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## The Chronic Poverty Report 2008/09: Escaping Poverty Traps

Addison, Tony; Harper, Caroline; Prowse, Martin; Shepherd, Andrew; Barrientos, Armando; Brauholtz-Speight, Tim; Evans, Alison; Grant, Ursula; Hickey, Sam; Hulme, David; Moore, Karen

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# **The Chronic Poverty Report 2008-09**

## **Escaping Poverty Traps**



**Chronic Poverty**  
Research Centre



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### Front cover picture credits

**Top left:** Fulani (Peul) men (Niger). © Giacomo Pirozzi/Panos Pictures (2006).

**Top right:** A Dalit woman reads the programme at the 2006 Vanangana conference in Chitrakoot. Vanangana, a women's group dedicated to human rights issues, receives strong support from the Dalit community. The members of the segregated low-ranking Dalit caste perform the most menial jobs in Hindu society and are considered to be literally 'untouchable'. (Chitrakoot, Uttar Pradesh, India). © Ami Vitale/Panos Pictures (2006).

**Bottom left:** Zambian identity (ID) card (Sinazongwe, near Lake Kariba, Zambia). © Crispin Hughes/Panos Pictures (2005).

**Bottom right:** An Ethnic Wounaan baby lies against its mother who wears a colourful beaded necklace. They fled their ancestral homes after FARC (Revolutionary Armed Forces of Colombia) killed two of their community leaders and attempted to control their tribe and recruit their children. After 40 years of civil unrest, Colombia has the world's third highest displaced population due to conflict (Istmina, Choco, Colombia). © Dermot Tatlow/Panos Pictures (2006).



## About the Chronic Poverty Research Centre

The **Chronic Poverty Research Centre** (CPRC) is an international partnership of universities, research institutes and NGOs, established in 2000 with initial funding from the UK's Department for International Development (DFID). DFID can accept no responsibility for any information provided or views expressed in this report.

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## Acronyms and abbreviations

- ABEK:** Alternative Basic Education for Karamoja (Uganda)
- ANC:** African National Congress
- ARV:** Antiretroviral drugs
- CDC:** Chronically Deprived Country
- CFPR-TUP:** Challenging the Frontiers of Poverty Reduction – Targeting the Ultra-Poor Programme (Bangladesh)
- CI:** Consistent Improvers
- CPRC:** Chronic Poverty Research Centre
- CPRGS:** Comprehensive Poverty Reduction and Growth Strategy (Vietnam)
- CSO:** Civil Society Organisation
- DHS:** Demographic Health Surveys
- DRC:** Democratic Republic of Congo
- ECOWAS:** Economic Community of West African States. The protocols launching ECOWAS were signed in Lomé, Togo on 5 November 1976.
- EITI:** Extractive Industries Transparency Initiative
- EPRDF:** The Ethiopian People’s Revolutionary Democratic Front
- ERCERP:** Estrategia Reforada de Crecimiento Economico y Reduccion de Probeza (Nicaragua)
- FDI:** Foreign Direct Investment
- GAPVU:** Office for Assistance to Vulnerable People (Mozambique)
- GDP:** Gross Domestic Product
- GSC:** Village Assistance Committee (Bangladesh)
- HIPC:** Heavily Indebted Poor Countries
- IDPs:** Internally Displaced Persons
- IFF:** International Finance Facility
- IFFIm:** International Finance Facility for Immunisation
- IFPRI:** The International Food Policy Research Institute
- IGVGD:** Income Generation for Vulnerable Group Development Program (Bangladesh)
- ILO:** International Labour Organization
- IMF:** International Monetary Fund
- INAS:** National Institute for Social Action (Mozambique)
- IPCC:** Intergovernmental Panel on Climate Change
- LSMS:** Living Standards Measurement Surveys
- MDG 1:** The first Millennium Development Goal: to eradicate extreme poverty and hunger
- MDGs:** Millennium Development Goals
- MLSS:** Minimum Living Standards Scheme (China)
- MOLISA:** Ministry of Labour and Social Assistance (Vietnam)
- MTEF:** Medium Term Expenditure Framework (Uganda)
- NATO:** North Atlantic Treaty Organization
- NDS:** National Development Strategy
- NEP:** New Economic Policy (Malaysia)
- NGO:** Non-Governmental Organisation
- NOAPS:** National Old Age Pension Scheme (India)
- NREGA:** National Rural Employment Guarantee Act (India)
- NRM:** National Resistance Movement (Uganda)
- NSAP:** National Social Assistance Programme (India)
- NSAPR:** National Strategy for Accelerated Poverty Reduction (Bangladesh)
- NSGRP:** National Strategy for Growth and the Reduction of Poverty (Tanzania)
- NTP:** Nationally Targeted Programme (Vietnam)
- ODA:** Official Development Assistance
- OPPG:** Operationalising Pro-Poor Growth
- PASDEP:** Plan for Accelerated and Sustainable Development to end Poverty (Ethiopia)
- PEAP:** Poverty Eradication Action Plan (Uganda)
- PLAAS:** The Programme for Land and Agrarian Studies, Western Cape School of Government, Cape Town, South Africa
- PMA:** Programme for the Modernisation of Agriculture (Uganda)
- PND-O:** Plan Nacional de Dessarrollo – Operativo (Nicaragua)
- PNG:** Papua New Guinea
- PPA:** Participatory Poverty Assessment
- PPE:** Post-primary education
- PRS:** Poverty Reduction Strategy
- PRSP:** Poverty Reduction Strategy Paper
- PSIA:** Poverty and Social Impact Analysis
- PSNP:** Productive Safety Net Programme (Ethiopia)
- SAM:** Social Accounting Matrix
- SC:** Scheduled Castes
- SCNU:** Save the Children (Norway)
- SDPRP:** Sustainable Development Poverty Reduction Programme (Ethiopia)
- SIP:** Special Investment Programme (Bangladesh)
- SOE:** State-owned Enterprise
- SSA:** Sub-Saharan Africa
- ST:** Scheduled Tribes
- STUP:** Specially Targeted Ultra Poor (Bangladesh)
- TUP:** Targeting the Ultra Poor Programme (Bangladesh)
- UNICEF:** United Nations Children’s Fund
- UPPAP:** Uganda Participatory Poverty Assessment Program
- USAID:** United States Agency for International Development
- VAT:** Value Added Tax
- VGD:** Vulnerable Group Development (Bangladesh)
- WTO:** World Trade Organization



## Welcome to the Chronic Poverty Report 2008-09

Currently, development research is mainly assessed in terms of its contribution to meeting the Millennium Development Goals, in particular MDG1: to halve absolute poverty by 2015. However, achieving the first MDG would still leave some 800 million people living in absolute poverty and deprivation – many of whom will be chronically poor. Their lives are extremely difficult and, being marginalised, their story is rarely told.

This report tries to tell parts of their story. It does so through the lives of seven chronically poor people: Maymana, Mofizul, Bakyt, Vuyiswa, Txab, Moses and Angel. Chronic poverty is a varied and complex phenomenon, but at its root is powerlessness. Poor people expend enormous energy in trying to do better for themselves and for their children. But with few assets, little education, and chronic ill health, their struggle is often futile.

The CPRC aims to bring these issues to the world's attention, and to set out ways to end chronic poverty. This report draws on a large amount of research conducted over the last few years by the CPRC partnership and many others in the world concerned with ending poverty. It does not claim to have all the answers, but suggests policies that national-level policy-makers, development partners and social movements can use to attack the multiple and overlapping causes of chronic poverty.

As this report was finalised the spectre of rising food prices has brought hunger to the forefront of the global poverty debate. Chronically poor people are those most at risk. For 400 million or so chronically poor people, there must be a better future. Everyone must engage with this challenge. The Chronic Poverty Report 2008-09 is a call to action.

**Joanne Alston**

*Head of Central Research Department,  
DFID*

**Andrew Shepherd**

*Director,  
CPRC*

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# Overview

Over the last five years, in an era of unprecedented global wealth creation, the number of people living in chronic poverty has increased. Between 320 and 443 million people are now trapped in poverty that lasts for many years, often for their entire lifetime. Their children frequently inherit chronic poverty, if they survive infancy. Many chronically poor people die prematurely from easily preventable health problems. For the chronically poor, poverty is not simply about having a very low income: it is about multidimensional deprivation – hunger, undernutrition, illiteracy, unsafe drinking water, lack of access to basic health services, social discrimination, physical insecurity and political exclusion. Whichever way one frames the problem of chronic poverty – as human suffering, as vulnerability, as a basic needs failure, as the abrogation of human rights, as degraded citizenship – one thing is clear. Widespread chronic poverty occurs in a world that has the knowledge and resources to eradicate it.

This report argues that tackling chronic poverty is the global priority for our generation. There are robust ethical grounds for arguing that chronically poor people merit the greatest international, national and personal attention and effort. Tackling chronic poverty is vital if our world is to achieve an acceptable level of justice and fairness. There are also strong pragmatic reasons for doing so. Addressing chronic poverty sooner rather than later will achieve much greater results at a dramatically lower cost. More broadly, reducing chronic poverty provides global public benefits, in terms of political and economic stability and public health.

The chronically poor are not a distinct group. Most of them are ‘working poor’, with a minority unable to engage in labour markets. They include people who are discriminated against; socially marginalised people; members of ethnic, religious, indigenous, nomadic and caste groups; migrants and bonded labourers; refugees and internal displacees; disabled people; those with ill health; and the young and old. In many contexts, poor women and girls are the most likely to experience lifelong poverty. Despite this heterogeneity, we can identify five main traps that underpin chronic poverty.

*This report argues that tackling chronic poverty is the global priority for our generation.*

1. **Insecurity** – the chronically poor are frequently those who live in insecure environments, and who have few assets or entitlements to cope with shocks and stresses. Their coping strategies often involve trading long-term goals to improve their lives (e.g. accumulating assets or educating children) for short-term survival.
2. **Limited citizenship** – chronically poor people have no meaningful political voice and lack effective political representation. The societies they live in and the governments that exercise authority over them do not recognise their most basic needs and rights.
3. **Spatial disadvantage** – remoteness, certain types of natural resource base, political exclusion and weak economic integration can all contribute to the creation of intra-country spatial poverty traps. Spatial disadvantage also occurs across entire nations (which we term Chronically Deprived Countries). Many urban locations, despite proximity to possible advantage, are highly disadvantaged, with poor or non-existent public services, high levels of violence and desperate living conditions.
4. **Social discrimination** – chronically poor people often have social relations – of power, patronage and competition – that can trap them in exploitative relationships or deny them access to public and private goods and services. These are based on class and caste systems, gender, religious and ethnic identity, age and other factors.
5. **Poor work opportunities** – where there is limited economic growth, or where growth is concentrated in enclaves, work opportunities are very limited and people can be exploited. Such work allows day-to-day survival but does not permit asset accumulation and children’s education.

The report identifies five key policy responses to these five traps. These policies do not map neatly (on a one-for-one basis) against the chronic poverty traps. Rather, they create an integrated policy set that can attack the multiple and overlapping causes of chronic poverty.

Priority goes to two policy areas – social protection (Chapter 3) and public services for the hard to reach (Chapter 5) – that can spearhead the assault on chronic poverty. Alongside these are anti-discrimination and gender empowerment (Chapter 5), building individual and collective assets (Chapters 3, 4 and 6) and strategic urbanisation and migration (Chapters 4 and 5). Working together, these policies reduce chronic poverty directly and create and maintain a just social compact that will underpin long-term efforts to eradicate chronic poverty (Chapter 6). Such social compacts ensure a distribution of public goods and services that contributes to justice and fairness.

In a global report such as this we are striving to produce policy recommendations that can be applied across many countries. But, as the report shows, policies to reduce and eradicate chronic poverty need to be customised to specific national contexts. While many of the case studies included refer to specific countries, we utilise a simple typology to differentiate the main types of country context. Based on a cluster analysis of 131 countries, we identify four distinct country clusters (Chapter 1/Annex J):

- *Chronically Deprived Countries (CDCs)*
- *Partially Chronically Deprived Countries (PCDCs)*
- *Partial Consistent Improvers (PCIs)*
- *Consistent Improvers (CIs)*

While the patterns are complex, it is evident that the inroads on chronic poverty that have started and/or are well advanced in East Asia, South East Asia, the Middle East, North Africa and parts of South and Central America have not yet been matched by progress in sub-Saharan Africa and South Asia.

Chronically Deprived Countries account for a much larger share of child mortality (36%), infant mortality (30%) and US\$1/day poverty (17%) than their share of total population (10%). The CDC share of child mortality, infant mortality and poverty has been rising through time.

In contrast, Consistent Improvers account for a much smaller share of child mortality (6%), infant mortality (11%) and US\$1/day poverty (22%) than their share of total population (33%). The CI share of child mortality, infant mortality and poverty has been falling over time. Moreover, country trajectory analysis has shown that the number of CDCs is increasing through time, while the number of CIs is diminishing.

The classification of Chronically Deprived Countries offers evidence of a group of countries that are firmly embedded in a

‘deprivation trap’. Over 80% of the chronically poor are found in fully and partially chronically deprived countries, and this proportion rises to over 90% when India and China are excluded (see Table 4). We argue that CDCs require a very different policy approach (not least as such countries are at particular risk of slipping into conflict – see Chapter 6). Chapters 3 to 6 tailor policy recommendations to these countries.

## The policy and political challenge

If the needs and rights of chronically poor people are to be addressed, they need two related but distinct forms of assistance. In the short term, to survive and improve the immediate prospects for themselves and their children, they need practical actions that meet their most pressing needs and create a platform for future improvements. This entails policy change, the allocation of additional resources and finding

effective ways of delivering services to them. In the longer term, to promote social and political institutions that give the chronically poor voice (directly or through representatives or enlightened elites) and support their demands, they need assistance in organising and developing political linkages. This is complex and, in this report, it is conceptualised as fostering a just

social compact at the national level. This is to be matched at the international level by a shift away from charity for distant strangers to solidarity with fellow global citizens.

Effective action against chronic poverty challenges both present-day policy orthodoxy and the national and international political processes that determine the relative priority, against other goals, of poverty reduction and resource allocation (Chapter 2). If chronically poor people are to be assisted, policies must move beyond the so-called ‘post-Washington consensus’ and directly attack the five chronic poverty traps identified in this report. This entails deepening the contemporary policy focus on insecurity and citizenship and incorporating the other three chronic poverty traps – spatial disadvantage, social discrimination and poor work opportunities – into the policy mainstream.

Poverty Reduction Strategies (PRSs) are a vehicle that could do this. They have made some progress in shifting the style of policymaking towards a more evidence-based approach, and in focusing more attention on poverty analysis. However, a detailed analysis of ten recent Poverty Reduction Strategies (PRSs) indicates that the chronically poor are generally invisible to those who make and implement national policies. Some of the policies identified in PRSs would be beneficial for the chronically poor. There is, however, little evidence of specific analysis of persistent poverty, or the selection of policies that focus on chronically poor people. While social protection is on the agenda in several PRSs, how it will reach

***Chronically Deprived Countries account for a much larger share of child and infant mortality and US\$1/day poverty than their share of total population, and this share has been rising through time.***

and benefit chronically poor people is unclear. Issues of justice and citizenship are not themes for PRSs, anti-discrimination and gender empowerment are marginal and, surprisingly, urbanisation and migration rarely feature.

While policy choices are important, it is the allocation of resources and the quality of implementation that determine their impact on poverty. These depend on the political processes that underpin public policy and management. PRSs could have been a device to mobilise political constituencies in support of the poor and chronically poor, and to build fairer social compacts. To date, this opportunity has not been seized. Both first and second generation PRSs are widely regarded as donor-owned products in most countries. The third generation PRSs must be seen as national political projects that open up formal political processes (parliamentary debates, party manifestos, electioneering), as well as informal spaces and networks, for the voices of poor people and their representatives.

Controversially, the report finds that those countries which respond most effectively to chronic poverty (in their PRSs and in policy implementation) have less than open political systems – Ethiopia, Uganda and Vietnam. This suggests that where there is an ‘elite project’ focused on nation-building, which recognises the need for a social compact between citizens and the state, chronic poverty is more likely to be placed seriously on the policy agenda. The chronically poor do not simply need support to ‘get the policies right’, they also need support that ‘gets the politics right’. This means thinking beyond the contemporary mantra of democracy, elections and decentralisation.

*Social protection, and particularly social assistance, has a crucial role to play in reducing chronic poverty.*

### Prioritising social protection

This report confirms and extends the conclusion of the Chronic Poverty Report 2004-05. Social protection, and particularly social assistance, has a crucial role to play in reducing chronic poverty (Chapter 3). It tackles the insecurity trap by protecting poor people from shocks and reducing their extreme vulnerability; it helps them conserve and accumulate assets so they can improve their livelihoods and productivity; and it contributes to transforming economic and social relations in ways that strengthen the longer term livelihood prospects of the poor and chronically poor.

While the private, informal and public sectors all have roles to play in providing social protection, the public provision of social protection needs to be prioritised. There are four reasons for this:

- In many low income countries traditional forms of social protection are weakening.
- New sources of private social protection, such as remittances, rarely reach the chronically poor.
- Private insurance markets are virtually non-existent in the regions where the chronically poor are concentrated,



80 year old Lozaj Nabitulett looks after her six orphaned grandchildren. Her five daughters all died of AIDS (Rakai, Uganda). Photo © Rob Cousins/Panos Pictures (2004).

and generally unaffordable to the chronically poor in other regions.

- Globalisation is creating a world in which the poorest are exposed to new, and perhaps greater, levels of hazard – financial crisis, economic restructuring, increasing food prices and global warming.

The knowledge base available to guide the design of social protection policies has strengthened greatly over recent years. Building on this base through systematic monitoring and evaluation is a crucial task. While this knowledge base provides many important lessons, two have particular significance for chronically poor people:

- The household, rather than the individual, should be the main unit that is targeted.
- Income transfers can be combined with other forms of support (child health services, nutritional packages, basic education, skills training and asset transfer) so that multi-dimensional poverty and intergenerational processes can be tackled.

There is now a wealth of evidence that social protection is a cost-effective means of reducing poverty and chronic poverty; that it is affordable; and that it can be scaled up even in relatively poor countries. Case studies reveal the broader ways in which social protection can promote mass poverty reduction. In Uganda, for instance, it is helping to foster and strengthen the social compact.

However, effective social protection policies not only require good technical analysis, they require a supportive domestic political environment for their initiation, expansion and financing. In many countries social protection has been introduced by dominant political parties, with a key role played by ‘executive champions’, rather than being the result

of civil society lobbying. Programmes have often been seen as a component of nation-building, rather than part of donors' concern with poverty reduction. Providing sound technical advice to political parties and 'executive champions' is thus a key activity – and it needs to be linked to domestic debates about ideology and national goals. Often, it is claimed that economic elites and the middle class will oppose social protection because they fear it will lead to dependency and tax increases. However, most of the interventions examined in this report met no significant resistance during their initiation. Over time, they often prompted the evolution of political constituencies broadly supportive of social protection.

Our state of knowledge is now sufficient to propose the drawing up of a Global Social Protection Strategy by 2010 that should target the eradication of extreme poverty by 2025.

## Economic growth and chronic poverty

Evidence of the ways in which chronically poor people relate to growth is fragmentary. But what we do know indicates limited benefit. The chronically poor are often found in the regions with the least agricultural potential and furthest from the main national markets. With poor transport and communications infrastructure, they are effectively locked out of national growth processes and globalisation. Even when the chronically poor are well integrated into national and international economies, they often gain little. Many chronically poor people depend on work which is insecure, low paid, unhealthy and unsafe. They may have little scope to improve their situation. Those who are healthy work hard, but without much education, few assets, and a limited chance of decent work, their opportunities are limited. There are severe constraints on the extent to which economic growth can improve the lives of many chronically poor people.

The report identifies three main areas where policy change can help to strengthen the contribution that economic growth can make to chronic poverty reduction – agriculture, strategic urbanisation and social protection.

The report highlights three pillars that could greatly increase the contribution that agriculture makes to exits from poverty.

1. **Infrastructure, and particularly transport infrastructure.** This 'thickens' local markets, so that local cartels of landlords, traders and employers can no longer impose their prices on local labourers, producers or consumers; it also improves food security; and it reduces the costs of travel for those seeking work outside their home area.
2. **Education** increases agricultural productivity; facilitates transfers into non-farm activities; and raises

the likelihood of out-migrants being able to move successfully to urban areas (and send remittances back home).

3. **Information.** Typically, the chronically poor lack access to important information about job opportunities, changes in input or output prices and new techniques. Traditionally the response to this has been agricultural extension. Much recent work, however, points to the need to improve access to information by the poorest through a wider spectrum of private, public and non-governmental agencies.

The second focus is on strategic urbanisation. The report argues that this does not merely require policy changes. Rather, it requires policymakers to shift their framework. Instead of seeing urban areas as discrete units that need to be regulated by planning controls (that are rarely enforced) policymakers should consider a more aggressive and dynamic national urban planning strategy. Such a strategy would link poor regions with economic potential to cities, promote the development of towns and cities in poor regions and tackle the issue of social discrimination in urban labour markets.

The third policy focus is social protection – reinforcing the arguments made above. At the household level, social protection can not only help chronically poor people to improve their consumption, but also to raise their productivity and asset levels. In 'lagging regions', inflows of social protection resources can stimulate local markets and contribute to economic vibrancy.

Pursuing such policies creates many challenges – in terms of trade-offs from diverting resources from other programmes and mobilising additional resources. We certainly need to focus on short-term costs and benefits. But we also need to recognise that economic growth generates rapid social change, especially through urbanisation and migration, and that these changes affect the chronically poor. Change can open up new political spaces to organise and articulate voice – as seen when trade unions and social movements mobilise around vital issues such as housing and displacement. Urbanisation and growth can also have a negative side. Both can destroy livelihoods and are associated with increased levels of economic inequality that facilitate the concentration of political power. Policy needs to manage and contain these harmful effects.

## Transformative social change

Social orders, such as class, caste or gender relationships, have a profound influence on the lives, wellbeing and aspirations of chronically poor people (Chapter 5). Such orders are not fixed, but evolve over time. At present, under pressures of globalisation, they are changing more rapidly than ever, but the

*Many chronically poor people depend on work which is insecure, low paid, unhealthy and unsafe, and have little scope to improve their situation.*

idea that all societies will eventually look the same is unlikely. Existing social orders underpin three of the chronic poverty traps that keep poor people poor – social discrimination, limited citizenship and poor work opportunities.

Promoting progressive social change is barely mentioned in PRSs and similar policy documents, but it is central to tackling chronic poverty. Chronically poor people do not just need ‘good policies’, they need societies that will help them achieve their rights and voice their issues. The report identifies three priority social goals – gender equality, social inclusion and increased agency. Five policies are particularly effective at contributing to the achievement of these goals:

- post-primary education;
- reproductive health services;
- strategic migration and urbanisation;
- anti-discrimination legislation; and
- an enabling environment for social movements.

Practical examples illustrate the ways in which such policies can be pursued to help chronically poor people assert their rights and raise their capabilities. These include the midday meals programme for schoolchildren in Tamil Nadu, incorporating migration into PRSs, job reservations in India, and the formation of scavenger cooperatives in Asia and Latin America. While promoting transformational social change is never likely to be an easy task, these examples show how innovative programmes can contribute to this goal.

## Ending violent conflict and building a social compact

Violence is a problem for the poor in all societies, but especially so in CDCs. Poverty can be a cause of violence – from crime to civil war. Injustice can start wars, but as they progress commercial motives can start to drive them. And commerce is sometimes the initiator of civil wars, especially when rich mineral resources are the prize. Ending wars therefore involves dealing with those who use violence to become powerful and wealthy. But once these ‘spoilers’ are removed (or contained), peace is not guaranteed.

One way of reducing state fragility, and thus violence and conflict, is through building and maintaining a social compact. This is where the state acts to reduce people’s risks – through law and order, services and infrastructure – in return for their commitment to the state (including a willingness to finance it through taxation). A social compact sets up mutual obligations between the state and the individual and provides the basis for the individual to commit their money, through paying taxes, to build the state. The state thus becomes an institution that enters meaningfully into the lives of poor people, rather than an abstract entity (or even worse, something that they do

everything to avoid). To achieve this, fiscal institutions need to be built and focused on the poor and their needs. In this way, the social compact can be integral to people’s perception of justice and fairness.

Historically, there are different models for achieving a viable social compact, but common to all is an effective system of public finance, including revenue generation. This is especially important in fragile states: new leaders need to get off to a good start, delivering ‘quick wins’. Many of those quick wins will be areas directly engaging with chronic poverty – basic health services and infrastructure to remote (often rebellious) regions. Reducing people’s risk via law and order, services and infrastructure is the way forward. This sets up mutual obligations between the state and the individual and provides the basis for individuals to commit their money, through paying taxes, to build the state. This is the true basis of citizenship.

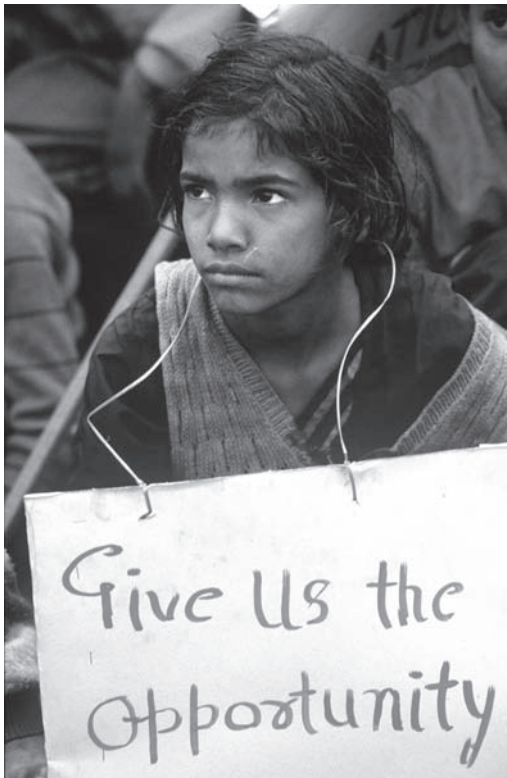
## Eradicating chronic poverty

Eradicating chronic poverty by 2025 is a feasible goal – if national governments and international organisations make the necessary political commitments and resource allocations. This might seem an over-ambitious goal for some CDCs but, offsetting this, rapid gains could be made in several stable and relatively prosperous nations where many chronically poor people live (Bangladesh, China, India) over the next few years.

While policies for reducing chronic poverty need to be context-specific, there is now clear evidence that five policies can spearhead national and international efforts.

- **Social protection** – publicly provided social protection, and particularly social assistance, plays a vital role in reducing insecurity and increasing opportunities for the chronically poor to engage with the growth process.
- **Public services for the hard to reach** – making available reproductive health services and post-primary education can break the intergenerational transmission of poverty and have a dramatic effect on the prospects of chronically poor households.
- **Building individual and collective assets** – asset holdings increase the personal (and collective) agency of the chronically poor. The more assets – psychological, as well as physical and social – a household possesses, the more leverage it has in social networks and transactions, as well as in formal financial markets.
- **Anti-discrimination and gender empowerment policies** – tackling social discrimination promotes a just social compact and increases the economic opportunities of the chronically poor.

*Eradicating chronic poverty by 2025 is a feasible goal – if national governments and international organisations make the necessary political commitments and resource allocations.*



A young girl worker with a placard at a demonstration held by the Indian NGO Butterflies and the 'Bal Mazdoor' (Child Worker) Union denouncing abuse of working children (Delhi, India). Photo © Paul Smith/Panos Pictures.

- **Strategic urbanisation and migration** – chronic poverty remains mainly a rural phenomenon and urban chronic poverty can be particularly harsh, because chronically poor people do not access the benefits of urbanisation, and cannot seize the opportunities offered by migration. Chronically poor people need to be given the chance to migrate, through education and anti-discrimination policies. A new concept for urban planning is needed, which recognises the beneficial ripples of urban growth, and permits poor rural in-migrants to gain a share of urban productivity.

*Most people in chronic poverty are striving and working to improve their livelihoods in very difficult circumstances they have not chosen.*

To support the assault on chronic poverty it will be necessary to modify the main modalities of global poverty reduction – Poverty Reduction Strategies and the Millennium Development Goals.

**Poverty Reduction Strategies** – PRSs will remain a vital tool, but they need to:

- provide more information on the different types of poor people and analyse chronic poverty at the national level;
- shift from being donor-owned documents, to being embedded in national societies and politics; and
- move beyond policy prescriptions, to tackle the social and political changes that are required to achieve their goals.

**Millennium Development Goals** – the MDGs need extending beyond 2015 to fully incorporate a global assault on chronic poverty. This means:

- setting a target of extreme poverty elimination by 2025;
- setting the goal of access to basic social protection for all poor and vulnerable people by 2020; and
- setting the goal of universal access to post-primary education by 2020.

This report says a great deal about policy. But the need for policy change must not mask the fact that the chronically poor themselves are the leading actors in overcoming their poverty.

To date, when their existence is recognised at all, the chronically poor are perceived both by policymakers and in the popular imagination as dependent and passive. Nothing could be further from the truth. Most people in chronic poverty are striving and working to improve their livelihoods, and the prospects for their children, in very difficult circumstances they have not chosen. They need real commitment, matched by actions and resources, to support their efforts and overcome the obstacles that trap them in poverty and deny them citizenship.



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# **Part A**

## **Chronic poverty as a key policy issue**

The Chronic Poverty Report 2008-09







# 1

# Foundations for understanding and challenging chronic poverty

## A. Chronic poverty and justice

Chronic poverty is a key policy challenge of the 21<sup>st</sup> Century. Hundreds of millions of people exist in conditions of extreme deprivation throughout much or all of their lives. The chronically poor are unable to develop their personal capabilities or provide a good start in life for their children, and often die prematurely of preventable causes.

While poverty has been a key concern of national governments for decades, even centuries in some countries, there are now, for the first time, global frameworks for poverty reduction, to which governments and international agencies are largely committed. The Millennium Development Goals (MDGs) and Poverty Reduction Strategies (PRSs), alongside a number of important rights charters, have increased the visibility of the poor. Their wellbeing is increasingly a matter of global concern.

However, neither the MDGs nor most PRSs currently consider the chronically poor to a sufficient degree. Even achieving the first MDG by 2015 would still leave some 800 million people living in absolute poverty and deprivation – many of whom would be chronically poor. And there is only one MDG – achieving universal primary education – for which the chronically poor must be effectively included for the goal to be met.<sup>1</sup> The achievement of the other goals is currently measured against mean population figures (where there are targets at all), and therefore can be met by addressing the needs of those who are relatively easy and inexpensive for policy instruments to reach, i.e. those closest to the poverty line and most accessible. This is assuming that the MDGs will be met. In many countries – particularly, but not solely, in sub-Saharan Africa – it appears that, based on current trends, several MDGs will not be achieved at all.<sup>2</sup>

So, despite the emergence of global frameworks for reducing poverty, there is a distinct danger that the chronically poor are being left behind. Not only is it unjust to neglect the

most deprived, but there are two sets of reasons why tackling chronic poverty needs to occur sooner rather than later: the effects of poverty traps; and the impact of broad global processes and global demographics on chronic poverty.

First, if chronic poverty is not addressed immediately it will become more intractable and costly to tackle. Evidence suggests that an increased length of time in poverty reduces the likelihood of exiting poverty.<sup>3</sup> Poverty traps enmesh individuals and households in vicious cycles of material deprivation and a lack of investment in human capital. Short-term needs override long-term strategies, increasing future costs and depleting scarce resources. Furthermore, people who are left behind in national processes of development may understandably resent their marginalisation, and respond to the perceived injustice through developing coping strategies with negative effects for themselves, their families and society as a whole.<sup>4</sup>

Second, there is a range of global and regional processes that shape, and are shaped by, chronic poverty. Population growth is set to be highest in some of the poorest and most environmentally marginal regions, potentially worsening stresses on resources such as water, land and forests. Food security for the poor will improve slowly at best in many regions: changing global patterns of demand for, and supply of, food crops have reversed the long-term fall in world food prices.<sup>5</sup> An era of high oil prices is also likely to hinder growth for many poor countries in the coming decades, especially for landlocked importing nations.

The growing crisis of climate change is a further important example. As the Stern Report noted, 'the most vulnerable – the poorest countries and populations – will suffer earliest and most, even though they have contributed least to the causes of climate change'.<sup>6</sup> The chronically poor often live in marginal environments, and lack the assets, mobility and political power to adapt to climate change. Without urgent and strong

*If chronic poverty is not addressed immediately it will become more intractable and costly to tackle.*

policy interventions, the physical effects of climate change may create serious obstacles to eradicating poverty. It is equally important, in the short term, to ensure that policies that tackle the causes of climate change (such as biofuel production and environmental labelling initiatives) do not harm the poor.<sup>7</sup>

At the same time, and as the 2007 World Development Report notes, a 'demographic window of opportunity' is currently opening in many low-income regions. A fall in dependency ratios means that there are more resources freed for investment in human capital. This may, however, be a one-off window, as dependency ratios may rise again in coming decades as the cohort of older people grows.

The first MDG commits governments and international organisations to reduce global poverty by half between 2000 and 2015.<sup>8</sup> But, despite acting as a focal point, the MDGs also present governments and development partners with important trade-offs between short-term targets and longer-term goals.

We argue that eradicating chronic poverty can significantly improve the chances of meeting and surpassing the MDGs (see Chapter 7). Progress can be achieved through the initiation of 'virtuous circles'. For example, addressing chronic poverty can speed up the slow progress on reducing maternal and child malnutrition and morbidity (particularly in South Asia), as chronically poor households are much more likely to contain unhealthy and malnourished mothers and children.<sup>9</sup>



*Teshoma Abera standing in his barren, stony field outside Bilak village. Looking up at the sky, he explains there have been just two days of rain all year. His crops failed, leaving his family with just one month's supply of food, after which they will be dependent on food aid (Wag Hamra, Ethiopia). Photo © Sven Torfinn/Panos Pictures (2002).*

Preventing illness and impairment among chronically poor women and children is key to the interruption of life-course and intergenerational poverty.

The first Chronic Poverty Report (2004-05) comprised an in-depth review and analysis of the what, where, who and why of chronic poverty. In order to lay down the groundwork for the policy responses which follow, we provide a brief review below.<sup>10</sup>

### Box 1: Chronic poverty concepts

Poverty has three key dimensions: breadth, depth and duration. It is important for policy that poverty is disaggregated along these lines.

**Poverty breadth** refers to the multidimensionality of poverty, the many ways in which people can experience poverty. This can be in terms of, for example, 'money-metric' or material indicators (low income, expenditure, consumption, physical assets); 'human capital' indicators (poor nutrition, health, education status); or 'socio-political' indicators (lack of access to services, common property or social networks; powerlessness, marginalisation, stigma).

**Poverty depth** refers to how far below a poverty line – however measured – someone falls. 'Deep' poverty has many names in poverty policy and analysis circles – severe poverty, absolute poverty, extreme poverty, ultra-poverty, poorest of the poor, hardcore poverty, indigence, destitution ... – and even more in the local languages used by ordinary people (see Box 7 for examples from Mozambique).

**Poverty duration** refers to the length of time someone experiences a particular poverty state, and also implies an interest in movements into and out of poverty, known as poverty dynamics (see Box 2). Poverty that lasts a long time is primarily known as chronic poverty, but is also commonly called persistent or long-term poverty.<sup>11</sup> People who move into and out of poverty are said to experience transitory poverty (also known as transient poverty).

Like chronic poverty, the terms life-course poverty and intergenerational poverty draw attention to the duration of poverty, but also call attention to the processes that can lead to or entrench poverty. Life-course poverty denotes the ways in which a poor child or young person can grow into a poor – or even poorer – adult. Intergenerational poverty refers to the ways in which a poor parent can 'transfer' the conditions of poverty to his/her children. The processes involved are often so closely related that the distinction can be difficult to make. For example, the inability of a parent to provide sufficient education to a child can be labelled as intergenerational poverty, while an uneducated child growing into an unemployed adult can be labelled as life-course poverty. In practice, the processes work together.

It is commonly assumed that there is a significant overlap between these three dimensions of poverty. In fact, while it is clear that those who are severely and/or persistently poor are likely to be poor in many dimensions, analysis suggests that the relationship between severity and chronicity is more complex and only partly understood, both at the country and household level (see Box 3).

Source: CPRC (2004) Chapter 1; Moore *et al.* (2007)

## Box 2: Poverty trends and poverty dynamics

Conventional poverty analysis focuses on poverty trends – changes in poverty rates at the aggregate level. This can mask poverty dynamics – changes in wellbeing experienced by individuals and households over time. Consider, for example, the significant reduction of 24% in aggregate poverty apparent in rural Vietnam between 1993 and 1998. This tells us nothing about what happened to individual households. In fact, while about 30% of households moved out of poverty, another 5% fell into poverty (together considered as the transiently poor), and about one-third of the population was poor in both periods. Panel data, that track the same households at multiple points in time, are required to measure dynamics. Further, dynamics are not confined to describing movements over an arbitrary line – many chronically poor households also experience improvements and declines in their poverty status without exiting poverty (see Box 6 for examples from Bangladesh).

Source: CPRC (2004) Chapter 1; Moore *et al.* (2007)

## B. The nature and extent of chronic poverty

### What is chronic poverty?

The distinguishing feature of chronic poverty is its extended duration. We use chronic poverty to describe extreme poverty that persists for ‘a long time’ – many years, an entire life, or even across generations. The chronically poor are commonly deprived across multiple dimensions. Combinations of capability deprivation, low levels of material assets, and socio-political marginality keep them poor over long periods. Boxes 1 and 2 review the key concepts we use when discussing chronic poverty.

Poverty that has caused a preventable death must also be considered to be chronic poverty, as the person is permanently deprived of wellbeing. This is in stark contrast to current means of measuring poverty, which can show improvements in poverty statistics when death causes a poor person to ‘drop from the sample’. Counting poverty-related preventable deaths as chronic poverty is methodologically complex, and is not attempted in this report. However, from an ethical point of view it is clearly required.

### What causes chronic poverty?

There is rarely a single cause of chronic poverty. The persistently poor tend to be those who face multiple and overlapping difficulties in various spheres of life. Causes of extreme poverty tend to interact, producing vicious cycles and poverty traps.

The factors that push people into chronic poverty and keep them poor operate at different levels, ranging from the intra-household level to the global level. In this respect, both concrete, immediate experiences (such as sickness, drought or domestic violence) and relatively distant and intangible processes (such as economic restructuring, social exclusion or bad governance) play a role in making and keeping people poor. However, identifying the factors that drive and maintain chronic poverty is not straightforward (not least as they frequently overlap). The collection and analysis of good quality longitudinal (panel), quantitative and qualitative data is the best method.<sup>12</sup> Panel surveys and life histories, especially in combination, are

extremely useful for identifying and understanding causes of chronic poverty, and the factors that contribute to creating ways out of poverty.<sup>13</sup>

Overall, there are five chronic poverty traps that must be considered by policymakers when tackling chronic poverty.<sup>14</sup>

1. **Insecurity trap.** Those who live unprotected within insecure environments often experience an extended duration in poverty. Conflict and violence are obvious sources of insecurity, as are economic crisis and natural hazards. Such shocks – which apply to many, if not all, individuals and households in an area – are experienced and absorbed at the micro-level. Chronically poor households, with few assets and entitlements, have little capacity to cope with them. The chronically poor are also more susceptible to individual- or household-level shocks (often termed idiosyncratic shocks), especially ill health (see Chapter 3).
2. **Limited citizenship.** Moving beyond the good governance agenda, and purely technocratic interventions around ‘getting institutions right’ or ‘strengthening civil society’, we focus on individuals’ engagement in the political sphere. We argue that the chronically poor do not have a meaningful political voice, and lack effective and legitimate political representation and power. In this sense, they have a limited sense of citizenship, and do not have a substantive stake in society.
3. **Spatial disadvantage.** Remoteness, certain types of natural resources endowments, political disadvantage, and weak integration can all contribute to the creation of intra-country spatial poverty traps. But spatial disadvantage includes much more than ‘lagging regions’ within a country. It also includes Chronically Deprived Countries (to which we turn shortly), and certain urban locations which, despite proximity to possible advantage, are characterised by poor or non-existent services, violence and desperate living conditions.<sup>15</sup>

- 4. Social discrimination.** The chronically poor often experience traps based on their positions within households and communities. Social relationships – of power, patronage, empowerment, competition, collaboration, support – can entrap people in exploitative relationships, or help them escape from poverty. Such social structures evolve with local or nationally specific ‘social orders’ such as class and caste systems, ethnicity, or gender-specific roles, responsibilities and rights. Many of the chronically poor are bound into negative social relationships that, while protective against destitution, deny them choice and voice, and limit their scope to move out of both the constraining relationship and poverty itself (see Chapter 5).
- 5. Poor work opportunities.** Where there is limited or no economic growth, work opportunities are limited. Where there is enclave economic growth, work opportunities are inaccessible. And where there is broad-based growth, the employment generated may be exploitative, with unhealthy working conditions. Whilst allowing day-to-day existence, poor work opportunities and unsustainable livelihoods do not permit savings or significant asset accumulation, and often increase health shocks.<sup>16</sup>

### Who is chronically poor? Where do they live?

Some of the chronically poor are not economically active, due to health, age or physical/mental impairment. Most, however, are economically active, but are persistently poor due to their position within households, communities and countries. Chronic poverty is most frequent when social and spatial traps overlap.

