and also development of infrastructure was written into agreement.[121] The PRSP was carried out in the country through the Poverty Reduction Programmes (PRP) but in practice major part of the proposals of the PRSP were never implemented.

The most important support programme for the small-scale farmers in Zambia has been the Fertiliser Support Programme (FSP) that sells fertilisers half price. However, also this programme has limited impact as it doesn't reach all small-scale farmers in the country. Further, its continuity is uncertain as its follow-on is decided yearly. Also, the politicisation of this support increases farmers' insecurity, as especially before the elections the politicians participate in delivering it. In Kundalumwanshya, there are only about 5-10 families who buy their fertilisers through the FSF, as the majority of the villagers can't afford even these fertilisers.

The most important programme of support funded by state in Kundalumwanshya has been the Food Security Pack of the organisation called the Programme Against Malnutrition (PAM). In this programme seeds and fertilisers are given free to the vulnerable but vital small-scale farmers. The programme has functioned in Zambia since 2000 and at the time of data collection 33 families received fertilisers through this programme in the village. The allocation of the support is decided by a committee formed of villagers and it seems that the people don't often know that the support is at the end from the state. Although peo-

ple appreciate this support and many villagers try to get it, not all are convinced of its sustainability as it makes people dependent on the help of outsiders. Those who don't have the capacity to practice agriculture can in principle get clothes and blankets, for example, form the social welfare but in reality the resources are so scarce that in practice the state hardly has means to support the majority of the villagers in Kundaumwanshya.

Corruption, informality and the incompetent state

People in all communities studied strongly raised the problem of corruption, the incompetence of local civil servants and their general mistrust of the state. In the Tanzanian case study, those interviewed argued that due to incompetence, laziness and disinterest of the local civil servants the poverty reduction programmes have never reached their communities. They also said that corruption is rampant at all levels of society. They complained about the spread of corrupt behaviour, especially in urban areas, and that corruption is nowadays not limited to government institutions only such as hospitals, courts or schools but is also in the private sector. They gave examples of private companies that recently acquired ownership of dilapidated former parastatal organisations in which, for a person to be a casual labourer he has to bribe the supervisor. If he doesn't have money, he enters into an informal contract with a supervisor in which the supervisor takes a portion of his wage.

Both communities studied in Indonesia have a tense relationship with the state. In the case of Kolong Tol, as an illegal settlement, people don't have a stable place to stay in, and as the authors of the study put it: "are threatened by the very institutes that are supposed to protect their rights as citizens". In addition to the constant threat of eviction also the lack of official documents makes the people living in Kolong Tol vulnerable to and dependent upon paying off members of the state apparatus. Corruption is endemic in the Indonesian police force and civil service. Stories of police corruption were mostly common themes in the interviews with Kolong Tol people. According to several respondents, Ramadhan was the worst time of the year in terms of bribes, as the police and civil servants sought to augment their meagre salaries with bribes before the Idul Fitri celebrations.

In Papua, the relationship between the state and Papuan civil society tends to be largely defined by the conflict over the status of the province. The authors of the study underline that the West Papuan situation can't be understood at the micro-level without an understanding of the macro-level, and 'the M issue,' with M standing for *merdeka*, which means 'independence'. When Indonesia gained its independence from the Netherlands in 1945 West Papua remained under Dutch control. The Dutch administration tried to build up Papuan nationalism with the goal of eventually having an 'independent' West Papua/West New Guinea with intimate ties to the Dutch 'motherland'. The Indonesian government under Sukarno campaigned for the inclusion of the area into the Republic of Indonesia and in 1969 it became the province of Irian Jaya. However, at once a West Papuan independence movement OPM (*Organisasi Papua Merdeka*) took up arms against the Indonesian occupation and has ever since carried out a small-scale guerrilla campaign. The independence movement enjoys widespread support amongst the indigenous Papuan population but for security reasons most people keep these sentiments to themselves. However, indigenous Papuans are considered by the police and military as potential OPM sympathisers and supporters. Though the intensity of the armed insurgency is minimal at best, the security forces conduct regular and heavy-handed 'sweeps,' often resulting in civilian casualties. Maladofok village and its environs have also been regularly been declared 'red areas', resulting in the area being cordoned off while the security forces carry out their activities. At times, these military operations are used as a cover for illegal economic activities like illegal logging by the security forces.[122]

The Indonesian study concludes that the interviewees in Indonesia don't see the state as a guarantor of their safety and security but rather as something to be avoided interacting with at all costs.

However, the people need to interact with certain officials, such as the school boards, water and electricity suppliers, and the health services. In all cases, the services are either substandard, unavailable or only available through corruption. The situation of social services is very similar in other case countries. The standard of social services the communities studied was far less than adequate, for example in Tanzanian over 80% of all respondents had never attended school or attained only primary education.

A West-Papuan interviewee in the village of Maladofok had asked: "We don't have money to buy the schoolbooks our children need. How are they supposed to study without schoolbooks?" The elementary school in the village has only three teachers and classrooms that have to be shared by all of the students from grades 1 to 6, and in addition two of the teachers don't live in the village and are often not around. Kundalumwanshya got a four-grade primary school 1967, which is still the only state-run institution in the village. The rector of the school, Fred Chimba explains:

"In our school there are seven classes and over 200 pupils, but just now there are only three teachers. This means that one teacher is forced to teach more classes at time although the children go to school on morning and afternoon shifts. The school building and the teachers' residences have not been repaired for years and there is not enough teaching material for the children. Also the low salary is a problem as teachers with such a low salary are not motivated employees."

The impact of the illegal situation in the Kampung Tol is that these people can't access facilities and services even if provided by the government. This has forced people to try to use other residential addresses to get the necessary papers and to have access to these services. This mostly involves paying bribes, though even following the officially sanctioned route, with all the necessary documents in hand, often also involves the payment of bribes. One example of the use of these informal procedures is gaining access to electricity by paying not to the providing company but directly to the electricity board officers. In Kundalumwanshya, after active lobbying the people were promised by local government that they would have a health worker, if the villagers first built the clinic. The clinic was finished in 2005 but still in 2006 the local government had yet to send the health worker.

Issues related to production, markets and natural resources

In all study areas the people explained that the lack of means of production, need for capacity building and difficulties to access markets were key reasons for their

inability to guarantee basic needs for their families. Lack of means of production included infrastructure shortage (e.g. storages, motor vehicles and mills) and lack of capital. For example in the Tanzanian study the authors explain that most striking thing based on the discussions with the people was the fact that there is very little support in terms of capital provision. There are few credit institutions that are providing lending services but they charge exorbitant interest rates, with almost no grace period and very brief repayment periods.

The farmers of the Zambian village Kundalumwanshya have had serious problems to market their products after the liberalisation of agriculture, they used to sell their products to the state but now they are mainly on their own. There are some new collective efforts, i.e. agricultural clubs and such new cooperatives based on the old ones through which state-subsidised seed and fertilisers are still obtained. Some of the villagers belong to a cooperative located in the capital of the region Serenje, but due to high costs of transport they can't sell their grain in the cooperative's market place and the villagers also claim that the leaders peculate cooperative's money. The private agro-business companies are not interested in such small villages as Kundalumwanshya and thus the farmers have to sell their yield to small private entrepreneurs. These 'briefcase buyers' are not always ready to pay cash as there is plenty of supply and transport costs are high. Usually the buyers change the grain to used clothes that have been donated by the Europeans and North Americans consumers. The CSOs that recycle donated clothes bring them to Zambia to sell them cheap to traders in Lusaka. The CSOs' aim is to support the traders who the villagers in Kundalumwanshya blame of exploiting the rural poor. "We want money but the traders offer us mouldy clothes", says one member of the Kampemba Agroforestry Club.