Social groups who suffer from discrimination and prejudice include ethnic minorities, migrant and bonded labourers, refugees and internally displaced people. These groups often have a high incidence of chronic poverty. Wider social factors

also play a role: age and life-cycle factors can be significant, with children, older people and widows particularly affected by chronic poverty. Larger households, with higher dependency ratios, appear to be more susceptible to chronic poverty in certain regions.

There are a number of overlapping dimensions to spatial poverty traps (the evidence for which is overwhelming – see Box 3).

- **Remoteness** – areas far from the centres of economic and political activity, in terms of both time and distance, are more likely to have large numbers of chronically poor.
- **Agricultural and natural resource endowments** – areas with poor quality agricultural potential or natural resources limit the income-earning opportunities of the poor, who frequently rely on natural-resource-based activities. However, having large quantities of high-value natural resources provides no guarantee that an area is not in a spatial poverty trap (see Chapter 6).
- **Political disadvantage** – areas which contain members of minority social groups can be politically marginalised and deprived of adequate government investment.
- **Integration** – areas which are not well connected in terms of physical, communication and market infrastructure tend to have a high incidence of chronic poverty.

Intra-country spatial inequality is only one side of the spatial story. Many of the chronically poor live in countries that have experienced sustained deprivation for decades. We refer to these countries as Chronically Deprived Countries (CDCs), discussed in Section E of this chapter.

Chronic poverty also affects a broad range of productive adults who live in well connected locations, are part of the societal mainstream, and live in stable nations. The majority of the chronically poor are simply working for low returns.

### Box 3: Spatial disadvantage and poverty

There is strong and convincing evidence linking poverty with less favoured regions and remoteness. In a large cross-country study in Africa it was found that in many cases the percentage of people below an asset poverty line was over 50% greater in rural areas than urban areas.<sup>17</sup> Much further evidence comes from country-level studies. In China, for example, 2002 rural per capita income in Shanghai province was 6244 yuan, but only 1490 yuan in Guizhou province.<sup>18</sup> And poverty decline in Uganda has not been distributed uniformly across the country: since 1992-93 poverty has only declined by 17% in the Northern region, compared with 60% in the West and Central regions.<sup>19</sup>

The built environment plays a central role in explaining the level and trend of spatial disparities. In most empirical studies, public infrastructure is the key explanatory factor of spatial inequality. Indicators used by the above-mentioned cross-country study show that school enrolments and neonatal care are direct reflections of the inequality in distribution of public schools and public health facilities. And the influence of remoteness in explaining poverty in sub-Saharan Africa is as much a function of transport connectivity to a capital and the coast as it is of distance.<sup>20</sup> Moreover, spatial disadvantage also occurs in urban locations, where neighbourhoods can be characterised by poor or non-existent services, violence and desperate living conditions.

Source: See endnotes



They lack either the necessary assets to pull themselves out of poverty, or the opportunity to use their assets productively.

To show the human face of chronic poverty, the life stories of seven chronically poor people are woven into the following chapters. The lives of Angel, Moses, Txab, Vuyiswa, Bakyt and Maymana and Mofizul, demonstrate the varied causes of chronic poverty. They also show how policy interventions have, in some cases, helped them to improve their wellbeing. These brief vignettes demonstrate the harm

that chronic poverty ultimately causes to an individual and her or his family. While such material is not representative, life histories highlight key themes and processes. These are not only applicable to the individuals in question, but can also be seen to be typical of individuals with similar sets of sociobiographical characteristics in similar circumstances. The cases also provide supportive evidence for key policy points. Longer, more detailed versions of the short cases below can be found in Annex L.

### Moses Yacoobo\* – Rural Uganda

Moses Yacoobo lives in a thatched, wattle-and-daub hut in Kalangalo village, Mubende district, Uganda, with his wife, Gladys, and nine children. Despite living in a well connected and relatively wealthy village, the family have very few assets: no livestock, few utensils, few clothes, and there is no kitchen or latrine to speak of. Moses was born in 1956 in Kalangalo. When he was an infant his mother divorced his father, and remarried, as the second wife to a wealthy landowner. Moses grew up sleeping on a mattress under a corrugated iron roof, but never went further than Primary 2, due to deafness caused by measles. Instead of studying at school, he worked with his step-father, herding cattle, making pots and tending crops. At the age of 16 his step-father died, and he inherited half the remaining four acres of land (his father had sold most of his land). This caused a great degree of resentment, especially from his step-brother, and with his position untenable, he left and travelled to his father's village. He lived there for over a decade, and earned a living brewing millet beer. He married Gladys after the payment of bride price. After the animosity with his step-brother had subsided, he returned to Kalangalo with his wife and four children. Since then Moses has continued to brew and sell millet beer as an income source, but mainly relies on farming to support his family, cultivating maize, matooke, cassava and beans. But his deafness and lack of education have limited his success: he cannot work in the fields for long, due to his ear condition; he has become increasingly isolated within the community; and he does not access any of the agricultural extension or health services in the trading centre. By 2002, Gladys and Moses had 11 children, only two of whom had married and left home. Affected by disability and exclusion, Moses and Gladys struggle to pay school fees and buy uniforms for their large family.

Source: Background notes from Bird and Shinyekwa (2005); LADDER (2001)

### Maymana and Mofizul - Rural Bangladesh

Maymana is a widow, probably in her mid-50s, although her small, thin frame, wizened face and poor hearing make her seem decades older. Her son Mofizul is in his early 20s, and recently married a young cousin. He suffers from an impairment – a severely hunched back – that makes physical work difficult. Maymana had two years of education, while her son had none. The mother, son and daughter-in-law live in a small house in a relative's plot in a relatively well connected area of rural Bangladesh. At the end of 2000, the household had very little – no assets, just a ramshackle hut. Maymana's husband had died after they spent all their savings and sold all their rickshaws for private medical treatment. Her in-laws then unjustly seized her land. They depended on Maymana begging, gleaning, and getting the occasional bit of maidservant work (difficult as her hearing deteriorated). Mofizul undertook irregular casual child labour. Governmental support, in the form of a pension and a wheat ration, was intermittent and small – the ration card was withdrawn before the first month's disbursement was completed because Maymana's cousin was a supporter of the opposition political party. In 2005, the family was doing a bit better. They themselves had had no major health crises – though one of Maymana's married daughters died – and drawing on their own meagre savings and some help from the other married daughter, they were able to build a better house and accumulate some basic used furniture. Neighbours and relatives contributed to Mofizul's treatment, but he found that he could not work with his back in a brace. The now-adult Mofizul was earning more regular and higher wages in a brickfield, as a houseboy, and in a shop – though these are dependent on his health, the season, the charity of his boss, and the local economy.

Source: Hulme and Moore (2008)

### Bakyt – Small town Kyrgyzstan

Bakyt and his siblings live in Kokyangak – a small town of around 10,000 people – in southern Kyrgyzstan. Bakyt – an 11-year-old boy – and his two older brothers work as coal miners, earning income to buy food, or wood to heat the house. Bakyt's parents divorced when he was young, and his father does not support the family. Around 2002, Bakyt's mother became paralysed and is unable to walk, Bakyt's mother is now dependent on her children and a state grant of just over US\$10/month. The siblings also take care of their old and infirm grandmother. The brothers are employed as miners because the shafts are extremely small. The work is very dangerous: the shafts have no supports and could collapse at any time, and the children damage their backs hauling the coal out. But working for 12 hours in the mine puts food on the table: in the autumn and winter months the three brothers earn up to US\$5/day collectively. The siblings also do the housework, and have other ways of earning money (scavenging, or labouring for food). None attends school regularly, not only because they have to work to support the family, but because they cannot afford the required books and clothes (especially in the cold winter). Most of the household income is spent on potatoes, pasta, bread and tea. Due to their poor diet, hard work and poverty, the children are frequently sick. Talking about what he would like to see change in the future, Bakyt states: 'I do not know what the future holds for me and my brothers; sometimes I am horrified thinking about it, but I hope for a better future. Every day before I go to sleep, I pray for my mother's and grandma's health. I ask God that my brothers find a better job, and for my sister Anara to attend school. I also pray for myself – I would like to go to school and graduate high school. I do not want to see my mother crying into her pillow ... and I do not want us to have to think about what we will eat tomorrow.'

Source: CHIP – Childhood Poverty Research and Policy Centre

\* Names changed

### Vuyiswa Magadla\* – Urban South Africa

Vuyiswa lives in Khayelitsha, a densely settled informal settlement southeast of Cape Town, South Africa. Numerous family members from her rural 'home' stay with her in town – some permanently, others temporarily. Apart from her shack, Vuyiswa has few assets – an old bench, stool and table, and a paraffin stove, but while she is income- and asset-poor, she is able to draw on a dense network of social relations to eke out a living. Vuyiswa migrated to Cape Town in the 1980s after the death of her husband in the Eastern Cape. She was chased away from her dead husband's rural compound and moved to her brother's shack, from where she intermittently found work as a domestic worker in the suburbs. She earned enough money to move to her current shack in Khayelitsha, but in 1989 her domestic work came to an end: she broke her leg and, unable to work, she was fired. She turned her hand to informal trading, mainly trading vegetables, having received the capital for her venture from her brother. Such informal trading allowed her – for a while – to earn an income despite her limited mobility. From 2000, when she was diagnosed with diabetes, she has received a disability grant, and despite her ill health and failing eyesight, has used this grant to support her informal vegetable trading. Vuyiswa's income is not the only income source in the household. Her niece, like her aunt before her, works as a domestic worker. She now pays for household essentials in return for Vuyiswa (who has now given up vegetable trading) looking after her daughter. Vuyiswa also receives financial support from her boyfriend and brother. Without these connections Vuyiswa would be destitute.

Source: Du Toit and Neves (2006)

### Txab Xeem Yaaj\* – Urban Thailand

When Txab was 14 she was orphaned. Her mother had died and her father, involved in opium trading, had disappeared in Laos. Her parents had been relatively wealthy, but as a female minor, Txab was powerless to inherit assets and, along with her brothers (who did receive an inheritance), she went to live with her uncle. Despite her young age, her uncle did not hesitate arranging her marriage. She had no choice, and found herself living with an opium addict. Whilst her uncle did not provide the customary wedding goods for the ceremony itself, he nevertheless received silver bars as bride price for her. Several years later her husband died, and she found herself destitute with two children. She remarried, but her second marriage, also with an addict, was unhappy. After her children had married she left Laos to live with her eldest son and his wife, on the Thai border in a government-sponsored resettlement camp. Although the resettlement camp provided some opportunities for some of the wealthier Mong, in particular through the issuing of land certificates in the late 1980s, her son had moved to the resettlement too late to lay claim to substantial assets. Moreover, Txab was regarded as an outsider, mainly due to her two divorces and being a member of a different dialect group. However, she lived with her son for several years and learnt the local skill of clothmaking. She made batik, sending her goods to market via a local network. Unfortunately, her son became very ill and he sold their home, forcing them to move to his wife's village. Although still treated as an outsider, she converted to Christianity, and gleaned some support from that community. Her son survived, but their relations with his relatives deteriorated. Her daughter had married into another village, but, as is customary, Txab was not welcome in that community. Fortunately, Txab lived relatively close to a large and growing city, so she left her in-laws' house, and was able to find work making batik for visitors to a local museum. Txab, now 60 years old, lives with another woman in a small, unprotected hut on a main road. In the evening she walks for a mile to buy fish and rice for supper. She is lonely and does not have any guarantee of long-term work – her income sustains her day to day but she worries about the future.

Source: Harper, fieldwork notes

### Angel Muponda\* – Peri-urban Zimbabwe

Angel, 25, lives alone with her 19-month old son in a tiny tin shack in Plot Shumba, a privately owned peri-urban site near a large town in Midlands Province, Zimbabwe. Angel was brought up by her mother and grandparents in a rural community. The income from the family's farming and livestock paid for her school fees up to Form 2 but no further. To earn a living, she migrated to town, and took up work as a house girl, leaving her two-year-old son behind. But the terms of her urban employment were highly exploitative: her 'madam' refused to pay her and after a year she quit. During this time her mother had died and her daughter had been placed in the care of the child's father. Instead of returning to her natal village, Angel moved to the informal settlement at Plot Shumba. As part of the state's drive against informality, in February 2003 all 50 or so homes in the plot were destroyed. Angel was severely beaten and slept rough at a bus shelter for a month. After their supportive landowner obtained a court ruling, Angel was able to return to the plot and rebuilt her house and life. In the next two years Angel's fortunes improved – with the help of a cousin she found a job at a miners' bar, and fell in love with a goldpanner. However, when the mine closed and they both lost their jobs she moved into informal trading to bring in some income, and he turned to informal mining. In March 2005 she gave birth to their first son, only for her boyfriend to die in a pit collapse. In 2006 the state razed Plot Shumba to the ground again as part of Operation Murambatsvina, and Angel, now diagnosed HIV-positive and with her health failing, was reliant on neighbours and food aid through a local NGO to survive.

Source: Bird (2006b)

\* Names changed

## How many chronically poor people are there?

Before summarising estimates of the numbers of chronically poor people, it is important to locate chronic poverty figures within conventional \$US1/day poverty figures and trends, and multidimensional indicators of chronic poverty. Recent poverty estimates suggest that between 1993 and 2002 the headcount \$US1/day poverty figure in developing countries declined by 100 million people to 1.2 billion, driven by a reduction of 200 million people in East Asia and the Pacific. Poverty incidence, excluding China, decreased by two percentage points, from 27.6% to 25.6%, during this time period (see Annex I). However, once China is excluded from headcount figures, poverty in developing countries increased (due mainly to population growth) by around 65 million people (from 937 million to 1002 million).<sup>21</sup> The current global distribution of US\$1/day poverty is shown through the cartogram in Figure 1; the country categorisation schema is discussed below. Whilst these poverty figures are up-to-date, recent changes to purchasing power parities (PPPs) suggest that poverty estimates in many poor and emerging economies will rise once these adjustments are incorporated.<sup>22</sup>

Two regional poverty trends stand out: the dramatic reduction in the numbers of poor people in China; and the fact that poverty in Latin America and the Caribbean (LAC) became more urban than rural. Whilst poverty became more urban in all world regions, this was at a much slower rate than the rapid shift in LAC, where the rural share of the poor dropped by more than 11%. Excluding China, there was a 3.9 percentage point decline in the rural share of the poor, which translates into a sluggish rural–urban shift of around 0.4 percentage points per year. Apart from LAC, at least 70% of the poor were still found in rural locations in all regions in 2002.<sup>23</sup> However, rapid urbanisation in many countries in South and East Asia, and recently worsening urban poverty indicators in many countries, suggest that urban chronic poverty is a growing problem.<sup>24</sup>

In addition to money-metric indicators of poverty (i.e. \$US1/day), multidimensional indicators can give us important information about the wellbeing of the poor. Annex F describes key recent human development indicators. It shows that while child mortality (both under-five and infant) and life expectancy are worst in sub-Saharan Africa, child stunting, malnutrition and wasting are worst in South Asia. Comparing these figures with those in the first Chronic Poverty Report reveals a number

of important trends.<sup>25</sup> For example, whilst all regions saw reductions in infant mortality and under-five mortality between 2000 and 2004, infant mortality in West Africa increased by four deaths per thousand live births between 2001 and 2004. Moreover, South Asia is falling further behind other regions in terms of child stunting, which increased from 45.5% to 47% between 1992-2000 and 2004.

### Regional chronic poverty estimates

Although the data situation is improving, judging how many chronically poor people there are in the world, or in any given country or region, continues to be a difficult task. There is an ongoing dearth of high quality, representative panel data sets that include poverty-related indicators and are comparable between countries and over time. This means we have to rely on approximate estimates. Furthermore, most panel data sets are collected over such short periods of time – e.g. every year for three years – that it is difficult to extrapolate from this information to understand how much poverty persists over decades, lifetimes or generations.<sup>26</sup>

In the first Chronic Poverty Report we provided an initial estimate that there were at least 300-420 million chronically poor people worldwide. This estimate was based on extending the findings from the handful of available and appropriate datasets to other countries in each region (see Annex E).<sup>27</sup> We have undertaken this exercise again, and the results are presented in Table 1. Very few new panel data sets, or new waves of existing panels, are available. Thus a considerable degree of the alteration in the estimate is based on population growth, as well as on changes in the World Bank's estimates of US\$1/day poverty rates (see Annex E for further details of the methodology and results).<sup>28</sup>

The CPRC's best estimate is that at least 320-443 million people were chronically poor in the early part of the millennium. In other words, at least one-quarter to over one-third of the number of extremely (\$US1/day) poor people were chronically poor. The major change from the estimates provided for the first Chronic Poverty Report is for the sub-Saharan region, where our new estimates are substantially higher. We have been able to draw upon new data sets from Kenya and Ethiopia, both of which suggest that the proportion of poor people who are chronically poor is higher than we had estimated previously.

**Table 1: Estimated number of chronically poor people, early 2000s.**

| Region                | Estimated chronic poverty for entire region (low estimates) | Estimated chronic poverty for entire region (high estimates) |
|-----------------------|---|--|
| Sub-Saharan Africa    | 124 million   | 159 million  |
| East Asia and Pacific | 51 million  | 81 million   |
| South Asia            | 126 million   | 176 million  |
| Rest of World         | 19 million  | 27 million   |
| <b>All</b>            | <b>320 million</b>  | <b>443 million</b>   |

The limited availability of panel data means that it is not possible to draw conclusions about the geographic pattern of chronic poverty at anything other than a highly aggregated level. In particular, we have few estimates of poverty dynamics based on panel data for either Latin America, or the Middle East and North Africa. Estimates for these regions have been combined with those from Europe and Central Asia into the 'Rest of World' category.

Due to the shortage of panel data sets, a frequently asked question is the possibility of identifying a suitable proxy for chronic poverty. One that is frequently suggested is extreme poverty: households that lie substantially below a country's poverty line. Box 4 discusses this question. Preliminary evidence on the relationship between extreme poverty and chronic poverty suggests that, although the relationship is strong in one or two instances, extreme poverty cannot be assumed to provide a good proxy. Using it as such needs to be argued in each case.



An old woman begging in passing traffic. Shenyang is one of the main heavy industry bases and most polluted cities in China. Today the factories are not profitable any more and most of them are closing down, which results in massive unemployment. (Shenyang, Liaoning Province, China). Photo © Dieter Telemans/Panos Pictures (2003).

#### Box 4: Can extreme poverty act as a proxy for chronic poverty?

How good a proxy extreme poverty represents can be judged by analysing available panel data sets. Column A of the table below presents the number of households identified as being poor in both years of a panel data set (chronically poor), and the number of households in extreme poverty in the first year. The definition of extreme poverty varies from case to case. It is often set based on a food poverty line, but in all cases the extreme poverty line is significantly below the poverty line used in the identification of the chronically poor.

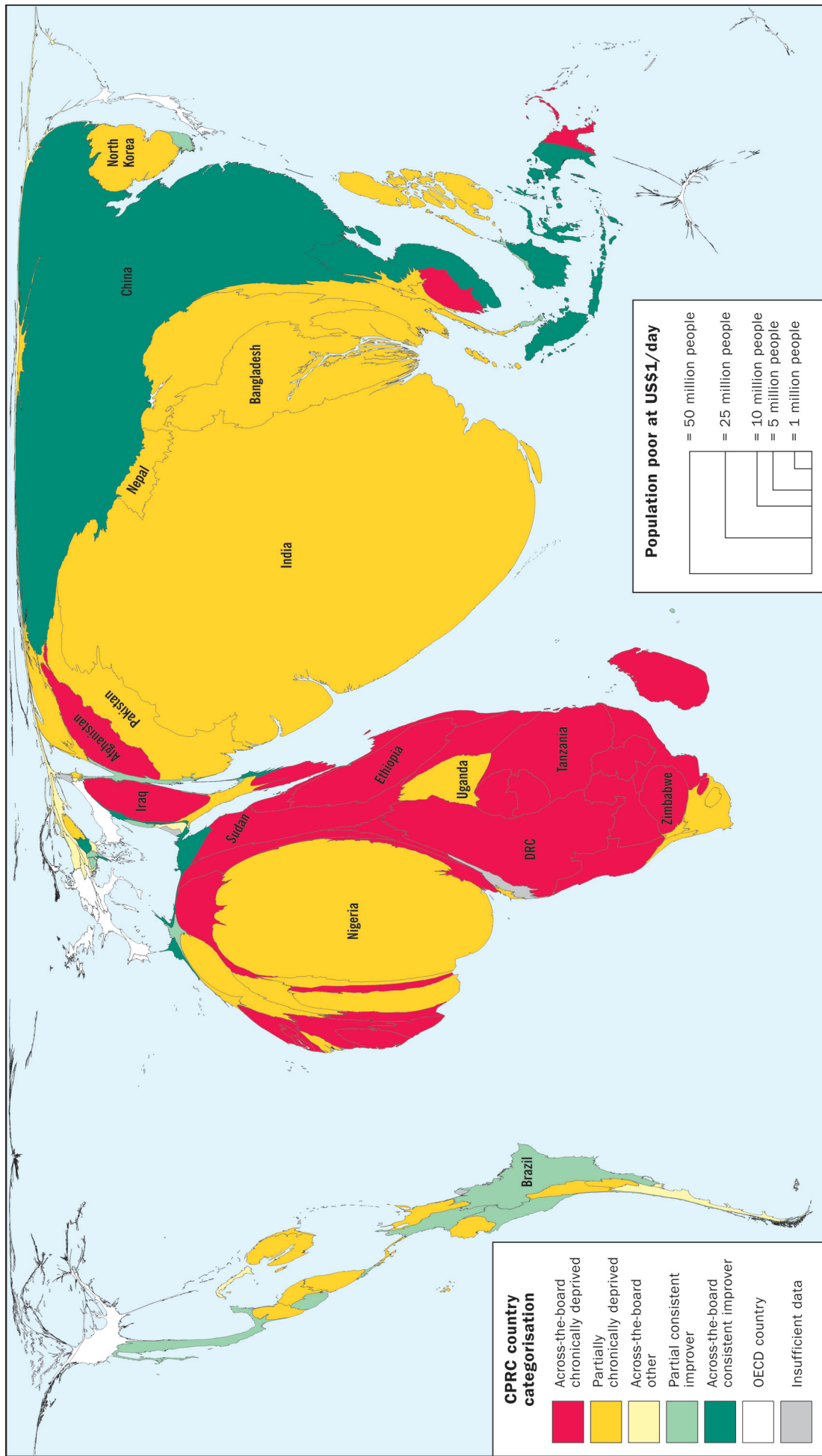
| Country                              | A. Number of chronically poor (/total households) | B. Number of extreme poor in first round of panel (/total households) | C. Percentage of extreme poor that are chronically poor | D. Percentage of chronic poverty captured by proxy |
|--------------------------------------|---|---|---|--|
| Kagera, Tanzania, 1991-2004          | 139/780   | 156/780   | 60.3  | 67.6   |
| Ethiopia, 1994-95                    | 409/1411  | 560/1411  | 66.8  | 91.4   |
| Côte d'Ivoire, 1985-86               | 16/158  | 7/158   | 71.4  | 31.2   |
| KwaZulu Natal, South Africa, 1993-98 | 355/1132  | 229/1132  | 52.0  | 33.5   |
| Egypt, 1997-99                       | 135/348   | 12/348  | 91.7  | 8.1  |
| Nicaragua, 1998-2001                 | 905/2937  | 572/2937  | 82.5  | 52.2   |
| Vietnam, 1993-98                     | 1236/4302   | 982/4302  | 69.1  | 54.9   |
| Uganda, 1992-99                      | 415/1077  | 309/1077  | 61.1  | 45.5   |

In the majority of cases, fewer people are identified as extremely poor than as chronically poor, though there are exceptions (Tanzania, Ethiopia). However, the table suggests that there may be some merit in using extreme poverty as a proxy. The figures in column C show the percentage of those who are extremely poor in the first round of the panel, who are also chronically poor. In all cases, a majority of the extremely poor are also chronically poor. The proportion varies from 52% in KwaZulu Natal to 92% in Egypt. Across these surveys, around 70% of the extreme poor (in the first round) turn out to be chronically poor.

So far, so good. But, when we consider that many of the chronically poor are not extremely poor in the first round, extreme poverty becomes less attractive as a proxy. Column D compares the proportion of the actual chronic poverty figure (column A) that is captured by using extreme poverty (in the first round) as a proxy (column C). It shows wide variation – from 8.1% in Egypt to 91.4% in Ethiopia. Overall, therefore, preliminary evidence suggests that whilst there is a correlation between extreme poverty and chronic poverty in some countries (for example, in Ethiopia), the relationship does not appear strong enough to use extreme poverty as a proxy for chronic poverty in all countries.

Source: Andy McKay, personal communication<sup>29</sup>

Figure 1: Cartogram of US\$1/day poverty by country



Source: refer to technical note on page 20.

### C. Why address chronic poverty?

Why focus on chronic poverty now? Why not do what is possible for the ‘easy-to-reach’ poor first? And why not leave the chronically poor until later? In addition to the sooner-rather-than-later arguments outlined above, here we outline the intrinsic and instrumental reasons for addressing chronic poverty.

Eradicating poverty forms a central element within a wider project of securing global justice and fairness. There are few reasons for people to accept social arrangements that offer no guarantee of even minimal standards of freedom and wellbeing for those who are at the lowest strata of global society.<sup>30</sup> Prioritising the chronically poor is a natural extension of the global ‘moral vision’ which has emerged over the past decades. For example, support for using foreign aid from rich countries to reduce poverty has grown substantially.<sup>31</sup> This has been the case particularly since the late 1990s, culminating in the Millennium Summit, the MDGs, the G8 poverty agenda and subsequent increased commitments of aid, debt write-offs, and continued promises of trade reform.

We argue that there is no excuse for hundreds of millions of people to be trapped in poverty, vulnerable to preventable illness, impairment and death.<sup>32</sup> All people have a right to a minimum standard of living and share in the wealth which humanity has generated. Exclusion on the grounds of being the hardest and costliest to reach is not just. In fact, the greatest gains in perceived wellbeing come from reducing the deepest poverty (since there are diminishing marginal returns to added income and assets).

The main actors in this struggle are the chronically poor themselves. Very few poor people passively wait for assistance: most work very hard and actively strategise to maintain and improve circumstances for themselves and their children. However, it is both unjust and impractical to depend on those with the fewest resources and least power to eradicate poverty. The obligation to act falls squarely on the shoulders of political and economic elites, states and the international community, without whom a large proportion of the 800 million now expected to have less than \$US1/day in 2015, will remain mired in poverty in 2025.

*It is both unjust and impractical to depend on those with the fewest resources and least power to eradicate poverty.*

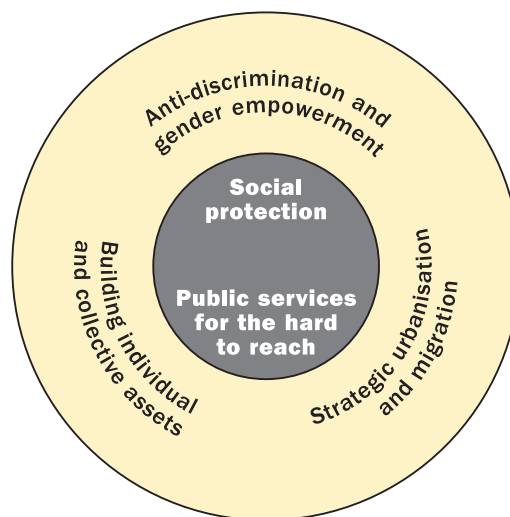
This report argues that eradicating poverty requires a widespread commitment at global and national levels to justice and fairness. By justice, we mean behaviour or treatment that is morally right. Allowing people to live in conditions of extreme deprivation throughout much or all of their lives is morally wrong. Fairness is about treating people equally. This includes an avoidance of absolute deprivation through

basic entitlements and rights. Fairness also includes three further aspects: equality of opportunity; equality in process; and a limited disparity of outcomes.<sup>33</sup> In this report we argue that justice and fairness in society are transmitted through the nature of political and social institutions.

### D. How to address chronic poverty?

In the following chapters we identify five key policy areas – illustrated in Figure 2 – which address the five chronic poverty traps. These policies do not map neatly (on a one-for-one basis) against the chronic poverty traps. Rather, they create an integrated policy set that can attack the multiple and overlapping causes of chronic poverty. These policies have been informed by public actions that have worked for the chronically poor.<sup>34</sup>

**Figure 2: Five policy responses to the five chronic poverty traps**



#### Article 25 of the UN Universal Declaration of Human Rights (1948)

- (1) Everyone has the right to a standard of living adequate for the health and wellbeing of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control.
- (2) Motherhood and childhood are entitled to special care and assistance. All children, whether born in or out of wedlock, shall enjoy the same social protection.

Priority goes to two policy areas – social protection (Chapter 3) and public services for the hard to reach (Chapter 5) – that can spearhead the assault on chronic poverty. Alongside these are anti-discrimination and gender empowerment (Chapter 5), building individual and collective assets (Chapters 3, 4 and 6) and strategic urbanisation and migration (Chapters 4 and 5). Working together, these policies reduce chronic poverty directly and create and maintain a just social compact that will underpin long-term efforts to eradicate chronic poverty.

A social compact is a set of mutual obligations between the state and its people. These mutual obligations reflect a core set of agreed values, and take the form of duties and rights that are fulfilled and become embedded in political and social institutions. A social compact exists when the majority of citizens agree (or at least acquiesce) to accept restraints on their individual actions in exchange for tangible benefits.

We argue that the best way to eradicate chronic poverty is through the creation and maintenance of a just social compact. This exists when political and social institutions are arranged to ensure a distribution of public goods and services that contributes to fairness in society.

There are two sets of desirable outcomes from a just social compact. The first is between the state and citizens. Here, the state acts to reduce people's risks – through law and order, services and infrastructure – in return for their commitment to the state (including a willingness to finance it through taxation). The second acts horizontally between citizens. A just social compact creates norms and expectations around how individuals interact with each other (politically, morally and economically). Importantly, these norms and expectations increase mutual benefits and reduce costs.

At the national level, a just social compact reflects consensual core values. At the international level, justice and fairness provide a sound philosophical and political basis for building projects with 'distant strangers', and a mode of action based more on solidarity than charity. Importantly, justice and fairness are not simply further Eurocentric ideals to be foisted upon the South. Recent international surveys clearly indicate that a sense of fairness regarding the distribution of resources is characteristic of communities within a full variety of cultural contexts.

However, not all social compacts are just. Social compacts come in different shades and stripes, and may include certain areas of public policy (such as famine prevention) but not others (such as tackling malnutrition or maternal mortality). Moreover, there are many pathways to a social compact. There is no single route. But, history shows us that successful pathways are based on three factors:

- reciprocal obligations between the state and citizens;
- the involvement of numerous actors, including social movements, democrats and technocrats; and

- building an effective state, and an efficient system of public finance that mobilises domestic resources and allocates them effectively to development and nation-building priorities.

Commitment to a social compact does not need to stem from moral, ethical or altruistic reasons. Self-interest can also be an important factor. Improving global economic and political stability, stemming the spread of disease and crime, and reducing terrorist threats are goals that can garner support from global and national elites. Such reasons can be central to mobilising political support for national and international anti-poverty initiatives.

All of our five policy interventions, and the creation and maintenance of a social compact, are very much dependent on the economic growth and revenue context. Whilst some argue that growth must be the main element in tackling poverty, there are strong limits to the extent to which economic growth alone can tackle chronic poverty – especially when growth is largely confined to a mine with few links to the rest of the economy (see Chapter 4). The economic life of the chronically poor is often marginal to the formal economy as a whole, which therefore diminishes their voice in politics. If this political voice could be amplified, it could be used to gain a fairer distribution of the proceeds of growth (even when growth is based on extractive industries). In sum, growth is necessary but not sufficient.

Public finance determines whether a state can achieve risk reduction and foster a social compact with its citizens. Without delivery of better services and other tangible benefits, the promises of government are worthless. (This is especially important in fragile states where leaders need to achieve 'quick wins' – see Chapter 6.) In this respect, we argue that improvements in security and

stability through social protection, public services for the hard to reach, as well as the further three policy responses, help to increase a government's credibility (thus helping to reduce state fragility and the likelihood of violent conflict).

### **Policies against chronic poverty – Preventing entries and promoting exits**

Our integrated policy set tackles the multiple and overlapping causes of chronic poverty through preventing entries into poverty, and through promoting exits from poverty. This is important, because the factors causing people to slip into poverty are not always the mirror image of those required to enable them to escape. In this respect, promoting ways out of poverty generally requires a different combination of strategies to those required for preventing downward mobility. Isolating the reasons for entry into, and exit from poverty, is not an easy task. The collection and analysis of good quality longitudinal quantitative and qualitative data is the best method, with

*Ill health and the costs of healthcare are overwhelmingly the single most important reason why households enter into poverty.*

a combination of panel surveys and life histories being particularly effective.<sup>35</sup>

The importance of distinguishing between the factors that cause entries, and those that precipitate exits, can be illustrated through Anirudh Krishna's work – which relied on participatory methods – in rural locations in Asia, sub-Saharan Africa and Latin America.<sup>36</sup> Krishna's work highlights how ill health and the costs of healthcare are overwhelmingly the single most important reason why households enter into poverty. Health shocks reduce the income-earning capacity of the household, and increase expenditure.

Social expenditures on marriages and funerals are also often associated with descents into poverty. Escapes, by contrast, are most commonly associated with income diversification (on and off the farm), and access to employment and the social networks (often kin-based) that provide information about such jobs.

Overall, Krishna suggests that policies on health services, social protection, and limiting the impact of one-off social expenditures are most likely to limit descents, while policies supporting diversification, urbanisation, and informal sector employment are most likely to facilitate escapes.

Different policy approaches are clearly required to address downward mobility into poverty and upward mobility out of poverty. Each of the key policies featured in this report addresses both, but with different emphases. For example, social protection clearly protects against downward mobility (through providing a buffer against shocks), but can also provide a springboard for exiting poverty (through allowing investments in assets and livelihood strategies). In terms of public services, post-primary education mainly promotes exits – if not in this generation, then in the next – while the better provision of reproductive health services can help both to prevent entries and to promote exits. Our five policy areas offer a comprehensive policy set through which poverty can be

*Our five policy areas offer a comprehensive policy set through which poverty can be eradicated, by preventing downward mobility and promoting exits from poverty.*

eradicated, by preventing downward mobility and promoting exits from poverty.

## E. Chronically Deprived Countries and Consistent Improvers

This report has sought to differentiate its analysis and policy suggestions by country context, because similar policies can have markedly different impacts, depending on circumstances and location. Recognition of context increases the consistency between proposed policy interventions and how real societies and economies function.

This report uses cluster analysis to classify 131 (mainly non-OECD) countries according to the level of, and change in, average welfare/deprivation, using data covering at least 20 years between 1970 and 2003.<sup>37</sup> The country trajectory analysis uses four welfare/deprivation indicators – GDP per capita, child mortality, fertility and undernourishment – to show evidence of four distinct country clusters and a residual group:<sup>38</sup>

- Chronically Deprived Countries (CDCs)
- Partially Chronically Deprived Countries (PCDCs)
- Partial Consistent Improvers (PCIs)
- Consistent Improvers (CIs)
- Others

### Box 5: Country Classification

**Chronically Deprived Countries (CDCs)** are characterised by relatively low initial levels of welfare (relatively low GDP per capita and relatively high mortality, fertility and undernourishment) and by relatively slow rates of progress over time across all available indicators.

**Partially Chronically Deprived Countries (PCDCs)** are characterised by relatively low initial levels of welfare and relatively slow rates of progress over time across at least one available indicator.

**Partial Consistent Improvers (PCIs)** are characterised by relatively low initial levels of welfare, a fast rate of progress over time in at least one available indicator, and with no indicator showing chronic deprivation.

**Consistent Improvers (CIs)** are characterised by relatively low initial levels of welfare, but faster rates of progress over time across all available indicators.

**Others** are countries which are neither chronically deprived nor good performers in any of the four indicators.

Source: Anderson (2007)



Two children carry bricks on their heads through the fume-filled air at a brick factory. Brick factories are a major source of deadly fumes and cause chronic respiratory problems in children who work there (Near Dhaka, Bangladesh). Photo © G.M.B. Akash/Panos Pictures (2005).



**Table 2: CPR2 country classification (1970-2003).**

|   |
|---|
| <b>Chronically Deprived Countries<br/>(76 countries, 40 in sub-Saharan Africa)</b>  |
| <b>Across-the-board Chronically Deprived Countries<br/>(32 countries – 27 in sub-Saharan Africa)</b>  |
| Afghanistan; Angola; Burundi; Cambodia; Cameroon; Central African Republic; Chad; Côte d'Ivoire; Democratic Republic of Congo; Eritrea; Ethiopia; Gambia, The; Guinea; Iraq; Kenya; Liberia; Madagascar; Malawi; Mozambique; Niger; Papua New Guinea; Rwanda; Senegal; Sierra Leone; Somalia; Sudan; Swaziland; Tanzania; Togo; Yemen, Rep.; Zambia; Zimbabwe   |
| <b>Partially Chronically Deprived Countries<br/>(44 countries – 13 in sub-Saharan Africa)</b>   |
| Azerbaijan; Bangladesh; Benin; Bolivia; Botswana; Burkina Faso; Dominican Republic; Ecuador; Gabon; Ghana; Guatemala; Guinea-Bissau; Haiti; Honduras; India; Jamaica; Kazakhstan; Korea, Dem. Rep.; Kyrgyz Republic; Lao PDR; Lesotho; Mali; Mauritania; Moldova; Mongolia; Myanmar; Namibia; Nepal; Nicaragua; Nigeria; Pakistan; Panama; Paraguay; Philippines; Saudi Arabia; South Africa; Sri Lanka; Tajikistan; Thailand; Trinidad and Tobago; Turkmenistan; Uganda; Uzbekistan; Venezuela |
| <b>Consistent Improvers<br/>(32 countries – 1 in sub-Saharan Africa)</b>  |
| <b>Partial Consistent Improvers<br/>(21 – 1 in sub-Saharan Africa)</b>  |
| Algeria; Bosnia and Herzegovina; Brazil; Chile; Colombia; Costa Rica; El Salvador; Iran, Islamic Rep.; Korea, Rep.; Kuwait; Lebanon; Macedonia, FYR; Malaysia; Mauritius; Mexico; Peru; Romania; Serbia and Montenegro; Singapore; Turkey; United Arab Emirates   |
| <b>Across-the-board Consistent Improvers<br/>(11 countries – 0 in sub-Saharan Africa)</b>   |
| Albania; China; Egypt; Indonesia; Jordan; Libya; Morocco; Oman; Syria; Tunisia; Vietnam   |
| <b>'Other' countries<br/>(18 countries – 0 in sub-Saharan Africa)</b>   |
| Argentina; Armenia; Belarus; Bulgaria; Croatia; Cuba; Czech Republic; Estonia; Hungary; Israel; Latvia; Lithuania; Poland; Russian Federation; Slovak Republic; Slovenia; Ukraine; Uruguay  |
| <b>Insufficient data to categorise<br/>(5 countries – 1 in sub-Saharan Africa)</b>  |
| Congo, Rep.; Georgia; Hong Kong; Puerto Rico; West Bank and Gaza  |

Source: Adapted from Anderson (2007). See Annex J for more details.

The membership of these groups is summarised in Table 2, which follows a continuum from CDCs to CIs.<sup>39</sup> Figure 1 maps the country categorisation (illustrated by the colours) against the numbers of people estimated to be living below the US\$1/day poverty line (illustrated by the relative size of the countries).

Chronically Deprived Countries (CDCs) correspond closely with UNCTAD's Least Developed Countries and the UNDP MDGs Top Priority countries (see Annex K). Most of the 32 CDCs are located in sub-Saharan Africa, with the addition of Cambodia, Yemen, Afghanistan, Iraq and Papua New Guinea. Partially Chronically Deprived Countries are drawn from a much wider range of regions.

Consistent Improvers (CIs) are located in North Africa, the Middle East and East and South East Asia, and interestingly are often characterised by a highly centralised polity. The distribution of Partial Consistent Improvers is more widespread, and in addition to the above regions, includes a swathe of countries from South and Central America, plus Mauritius.

Some clear policy lessons can be derived from the country classification. Table 3 describes the share of total figures for five further welfare/deprivation indicators for CDCs and CIs.