The issue of natural resources was raised in the Indonesian and Zambian studies, either so that the access to natural resources, especially to land, has been denied or that outsiders have illegally used the natural resources of the communities. In the Maladofok village in Indonesia illegal logging has been a significant problem. The ancestral forests were logged by PT Intimpura Timber, a company working under the protection of the military. Villagers were dissuaded from protesting by the military, which made several visits to the village. The company operated in the traditional forest until 2003, at which point the forests had been depleted of the most valuable trees. However, the company did pay some com-

pensation to the community, including installing two wells and a generator. Some in the community also received new houses but since these weren't built for all, this has also led to tensions in the community. The value of the compensation couldn't be ascertained, but according to the villagers it was much less than the value of the wood that was logged, and rather paltry when one keeps in mind that the rainforest that was logged isn't a renewable resource and the loss also meant the loss of the source of spiritual ancestry for the community.

In the village of Kundalumswanhya in Zambia there is plenty of land but at the same time not enough for all. There are two legal systems recognised by the state in Zambia: state law and 'traditional' customary law administered by the chiefs[123]. Kundalumwanshua is one of the about 200 villages under the power of chief Chibale. The villagers elect among themselves advisers for the chief to act as contact persons between the chief and the villagers. Janne Sivonen explains that in Kundalumwanshya maybe the most important thing within the customary law is the administration of land. According to law the president of Zambia owns all the lands but in practice the land is divided between the customary system and the state, the last ones are mainly located nearby the highways and used by commercial farmers.

The great majority of the Zambian lands (94%) are part of the customary system and in a remote village like Kundalumwanshya there is no state land at all. There is a lot of unused land in the village and many families have more land than they are able to make use of but around two thirds of village land is under village headman's control. In practice, the free land is thus available mainly in remote areas a long way from any road, and these lands can be used with the permission of the Chibale chief. Sometimes the administration of land is disputed because there might be conflict , for example, between neighbours over the definition of he borders of the unused lands. The vague inheritance system also causes conflicts among the villagers. Women's position is weak in the issues related to land use and rights, like in many other issues in Zambia[124]. For example, one of the key informants of the study was warned away from her home after she was widowed. This happened although she was a leading figure in the village with many collective responsibilities and in her family the equality between men and women had in Zambian terms been fairly good.

Also the changes in market access due to new economic policies influence the land issue in Kundalumwanshya. The only option for the farmers who had nowhere else to turn was to return to subsistence farming. This has meant a new increase in slash and burn cultivation and this in turn has meant lack of land. The population of the village has grown and thus there is no longer enough land for all to carry on with this method. The fields used to be left for 10 years to grow trees again, but now the time span is only 3-5 years, which puts the ground in a cycle of depletion. A small-scale farmer Patwell Mwelwa describes the situation:

"There are all the time moving out from the village families who have lost their lands due to excessive flash and burn cultivation. They move to the very remote areas where there is no school, no health care, no road or even a path to go by bike. Usually the school of Kundalumwanshya is so far away that they can't send their children to school any more. In the worst some have to walk even 12 hours to Kundalumawanshya and from here they still have to walk 18 kilometres to Chibale [next village] if they for example want to sell a sack of maize."

Strengthening local economies

There are various possibilities to strengthen the local economies in the communities studied. This will be discussed here on the basis of their current situation, but taking into account other relevant experiences as future prospects for the communities studied. The issues discussed are credit schemes, access to market, civil society organisations and new initiatives, and national and international economic policies and poverty reduction programmes.

Credit schemes

Issue of credit was raised strongly in all communities studied. There is an acute need for reasonable credit options as the conditions of the current ones are exorbitant borrowers. People need credit mainly to purchase agricultural inputs, transport their products to market, take equipment to various farm operations

and buy various tools for different economic activities. Experiences of well-functioning credit schemes were not found in the case communities, but in Michenga village in Kilombero district in Tanzania farmers had initiated efforts to form a Savings and Credit Cooperative Society (SACCOS). In one of the Tanzanian villages an arrangement called 'kupeana' is used, where members pay an agreed amount of money at set intervals to one of the members and thus each member in turn receives the entire sum in order to realise some purchase or cover other necessary costs. When the cycle is completed it starts again. In the Zambian village Kundalumwanshya Green Living Movement (GMT) had once lent money to an agricultural club for an extractor to produce sunflower oil. The club wanted to produce oil for sale but ended up with an internal conflict as one of the families monopolised the extractor. The conflict was later resolved.

There are in different parts of the world good experiences of micro-credit programmes especially directed to low-income people and often to female headed families. The best known micro-finance experiment is the Grameen Bank in Bangladesh. This bank and its founder Muhammad Yunus were awarded the Nobel Peace Prize in 2006 for their efforts to create economic and social development from below. Yunus's story gives hope and inspiration as it shows that if one is open-minded and creative enough, huge results may be achieved with quite simple means. He had been shocked to discover a woman in the village, borrowing less than a dollar from the money-lender on the condition that he would have the exclusive right to buy all she produces at the price he decides. He made a list of the victims of this money-lending "business" in the village and got 42 names who had borrowed a total amount of US $27. He paid this amount from his own pocket to get these victims out of the clutches of those money-lenders. Then he had thought: "If I could make so many people so happy with such a tiny amount of money, why not do more of it?"[125]

Today Grameen Bank gives loans to nearly 7 million poor people, 97 per cent of whom are women. The Bank gives collateral-free loans to poor families and offers a host of attractive savings, pension funds and insurance products for its members. The bank focuses on women because it has found that giving loans to women always brought more benefits to the family. The repayment rate is 99% and the bank has not taken donor money since 1995. The long-term results of the loans have been very good, as women who have borrowed money gave al-

ways top priority to their children and their education. Later, the bank introduced scholarships and it now awards 30,000 scholarships a year. Many of the children went on to higher education and become doctors, engineers, college teachers and other professionals and now some of them have PhDs. The bank's aim is to create a completely new generation that will be well equipped to take their family out of poverty. According to bank's internal survey, 58 % of the borrowers have crossed the poverty line. In Bangladesh 80% of poor families have already been reached by micro-credits, and the bank's aim is to reach100% by 2010.[126] However, although the results of the bank and thousands of other micro-credit schemes have mainly been outstanding, many less encouraging outcomes have also been documented. One of the key problems is indebtedness, where people end up in a vicious circle of borrowing from one scheme to pay back to another.[127]

Access to market

The people interviewed in rural communities mentioned the lack of access to markets as one of the key obstacles to generating enough income. In Kundalumwanshya, many farmers have usually enough grain but face serious problems selling it. On the other hand, the poorest farmers are not even able to produce enough for their own needs and so the issue of markets doesn't affect them. A member of the Chimbwi Agroforestry Club explained: "Before liberalisation there were tables for selling along the village road and the state came to buy our grain. Now nobody is buying our grain". GLM tried to find a solution to the villagers' market problem and thought that one option could be that GLM would buy a car as part of its cooperation with KEPA to transport farmers' grain to market. However, Sivonen writes that this wouldn't be a very sustainable solution to farmers' market problem that only means of transport is a car which is owned by a Lusaka based CSO working on foreign funds. Later, GLM motivated the villagers to establish a market place and sell their products collectively in order to have improved bargaining capacity and to attract outside buyers to the village with a greater volume of merchandise. Leena Antila writes in her research that the market centre has been constructed but not yet finished due to financial problems.

The people of Kundalumwanshya village expect that the state would help them in getting access to markets by improving the condition of the roads and

bringing markets near to the farmers. However, they also think that maybe the CSOs could do the same. Sivonen stresses that because people have lost their confidence in the state they turn to CSOs and want them to take over the state's role. However, the CSOs themselves are also 'to blame' as they often take on the role of service delivery. The state doesn't currently facilitate in Kundalumwanshya farmers' access to the market. The Food Reserve Agency (FRA) maintains national strategic grain storages and buys grain from the small-scale farmers at better prices than the private sector, but it doesn't buy grain from Kundalumwanshya due to long distance and bad condition of the roads.

The Zambian study concludes that it might appear easy to resolve farmers' problems in Kundalumwanshya, as they only need transport to be able to sell their products at the nearest city and thus get a better price for them. However, a sustainable solution requires structural changes and social development in many sectors: infrastructure, education, healthcare and so forth. Another issue is market demand. In the Tanzanian communities studied people also argued that their problems would be solved if they only had enough means for production and access to markets, but nobody thought about the possible saturation of the market in the nearest city if the supply were to suddenly peak.

Civil society organisations and new initiatives

There are many ways how civil society organisations (CSOs) could support the strengthening of local economies in the communities studied. There are already some promising experiences, especially in the Zambian village of Kundalumwanshya, and new initiatives could serve any of these communities if carried out in mutual understanding with the local people and between the local and foreign CSOs.[128] Their attitude towards CSOs was largely positive, for example the interviewed in Kundalumwanshya largely respect the CSOs working in the village and hope that the cooperation with them will continue. However, doubts and dissatisfactions were also articulated. Some people were sceptical and said that the CSOs don't represent the grass roots' level.

The Lusaka based Green Living Movement (GLM), has worked in Kundalumwanshya and two other villages in the area since 2000. GLM is committed to long-term work to initiate new, ecologically sound agricultural methods

among the villagers and to support them to diversificate production into higher value and better performance crops such as beans and sweet potatoes. GLM argues that ecological agricultural methods would ensure for the villagers the best and the most sustainable livelihood. One of the most important new methods it has brought in is agroforestry. In this method trees that absorb nitrogen replace the flash and burn method and the use of chemical fertilisers, which both cause barrenness and so weaken the capacity of agricultural production[129]. The villagers don't have money to buy lime, which should be used together with chemical fertilisers in order to prevent the acidification of the soil. However, the farmers have so far shifted slowly to agroforestry as the method is new and requires several years of preparation. The poorest are thus mainly maintaining their former practices and they also have sometimes possibility to get fertilisers from the poverty reduction programmes. Those who have tried out agroforestry argued that among the methods known in the village it offers the best cost-benefit ratio.

In the case of GLM, the villagers have largely overcome their doubts as they have become convinced of the organisation's commitment to improve living conditions in the village. To them this is shown especially the fact that very few Lusaka based organisations without their own vehicle in use would regularly visit a village that is about 80 kilometres away from the nearest public transport. Besides agricultural methods GLM has brought other issues to the village such as management and marketing skills, crop storing, bookkeeping, and conflict management. GLM has also facilitated the first step in women's empowerment. However, a small kiosk in which GLM sells sweets and basic items such as salt, soap and detergents has caused some suspicions among the villagers. GLM is able sell the items at a lower price than the other kiosks in the village as GLM buys the products in Lusaka where prices are lower than in the nearby town where other kiosk owners get their merchandise. Some villagers find the situation problematic but GLM itself argues that they must sell products with a lower price in order to give an option also for the poorest families to buy these items. Some villagers are also wondering what GLM is doing with its profits, and whether is it used for social work in Kundalumwanshya and/or other villagers or are the volunteers of the GLM keeping it for themselves.

The agricultural clubs are key actors in Kundalumwanshya in the context of innovations, as their main objective is to learn and experience new agricul-

tural methods and each club has its own field for experiments. Members also get some minor material benefit because the clubs sell and exchange their products and purchase tools for common use. Part of the harvest is used to produce beer and the rest is stored as seeds or consumed by the members. The motivation to form an agricultural club is partly based on the opportunity to get outside support, because the CSOs usually work with an organised group and not directly with an individual or a family. Some of those interviewed argue that many, but not all, of the clubs would disintegrate with the end of outside support. In the village there are also various collective economic efforts based on family, relatives, religious networks, clans, and customary system coordinated by the chief. They all have a significant role in the villagers' lives. There is also a state-coordinated network of agricultural advisers but the network has so few resources that it's importance is non-existent. The villagers said that the adviser mainly tries to get resources for his own village and rarely visits Kundalumwanshya.

In Kundalumwanshya there are good experiences with the Finnish volunteers who have worked in the village with GLM through the ETVO programme.[130] The villagers have been glad to cooperate with the volunteers, although their expectations are sometimes more than the programme could offer, as the volunteers are mainly young people who stay in the village for only a couple of months. However, some concrete results have been achieved, such as the establishment of a new pre-school. GLM estimates that the most valuable outcome of the volunteers is that just by being there they motivate villagers to work more on behalf of their own well-being.

One problem in the work of the CSOs is the lack of coherence. For example, GLM says that in Kundalumwanshya the villagers should stop using the chemical fertilisers, and yet the Programme Against Malnutrition (PAM) distributes them free. The Zambian study raises the serious problem of the concentration of activities, which is when one organisation finds a new village to work in other organisations follow as the villagers have learned how to act with the CSOs. There are many CSOs working in Kundalumwanshya while in some of the surrounding villages there are none. The CSOs may thus create isles of development while the surrounding areas remain without support. This has happened in the communities studied in Tanzania, as in them there were recognised only some organisations offering badly functioning credit schemes and some techni-

cal support. This is interesting as there are plenty of foreign CSOs active in the Morogoro region.

The people in the communities studied widely raised the need for training and capacity building, especially in agriculture. It was also mentioned that entrepreneurial skills are important for success and therefore should be part of developmental packages just as adult education programmes that target the skills people need. However, the opportunities for capacity building seem to be few in these communities, and those interviewed were not aware of them. The CSOs could have an active role in disseminating different experiences and best practices. For example GLM has already successfully organised 'learning visits' from Kundalumwanshya to other villages and vice versa. The exchange of experiences could also take place between countries, and the South-South dialogue is especially important and in this effort Northern CSOs can have a supportive role.

There are many well-tried options to strengthen the local economies that so far haven't been made known or utilised in these communities. An encouraging example relates to information and communication technology. Grameen Bank saw how this technology could serve the poor people to change their lives. The bank created a mobile phone company, Grameen Phone. Loans were given to the poor women to buy mobile phones to sell phone services in the villages. This business was a success. Telephone ladies quickly learned the ropes of the telephone business and it has become in Bangladesh the quickest way to get out of poverty and to earn social respectability. There are now nearly 300,000 telephone ladies providing telephone service in all the villages of the country. Grameen Phone is a joint-venture company owned by Telenor of Norway and Grameen Telecom of Bangladesh. It is the largest mobile phone company in the country by 10 million subscribers. The vision ultimately is to convert this company into a social business by giving majority ownership to the poor women of Grameen Bank.[131]

Another encouraging example is from western Mexico where the organisation CAMPO (El Centro de Apoyo al Movimiento Popular de Occidente) runs a "Gender and Economy" programme. This supports female farmers' cooperatives to use ecologically sustainable agricultural methods, especially production and the use of organic fertiliser (fertifoliar) and balanced organic food for animals

and ecological ways to prepare soil. The farmers are enthusiastic about the programme: they are now capable to make positive changes in their agricultural practices, earn money, take better care of their land and offer healthier food for their families. Nowadays their husbands are increasingly convinced that organically produced products are healthier and the organic fertiliser is reasonable.[132]

It is also important to mention locally generated energy as another option for strengthening local economies and promoting sustainable livelihood. Besides being ecological, it supports self-sufficiency and thus reduces communities' vulnerability to outside influences. For example, in the case of the fuel price hike in Indonesia the communities studied would haven been able diminish the influence of the price hike on their economic activities. Solar energy, for example, is considered superior to kerosene lamps because electric lights enable families to extend their days after sunset, and reducing the need to store and burn kerosene improves air quality and safety. Bioenergy is another option. Biomass can be used directly as fuel or to produce liquid biofuel that typically is burned to release its stored chemical energy. Biogas can easily be produced from current waste streams, such as: paper and sugar production, sewage, animal waste and so forth. These various waste streams have to be slurried together and allowed to naturally ferment, producing methane gas. This can be done by converting current sewage plants into biogas plants. When a biogas plant has extracted all the methane it can, the remains are sometimes better suited as fertiliser than the original biomass.[133]

The people in Kundalumwanshya are strongly bound to agriculture, although it doesn't always fully secure their livelihood. They carry out supplementary economic activities only when necessary, and their identity is that of farmers. Janne Sivonen says in his report that it's difficult to know whether the villagers would be more interested in diversifying their income sources beyond agriculture if they had some positive experiences of such activities. Currently, the villagers want state-subsidised agriculture instead of trying themselves actively improve their living conditions as they consider Kuanda's era as a mythical time of well-being.