**Table 3: Chronically Deprived Countries and Consistent Improvers: Selected aggregate indicators**

|                                | Full CDCs | Full CIs |
|--------------------------------|-----------|----------|
| Number of countries            | 32        | 11       |
| Population (% of total)        | 10        | 33       |
| Child mortality (% of total)   | 36        | 6        |
| Infant mortality (% of total)  | 30        | 11       |
| US\$1/day poverty (% of total) | 17        | 22       |
| US\$2/day poverty (% of total) | 13        | 28       |
| Undernourishment (% of total)  | 23        | 23       |
| Aid in 2002 (% of total)       | 29        | 14       |

Source: Anderson (2007)

Table 3 shows that full CDCs account for a much larger share of child mortality (36%), infant mortality (30%) and US\$1/day poverty (17%) than their share of total population (10%). The CDC share of mortality and poverty has also been rising through time. For example, CDCs continue to lag behind all other sample countries by as much as 5-7% per annum in terms of reducing child mortality.

Table 3 also shows that full CIs account for a much smaller share of child mortality (6%), infant mortality (11%) and US\$1/day poverty (22%) than their share of total population (33%), and that the CI share of child mortality, infant mortality and poverty has been falling through time. Moreover, the country trajectory analysis has shown that the number of CDCs is increasing through time, while the number of CIs is diminishing.

The classification of CDCs offers evidence of a group of countries that are firmly embedded in a 'deprivation trap'. Over 80% of the chronically poor are found in CDCs, and this proportion rises to over 90% when India and China are excluded (see Table 4). These countries clearly require a very different policy approach, as they are at particular risk of slipping into conflict (see Chapter 6).<sup>40</sup>

*The persistently poor tend to be those who face multiple and overlapping difficulties, leading to vicious cycles and poverty traps.*

## F. Conclusion

The distinguishing feature of chronic poverty is its extended duration. Around 400 million people were chronically poor in the early part of the millennium, and neither the MDGs nor most PRSs currently consider the chronically poor to a sufficient degree. Even achieving the first MDG in 2015 would still leave some 800 million people living in absolute poverty and deprivation – many of whom would be chronically poor.

The persistently poor tend to be those who face multiple and overlapping difficulties, leading to vicious cycles and poverty traps. We argue that there are five chronic poverty traps which must be considered by policymakers when tackling chronic poverty:

- insecurity
- limited citizenship
- spatial disadvantage
- social discrimination
- poor work opportunities.

We respond to these five traps in the following five chapters.

**Chapter 2** assesses the extent to which the chronically poor are included in national policy. Based on a set of in-depth reviews of recent PRSs, the chapter shows how at present chronically poor people are usually invisible to those who research, make and implement policy. Poverty duration and depth are not adequately incorporated into poverty analysis, nor into the development, implementation and monitoring of policy. In this respect, the current approach to PRSs and the current policy orthodoxy are largely ineffective against chronic poverty. However, our review of PRSs suggests that many of the policies put in place can address chronic poverty. PRSs could have been a device to reduce chronic poverty and build social compacts. Instead, they have mainly been donor-owned products. A third generation of PRSs must be a more political project, taking into account national priorities and the informal spaces and networks through which key decisions are made.

**Table 4: Approximate proportion of the chronically poor by country classification<sup>41</sup>**

| Category                              | Proportion of chronically poor | Proportion of chronically poor without India and China |
|---------------------------------------|--------------------------------|--|
| Across-the-board chronically deprived | 20%                            | 40%  |
| Partially chronically deprived        | 60%                            | 50%  |
| Across-the-board other                | <1%                            | 1%   |
| Partial consistent improver           | 3%                             | 6%   |
| Across-the-board consistent improver  | 15%                            | 4%   |
| Insufficient data to categorise       | <1%                            | <1%  |

**Chapter 3** focuses mainly on responses to the insecurity trap (although it also has implications for each of the other chronic poverty traps). The chapter draws on recent experience to identify the characteristics of potentially effective and sustainable social protection schemes for the chronically poor. Social protection can not only prevent people entering poverty and reduce the time they spend in poverty; it can also be the basis for escaping poverty. Social protection can increase demand for health and education services, and locally produced goods and services. In this respect, social protection can underpin the social compact between citizen and state, through moving towards a minimum standard of wellbeing, below which people should not fall. Despite the broad benefits of social protection, initiating and sustaining social protection is ideologically, politically and institutionally challenging (not least due to elite concerns about dependency and the fiscal cost). The chapter outlines how these challenges can be overcome, and discusses how a global social protection strategy would contribute strongly to eliminating extreme poverty by 2025.

**Chapter 4** discusses one part of the broad context within which all responses to the five chronic poverty traps are located: the relationship between economic growth and the chronically poor. It discusses responses to the traps of poor work opportunities and spatial disadvantage. The chapter discusses the effects of the growth process on the chronically poor, and explores the policy levers by which pro-poor growth can be fostered. The chapter argues that there are strong limits on the extent to which economic growth alone can tackle chronic poverty. There is little, if any, engagement by the chronically poor in growth, due to the multiple deprivations and adverse socioeconomic relationships they experience. The chapter proposes that growth in the sectors where the poor are most represented (such as agriculture) is necessary, but not sufficient. Social change generated by growth often stimulates new political spaces for articulating the voice of the chronically poor – through the formation of trade unions to organise the emerging working class, for example. This political voice can in turn lay the ground for incorporating the poor into the economy in a positive manner, through asset investment (and redistribution), greater accountability in public finances, and regulation of market economies in the public interest.<sup>42</sup>

**Chapter 5** focuses on policies and public actions which can foster beneficial social change. It looks at responses to social discrimination, limited citizenship and poor work opportunities. The chapter argues that for the chronically poor to escape from these traps, they need greater agency, ways out of oppressive social relationships, and voice to articulate their interests. These are not impossible to achieve. Policy can provide some levers to foster processes of social change in more positive (or less harmful) directions: anti-discriminatory action, strategic urbanisation and migration, promoting gender equality (through access to reproductive health services and

gender equality in education), and post-primary education can all play an important role.

**Chapter 6** discusses the role of conflict and violence in contributing to the insecurity trap. Focusing on CDCs, the chapter suggests that such fragile states should be defined as those that do nothing to reduce individual risk, or that increase individual risk through predatory behaviour. It argues that one way of reducing state fragility, and thus violence and conflict, is to build and maintain a social compact. This is where the state acts to reduce people's risks – through law and order, services and infrastructure – in return for their commitment to the state (including a willingness to finance it through taxation). A social compact sets up mutual obligations between the state and the individual and provides the basis for the individual to commit their money, through paying taxes, to build the state. The state thus becomes an institution that enters meaningfully into the lives of poor people, rather than an abstract entity (or even worse, something that they do everything to avoid). To achieve this, fiscal institutions need to be built and focused on the poor and their needs. In this way, the social compact becomes integral to people's perception of justice and fairness and helps to tackle the trap

of limited citizenship. Thus, it can play an important role in reducing state fragility, conflict and violence.

**Chapter 7** concludes the report. It argues that to eradicate chronic poverty, substantial changes need to be made to the two core international policy initiatives:

*Poverty Reduction Strategies* – PRSs will remain a vital tool but they need to:

- disaggregate the poor and analyse chronic poverty at the national level;
- shift from being donor-owned documents to being embedded in national societies and polities; and
- move beyond policy prescriptions and tackle the social and political changes that are required to achieve their goals.

*Millennium Development Goals* – the MDGs need extending beyond 2015 to fully incorporate a global assault on chronic poverty. This means:

- setting a target of extreme poverty elimination by 2025;
- setting the goal of access to basic social protection for all poor and vulnerable people by 2020; and
- setting the goal of universal access to post-primary education by 2020.

We hope this report will be useful to national-level policymakers who, in order to make a positive impact on poverty in their country, have to engage with a complete spectrum of stakeholders (including the private sector, donors









*To eradicate chronic poverty, substantial changes need to be made to the two core international policy initiatives.*

and international development banks, and local-level NGOs and social movements). We also hope this report will be useful to policymakers within international and bilateral agencies, NGOs and civil society organisations, as well as academics

and students. For these reasons, we have endeavoured to include as many national- and local-level examples as possible to illustrate our policy points and support national-level policymakers as they select and justify their policy choices.

**Box 6: *Shob shomoy goreb chilam, e rokom cholche* – ‘We’ve always been poor, we go along this way’: The dynamics of chronic poverty in rural Bangladesh.**

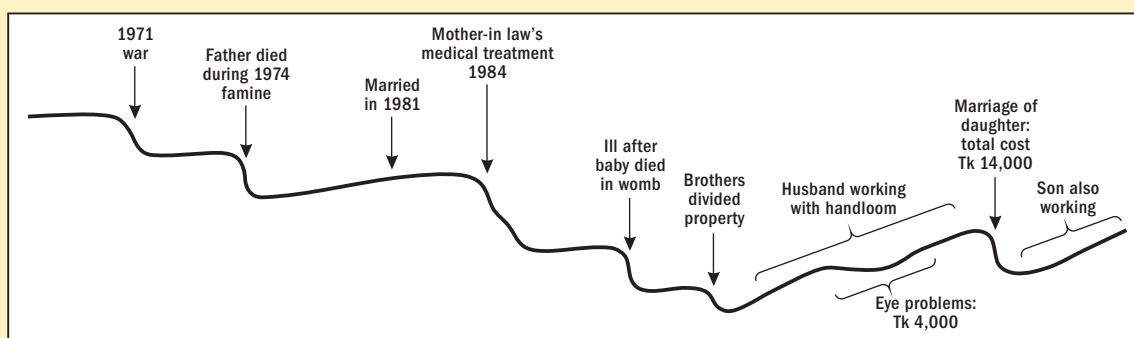
Qualitative life history interviews undertaken by Davis to investigate poverty dynamics in rural Bangladesh uncovered the rich temporal, spatial and social contexts of people’s lives, and allowed the researcher to identify eight stylised life trajectory categories:

| Trajectory pattern | Trajectory direction and depiction  |  |  |
|--------------------|---|--|--|
| Smooth             | Level                  | Improving  | Declining             |
| Saw-tooth          | Level                  | Improving  | Declining             |
| Step               | Single-step declining  |  | Multi-step declining  |

Improvements in people’s life conditions tend to happen only gradually, whereas sudden declines are much more common. As such, saw-tooth trajectories, where gradual improvements were interspersed with more abrupt declines, were the most common trajectory pattern. Fuljan’s story is a good example of a ‘level saw-tooth’ trajectory, demonstrating key characteristics of both ‘declining saw-tooth’ trajectories (e.g. effects of managing dowry costs) and ‘improving saw-tooth’ trajectories (e.g. division of property among brothers leading to benefits for some; life-cycle transition of sons beginning to work and contribute to the household income).

Fuljan was married at the age of 12 in 1981, after her father died from typhoid during the 1974 famine. Both Fuljan and her husband came from poor families. In 1984 her mother-in-law became ill with a stomach ulcer and they had to pay 13,000 taka for medical treatment. To fund this, her husband’s brothers sold a handloom. In 1987 Fuljan herself became ill after a baby died before birth and 20,000 taka was spent on her medical treatment. In 1990 the brothers divided the family property and in the following years their position improved. In 1998 her eldest daughter was married, costing 10,000 taka in dowry and 4,000 taka in other costs. To raise money for this, an advance was taken from an employer, 5,000 taka came from relatives, a goat was sold, and an NGO loan was taken out.

Now Fuljan is 33 and living with her husband, three sons, two daughters, and her 66-year-old mother-in-law. Another daughter was married in 1998 and lived with her in-laws. Fuljan’s husband works as a loom master, earning approximately 1,200 taka per month, and her 17-year-old son earns about the same, working with a handloom. They own a small piece of land where the house stands, and their total assets are worth approximately 12,800 taka. Their house is in a bad state of repair and they are looked down on in the community as ‘poor’, but with both her eldest son and her husband working and contributing to the household income, Fuljan is optimistic that her life condition will improve over the coming years.



As Davis notes, while social protection measures that help prevent or mitigate downward crises can help convert declining saw-tooth trajectories into improving ones, because they prevent what could have happened, they can be overlooked when tales of success via income generation dominate. In the Bangladesh case, the mitigation of negative impacts of illness (particularly of older people), dowry costs, social conflict, marriage breakdown and household dissolution all need to be kept as social protection priorities. Improvement is ‘caused’ by both upward drivers and the removal of downward ones.

**Box 7: *Opitanha* – Everything bad comes together: Social relations and the degrees of poverty in rural Mozambique**

Despite considerable advances in poverty reduction over the past decade, both income poverty and human development in Mozambique remain among the worst in sub-Saharan Africa. In order to supplement the available quantitative data, researchers from the Chr. Michelsen Institute recently undertook in-depth qualitative research, complemented by a small household survey, on the social relations and cultural perceptions of rural poverty in the broadly representative Murrupula District of Nampula province in northern Mozambique.

One part of the research concerned local people’s own (emic) means of differentiation among and between the poor and less poor. The research found that this was based as much on the dynamics of social relationships, and the capacity to exercise one’s agency, as on income and material wellbeing (see Table below). State and government institutions are conspicuously absent in people’s coping strategies, particularly those of the poor, for whom the matrilineal extended family and traditional authorities play much more important roles. The very poorest people are often marginalised and excluded, even from such relationships.

The authors argue ‘that development policy and aid have been hampered by a limited emphasis on distinguishing between different levels and types of poverty below set poverty levels – effectively defining the majority of people in countries like Mozambique as target groups while bypassing the most deprived sections of poor populations.’ They concur with CPRC ‘that reaching the very poorest and most marginalised requires targeted rather than “trickle down” policies and interventions.’

| <b>Five categories of poor household</b>  |  |
|---|--|
| <b>‘Deserving’ – poor because of misfortune</b>   |  |
| <p><i>Ohawa</i> – ‘suffering’<br/>People who are poor because of age and misfortune, and who have few if any chances of doing anything about it. Their poverty is based on their own inability to work and social isolation.</p>  | <ul style="list-style-type: none"> <li>• Older people</li> <li>• Chronically sick people</li> <li>• Widows/widowers</li> <li>• Orphans</li> <li>• Families with twins</li> <li>• People with physical impairments</li> </ul> |
| <p><i>Ohikalano</i> – ‘do not have the means to live’<br/>Includes younger men and women who are unable to work or produce, not through their own fault but due to an external incident, e.g. loss of property; poor returns for labour; drought or flood affecting agricultural production.</p>  |  |
| <b>‘Undeserving’ – poor because of behaviour</b>  |  |
| <p><i>Ovelavela</i> – ‘entrapped’<br/>Single young people (normally men) who do not listen to family advice or make sufficient effort to make a living for themselves, and who have not maintained or established good relationships with family and community members.</p>   |  |
| <p><i>Wihacha</i> – ‘making oneself suffer’<br/>Young adults (primarily men) who do not follow their uncle’s advice, and are lazy, divorced because of drinking or adultery, or are alcohol and drug addicts. Seen to bring shame on their families.</p>  |  |
| <b>‘Deserving’, but can’t be assisted</b>   |  |
| <p><i>Opitanha</i> – ‘everything bad comes together’<br/>Older people whose wives, husbands or other family members have left them; people who do not have relatives in the village; people who are the victims of calamities caused by other people or by nature; people who grow old without children; and those who are unable to work their land due to physical deficiencies. Case studies suggest <i>opitanha</i> are forced by their destitution to adopt practices that further trap them in poverty and illbeing across generations. While people in this category are generally pitied and supported, their very poverty inhibits them from entering into more permanent relationships with others, as they are not in a position to give anything in return.</p> |  |
| <b>Three categories of less poor household</b>  |  |
| <b>‘Deserving’ – wealth based on hard work</b>  |  |
| <p><i>Okalano</i> – ‘those who have’<br/>Includes young adult men and women with good agricultural production and money, who learn well and are capable of putting what they learn into practice, and who are successful in all they do.</p>  |  |
| <b>Wealth partly from birth and luck, partly from hard work</b>   |  |
| <p><i>Opwalatha</i> – ‘those who have a lot’<br/>Very young adult men or women who have ‘everything’ and are in a position to give work to other people in the community.</p>   |  |
| <b>Wealth largely from luck, possibly witchcraft</b>  |  |
| <p><i>Orela</i> – ‘fertility’ ... also known as <i>folgados</i> – ‘people without financial problems’<br/>People who produce a lot and know how to make the most of the help they get; lucky people who receive support when they ask for it from people in the village and outside; people who have money to invest.</p>   |  |

Source: Tvedten, Paulo and Rosário (2006)

### Technical note to Figure 1

A cartogram is a map which depicts a specific variable by relative size. In this case the variable is the number of poor people, according to the US\$1/day international absolute poverty line, in each country. So, each nation state – regardless of its actual land area – is shown proportional in size to the number of absolutely poor people living there.

An algorithm that creates a cartogram from a map, preserving recognisable shapes whilst re-sizing countries, has been something of a 'holy grail' of the cartogram world. Previous algorithms have greatly simplified the map in order to do this, turning the complex country shapes into little more than circles or hexagons of the right size. This new solution has advanced the science. Developed in 2005 by Mark Newman and Michael Gastner at the University of Michigan, it is inspired by the diffusion of gas molecules. Professor Danny Dorling (University of Sheffield) subsequently collaborated with Mark Newman, and colleagues at Sheffield, to create the 'Worldmapper' project, and provide online a series of world cartograms (see <http://www.worldmapper.co.uk>).

The population data used here are from the 2005 Medium Variant from World Population Prospects: 2006 Revision Population Database (UNDESA Population Division), available from: <http://esa.un.org/unpp/index.asp?panel=1>. (Population data for West Bank and Gaza is for Occupied Palestinian Territories. Population data for Serbia and Montenegro is for Serbia plus Montenegro). For technical reasons nations with fewer than 1,000,000 inhabitants (mostly small island states) were excluded.

The US\$1/day poverty rates are from World Bank's World Development Indicators 2006, and refer to latest available year. For countries with no data, and OECD countries, CPRC estimates are used.

The country colours refer to the CPRC classification of each country, as described in the cartogram legend. The classification is based on a cluster analysis according to the level of, and change in, average welfare/deprivation, using data covering at least 20 years between 1970 and 2003. The analysis uses four welfare/deprivation indicators – GDP per capita, child mortality, fertility, and undernourishment. See Annex J for a complete country listing, and Anderson (2007) for further details on the cluster analysis.

So, while the majority of chronically poor people continue to live in Asia, the most chronically deprived countries are in sub-Saharan Africa, with five exceptions.

The map of country outlines was produced by the Social and Spatial Inequalities (SASI) group in the Geography Department at the University of Sheffield, and the final graphic was designed by Nick Scarle (Cartographic Unit, School of Environment and Development, University of Manchester).

*Cartographic method* © 2006 SASI Group (University of Sheffield) and Mark Newman (University of Michigan). *Design* © 2008 CPRC and Nick Scarle (University of Manchester).

### Notes

1. Indeed, it is arguably those children living in chronically poor households who are presently not attending or completing primary school.
2. Vandemoortele (2007) makes the important point that the MDGs were not originally intended to be operationalised at the national level, and that using them as uniform yardsticks 'fundamentally disempowers' many countries which will never achieve the impossible targets in time. His arguments for contextualised, immediate and actionable goals at the country level are well taken.
3. For example, see Bowles, Durlauf and Hoff (2006); Barrett, Carter and Little (2006); Carter and Barrett (2006), and Mookherjee (2006).
4. However, it is important to note that it is not only the chronically poor who respond in anti-social ways, such as crime, substance abuse, or domestic and community violence.
5. Wiggins and Levy (2008)
6. Stern (2006)
7. Prowse and Peskett (2008)
8. The Goal's use of the US\$1/day measure to define extreme poverty has, despite methodological problems, been an important comparative tool in assessing poverty reduction.
9. Current figures for child stunting, under-five malnutrition and under five wasting are worst in South Asia, and, in the case of child stunting, appear to be worsening – see Annex F.
10. See also Addison, Hulme and Kanbur, eds (forthcoming 2008). *Poverty Dynamics: Inter-disciplinary Perspectives*.
11. Green (2006) has argued that the term 'durable poverty' should replace 'chronic poverty', as it better contains the social and structural nature of the problem.
12. See Shepherd, Brauholtz and Scott (2006).
13. See Baulch and Scott (2006).
14. These individual-level traps are very different from country-level traps. For example, Collier (2007) argues that the bottom billion are located in countries characterised by one or more of four national-level traps – poor governance, conflict, the natural resource 'curse' and being landlocked with bad neighbours.
15. Kanbur and Venables (2005)
16. See Begum and Sen (2004) for an examination of unsustainable livelihoods in Bangladesh.
17. Sahn and Stifel (2003)
18. Wan and Zhou (2005)
19. World Bank (2007: 3)

20. Christiaensen, Demery and Paternostro (2005)
21. Chen and Ravallion (2007)
22. Just prior to the finalisation of the present report, the World Bank's 2005 International Comparison Programme released new estimates of purchasing power parities (PPPs). While this has immediately shown that mean incomes in many poor and emerging economies are much lower than was thought – 'down by 40 percent in China and India, 17 percent in Indonesia, 41 percent in the Philippines, 32 percent in South Africa and 24 percent in Argentina' (Milanovic 2008) – with certain implications for poverty and poverty rates, there is no quick and easy way of transforming the new PPPs into new poverty rates. As the World Bank (2007:9) states, 'Additional data and analysis will be necessary before international poverty rates can be estimated, therefore direct application of these PPPs to the estimation of poverty levels and rates may yield misleading results'. Chances are that the global estimate of US\$1/day poor will rise markedly, but it will be some time until we know by how much. See <http://go.worldbank.org/OPQO6VS750> for further details.
23. Chen and Ravallion (2007)
24. See CPRC analysis of Demographic Health Surveys data in Annex H.
25. Annex G is a description of recent figures and trends for global indicators of chronic poverty, global indicators of childhood poverty, and global indicators of inequality.
26. CPRC and others continue to work on ways of estimating chronic poverty without the use of panel data.
27. The first report and background papers explained that 420 million should not necessarily be considered as a maximum, because the effects of measurement error in panel data often make it appear that there is more volatility in consumption/income levels than is actually the case.  
There are also different methods used to estimate proportions of chronically poor people: are we interested in the proportion of people who are poor now that were also poor five years (or a longer period of time) ago, or the proportion of today's poor population that we expect to be poor five years from now? While intuitively these are comparable, methodologically they are not. Based in part on this difference, the global and regional estimates presented by CPRC in the first report have been challenged.  
For example, focusing on a single country (Uganda), and also developing a different method of assessment based on cross-sectional Demographic and Health Survey data, Nandy (2008) suggests that CPRC 'misunderestimated' the numbers of chronically poor people quite significantly. Extrapolating from his method leads to an upper limit closer to 820 million chronically poor people globally. Further work is required to best understand and apply the various approaches to counting the chronically poor.
28. US\$1/day poverty rates are taken from the 2006 World Development Indicators. There is some concern that many of these poverty rates are unreliable, and, as noted above, with the recent changes in PPPs, are likely to change markedly. In some cases, and for some large countries like China and India, these revisions are likely to be very substantial. This will probably have serious implications for the regional and global estimates of chronic poverty.
29. See also Yaqub (2003) for a more detailed discussion of the complexities of the relationship between chronic and extreme poverty.
30. In making this challenge, the philosopher John Rawls (1972, 1999a) argues that a priori decisions concerning the distribution of power and resources should be made primarily from the point of view of the poorest in society.
31. Lancaster (2007); Lumsdaine (1993)
32. See Clark and Hulme (2005:7) for a more detailed discussion of the logic of considering those who have lived in similar forms and depths of poverty for a longer time as worse off.
33. Our definitions of justice and fairness are based on three principles derived from the work of Rawls (1972): first, that birth is a lottery and that all people are morally equal; second, that societies' top priority should be the poorest members of society; and third, that all citizens should have basic rights and positive/substantive entitlements (i.e. power and resources to operate in society).
34. Our 'success' stories adhere to four basic criteria identified to assess public policies success in the South (Bebbington and McCourt, 2007, Chapter 9):
  - Enhancement of human capabilities, in particular for the people who have the greatest capability deficits;
  - Action on a large scale (this might entail scale-up from an initial policy experiment);
  - Duration (the policies would have been implemented over at least ten years, and preferably across at least one change of government);
  - Success against the odds (at the point of inception a reasonable observer would have predicted that success was unlikely).
35. See Shepherd, Brauholtz and Scott (2006).
36. e.g. Krishna (2007), <http://www.pubpol.duke.edu/krishna/>
37. See Anderson (2007).
38. It's important to note that we do not make any assumptions about the 'equivalence' of GDP, child mortality or undernutrition indicators. Moreover, fertility is treated as an indirect proxy indicator of deprivation.
39. The cluster analysis technique utilised in the country classification is an improvement on other country classification techniques in the literature. For example, most classifications of 'poor' performance rely on subjective assessment by analysts, with the UNDP 'Top Priority Countries' classification being the main exception. Our approach is close to the UNDP method, with one arguable advantage – whilst the UNDP approach uses threshold values to determine categories (thus placing great significance on the level of the threshold), cluster analysis allows the data to speak for itself.
40. For example, no country with a per capita income of more than US\$6,000 has experienced civil war, and economic stagnation has been found to increase the probability of internal war in several studies – see Vallings and Moreno-Torres (2005); US Government (2000); Collier (2006); and Collier and Hoeffler (2004).
41. This is based on applying mid-range regional guesstimates of the proportion of poor people who are chronically poor to each country categorised.
42. However, recent research into the effects of social movement engagement with extractive industries indicates that although this may alter the geographies of where exploitation takes place, many such protests fail to cohere or have an impact (Bebbington *et al.* 2008).

# The policy and political challenge

## A. Introduction

Since 1990 the global framework for poverty reduction has focused on two goals: achieving the macroeconomic stability needed to underpin economic growth, and providing basic human development services – health, education, water and sanitation. These two elements remain the core components of what has been termed ‘the post-Washington consensus’.<sup>1</sup>

The role of growth itself has been controversial. It is now widely accepted that economic growth is essential but insufficient for poverty reduction, and not all growth is pro-poor. The type of growth that is optimal for poverty reduction (and is thus arguably in everybody’s interest), and how to promote it in different country contexts, remain poorly understood.<sup>2</sup>

Although there have been worthwhile achievements in the provision of basic public services, they have been too limited to provide many poor people with springboards out of poverty. Many poor people are still effectively excluded from benefiting from such basic public services. As a result, malnourished and sick people are less productive, vulnerable people avoid risk, and illiterate people have less ability to respond to opportunities. Well-designed human development interventions and the strengthening of human capital have huge potential to tackle chronic poverty (and are very cost-effective once the full costs of chronic poverty are considered). Such investments enhance the capacities of poor households to engage in markets and society.

Outside of growth and basic human development, the ‘framework of permissible thought’ in poverty reduction policy has remained remarkably unchanged.<sup>3</sup> Our five chronic poverty traps are not centre stage in aid debates and policies. Whilst the current policy orthodoxy focuses to a certain extent on the insecurity trap and limited citizenship (the latter by supporting democratisation and decentralisation processes, and the former by the growing concern with social protection), it does not do so, however, in ways that are beneficial to the chronically poor. Of the further three traps – spatial disadvantage, social discrimination and poor work opportunities – only the first is currently receiving much policy attention (through the 2009 World Development Report). This report signals both the

need for, and the possibility of, a substantial shift in thinking. Such a shift demands not only a pro-poor focus on growth and human development policy, but also one that responds to our five chronic poverty traps. For example, we know from the more reflective and historically-based study of development that there are structural and social changes – such as changes in gender roles, migration and demography – which are intertwined with increasing economic prosperity. Policy and political leadership should play a significant role in ensuring that such changes are more beneficial, or less harmful, for the chronically poor.

*Policy and political leadership should play a significant role in ensuring that structural and social changes are more beneficial, or less harmful, for the chronically poor.*

National Poverty Reduction Strategies (PRs), and National Development Strategies (NDSs) that have taken such a lead, have the potential to make a major difference to the lives of the chronically poor. At first sight their origins appear heavily technocratic, emphasising the importance of goals and targets, policies

linked to budgets, and frameworks for monitoring results. But underlying PRs is the kernel of a wider political agenda:

- shifting the style of policymaking to include more evidence on where and who the poor are;
- inviting increased participation as a way to improve governments’ accountability to their citizens; and
- recasting old ways of doing business for aid donors and governments alike.<sup>4</sup>

Almost a decade of formulating and implementing PRs (and NDSs) points to a number of important successes, and an improved focus on poverty in high-level policy discussions. These successes include broadening the reach of consultations to poor groups, and improving links between the aspiration of national strategies and the ability of national authorities to fund and implement them.<sup>5</sup> But the PR path has not been unproblematic. Questions have been raised regarding the sincerity of country ‘ownership’, a lack of connection with broader international and development processes (such as trade agreements), a lack of engagement with the realities of national politics, and the frequent marginalisation of stakeholders (including the nominal beneficiaries of the process – the poor).



Below we examine the extent to which policy responses and choices in PRSs can contribute to poverty eradication. First we assess the extent to which poverty and poor people are disaggregated in PRSs and in the policies they promote. We then examine political structures and leadership (where the nature of the political system is pivotal), institutional mainstreaming and implementation. For each of these questions we highlight how PRSs could improve. They play a vital convening role, but in their current form they are insufficient to address the needs of the chronically poor.

## B. Where are the chronically poor in PRSs?

Our review of a sample of first and second generation PRSs in former Heavily Indebted Poor Countries (HIPCs), and NDSs in non-HIPC countries (see Table 5), shows that as a 'category' the chronically poor remain largely invisible to policymakers. Strikingly, only one PRS – the Bangladesh National Strategy for Accelerated Poverty Reduction (NSAPR) – explicitly aims to reduce chronic poverty, but even here the focus is not maintained throughout.<sup>6</sup> Overall, there is no clear diagnostic or policy narrative about persistent poverty, its causes and consequences, in any of the PRSs and NDSs reviewed.

**Table 5: Poverty Reduction Strategy review countries**

| Country           | Country classification (1970-2003)   | National Poverty Reduction Strategy   |
|-------------------|--|---|
| Vietnam           | Across-the-board Consistent Improver (on three out of four indicators, with no data for GDP).                                    | First generation PRS – Comprehensive Poverty Reduction and Growth Strategy (CPRGS) integrated with five-year Socio-Economic Development Plan (SEDP) as of 2005.                         |
| Bangladesh        | Partially Chronically Deprived Country (on two out of four indicators).  | First generation PRS – National Strategy for Accelerated Poverty Reduction (NSAPR) 2005.  |
| Nicaragua         | Partially Chronically Deprived Country (on two out of four indicators).  | Second generation PRS – Plan Nacional de Desarrollo – Operativo (PND-O) 2005-09. First generation PRS – Estrategia Reformada de Crecimiento Económico y Reducción de Pobreza (ERCERP).  |
| Philippines       | Partially Chronically Deprived Country (on two out of four indicators).  | Policies and public investment in agriculture.  |
| Benin             | Partially Chronically Deprived Country (on three out of four indicators).  | First generation PRS – DSRP 2003-05. Second PRS in process of being finalised.  |
| Uganda            | Partially Chronically Deprived Country (on three out of four indicators).  | Poverty Eradication Action Plan (PEAP) now in its third generation.   |
| Ethiopia          | Across-the-board Chronically Deprived Country (on three out of four indicators, with no data for undernourishment). <sup>7</sup> | Second generation PRS – Plan for Accelerated and Sustainable Development to End Poverty (PASDEP) 2006- First PRS – Sustainable Development Poverty Reduction Programme (SDPRP) 2001-05. |
| Papua New Guinea* | Across-the-board Chronically Deprived Country (on three out of four indicators, with no data for undernourishment). <sup>8</sup> | Draft PRS exists but is not official government policy.   |
| Tanzania          | Across-the-board Chronically Deprived Country (on all indicators).   | Second generation PRS – National Strategy for Growth and the Reduction of Poverty (NSGRP Mkukuta) 2005- First PRS 2001-04.  |
| Solomon Islands** | Unclassified (because population is less than one million). <sup>9</sup>   | Poverty Partnership with Asian Development Bank = 'proxy' PRS.  |

\* Papua New Guinea also has a National Medium-Term Development Strategy 2005-10

\*\* Solomon Islands also has a National Economic Recovery, Reform and Development Plan

Nevertheless, PRSs do contain several of the building blocks that could contribute to a better understanding of chronic poverty. In a related CPRC review of 17 PRSs, four were found to include some examination of persistent poverty, while three out of the 17 mentioned the intergenerational transmission of poverty, largely through a focus on children living in poverty.<sup>10</sup> Most PRSs differentiate categories of extremely poor or destitute poor from other groups of poor people. Most include estimates of the depth and severity of income poverty. There is also a broad focus on multidimensionality, and on poverty and vulnerability as it affects specific economic and social groups and geographic areas. The question is whether this analysis is followed by specific policy measures.

### Disaggregating the poor in PRSs

Participatory Poverty Assessments (PPAs) have been a prominent data source in a number of first and second generation PRSs (e.g. Uganda, Tanzania, Vietnam), and have helped to disaggregate poverty into several types. Local definitions of poverty can help construct a more nuanced picture of the obstacles facing different groups of the poor. In PNG, poor people distinguished between three kinds of poverty: 'food poverty'; 'poverty of services', which highlighted a lack of infrastructure and public services; and 'poverty of opportunity', which signified a lack of ability to participate in the economy or to benefit from health and education. The chronically poor are the group most likely to experience all three of these forms of poverty. A further example comes from the Solomon Islands, where poverty is more widely referred to as 'hardship'. Its most important components are a lack of access to essential public services and income-earning opportunities.

PPAs can provide important data about social processes and types of poverty. It is striking, however, that five of the ten countries reviewed have panel data available, but have not utilised it in their PRSs. Whilst precise quantitative measures often fail to resonate with policymakers, not utilising such rich data sources makes it extremely difficult to differentiate the poor and provide a clear picture of who and where the chronically poor are.

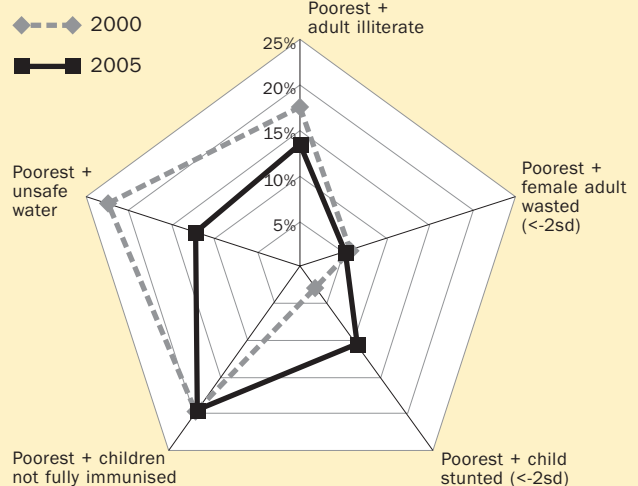
Many quantitative poverty analyses appear more concerned with how many poor people there are, rather than where they are, who they are and why they are poor. Most PRSs attempt to go beyond simple rural-urban dichotomies, by presenting data on key geographic disparities (for example, in terms of infant mortality and malnutrition, population, and infrastructure and natural resources). Some of the causes behind such disparities are identified, and include agro-ecology (Bangladesh, and see Box 8 on Ethiopia), limited integration with national economies (Vietnam) and conflict (Uganda).

### Box 8: Chronic poverty analysis and policy responses in Ethiopia

While there is no single measure of chronic poverty in Ethiopia, we estimate that around 6-7 million of 18 million US\$1-day poor are chronically poor. The first PRS made limited reference to chronic poverty or to specific groups of vulnerable people. In 2003 a fifth 'food security pillar' was added, placing chronically food-insecure Ethiopians within the Sustainable Development Poverty Reduction Programme (SDPRP). This contributed to the government's Food Security Programme which aims to reduce dependency on annual famine relief and to work towards achieving Millennium Development Goal 1 (MDG1) (see Box 13).

The challenge of food security in Ethiopia is confirmed by CPRC analysis of panel data and Demographic Health Survey (DHS) data. Whilst consumption poverty in rural areas fell from 1994 to 2004, with poverty exits supported by road infrastructure and extension service, DHS data suggest that this may not have translated into improved child nutrition. The pentagram below suggests that whilst the poorest quintiles' access to safe water improved considerably between 2000 and 2005 (possibly related to infrastructure improvements), the incidence of stunted growth in children worsened considerably.

#### Rural Ethiopia DHS data



The second PRS (PASDEP) recognises the need to further disaggregate the picture. It uses the concept of 'three Ethiopias': three agro-ecological zones that allow for a more careful tailoring of interventions. But it is unlikely that such high-level differentiation is sufficient. There are highly diverse local contexts within each zone and diverse specific challenges faced by the chronically poor within these contexts. Like many other PRSs, the PASDEP document is unclear about the practicalities of translating a broad policy commitment to a differentiated strategy approach into local-level planning and implementation.

Source: Brown and Teshome (2007), CPRC DHS analysis

Bangladesh's NSAPR is one of the few PRSs to link chronic poverty to unfavourable agricultural environments, such as areas prone to salinity, flood, erosion and drought. Vietnam's CPRGS also, unusually, mentions the role of inadequate or biased state investments in compounding the difficulties faced by isolated groups. Generally, however, there is limited discussion of spatial factors, including spatial politics, that entrap the chronically poor and limit their visibility and voice. Apart from these links and some causal analysis stemming from PPAs, there appears to be very little causal analysis that explicitly links certain factors to particular types of poverty.

### C. Policy responses/policy choices in PRSs

The lack of any simple link between poverty diagnostics and policy responses is by no means specific to concerns about chronic poverty. While many (especially first generation) PRSs contained much improved poverty analyses when compared with earlier strategies (especially the policy framework papers they replaced), the relationship between knowledge about the poor and policies intended to tackle poverty reduction has not always been clear.<sup>11</sup> Often policy choices appear disconnected from poverty diagnostics, and are subjected to minimal appraisal or *ex ante* scrutiny. There are only a few mentions of *ex ante* Poverty and Social Impact Analysis (PSIA) in our PRS review, and it is unusual to see how the findings of a PSIA directly influenced policy.<sup>12</sup> The disconnection between poverty diagnostics and policy responses highlights the importance of making a clear political case for such linkages.

The policies put forward in PRSs are of critical relevance to the chronically poor, whether or not they are directly targeted at them: they potentially hold the key for eradicating poverty (see Box 9). For the most part, PRSs include policy actions in broadly similar areas, which we categorise as:

- Broad growth policies – these generally set the framework and enabling environment for, or contribute to, the effectiveness of other policy actions.
- Sectoral policies – these are aimed at including and benefiting poor people, but generally are not exclusively targeted at them.
- Direct policies – these are targeted policy actions in health, education, water and sanitation, and the productive sectors. They are intended to broaden participation of the poor and vulnerable in development. They may include various social protection measures.

#### Broad growth policies

All PRSs and NDSs reviewed accord a central, if not primary, role to growth as a means of reducing poverty. This emphasis has been strengthened in the transition from first to second generation PRSs (examples include Tanzania and Ethiopia). All the strategies aim to achieve pro-poor, broad-based or shared growth. This pro-poor orientation is to be achieved mostly by promoting growth in sectors in which the poor are currently concentrated, or where their participation can be easily promoted. It is unlikely that such a focus will bring many direct benefits for the chronically poor (see Chapter 4).

The choice of focal sectors is broadly similar across PRSs, with a clear emphasis on promoting agricultural and rural development. There is more variation within focal sectors, reflecting different contexts and national priorities. Here the pro-poor focus also becomes less clear: for example, the channels through which the promotion of medium- to large-scale businesses and private sector investment (in order to stimulate growth) reduce poverty are not made explicit (see Box 10).

#### Box 9: What is policy and when is it pro-poor?

Theory tells us that policy is a choice made to undertake some course of action. Public policy is therefore what governments choose to do or not to do. In practice, policy is understood differently by different actors. It can be understood in a narrow technical sense – related to a specific issue or activity – or in a broad philosophical sense – encompassing a range of aspirations and intents. As part of the Bangladesh PRS study a senior government official was asked (several times) to explain what he understood by the term 'policy'. The answer was always that 'the government policy is to ensure the welfare of the general mass and/or distressed people'. In this interpretation, policy is the goal or objective of government. More generally in PRSs policy exists at several different levels: at the macro 'whole of government' level, sometimes called the 'policy framework'; at the level of specific objectives or themes such as growth, human development and governance; and at the level of individual sectors (education), sub-sectors (primary education) and instruments (universal provision).