Collectiveness, or the lack of it is also an issue. When the people were asked about their possibilities to improve their living conditions the respondents underlined for example in the village of Kundalumwanshya the importance of

cooperation. Many of them complained that jealousy and village politicisation are serious obstacles to cooperation and development. Especially the members of the agricultural clubs highlighted the benefits of common mobilisation. A female farmer explained: "A Finnish volunteer who lived in our village said once in a meeting that if we could get out of our jealousy and gossiping there would be lot of less poverty in the village. I think that she was right."

National and international policies and programmes

The roots of impoverishment in the communities studied are linked to various national and international policies. The case studies show that these policies have mainly either weakened living conditions in the communities or the supposed positive impacts of the programmes have never reached them (see chapter 4). However, national and international environments could and should be supportive for strengthening local economies and promoting sustainable livelihood. Therefore, they also need to be addressed when strengthening local economies. There are especially two international 'trends' that currently greatly influence national policies in each case country. They are neo-liberal economic policy which has been applied in the case countries since 1980's and 1990's, and poverty reduction programmes.

Neo-liberal economic policy is realised through such things as the trade agreements of the World Trade Organisation (WTO), the Economic Partnership Agreements (EPAs) between the EU and 77 countries in Africa, Caribbean and Pacific (ACP) and in many regional and bilateral trade agreements. Furthermore, it is also present in the poverty reduction schemes.

The trade-related issues have in last ten or fifteen years become an important part of the agenda of civil society in all over the world and different kinds of actors are working together as, for example, small-scale farmers' movements, environmental organisations, trade unions and advocacy oriented professional NGOs, from both South and North. These actors emphasise the connection between the trade policies and overall social development, i.e. that trade should serve people and not the other way around.[135] The civil society policies are constructed in various local, national and international spaces as trade related regional and global networks and the World Social Forum (WSF) process.

Some key issues and demands of civil society actors on the trade related issues include clarifying the meaning and scope of the influences of trade policies and agreements; increasing transparency and democracy in trade related decision-making; extending the policy space of developing countries in negotiating the trade agreements; creating coherence of trade policies with other national and international policies especially those of development cooperation; rationalising and making the worldwide trade on agriculture more just. This last includes the demand of taking WTO out of food and agriculture. Another important demand to the trade agreements, especially in relation to the WTO-agreement GATS (General Agreement on Trade in Services), is to keep the most important social services as education, health and water outside of trade negotiations.

At present the EPAs especially are actively on the international agenda as they are meant to enter into force on 1 January 2008. Though the EU promotes the EPAs as pro-development, many are sceptical about whether this is so. In particular, the economic effects on farmers are a dominant concern, as agriculture constitutes 70% of jobs in Africa, Caribbean and Pacific. How can small-scale farmers be able to withstand competition from the EU imports? KEPA's development policy officer Kenny Manara writes:

"Trade between the EU and ACP countries can lift people out of poverty, but only if it is governed by fair rules, which support farming and industry in developing countries. However, the proposed EPAs do not take into consideration ACP development agendas. ACP countries must be allowed to develop trade with cooperation with neighbouring countries before opening up their markets to rich countries. It is therefore a matter of urgency for negotiating groupings to delay negotiations so that EPAs can become an engine of development rather than impoverishment of already overburdened poor of ACP countries."[134]

The EPAs were widely discussed at the global WSF meeting in Nairobi in January 2007. The dominant theme during the EPAs discussions was food sovereignty and the theme was viewed as an alternative approach to unfair trade deals. This is the right of peoples to determine their own food and agricultural policies – ensuring access to adequate, healthy, locally produced food that offers rural people a living wage and preserves the environment. Most of the speakers challenged EU

agricultural policies that undermine the livelihoods of vulnerable rural farmers. One protester at a march held on the issue at the WSF captured the general sentiment of the marchers, saying, "If EPAs will give employment for our children, and better livelihoods, then give them to us. Otherwise you can keep them."[136]

Majority of the poverty reduction programmes form part of the PRSPs which were initiated by the World Bank and the International Monetary Fund (IMF) as a response to criticism of their lending policies. These strategies describe a country's macroeconomic, structural and social policies and programmes to promote growth and reduce poverty, as well as associated external financing needs. They are supposed to be prepared by governments through a participatory process involving civil society and development partners, including the World Bank and the IMF. Each PRSP is formulated for several years at time and around 70 countries, including the case countries, have already either initiated their first PRSP or are implementing or planning the second one.

There is a wide discourse on the nature and relevance of the PRSPs. The critiques say, among other things, that the supposed participatory method has only been apparent; the strategies are mainly a marketing gimmick for foreign investments; the poverty reduction element has not been taken seriously; and the top-down approach is implemented.[137] Also, the money has been used in questionable ways as building the new headquarters of Zambian Statistics Centre in Lusaka.[138]

In addition, gender sensitivity is substandard. The poor development of gendered poverty analysis of macroeconomic issues is common among all the key actors in the PRSPs. These analyses should include attention to reproduction; a focus on women's livelihoods, incomes and employment; and an analysis of gender implications of budget priorities and public spending. Expertise in macroeconomics and in gendered national budgets, together with a specific focus on the micro issues that effect women's material well being, are needed in order to make PRSPs gender sensitive.[139]

As explained earlier, the poverty reduction programmes have not reached the communities studied, apparently due to the uneven implementation of the strategies. According to the people interviewed in the Tanzanian case study, this poor implementation is partly caused by incompetent local authorities. This supports the notion that the objective formulated for the Tanzanian Mkukuta (coun-

try's second PRSPS for the year 2005-2009) cannot be achieved without attacking corruption with completely new energy.[140]

The CSOs are the ones to raise issues such as corruption. The inclusion of the CSO has been restricted but the PRSPs have offered them an opportunity to improve their advocacy skills. The Zambian case study showed a positive outcome of the first PRSP to be that it helped CSOs to build and strengthen their own capacity to have a dialogue with the government on the issues of poverty[141]. Hence, there are in Zambia positive results of community participation, as the resources of the PRSP projects have been better utilised if the beneficiary population is involved in their management.[142] The Tanzanian study showed a positive outcome to be that the Tanzanian government abolished the users' fees and mandatory contributions in primary education under the framework provided by the first PRSP. However, the government keeps rejecting the appeal by the CSOs to do the same with primary healthcare.

The issue of formalisation

The formalisation of informal property rights, economic activities and personal identity are widely seen as a means to reduce poverty and integrate marginalised people into society. *The Impoverished* considers formalisation as a useful for fighting impoverishment but notes that it can be a mechanism of impoverishment if it's implemented against the interests of the communities for example by 'forcing' them into capitalism by privatising community lands. The issue of formalisation is reflected here especially in relation to registration of economic activities and formalisation of property rights as they are maybe the most controversial issues in the formalisation approach. However, it's important to underline that people's registration and improvement of workers' rights are equally crucial for fighting impoverishment. Millions of people are invisible because they do not have birth certificates or other personal identification documents. This prevents them from enrolling to school, accessing public health care or voting in the elections. The number of informal workers has lately been increasing in the

world and their rights and working conditions are usually very poor, whether they work in the informal or formal sector of economy.