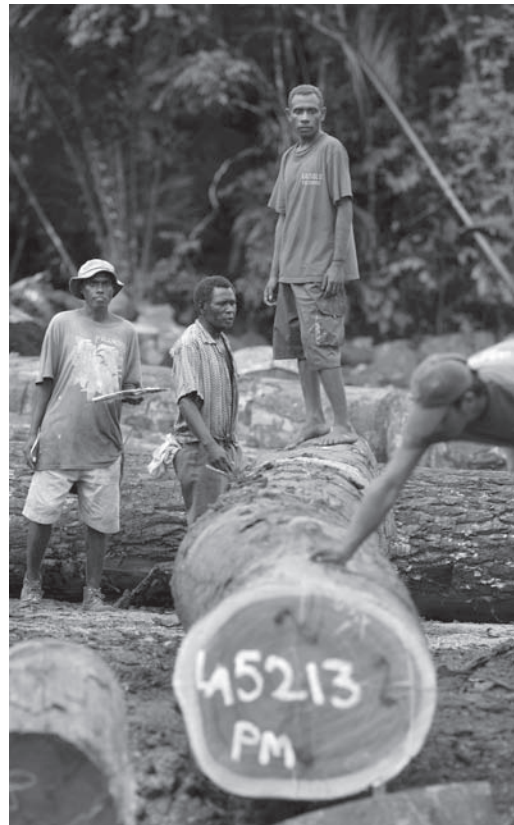
But what makes a policy pro-poor? Is it what policy seeks to do or what it ultimately achieves? And how do the chronically poor benefit from pro-poor policy? The general understanding is that pro-poor policies are those aimed directly at reducing poverty, either through improving assets and/or capabilities or through reducing vulnerability. Pro-poor policies are by definition those that should lead to better outcomes for the poor. Some would go further, to argue that they should also be based on a process in which the poor can directly participate. It is unlikely that many of the chronically poor would be able to engage meaningfully in such policy fora, due to marginalisation and discrimination. What is critical is that pro-poor policy should be measured not only by intents, but also by what is ultimately achieved for different groups of poor people.

Source: Evans (2007)

### Box 10: Growth and the management of natural resources in the Solomon Islands

Poor governance, combined with civil conflict, has resulted in a highly constrained business environment. There has been a withdrawal of private investment from the most productive sectors in the Solomon Islands – forestry, agriculture and fishing – thus reducing growth. Policies for tackling the main constraints include regulatory reforms, state-owned enterprise reform, the development of transport infrastructure and utilities, and financial sector reforms. These reforms all focus primarily on encouraging the return of private investment. Logging is an example of a business that has not only suffered due to weak governance, but has also failed to benefit the poor because of overexploitation. Profits flowed primarily to foreign firms and individuals, and inappropriate tax exemptions meant lower than expected tax revenues. Around 80% of Solomon Islanders live in rural areas and rely on subsistence farming for their livelihood. A key concern is what impact (if any) such reforms will have on the local, non-commercialised economy and on the natural resource potential that is currently untapped and untransformed for most Islanders.

Source: Clarke (2007)



Workers, members of the Lobi community, in a logging camp. With more than 60% of government revenue coming from tariffs on log exports, the country's economy seems locked into a spiral of resource depletion and unsustainable development (Marovo Lagoon, Solomon Islands). Photo © Natalie Behring/Panos Pictures (2004).

For example, Ethiopia's second generation PRS (PASDEP) emphasises increasing productivity and modernising agriculture through commercialisation, including the promotion of large-scale commercial agriculture. While the strategy is much more comprehensive than its predecessor (the SDPRP), there is still an absence of clearly defined links to the poorest producers (through labour market linkages) and to the poorest geographical areas. This observation is similar to the findings of a study carried out in Rwanda, using data from the income and expenditure survey for 2000,<sup>13</sup> which showed that the three poorest groups would be unlikely to derive much benefit, if any, from agricultural commercialisation. They had largely withdrawn from the market (due to poverty) and cultivated landholdings too small to produce a surplus. The study notes that measures to increase the productivity of Rwanda's small-scale agriculture are critical, but there is a risk that commercialisation alone could increase rural inequality.

In Nicaragua, the PND-O puts economic growth first, without major concessions to pro-poor growth. It relies heavily on raising the aggregate rate of economic growth, assuming that a trickle-down effect will distribute benefits to the poor (through productivity enhancements and job creation). Providing health and education services, and improved seed for smallholders, are viewed as the main mechanisms for reaching extremely poor households. It fails to pay attention to the factors that limit market participation, and the terms on which the poorest households engage in specific markets (such as land, labour and capital). Its assumptions about trickle-down therefore have limited credibility. What is missing is

a clear definition of the transmission mechanisms that link enabling policies with the livelihoods of poor people and their forms of market engagement.

Overall, growth policies in PRSs need an improved understanding of:

- the direct channels through which the chronically poor can participate in growth;
- the indirect channels through which the chronically poor sell their labour; and
- the fiscal link between growth and poverty reduction.

### Sectoral policies

Sectoral or inclusive actions cover a range of productive (often agriculture) and social (often health and education) sectors. Yet few PRSs are explicit about the rationale for selecting between different public investments and their likely return in terms of benefits for the poor. With respect to agriculture, one key exception is Uganda's PEAP. It assesses rates of return for sectoral investment in terms of their 'return to income-poverty reduction'. The clear winner is public investment in agricultural research and extension. This forms a central part of the Programme for the Modernisation of Agriculture (PMA), and a key pillar of the PEAP.

The PMA is a centrepiece of Uganda's long-term strategy of fostering pro-poor structural change. It is envisaged that rural poverty is best addressed through the promotion of agricultural commercialisation, and particularly by providing a coordinating framework for support services and public goods in rural areas. This has been regarded among donors as a genuine attempt to place poverty reduction at the core of the agricultural growth agenda. (However, following unenthusiastic reviews of the programme's implementation, the extension pillar of the PMA was recently suspended by the government.)

Whilst the PMA places poverty reduction at the centre of its strategy, its focus does not extend to the poorest, or even the poorest geographical areas, in Uganda. The emphasis instead is on reaching the 'economically active' or 'productive poor', through coordinated investments, and institutional and advisory support delivered at decentralised levels. The assumption is that the most structurally constrained groups working in agriculture – those with little land, casual labourers, dependent households – are not in a position to take advantage of such resources and/or require different kinds of support (neither of which is clearly acknowledged in the PMA). Other parts of government policy, not least the 1998 Land Act, recognise the importance of access to factors of production for the poorest producers. Weak implementation and politics have hampered any form of redistribution of rights to poor producers, particularly women producers or any improvements in tenure security. Moreover, efforts to reach the 'productive poor' need to be matched with commitments and actions to ensure that labour markets operate in the interests of the chronically poor (see Box 11).

In other PRSs, the focus on productive sectors centres around agricultural sub-sectors and the means to achieve rural development. Infrastructure development is strongly encouraged, often with local management and local schemes for operations and maintenance (see Box 12). Electrification and telecommunications are also flagged as critical elements of

*Efforts to reach the 'productive poor' need to be matched with commitments and actions to ensure that labour markets operate in the interests of the chronically poor.*



A man using a laptop computer on board the Fluvial Court boat during its journey along the Amazon river. On it are judges, lawyers, police, social workers, doctors, teachers and election officials. The boat visits small Amazonian communities once every two months and provides government services that have previously been denied them due to their isolation (Baillique Archipeligo, Amapa Province, Brazil). Photo © Dermot Tatlow/Panos Pictures (2005).

rural development strategies. There is scant analysis, however, of the possible limits to participation by the poorest groups, or the difficulties of service provision in remote or marginalised

areas. Within tourism there are significant opportunities for poverty reduction through supply chains which include chronically poor people.<sup>14</sup> Aside from some references to high-value tourism, there is little analysis of the service sector.

Choices about productive sector investments often lack a clear pro-poor focus in PRSs. Much of this relates to the lack of accurate poverty

diagnostics, including a lack of actual, as opposed to assumed, understanding of how the chronically poor make a living. Sectoral/inclusive policy clearly needs a better evidence base, not least for informing investment choices. These can often promote ways out of poverty, for example through the role of infrastructure, education and information provision in making agriculture work for the poor (see Chapter 6).

### Box 11: What should policymakers focus on when thinking about participation of the chronically poor in growth?

- Reduce formal entry requirements into key markets – such as land use restrictions, restrictions on labour mobility, especially between, but also within, countries, and removal of rules regarding informal sector trading;
- Specific investments in sectors where the chronically poor are represented;
- Investments to stimulate markets in chronically poor regions (market linkages, small-scale infrastructure investments);
- Attention to the terms of engagement in key markets – labour standards, anti-discrimination legislation, collateral requirements, etc.; and
- Progressive taxation which provides the basis for human capital development among the poor, and accompanying demand-enhancing mechanisms.

Source: Evans (2007)

### Box 12: Returns to public investment for pro-poor growth

A recent study by the International Food Policy Research Institute (IFPRI) in India finds that public investment in roads delivers the highest impact with respect to poverty reduction and the second highest with respect to productivity growth. Public investment in research and development has the highest impact on productivity growth. In contrast, expenditure on power, irrigation and health has minor impacts on poverty reduction and productivity growth. In a similar study in China, public investment in education has the highest marginal impact on rural poverty reduction, followed by research and development, and roads. Research and development appears to matter in all institutional contexts, which is a significant result in designing policy for pro-poor growth. However, little of this analysis breaks down 'the poor' into different groups and there is limited, if any, analysis of whether the depth and severity of poverty is also reduced from these kinds of public investments.

Source: Evans (2007)

In contrast, public spending on education and health is a central plank of all PRSs and is promoted as a critical route for reducing poverty. All the PRSs promise additional resources for health, education and, to a lesser extent, water and sanitation. In a large percentage of cases this is coupled with sector-specific or broader public sector administrative and management changes (to increase the effectiveness of investments). Because commitments to basic services are often based on wider national sector strategies (often predating PRSs) the agenda is invariably widened, to include more general human resource development and, sometimes, growth objectives. Policy measures are generally wide-ranging and inclusive, without touching directly on issues affecting the chronically poor.

There are important exceptions. The Ethiopia PRS places a significant emphasis on promoting both equity in, and expanding access to, education. Adult illiteracy is high in Ethiopia (66% for women and 51% for men). Moreover, a key indicator of inequality in education (the adult literacy female/male ratio) shows that Ethiopia is among the worst in the region (see Annex F). The foci in the PRS on geographical inequalities in education provision and on the need to lower barriers to girls' education are particularly progressive. Policies and strategies that are potentially inclusive of chronically poor households include building education facilities in closer proximity to communities, and flexible schedules to allow children to combine school and household livelihood activities.

Much of the high-level policy agenda of PRSPs is focused on relieving supply-side constraints to service delivery, including increasing funding and capacity at both central and decentralised levels. Less attention is generally given to demand-side factors that inhibit or constrain the ability of certain groups to take advantage of services, if they are available.<sup>15</sup> These demand-side factors include problems of accessibility due to distance or remoteness, the costs of paying for services, even if user fees have been abolished, specific barriers to girls, women and ethnic minorities based on societal attitudes, and competing household labour demands, particularly during certain peak periods in the agricultural cycle.



Sintayhu Shewatitik, 9, wants to be a trader when she grows up. "I want to be a trader because it's a good profession, I can earn money. I want to sell biscuits, chocolate and sugar." Sintayhu lives 20 minutes from school with her brother, two sisters and mother and father who are both farmers (Chimbiri, near Debre Birhan, Ethiopian Highlands). Photo © Chris de Bode/Panos Pictures (2005).

### Direct policies

Although relatively few PRSs directly target the chronically poor, they tend to include a range of targeted actions. Many of these direct policies (some of which are framed as social protection programmes) are part of mainstream health and education programmes. Examples include exemption and waiver systems to protect the vulnerable and poor from the adverse impact of health user fees, and educational scholarships. However, direct policies are not limited to health and education sectors. They include targeted social protection measures, such as social insurance schemes, cash assistance to poor families or specific groups (widows, orphans) and in-kind assistance for those in difficult circumstances (response

to natural disasters, conflict), as well as growth-enhancing initiatives such as production support, micro-finance and short-term employment creation (see Box 13 on Ethiopia).<sup>16</sup>

Vietnam's approach to direct policies is somewhat unusual, in that it has a set of nationally targeted programmes (NTPs) that predate the PRS but still form a significant part of its approach to poverty reduction. These NTPs include efforts to tackle hard-to-reach poverty in geographically isolated areas and amongst specific ethnic and demographic groups, mainly through local-level selection. The NTPs are the product of a planning tradition in Vietnam that places horizontal equity high on its agenda. They also reflect a time when geographical inequalities were fairly low and local officials were well informed about the poverty and vulnerability of their constituents. As mobility has increased in the market economy, and as economic and demographic pressures in rural areas have multiplied, such an approach to targeting the poor has come under increased strain. Nevertheless, the relative success of the NTPs in bringing focus and resources to poor communities and individuals is a measure of the broader political commitment by the Vietnamese authorities to social equity. It points to a greater awareness of chronic poverty than in some other PRS countries. Despite the efficacy of the NTPs, and the large number of poverty exits in place during the previous decade, chronic poverty in Vietnam remains entrenched amongst ethnic minorities and in highland locations.<sup>17</sup> And, as discussed in Box 17, there is plenty of room for improvement in the targeting process itself.

One major concern in the design and roll-out of social protection programmes relates to concerns about the development of recipient dependency. This is a widely assumed but largely unproven factor (see Chapter 4). It is not always clear what role social protection is intended to play – whether it is mainly one of alleviating the poverty of the

poorest, or whether it has a more transformative objective, providing opportunities to escape from poverty altogether. What emerges is a rather piecemeal approach, with a lack of tangible policy and budget priority in many cases.<sup>18</sup>

PRS policy analysis and policy choices, therefore, have limited resonance with our poverty traps and recommended policy actions for the chronically poor. There is some recognition of spatial poverty, through a focus on agriculture and remote communications and infrastructure. However, strategies to generate pro-poor growth often appear to assume trickle-down effects. Similarly, important public services in health and education are not aimed at the chronically poor, with little attention to demand-side factors, such as remoteness and barriers to the inclusion of girls, women and ethnic minorities (although there are notable exceptions). Whilst social protection is on the agenda, its purpose is largely unclear and its transformative potential thus unrealised.

Where the chronically poor do feature in PRSs, there is a more explicit commitment to fairness. In the Vietnam NTP, for example, horizontal equity has always been part of the political programme. But in general, issues of justice and citizenship are not themes of PRSs, anti-discrimination and gender empowerment policies are marginal, and urbanisation and migration feature rarely.

## D. Political systems and ownership

Poverty reduction is fundamentally a political objective. Relations of power, access to state resources, government policy priorities, legislative frameworks and even constitutional guarantees may need to be transformed if the poor are to benefit from enhanced opportunities and more secure livelihoods. Formulating and implementing policies to achieve poverty reduction are equally political. They involve both

*Relations of power need to be transformed if the poor are to benefit from enhanced opportunities and more secure livelihoods.*

### Box 13: Targeting the chronically food insecure in Ethiopia

Chronic poverty and chronic food insecurity are often treated synonymously in Ethiopia. Each year for the past decade the Ethiopian government has had to appeal to the international community for funds and food to provide relief to between five and 14 million individuals. These emergency appeals have undoubtedly saved lives, but they have not saved livelihoods. In response, the government launched a Food Security Programme to break the cycle of annual relief and to work towards achieving MDG1. The programme has three primary components: the productive safety net programme (PSNP); resettlement; and public works and household packages. It aims to reduce the vulnerability of, and attain food security for, eight million chronically food-insecure Ethiopians.

The PSNP, launched in 2005, aims to smooth consumption for food-insecure households by providing transfers of cash and/or food during lean months. It aims to reduce household vulnerability, protect assets and improve resilience. At the same time it aims to provide labour to create community assets. By early 2007 the PSNP had reached approximately 8.3 million rural Ethiopians in eight regions. Of these roughly one-fifth receive direct support and the rest are public works beneficiaries. Whilst only two years old, the programme appears to be successful in targeting the most food insecure. Households receiving direct support are generally poorer than those participating in public works, while both groups are significantly poorer than non-beneficiaries. The PSNP also seems to be improving household income and, to a lesser extent, access to services and protecting and building household assets.

Source: Devereux *et al.* (2005); Sharp, Brown *et al.* (2006)

winners and losers, as vested interests are no longer protected, discriminatory practices are discontinued and policies become more broad-based and benefit wider social groups.<sup>19</sup>

The current aid consensus suggests that ownership of PRSs is central to relevant policy design and effective policy implementation. A range of aid modalities also enters the picture, including donor commitments to alignment and harmonisation, the increasing importance of budget support, and pledges to increase the predictability of aid. Such changes have great potential to support the national ownership of PRSs – potential which, as yet, has not been realised.

Ownership places domestic politics firmly at the centre of PRSs. What kind of domestic politics matter for ownership of the PRS and concomitant momentum behind a pro-poor agenda? Experience across a wide range of literature would suggest that the nature of the political system is important for understanding ‘political ownership’, or political engagement in strategy and policy processes. For instance, the political system influences how power is organised within the executive and this in turn shapes how decision making is organised and enforced.

In at least three of the PRS countries analysed – Vietnam, Ethiopia and Uganda – the political system is highly centralised, with the main party dominating both the executive and the policymaking process. Importantly, all three countries also have strong ideological agendas. While the parliament or national assembly is an important institution in all cases, the policymaking process is only held to account to a limited degree. In these countries, PRSs are viewed as more effective statements of government policies than in some other more fragmentary political party systems, such as Benin or Nicaragua, where the PRS struggles to find its place amongst competing strategies and political party interests.<sup>20</sup>

If a competitive political system does not necessarily guarantee political ownership of the PRS, does it nevertheless increase the likelihood that chronic poverty will be in the policy frame? Box 14 suggests that this is not the case either. One hypothesis is that the responsiveness of public policy to the needs of the chronically poor depends significantly on the ability of politicians and technocrats to galvanise political elites in favour of poor and politically marginalised groups.<sup>21</sup> Arguably, this is more difficult to do the more fragmented the political system. For example, in Bolivia coalition governments resulting from electoral rules made it harder for the cabinet to operate in a coherent fashion, with different ministries allocated to different parties, and with the president having to rely on coalition partners to get decisions through.<sup>22</sup> PNG faces similar constraints. Its pluralist democracy is characterised by weak political parties (some 21 of them have at least one seat in parliament) and unstable parliamentary coalitions.<sup>23</sup>

#### Box 14: Political systems and poverty in PRSs

The PRSs with the clearest focus on extremely poor groups/localities are also countries with less than fully open political systems (Vietnam, Ethiopia, Uganda) or ‘illiberal’ democratic regimes (Bangladesh). PRSs without any obvious focus on chronic poverty include Nicaragua, Benin and Papua New Guinea, all of which have more liberal, openly democratic regimes (in the multiparty sense). The sample is too small to draw any significant conclusions. A working hypothesis, however, might be that multiparty democracy alone does not increase the likelihood that chronic poverty will be a focus of national strategies and policies, and tends to offer immediate gains for middle-income groups.

Source: Evans (2007)

In contrast, relatively authoritarian regimes such as Vietnam and Ethiopia have been able to demonstrate a commitment to reaching the extremely poor. This is partly because there are fewer organised interests to be managed. It is also due to the way their political support is structured and, in particular, the political calculations needed to ensure political survival and social stability over the longer term. In Ethiopia, for example, the ideology and rural power base of the ruling party means that the preferences of the rural political elite are joined with those of the poor in rural areas (see Box 15).<sup>24</sup> A similar situation prevailed in Uganda during the 1990s, whereby the National Resistance Movement (NRM) was dedicated to a vision of nation-building and modernisation and relied heavily on the votes of the rural poor. The notable exclusion from this compact were northerners, against whom the NRM fought to gain power. They have since experienced conflict and the highest levels of chronic poverty in the country.

The point here is not to re-run the old debate between democracy and authoritarianism. It is rather that political histories of state formation, and the configurations of power in particular countries, are highly significant in determining the pro-poor character of politics. Importantly, these forms of politics often remain poorly understood within donor or foreign policy circles. Exhorting governments to attack poverty may find little direct resonance among national elites, who have greater incentives to focus on the more ambitious projects of ‘modernisation’ and ‘nation-building’. Where momentum exists in these directions, donors may be better advised to engage with such projects, rather than insisting that regimes take ownership of a necessarily external process such as the PRS.<sup>25</sup> And the fewer political conditionalities external actors set, the better. There is a need to exercise moderation in demands for good governance (‘good enough governance’ should be the aim) and to temper these with analysis of the degree to which the elite project is grounded in concepts of justice and fairness.<sup>26</sup>



## E. Institutional mainstreaming and participation of the poor

Ownership is only partly a function of the political sentiments attached to a PRS; it is also a function of how the PRS is mainstreamed institutionally.<sup>27</sup> This raises the question of the extent to which the PRS is a key instrument for policymaking and allocating resources in government, and, by extension, how policies favouring the chronically poor are prioritised and budgeted for. Reviews of PRSs point to a number of generic concerns about institutional mainstreaming, including:

- a conflict between the breadth, range and degree of prioritisation of actions to which PRSs are expected to commit, and the capacity to deliver on them;
- weak links between poverty diagnostics and the decision variables guiding policy choice;
- inadequate linkages between strategy commitments and budgets, in part because of weakly developed budgetary systems and processes of prioritisation;
- weak capacities and overly ambitious plans, especially for local government;
- limited incentives attached to PRS implementation at all levels;
- a tendency to prioritise the inclusion of civil society organisations in consultation processes, rather than key stakeholders within political society (e.g. politicians, parliamentary committees); and
- processes being driven by donor interests instead of national interests.

Two important further concerns relate to consultation exercises themselves. Firstly, there are limited opportunities for direct participation by poor groups in PRS consultation exercises,

often linked to language barriers, remoteness and inadequate information. Secondly, consultation exercises seem to have a relatively limited impact on policy formulation. The extent to which the poor as beneficiaries can ever be realistically included in high-level policy dialogue is questionable. However, this does not negate the importance of policymakers seeking broad consultations on policy, and trying to gain an understanding of the realities facing poor people.

In Latin America, consultations have only played a significant role when used to assist in implementing a specific policy measure supported from within government.<sup>28</sup> Consultation has had a minimal impact on policy change itself. In Ethiopia, despite an ambitious consultation process as part of SDPRP, which ran from the centre down to the local (*woreda*) level, the degree to which these exercises were genuinely consultative has been questioned.<sup>29</sup> Second generation PRSs have learned some of these lessons and, rather than rerunning broad-based consultative exercises, have tended to opt for more limited and focused fora. Involving communities in the process by which local government sets budget priorities (through participatory budgeting - see below) can be an important step forwards.

But it is not just the extent of consultation that is important; it is also the degree to which consultations open up space for the consideration of policy alternatives, particularly alternatives that seek to impact positively on the chronically poor. In the Ugandan PEAP, which has often been framed as the showcase for the PRS experiment, consultations have always played an important part. Its participatory mechanisms have generally been judged positively.<sup>30</sup> The PEAP process has opened up spaces within which civil society groups can participate. It has also institutionalised a commitment to listening to the voices of the poor, through the creation of the Uganda Participatory Poverty Assessment Program (UPPAP). Nonetheless, pro-poor

*The fewer political conditionalities external actors set, the better.*

### Box 15: Ideology, politics and policymaking in Ethiopia

To understand policymaking in Ethiopia it is crucial to understand the role and ideology of the ruling party – The Ethiopian People's Revolutionary Democratic Front (EPRDF). The EPRDF, its cadres and ideas are intertwined with government structures and policies at all levels of the state. The EPRDF's ideology is rooted in its military history and its experience of mass mobilisation in resistance to the previous regime (the Dergue). As a result, EPRDF's preferred conception of democracy has not been the liberal variety, based on individual participation and the contestation of interests and views. Rather, it espouses a revolutionary democracy, based on communal participation and consensus forged through discussion led by the vanguard organisation. In this view, although participation is understood as a cornerstone of good governance, the form that it takes is more directive and topdown than genuinely participatory. The policymaking process remains topdown and directive and formed at the heart of government by a set of leading party figures. Throughout its history the EPRDF leadership has seen the rural poor as its primary political constituency, and key government policies and programmes have often had a strong rural bias. The SDPRP, for instance, has an overriding rural development focus and the education and safety net programmes are focused almost exclusively on rural areas. PASDEP, the second PRS, gives more attention to urban areas and business as a driver of development; however, the strong attachment to the rural population is visible in government policymaking.

Source: Brown and Teshome (2007)

advocates in Uganda have found it difficult to challenge the government or offer alternative policy ideas. This reflects both the limited capacity to research and test alternatives outside of government, and the tendency of the dominant political elite to limit the space for alternative discussions.<sup>31</sup>

The political difficulties of institutional mainstreaming are real. But we feel that much previous analysis of PRS reviews is missing the point. Certainly, mismatches between prospective actions and capacity, poverty diagnostics and policies are important, as are weak budget coherence, capacity and incentives. However, highlighting these shortcomings only offers technical solutions. For substantive 'ownership' to occur we need to focus on broader political currents and actors, including the role of social movements, and champions at the highest level of the polity.

## F. Implementation

Policy actions or programmes all face serious barriers to implementation. Beyond issues already discussed (such as political system and ownership), very few further factors emerged as clearly contributing to successful implementation. The main exception was political leadership and budget discipline.

A clear link between PRSs and the national budgets is vital for effective policy implementation. This can be driven by strong political leadership and commitment. Without clear budget priorities and predictability, the capacity to resource programmes and activities is limited. Making this happen requires a combination of strong political leadership (including the ability to make tough choices), good analysis, budget discipline and a medium-term process for budget allocation (see Box 16).<sup>32</sup> One clear illustration of the confluence of political leadership and budget discipline can be found in the expansion of education to include poor students in Ethiopia.

The education budget has grown significantly, rising to 20% of the overall budget in 2005-06 and is protected from other spending pressures. As a consequence, enrolment has increased significantly, from 40% in 1999-2000 to 70% in 2004-05. There has also been a significant increase in the number of girls in school.

### Obstacles to implementation

In contrast to the limited number of success factors, our review of PRSs found seven major obstacles to implementation, as outlined below.

- i) *Lack of a clear 'political project' linked with poverty reduction.* A comparison of Uganda and Papua New Guinea makes this point clearly. One of the strengths of Uganda's PEAP in the early years was that it represented a coming together of three interrelated 'projects': the national political project of state building, unification and legitimacy; the technocratic project of building autonomous technical capacity for policymaking; and the international project defined by Heavily Indebted Poor Countries (HIPC) and the roll out of PRSs. By contrast, a clear political project focused on developing the nation as a whole, not just for the benefit of certain regions or interest groups, has been largely absent in Papua New Guinea. Political interference in the bureaucracy has limited its capacity to get on with the business of delivering an effective development policy in the interests of all Papua New Guinean citizens. The presence of large mineral resources and associated windfall profits has skewed political decision-making and rendered central and local governments weak in the face of political rent-seeking. Clearly, for Papua New Guinea 'getting the politics right' is going to be key.

### Box 16: Why budget discipline matters for pro-poor spending

Many of the problems of ineffective budget management that undermine the ability to reorient spending towards the poor stem from political reluctance to recognise the need for tough choices and budget discipline. While governments may state a commitment to poverty reduction, a weak budget process can undermine much of that commitment. The PRS process has helped to reinforce the position of reformers wishing to enhance and preserve allocations important to the poor. The Poverty Action Fund in Uganda has been an especially useful model for ensuring that additional funds flow into additional spending to benefit the poor, and for helping to contain pressures from other spending priorities. The Medium Term Expenditure Framework (MTEF) is another tool for focusing on strategic priorities and creating the basis for sound budget decision-making. In Uganda this has been done by putting in place a central challenge function, with submissions from departments assessed against a small number of simple criteria. Analytical capacity for scrutiny has been built at the centre, while donor resources have been drawn into the preparation of medium-term budget plans at sector level. A further innovation is the strategic placing of the Poverty Eradication Working Group at the apex of the budget-making process, whereby all sectoral spending proposals must first pass through the poverty-lens of this group. The fact that the Private Sector Working group sits alongside the Poverty Eradication Working Group at this apex augurs well for developing the type of synergistic state-business-popular relations that characterise developmental states (see Chapter 4). It also offers a telling illustration of how technical process can be aligned with the broader challenge of establishing pro-poor forms of politics.

Source: Foster et al. (2002)

ii) *The complexity of defining and reaching the chronically poor and the high costs of targeting.* Here we offer examples from Vietnam and Bangladesh. Targeting in Vietnam's NTP is a complex business. Poor households eligible for support are identified using complex criteria generated by the Ministry of Labour and Social Assistance (MOLISA). The method (see Box 17), while promoted as fair and transparent and having numerous benefits, still manages to miss out important groups of poor people. First, each year central government sets a poverty reduction quota for each locality, which in turn limits the number of people who can expect to be considered eligible for targeted services. Second, poor administration and bureaucratic procedures mean that poor people can become ineligible for services, because IDs and certificates have not been issued in a timely manner. Third, restrictions on immigrants registering for residence means that they are not considered as part of the identification process.<sup>33</sup> Finally, PPAs have noted that local communities tend to marginalise certain individuals or groups, based on social norms. Hence, drug addicts or HIV-positive individuals are often excluded from the official poor list, even though they are among the poorest in all regions.

Credit is one example of an intervention which, despite the rhetoric, the chronically poor find hard to access and use. In Bangladesh, a country known for its targeted programmes, a lack of knowledge about the characteristics of the chronically poor limited the range of packages offered by microcredit agencies. They offered 'general loans' rather than the more targeted products for different poor groups which are now being trialled. In Vietnam, village-level studies show that in some cases 'hungry households' are officially excluded from micro-credit programmes because they are assessed as too poor. Meanwhile some of the poorest households do not access programmes because of self-exclusion (fear of indebtedness) or limited outreach and a limited range of credit products. Lessons from international experience confirm, however, that financial services can be provided in difficult environments and among



*Hmong children near their village in the north of the country (Sapa, Vietnam). Photo © Dieter Telemans/Panos Pictures.*

hard-to-reach groups. To do this requires more than the 'classical' microfinance model.<sup>34</sup>

iii) *Weak ministerial representation/funding of chronic poverty agendas.* Pro-poor programmes initiated by government and funded with government resources are generally meant to be inclusive of 'the poor', but few make direct concessions to the chronically poor. Part of the reason is the lack of a visible, organised voice representing the chronically poor, both inside and outside of government. Where responsibility is said to exist, it is often assumed to reside in ministries, departments of welfare or community services that have a relatively low profile in government. Weak ministerial representation compounds the limited voice of the poorest. It also limits the mechanisms through which decision-makers are accountable to the chronically poor.

iv) *Capacity weaknesses and donor non-alignment.* Capacity weaknesses universally affect implementation, but are often particularly significant in programmes important to the poor because of their multipurpose (multisector, multilocation) character.<sup>35</sup> Capacity for coordination is often at a premium, but it can be easily undermined by a number of factors: weak institutional links (between sector ministries); political or budgetary rivalries between implementing departments or agencies;

### Box 17: Targeting under the NTPs in Vietnam

A household whose expenditures are below the threshold (poverty line) is considered as poor. Every year MOLISA, acting as the lead government agency, provides guidelines and technical assistance to authorities at provincial, district and commune levels to identify and count the number of poor households in their locality. At village level, the village head (the most local government officer), working together with representatives of mass movements, prepares a list of poor households using these guidelines. The list is posted in the village for a month. Next, the village head organises a village meeting for people to discuss and agree on the list. The list is then submitted to the commune authority for consolidation with other village lists. The commune list is also posted in a public place for feedback. Next, the commune list is sent to the district authority, where it is further scrutinised and checked. Finally, the district submits the consolidated list to the province, which finally approves it and sends it to MOLISA.

Source: Tuan (2007)

and donor initiatives that cut across or 'go around' government priorities, particularly at the subnational level. In Papua New Guinea, administrative systems are failing to serve citizens generally, but especially the poorest citizens in far-flung rural areas. Community development officers often work without telephones or transport to go into the field.<sup>36</sup>

- v) *Inadequate budget resources/prioritisation.* Examples of this were noted in reviews of PRSs in Tanzania, Vietnam, Uganda, Bangladesh, Nicaragua and Benin. Although Uganda has made good progress in terms of progressive policy formulation to reduce poverty, this has not been matched by successful budgetary support or implementation. A functional breakdown of the central government budget shows that 'Community and Social Services', the area of government directly responsible for social development and exclusion issues (many of which affect the chronically poor), gets less than 1% of the total budget. Of course, other aspects of the budget such as agriculture, education, health, water and roads, are also clearly relevant for the chronically poor. But for many people living in long-term poverty and facing disability or social prejudice, the lack of spending on community services is a critical obstacle. Participatory budgeting has offered the poor and the marginalised an unprecedented opportunity to get involved in local governance.<sup>37</sup> The evidence also suggests, however, that this is dependent on pro-poor political parties gaining power.<sup>38</sup>
- vi) *Weak planning and coordination, weak accountability at local/sub-national levels.* This emerged in the reviews of

***For many people living in long-term poverty and facing disability or social prejudice, the lack of spending on community services is a critical obstacle.***

PRSs of Uganda, Bangladesh, Philippines, Nicaragua, PNG and Vietnam. Bringing government closer to people through decentralisation is widely considered to be a key component of any PRS. But decentralisation initiatives often find themselves delegating functions to weak institutions, despite considerable evidence that local governments are no more inherently pro-poor than national governments. The decentralisation agenda often mistakenly presumes that the local state is at worst a benign force for the chronically poor. There is little systematic evidence from the PRS reviews that decentralisation has been a panacea for reducing poverty (although there is some evidence from Indonesia – see Chapter 6). Robust systems for allocating resources from central to local levels, as well as participatory budgeting can help. Much more frequently, however, institutional roles and responsibilities are poorly clarified and devolved political power is subject to insufficient checks and balances (see Box 18).

- vii) *Limited information on policy outcomes.* Policies to address chronic poverty need to be 'sold' to governments as being consistent with broad agendas around growth, human development and social protection. They need to make credible economic, as well as social and political sense. Without good evidence on the outcome of policy choices in these areas, it is hard to make a solid case in policy spheres. Clearly, rigorous evaluation of the impact of policy interventions – perhaps using experimental or quasi-experimental methods where appropriate – helps to build a constituency around pro-poor policy levers, especially when backed up by wider evaluative techniques.

### **Box 18: A case of dysfunctional decentralisation – Papua New Guinea**

Decentralisation is not a magic bullet for being more responsive to poor communities. Indeed decentralised systems that do not work can be less responsive and more vulnerable to local capture than more centralised systems. The history of PNG's three-tier system of government – national, provincial, local – illustrates this. In 1976 the Organic Law on Provincial Government created this system and gave provincial governments authority over local governments. As a result, many local governments became ineffective as provincial governments assumed the more interesting and lucrative local government responsibilities and absorbed grants and subsidies. Amendments in 1995 strengthened the ties between political and administrative structures, giving politicians greater power over administrative decisions. This means that the civil service, which delivers services at local level, now takes many of its day-to-day instructions from highly politicised provincial governments. Moreover, the functions of different levels of government overlap, or sometimes have functional gaps. Thus, responsibility for any grassroots task, such as immunising children or providing textbooks, is shared across all levels of government. The result, often, is that nothing happens. The dysfunctions associated with PNG's Organic Law mean frequent poor stewardship of funds, poor capacity and a lack of funds at service-delivery levels. Also, critically, there is no obvious way for communities to hold government to account. This is associated with a lack of responsiveness to community needs, especially at provincial government level.

Source: Cammack (2007)

Whilst many of the obstacles to implementation have focused on government shortcomings, this is not to say that donors cannot improve their performance. Aid flows are frequently highly volatile and unpredictable.<sup>39</sup> Donors' commitments are frequently not matched by disbursements, so that pledges are often not implemented in full or on time. Such volatility undermines implementation, by increasing the uncertainty of government revenues, crowding out attention to improvements in financial management systems, and reducing the likelihood of long-term social sector investments.<sup>40</sup> Stable and consistent aid flows should be able to smooth the high volatility of the revenue base in many low-income countries, but this is rarely achieved.<sup>41</sup>

## G. Conclusion

Despite limited poverty disaggregation, our review of Poverty Reduction Strategies suggests that many of the policies put in place to reduce poverty can also address chronic poverty. This is particularly the case with growth policies that emphasise agriculture and rural development (or other sectors where the poor are highly represented). It is also the case with human development policies which, in addition to improving the supply of health, education and other basic services, are increasingly including demand-enhancing measures. Social protection has an important role to play here, through reinforcing the demand for public services. Overall, however, policies which will reach the chronically poor are weakly outlined in PRSs, not least because the causes of chronic poverty – the five chronic poverty traps – are often not explicitly identified. To this end, PRSs need to embrace social protection and its transformative potential (see Chapter 4) and consider the wide range of asset-enhancing measures necessary to empower the chronically poor. Third generation PRSs should pay more specific attention to anti-discrimination and gender empowerment policies. They should also acknowledge more

fully the necessity of strategically managing urbanisation and migration processes.

The aid and political environment in which a PRS operates is critical. If ownership is really the donor intention, then all aid modalities need to support this aim. Controversially, this report finds that the countries which have been best at addressing chronic poverty in their PRSs do not have the most competitive political systems. Rather, they are characterised by illiberal or less-than-open political systems. Nevertheless, they deliver a degree of accountability to poor constituents in ways which some of the more competitive systems appear not to. This leads to a hypothesis and a related proposal. We hypothesise that chronic poverty is more likely to be addressed where there is an 'elite project' - focused on nation-building and recognising the value of a social compact between citizens and the state – in which addressing chronic poverty can play an important part. And we propose that the international community should balance its concern for promoting competitive political systems with a recognition that there are other political drivers of poverty reduction.

A third generation of PRSs could learn substantially from the previous two generations. They could be more politically motivated and driven, with significantly fewer externally imposed political conditions. They should be better evaluated, with disaggregated quantitative and qualitative data both providing the basis for policy. A third generation of PRSs could attempt to foster a vibrant public debate across the range of private, public and civil society actors. Instead of using bland 'consultation' processes to engage the 'usual suspects', the use of creative mechanisms such as participatory budgeting processes can increase the involvement of important but marginalised actors. The Doha Financing for Development conference that takes place in 2008 offers an ideal opportunity to reinvigorate Poverty Reduction Strategies.

*Chronic poverty is more likely to be addressed where there is an 'elite project' focused on nation-building and recognising the value of a social compact between citizens and the state.*

## Notes

1. Gore (2000); Standing (2000)
2. Although the 'black box' is now being opened up to scrutiny - see Hausmann *et al.* (2005) growth diagnostics work.
3. Bird (2006a)
4. Piron and Evans (2004); Booth (2003)
5. Driscoll and Evans (2005)
6. This is mainly because a CPRC partner – Binayek Sen – was a major writer of the interim PRSP, but not the PRSP itself.
7. Anderson (2007); see Annex J.
8. Anderson (2007)
9. Anderson (2007)
10. Grant and Marcus (2006)
11. Shepherd and Fritz (2005)

12. This is despite a significant commitment from a number of international actors to strengthen and support PSAs as a key input into more evidence based 'pro-poor' policymaking.
13. McKay and Loveridge (2005)
14. Mitchell *et al.* (2007)
15. Demand-side measures were noted in a number of PRS reviews, but were never given the prominence they deserved. Examples include the removal of user fees for primary education (Tanzania); the provision of bursaries or scholarships for children from poor backgrounds (Uganda, Vietnam, Bangladesh); providing dormitories for children from remote areas (Ethiopia); reducing the direct costs to the poor of accessing healthcare (Vietnam, Tanzania, Uganda); tackling diseases particularly burdensome to the poor (Uganda, Ethiopia, Vietnam), improving critical infrastructure, including rural roads and potable water, and promoting food security (Ethiopia, Tanzania).
16. In Bangladesh, the PRS refers to several short-term employment creation schemes (food for work, cash for work and rural infrastructure maintenance) targeted at the poorest households and geographical areas. The Food for Work scheme is nationwide and aimed at one million beneficiaries per year guided by the World Food Programme's resource allocation map, while the Rural Infrastructure Maintenance Programme is concentrated in areas where there is severe poverty, up to about 100,000 beneficiaries per year.
17. Thang *et al.* (2007)
18. In Uganda's PEAP although social protection is included, social protection, along with the broader social development sector strategy, remain unbudgeted.
19. Piron and Evans (2004)
20. Piron and Evans (2004)
21. More sophisticated analyses point to the need to make intertemporal bargains (Tommasi 2007).
22. Booth and Piron (2004)
23. The 2007 general elections were held under a new 'limited preferential' voting system designed to encourage more alliance building between the parties and thus more coherence. But party affiliations in PNG are not generally based on ideology or shared political convictions, but on personal allegiances and political expediency. The resulting weak governance context has not only compromised economic growth but also the Medium Term Development Strategy's focus on policies intended to tackle poverty.
24. Although events since 2005 have begun to disrupt some of these links, as citizens push for more open political competition.
25. Booth (2005)
26. Grindle (2007)
27. Booth (2005)
28. Booth, Grigsby and Toranzo (2006)
29. In fact the SDPRP states explicitly that consultation exercises served only to 'confirm the broad development strategy, sectoral and cross-sectoral priority actions followed by the government'.
30. Brock *et al.* (2001), Canagarajah and van Diesen (2006)
31. Hickey (2005)
32. Foster *et al.* (2002)
33. A Catch-22 scenario emerges: without residency, immigrants are left off the official list of the poor; but not being on the list means that they are without help in getting housing (itself a precondition for residency).
34. This means new institutional set ups and delivery mechanisms, from member-based systems (financial cooperatives) to very decentralised and low-cost structures (village banks), to services attached to other schemes (such as out-grower schemes), not to mention innovative insurance and savings schemes. It is bringing information on these alternatives, their costs and their benefits, into the policymaking domain that is the key challenge.
35. For example, see the PRS reviews on Tanzania, Vietnam, Uganda, Solomon Islands, Bangladesh and Benin.
36. Cammack (2007)
37. Serageldin *et al.* (2005)
38. Bräutigam (2004)
39. Nick Highton, personal communication
40. Nick Highton, personal communication
41. Nick Highton, personal communication



# Part B

## Four sets of policies for poverty eradication

The Chronic Poverty Report 2008-09







# 3

# Addressing insecurity through social protection

## A. Introduction

This chapter has a simple message: that social protection, and in particular social assistance, has an important role to play in reducing chronic poverty in low-income countries. Social protection against chronic poverty is affordable. When it is appropriately designed, implemented and scaled up, it can:

- protect chronically poor people from shocks and allow them to reduce their extreme vulnerability;
- help them conserve and accumulate assets, promoting their livelihoods; and

- transform their socioeconomic relationships, to further improve their longer-term livelihood prospects.<sup>1</sup>

Moreover, there is little evidence that social protection programmes targeted at the chronically poor are politically unsustainable, although elites typically have questions about creating dependency, and Ministries of Finance in low-income countries worry about the long-term financial commitment required.

### Box 19: Working definitions – the ‘socials’

Each of these terms is complex and widely debated; the definitions presented here should be considered as working definitions used in this report.

|   |
|---|
| <p><b>Social protection</b></p> <ul style="list-style-type: none"> <li>• A broad concept, describing all interventions – from public, private and voluntary organisations and social networks – to support communities, households and individuals, in their efforts to prevent, manage and overcome vulnerability.</li> <li>• Can include short-term emergency relief and food aid, subsidised food, payment for public works, informal risk pooling (e.g. burial societies), as well as the social assistance and social insurance measures described below.</li> </ul> |
| <p><b>Social assistance (also known as social transfers)</b></p> <ul style="list-style-type: none"> <li>• A component of social protection that addresses poverty and vulnerability directly, through transfers, in cash or in kind, to poor households.</li> <li>• Transfers can be unconditional, such as most pensions and disability or child grants, or conditional on certain behaviour, such as regular attendance at school or the health centre, or participation in public works.</li> </ul>  |
| <p><b>Social insurance</b></p> <ul style="list-style-type: none"> <li>• A component of social protection where the state undertakes or mandates an insurance programme – the payment of regular premiums or payroll contributions to secure entitlements to financial assistance in the case of specified contingencies, such as unemployment, old age, illness, impairment, crop failure, fire or theft.</li> </ul>  |
| <p><b>Social compact</b></p> <ul style="list-style-type: none"> <li>• A set of mutual obligations between the state and its people, based on a core set of agreed values, which take the form of duties and rights that become embedded in political and social institutions. A social compact exists when the majority of citizens agree (or at least acquiesce) to accept restraints on their individual actions in exchange for tangible benefits.</li> </ul>  |
| <p><b>Social solidarity</b></p> <ul style="list-style-type: none"> <li>• The ties in a society or group (social relations) that bind people to one another; a sense of connection, integration or interdependence.<sup>2</sup></li> </ul>   |
| <p><b>Social exclusion</b></p> <ul style="list-style-type: none"> <li>• The social, economic, political and cultural processes that lead to the social isolation of some groups in society.</li> </ul>  |
| <p><b>Social movements</b></p> <ul style="list-style-type: none"> <li>• Politicised collective activities by people with a common ideology who try together to achieve certain general goals – in this case, of and for the chronically poor. Not organisations <i>per se</i>, but often uncoordinated forms of collective action, popular protest and networks, that serve to link both organised and dispersed actors in processes of social mobilisation.</li> </ul>   |

Source: See Glossary (Annex B)

This chapter also develops two working hypotheses:

- first, that systems of social protection can be an important part of fostering a social compact between the state and citizens; and
- second, that social protection – when implemented alongside investments in infrastructure, the provision of finance, and other measures to relax supply-side constraints – could play a significant role in stimulating economic growth.

In the current global environment, in which both prosperity and inequality are rising, and where the number and severity of risks faced by poor people have increased, social protection offers a relatively new, and potentially radical, way of tackling chronic poverty. In this respect, while this chapter relates mostly to the insecurity trap, it also has implications for each of the other chronic poverty traps – limited citizenship, social discrimination, spatial disadvantage and poor work opportunities.

*Social protection offers a relatively new, and potentially radical, way of tackling chronic poverty.*

Two key bodies of evidence are integrated to make an argument for the potential of social protection to challenge chronic poverty. First, we draw on technical lessons on the design, implementation, impact and scale-up of particular approaches; second, we consider political lessons on the ways in which social protection has been introduced and expanded in particular country contexts. While it is clear that context can severely limit the scope for social protection (and always needs to be taken into account when selecting between approaches), we argue that beliefs about the political and social infeasibility of social protection are generally not well founded.

To develop effective social protection schemes, international donors have several important roles to play alongside national governments. It is vital that Living Standards Measurement Surveys (LSMS) and other instruments are rapidly adapted to evaluate social protection schemes. This will ensure that, as the endpoint of the 2015 Millennium Development Goals (MDGs) approach, there is sufficient data available regarding impact in different contexts. Good monitoring and evaluation, and the publication of results, help to develop the case for social protection and inform public debates. Evidence of success is critical to long-term political sustainability. For national governments, international donors and non-governmental organisations (NGOs), the period up to 2010 must be treated as a genuinely experimental phase of testing interventions and establishing systems of engaging with social movements. Following this, committed, long-term policies should be put in place and supported.

As social protection has risen rapidly up the development policy agenda, debates between and among policymakers, practitioners and academics about the efficacy, efficiency, affordability and fairness of different types of intervention have emerged.<sup>3</sup> It is clear from these debates that, while

social protection is not a panacea for all the problems faced by chronically poor people and chronically deprived countries, it can play an important role in reducing poverty and vulnerability, and it builds a base for the policies discussed in subsequent chapters.

## B. The central role of vulnerability

As introduced in Chapter 1, reducing vulnerability occupies a central place in policies to reduce chronic poverty. Vulnerability is understood as the likelihood that individuals, households or communities will find themselves in poverty in the future. There is a growing body of research providing insights into how and when vulnerability and insecurity push people into poverty. We know that exposure to major illness, natural hazards, economic and financial crises, to name a few of the most significant risks faced in developing countries, often results in an increased incidence of poverty.

The evidence on the extent to which these hazards result in persistent poverty, while persuasive, is less overwhelming.

As explained in Chapter 1, vulnerability is a core component of the insecurity trap that many chronically poor people confront. There are three main channels through which this occurs:

- through large, widespread and repeated shocks that drive chronic poverty;
- through lack of an adequate number or quality of buffers to protect poor households against hazards and stresses, and help them withstand shocks; and
- through the ways in which poor households respond to insecurity, which may minimise the impact of vulnerability on their lives in the short run, while keeping them in poverty in the long run.

The drivers of chronic poverty – such as health shocks (see Box 20), economic crises, unexpected changes in household composition, or natural hazards – are frequently followed by sustained periods of poverty among those worst affected.<sup>4</sup> Shocks and crises increase entries into poverty, as well as increasing the persistence of poverty among some of those already poor.<sup>5</sup> Women, with responsibility for the wellbeing of the household, often bear the brunt of a shock. Such effects are magnified by large, repeated and covariate shocks and crises.

The lack of availability and poor quality of buffers protecting households against shocks acts as the second direct channel. Chronic poverty may result from small or one-off shocks, or stresses, if the capacity of vulnerable households to protect themselves is severely diminished. Even very poor households strive to reduce their vulnerability by accumulating assets, collecting entitlements, and participating in networks (see Box 21). However, in large measure the chronically poor are highly vulnerable because they have fewer buffers, or because the

### Box 20: Ill health and chronic poverty

The life stories introduced in Chapter 1 illustrate how ill health and impairment can play a major role in creating and perpetuating chronic poverty, and how health insurance, and social protection more broadly, can help chronically poor people weather the storm.

In Kyrgyzstan, Bakyt's mother's impairment and his grandmother's age and illness wrenched him into premature adulthood: working 12 hour days in a coal mine, scavenging bricks from demolition sites, and undertaking household chores. Videos of Bakyt show him trying to fill the role of an adult man, but without the size, strength or experience. It is therefore unsurprising that Bakyt and his siblings suffer from poor health: Bakyt from bronchitis, his sister from anaemia and radikulit (a back and leg pain that worsens in cold weather), and his eldest brother from back pain. Such health problems increase the chances that each of these children will suffer from chronic poverty and will die prematurely.

In Bangladesh, the sickness and death of Maymana's husband Hafeez led to sudden and severe poverty. As Hafeez fell ill and sought medical advice and treatment from a wide range of informal and formal practitioners, the family sold rickshaws and land, and reduced consumption, to pay for these services. When Hafeez died, Maymana's misfortune worsened: her father-in-law unfairly seized the family's land, leaving the family close to destitution. Furthermore, as Maymana's only son – Mofizul – has a physical impairment that impedes his capacity to labour, employers refused to pay him a full adult male wage.

Health shocks and morbidity have also been a feature of Vuyiswa's life in South Africa. When she broke her leg she not only lost mobility but also her job as a domestic worker. Much later, Vuyiswa was diagnosed with diabetes. Since then she has received a disability grant, which allows her to transact in the local economy and within social networks.

In Txab's story, a period of relative stability in her life – when she and her son lived in a resettlement camp on the Laos-Thai border – was broken by her son's illness. Forced to sell their home to pay for his treatment, they moved to an outside village, and relied on support from the Christian community. Fortunately, her son survived, and Txab eventually moved, with her batik-making skills, to a nearby city and worked as an artisan.

In Uganda, Moses' life has been blighted by contracting measles when he was young. The subsequent deafness meant he only received two years of education, funnelling him into agricultural work and petty trading to earn a living. His deafness appears to have contributed to his relative isolation in later life: not utilising agricultural extension services or health services in the vicinity. Moreover, his childhood illness still causes him day-to-day problems: he is unable to work for an extended duration under the hot sun as his ears discharge fluid and cause him pain.

While Angel's Zimbabwean childhood was relatively free of poor health, HIV/AIDS and tuberculosis have taken their toll in young adulthood. Suffering from full-blown AIDS, Angel is unable to care for her 19-month-old baby. When a CPRC researcher met Angel in August 2006, she was gaunt, with dry skin and brittle, reddish brown hair. Her appearance was such that she could be either male or female and almost any age from mid-teens to early 40s (although she was actually only 25). Angel could not start anti-retrovirals until her TB had been successfully treated. The chances of Angel and her baby surviving were extremely low.

Source: See Chapter 1 and Annex L.

range and effectiveness of the buffers available to them fail to provide adequate protection.<sup>6</sup> There is ample evidence that inadequate buffers ensure persistent poverty.<sup>7</sup>

The third channel can be considered as the *indirect* or *feedback* effects of vulnerability on persistent poverty. Faced with high levels of vulnerability and insecurity, households may adopt strategies expected to minimise the impact of vulnerability on their living standards in the short run, but which may keep them in poverty in the long run. 'Rational' responses to vulnerability adopted by poor households can create poverty traps from which they will find it hard to escape.

The list of strategies that fit into this category is a long one, and can include:

- reducing the number and quality of meals<sup>8</sup>;
- postponing health-related expenditure<sup>9</sup>;
- withdrawing children from school and/or engaging in child labour<sup>10</sup>;

- responding to vulnerability to unemployment by shifting into informal or hazardous employment<sup>11</sup>;
- adopting less productive, but safer, crops<sup>12</sup>; and
- resorting to patron-client systems as a means of protection (as in Box 21, where Maymana accepts the protection of her cousin at the cost of support from the government to which she is entitled).<sup>13</sup>

Feedback effects of this type are difficult to identify and measure empirically, but an emerging body of research is making this link with growing confidence. More importantly, the findings from this research suggest that these feedback effects may provide the strongest explanations for the impact of vulnerability on persistent poverty.<sup>14</sup>

Vulnerability, while central to chronic poverty, is obviously not the only factor determining poverty dynamics. Building and improving returns on assets, transformative societal change, eliminating discrimination, and improving social

### Box 21: Keeping afloat through social networks and social protection

A reliable cash transfer can make a significant difference to the lives of poor older and disabled people – whose capacity to engage in physical work is limited by age and ill health – and their households. But for many of these people, informal social networks prove more crucial in their struggle to survive – and can even mediate access to pensions and other forms of social protection themselves.

Maymana's case is illustrative. Maymana is a Bangladeshi widow, probably in her 50s, with poor health and hearing problems. Her son suffers from a physical impairment. In order to receive a government old age pension, she first had been 'listed' on her union's (the smallest unit of local government) register. This happened after the local elected member held a discussion with prominent local men, following prayers one Friday, to identify poor people whom the union should help. Maymana was listed because of her poor condition (a widow who cannot work living in poor housing). The contact that her relatives have with union members almost certainly raised her viability for 'listing' (there is a far greater number of 'deserving' widows in the area than there are pensions).

These relatives, and her broader social networks, have proved crucial to Maymana's survival. When her husband was ill, males from their extended families helped arrange marriages for her daughters. When she was made destitute because of her husband's illness and death, her property-grabbing father-in-law, and her incapacity to work, she was able to borrow food and money from her daughters and sons-in-law, other relatives, and neighbours. Family and community members contributed to her son's healthcare costs. When desperate, she was able to beg, and sometimes received gifts or charity. During Eid, the mosque committee provides charity – one year, they gave the equivalent of five days' pay for her son, a sari and some meat.

Maymana's social networks have also worked against her. In late 1999, Maymana held a Vulnerable Group Development (VGD) card, entitling her to 30 kg of wheat each month. This is World Food Programme grain provided to female-headed households identified by the local government councillor as being vulnerable to hunger. However, she received only 7.5 kg and then had to return the card to the councillor. The reasons for this were complicated, but were related to the fact that the councillor belonged to a different political party from her paternal cousin, in whose compound Maymana's hut stood. Micro-level political machinations meant that a well targeted VGD card was forfeited by its recipient. This was a tragedy for Maymana, as such an entitlement may have created an opportunity for her and her son to begin to accumulate other assets.

Source: Hulme and Moore (2008)

and economic relationships are all important factors, and are discussed in subsequent chapters. Reducing vulnerability interacts with these wider factors – for example, it can contribute to maintaining and building assets and returns, through increasing the risks people take with their assets. Overall, then, tackling vulnerability is important, but it is far from sufficient to eradicate poverty.

### C. The importance of social protection

On this basis, we argue that social protection is both a necessary and fundamental element of strategies to eradicate poverty, although on its own it is not a sufficient strategy. Social protection describes all interventions from public, private and voluntary organisations and social networks, to support communities, households and individuals in their efforts to prevent, manage and overcome vulnerability. It is an extremely broad concept. This chapter progressively narrows the focus to state-provided social protection, and then to state-provided social assistance, based on the following argument.

The public provision of social protection is important for four key reasons.

- First, in many low-income countries traditional forms of social protection are under strain, and there are groups of people – including many, if not most, of the chronically poor – who are rarely seen as having potential for reciprocity, and so tend to be excluded from mutually protective arrangements.

- Second, new sources of protection – for example, remittances from migrants – often do not reach the poorest.
- Third, private insurance markets are non-existent or extremely underdeveloped, and will take significant time to emerge.
- Fourth, there are new hazards and combinations of hazards – such as increasing food prices and the effects of climate change – which add a further layer of risk on top of existing threats.

Social assistance can be defined as the component of social protection that addresses poverty and vulnerability directly, through transfers, in cash or kind, to poor households.<sup>15</sup> In developed countries, vulnerability is addressed and 'minimum living standards' secured through social protection, which includes social insurance measures (often employment-based, covering pensions, health expenses and disability) and strong labour market regulation. Here, tax-financed social assistance plays a residual role, reaching those missed by other measures, and is mainly in the form of income support, due to the presence of a strong public service infrastructure and low levels of informality.

In low-income countries, on the other hand, with limited public service provision, low coverage of social insurance schemes, and a high incidence of informality, social assistance becomes a key component of social protection and should be expected to support a higher proportion of the population

than in developed countries. In order to be effective against persistent and extreme poverty, social assistance in developing countries should:

- take the household (broadly conceived) as the main unit, in order to support an equal distribution of benefits and costs; and
- combine income transfers with wider forms of support, aimed at tackling the multi-dimensional and intergenerational nature of poverty.

Currently, social assistance in low-income countries is under-resourced. Increased expenditure on social assistance is required for chronic poverty to be eradicated.<sup>16</sup> Clearly, health and social insurance still have an important role to play. Indeed, there are numerous small-scale insurance schemes (some run by NGOs) that can and should be scaled up. But such schemes will take a long time to benefit the poorest, and in the meantime social assistance is needed.

#### D. Lessons from existing social protection programmes and policies

A key argument of this chapter is that social protection can be afforded and scaled up, even in relatively poor countries. Administrative hurdles need not be a significant barrier

– as demonstrated by the rapid increase in coverage of the Chinese Minimum Living Standards Scheme (MLSS), among others. In most situations the constraints are more political or ideological. However, there will be some difficult contexts in which a lack of basic administrative and public financial management capacity may be a significant hurdle. The extent to which Chronically Deprived Countries (CDCs) can scale up and afford social protection over the short term is addressed below.

Box 22 provides a few examples of cash transfer programmes from three continents that reach a large range of numbers of beneficiaries (Annexes C and D offer further details on these programmes). Boxes 23 to 29 provide more detailed examples from India, Chile, South Africa, Bangladesh and Uganda.

#### Policies, institutions and tools

It is clear that a variety of policy instruments are relevant for providing social protection and social assistance, and that there are ways of selecting the best packages of programmes for a particular context. For example, the Government of Uganda Social Protection Task Force's 'Cash Transfer Pilot Programme' has developed a matrix to test the feasibility of different instruments, such as:

#### Box 22: Examples of cash transfer programmes

| Conditional cash transfer programmes                            |   | Unconditional cash transfer programmes  |                                   |
|---|---|---|-----------------------------------|
| Name / country  | Approximate scale   | Name / country  | Approximate scale                 |
| Food / Cash for Education / Bangladesh                          | ~2.4 million children (2000)  | BRAC's Challenging the Frontiers of Poverty Reduction – Targeting the Ultra-Poor Programme / Bangladesh | ~100,000 beneficiaries            |
| Familias en Acción / Colombia                                   | ~400,000 households with children (2002)  | Old age allowance scheme and assistance programme for widowed and destitute women / Bangladesh          | ~1.4 million beneficiaries        |
| Productive safety net programme / Ethiopia                      | ~1 million households   | Bono Solidario (Renta Dignidad in 2008) / Bolivia   | ~650,000 beneficiaries            |
| Programa de Asignación Familiar / Honduras                      | ~300,000 people in households with children (2002)  | National Old Age Pension Scheme / India   | ~8.7 million beneficiaries (2007) |
| National Rural Employment Guarantee Act / India                 | Employment provided to ~30 million households, ~3 million got the full 100 days (2007-08) <sup>17</sup> | Kalomo District Social Transfer Pilot Scheme / Zambia   | ~1,000 households                 |
| Programme of Advancement through Health and Education / Jamaica | 180,000 beneficiaries (2005) <sup>18</sup>  |   |                                   |
| Oportunidades / Mexico  | ~5 million households <sup>19</sup>   |   |                                   |
| Red de Protección Social / Nicaragua                            | ~10,000 households  |   |                                   |

Source: See Endnotes and Annexes C and D. For further details see Annexes.

- unconditional cash transfers;
- conditional cash transfers linked to human capital conditions (e.g. attending school or receiving health-care);
- conditional cash transfers linked to work requirements;
- transfers of agricultural or other inputs;
- integrated asset transfers; and
- food transfers.

The analysis takes into account a number of criteria:

- cost;
- the selection of recipients;
- coverage;
- the level, duration and frequency (e.g. one-off vs. regular transfers) of benefits;
- cash delivery mechanisms;
- political acceptability; and
- capacity requirements.

Similar exercises are underway in other low-income countries, with the explicit aim of determining which long-term policy commitments are appropriate. A range of resources are becoming available to support this process.<sup>20</sup>

In terms of choosing instruments, a possible strategy is to progress from ‘smart’, single interventions to multiple programmes. Smart single interventions target more than one vulnerability or deprivation (e.g. a public works project that both provides incomes to participants during the lean season, and constructs an embankment to prevent future flood damage to village transport links). Multiple programmes address both the multidimensional nature of poverty, by combining transfers with services and insurance, and the persistence of poverty, by combining investment in human capital and development. Many countries have adopted this approach.

Intuitively, this approach favours conditional cash transfers focused on human capital development, since these address both immediate needs and longer term (and intergenerational) deprivation. The evidence does not wholly support this intuition, since poor households manage their resources very sensibly, often (if not always) with an eye to human development. While most conditional cash transfers are paid on the condition that, for example, the children of the household are attending school, it is generally not required that the transfer is spent on the children. Nevertheless, elites are frequently sceptical about the ability of poor households not to ‘drink away’ unconditional transfers, and therefore conditional transfers may have greater policy traction, as discussed below. Moreover, one of the most important advantages of conditionalities is that Ministries of Education and Health become fully involved in the poverty reduction process.



Women carry baskets of cassava on their heads, after receiving the food as payment for working on a farm. Since food rations from the World Food Programme (WFP) have been cut, refugees have had a hard time finding food. The immediate post-conflict period in Angola from April 2002 has seen hundreds of thousands of refugees return to the country after more than 30 years of civil unrest. (Tsisumbuluv, Angola). Photo © Sean Sutton/MAG/Panos Pictures (2004).

The positive evidence in favour of conditional transfers comes largely from Latin America (see Annexes C and D).<sup>21</sup> Impact evaluations have indicated that these transfers are successful in raising consumption, schooling and health status among beneficiary households. (Poor households often do not invest as much as others in education and health services because of the high costs of accessing these services – compensating for these costs raises the likelihood that they will participate).<sup>22</sup> These transfers also help taxpayers and donors achieve their objectives of seeing more poor children in school and within the health system (thus giving children a better chance of escaping poverty). Costs are relatively low – a fraction of 1% of GDP. Strong monitoring and evaluation mechanisms have secured cross-party support for the programmes, which has meant that they continue beyond the tenure of particular governments. Graduation from these schemes is built in, as conditions apply only to certain stages of life, helping to avoid the alleged danger of creating dependency. Geographic selection is often used to focus on marginalised communities. For example, in Mexico, Progresá targeted small rural communities with a high marginality score and poor access to education and health provision, and then used a means test, based on household-level variables, to select recipients. A key question is whether these experiences can be transferred to other regions. In the last part of this chapter we argue that even in those countries facing greater financial, administrative and political challenges, it is feasible to initiate such programmes.

Shifting from ‘smart’, single interventions to multiple programmes may, however, encounter resistance and institutional inertia. Some countries have developed traditions of social protection over years that may be hard to shift. For

example, India has tended to opt for a combination of public works programmes and a targeted public food distribution programme, supported by a very expensive system of food procurement and storage. The roots of this combination lie in the urgent and politically salient need to reduce famine risk, approaches to address chronic malnutrition, and low and unreliable rural wages (child malnutrition remains stubbornly high in India, as it does in much of South Asia – see Annex F2). A high degree of inertia and path dependence – where earlier choices affect later ones – may exist in choice of instrument. When this is the case, the issue may be more about shifting resources from less to more effective instruments over time, rather than choices between instruments. In the Indian case it has been suggested that pensions (see Box 23) might be more effective at reaching remote and poor households than the public distribution system.<sup>23</sup> Similar arguments are made about another Indian programme that has recently

been extended to the national scale – the Rural Employment Guarantee Scheme.

### Identifying and overcoming obstacles to social assistance

Until the millennium, social protection, as a holistic set of interventions intended to prevent and overcome vulnerability, did not feature prominently in the international development policy agenda. Before this, some attention was given to emerging programmes and research by the World Bank's Social Risk Management framework. Neither social assistance nor the chronically poor were emphasised in this work, however, and the identified causes of vulnerability were largely apolitical. During this period, the International Labour Organisation (ILO), a traditional advocate of social protection, was hampered by a formal sector focus and was under resourced.

#### Box 23: Indian National Old Age Pension Scheme (NOAPS)

The Indian National Old Age Pension Scheme (NOAPS) was introduced in 1995 as one of three elements of the National Social Assistance Programme. Through NOAPS, central government provides funds to states to use as social assistance for people over 65 considered to be destitute, in the sense of not having any regular means of subsistence on their own or from family members.<sup>24</sup> Village-level local government bodies select beneficiaries, and the process is monitored by a system of local committees.

While a number of criticisms have been levelled at NOAPS – on the basis of low grant levels, limited outreach, and diversion of funds – the programme continues to evolve and develop. It offers interesting lessons for those wishing to provide regular social assistance on a very large scale.

In terms of grant amount, for a decade the centrally sponsored rate was set at a very low Rs75 (about US\$1.60) per month per beneficiary – one-sixth of the government-estimated subsistence income.<sup>25</sup> Many states augmented the centrally sponsored rate of payments, and the reported average across the states was Rs150.<sup>26</sup> In the 2006 budget, the central government announced a substantial increase in the centrally sponsored rate to Rs200, and 'urged state governments to make an equal contribution'.<sup>27</sup>

In terms of outreach, while the government estimates that 50% of those eligible (e.g. destitute people over the age of 65) are covered,<sup>28</sup> a much smaller proportion of the total number of poor (but not destitute) and older people (arguably the livelihood effects of old age are felt among labourers long before 60 or 65) are reached. At the same time, the Government of India estimates that NOAPS currently reaches over 8.7 million people across the country – a huge number, across a huge area. Further, the 'destitute' criterion was removed in late 2007, opening NOAPS up to all those over 65 living below the poverty line, including those in households already receiving a pension.

In terms of corruption and diversion of funds, it seems that early delivery problems have led to improvements in the system. Figures from 1999-2000 indicate that 94% of the pension allocation was claimed and 92% of recipients were eligible; however, there were problems regarding the regularity of payments.<sup>29</sup> In several states, where payments were delivered to beneficiaries via the post office rather than through local officials, diversion of funds significantly decreased.<sup>30</sup> This has now been adopted as an implementation principle by central government, in the 2006 budget. Thus, NOAPS has played a part in improving cash transfer programme implementation in India. Another feature of NOAPS that militates against corruption is the small size of the individual payments – other schemes are much more lucrative targets for diversion. The main area still open to abuse is the initial selection and registration of beneficiaries.<sup>31</sup>

There have not been sufficient recent reviews of NOAPS' impact on the lives of recipients to provide reliable data. An undated government study did find that 96% of recipients felt that the scheme definitely made a perceptible change in the quality of their life, and that the great majority were genuinely eligible and indeed extremely poor (notably, 37% were women and 46% were from scheduled castes or tribes).<sup>32</sup>

NOAPS has endured for over a decade and survived two changes in government. The political process that has led to the strengthening of NOAPS has involved using both international and Indian anti-poverty discourses, including Indian linkages between anti-colonial and anti-poverty campaigns, and a longer Indian tradition of campaigning for the state to honour its constitutional duty to the poor. A recent study suggests that the pension is claimed by even the most marginalised individuals as a right, unlike non-constitutional employment assurance schemes or primary education.<sup>33</sup> If NOAPS is helping to realise the kind of social compact envisaged in the constitution, that is a significant contribution to long-term social change in India.

Sources: See Endnotes.

This may change as social protection moves into mainstream development policy.

International scepticism over the efficacy of social protection and social assistance has been combined with national doubts. Gaining a political constituency for social protection is a critical first step in many countries. The generation of social assistance as part of an approach to poverty reduction requires a long-term and programmatic vision of a society without poverty – something painfully missing in the manifestos of national political parties in many countries.

Politics plays a vital role in fostering social protection and social assistance in low-income countries. Political factors have been critical in shaping success at each stage of the social protection policy process: initiation, implementation and expansion, and evaluation.<sup>34</sup>

### *The politics of initiating social protection*

In terms of policy initiation, elections are key political moments. They present the opportunity to renegotiate the contract between the state and its citizens, and sometimes to bring new social constituencies into political view. Indeed, several of the social protection initiatives examined here were introduced around election time. For this to happen, the quality of political institutions is critical, and dominant political parties, operating within well institutionalised and broadly representative party systems, are often vital to success. Such parties, along with ‘executive champions’ within political society, have been central in introducing social protection policies. Only rarely has the direct lobbying of civil society played a critical role.

Rather, civil society organisations appear to be a significant force in helping recipient groups to form a policy constituency capable of guarding social protection policies, once they are in place.<sup>35</sup>

Urban–rural politics are likely to be highly important in terms of initiating social protection. The urban poor are visible and can feel threatening to urban elites. They are therefore sometimes able to make stronger claims through social and political movements and effective local government representation (Mozambique’s Office for Assistance to Vulnerable People (GAPVU) and China’s MLSS are cases in point). Urbanisation can thus be a stimulus for social protection policies. In contrast, the chronically poor are often more numerous, and are frequently trapped, in rural regions. There they find it hard to penetrate urban policy spheres, and, may therefore be left out of such schemes for longer (unless well positioned political actors lobby for their cause).

### *Poverty discourse, ideology and selection of beneficiaries*

Despite the current preference for evidence-based policy making, our cases suggest that the discourse about poverty in poor countries matters even more than ‘pure’ technical analysis. Elites need to be convinced that the poor face significant constraints that require public action – interventions in India, Bangladesh and southern Africa were all introduced by political parties representing broader political movements, who promoted the view that poverty is mainly caused by factors beyond the control of the deprived group. Such political forces were influenced by a range of ideological positions, including

### **Box 24: Chile Solidario**

Chile’s experience with extreme poverty reduction provides lessons for other countries. Economic and political conditions in the country have been singularly propitious. The Chilean economy has achieved strong and sustained economic growth since the mid-1980s, while centre-left coalition governments, in place since the restoration of democracy in 1990, have prioritised social policy and especially poverty reduction. By the early 2000s, poverty rates had halved from their peak in the mid-1980s. Government concerns have focused on the persistence of extreme poverty. Households are considered to be in extreme poverty if their income is insufficient to cover their food consumption. Such households were estimated to represent about 5% of all households in the country at the turn of the millenium. A review of poverty reduction policies concluded that a primary factor in the persistence of extreme poverty was social exclusion. By 2004 there were over 130 poverty reduction programmes across over 30 public agencies, but their approach lacked coordination and they depended on those in poverty coming forward.

In 2004 the government introduced a new approach, under the title of Chile Solidario, with the objective of eradicating extreme poverty. By the end of 2006, 246,000 families were enrolled on the programme, exceeding the original target of 225,000. At the core of Chile Solidario is a programme called Puente (‘bridge’), which aims to build a bridge between extremely poor households and their rights. Households in extreme poverty (as well as older people living alone, and homeless people) are invited to join the programme. They are supported by an income transfer and a social worker, and are helped to identify their deficits in seven main areas: income, employment, health, education, housing, registration, and household dynamics. Over a two-year period, Puente coordinates the work of all public agencies to overcome the deficits identified. Once basic levels are achieved, households exit Puente and continue to be supported with an income transfer to prevent them from falling back into extreme poverty. Exit rates have been in line with programme targets, interruption and programme rejection levels have been low, and levels of take up of most social programmes and services have increased; however, a full evaluation of the success of the programme will not be available until 2010. Chile Solidario constitutes an innovative programme which aims at enhancing poor people’s capabilities. It has the ambitious aim of eradicating extreme poverty in Chile.

Source: Barrientos (2006), Schulte (2007)



anti-colonialism and socialism. The main consistent thread, however, has been a commitment to nation-building, whereby the target group was seen to be comprised of important citizens who had a strong case for deserving public action (e.g. some categories of destitute women are associated with nation-building in Bangladesh).

At least two important policy implications flow from this. First, those interested in promoting social protection policies should understand the broader battle of ideas – on the causes of poverty, the relative roles of public policy and private charity, and concepts of development and nation-building – in societies in the South. Second, there is a need for a much stronger focus on causality within poverty diagnostics. Currently it is too concerned with establishing correlates and characteristics, rather than getting to grips with the factors that underpin poverty over the long run.<sup>36</sup> One way forward is to integrate an analysis of social exclusion within the poverty diagnostics carried out for Poverty Reduction Strategies (PRSs).

Despite fears that social protection is politically unpopular, most of the interventions examined for this report were introduced without significant resistance. However, once

programmes are rolled out and public funds committed to them, then constituencies can form in opposition as well as in support (as has been the case with pensions, in both Namibia and South Africa). A critical issue for the sustainability and growth of social protection schemes concerns their institutional location within government. Such schemes are often located within social development ministries or agencies. These may offer a natural and sympathetic home but they tend to lack political influence at the centre. Our cases suggest that it is critical to have the involvement and support of more powerful ministries, particularly finance, and that long-term institutional partnerships or ‘hybrid’ institutional arrangements for housing pro-poor policies (e.g. the location of the Department of Pensions within the Ministry of Finance in Lesotho) might offer promising ways forward. Social assistance programmes attached to strong, mainstream ministries of education or health may not experience this dilemma.

The selection of beneficiaries (or targeting) is also a critical design issue, with important political ramifications in terms of programme sustainability. There remain good reasons to aim for universal provision.

### Box 25: Social protection and intergenerational poverty reduction in South Africa

Building on apartheid-era welfare programmes, South Africa's African National Congress (ANC) government has significantly expanded both the coverage and value of social protection transfers. The new programmes are targeted at three groups: older people, children and disabled people. All the grants are means tested, but, given the extent of poverty in South Africa, they reach a large number of people. For example, it is estimated that the old age pension is paid to 80% of South Africans over 60, and the grants as a whole make a substantial difference to the poverty gap, reducing it by some 29%.<sup>37</sup> They are also strongly pro-poor: two-thirds of the income of the poorest 20% of households is attributable to state transfers, and they ‘receive the largest amount from grants, not just as a proportion of income, but also in absolute terms’.<sup>38</sup>

The child-related grants are clearly intended to break intergenerational cycles of poverty by providing assistance to poor households with children. But the old age pension, while alleviating the poverty of older people, also contributes to child development through the sharing out of pension payments within households.<sup>39</sup> Indeed, the additional resources it provides for grandparents to contribute to their grandchildren's upbringing have become acutely important in the context of the spread of HIV/AIDS, with rising numbers of orphans and other vulnerable children being cared for by grandparents. The South African Committee of Inquiry noted that “‘skip generation” households (comprising child and grandparent), on average, have their poverty gap closed by over 60 per cent’.<sup>40</sup> Another major study notes that ‘children in households that receive social grants are more likely to attend school,’ part of ‘a virtuous cycle with long term dynamic benefits’.<sup>41</sup>

While public expenditure on grants is large by developing country standards, all this is done at a reasonable cost. For example, while the pension is the largest single grant, at 1.4% of GDP, it is estimated that tax expenditures on private pension plans cost the state 1.7% of GDP annually.<sup>42</sup>

Challenges in implementation and development of the programme remain, particularly in rural areas, where payments have been uneven and there has been a less pronounced impact on poverty.<sup>43</sup> Moreover, the disability grant has a very low take-up rate, just 36%.<sup>44</sup> And intra-household dynamics are complex: in some cases pension sharing may benefit children, at the expense of older people. An extension of child grants might be one way to remove the need for households to make such trade-offs.

Nevertheless, it is clear that the system has not only had a substantial effect on chronic poverty, but has also shifted the terms of debate on social policy and the state–citizen compact in South Africa. The debate now focuses on the expansion of the programmes, rather than their survival. The anti-apartheid struggle's success in ending constitutionally enshrined minority rule was clearly important in making this possible. It may appear that concerns over stabilising a potentially fragile political settlement and ensuring continued international investment led the ANC government to compromise its egalitarian economic programme on transition to power. However, its strong links to the chronically poor (especially the urban poor), forged in the struggle for political rights, kept poverty and redistribution on the political agenda, and helped drive large-scale progressive reform of social protection.

Sources: See Endnotes

While vulnerability is mitigated by informal measures and mechanisms in many developing countries, the potential for expanding such social protection is limited. Some societies are organised along horizontal lines of solidarity, in which mutual support runs within family, clan, location, ethnic or religious group, but rarely across vertical class or income lines. Here risk is 'socialised', but within distinct horizontal boundaries. While this works relatively well for more advantaged groups, it usually works poorly for the rest and for society as a whole. Social protection can help create different bases of allegiance by socialising risk in a different way. If one agrees with this line of argument, then selection needs to be relatively inclusive, so as to maintain cross-class and cross-group support for social protection. Moreover, universal provision avoids stigmatising recipients, extends benefits to previously excluded ethnic groups (as in southern Africa), and reduces some of the costs of selecting households.

However, where universal provision is not feasible, due to financial constraints, or not functioning (because, for example, there is a lack of infrastructure in remote rural areas, so that the poorest older people cannot access pensions) then targeting can work. The dictum that 'more for the poor means less for the poor' (because richer groups will seek to undermine and roll back programmes that are targeted directly at the poorest groups) is not supported by data.<sup>45</sup> Instead, means-tested or otherwise narrowly targeted programmes may endure and be expanded, even during economic decline – while more universal programmes can be placed under political pressure on cost grounds. As such, there is little evidence that programmes targeted at the chronically poor are politically unsustainable.<sup>46</sup>

In most cases, then, selection is important if programmes are to reach the poor and poorest. 'Rank selection' is most useful, as opposed to binary, poor/non-poor selection. By ranking households, policymakers can choose to start from the poorest and work progressively to include other groups. Of course, there are always trade-offs between the cost and the accuracy of targeting, as well as a need to consider what levels of exclusion or inclusion error are politically acceptable.<sup>47</sup> It is important to bear in mind that selection involves political processes and political outcomes – there is a need to avoid both excluding the chronically poor from benefits and isolating them in political terms. Civil society organisations, with the support of international donors and NGOs, have a role to play here. They can support chronically poor people and advocate on their behalf, as they fight for their rights as citizens to access government programmes, including social assistance (see Chapter 5).

*There is little evidence that programmes targeted at the chronically poor are politically unsustainable.*



An illiterate woman uses her thumbprint to sign contractual documents for a small business loan at a BRAC microfinance centre. BRAC runs microfinance programmes throughout Bangladesh (Dinajpur, Rajshahi Division, Bangladesh). Photo: G.M.B. Akash/Panos (2006).

### Challenging the dependency thesis

It is perhaps less clear whether social protection policies, once introduced, tend to reinforce or undermine democratic forms of politics. Citizenship and rights can be strengthened by the extension of social protection, but so can local patronage networks when access to entitlements is mediated by local political elites. There are aspects of popular and political ideologies about the poor and poorest in society that can inhibit political support for social protection. These include:

- the desire to direct public resources to 'productive' rather than welfarist ends;
- the desire to avoid creating dependency among the poor. This reflects a belief that poverty can only be eradicated by the poor helping themselves, as well as, to varying degrees, perceptions that the poor are lazy and feckless; and
- the belief that any 'residual' poverty among the 'deserving' poor should be dealt with through private charity.

From this perspective, welfare should only support the process of self-help by poor families, and should not preclude it.

In order to build a constituency for regular and significant social protection for the chronically poor, it is important to challenge the dependency thesis, by countering inaccurate perceptions of poor people as indolent. The CPRC is completing research in South Africa that provides detailed qualitative evidence to challenge the dependency thesis, illustrating that transfers are highly productive.<sup>48</sup> This investigation of how grantees use their grants shows that the following transfers play a key role in economic investments: seed money for informal economic activity; inputs for agriculture, for enlarging assets, improving homes, supporting education, or towards

### Box 26: BRAC's Challenging the Frontiers of Poverty Reduction – Targeting the Ultra-Poor (CFPR-TUP) Programme

BRAC, the largest poverty reduction NGO in Bangladesh, and possibly the world, launched the CFPR-TUP Programme in January 2002 as an experimental initiative in selected geographical areas. This was in recognition of two key findings from BRAC field experience and research:

1. BRAC's highly regarded microfinance programme, like most such programmes, rarely reaches the poorest women, due to the design of BRAC's loan-driven microfinance products, and to social and self-exclusion.
2. BRAC's experience with the Income Generation for Vulnerable Group Development (IGVGD) programme since 1985 showed that this largely successful programme also fails to reach the poorest women. At least 30% of participants – usually from the poorest and most vulnerable households – do not progress to microfinance programmes; and a significant minority of 'new' IGVGD participants have taken part in the programme previously, but have failed to improve their livelihood security.