Ideas on the informal and its formalisation

The informal and formal sectors of economy are interlinked in many ways because people and enterprises often act in both spheres. The informal sector uses, for example, in its production inputs of the formal sector as water or electricity or sells products that have been produced by large-scale industry or imported from abroad. The formal sector uses inputs produced by the informal sector, such as labour, or buys products produced in the informal sector. There are many views on the relationship between these sectors, including how complementary or exploitative it is or to which extent these sectors are within each other. The informal sector was seen as a problem by the traditional development discourse based on modernity; it was seen primitive, non-modern and a leftover from the previous era. The view of dependence thinking was quite different as the informal sector was seen as functional part of capitalism and thus the problem was the system itself, the global economic system was seen to benefit from the unprofitability of the informal sector as it restrained the capitalism to grow in the global South.[143]

However, since the 1980's a different kind of thinking has dominated the discourses on the informal economy. In this new approach the informal sector is rather seen part of the solution than a problem. The 'modernity' of the formal sector in the global South is questioned as it doesn't disperse economic efficiency and the complicated state bureaucracy stimulates the informal sector as, for example, it makes it almost impossible to register a firm. The Peruvian economist Hernando de Soto is a founding father of this approach. His two books on the issue have been international best sellers and especially after "The Mystery of Capital" published in 2000 titling and formalisation have re-emerged as a key policy issues.[144] Titling was largely discredited during the 1980's and 1990's due to previously failed privatisation programmes.

The idea of this new approach is that the informal property rights and economic activities should be formalised as the life in the informal sector is difficult and expensive, salaries and working conditions are poor and, for example, an informal house ultimately costs even three times more than a formal one as

an informal one is constructed piece by piece. De Soto speaks about good or new formality and argues that in a good formality everybody wins, the police for example get better records and the bankers will be able to give credit directly to the people instead of through 'loan sharks'. De Soto is positive that also the elite will understand the importance of formalisation as they have already lost a lot of property for new squatters of invaders. The elite should thus make an arrangement with the poor and respect what they already have.[145]

De Soto is currently the president of the Lima-based think tank Institute for Liberty and Democracy (ILD). He has convinced many high level politicians and decision makers and has been asked to carry out formalisation programmes in tens of countries. He also co-chairs with former US Secretary of State Madeleine Albright the Commission on Legal Empowerment of the Poor which was launched in 2005 by a group of developing and industrialised countries.[146] The commission has a mandate to complete its work in 2008 and is hosted by the United Nations Development Programme (UNDP).[147]

However, civil society organisations and academics are more sceptical of de Soto's approach than politicians and development cooperation practitioners. He has been widely criticised by CSOs for example for prioritising property rights. The CSOs were worried when the Commission of Legal Empowerment was launched that it may apply de Soto's theories in a very simple manner as the commission is expected to produce among other things practical guidelines and tools for the national decision-makers. The CSO representatives also underlined that it's crucial that the commission will be hearing the marginalised themselves, especially women and Indigenous groups.[148] Many critiques have been presented especially in the context of land ownership, i.e. that de Soto's argument for formalisation exaggerates the benefits of formal title and ignores the values of informal, customary land tenure. What is also problematic is the underlying presumption that the transition to formal, individual private ownership is inevitable in all societies. Instead, say the critical voices, land ownership should be understood in many ways, for example as right to use land. Furthermore, for example studies in Africa have shown that the formal ownership gives rarely access to credit facilities as banks avoid lending to small-scale rural landowners.[149]

The most fundamental dilemma in the issue of formalisation is whether the entire informal sector should be formalised or not. Hernando de Soto explains

that the implementation of formalisation is a complicated and long process as practically two different kinds of societies will be connected.[150] However, for example Aili Mari Tripp argues, interestingly, that these societies are so different that it's not possible to unite them completely and thus the existence of informal economy should be accepted and efforts should be made to support it and ensure social space for its functioning. Currently the finance and planning ministries for example in Tanzania have virtually ignored questions of how to create a conducive business environment for this large sector, because they focus their energies on policies directed at the miniscule private sector. Government involvement with the informal sector frequently ends up being repressive. City officials' harassment of informal sector operators continues unabated in many cities.[151]

De Soto and Tripp both think that the informal economy is in fact largely organised and that it has its own forms. De Soto stresses that in order to build up a good formality it's indispensable to understand first the current formalities of the informal. He says: "We work it with them until you are able to create formality that is more efficient than the informality that exists, and that allows people to connect with the rest of the population."[152] However, Tripp highlights the valuable organising principles of the informal economy that most probably would disappear within any kind of formal sector. For example, many in the informal sector seek to lessen market competition by sharing product and marketing ideas with others and thus making profit a secondary consideration and giving preference to the well-being of family members or neighbours. Tripp writes: "To comprehend the vitality of the informal economy is to comprehend the norms of reciprocity, mutuality and fairness that drive it"[153]. There is also flexibility in the informal economy that isn't evident in more formal economic institutions. Tripp has asked a member of a savings club in Tanzania why her group was unregistered when they might be able to apply for credit if they registered and she had reply that these organisations will collapse if they were formalised as that would require lot of paper work and other bureaucratic duties and nobody would have time for them. A 62 year-old woman from Cameroon had explained that if there is an emergency over the weekend, no bank would be open to help you. Sometimes you just can't wait for your money. From her savings group one can get credit immediately, without paper work of waiting. "They are your sisters, and they understand when you need help"[154].

Formalisation in case communities and countries

Although informality is common in the communities studied, the people interviewed didn't mention it on their own initiative as a reason for their problems to cover basic needs or formalisation of their property or economic activities as a solution. However, when people were asked if formalisation would ease to carry out their economic activities it came up in the Tanzanian study that about half of respondents thought that registering businesses would be important for their economic position, that it would minimise eviction by government officials, make access to loans and support, easy to get business partners and access export market. The other half didn't think formalisation would have significant positive impact on their economic activities and livelihood. They asserted that the nature of their business was not worth registering because they were small and seasonal and they also argued that formalising economic activities would expose business to tax and thus reduce income. In addition they felt that the process of formalising business, for example, through registration will definitely be too bureaucratic and corruptive and thus wastage of time and money.

There wasn't any scheme of formalisation going on in the Tanzanian communities studied although a Property and Business Formalisation Programme (PBFP) had been initiated in the country in 2004 with financial help from Norway and professional services from the Institute for Liberty and Democracy (ILD). Hernando de Soto and his team had noted in their report that 89% of the country's land property doesn't belong to the legal system and thus they proposed that property formalisation should be improved in a way that the poor could benefit of their pieces of land. This suggestion has attracted much criticism, because in the real world using land as merchandise is often impossible, and people's desire to permanent living place is often considered more important. Without proper land markets there will not be increase in loan supply as banks and other lenders are not interested in to own land for nothing. Although there would be market it doesn't mean that loan supply would rise as for example low prices may not interest the banks to take risk. There are also certain structural obstacles for bank loans, especially in case of small-scale farmers, as they can't afford loans due to high interest rates.

Critics note that the state should interfere in the rural finance markets but the trend in practice is the opposite. KEPA's development policy officer Kenny Manara writes that the privatisation of the national bank, which offers small credits, reflects the country's illusions of the formalisation of ownership. He adds that the formalisation of land property may in fact increase opportunism, conflicts and inconveniences for the poor as the majority of the small-scale farmers are illiterate and thus in danger to lose their traditional lands to the local elite. Manara argues that the formalisation of the land tenure is not only solution for reducing rural poverty as to improve the productivity of agriculture also technology, capacity building, just access to market, infrastructure and many other means of support are needed.[155] This applies also in the Zambian village Kundalumwanshya where small-scale farming is the main income and land tenure system is based on customary land. Zambia covers a total landmass of 74 million hectares, of which state land comprises 4.5 million hectares (6%) and customary land the rest (94%)[156]. The villagers are mainly living on subsistence farming, and formalisation would hardly make any difference in their lives.

The authors of the Indonesian study reckon that formalisation could be a partial solution, especially in the case of Kampung Kolong Tol. This community is considered an illegal settlement by the government as it's situated mostly under the toll way which is a prohibited area for residence. Having a legal place to stay is a precondition for getting an identity card the residents don't have a legal status unless they have got valid ID cards for Jakarta by using their previous, legal address. Having an official residence permit would allow the community members to at least have theoretical access to the basic services provided by the municipality. However, it would hardly change their living conditions. Many neighbourhoods in Greater Jakarta may have legal rights to stay on the land but remain anyhow in the same precarious economic situation. They have the right to sell their land or to use it as collateral for loans – but if they sell their land or default on the loans, where would they move to from the urban neighbourhood that is their social, economic and cultural home? The authors of the study write: "Ideally, of course, the urban poor would use the loans to set up thriving businesses and move up the social ladder, eventually settling in the gated compounds of the nouveau riche. Some might succeed in this but it is unlikely that it will be the majority."

Formalisation wouldn't influence the situation in Maladofok, the other Indonesia community as the inhabitants have the necessary papers and the land is officially recognised as belonging to the Moi tribe. In this case the issue is the implementation of the regulations. Intimpura Timber is logging the forest with the support of the local police force. Like other local Papuan population the villagers of Maladofok has an'organic' link with the land, as it is the source of ancestral identity, making selling it much less of an option.

Role of civil society in formalisation effort

Kent Wilska writes that the inclusion of the informal economy in formal society wouldn't succeed without the pulling power of the state, and because the governments of developing countries haven't started to do this, pressure has to be exerted via civil society organisations. This argument seems to be sound on the basis of the case studies. However, it's crucial to be aware of what kind of formalisation is worth promoting: any intervention should be based on proper information, as there is a risk of making false assumptions. For example, a predominant view, that has come up in interviews with donors is that many informal economy workers would prefer to return to formal waged employment as soon as possible. There is evidence, though, that this is not necessarily the case. For example, in a recent survey in South Africa the majority of informal sector respondents indicated that they would prefer to remain in business rather than take a job if one were available.[158]

Therefore, in order to achieve sustainable solutions the CSOs should examine the empirical evidence from recent studies on the effects of any formalisation in order to understand better the consequences. They may need to acknowledge that in some areas access to titling or some form of formalisation might be needed to be simplified to make it more suitable for the poor too, to prevent them becoming victims of expropriation. However, there certainly is a place for CSO interventions that help people in the informal economy to take gradual steps in the formalisation process, for instance by creating associations with a formal status to facilitate access to such services as micro-credit, insurance, land tenure and physical market places.

A range of CSOs are working on informing people on their right to birth certificates and helping them with the procedures. They make visible those who do not currently have birth certificates or other personal identification documents. The trade unions are the main actors of civil society in relation to informal workers' rights. However, the trade unions and other civil society actors have lately started to work more and more together in order to defend together those millions of people work in overweening working conditions far away from the sphere of traditional unionisation, from such decent employment that ensures the basic needs of one's livelihood and thus from decent job as defined by the International Labour Organisation (ILO).[159]

Concluding remarks

It is difficult to dismantle the structures and practices of impoverishment in the communities studied. Changes are needed, ranging from people's own activity and local authorities' behaviour to the national implementation of poverty reduction programmes and international policies. To achieve such changes that for real and for good will enable sustainable livelihood in these communities there are at least four essential issues to be digested: the need for democracy, the proper cooperation between the state, civil society organisations and citizenry; the appreciation of diversity and local initiatives; and the acknowledgement of importance of women.

The lack of democracy is immense in the communities. People were disenchanted with local authorities and state institutions, the authorities are neither competent nor interested in developing the communities they should serve. Hence, the deficit of democracy is embodied in various other issues. People in all the case communities are struggling or longing for their rights as citizens, and their possibilities are almost non-existent to influence even such public decision-making that directly affect their lives.

The case studies confirm the view that it is often necessary to clarify the roles of the state, civil society organisations (CSOs) and citizens in order to find a constructive balance between these actors. During the last two or three decades

the constantly strengthened role of CSOs in the development field have made the border between the state and the CSOs responsibilities vague. Although the watch dog role of the CSOs has recently increased, it is still taking on the state's duties, especially in service delivery and people's expectations have accordingly changed. Another issue here is people's own activity in the search of solutions. For example, the aid business or certain national policies sometimes create unhealthy dependencies and people may expect that the answers will always come from the outside of their communities although they could themselves make a collective effort to improve their living conditions.

Many of the communities studied have experienced the negative outcomes of national policies that are based on top-down and 'one-model-fits-for all' approaches. For example, the governments have expanded cultivation of rice and maize for areas where growing endemic species would have been ecologically and productivity-wise a better solution. There are many possibilities for communities to shift to organic agricultural methods and sources of energy that are ecological, and that would increase their self-sufficiency and so lessen vulnerability against outside influences. In order to create an encouraging environment for local solutions and initiatives, changes are required in national and international poverty reduction programmes and economic policies.

Women are crucial in promoting sustainable livelihood. On the one hand, they are the ones who mostly experience the negative outcomes of unsuccessful development policies, while on the other they are the ones who have the capacity and persistence to search for such solutions that serve the entire community. This is acknowledged by KEPA and its impoverishment analysis will in the near future focus especially on the livelihood of rural women.

Notes

1. *It used to be said that to be born in Finland was a lottery win. People possible have a reasonable future before them if of all the countries in the world they are born in Finland. This is because of the fairly extensive possibilities for equality among residents. Although parental wealth and position make significant differences, Finns have fairly good opportunities to build their lives equitably. Central to this is public healthcare, education and social protection. Finns are included in society from birth.*
2. *Rist 2002.*
3. *Impoverishment, the act of making someone poor.*
4. *Rist 2002.*
5. *Rist 2002.*
6. *Rist 2002.*
7. *Rist 2002.*
8. *Rist at the same time sarcastically questions whether earlier development was 'inhumane'. What use has development been if it hasn't taken account of people; has it taken long to come up with this? The first Human Development Report was published in 1990. (Rist 2002)*
9. *'Enlarging people's choices' is the term used in the report.*
10. *Rist 2002.*
11. *Sen 2001.*
12. *In stressing the importance of the market economy Milton and Rose Friedman also emphasise that people's opportunities should not be limited by gender, birth, nationality, race, faith or secondary characteristic. The only limit should be ability. They are heavily critical in relation to the results of equality – that everyone should end up with the same result regardless of how much work they do or attempt. The starting points of their work "Free to Choose" are close to the 'development as freedom' thinking, as the Friedmans do not believe in the limitation of such freedom in any circumstances (Friedman - Friedman 1982). If biologically inherited qualities should not be allowed to limit people's opportunities, why should inherited wealth or the lack of it? Impoverishment is seen as a characteristic that extends over generations.*
13. *Sen 2001.*
14. *Helleiner 2000. Milton and Rose Friedman (1982) consider the idea that free market capitalism increases inequality to be a myth. They think that the gulf between rich and poor is no wider than in those societies where the free market can't function.*
15. *Rostow 1961, the age of high mass-consumption.*