The TUP aims to enable the ultra-poor to develop new and better options for sustainable livelihoods. This requires a combination of approaches: promotional (e.g. asset grants, skills training); protective (e.g. stipends, health services); and transformative (sociopolitical). The programme targets two groups of ultra-poor people:

1. Specially Targeted Ultra-Poor (STUP), who are supported with the complete package, called the Special Investment Programme (SIP). This includes asset grants (e.g. poultry, livestock and horticultural inputs); monthly stipends, to help smooth consumption and reduce vulnerability and opportunity costs; intensive social awareness and enterprise training; and health services.
2. Other Targeted Ultra Poor (OTUP), who do not receive assets, only skills development, more intensive staff support, and health support.

The STUP are organised into microfinance groups after 18-24 months, while those OTUP who are not already BRAC microfinance members join groups immediately. TUP employs two broad strategies to reach the STUP:

1. Pushing down: TUP seeks to 'push down' the reach of development programmes, through specific targeting of the ultra-poor, using participatory approaches combined with simple survey-based tools. These selected households are brought under the SIP for two years.
2. Pushing out: TUP also seeks to address other dimensions of poverty and to work on the social-political relations that disempower the poor – especially women – and constrain their livelihoods. Building links and support networks with other groups and organisations is key to 'pushing out'. Thus, Village Assistance Committees (GSCs) were established to mobilise the energies of local elites in support of TUP participants, and the poorest more generally, in their village.

By mid-2006, TUP was operating in around one-quarter of Bangladesh's districts, with a focus on the north and areas with 'hungry seasons'. At that time, the cumulative number of TUP participants was 100,000 and there are plans to recruit 300,000 new STUP participants over the next five-year phase. This is a fraction of the total number of ultra-poor people in Bangladesh; however, BRAC currently works with over six million people in villages and slums across the country, which contain an estimated 110 million people. This gives BRAC a significant head start in contributing to a process of scaling up the programme. The entire CFPR-TUP programme is funded by a donor consortium, which has contributed approximately US\$65 million over the period 2002-06, and committed a further US\$155 million over the next five years. By 2006, the high initial costs of the SIP were reduced by over 40%, to US\$268 per recipient, as the programme scaled up and found ways of reducing costs.

The achievements of TUP are already emerging. Participants show greater rates of asset accumulation than non-participants in all asset domains, and are improving their nutritional status and food security. About 70% of participants had taken and regularly repaid a first loan. BRAC continues to strive to assist those 30% who were unable or unwilling to take a small loan, or had trouble repaying. Finally, in many villages the GSCs contribute significantly to the security and wellbeing of the poorest, challenging those who automatically assume that the involvement of local elites in development programmes will always be negative.

Source: Hulme and Moore (2008)

migration in search of work. Grants are often allocated after cooperative household decision-making (though, of course, there are exceptions, where grants are used selfishly or inappropriately). While private remittances to grant-receiving households are reduced, these flows are frequently redirected for productive use within extended family networks. Grants also allow poor women in particular (for example, poor female-headed households) to transact within social networks from which they would otherwise have been excluded.

Dependency is nevertheless a serious elite concern (not only in South Africa), and is closely linked to concerns about affordability and the longevity of social assistance. The idea of dependency is used politically to oppose and limit social assistance, ensuring a strong focus on the potential for free-riding and abuse of the system. The South African study has produced little evidence that a culture of dependency is being created among the study participants. Rather, their livelihood strategies display an overriding emphasis on participating in

### Box 27: Using social grants productively in South Africa

Forty of the 48 households that participated in qualitative interviews in Khayelitsha, Cape Town, and Mount Frere, Eastern Cape, were in receipt of a social grant (including Pension Allowance, Disability Allowance, Child Maintenance Grant, Child Care Allowance and Care Need Allowance). The interviews elucidated how these social transfers were spent, and their impacts on the household and wider social networks. These grants allowed many of the households to secure access to basic food and domestic supplies. Moreover, in 14 households the receipt of the social grant allowed the recipient to undertake care work, thus becoming a vital link in the care chain, and freeing up relatives' time and energy.

Importantly, in ten households social grants provided seed money or an ongoing subsidy for economic activities (such as Vuyiswa's vegetable trading business). Grants were also invested in houses, children's health and education, and providing access to the formal labour market. The spatial distribution of these investments is of particular note: they often occurred outside the recipient's 'core' household, and were made in consultation with, and with the co-operation of, networks of relatives. In this respect, the receipt of grants has a knock-on effect on care chains and the investment choices and livelihoods of wider social networks. We can clearly see that social transfers are fungible – and because of this they would not reduce private remittances, but would divert such remittance flows to other nodes in social networks.

Source: Du Toit and Neves (2006)

the broader economy, investing in their own wellbeing and productive capacity, and retaining or acquiring a measure of economic independence – or, at the very least, the ability to engage on some equal footing in the acts of reciprocal exchange on which their wellbeing depends. Many non-poor people worry that predictable cash transfers will make recipients reluctant to generate additional, independent incomes. The actions of the study participants, however, counter the idea that transfers contribute to simple subsistence on social grants.<sup>49</sup>

Research from several countries suggests that such transfers are often used as small investments. For example:

- Recipients of Mozambique's food subsidy programme use the money as working capital for petty trading, for rearing chickens and selling the eggs, and for making and repairing clothes.<sup>50</sup>
- Even those whom we might think of as dependent, such as pensioners in Lesotho, have been able to use cash transfers to make small investments, benefiting both themselves and their grandchildren.<sup>51</sup>
- As much as 29% of the money transferred to the beneficiaries of Zambia's Kalomo Pilot Scheme – destitute households, most affected by HIV/AIDS, headed by older people, or with high dependency ratios – was invested in the purchase of small livestock (e.g. poultry), in farming (hire of labour or agricultural inputs), or for informal enterprise (working capital for making baskets).
- Research in Mexico and South Africa suggests that transfers make work more feasible, as recipients can afford bus fares and presentable clothes for work.<sup>52</sup>

Thus, far from discouraging people to pursue independent income-generating schemes, cash transfers actually enable people to do exactly that, by providing the requisite capital.

*Grants allow poor women in particular to transact within social networks from which they would otherwise have been excluded.*

Mexico's Progresa programme did not result in a reduction in labour-force participation rates.<sup>53</sup>

It has been noted that the current scale of most transfers, or those likely to be affordable in the medium term, are simply too small to deter chronically poor people from working.<sup>54</sup> However, even if transfers were more generous, a commitment to the labour market may prevent dependency. As to whether such commitment exists, research in South Africa illustrates a widespread belief in the value of paid work, among both the employed and unemployed, and, on the part of the latter, a willingness to relocate to find work.<sup>55</sup>

But suppose there were evidence that some cash transfers did have a deterrent effect, what would we then conclude about such transfers? Well, it is not obvious that all such effects are detrimental to aggregate wellbeing. Suppose cash transfers provided beneficiaries with sufficient financial security to obviate the need to resort to exploitative financial arrangements. Cash transfers in Ethiopia have enabled poor households to renegotiate contractual sharecropping and livestock arrangements with richer households.<sup>56</sup> Cash transfers to landless labourers in

India have also been found to transform the conditions of otherwise exploitative clientelistic relationships, by decreasing the beneficiaries' need for, and thereby bargaining power with respect to, such arrangements.<sup>57</sup> In Zambia, Kalomo beneficiaries were able to avoid selling their maize cheaply after harvest and buying it back at high cost later, instead using their transfer income to meet essential expenses.<sup>58</sup> The incidence of begging (i.e. dependency upon others) among Kalomo recipients was also noted to be reduced.<sup>59</sup> So, while cash transfers may not be sufficient to substitute for employment, and thereby do not produce dependency, they do seem capable of providing sufficient financial security to enable recipients to bargain for better rewards.

Of course, some chronically poor people are unable to participate in productive activities and require long-term support. Here as well, cash transfers can play an important role in transforming adverse forms of dependency. Older people, for example, often have no savings, assets or capacity to generate income and may thus be entirely reliant on their families for financial support. Perceiving oneself as a burdensome drain on scarce resources can erode self-esteem. Cash transfers can transform such perceptions, as financially self-reliant pensioners benefit from their newfound independence and capacity to contribute to the household (and thereby enjoy greater social respect and dignity).<sup>60</sup> Thus, it seems that cash transfers, far from encouraging recipients to be dependent on that one source of income alone, have enabled recipients either to generate additional income that would not have otherwise been possible, or to work on better terms than they would have otherwise been able to bargain for.

Social policy on welfare grants should be informed by, among other factors, the need for appropriate selection and the need to avoid welfare fraud. But, rather than minimising the negative, policy should focus on maximising the positive. This can be addressed in design: in addition to careful selection and mechanisms to avoid fraud, schemes can ensure that graduation mechanisms either occur naturally (e.g. the end of pre- and post-natal periods, graduating from school, death of a pensioner) or are induced whenever possible (through progression from receiving grants, to training and involvement in savings and insurance schemes, to access to credit and skill enhancement).

#### *Social protection to foster the social compact*

Ultimately, the strongest political underpinning for pro-poorest policies involves the formation of a social compact. The social compact reflects a core set of agreed values that become embedded in public institutions, and thus set parameters for the relationship between citizens and the state. This compact confers responsibility on the state to provide certain entitlements via policy, as well as conferring both rights and

duties on citizens. State failure to implement its duties has potentially serious political consequences. For example, the pension scheme in India (outlined in Box 23) is moving towards a position where it is expected and demanded by older citizens as an entitlement, as it is in South Africa and Namibia.<sup>61</sup>

Supporting the development and deepening of the social compact is not easy for external actors. Donors may need to focus initially on avoiding damaging compacts, where they exist, and on supporting stronger political institutions capable of developing constructive compacts (which requires a closer engagement with political society). Beyond this, it seems likely that a more politically informed approach to promoting social protection involves the following elements:

- integrating social assistance programmes within existing and well recognised policy channels;
- offering direct budgetary support for social assistance; and
- making links between chronic poverty, citizenship and nation-building.

All of these measures would also contribute to the wider project of deepening the social compact between states and citizens.

## **E. Country context**

Country (and local) context is important, both to understanding chronic poverty and poverty dynamics, and also to the business of finding appropriate and feasible pathways out of poverty. Context is particularly important to the analysis of social protection, as the majority of lessons come from middle-income countries, and from low-income countries where there are relatively strong tax bases (for example, from Partially Chronically Deprived Countries like South Africa and India, and Partial Consistent Improvers like Brazil, Mexico and Chile). Lessons cannot be 'read' straight from one set of countries to another, which may face much greater developmental challenges – a lack of administrative capacity, infrastructure, basic services, and/or security from conflict. Designing social

### **Box 28: Uganda's political class grapples with social protection**

Following the Uganda Chronic Poverty Report (2005), which highlighted the need for social protection to address chronic poverty, the CPRC has worked with the Government of Uganda Social Protection Working Group to develop a pilot cash transfer programme. If successful, this programme could be rolled out nationally. Research has played a role in raising the profile of this cash transfer programme. Uganda's target is to reduce poverty to 10% by 2017, and a small group of researchers and civil society organisations (CSOs) has played a key role in informing parliament and the media how the cash transfer scheme can contribute to this target. To demonstrate the feasibility of the initiative, local and international CSOs have arranged for key political actors to pay comparative visits to Zambia and South Africa. By early 2008, a pilot project had been designed and reviewed in the budget process by Parliament and the Ministry of Finance. This has stimulated a debate about whether the programme should be rolled out immediately, whether cash transfers to the poorest would create dependency, and the extent to which the programme is financially sustainable. The cash pilot programme has generated a healthy public debate about the causes of poverty and what specific types of instrument provide the best way forward.

Source: CPRC Uganda.

protection programmes requires detailed knowledge of the national and local context. However, it is clearly desirable to design different approaches to social protection, based on the extent of deprivation and the developmental trajectory of a country.<sup>62</sup>

There is an important question around whether a ‘low-income social protection trap’ exists.<sup>63</sup> Where most workers are employed at low wages and in the informal sector, with little security, there is no scope for formal social protection (although see Box 29 on social insurance for informal wage workers). The argument is that a critical mass of formal sector employment is required, before employment-related social protection (social insurance, pension plans, health insurance) can take off. Without this, the tax base may also be too small to finance social assistance. Clearly, this issue requires further political and economic investigation. Taxpayers have preferences for their own consumption, but also for the wellbeing of the poor and poorest. It is hard to conceive of a situation in which taxpayers had no interest in preventing destitution, or reducing a perceived risk of social unrest. For these preferences to translate into a willingness to pay taxes to fund social protection, citizens must trust the state to spend appropriately, and the dependency thesis must be effectively challenged. Generating revenue is discussed further in Chapter 6.

### Contextualising social protection

Can one envisage a social protection schema which might apply across countries’ deprivation categories and trajectories? Table 6 attempts to do this in a tentative manner. This is not based on a substantial research base – it is a simple tool to illustrate how social protection and social assistance could be tailored to country contexts. It is important to note that not all countries in each category have social protection policies or programmes currently in place.

#### Box 29: Social insurance for informal wage workers

Universal social insurance is not feasible in most low-income economies, since beneficiary and firm contributions would not be forthcoming. Specific product- or service-based social insurance, financed from a levy on the product or service, could be one way forward. In India the bidi (hand-rolled cigarette) industry has a welfare fund, organised by the Department of Labour, based on a levy on bidi exports. This provides medical care, education for children, housing, water supply and recreational facilities for at least some bidi workers. The levy is low, however, and not many bidi workers know about the scheme or belong to organisations which entitle them to benefit from the fund. However, the Government of India has designed a national policy on homeworkers which advocates the replication of such funds.

Source: Mehrhotra and Biggeri (2007)

Considering social protection according to country context is not straightforward. So far, social protection in Chronically Deprived Countries (CDCs) has most frequently taken the form of emergency social assistance, often dependent on international responses (which are notoriously poorly coordinated and delivered). However, a number of CDCs are attempting to move away from disaster relief, towards more permanent social assistance programmes. Examples include Ethiopia’s Productive Safety Nets Programme (see Box 13) and Uganda’s and Malawi’s commitments to develop social protection as a theme, under their Growth and Poverty Reduction Strategies.

In many CDCs it may be difficult to overcome obstacles to the introduction and expansion of social protection. These include resource limitations and administrative constraints, as well as likely political disinterest, where there are few incentives to respond to the poorest groups. However, with sustained external commitment – in terms of advocacy at the highest levels, improved and accessible data for policymakers, advocacy by civil society, and external resources to support experiments and new schemes – there is every chance that social protection (and state-provided social assistance in particular), can help to tackle chronic poverty in these most deprived contexts.

The next stage is to develop social assistance schemes with significant reach and depth of impact. Pressure for increased public expenditure is likely to come from better-represented social groups, which are often urban in character. Thus, the MLSS in China, which was originally a response to ‘old style’ urban poverty, expanded significantly, from 2.6 million in 1999 to 20.6 million in 2002, as the ‘new’ poverty, generated by rapid economic transformation, threatened social unrest. (Arguably, the institution of rural health insurance in China was a response to a similar increase of vulnerability in rural areas due to increased exposure to market forces).<sup>64</sup>

We identify two problematic stages in the evolution of low-income social assistance:

- First, how can ‘the social protection trap’ be escaped in a situation where there is a history of chronic deprivation, and no developmental state committed to an inclusive national development ‘project’?
- Second, at a later stage, how can the revenue base be expanded to enhance coverage of the population, in a situation where there are few willing taxpayers, and where revenue-raising administrative capacity remains limited?

The second challenge is taken up in Chapter 6. We address the first challenge below.

**Table 6: Country trajectories and social protection approaches**

| Country category   | Approach to social protection   | Comments  |
|--|---|---|
| <b>Chronically Deprived Countries</b><br>e.g. Cambodia, Ethiopia, Mozambique, Zambia                       | <ul style="list-style-type: none"> <li>Insurance covers only the small formal sector. Safety nets dominate.</li> <li>An initial focus on social assistance, using external resources.</li> <li>Resilience to vulnerability is to be built through access to assets.</li> <li>Beneficiary selection is critical.</li> <li>Advocates of initiating and expanding social protection, focusing on building constituencies.</li> </ul> | <ul style="list-style-type: none"> <li>Dominant debates are on the relative costs and benefits of temporary social assistance (e.g. relief) vs. permanent social protection.</li> <li>In-kind transfers may work better than income/cash if markets do not function well, but food aid can be problematic.</li> <li>Educational and health transfers (e.g. infrastructure, staff, materials) to communities may play a role.</li> </ul> |
| <b>Partially Chronically Deprived Countries</b><br>e.g. Bangladesh, Bolivia, India, Namibia, Nepal, Uganda | <ul style="list-style-type: none"> <li>Selection remains critical.</li> <li>Outreach of social assistance gradually increases.</li> <li>External resources remain important.</li> </ul>   | <ul style="list-style-type: none"> <li>Difficult, but not impossible, to grow and universalise schemes. 'Local' successes important (e.g. India's Rural Employment Guarantee Scheme: from Maharashtra to national).</li> <li>Urban deprivation can lead to policy development.</li> </ul>   |
| <b>Partial 'Consistent Improver' Countries</b><br>E.g. Brazil, Mexico                                      | <ul style="list-style-type: none"> <li>Access to social assistance and insurance markets is broadened.</li> <li>Labour employment risks are treated as a serious issue.</li> <li>Countries like Brazil and Mexico are shifting government resources from social insurance to social assistance programmes, to reach poorer groups outside formal employment.</li> </ul>   | <ul style="list-style-type: none"> <li>Health insurance introduced, but social assistance is key mechanism against poverty and impoverishment.</li> <li>Increasingly full coverage of basic health and education infrastructure makes lack of access mainly a demand issue (direct and transactional costs).</li> </ul>   |
| e.g. Malaysia, Singapore, Thailand   | <ul style="list-style-type: none"> <li>Countries like Malaysia, Singapore and now Thailand are progressively switching from assistance to social insurance, once certain levels of GDP and wealth per capita have been achieved.</li> </ul>   | <ul style="list-style-type: none"> <li>In the meantime, social assistance can be spread dramatically, as the economy grows and access to social services improves.</li> </ul>   |
| <b>All-round 'Consistent Improver' Countries</b><br>e.g. China   | <ul style="list-style-type: none"> <li>Astonishing growth of social assistance has arisen because strong social insurance institutions were undermined by the restructuring of state-owned enterprises.</li> </ul>  | <ul style="list-style-type: none"> <li>China has been more successful in (re)building social assistance than other transitional economies.</li> </ul>   |

### How to escape the 'social protection trap' in a Chronically Deprived Country?

Despite a limited evidence base, we can hypothesise that making social protection a strong aspect of national growth, as well as poverty reduction policies, could help to lay some foundations for, and directly contribute to, building a more inclusive social compact. A substantial, targeted social assistance programme (or set of programmes) could help develop civil service and programme delivery capacity, make government (not just a particular government in power) more legitimate, and provide a visible and immediate return to taxpayers.

Today's developmental states – the East Asian Tigers – did not have a very strong record on social protection prior to the financial crisis of the late 1990s, which in general exposed the thinness of both public and private provision. It is widely recognised, however, that stronger social protection would have helped the poor bounce back more quickly from crises.

The key argument is that in today's more globalised economy, where states have less capacity to protect their populations against negative impacts of global or regional economic change through trade tariffs and quotas, social protection may provide an alternative approach. Regional underdevelopment is a frequent source of state fragility (see Chapter 6), and the ability to target social assistance at poor regions may also help integrate those regions politically into the nation-state.

A key constraint is a lack of willingness among donors to fund social assistance. In principle, this has been achieved in Zambia, at least for a five-year period. However, it may be necessary for donors to make a much longer-term commitment, covering a generation or more (15–25 years). There is extreme reluctance to make such a commitment before recipient governments, with low revenue generation and collection capacities, make the necessary commitments on their side. Donors can play an important role here, through improving

the predictability and stability of aid flows. Commitments by donors are frequently not matched by disbursements, and pledges are often not implemented in full or on time. Improving the predictability of aid improves the likelihood of long-term investments in social protection, as such aid flows can smooth the high volatility of the revenue base in many low-income countries (see Chapter 6).<sup>65</sup>

A further hypothesis can also be made: that social protection, in the form of cash transfers, could play a role in stimulating economic growth. In principle, putting more cash into the hands of poor people should be good for growth, especially in sub-national regions that are in spatial poverty traps. However, the long-standing debate, on whether to provide famine relief in cash or in-kind (food), cautions that cash has an inflationary effect (thereby diluting the real gain to recipients) when the local economy's supply-side is rigid (due to low-productivity agriculture and limited infrastructure) and when integration between local and national markets is weak (especially when transport infrastructure limits interregional movement of food grains). To have their desired growth effects, cash transfers must be accompanied by infrastructure investment, financial development (including microfinance), and other measures to relax supply-side constraints.

To understand the direct and indirect economy-wide effects (regional, national and even spillovers across country borders), modelling is essential. A pioneering study of the effects of a project on the regional economy used a Social Accounting Matrix (SAM) that can potentially be applied to simulate social protection's economic effects.<sup>66</sup> Subsequent work by IFPRI, the World Bank and others highlighted the strong indirect effects on off-farm employment of agricultural growth – especially important for the chronically poor, who have no land.<sup>67</sup> Social protection could potentially stimulate off-farm employment, and the non-farm rural economy, but as yet there is little evidence.

The potential value of modelling is demonstrated by a recent study of social protection in Cambodia, a Chronically Deprived Country, using a Social Accounting Matrix.<sup>68</sup> This simulates the economy-wide impact of cash transfers and food aid to three types of households with characteristics typical of the chronically poor: those unable to engage in productive activity; farmers who sell their labour to larger farms; and subsistence farmers who have no marketable surplus. The scale of the transfer simulated is relatively modest (up to 2.5% of household income). Initial results suggest that as the transfer raises consumption, the rise in demand boosts production and therefore growth. This growth effect is partially offset by the resulting rise in prices that makes Cambodian exports less competitive (and imports more competitive) through a real exchange-rate effect. Internal demand therefore becomes more important to driving growth than external demand. The scale of this effect will depend on whether investments

*Social protection, in the form of cash transfers, could play a role in stimulating economic growth.*

in infrastructure are simultaneously put in place to raise the responsiveness of the economy's supply side to the rise in demand (thereby dampening the rise in prices).

Of course, the construction of such infrastructure can itself provide employment for the poor. And other supply-side measures can also be pro-poor, including microfinance to facilitate investment. The macroeconomics of cash transfers must therefore be viewed in a dynamic, not a static, context. Every effort needs to be made to expand the supply side through investment and infrastructure, so that any adverse effects (on the balance of payments in particular) remain short-term, and are resolved as higher growth kicks in.

The simulation suggests that both the poverty reduction and growth impacts may be higher when poorer, but economically active, Cambodian households are targeted, in particular those who sell their labour to others, because they have very few productive assets to derive much of an income from their own farms. They can partially use the cash transfer to build their assets, thereby starting to participate more directly in growth. Subsistence farmers would be the next largest beneficiaries among the chronically poor, being enabled to produce and sell a surplus, again raising their growth participation. Both groups could then make transfers to the third group, those unable to work (e.g. older and disabled people). Investment responses are raised insofar as financial development occurs as well, thereby better mobilising and using domestic savings.

Modelling also helps us think through the relative merits of cash vs. in-kind (food and subsidised health and education) transfers to chronically poor households. In-kind transfers raise total household expenditure so that, irrespective of the type of transfer, the household can raise its consumption of all goods. When trade is relatively easy and markets are integrated, as in South East Asia, cash is better than in-kind transfers. In these circumstances, trade dampens the (growth-inhibiting) price effect of cash transfers – and households generally prefer cash transfers, because they can use them to get what they really need.

The Cambodia simulations support the idea that social protection works best when accompanied by public investment in agriculture and infrastructure. This raises the domestic economy's ability to respond to increased food demand by chronically poor households, while reducing the need for imports (a positive balance of payments effect). This would be especially beneficial for regions that are otherwise net food importers (those on the Thai border for example). Public infrastructure investment in transport can also reduce the rents earned by middlemen in the food market (which they derive from the market's inefficiency), redistributing those rents back to consumers and producers, including the chronically poor. Since price volatility also falls when transport infrastructure improves market integration, this also benefits the chronically poor, by reducing their vulnerability to price shocks.





Chicken seller in the early morning market (Phnom Penh, Cambodia).  
Photo © Mark Henley/Panos Pictures.

All of this is promising, but far from definitive. The evidence is not yet extensive enough, in part because there have been too few research efforts. We need more data collection to study the output and employment effects in areas where households receive cash transfers. This report urges the development community to make this an urgent research priority, bringing to bear the full range of techniques necessary to pinpoint the growth effects, as well as the poverty reduction effects, of social protection. Social protection addresses poverty and vulnerability in ways that few strategies can, and it does not have adverse effects on incentives to work – that it is likely to foster pro-poorest growth is icing on the cake.

## F. Conclusion

We know that vulnerability keeps people poor, and drives others into poverty. Social protection offers an important solution to vulnerability. Moreover, it can reduce chronic poverty through numerous channels:

- First, social protection prevents people entering into poverty, and reduces the duration of poverty, through maintaining minimum consumption levels;
- Second, social protection is capable of providing a basis for escaping poverty, both for the present generation and the next – through facilitating asset accumulation, increasing demand for health and education, and creating ‘multipliers’ in local economies, through enhanced demand for locally produced goods and services; and

- Third, social protection helps build the social compact between citizen and state, through moving towards a minimal standard of wellbeing, below which people should not fall. Moreover, it can increase agency, economic choice and a sense of entitlement, thus enhancing the bargaining power of chronically poor groups.

Therefore, we argue that in addition to tackling the insecurity trap that is so characteristic of chronic poverty, social protection can also play a significant role in challenging the other chronic poverty traps.

Social protection offers a broad menu of instruments to address different vulnerabilities. While in any given situation there will be no magic bullet capable of dealing with all varieties of vulnerability, social assistance in the form of cash transfers is particularly effective in reaching and including the chronically poor. We know that modest, targeted social assistance schemes are not only desirable, but also feasible and affordable in most country contexts. They can also be initiated now, whereas developing more long-term social insurance programmes can take much longer, and do not effectively address poverty, let alone chronic poverty, in the early decades.

While knowledge of what needs to be done is increasingly available, initiating and sustaining social protection is ideologically, politically and institutionally challenging. For these reasons progress is slow, especially in Chronically Deprived Countries. There are a number of key challenges which include:

- First, the views of elites that social protection will lead to dependency – these can be challenged through contributions to an informed public debate on the nature and causes of poverty and how to address it.
- Second, the concerns of civil servants in Ministries of Finance that the long-term commitments required will be fiscally destabilising – these can be challenged through detailed analysis of the interactions between poverty, vulnerability, social protection and growth.

Making social protection a central pillar of strategies to eradicate poverty is one of the two major development challenges of the coming decade. The other is how to engage with this agenda in fragile or, in our terminology, Chronically Deprived Countries. Here, we hypothesise that social protection contributes not only to a social compact between citizens and the state, but also to economic growth, with substantial benefits at the lowest strata of society. While countries undergoing or recently recovered from conflict may find the social protection agenda difficult to engage with, countries with even a modicum of government can develop schemes with a relatively high degree of visibility and accountability.

The importance of social protection, and the number of ongoing policy experiments, means that monitoring and evaluation is critical – we need to know what works best where, and to provide solid evidence for public and political

debates. By 2010 the world should be able to produce a social protection strategy which would contribute strongly to poverty eradication in a large number of low income countries by 2025.<sup>69</sup>

## Notes

1. Barrientos, Hulme and Moore (2006); Devereux and Sabates-Wheeler (2007)
2. Note that we used 'solidarity' in a broad sense, without referring specifically to its connection with political socialism.
3. Devereux and Sabates-Wheeler (2007)
4. Jalan and Ravallion (2005)
5. Suryahadi and Sumarto (2003)
6. Chambers and Conway (1992)
7. Moser (1998)
8. Schubert (2005)
9. Cutler *et al.* (2000)
10. Emerson and Portela Souza (2003); Guarceli, Mealli and Rosati (2003)
11. Lund (2001)
12. Morduch (1995)
13. Wood (2001)
14. Elbers, Gunning and Kinsey (2003)
15. Chen and Barrientos (2006): 2
16. Chen and Barrientos (2006)
17. <http://nrega.nic.in>
18. Ayala (2006)
19. <http://www.oportunidades.gob.mx/>
20. E.g. Samson, van Niekerk and MacQuene (2006)
21. Morley and Coady (2003); Rawlings and Rubio (2005)
22. Barrientos (2006)
23. Farrington *et al.* (2003)
24. The age of eligibility varies between states, with several paying pensions at 60.
25. Kumar and Anand (2006): 46-47
26. Irudaya Rajan (2004): 68. Indeed, individual states offered pensions as early as the 1960s.
27. Government of India (2006a): 3
28. HelpAge International (2007): 6
29. Irudaya Rajan (2004): 54-58
30. Farrington *et al.* (2003): 4
31. Farrington *et al.* (2003): 4
32. Kumar and Anand (2006): 50-52
33. Corbridge *et al.* (2005) cited in Hickey *et al.* (2007)
34. Hickey *et al.* (2007). The following sections draw heavily on this review paper. The 'Politics of What Works' background work was intended to provide a fuller understanding of the 'political space' within which policies that successfully reduce chronic poverty are promoted, shaped, implemented and sustained, and to develop a series of policy implications from this. A team of expert researchers produced the case studies; Hickey coordinated the process and produced the synthesis report. Case studies included the Vulnerable Group Development Programme, Bangladesh; the Office for Assistance to Vulnerable People/National Institute of Social Action, Mozambique; the National Old Age Pension Scheme, India; the Old Age Pensions in Lesotho and Namibia; the Old Age Grant in South Africa; and the mainstreaming of social protection in PRSP processes in Uganda and Zambia.
35. Hickey *et al.* (2007)
36. Hulme and Green (2005)
37. Samson *et al.* (2004): 2
38. Woolard (2003): 6
39. Barrientos and Holmes (2006): 65
40. Republic of South Africa (2002): 59
41. Samson *et al.* (2004): 3
42. Barrientos and Lloyd-Sherlock (2002): 19
43. Barrientos and Holmes (2006): 65; Barrientos and Lloyd-Sherlock (2002): 18
44. Samson *et al.* (2004): 29
45. Gelbach and Pritchett (1997)

46. It can be politically expedient to include significant numbers from 'vulnerable groups' (e.g. older people, children, war disabled) in the population selected for social protection programmes, as their cases can be widely empathised with. However, such a 'vulnerable groups approach' to social protection often results in fragmented, poorly resourced and poorly targeted programmes, with the inclusion of some non-poor people and the exclusion of many chronically poor people. For such stigmatised groups it is often necessary to devote time and resources (research, advocacy, public education) to gaining them a constituency. Moreover, a significant factor in the success of recent forms of social protection is that it has moved away from this 'vulnerable groups approach' towards a focus on households and their agency.
47. i.e. those poor people who are excluded from a benefit for which they are eligible, or those non-poor who are included, despite being ineligible.
48. This section is based on Andries du Toit, personal communication. The research report is not yet available. Box 27 reviews earlier research on this topic.
49. In an OECD-country context, dependency has a lot to do with the combination of benefits and taxes, the latter preventing some of those on benefits from taking up short-term, badly paid, or precarious employment. The issue of taxation is not so strong in developing countries, so accessing social assistance entitlements seldom leads to withdrawal from the labour market.
50. Devereux *et al.* (2005)
51. Devereux *et al.* (2005)
52. Marcus (2007): 3
53. Skoufias and McClafferty (2001): 44
54. Marcus (2007): 3
55. Noble, Ntshongwana and Surender (2008)
56. Adams and Kebede (2005): 22-23
57. Greenslade and Johnstone (2004)
58. Devereux *et al.* (2005)
59. Samson, van Niekerk and MacQuene (2006)
60. Devereux *et al.* (2005): 32
61. The ways in which pension schemes developed in those two countries reflects the wider development of a social compact between citizens and states, 'from its origins as a racially defined policy that privileged whites over coloureds and blacks ... through to the 1990s when these policies were transformed into a progressive form of social protection aimed at reversing previous discrimination' (Hickey *et al.* 2007: 40). Thinking about social protection in terms of a social compact reflects the importance of extending existing commitments and responsibilities towards protecting vulnerable members of society.
62. Country performance over time should not be the only criterion on which types of social protection are suggested. The political, financial and administrative feasibility and utility of social protection policies and programmes are clearly affected by institutional factors – in particular, fiscal surpluses (representing quality of economic management and tax effort), the rule of law (representing the quality of administration), and political rights (representing the level of accountability). Indeed, some World Bank research has gone as far as devising a benchmarking system, involving an analysis of institutional and fiscal capacity, as a guide to working out how much particular types of country are able to spend on social protection policies (Besley *et al.* 2003). However, such approaches are problematic, given the fact that Chronically Deprived Countries arguably have the greatest need for social protection, but the least capacity to deliver it. Here external support may play a role.
63. Barrientos (2006)
64. Chen and Barrientos (2006): 2. By comparison, Mozambique's food subsidy programme for the urban destitute (originally GAPVU, then later INAS – the National Institute for Social Action) expanded from 2,000 to 80,000 between 1990 and 1995, when it was a purely urban programme, but covered an estimated 8% of all destitute people by 2003, with close to complete coverage of the estimated destitute in Maputo and its province. However, INAS has not yet garnered the political strength to allow recipients to meet their basic needs through the programme, particularly as a high-level corruption scandal led to the closure of GAPVU in 1997, and the development of the new organisation from scratch.
65. Nick Highton, personal communication
66. Bell *et al.* (1982)
67. Haggblade *et al.* (1989); Lanjouw and Lanjouw (1995)
68. Levy (2007)
69. For a detailed review of social protection and case studies of successful programmes see Barrientos and Hulme (2008).

# 4

## Economic growth and chronic poverty

### A. Introduction

Chapter 2 highlighted the failure of Poverty Reduction Strategies (PRSs) to give adequate attention to the chronically poor when formulating policies to tackle poverty. This is especially so when it comes to economic growth. Many PRSs lack an adequate conception of what it means to be chronically poor – often ill, often uneducated, with few (if any) productive assets. They are therefore largely bereft of ideas on how to effectively connect chronically poor people to the growth process, and what to do for the chronically poor who are left out.

Accordingly, this chapter discusses what economic growth means for chronic poverty, and highlights processes connecting growth to poverty. The chapter highlights important policy levers in relation to agriculture, urbanisation and social protection. In doing so, it touches upon two chronic poverty traps – poor work opportunities, and spatial disadvantage – and has a direct bearing on two policy areas to tackle chronic poverty – building individual and collective assets, and strategic urbanisation and migration. The chapter also outlines the broad growth context, within which all five policy areas to tackle chronic poverty are located. Generating revenue is discussed in Chapter 6.

### B. Poor people and the growth process

Economic growth arises from many activities, both big and small. When Tanzanian women grow more food to feed their families they add to the economy's gross domestic product (GDP) and growth rate, as do Bangladesh's micro-entrepreneurs when they achieve higher output. Their value-added should count alongside the output of large factories, plantations, mines and oil wells – the large and very visible producers of the 'modern' economy. Nevertheless, the growth generated by small farmers and micro-entrepreneurs is often underestimated (in part because it is more difficult to measure than the output of big producers). In addition, a great deal of essential human activity is not recorded as GDP; for example, the time that Tanzanian women spend on childcare, as well as caring for their families, especially the sick. Growth that is achieved by destroying rather than husbanding natural capital, such as soils, water, forests and biodiversity, raises

GDP only temporarily – it is ultimately unsustainable, and lowers rather than raises national income. So, current ways of measuring economic growth do give an important indication of development, but are very far from telling the whole story.<sup>1</sup>

The link between eradicating chronic poverty and higher growth is direct, if the chronically poor are among farmers achieving higher output (resulting from the successful adoption of a new seed technology, for example) or among micro-entrepreneurs selling new products and services (resulting from investments financed from micro-loans, perhaps).<sup>2</sup>

The link is less direct, but still clear, when the chronically poor exchange their labour for wages, by working for smallholders, large farmers and manufacturers (both large and small). In all of these cases, the chronically poor are participating in the process of economic growth, sharing in society's increasing value-added, either as producers themselves or as employees – frequently switching between or integrating farm-based, non-farm and labouring activities.

The third, and often ignored, relationship between growth and poverty is the fiscal link, where growth raises the revenue base and therefore the potential for pro-poor public spending. We examine this in Chapter 6.

Our evidence on how the chronically poor relate to growth is fragmentary. But what we do know indicates limited participation. The chronically poor are often found in the regions with the least agricultural potential and furthest from the best national markets, being ill-served by transport and communications infrastructure. This effectively locks them out of national growth processes (and globalisation's benefits). In the worst cases, people are too sick or physically impaired to labour, or old and infirm after a lifetime of backbreaking work. The healthy work hard, but without much education their opportunities are limited. Work may enable survival, but the work itself can be demeaning and dangerous.<sup>3</sup> Modern slavery takes many forms, including bonded labour and the trafficking of women and children into prostitution. And children are too often found in work when they should be in school, thereby not only perpetuating chronic poverty across the generations, but also reducing society's stock of human capital (and therefore growth itself). Less dramatically, many chronically poor people depend on work which is insecure, low paid, unhealthy and unsafe, and have little scope to improve their situation.

*Many PRSs are largely bereft of ideas on how to effectively connect chronically poor people to the growth process.*

### Box 30: Poor working conditions

Poor working conditions have blighted the lives of Vuyiswa, Angel and Bakyt. For Vuyiswa, working under the apartheid regime in Cape Town limited her employment rights and prospects. In the 1980s Vuyiswa needed to straddle urban Cape Town and the rural Eastern Cape, but with no security of employment, her trips back to her rural home led to her dismissal on more than one occasion. Moreover, when working for another household, she lost her job when she broke her leg, as she was unable to service the needs of her employers. Angel had a similar experience of domestic work in the Midlands, Zimbabwe. As a young migrant to town, she was lucky and found work as a 'house girl' for a middle class family. But after a year she had to leave, as her 'madam' was not paying her. Having nowhere to go, she moved to an informal settlement, built a shack, and re-started her life. But, as her life story shows, living and working in the informal sector did not improve Angel's life.

Eleven-year-old Bakyt, and his two brothers, work in a private coal mine, earning income to support their family. The brothers work in extremely small mine shafts, lugging sacks of coal out on their backs. Working in the mine is dangerous: the shafts have no supports and could collapse at any time. Due to their poor diet, hard work and poverty, the brothers and their sister are frequently sick. But working for 12 hours in the mine puts food on the table, which allows them and their disabled mother and grandmother to survive.

The example of Maymana and Mofizul illustrates the difference better working conditions can make. Due to their extreme poverty, and Maymana's inability to find work (due to her age, ill health and deafness) Mofizul entered the labour market when he was only 12. But due to his lack of education and physical impairment (a hunched back), his wages were extremely low. As he grew older, his wage rate increased from one-sixth to one-half of the adult male rate (although such work was often sporadic). More recently, Mofizul has been working in a brickfield and has started earning the full male adult rate. From this, Mofizul has set aside a significant portion of his earnings, and has invested these savings in the house he and Maymana share.



*Unpaid forced child labour – two young boys take a break while working on a road improvement scheme (Burma). Photo © Dean Chapman/Panos Pictures.*

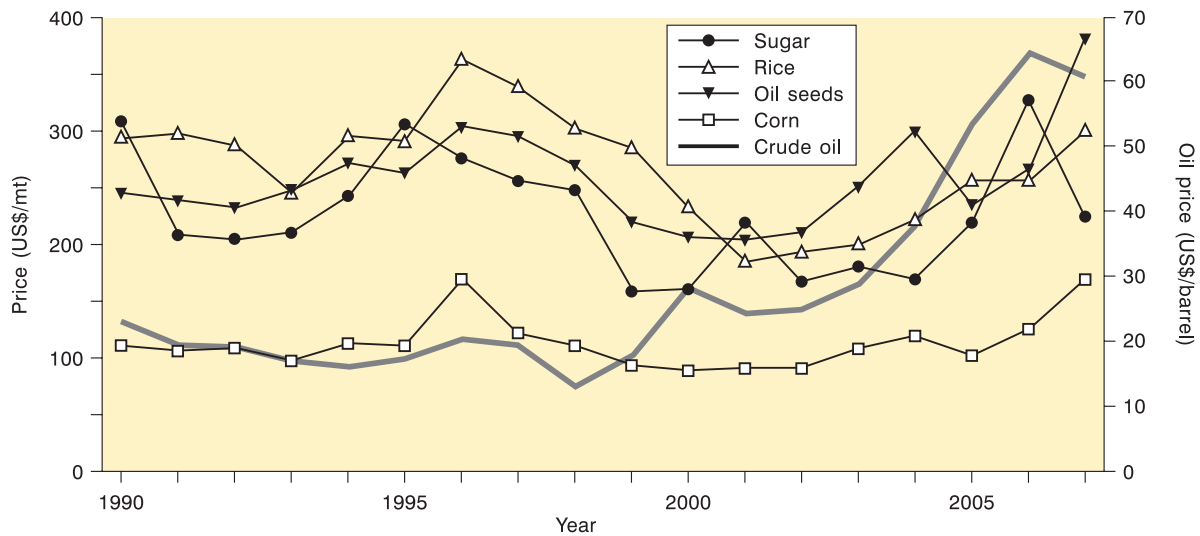
### C. Disaggregation matters for policy

Globalisation is changing national (and local) prospects for growth. While many commentators in the International Monetary Fund (IMF), the World Bank and the World Trade Organization (WTO) assume globalisation to be largely benign, nobody can predict with any certainty what the exact economic effects will be, for either the poor or for what is now called the 'anxious middle'.<sup>4</sup> Moreover, much of the discussion of globalisation, growth and poverty is bedevilled by an assumption that the poor are a broad homogenous mass, and that if growth can only be achieved, the poor will be sucked into the process by some means or other – as if poor people have equal assets, mobility and talents. There is significant differentiation among the poor, as indicated above, and this matters greatly for policy. A farm household that is just below

the poverty line, but which can sell some surplus output, can be rapidly lifted out of poverty by a new policy (a market reform, perhaps), a new public investment (in infrastructure, for example) or a new technology that generates higher output and raises returns on their investments (in their land and human capital, especially). Asia over the last 40 years – first South East Asia, South Korea and Taiwan, and then China – illustrates what can be achieved under conditions of rapid economic growth, when the right policies, infrastructure and technologies are put in place. Still, not all poor people benefit equally from growth and some do not benefit at all.