16. *Amartya Sen thinks that the threat to indigenous communities is inevitable as economic and technological power is extremely difficult to resist. "The threat to native cultures in the globalizing world of today is, to a considerable extent, inescapable", Sen 2001, 240.*
17. *Soto 2000.*
18. *Maddison 2001.*
19. *Braudel 1984, Pipitone 1995.*
20. *Braudel 1984, Soto 2000, Pipitone 1995.*
21. *Soto 2000, Pipitone 1995.*
22. *See for example Marx 1867.*
23. *Sen 2001, 7, 143.*
24. *UNHSP 2003, 98.*
25. *ILO 2002.*
26. *ILO 2002. Roubaud (1995) lists nearly 30 terms used in the discourse on the 'informal' economy, such as: unregistered economy, secret economy, alternative economy, parallel economy, grey economy, black economy, marginal economy, peripheral economy, illegal economy, independent economy, indiscernible economy, hidden economy, underground economy, secondary economy, dual economy, unregulated economy, shadow economy, and so on. The inconsistent use of these terms in the media and research affects the climate of systematic analysis.*
27. *ILO 2002, Tripp 2001.*
28. *ILO 2002, see also UNHSP 2003.*
29. *ILO 2002, CMT 2002.*
30. *See also Soto 1990.*
31. *ILO 2002.*
32. *For example, in Tunisia informal commerce accounts for about 88% of employment in total commerce, but the proportion of women in commerce is only 8%. In Benin women make up 92% of informal sector commerce. (ILO 2002, 53)*
33. *UNHSP 2003, 12.*
34. *Banks in Mexico did not consider small savers as important clients. From 1980-1994 banks lost over 15 million small clients' accounts, the growth of which had take over 50 years. Only fewer than 6% of the population had savings accounts in formally regulated financial institutions. (IRELA 1996)*
35. *IRELA 1996. A low level of national savings may be a significant barrier to a country's economic development. In the absence of domestic savings economic growth has to be funded for foreign capital, which can expose a country to the fluctuations of the international market economy with tragic consequences. Latin America offers many examples of this over the last 20 years. The high levels of savings in East and South-East Asian countries is seen as an important background factor in their high economic growth in the 1970s and 1990s. (Wilska 2002; IRELA 1996).*
36. *See for example Tripp 2001.*
37. *Kuronen 2003.*
38. *Roubaud 1995. The distinction is partly artificial. For instance, drugs can be considered the same as any other product. It's just that in many countries the state has decided to*

restrict their production, trading and consumption. In the same way we can consider an individual who starts to deal in drugs as survival and making a living for the family. In defining illegal informal activity it's maybe worth giving attention to the extent and organisation of the activity. Tripp (2001) considers illegal activity in the informal sector to be that which does not correspond to an equivalent licenced one in the formal economic sphere. A market stall may apply for an appropriate permit, whereby informal work becomes formal. This is not possible when the issue concerns drug dealing or blackmail.

39. *UNHSP 2003.*
40. *Tripp 2001.*
41. *Tripp 2001. See also Soto 2000, 1990. Tripp (2001) also mentions the example of African countries where very little attention is given to basic education in the teaching and learning of skills that would be of use to pupils for future informal work, which most of them will be involved in.*
42. *Tripp 2001.*
43. *CMT 2002.*
44. *CMT 2002.*
45. *ILO 2002.*
46. *Soto 2000. In fanciful national and global communities the poor are often reckoned to be lazy unemployed, dirty beggars, vagrants, disease carriers or a dirty population that destroys nature (Tammilehto 2003)*
47. *ILO 2002. The definition of the informal economy also covers self-sufficient agricultural production. In many countries informal agricultural labour constitutes an extremely large portion of the overall labour force. For instance, in India almost all agricultural work is informal, in Mexico 94% of it is and in South Africa 58% of it is.*
48. *Todaro 1988.*
49. *CMT 2002.*
50. *The Theory of Economic Growth, published in 1955 is a classic work on development economics. Sir Arthur Lewis received the Nobel prize in 1979.*
51. *Lewis 1958.*
52. *Lewis 1958*
53. *Tripp 2001.*
54. *Tripp 2001*
55. *According to Soto, Marx clearly saw that economic life could be created in parallel to physical wealth. Soto considers that Marx did not, however, see that the mechanisms of the system of wealth can in themselves provide wealth, and the form of the labour invested in it that would demand the creation of capital. Marx understood better than anyone at the time that economic resources have to be seen more widely than their physical properties. Money and commodities are just forms that capital takes and every so often abandons. Formal ownership is much more than the right of ownership. Formal wealth has to be seen as a necessary process that gives people the cognitive tools to focus their resources on those aspects from which they can extract capital. (Soto 2000, Marx 1867)*
56. *Bardhan 2001, Soto 2000. See Chang (2002) on the history of limited liability corporations and other 'good' institutions.*

57. *Soto 2000.*
58. *Soto 2000.*
59. *Soto 2000.*
60. *Soto 2000, 1990. The 2003 annual report of the UN Human Settlements Programme notes that the notions according to which legislative organisations would have thoroughly reformed the economic potential of the informal sector by making them free are neoliberal. In the same report the organisation views the problem as a failure of institutions and legislation (UNHSP 2003). Whatever the case, people in the informal sector have the right to take part in the modern life of society. According to neoliberal thinking it may be that the formalising of ownership rights would eradicate problems related to poverty and that other economic or social policies wouldn't be needed.*
61. *Soto explains, "I am not a diehard capitalist. I do not view capitalism as a credo. Much more important to me are freedom, compassion for the poor, respect for the social contract and equal opportunity. But for the moment, to achieve those goals, capitalism is the only game in town. It is the only system we know that provides us with the tools required to create massive surplus value" (Soto 2000, 208-209)*
62. *Tammilehto (2003) strongly criticises prevailing non-ecological cultural chauvinism, where local self-sufficient enterprises are forced to become extinct and integrate with the consumer society.*
63. *Sen 2001, 31-32.*
64. *Shiva 2003.*
65. *Shiva 2003.*
66. *Shiva 2003.*
67. *Kuyek 2004.*
68. *Soto 2000.*
69. *There are differences with community land ownership. Many people are entitled to use the same area of land, for instance for grazing or hewing wood. Or many people may work in the same together in the same area and pool production. There are also systems where each person has the independent right to use the land but their right to transfer the entitlement is limited. The fragmentation of land areas into individual units due to inheritance hampers production for many reasons (Lewis 1958).*
70. *Tammilehto 2003, 88.*
71. *See Tammilehto (2003) global imaginary communities and local real communities.*
72. *UN human development index measure (UNDP 2003).*
73. *UNECA 2003.*
74. *FAO 2003, UNECA 2003.*
75. *In assessing the overall effectiveness of different economic systems it should be remembered that, for instance, GDP is a calculatory gross unit. Wealth is, however, always actually distributed among some people. In other words, GDP growth is no great joy unless it is channelled to increasing the welfare of the majority of people.*
76. *The concept of labour value is the central dividing line between Marxist and neoclassical economics.*

77. *According to Tammilehto (2003, 9) the term globalisation "covers the shrinking of cultural differences by the worldwide mass communications, the increase of knowledge worldwide, the compression of time-space, the diminishing importance of nation states, the growing significance of internationalisation or supranationalisation, the recent changes in the worldwide economic system or the recent incarnation of the capitalist world system."*
78. *Helleiner 2000.*
79. *Teivainen (2000) analyses the antitheses of economy, trade and politics in Peruvian contexts during the 1980's and 1990's.*
80. *Friedman 1953. Sometimes economic laws have their believers from representatives of different ideological extremes. Addressing the first Congress of the Communist Party of Cuba in 1975, Fidel Castro said that he had not been aware of the objective laws at work in the economy but had been guilty of idealism. (Tablada 1987).*
81. *Meier 2001, Rodrik 2002.*
82. *Meier 2001.*
83. *There is awareness within the World Bank of the development and change of such ideas. For more on this see for instance the World Bank's own publication edited by Meier and Stiglitz (2001) Frontiers of Development Economics, though the book is not the official view of the Bank on these matters.*
84. *Neoliberalism is not the same as neoclassical economics. The core of the newclassical paradigm was put first put forward clearly by Alfred Marshall (1890) in the book Principles of Economics. The work gradually replaced John Stuart Mill's Principles of Political Economy, the mainstream groundwork on economics. The main elements of the neoclassical paradigm are found in just about any mainstream textbook on microeconomics. Neoclassical economics is not necessarily neoliberal. We can distinguish two livels: neoliberalism within neoclassical economics. On the other hand we can speak of neoclassical in relation to alternative schools of thoughts such as Marxism. We can also ask whether neoliberalism is an economic theory at all. Milton and Rose Friedman's 1982 book Free to Choose can be seen as a highly political neoliberal pamphlet, which is based on their scientific work on monetary economics and critique of Keynesianism.*
85. *Kuhn 1970.*
86. *Yesterday's inscrutable belief is today's heresy and yesterday's heresy is the new superstition. Sen 2001, 111. Todaro (1988). In Finland too, just a few years ago the Turku School of Economics was using the third edition of the 1985 text book Economic Development in the Third World, which describes markets as the new alternative to central economic planning. Todaro describes how increasingly western economists, ministers for development and the leaderships of international development organisations have started to defend the widespread use of market mechanisms as the key factor in efficient and rapid economic growth. (Source used from the Spanish translation of the work, 1988, p 573).*
87. *Kuhn 1970, Lakatos 1974, Watkins 1974.*
88. *World Bank 1993, UNCTAD 1996, Rodrik 2002, Tammilehto 2003.*
89. *Chang 2002. In deductive models conclusions are drawn*
90. *Rodrik 2002.*
91. *Poverty Reduction Strategy Papers, PRSP.*
92. *Policy ownership.*

93. *World Bank PRSP Sourcebook.*
94. *UNDP 2003*
95. *Stewart & Wang 2003*
96. *For instance Stewart & Wang 2003, Gould & Ojanen 2005*
97. *UNCTAD 2002, Stewart & Wang 2003, Craig & Porter 2002.*
98. *Saasa et al. 2003*
99. *Saasa et al. 2003, 52*
100. *Patomäki et al. 2002 present a broad initiative to promote global democracy.*
101. *Gill 1998.*
102. *According to Rist, the listed very universal issues used as a definition of development do not meet the requirement of scientific criteria, and so the majority of definitions of development are so-called quasi-definitions. Rist 2002.*
103. *United Nations 1986.*
104. *Rights-based approach, see for example. IDS Policy Brief 17, May 2003.*
105. *See for example Lasswell 1966.*
106. *IDS 2003, ibid. See also Sen 2001.*
107. *McNeill & McNeill 2005.*
108. *Wilska, von Bonsdorff, Lahtinen & Rekola 2004.*
109. *The case studies will be published at KEPA's Working Papers series, available at http://www.kepa.fi/palvelut/julkaisut/taustaselvitykset. Indonesian study is already published: Bahrumrum, Prabowo & Myrttinen 2006.*
110. *For example, in Tanzania there was confusion on the Swahili terminology used to describe poverty – "umasikini". The term is a bit ambiguous in the sense that it's the same terminology that people use to describe people with physical disability. Thus local people feel that that poverty reduction programs are for the disabled people. They considered themselves to "ufukara" – the needy people, not "umasikini".*
111. *Hirvelä 2005, 174-175.*
112. *Laaksonen 2006, 13.*
113. *Joshi & Kuksal 2005, Kumar & Kuksal 2005, Laitinen & Dobbal 2005, Taneja Rao & Haapanen 2005. (http://www.globalplatform.fi, http://www.demokratiafoorumi.fi) Helsinki Conference was organised by Helsinki Process (http://www.helsinkiprocess.fi).*
114. *See more at: http://www.greenlivingmovement.org*
115. *Miombo is the Swahili word for Brachystegia, a genus of tree comprising a large number of species.*
116. *Henri Myrttinen worked until the end of 2006 as KEPA's policy officer in KEPA's partner organisation INSIST. On KEPA's experiences of the 'one-man' model in Indonesia and Thailand see Salminen 2006.*
117. *Leena Antila is finalising her diploma work at Turku University of Applied Sciences on the topic: Small-scale farmers' perception of the empowerment process.*
118. *Skarstein 2006, 39.*
119. *Skarstein 2006.*

120. *The team reviewed a number of both national and global documents related to poverty, including the Millennium Development Goals (MDG), the 1999 Tanzania Development Vision 2025 (TDV), the 2000 Poverty Reduction Strategy Paper (PRSP), the 2005 National Strategy for Growth and Reduction of Poverty (NSGRP), the 2001 Rural Development Strategy (RDS), and the 2001 Agricultural Sector Development Strategy (ASDS). Other documents reviewed included the 1997 Agricultural and livestock Policy (AGLP), the 2002 Cooperative Development Policy (CDP), the 1996 Community Development Policy (COMDP), and the 1998 Local Government Reform Programme (LGRP).*
121. *Government of Zambia 2002.*
122. *Aditjondro 2004.*
123. *To call the system of chiefs 'traditional' is in a way misleading that the current chief institution is relatively new phenomenon. The colonial power had a central role in defining the chiefs' duties.*
124. *See for example Republic of Zambia 2005.*
125. *Muhammad Yunus's Nobel lecture, 10th December 2006, http://nobelprize.org*
126. *Ibid; Dowla & Barua 2006.*
127. *See for example Hossain & Rahnam 2000, Daley-Harris & Awimbo 2006.*
128. *On partnership between the Northern and Soutern NGOs see Kontinen 2006. Democratisation of South-North relationship is documented and discussed in Hakkarainen & Ådahl 2006.*
129. *GLM 2004.*
130. *Information on ETVO at http://ww.etvo.fi.*
131. *Muhammad Yunus's Nobel lecture, 10th December 2006.*
132. *REPEM 2003.*
133. *On bioenergy see for example El Bassam 1998.*
134. *Manara 2007.*
135. *Hakkarainen & Onali 2005, 66-67.*
136. *Manara 2007.*
137. *On the PRSPs see, for example, Braunschweig & Stöckli 2006, Driscoll & Christiansen & Booth 2005, Gould & Ojanen 2005, McGee & Levene & Hughes 2002.*
138. *The Zambian case study.*
139. *Whitehead 2003.*
140. *See Kenny Manara's column (in Finnish, 5.9.2005) at http://www.kepa.fi/uutiset/4399.*
141. *Folscher 2004, CSPR 2005.*
142. *ALPE 2007.*
143. *Seppänen 2007, 224-229.*
144. *Ibid, de Soto 1990, de Soto 2000.*
145. *Interview with Hernando de Soto by author, 17.9.2004.*
146. *These countries include Canada, Denmark, Egypt, Finland, Guatemala, Iseland, India, Norway, Sweden, South Africa, Tanzania, and the United Kingdom.*
147. *See more at http://legalempowerment.undp.org/.*

148. *See news by Miia Toikka (in Finnish, 16.9.2005) at http://www.kepa.fi/uutiset/4434.*
149. *See for example Nyamu-Musembi 2006; Ishengoma & Kappel 2006.*
150. *Interview with Hernando de Soto by author, 17.9.2004.*
151. *Tripp 1997, Tripp 2003.*
152. *Interview with Hernando de Soto by author, 17.9.2004.*
153. *Tripp 2003, 306.*
154. *Ibid, 311-312.*
155. *See Kenny Manara's column (in Finnish, 7.11.2005) at http://www.kepa.fi/uutiset/4580.*
156. *Metcalfe 2005.*
157. *OECD 2006.*
158. *Pääkkönen 2005.*

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Locating Impoverishment

Locating Impoverishment is a report on the social structures and practices that create and sustain poverty, and the possibilities to dismantle them.

The report clarifies how the structures and institutions work that impoverish people and presents the roots of impoverishment recognised in seven communities in Indonesia, Tanzania and Zambia. In these studies, local people describe scarcity in their lives and how they earn their living. They also reflect on how their living conditions could be improved. The report also draws on international experiences that could be part of the solutions sought in the communities studied.

The concept of impoverishment underlines that poverty is not created by itself. Poverty is the outcome of structures that feed societal inequality, it is maintained by people's active deeds or inactivity. The ending of impoverishment can be successful only if these structures and practices will be dismantled.

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