The chronically poor often experience food deficits, with little prospect of raising output in response to new opportunities, and illness may prevent them from participating effectively in a growing labour market. In a growing economy the chronically poor may well fall behind the poor in general. In the worst cases, their situation may deteriorate – if, for instance, they have insecure tenure, they may lose their land to the more powerful as its commercial value rises with economic growth.<sup>5</sup> This may indeed be a strategy of local wealthy elites, forcing the chronically poor into a labour market which they (the elite) control – an example of being adversely incorporated into the growth process, rather than benefiting from it.

This differentiation among the poor also matters for how we think about the large-scale processes now at work in the global economy, and their implications for poverty and growth. International trade has immense potential to lift people out of poverty, especially in very small countries, many of them African, where the size of the internal market limits growth through import-substitution (part of the success of the large economies of China and India). The presently stalled WTO Doha round has been sold as a big leap forward for the world's

**Figure 3: Commodity price trends, 1990–2007**

Source: IFPRI (2007)

poor, and it may well be – if it is ever implemented.<sup>6</sup> But the benefits of improved systems of global trade can exclude the chronically poor when they are not linked to the new traded growth process. For example, if the chronically poor live in regions where possibilities for export crop farming are very limited (as many do), they will not benefit greatly if rich countries ever reduce their farm subsidies. Some of the able-bodied chronically poor may find work on farms that can

respond to the new export opportunities. But among the many chronically poor families who depend on purchased food – the landless, smallholders who do not produce enough staple food to cover household needs, and the urban poor – further increases in global food prices that follow subsidy removal could reduce their already low food consumption levels (see Box 31).

### Box 31: Food prices, growth and chronic poverty

Since 2003 global food prices for major staple crops have been on the increase. Since 2006 these price rises have escalated rapidly, fuelled in part by oil price rises (Figure 3). This is mainly a result of growth and consequent changing consumption patterns (more meat, vegetables, oil and fish) in China and other fast-growing and urbanising developing countries, as well as changes in OECD demand and policies on biofuels. Most analyses have concluded that prices will continue to rise in the medium term, even if not at the same pace, as the causes are structural.

Governments and international organisations are both keeping a close watch over food price inflation. It can be politically dangerous, especially for authoritarian states. The urban poor may resort to street protests if price increases are too great. Rural discontent can be a big worry for countries with large spatial inequalities (in China, for example, where many rural people have not shared in the globalisation-driven economic boom). Food riots have already taken place in Haiti, Indonesia and Pakistan, and an illegal strike in Egypt. Some governments are stepping up price controls: China, Russia and Thailand have all capped basic food staples. Malaysia is planning to stockpile basic foods, Venezuela is threatening to expropriate food companies that hoard. And China, India, Egypt and Vietnam have all restricted rice exports to boost domestic supply.

We have been here before: the 1970s saw the widespread adoption of price controls (which then create black markets and reduce producer incentives, thereby exacerbating shortages) and large government subsidies to contain the consumer price of food (fiscally ruinous unless you have generous oil revenues). Governments often swear that these measures are temporary, but they are politically very difficult to remove once in place.

Eventually food output should rise to dampen some of the price rise (although this effect could be muted by growing demand for biofuels). The chronically poor have very few means to cope with even small price increases. So even if production does rise eventually, the chronically poor could still suffer badly from rising food costs. Measures such as social protection and targeted nutrition interventions can help. Broad consumer food subsidies often benefit the rich more than the poor, since the rich consume more food.

Sources: based on Wiggins and Levy (2008), IFPRI (2007)



Workers at SAP, West Africa's only tyre factory for bicycles, which produces goods for both the internal market and neighbouring countries. The company employs over 150 people, but is under threat from smuggled foreign imports (Bobo Dioulasso, Burkina Faso). Photo © Jan Banning/Panos Pictures (2004).

Global agricultural trade liberalisation therefore cuts two ways as far as the chronically poor are concerned. Simulations concluding that implementation of the (unlikely) scenario of full agriculture and manufacturing liberalisation will lift 95 million people out of poverty must therefore be questioned. Likewise, rapid global growth is associated with rising energy demand (especially in Asia), higher oil prices (increasing demand for biofuels), and changing patterns of food consumption, resulting in rising global food prices, after years of relative decline (see Box 31).

Enough has been said to convince the reader that differentiation among the poor matters. This is why econometric (cross-country) studies that find large benefits from growth for the poor must be approached with caution. One of the most popular studies finds that poverty declines by 1% for every percentage point of growth.<sup>7</sup> It is not that growth cannot have sizeable benefits for the poor, it is that such studies do not give us the detail of how poverty is linked to growth. It is perfectly possible for poverty in general to fall with growth, while chronic poverty rises, for the reasons discussed. Finally, cross-country regressions cannot capture the adverse incorporation that sometimes characterises the relationship of poor people to economic growth. For these reasons, many NGOs working with the chronically poor rightly distrust grandiose statements about what growth can do for 'the poor'. At the very least, social protection must be put in place for chronically poor people, to help them cope with globalisation's downside.

## D. Transformative growth

Economic growth itself is marked by sectoral shifts in the composition of output and in the location of economic activity – a decline in the relative GDP share of agriculture and an increase in the shares of manufacturing and services (known as transformative growth). This is not to say that agriculture becomes unimportant; agriculture's share of output will eventually fall as growth accelerates, but this relative decline need not imply a fall in agriculture's absolute level of output. It may just mean that agriculture grows, but at a slower pace than manufacturing and services. This distinction is important for the chronically poor, since they are likely to be the last to exit agriculture for new opportunities elsewhere. Resource-rich Nigeria experienced growth in the 1970s. Smallholder agriculture contracted sharply as Nigeria's oil economy boomed (imposing 'Dutch Disease' effects), leaving the poor vulnerable to the subsequent (and inevitable) macroeconomic downturn.<sup>8</sup> In contrast, and also during the 1970s, Indonesia's agriculture continued to grow (with staple food prices declining in real terms as productivity rose, to the benefit of food-deficit poor households), in the context of strong growth in the oil sector and manufacturing. With the macroeconomic effects of oil wealth well-managed, revenues were reinvested back into rural areas.

Sub-Saharan Africa is now seeing growth (above 5% annually since 2005), in comparison with the stagnation and decline of the recent past. Some of this is occurring within the smallholder sector, and is therefore beneficial to Africa's chronically poor. But long-standing constraints, including institutional problems and a high incidence of landlocked countries with inadequate infrastructure, hold back the region's progress in achieving structural change, and high world demand for sub-Saharan Africa's minerals is the main driver of growth. Investments in processing will add much needed value to the mineral sector (through the pro-poor public spending that can be funded by the increased revenue generated by growth – see Chapter 6). West Africa's energy-rich countries have an advantage in creating energy-intensive manufacturing sectors (using natural gas as fuel, much of which is presently burnt) and thus have the possibility of achieving the structural change that characterises transformative growth. In contrast to Africa, much of Asia is already undergoing transformative growth, involving fast structural change – including the creation of entirely new activities that push economies up the value chain (India's export of IT services, for example).

Whether growth generates large-scale structural change has major implications for poverty. Take, for example, the cases of Ethiopia and Vietnam, two countries investigated in a series of studies for this report.<sup>9</sup> Growth has been sustained in both over the last decade, but Vietnam has experienced transformative growth – involving the creation of new export-manufacturing activities – whereas Ethiopia has not: agriculture's share of output is much the same as it was ten



Nortri (foreground), is a Dalit (formerly known as 'untouchable') and a semi-literate villager who now runs the Barefoot College's computer program that helps train other village women in computer skills (Rajasthan, India). Photo © Robert Wallis/Panos Pictures (2007).

years ago. This shows up in the poverty outcomes. Evidence from an Ethiopian rural panel survey (from 1994 to 2004) indicates improving consumption levels (although with high variance due to climatic factors) and a fall in poverty: 27% of households exited poverty and only 13% entered poverty, giving an exit-to-entry ratio of 2.1:1. However, most people remain dependent on the vagaries of an agricultural livelihood, with little non-farm employment available (and high rates of urban under-employment).<sup>10</sup>

In contrast, the rural panel in Vietnam shows that 14.4% of households exited poverty and only 5.8% entered poverty, giving an exit-to-entry ratio of 2.5:1 within a much shorter timeframe (2002-04). Despite the clear benefits of transformative growth in Vietnam, poverty remains stubbornly high in the North West Central Highlands, which has a high concentration of Vietnam's ethnic minorities, who suffer from social discrimination (see Chapter 5).<sup>11</sup> Therefore, the first policy issue, where possible, is to put in place an effective development strategy that leads to transformative growth, maximising opportunities for the poor to escape through improved livelihoods. Historically, this has been through the construction of a developmental state.

### Developmental states

Developmental states are usually conceptualised in terms of their 'embedded autonomy' vis-à-vis economic and social forces, the presence of a developmental political elite and a powerful, insulated economic bureaucracy.<sup>12</sup> However, a less tangible but equally critical characteristic of developmental states concerns the particular types of relationships or 'growth coalitions' that exist between the state and the representative interests of business and labour, particularly emergent capitalists and industrialists.<sup>13</sup> It is these relationships that enable developmental strategies to emerge and gain legitimacy, and through which a sense of common purpose around

national development strategies can be built. Recent research by the Research Consortium on Institutions for Pro-Poor Growth shows that state-business relations in particular are central to promoting growth. They help to reduce market and coordination failures, ensure a more appropriate allocation of resources, and increase state credibility among capitalists.<sup>14</sup> They also enable the state to guide and (where required) discipline capital in line with broader developmental goals. The importance of such relations to the forms of growth required to reduce chronic poverty are illustrated in Box 32.

Promoting developmental states is no easy thing, particularly if we understand developmental states in terms of productive sets of relations that ebb and flow over time.<sup>15</sup> Institutions, and the relations that underpin their workings and impacts, cannot be easily manufactured, particularly from the 'outside'.

### Box 32: Getting on – the relational basis of developmental states

The successful developmental states of East and South East Asia (most of which are full or partial Consistent Improvers) were characterised by productive synergies between political and economic elites.<sup>16</sup> State-market alliances operated with great success in terms of industrial policy and financial market governance, whereby concerted efforts by the state enabled it to harness the energy and productivity of capital. Social forces, usually in the form of unions, were later brought into such coalitions as in South Korea. This in turn mirrored the experiences of countries such as Sweden and Japan, where the ruling parties forged a formidable and corporatist coalition with both business and labour. Importantly, the re-ordering of these relationships in South East Asia in the 1980s and 1990s had devastating impacts. Financial market liberalisation allowed private interests to gain the upper hand in public policy processes via the central bankers charged with protecting the national interest.

Among Chronically Deprived Countries, a more common story concerns the absence of such relations. Zambia, where living standards are now lower than they were in 1975, is illustrative. Here, economic policy reforms in the 1990s undermined the potential for 'corporatist' type relations between state, capital and labour to emerge. Instead, the resulting high levels of unemployment, declining incomes and economic uncertainties all weakened the associational base for agriculture, business and labour alike, thus depriving key sectors of a basis on which to forge relationships with the state.<sup>17</sup> This significantly weakened the structural linkages between these forces and the state and foreclosed any potential for a developmental state to (re-)emerge.

Sources: See Endnotes



**Box 33: State capacities required for achieving pro-poor transformative growth**

1. Restructuring property rights for growth (prioritising particular types of infrastructure, prioritising the allocation of public land, carrying out pro-poor land reform, selecting beneficiaries for new rights over assets).
2. Assisting technology acquisition (prioritised infrastructure support, technology licensing, training and technology absorption subsidies).
3. Extra-market disciplining of private-sector actors (re-allocating subsidies, closing down support schemes and setting up new ones, restructuring infrastructure provision).
4. Maintaining political stability (accommodating/constraining powerful factions, redistributing more broadly for social stability).
5. Investing in primary and secondary education, and stimulating the growth of tertiary education, to provide a base for local research on adapting new technologies to local conditions.

Source: Khan (2005)

In this respect, it is not sufficient to stress the importance of ‘getting the institutions’ right, or of building state capacity. Institutions are critical, but the institutional patterns associated with developmental state success are too varied for us to generalise. In any case, the ‘pro-poorness’ of state institutions and policies is determined as much by the relationships that exist between state and market actors, and the political processes that link them, as by the institutions themselves.<sup>18</sup> Building state capacity is clearly a pressing imperative, but the governance agenda that many donors adopt has a narrow strategy (predominantly focusing on corruption and its reduction). While this is certainly desirable, it is not sufficient for stimulating growth, and donors have seldom focused on the capacities that states have historically required to promote transformative growth strategies (see Box 33).

Some steps towards enabling and building progressive state-business relations can be easily identified. Umbrella associations for private sector interests, which can draw together capitalist forces and provide a point of engagement for government, can, and should, be encouraged.<sup>19</sup> The inclusion of labour and civil society actors in such engagements offers an important mechanism for controlling the potentially damaging forms of collusive behaviour that can emerge within state-business relations. (As the Asia crisis of the late 1990s revealed, there is a fine line between developmental statism and crony capitalism.)<sup>20</sup> And as growth builds the power of private capital, it is essential to build state capacities to check the rent-seeking behaviour of capital and impose market discipline and competition. Finally, more should be done to include the interests of business and labour within key processes, such as Poverty Reduction Strategy (PRS) processes (see Chapter 2) and the budget. One example comes from Uganda, which in the late 1990s institutionalised two working groups at the apex of the budgetary process – the Private Sector Working Group and the Poverty Eradication Working Group – who vetted all

proposals coming up from sector working groups. This type of institutional innovation offers a practical way of incorporating interest groups into key political processes.

Achieving poverty reduction through promoting transformative growth is more complex than often allowed for. As we have seen, the influence of growth on chronic poverty is ambivalent, and this is especially the case with transformative growth. Poverty exits are greatest when the chronically poor participate in the new patterns of transformative growth – directly or indirectly – and when growth allows for greater revenue from taxation to invest in poverty eradication (see Chapter 6). However, transformative growth does not necessarily provide increased opportunities (directly or indirectly) for the chronically poor. Measures are required to maximise inclusion in growth processes, and provide protection for those that are excluded. There is also no

doubt that transformative growth can make things worse for the chronically poor – through increasing inequality, restructuring labour markets, or forced displacement. But this is not to say that countries should not aim for transformative growth. When shifts in the sectoral composition of an economy harm the chronically poor, social protection policies that mitigate

the adverse effects of growth on the chronically poor are vital (see Chapter 3).

*The ‘pro-poorness’ of state institutions and policies is determined as much by the relationships that exist between state and market actors, and the political processes that link them, as by the institutions themselves.*

## E. Growth and strategic choices

Making the best use of a country’s comparative advantages in international trade must be at the centre of an industrial policy. This is the case even in countries where larger populations offer more prospects for growth led by domestic demand. International trade is associated with foreign direct investment and technology transfer, when governments provide the right institutional environment. Whatever the mix of market mechanisms and state controls that are used

to achieve this – and these vary greatly across countries – it is imperative to build an effective system of public finance to fund investments in high-return infrastructure, human capital and developmental institutions. These are all factors that improve a country’s chance of successfully integrating in the global economy. This is the case whether a country opts for a market-led developmental model (which still requires a high level of public goods provision) or goes for an active industrial policy (which requires generating revenue to finance the necessary mix of fiscal incentives for investment, institution-building etc.).

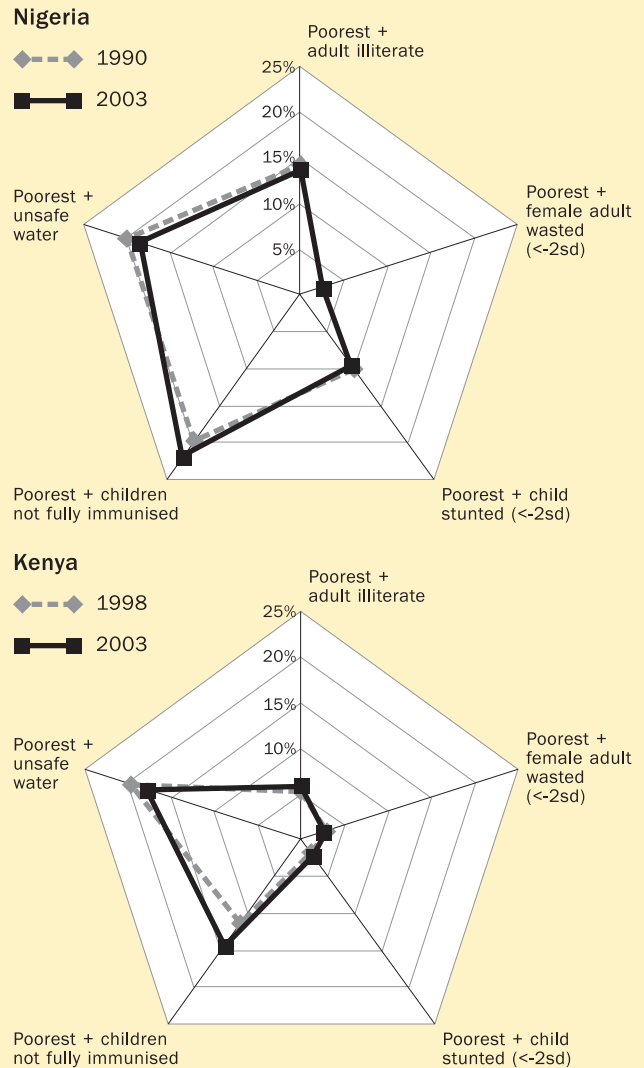
Industrial policy itself receives mixed reviews. Those of a neoliberal persuasion are strongly against it, while structuralists point to success in East and South East Asia. Certainly, there are examples of badly thought-out projects, that yielded little or nothing for development and squandered public money. In some cases, public money was transferred into the pockets of those powerful enough to bend industrial policy towards their own private gain – part of the sad story of how Nigeria dissipated its oil wealth in its first three decades of independence. The billions lost in this way could instead have funded large-scale human capital investment to sever the inter-generational transmission of poverty. This is illustrated by the CPRC analysis of Demographic and Health Surveys (DHS) data from both Nigeria and Kenya – both examples of countries where excessive private gain has limited the provision of basic public services (see Box 34).

Equally, industrial policy has registered some spectacular successes, not least when it has moved countries rapidly up the global value chain – notably in Singapore, South Korea, Malaysia and Taiwan – contributing thereby to rapid employment growth and poverty reduction (including the elimination of spatial poverty traps). The country that has achieved the most in lifting people out of poverty over the last decade is China, with its unique blend of state capitalism (an inspiration to Vietnam’s own success in chronic poverty reduction, as discussed earlier). The World Bank, which distrusts industrial policy (not least due to experiences such as Nigeria’s), nevertheless implicitly practises a version of it. The Bank provides billions to fund infrastructure, which implies that it has a view on the sectors that will yield the highest returns on the investment. In summary, industrial policy *per se* is neither good nor bad – rather, there are good and bad industrial policies, whereby individual policies are a good fit for the politics, institutions and state-capabilities of some countries, but a bad fit for others.

To look more closely at policy we now move into a more detailed discussion of agriculture and poverty, strategic urbanisation and then urban poverty. Policy in mineral-rich economies is reserved for the discussion of fiscal policy in Chapter 6.

**Box 34: Evidence from Nigeria and Kenya Demographic and Health Surveys (DHS) data**

DHS data from Nigeria and Kenya show how the poorest quintile still lacks access to basic child immunisation services and to safe water – very straightforward public services that are vital for interrupting the intergenerational transmission of poverty. Moreover, between 1990 and 2003 in Nigeria, and 1998 and 2003 in Kenya, there has been no appreciable improvement in access to safe water, and the proportion of the poorest quintile whose children are not fully immunised has worsened.



Source: CPRC DHS analysis, see Annex H

### Making agriculture work for the chronically poor: infrastructure, education, information

Spatial inequalities abound that have been created by differences in regional endowments of natural capital, location and infrastructure. Moreover, globalisation is exacerbating the trend towards greater spatial inequality.<sup>21</sup> These problems are particularly acute when regions are poorly incorporated into the political economy and processes of state formation. Most rural communities themselves are also characterised by large inequalities that determine the spread of growth's benefits. However, agriculture can be a strong motor for reducing chronic poverty, and plenty can be done to make agriculture work for the chronically poor. CPRC research on rural poverty dynamics in Vietnam, Uganda, India, Nicaragua and Ethiopia highlighted three pillars that can contribute to creating paths out of rural poverty.<sup>22</sup>

The first pillar is **infrastructure**. The evidence suggests that infrastructure defines the terms on which the chronically poor access markets. Transport infrastructure gives households greater opportunities to gain from specialisation in production (by opening larger markets to them), increases the numbers of traders in local markets (thereby diluting the power of local monopolies and monopsonies), improves food security (by easing the timely transfer of grains from surplus to deficit regions), and reduces the travel costs of those seeking work outside their immediate locality.

These effects notwithstanding, we need to know much more about infrastructure's implications for the chronically poor. While these appear to be mainly positive, there may be a downside (for example, through increased exposure to import competition), and the scale of the benefits is largely unknown. Harder evidence is important in framing investment choices – especially now that infrastructure investment has risen again to the top of the World Bank's priorities (China also

emphasises infrastructure in its growing aid to sub-Saharan Africa and Latin America). It is critical to making decisions about allocating public money to infrastructure compared with spending it on basic social services and cash transfers – instruments of great importance to chronic poverty reduction, and ones for which we have more evidence (largely positive) than for infrastructure.

Addressing the politics of spatial inequality – whereby some chronically poor regions such as Northern Ghana, Northern Uganda and the ex-homelands of South Africa often still act as labour reserves for 'productive' sectors of the economy – is a larger challenge still. Although infrastructural development is part of the solution, more political action is also required. The genuine decentralisation of consultation, power and resources within a strong regional planning policy may play a useful role – although the broader task is to re-draw a more inclusive social compact between the centre and such peripheral areas (see Chapter 6).<sup>23</sup>

The two further pillars for making agriculture work for the chronically poor are **education** and **information**. Education can be important in creating ways out of rural poverty through:

- increasing productivity within agriculture (the activity in which the majority of the chronically poor will continue to be engaged);
- enabling households to access non-agricultural activities – a likely avenue for exiting poverty; and
- facilitating successful migration to urban areas, which can be an escape route from poverty (those with higher educational levels move sooner, and have greater success in attaining reasonable employment).<sup>24</sup>

The level of education required to enable people to move out of poverty varies between and within countries. For example, in the Vietnam hills, lower levels of education are required than on

#### Box 35: How infrastructure helps reduce poverty in rural Uganda

The village where Moses and Gladys live – Kalangaalo, Mubende district, Uganda – shows how connectivity and infrastructure provide numerous benefits to rural households. Kalangaalo contains over 1,500 people from numerous ethnic groups who have settled in the area. Most households rely on farming: potatoes, beans, maize, sweet potatoes, bananas and tomatoes are major crops (coffee is not any more, due to disease and low prices). Over 90% of the households also keep livestock, especially pigs, chickens and cattle. Recent improvements in road and physical infrastructure have been central to improving the livelihoods of villagers. Kalangaalo lies adjacent to two feeder roads which, prior to 1998, were in very poor condition. The district council regraded both in 1998, making them passable in both wet and dry seasons. Sub-county local government now maintains these vital arteries, along with the local council, which mobilises villagers to conduct repairs. Improved roads have increased farm-gate prices for both crops and livestock (due to greater competition), and have provided easier access to district markets. Horticulture has expanded rapidly – a needed replacement for declining coffee yields. Moreover, the non-farm rural economy (for example, brickmaking, vending, beer brewing and tailoring) has expanded, due to increased demand for goods and services associated with improved on-farm incomes. Young men now engage in *boda boda* (motorcycle taxis) to link the village with urban centres, and the weekly market is thriving. Kalangaalo has also benefited from new schools, health clinics and new boreholes. Whilst Moses and Gladys do not appear to have benefited from this dynamic rural economy (as they own no livestock, few utensils, and few clothes), such infrastructure investment should, in time, benefit many of their nine children.

Source: LADDER (2001), Bird and Shinyekwa (2005)

### Box 36: Climate change and poverty reduction in sub-Saharan Africa

While the specifics of climate change impact are unclear and contested, two general trends in sub-Saharan Africa can be discerned. First, that episodes of heavy rainfall and drought are likely to become more frequent and severe, and that precise prediction of these events will remain difficult. Second, in the longer term, rises in temperature are expected to have negative impacts on crop yield and on areas of cultivatable land. In general, nearly all future scenarios indicate that Africa is expected to be the worst hit world region. In the longer term, some models predict up to a 9% decrease in potential agricultural land by the 2080s and reductions in yields of up to 10% and 18% for cereals and maize, respectively, by 2050.<sup>25</sup> However, the increased frequency and severity of hot spells and heavy rains is likely to have an impact on agricultural growth patterns in Africa much sooner. The recent Intergovernmental Panel on Climate Change report predicts such changes as 'very likely', with over 90% probability of occurrence.<sup>26</sup>

What implications do these changes have for agriculture-led poverty alleviation policies in sub-Saharan Africa? Current approaches highlight the critical role of agricultural productivity in stimulating agricultural growth and poverty reduction. This approach broadly adheres to the dominant 'small-farm-first' orthodoxy in rural development, which argues that labour-intensive, smallholder-led increases in yields can address both growth and equity goals at once: directly (through income increases), and indirectly (through increased employment and demand for goods and services). Small farms are generally owned and operated by the poor, often use locally-hired labour, and distribute income within nearby locales, creating multiplier effects throughout the local economy. Here we highlight two ways in which climate change might challenge this current policy approach: focusing on the 'trigger' for agricultural growth processes; and generating a dynamic, non-farm rural economy.

'Trigger' for agricultural growth may be jeopardised: First, climate change raises a question about the source of agricultural growth. Here, the relationship between land and labour productivity is crucial. For countries in the early stages of the rural growth process, both land and labour productivity must rise, but land productivity must rise faster than labour productivity – to absorb surplus labour, create employment, and stimulate demand for non-farm goods and services. In light of the projected decreases in agricultural land availability, and increases in low potential land, this 'trigger' for the rural growth process is arguably less likely to occur in the context of climate change.

Unpredictable agriculture means growth multipliers may not work: Second, climate change may reduce the likelihood of 'multipliers' stemming from agricultural-led growth. Increases in farm-based income are closely linked with increases in non-farm income, e.g. from vending, petty trading, provision of everyday services. This is especially pronounced in broad-based smallholder-led agricultural growth – local labour is hired, income is spent locally. However, a dynamic, non-farm rural economy requires consistent and stable increases in agricultural incomes – diversification into non-farm activities will only occur significantly when demand for goods and services at the end of agricultural cycles is regular and constant. As we have seen, the only certainty regarding climate change is increased variability: what is the likelihood of sustaining non-farm rural growth where agricultural incomes are increasingly unpredictable?

These arguments suggest that there might be a limited window of opportunity to 'trigger' the rural growth processes necessary if current strategies for agricultural growth and poverty reduction in sub-Saharan Africa are to succeed. If climate change impacts are greater and sooner than previous models have suggested, it may be only two or three decades before this becomes much harder: a clear reason to redouble efforts at stimulating smallholder-driven rural growth processes and poverty reduction immediately.

Source: Prowse and Brauholtz-Speight (2007)

the plains.<sup>27</sup> Frequently, education systems fail the chronically poor, particularly in terms of quality, accessibility, affordability, and the opportunity cost of schooling for households which rely on child labour during busy agricultural periods. Educational indicators, such as adult illiteracy, continue to be particularly poor in Africa (including North Africa, especially for women) and South Asia, especially in rural locations. Whilst there has been a small improvement in recent years in adult illiteracy in most of these regions, West Africa has recently seen an increase in illiteracy rates (see Annex F).

Typically, the chronically poor have access to little or poor quality social capital, with the consequence that access to important information may be a major constraint. For example, they may lack information on job opportunities, on changing input and output markets, or on new farming or agro-processing enterprises and techniques. Whilst agricultural extension has been the conventional channel for disseminating

information, the country studies undertaken for this report provide mixed evidence at best about the effectiveness of extension services. In Vietnam, extension centres seem to have played an important role in helping some ethnic minorities in lagging regions escape from poverty. However, in Ethiopia those households that had been visited by extension agents were not more likely to use fertiliser – regarded in that study as the key factor for increasing productivity – than those that had not received visits. A key question for future research work is the extent to which modern information demands are satisfied through extension services, or through a wider spectrum of private and public agencies which have information provision as a spin-off or sideline.

Although much can be done to make agriculture work for the poor, the extent to which agriculture can contribute to poverty reduction in sub-Saharan Africa may be threatened by climate change. Global environmental change is starting

to undermine the viability of some rural livelihoods, increasing environmental stress through increased variability in temperature and rainfall. In addition to the chronically poor lacking assets and capacity to respond to the increased frequency and intensity of shocks, climate change poses some difficult questions for current agriculture-led strategies for poverty reduction (see Box 36).

### Strategic urbanisation and reducing spatial inequalities

A thriving urban centre often facilitates poverty exits in both the urban centre itself, and in nearby rural areas. Urbanisation has a positive impact through numerous channels:

- labour markets and wage levels;
- migration opportunities (via the escape these can provide from adverse socio-economic relationships at home, and the remittances they can generate for those left behind);
- demand from urban centres for goods and services produced in the hinterland, especially for higher value agricultural produce;
- improved access to public services, which build human capital; and
- changes in norms and values.

Many of these effects have an impact on urban residents, migrants and commuters, and the many rural people affected

#### Box 37: Has urbanisation reduced rural poverty in India?

India has particularly rich district-level data on population change, economic growth and poverty. Background work for this report assessed whether, and to what extent, urban growth in India's districts between 1983 and 1997 had any effects on rural poverty in those districts. The study measured the effect of urban growth on the incidence of rural poverty and severe poverty.<sup>28</sup> Preliminary results suggest that urban population growth has a very significant effect on reducing rural poverty. A 20% increase in urban population in a district is associated with a reduction in the incidence of poverty in rural areas of one-third. This effect is still highly significant after controlling for economic growth, the urban poverty rate in the district and other significant variables such as change in climatic conditions. The results are equally strong when using the poverty gap as the measure of poverty – indicating that urban population growth has positive effects also for the very poor in rural areas. Importantly, the results still hold when the largest cities are excluded.

Source: Cali and Menon (2008)



Noor Yousuf, a young migrant worker, takes an afternoon nap in a small garment factory in Dharavi, one of Asia's largest slums (Mumbai, India). Photo © Atul Loke/Panos Pictures (2007).

by the ripple effects of a city. Urbanisation is a broad socio-spatial transformation, which often takes place rapidly, alongside some form of industrialisation. It is a critical engine (as well as a consequence) of economic growth, which breaks down urban–rural boundaries and shakes up social structures, and can loosen the bonds of patronage (or at least create less persistent forms of patronage). Over time, urbanisation tends to improve poor women's access to resources and politics, and provides opportunities to include the poor in social movements and formal politics.

Urbanisation creates the possibility of agglomeration economies, and better developed financial and other business services. It therefore provides important opportunities for investments and growth in neighbouring rural areas. Urban centres can bring substantial benefits to adjacent rural regions (see Box 37).

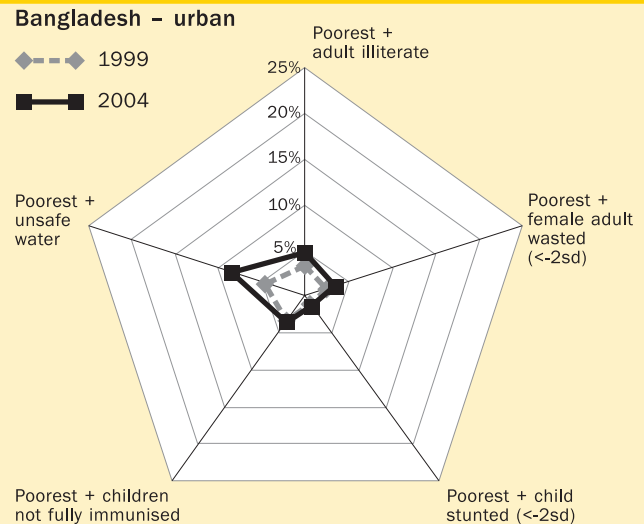
Regional development can promote a pattern of dispersed urbanisation, giving the widest access to urban centres, and promoting balanced regional development. A good example comes from Vietnam. Purposefully targeted regional development policies in the provinces around Hanoi, DaNang and Ho Chi Minh City have encouraged the development of urban growth poles. These areas now account for 96% of foreign direct investment (FDI), 80% of Vietnam's exports and 67% of state income.<sup>29</sup> The extent to which such urban poles can be achieved clearly depends on the planning legacy of countries. In China and Vietnam, urban growth policies have relied on restrictions on rights of residence, on entering the informal sector, or on the provision of services.

There is an important role to be played by small and intermediate urban centres. This is especially the case if agricultural and other products generate high returns – rural inhabitants then have enough income to purchase goods and services locally, and local traders have the capacity to respond to demand. Such a role is less likely when foreign and national competition prevents enterprise development.<sup>30</sup>

### Box 38: Worsening human development indicators in urban locations

CPRC analysis of Demographic and Health Surveys (DHS) suggests that whilst deprivation rates are generally much lower in urban areas than in rural areas, some human development indicators are worsening in urban Bangladesh, Kenya and Nigeria. This pentagram illustrates changes in key human development indicators for the poorest quintile across two points in time and shows that in Bangladesh adult literacy and access to safe water has worsened in urban areas between 1999 and 2004 (see Annex H for technical note).

Source: CPRC DHS analysis, see Annex H.



Urban development has typically been viewed by policymakers through a myopic lens – focusing within city boundaries, and not on the economy and society as a whole. Instead, an aggressive national urban policymaking approach could plan infrastructure, in order to:

- link poor regions with economic potential more effectively to urbanising regions;
- systematically encourage the urbanisation of poor regions, where growth is limited; and
- enact policies so that urban labour markets do not discriminate against disadvantaged categories of people.

None of this is to say that urbanisation does not have a downside. Cities can be the site of exclusion, of ‘unsustainable livelihoods’, and of oppressive criminal, semi-criminal and negative patronage relationships. And, as explained in Chapter 1, urban poverty is a growing challenge in many developing countries. Our comparison of DHS data suggests that the deprivation of the poorest inhabitants of cities in Bangladesh, Kenya and Nigeria is worsening in recent years (Box 38).

However, managed urbanisation can minimise the downsides and promote the upsides, for both migrants and existing urbanites. Good ‘urban governance’ – through public investments in basic public services, and providing a legislative framework for security of housing tenure – can provide migrants with some security and opportunity to prosper. Land and housing are key assets in the urban economy, just as living in poor quality housing in unofficial or illegal settlements contributes both to ill health and insecurity.<sup>31</sup> Wider measures also include pursuing labour-intensive growth paths, relaxing informal sector regulation, and facilitating access to

financial services.<sup>32</sup> Urban cooperatives and membership-based organisations of the poor – such as federations, savings groups and grassroots organisations – offer a means to increase political voice, access government services, and claim political entitlements – especially for women.<sup>33</sup> Such groups may form into social movements which can mobilise around key issues, such as housing (see Box 39).

Overall, urbanisation offers considerable potential to include and equalise gender relationships, and enhance agency and economic choice, but it is no panacea. It requires regulation and management, with these objectives in mind.

In summary, there are many challenges in ensuring participation by the chronically poor in growth. Securing their property rights, building their assets, allowing them to access markets and information on fair terms, and investing in their human capital are all imperative – but also expensive. This is where the revenue dimension of growth – the third link between growth and poverty – becomes vital. Growth itself generates a rising tax base that can fund pro-poor action (such as our five policy areas), but only if the necessary tax institutions are built (see Chapter 6). However, much of our discussion about growth and the chronically poor relates to good policy environments, and not to Chronically Deprived Countries (CDCs). So, how is the link between growth and reducing chronic poverty different in CDCs? Part of the answer to this question was discussed in Chapter 3: social assistance can form part of an alternative engine of growth, as long as concomitant investments are made in infrastructure (where the rural poor can benefit from public works schemes) and through increasing and diversifying the provision of financial services – especially savings.

### Box 39: State–social movement partnerships to build the assets of chronically poor people: resettlement of railway dwellers in Mumbai

There are a growing number of cases where slum dwellers' organisations have negotiated with municipal authorities to reduce their members' vulnerability, and improve their chances of exiting poverty, through obtaining better and more secure housing.<sup>34</sup> The story of the Mumbai Railway Slum Dwellers' Federation illustrates this. Tens of thousands of families lived for decades along the railway tracks in Mumbai, suffering from poor living conditions and insecurity, and also presenting an obstacle to the smooth running of the severely overloaded urban transport system. As part of a transport renovation project, Indian Railways began forcible evictions in early 2001. However, following protests from the slum dwellers, an Alliance of community organisations worked with the Mumbai development authorities, Indian Railways, and the World Bank to achieve the voluntary resettlement of 60,000 people into better quality and more secure accommodation, much of which was built by the Alliance at two-thirds of the cost of municipal contractors. The transport system was then able to be improved and upgraded.<sup>35</sup>

The self-organising of the communities – aided by federations of grassroots slum groups offering advice and support – was clearly key to this success. The Alliance argues that all-out confrontation with the authorities is a very high-risk strategy for slum dwellers, and emphasises negotiation as a more practical alternative. Through demonstrating their capacity to manage their own resettlement, for example by thorough mapping and enumerating of slum families,<sup>36</sup> the railway dwellers were able to change the balance of power between themselves and the authorities, and have more control over strategic decisions about their lives.

Shifts in World Bank policy towards requiring the free resettlement of evictees in infrastructure projects, and the capacity of local state institutions to learn and respond positively to negotiations, were also crucial. However, these factors did not make this an 'easy win'. Until halted by street protests, Indian Railways was pressing ahead with mass evictions, despite a decade of local history of slum movements co-managing smaller resettlements. While the path may be rocky and twisting, these may be 'steps on the journey towards citizenship for the urban poor'.<sup>37</sup>

Sources: See Endnotes

## F. Social protection as a policy lever for growth in Chronically Deprived Countries

Referring back to our earlier country classification, different types of CDCs face different growth challenges. Landlocked CDCs (see Annex K) face certain constraints compared with coastal countries, which have an advantage in their access to global trade networks. Resource-poor CDCs have endowment constraints that do not weigh down those with abundant mineral wealth. CDCs with small populations do not have the advantages of the large internal markets of the more populous CDCs. Countries with an easily traversable geography do not suffer as many spatial poverty traps as those with mountainous terrains. Each must find the industrial policy most appropriate to its circumstance. Thus, landlocked CDCs may look to more service-based employment in expanding their internationally tradable sectors (including the remittances generated by creating a growing stock of human capital that is internationally employable). The mineral-poor CDCs must look to mobilising revenues elsewhere (and will of necessity be more aid-dependent than the resource-rich – see Chapter 6). Small CDCs must find their economies of scale in export sectors or tourism, that is at least until rising living standards provide more domestic market opportunities. Those with mountainous terrains may find economic growth in high-value tourism, or in sectors with low transport costs.

None of this is easy, and this report does not pretend to offer a magic elixir for growth. In the history of development ideas there have been too many attempts to push one approach

to growth, leading to cycles in fashion. Rather, we insist that in framing development policy, great weight must be given to the needs of the poor and any development policy must pass the test of poverty reduction. Thus, it is not enough to offer the general hope that a particular industrial policy will yield poverty reduction by raising growth. Instead the linkages must be firm and the timescale reasonable. Otherwise, the funds committed to the necessary investments to support growth would be better spent on primary and secondary education, basic healthcare, and safe water and sanitation – areas where we know that there are high payoffs for human development, and at least some return to growth.

We do, however, see much promise in linking social protection more effectively to growth by changing the character (and depth) of the market environment in which each country's industrial-policy strategy is framed. As this report noted earlier, social protection is yielding more and more examples of success, and the challenge of scaling-up is at last being met. By definition, a market is a social institution in which 'money talks' – cash transfers to the chronically poor provide them with a market voice. Indeed, that cash may create a market where none existed before – by making it profitable for entrepreneurs to invest in the production and supply of goods and services for which there was previously no effective demand.<sup>38</sup> Cash transfers raise the level of aggregate demand, and they change the sectoral composition of demand towards the basic goods and services required by poor people.

Whether investment will follow depends on the underlying conditions for investment – the wider enabling environment.

Each dollar will, if not saved, be spent on either internationally traded goods (imports of foreign manufactures, or locally manufactured goods that are otherwise exported), or locally produced goods and services (non-tradables). A rural villager who receives a cash transfer and spends the money on improving her house might therefore buy imported corrugated iron (a tradable) to replace the thatch roof, and bricks produced by a neighbour (non-tradables) to replace the dried mud-walls. This growing market provides new entrepreneurial opportunities – which price mechanisms will signal – and scope for industrial policy. Using the example above, industrial policy might consist of public subsidy to finance programmes for investments in housing, publicly funded research and development in new construction technologies for poor people, and private–public partnerships in providing large-scale infrastructure, such as water and sanitation, using locally manufactured materials.

The macroeconomics must be handled carefully, not least the fiscal effect and the real exchange-rate effect (see Chapter 3). If social protection is financed domestically, then in raising public expenditure it potentially increases the fiscal deficit. This would result in some crowding out of private investment – as real interest rates rise to finance a higher level of public debt, unless (as emphasised later in this report) more domestic revenue is mobilised. This dampens the net growth effect of social protection, although it should still be positive, as the associated rise in demand should stimulate investment, and some social assistance will be saved and invested by recipients. The main concern here is that governments without much in the way of revenues will find it difficult to ramp up social protection to levels where it has a strong poverty reduction effect and a strong growth impact. External aid relieves this budgetary constraint – and allows a bigger and faster scaling-up of social protection – but aid itself has a real exchange-rate effect, potentially depressing exports and growth. Thus, aid-financed investment in infrastructure to support export sectors (to offset the exchange-rate effect on export profitability) must go alongside aid-financed social protection. In summary, the macroeconomic issues are tricky, but not insurmountable.

In these ways, industrial policy can be built around the needs of the poor, particularly the chronically poor, and each specific policy stands a better chance of meeting the poverty reduction test. The macroeconomics of linking industrial policy to social protection in this way requires that investment be made in the economy's supply-side – especially in micro- and small-scale enterprise, which provides the kind of non-tradable goods and services that are often in demand by poor people, once their purchasing power begins to rise. For example, cash transfers linked to sending children to school will have obvious effects on school construction and educational materials, thereby stimulating domestic manufacture and provision in these areas.

*Aid-financed investment in infrastructure to support export sectors must go alongside aid-financed social protection.*

## G. Conclusion

While some argue that growth must be the main element in tackling poverty, there are strong limits on the extent to which economic growth alone can tackle chronic poverty. There is limited, if any, engagement in growth by the chronically poor, because of the multiple deprivations and adverse socioeconomic relationships they experience. The rapid transformative growth experiences of East and South East Asia are built around processes of structural economic and social change which bring considerable challenges and disadvantages to the poor. But such growth can potentially generate the long-term employment opportunities and revenues with which to meet the needs of chronically poor people. This can compensate for their low participation in growth, and offset some of the negative effects of growth. Where the opportunities for transformative growth are limited, growth in the sectors where the poor are most represented (such as agriculture) can be supported by classic productive public investments in infrastructure, education and information. An emphasis on dispersed and strategic urbanisation can spread the benefits of towns and cities. In addition to acting as a motor for economic growth, urban centres can loosen bonds of patronage, bring opportunities for women's lives, and provide opportunities for the inclusion of the poor in social movements.

The limited ability of growth alone to reduce chronic poverty reflects the fact that the chronically poor are not full participants in social life, and therefore not fully citizens of the societies in which they live. Their economic life is marginal to the formal economy as a whole, which in turn diminishes their voice in political spheres. The social change generated by growth-inspired structural changes often stimulates new political spaces for articulating that voice – through the formation of trade unions to organise the emerging working class, for example. And some of that voice can be mobilised and utilised to gain a fairer distribution of the revenues associated with extractive industries, where they exist, which are major beneficiaries of the rising world demand for minerals as globalisation proceeds apace. This political voice can lay the ground for improving the incorporation of the chronically poor in the economy', through asset investment (and redistribution), greater accountability in the public finances, and through the regulation of market economies in the public interest.<sup>39</sup>

It is in this sense that the reduction of social inequality is part and parcel of eradicating chronic poverty. Much of the discussion to date of the relationship between inequality and growth focuses on the role of high inequality (in income and assets) in limiting the gains from growth for the poor. This discussion certainly highlights a central problem. But this approach has a drawback: inequality is seen in a highly



instrumental way, as a kind of 'fact' that exists outside of social life, and one that is amenable to highly technocratic solutions – once the right set of policy levers is found. Challenging inequality clearly creates intrinsic benefits: for example, it increases the inclusiveness of society, and the realisation of civil and political rights.<sup>40</sup>

It is in this context that the relationship between globalisation and poverty reduction through growth must be viewed. By freeing the movement of capital, and by reducing barriers to trade (but not, by and large, barriers to the movement of people), globalisation offers the prospect of strengthening the market power of capital. This is evident in the rise, in most countries over the last decade, of both wealth and income inequality. Some aspects of globalisation may enhance growth strategies that are supportive of more broad-based growth and social change. This is the case if, for

example, private international capital becomes more readily available for investing in key export sectors that have strong multiplier effects on poverty reduction. States likely to prosper are those that think through these linkages, and that pursue supportive policies and create supportive institutions, while also exploiting the additional revenue-raising opportunities that such capital generation offers. Within that supportive framework there will be potential for representatives of the poor to make their voice heard. By these means, the power of private capital can be harnessed to create positive social change, while simultaneously tempering its tendency to assert its market power by overturning regulation and progressive taxation. We therefore end on a note of caution: progressive social change is not a one-way street – globalisation has large and often unpredictable effects, and progress towards chronic poverty reduction can therefore be all too easily reversed.

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## Notes

1. The Genuine Progress Indicator attempts to incorporate these concerns. [http://www.rprogress.org/sustainability\\_indicators/genuine\\_progress\\_indicator.htm](http://www.rprogress.org/sustainability_indicators/genuine_progress_indicator.htm)
2. See papers in Arun and Hulme (forthcoming) for discussions of the ways in which microfinance does (and does not) help the chronically poor.
3. See ILO's decent work agenda – <http://www.ilo.org/global/Themes/Decentwork/lang--en/index.htm>
4. The world's wealthy have certainly done very well from economic liberalisation, especially freer capital flows, over the last 20 years.
5. One downside of today's South Asian growth story is the destruction of housing and livelihoods resulting from large-scale commercial construction in urban areas such as Mumbai.
6. Elliott (2006)
7. Dollar and Kraay (2000)
8. 'Dutch disease' refers to the phenomenon whereby an influx of foreign exchange – based on the discovery of a natural resource such as oil, for example – causes the collapse of other sectors in the economy, such as manufacturing, due to changes in investment patterns and a decline in international competitiveness.
9. The USAID study countries were chosen to reflect different growth contexts (high growth, low growth/high inequality, low inequality mixes), with the analysis exploring the relationship between growth and chronic poverty using panel data (when available). The countries are: Ethiopia, India, Malawi, Nicaragua, Uganda, Vietnam and Zimbabwe. See Annex A for details.
10. See Dercon *et al.* (2006)
11. Thang *et al.* (2007)
12. Evans (1995); Leftwich (2000); Mkandawire (2001)
13. Berger and Weber (2006); Underhill and Zhang (2005)
14. <http://www.ipppg.org.uk/>
15. Fritz and Menocal (2006)
16. Underhill and Zhang (2005)
17. Rakner (2003); Rakner *et al.* (2002)
18. Haggard (2004); Underhill and Zhang (2005); White (1998)
19. Examples include the Joint Economic Council of Mauritius and South Africa's National Economic Development and Labour Council (which includes government, business, labour and community representatives).
20. Harriss (2006)
21. On the first point see Kanbur and Venables (2005).
22. See Prowse and Chimhowu (2007).
23. On the first point see Manor (1999).
24. It is important, though, not to overestimate the value of rural–urban migration. Most migration remains rural-rural, but different levels and forms of education may be required to foster poverty exits based on rural-rural migration. For example, Mosley (2004) found that educated rural casual labourers in Bolivia and Uganda were more likely to be able to bargain for better wages.

25. Fischer *et al.* (2002); Parry *et al.* (2004)
26. Intergovernmental Panel on Climate Change (2007)
27. Thang *et al.* (2007)
28. Mehta and Shah (2001)
29. They also account for 59% of the growth of the service sector and 88.5% of domestic investment (Le Dang Doanh 2004, in Klump and Bonschab, 2004: 32). Moreover, Thang *et al.* report that most of the urban poor also escaped poverty between 1993 and 2004, as much of Vietnam's transformative growth was centred around the development of urban manufacturing for the export market and accompanying expansion in the urban service economy.
30. Especially important is an enabling policy environment, including equitable land distribution, good infrastructure, a functioning financial sector, limited involvement of parastatals in markets, and regulations restricting monopolistic and oligopolistic practices. Satterthwaite and Tacoli (2003).
31. CPRC (2004): 30-31; Patel, d'Cruz and Burra (2002): 160-161
32. Grant (2006)
33. See Chen *et al.* (2006); Bolnick *et al.* (2006); Jack (2006); UNFPA (2007).
34. See, for example, the speech on these issues made by Lindiwe Sisule, the new South African Minister for Housing, in May 2006 (Sisulu 2006).
35. Mitlin (2006); Patel, d'Cruz and Burra (2002)
36. Patel (2004): 3-4; Patel, d'Cruz and Burra (2002): 166-168
37. Patel, d'Cruz and Burra (2002): 171
38. The needs of the chronically poor being unmet, their demand being entirely 'notional' in the language of Keynesian macroeconomics.
39. However, recent research into the effects of social movement engagement with extractive industries indicates that although this may alter the geographies of where exploitation takes place, many such protests fail to cohere or have an impact (Bebbington *et al.* 2008).
40. Maxwell (2001)



# 5

# Transformative social change

## A. Introduction

Society is mostly indifferent to the fate of the chronically poor. Their short lives are of little importance, no obituaries mark their passing. In life, they often face open hostility. After her husband died, Maymana's father-in-law took her land and the court in her Bangladeshi village sided with him, rather than her (see Box 40). Vuyiswa was driven out of the family compound in the Eastern Cape. Angel lost her home twice to the Zimbabwean army, which was seeking to destroy the democratic opposition in the informal settlements. The chronically poor are kept in their place, not able to benefit from the rights others enjoy. As an ethnic Mong, Txab had to accept the Thai state's drive to push the hill tribes into permanent settlements. As a woman, she had to accept the arranged marriage her uncle demanded. Societies shape the lives of the chronically poor, but they in turn have little, if any, role in shaping society.

Social orders, such as class and caste systems or gender dynamics, reflect social and political relationships – of power and patronage, as well as competition and collaboration. Their effects are often ambivalent. Bonded labour is both a job and a prison. Home life provides shelter, but also a cover for violence. Nothing is static; social orders evolve when economic growth challenges the old with the new or collective action challenges power. Relationships that have long maintained chronic poverty, and limited the possibility of exit, can crumble – or reinvent themselves to prevent escape for all but the lucky few.

If they choose to do so, states can decisively weaken the grip of exploitative social orders. Effectively implementing laws against female infanticide and supporting the Scheduled Castes in India are public policies that enlarge the social compact.

Egalitarian legal systems and gender-balanced inheritance rights similarly challenge the existing 'order' of society. The state thereby provides more exits from chronic poverty – exits that progressive social movements can widen further. Justice for the poor then becomes feasible. Too often, however, states continue to act unfairly, helping the strong, not the weak. Democracy is no guarantee against this, for the strong have power beyond their vote. And in the worst cases, predatory

*Nothing is static  
– social orders evolve, and  
relationships that maintain  
chronic poverty can crumble.*

states reflect the very worst in society, and inflict more misery upon the poor: such was the experience of Angel.

Change is possible, and is being achieved, but far too slowly. The traps of social discrimination, limited citizenship and poor work opportunities remain. Chronically poor people therefore continue to meet early deaths in countries that boast of their economic success – but in which social progress remains extremely slow. Being clear about economic goals is not enough. Social goals must also be clear, if policy is to open more exits from chronic poverty. Gender empowerment, social inclusion and increased 'agency' are, we believe, the three key goals and, therefore, this chapter's focus. We explore six sets of policy measures that have particular potency in tackling these. The politics is challenging, and country context matters, so these too are discussed.

## B. Gender equality, social inclusion and increased 'agency': social goals to end chronic poverty

Gender inequality keeps Mayama, Txab, Vuyiswa and Angel poor. It denies education to girls, denies employment and resources to women, and leaves them powerless to make institutions (e.g. marriage, land tenure) work in their (families') interests. A social compact to end chronic poverty cannot be found without gender parity. Gender equality can improve with development. There are, however, many routes and speeds, conditioned by political history, religious beliefs, and broader cultural values. Leadership and effective public policy can find better and faster routes to gender parity. The recent protests against efforts to make inheritance rules gender equal in Bangladesh are demonstrative of how challenging this can be.

Social exclusion denies true citizenship to the chronically poor. It also endangers social stability, for the grievance of the excluded can boil over into violence (see Chapter 6). Constitutional means to affirm citizenship, and anti-discrimination policies, promote inclusion. Moreover, the provision of ante-natal, neo-natal and early-years health and

### Box 40: Stories of discrimination

The lives of Maymana, Txab, Vuyiswa and Angel demonstrate the importance of social discrimination in creating and perpetuating chronic poverty. Maymana's most serious experience of discrimination was when her husband died in 1998. While she was still in the throws of grief, her father-in-law took control of the household's remaining agricultural land (Maymana had previously sold a portion of her acre of paddy – inherited from her father – to pay for medicine and treatment for her husband). Despite threats and warnings, Maymana tried to assert her rights in the village court, but to no avail. Despite having a strong case in Bangladeshi law, the *shalish* (traditional village court) ruled against her (as often happens when women claim rights to land).

For Txab, discrimination has been a constant feature of her life. As an ethnic Mong woman, Txab has attempted to find ways around restrictive practices in Thailand: the state's attempts to integrate the 'hill tribes' into permanent settlements, and the effects of social stereotyping. She also suffered as a child: in contrast to her brothers, she was excluded from inheriting her parent's assets, and was forced into an arranged marriage by her uncle.

Discrimination also played an important part in Vuyiswa's life story. Not only did apartheid define her life chances and her movements before 1990, but, in a similar fashion to Maymana, the death of her husband led to the loss of assets. Despite local protocol dictating that she should stay in her dead husband's rural compound in the Eastern Cape and raise their children, Vuyiswa was driven out of the compound by her dead husband's sister. With few alternatives, she moved to her brother's shack in Cape Town, finding casual employment as a domestic worker in the white suburbs.

For Angel, it has not been gender or ethnicity that led to discrimination, but her position in an informal settlement. Like all the residents of Plot Shumba – the informal peri-urban settlement in the Midlands, Zimbabwe, where she lived – Angel lost her home in February 2003, as the army demolished Plot Shumba in Operation Mariawanda. She was severely beaten and slept in a bus shelter for a month. She rebuilt her shack and her life, found work, fell in love, and gave birth to a child, only for her home to be destroyed again in May–June 2005, during Operation Murambatsvina. Unable to care effectively for herself or her son, Angel was reliant on local networks and an NGO for survival.

education measures can help to break the intergenerational transmission of poverty. Social movements that boost the profile of such measures, ensure governmental accountability, and demand the legal rights of all citizens, will help advance public policy. However, social inclusion may not dissolve specific cultural or social identities. In some cases, acknowledging difference, and perhaps maintaining a degree of cultural separation, is a starting point for developing less exploitative relationships between groups. The social compact is incomplete until the chronically poor are true citizens of their nations.

Adverse incorporation must be overcome to achieve true citizenship. The social relationships that bind the chronically poor sometimes protect them against absolute deprivation, but at the cost of denying voice and choice. They are stuck in economic activities with low returns, have few opportunities to utilise their endowments productively, and lack alternatives. What the chronically poor need is greater agency, more options to move out of oppressive social and economic relationships, and voice to articulate their interests. Enabling them to bargain for higher wages, and to assert their citizenship rights and entitlements, is vital (see Box 41).

Gender equality, social inclusion and greater agency constitute transformative social change. But how can progress

on these three goals be achieved in often very different country circumstances?

We focus on six policies, and their politics, that can yield a social compact. Four of our policies relate to education, reproductive health, migration and urbanisation, all of which strongly influence social relationships. Two of our policies are broader, and provide a wider framework in which political and social relations are embedded: namely, anti-discrimination legislation, and an enabling environment for social movements. These are discussed in reverse order, starting with the vital need to foster active social movements. Collectively, these policies build the social compact between citizens and their state.

*Ending chronic poverty is not a technocratic endeavour. Social movements give the issues their political edge and mobilise action for change.*

### Creating the enabling environment for social movements

Ending chronic poverty is not a technocratic endeavour. Social movements give the issues their political edge and mobilise action for change. By definition, they are not organisations *per se*. Rather, and more often, they are uncoordinated forms of collective action, popular protest and networks, that serve to link both organised and dispersed actors in social mobilisation.

**Box 41: Nijera Kori – ‘Nowadays we do not even fear talking with the magistrate’**

With an emphasis on the collective, rather than individual, empowerment and emancipation of landless Bangladeshi labourers, Nijera Kori (‘we do it ourselves’; NK) is reversing their historic lack of voice, agency and organisation. Since 1980, the NGO has sought to enhance the collective capabilities of its constituents to claim their rights as citizens. By 2003, NK membership totalled 180,000 – half of whom were women, the vast majority being poor and some sizeable proportion being chronically so.

NK groups (each with 16-30 members) hold meetings to: identify problems and solutions; analyse their own situation and its relationship to that of the poor in general; and learn of their legal entitlements. Members are encouraged to look beyond immediate survival needs and recognise their collective identity, which is made practicable by weekly group savings. These are invested, at the group’s discretion, in collective assets, to then be shared equally among group members.

As a result of group reflection, analysis, savings and knowledge of their legal entitlements, NK members have collectively pressured those who they perceive to be acting unjustly, from violent husbands to employers to corrupt officials – progressively changing the norms of behaviour. Members of this mobilising organisation have also benefited from: an overall increase in wages; a reduction of illicit payments; more regular attendance of teachers; the construction and registration of schools; a reduced incidence of dowry and violence towards women; a reduced use of religion to subordinate women; and, through successfully fielding candidates in local elections, pro-poor membership of local government structures.

Comparisons with control groups have also revealed the tangible economic benefits of NK membership, which have included the greater likelihood of both owning land and of cultivating it on a collective basis; and also the lesser use of disadvantageous coping mechanisms.<sup>1</sup> In a similar survey, NK members also compared favourably in terms of social issues, such as health and education, with no evidence of gender discrimination in schooling.<sup>2</sup> Indeed, NK groups have exhibited greater gender equality: for example, women were more likely to participate in household decision-making, and less likely to vote according to their husbands’ wishes. In the words of one participant, “[b]efore we even feared talking in front of our husbands, nowadays we do not even fear talking with the magistrate”.<sup>3</sup>

Sources: See Endnotes

Public policy must create an enabling environment for such grassroots and democratic organisations. Raising awareness about, and protecting, human and civil rights, and the promotion of a strong and autonomous legal system, are key first steps (not least as social movements often rely on court cases to establish important legal precedents). The pro-poor character of social movements is often determined by the dedicated role of NGOs or activists within a movement.<sup>4</sup> Such agents can be supported directly, by providing both the formal links to policymakers that movements often lack, and help to gain practical media skills for influencing public debate and discourse. A priority is to support stronger relationships between social movements and political institutions – particularly parties and parliamentary committees. Despite concerns regarding the importance of ‘autonomy’ of civil society organisations, the effectiveness of such organisations in tackling chronic poverty involves gaining a voice in national-level policy spheres. This, in turn, requires close relationships with political society.<sup>5</sup>

Social movements are an essential countervailing force. For this reason, the state may well be tempted to weaken, delegitimise or incorporate them. Social movements face their greatest challenges when states are predatory – and state violence is used. Nevertheless, strong social movements can emerge in relation to strong states.<sup>6</sup> The development community must do everything it can to support them.

Examples of successful social movements include those which supported human rights in the democratisation of Eastern Europe,<sup>7</sup> Ecuador’s indigenous rights movement,

which influenced the constitution through cultural struggles over the meanings of political institutions and actions,<sup>8</sup> and Brazil’s Landless Workers’ Movement (MST), whose 230,000 land occupations since 1984 forced the Brazilian government to begin to tackle land reform much faster.<sup>9</sup> Clearly, where democracy has taken hold, social movements have greater freedom to shape states. Democratic transitions in Asia and Latin America helped empower social activists and indigenous movements. Constitutional reforms in many Latin American countries, which recognise the multi-ethnic or pluri-national composition of the population, testify to the power of social movements under democracy.<sup>10</sup>

Movements vary enormously, however, and the chronically poor can lack both personal agency and time to engage. It is imperative to challenge exploitative relations that hold back livelihoods. Formal sector unions illustrate the power of social movements, but the chronically poor benefit most from unionising informal workers (see Box 29).<sup>11</sup> And women must forge autonomous organisations to avoid being marginalised (the struggle for women’s land rights in Brazil, for example).<sup>12</sup> Good examples of social movements that include the chronically poor are the scavenger cooperatives; these have now emerged in many cities (see Box 42). Social movements can also contest the cultural politics that surround chronic poverty, particularly the ways that dominant discourses frame the ‘deserving’ and ‘undeserving’ poor.<sup>13</sup> They can challenge stereotypes of poverty or ascribed (e.g. ethnic) status, thereby weakening social orders that exclude and discriminate.



Scavengers searching through rubbish on the municipal dump (Rio de Janeiro, Brazil). Photo © Adam Hinton/Panos Pictures (2003).

In summary, there are many ways to enhance the agency of the chronically poor. Ultimately, all involve building individual and collective assets, including the vital psychological asset of self-esteem. Thus, the indigenous Ecuadorian movement which influenced the new (1998) constitution not only enabled a wide raft of legal rights (such as land, education, language and health), but also gave confidence to indigenous peoples (see Box 43). Social protection releases individual potential, especially when it supports educational achievement. The Maharashtra Employment Guarantee Scheme, and now the National Rural Employment Guarantee Act, enables workers to negotiate better wages.<sup>14</sup> By giving cash only to women, Mexico's Progresa programme strengthens the power of women in the household.<sup>15</sup> India's school feeding schemes increase girl enrolment and attainment (see Box 51).<sup>16</sup> Bangladesh's Cash for Education programme has secured full gender parity in primary education and near parity in secondary education.<sup>17</sup> All of these measures build up a wide range of material and non-material assets, thereby opening escape routes out of chronic poverty.

### Public action against discrimination

Discrimination is difficult to uproot. Economic interests defend it. Elites and the middle class reconfirm their status and self-worth through it. The poor internalise low status from an early age.<sup>18</sup>

To overcome such powerful social norms, public action must base itself on fundamental principles. Legal frameworks resting on human rights can break existing hierarchies. They help groups claim rights and entitlements (with social movements lobbying for those which states do not deliver). Such action is most powerful when part of a wider transformative development project (see Box 44 on India). Fallacies of innate inferiority (e.g. in relation to gender or disability), or of danger and 'otherness' from minority groups (e.g. in relation to migrants) are reduced. Barriers to social mobility are thereby eliminated, and the links between social identity, economic

### Box 42: Working with 'scavenger' cooperatives

In Asian and Latin American cities, up to 2% of the population survives by scavenging. In many places these people earn very low incomes and have significantly worse rates of infant mortality and life expectancy than national population averages. They are often adversely incorporated into supply chains, selling their pickings to 'middlemen', who resell them for much higher prices. They are usually socially marginalised and stigmatised – even though scavengers are not always the poorest of the poor, their occupation is generally ascribed the lowest status in society. Politically, while small-scale patrons may provide some protection, in other places they are extremely vulnerable. In Colombia, scavengers are subject to 'social cleansing' campaigns, with municipal authorities often turning a blind eye.

In several cities across the South, however, municipal authorities and scavenger-led organisations have built enduring partnerships to organise the collection of waste and recyclables. Despite a particularly hostile social and political environment, the NGO Fundación Social in Colombia has been helping scavengers form cooperatives since 1986, and by 2001 had nearly 100 member cooperatives, collecting 300,000 tonnes of recyclable materials annually. In the Philippines, Linis Ganda cooperatives, developed under the stimulation of the women's *Balikatan* movement, operate across metropolitan Manila. In the Indian city of Pune, 'rag picker' cooperatives recycled some 25% of municipal waste in 1995. Such labour-intensive solutions to waste management are often cheaper and more efficient, in crowded and unpaved neighbourhoods, than imported capital-intensive methods. Such arrangements not only create routes out of poverty that are accessible to scavengers and other unskilled labourers (who are often among the chronically poor), but can also improve the environmental health of slum areas. And working formally with municipal authorities allows scavengers' organisations to negotiate better prices, working conditions (e.g. protective clothing), improved income security, and other benefits, which can help their members unlock poverty traps. These have included greatly improved access to healthcare, educational scholarships, legal services and insurance. Creating such partnerships demands political sensitivity. It will involve dealing with those with a vested interest in the maintenance of the status quo – from the 'middlemen' who currently exploit scavengers' labour, to their political patrons, or waste disposal companies and contractors. While each situation needs its own solution, picking the right allies – maybe local NGOs, social movements, or sympathetic members of the administration – and 'political moment' (e.g. a change of local government) is vital.

Source: Medina (2001)

### Box 43: Indigenous activism in Ecuador

One of the 'successes' of the indigenous movement in Ecuador was to influence the new constitution of 1998, which now includes a chapter on indigenous collective rights. This guarantees security of communal land, recognition of indigenous (and Afro-Ecuadorian) territorial 'circumscriptions', and education in indigenous languages. It has also led to indigenous judicial and health practices, representation in all government bodies, participation in resource use decisions, and environmental preservation in indigenous lands and collective intellectual property rights. The Ecuador case is thus one in which movements have influenced inter-ethnic relationships and the relative standing and power of indigenous people.

The movement has created public debate on, and fostered constitutional change around, the structural causes of chronic poverty. It has also increased respect for, and the self-esteem of, indigenous peoples. Reforms to legal land rights have strengthened indigenous communities, as have local NGO programmes that have built legal capacity for community representatives. (In some cases this has enabled them to successfully challenge mining companies' attempts to displace them.)<sup>19</sup> Although poverty in indigenous communities remains chronic, in municipalities where indigenous organisations have had most success there is some evidence that they have been less severely affected by economic problems than others across Latin America.<sup>20</sup> And through reworking local governance and power relationships, discrimination against them has certainly decreased – an important goal in itself.<sup>21</sup>

Sources: See Endnotes

resources and political power are eroded. Anti-discrimination actions help marginalised groups become true citizens.

An example of an anti-discrimination measure that tackled extreme poverty is Malaysia's New Economic Policy (NEP). This sought to 'restructur[e] society to eliminate the identification of race with economic function', primarily aimed at targeting discrimination against Bumiputera (indigenous Malays). In 20 years (1970-90), poverty amongst the Bumiputera in Peninsular Malaysia decreased from 49% to 15%; and the percentage of 'hard-core poor' decreased from 3.9% in 1990 to 1.0% in 2002 (see Box 45).<sup>22</sup>

*Anti-discrimination actions help marginalised groups become true citizens.*

In practice, much anti-discriminatory action has failed to take account of intra-group differences and politics. Affirmative action measures – to enhance access to economic or educational institutions – sometimes have limited impact, enhancing the lives of the already better off among discriminated-against groups. Such outcomes can precipitate a backlash in defence of meritocratic ideals of fairness – for example, middle-class Indians resisting Dalit (formerly known as 'untouchables') empowerment. Similarly, the elite and middle-class-based movement in Santa Cruz and other Bolivian regions aimed to separate the country into autonomous political and fiscal regions, each responsible for its own taxation – a backlash against the redistribution necessary to finance affirmative action for marginal groups.

While the implementation of anti-discrimination legislation is often patchy, the very presence of such rights is important in itself. Overall, it is the combination of a variety of anti-discriminatory measures within a broader economic and social policy, based on the formation of a social compact, which will ultimately foster positive advances in gender equality, inclusion and agency and economic choice. In this respect, anti-discrimination measures can be insufficient in themselves, but in combination with further measures – such as equality before the law, the right to political association and

representation, the provision of basic health and education services, and tackling discriminatory attitudes and perceptions – they can help to address racial, economic, gender and social prejudice.

### Supporting migrants and migration

Migrants link town and countryside, and support financial and other flows across urban/rural and national boundaries. The migration story is complex, but it clearly represents a pathway out of rural poverty for many, although not directly for the poorest, who tend to stay put.<sup>23</sup> Migration can extend agency and the range of economic choice, even at the lowest levels of skill and returns on labour (thus loosening exploitative,

### Box 44: Job reservations in India

Job reservations in India succeeded in raising the proportion of persons from the Scheduled Castes and Tribes (SC and ST) in regular salaried employment by about five percentage points; however, they place little emphasis on improving the job-related attributes of persons from the SC and ST. Given the gulf in educational standards between forward caste Hindus and persons from the SC and ST, another prong of policy could, and should, focus on improving the educational standards of SC and ST persons. Reserving places in management, engineering and medical schools will provide minimal benefit to poor SC and ST communities, since the beneficiaries of such policies are the members of these groups who are least in need of help. The real problem lies in the primary and secondary schools in India's villages and towns, which typically lack learning materials, teachers and sometimes even classrooms.

Source: Borooah et al. (2007)

### Box 45: Integrating anti-discrimination with a long-term strategy for economic and human development: Malaysia's New Economic Policy

Malaysia's New Economic Policy was introduced in the early 1970s, following inter-ethnic violence in 1969. Its express aim was to address the imbalances in economic and human development outcomes between the poorer majority ethnic Malay population (the Bumiputera), and Chinese and Indian Malaysians. The policy had a long-term vision and was multidimensional in approach. This involved affirmative action in the economic sphere (such as employment and share-ownership quotas), alongside the promotion of long-term structural change in the economy. This was accompanied by a social policy which saw substantial investments in education and health services in rural areas, where most poor Malays lived.

While group inequalities persist and some indigenous peoples have been persistently excluded from the NEP 'deal', the New Economic Policy did achieve considerable progress in reducing ethnic Malay poverty and achieving greater interethnic equality. Between 1970 and 2002, the ratio of Chinese to Bumiputera per capita income declined from 2.3:1 to 1.8:1, and that of Indian to Bumiputera from 1.8:1 to 1.3:1; Bumiputera incomes grew by almost 14 times over these years, one-third as fast again as those of Chinese and Indians.<sup>24</sup> Measured by Malaysia's poverty line, the poverty rate declined, from 49% in 1970 to 5% in 2002,<sup>25</sup> and from 65% in 1970 to 15% in 1990 for Bumiputera (in peninsula Malaysia), although ethnic and urban-rural disparities persisted.<sup>26</sup> The country's dramatic economic growth and rise in living standards over the same period was an important factor in reducing poverty; but equally, anti-discriminatory policies may well have contributed to this growth, both through reducing conflict, and ensuring broad-based 'human capital' development.<sup>27</sup> When growth and living standards were threatened in the financial crisis of the late 1990s, the anti-Chinese violence conflict that occurred in Indonesia was largely absent in Malaysia.<sup>28</sup>

Sources: See Endnotes

and constraining rural, relationships). Often, migration is supported by social relationships – as kin collectively support a migrant's departure, act as a safety net should the venture fail, and act as a launch pad in urban locations (see Box 46).

Migration shakes up relationships and social orders. A classic example of this is from India, where lower caste people break out of caste constraints, especially strong in rural areas, to find new opportunities and escape poverty.<sup>29</sup> And key social codes and norms, such as gender roles, are stretched and altered by migration. But there is little research on the degree to which migration liberates, empowers or oppresses, and most research on migration remains gender

blind.<sup>30</sup> Women migrants may be empowered by controlling their earnings, being exposed to new people and ideas,<sup>31</sup> but, if most are circular (or temporary) migrants, any empowering effects may be negated on returning to the patriarchal social context at home.<sup>32</sup> Migration for women offers threats as well as opportunities. Women migrants face exposure to risks in the informal sector – overwork, poor conditions and sexual abuse. The extension of appropriate workplace legislation into the informal sector could tackle some of this exploitation.

Many migrants find that new urban settings are much less secure and more threatening than the rural locations they left. Existing urbanites and governments are often relentlessly

### Box 46: Migration and domestic fluidity

Vuyiswa's life vividly illustrates how households in South Africa are frequently stretched: straddling rural and urban spheres, with fluid and porous boundaries. Such fluidity is evidenced by survey data from a Programme for Land and Agrarian Studies (PLAAS) study: household membership stayed identical in only five of the 48 households surveyed in 2002 and 2005. But while the composition of households changes through time, the kinship and social networks in which the household is embedded mean that geographically dispersed individuals and households are intimately connected. For example, Vuyiswa's elder sister Thembeka and daughter Nomsa, stay in her shack for extended periods, not least to take advantage of the economic opportunities and better health services offered in Cape Town. Over two decades ago, Vuyiswa's own arrival in 'town' was predicated on living with her brother. Just as there is a regular flow of people between households – such as children sent to school or to be looked after by relatives, or adults seeking employment or better health services – remittances too flow from the urban to the rural sphere.

Throughout Southern Africa, circular migration patterns established during the apartheid era (where the male migrants' wages did not cover the subsistence costs of wives and children left at home), have changed dramatically, becoming more complex and multifaceted. But this is not to say that rural-urban financial links are less profound. In many ways rural locations are still the social and cultural centre of people's lives (and such locations are frequently viewed through a romantic lens of social harmony and a straightforward way of life). But migration to urban areas is many individuals' only opportunity for accumulation – an activity which is always reliant on kinship and social networks forged in rural areas. It frequently leads to investment back into rural locations, whether in terms of livestock, the homestead, transport or a trading store.

Source: Du Toit and Neves (2006)



### Box 47: Migration in Poverty Reduction Strategies

A review of PRSs across Africa shows considerable ambivalence about migration; it is often either not recognised as a relevant issue (as is the case for seven sub-Saharan African PRSs), or not addressed (as is the case for ten other countries). In Burundi, the Democratic Republic of Congo (DRC) and Sierra Leone, only forced migration is considered. Overwhelmingly, where economic migration is mentioned, it is seen as negative. For example, migration is seen as: contributing to population growth (Gambia); placing pressure on urban areas (Gambia, Guinea, Mauritania); breaking down traditional family structures (Kenya, Malawi); promoting the spread of crime (Côte d'Ivoire, Malawi, Sierra Leone); spreading diseases such as HIV/AIDS (Burkina Faso, Niger, Sierra Leone); stimulating land degradation (Ethiopia); and reinforcing rural poverty (Côte d'Ivoire, Gambia, Malawi, Niger, Sierra Leone). Only Cape Verde and Senegal mention emigration as a positive factor. The Niger and Rwanda PRSs note that internal migration can boost household incomes of the poor. Where policy responses to migration are mentioned, these are primarily geared to reducing or preventing migration, mainly through promoting rural development. Exceptions to this include both Cape Verde and Senegal, which propose a strategy to promote remittances and engage emigrants in national development; and Mauritania's PRS, which suggests creating viable jobs in urban areas, rather than trying to prevent rural–urban migration.

Source: Black (2004)

hostile to migrants, resulting in exclusion and discrimination. A positive change in attitude and policy to migrants will have significant benefits for the poor in many societies. There is a growing number of movements which are challenging this hostility, especially in Asia and Latin America.

Creating a favourable environment for migration should be a key aim for policies aiming to eradicate poverty. However, Poverty Reduction Strategies (PRSs) do not offer a clear message about migration (Box 47). Important policy levers to facilitate migration include legislation on the free movement of labour (also including across national boundaries – see Box 48), support for organisations that offer protection against abuse and discrimination, and reforms to public service provision so that migrants are included. Bolder public policies, for example to provide affordable mass housing and urban services to migrant groups, can send a clear signal to both existing populations, and potential movers. As with discrimination, public information campaigns to change the representation of migrants in the media is a further important element. Civil society organisations and forms of collective action can play an important role, as illustrated by attempts to unionise *adivasi* (tribal) seasonal migrant labour, a group suffering severe forms of discrimination in many Indian cities.<sup>33</sup>

Enabling migrants to play a full sociopolitical, as well as economic, role in urban arenas can have important benefits for progressive societal change.<sup>34</sup> And as with urbanisation, migration can promote inclusion, greater gender equality and increased choice and agency.

#### Policies for a pro-poor demographic transition

Large family sizes and high dependency ratios are correlated with chronic poverty in some countries. Changes in these household characteristics are important factors in poverty exits and entries.<sup>35</sup> Evidence from South Asia shows that a large

family size (and a high dependency ratio) is strongly correlated with entering and staying in poverty. Life cycle changes (generally increased dependency rates) are as important as health shocks and natural hazards (such as flooding) for poverty entries.<sup>36</sup> However, the evidence from sub-Saharan Africa is less convincing. Although certain studies suggest that greater dependency ratios may be a cause of poverty entries and persistent poverty,<sup>37</sup> other studies are less confident about the relationship.<sup>38</sup> Moreover, in areas of relative land abundance (such as Northern Ghana) there appears to be a virtuous circle between wealth and household labour supply, and a vicious circle between poverty and small household size.<sup>39</sup>

The direction of causality between high dependency ratios and poverty is not always clear, because one rational response to the risk and uncertainty that the poor face is to self-insure

*Migration shakes up relationships and social orders.*

### Box 48: Regional initiatives to facilitate migration

Many regional bodies have promoted agreements and measures to ease the constraints on cross-border migration. For example, the East African Community recently introduced East African passports, costing US\$10 and valid for six months multiple entry and the West African ECOWAS Treaty obliges member states to remove obstacles to the free movement of people, goods and services and to guarantee immigrants' rights. The 1979 protocol has many provisions, of which only one has been implemented – visa-free travel for up to 90 days. There are many other positive actions which have been taken – the Senegalese labour code, for example, makes no distinction between nationals and immigrants. However, a common finding with regional initiatives is that they are bold on words, and short on implementation.

Source: Ba (2006)



*Women attend a meeting organised by an NGO for influential members of the local community in which reproductive health issues are discussed; with the aim of their disseminating this information within their community (Nepalganj, Nepal). Photo © Peter Barker/Panos Pictures (2007).*

through a large family. However, as there is an association between chronic poverty and large household size (especially in South Asia), this means that it is increasingly hard for policymakers to ignore the issue.

In a similar fashion to gender equality (to which it is closely linked), demographic transition can take different forms and speeds. The poor often come to the demographic transition late, but development policy can speed up their participation (see Box 49). Social protection removes the need to self-insure through having children. Compulsory education can reduce or remove the incentives for child labour. Basic health and sanitation measures reduce child mortality, thus limiting the need for larger families. But a reduced fertility rate does not necessarily lead to lower dependency ratios, as the cohort of older adults places an increasing strain on families for support, and creates obligations on the state which it may not be prepared for. (China is in this situation – desperately in need of social protection measures to compensate for its dramatically reduced fertility rate.)

Enhanced gender equality is central to demographic transition. Significant cultural variation requires a careful, context-specific approach to achieve this, and of the roles of reproductive health services as a tool for achieving both gender equality and demographic transition. At the national level, a key issue is the lack of demand by the poor for reproductive health services, as with other social services. Such demand is

constrained in several ways: for example, by male domination of intra-household decisions on children; culturally sanctioned constraints on women's physical mobility; and information asymmetries. Demand for such services can be stimulated by non-medical reproductive health agents (the Bangladesh model, which has succeeded in bringing fertility down to below that which would normally be expected at Bangladesh's level of income), and women's education, preferably supported by women's employment in qualification-demanding sectors (the 'West Indies' model).<sup>40</sup>

The international development policy community has abrogated its responsibilities for both gender equality and reproductive health services. The 2000/1 MDGs specifically excluded both as goals – only including a gender equality target under education; and the reduced maternal mortality goal (with the removal of reproductive health services achieved by a coalition of the American Christian 'right', and conservative Muslim nations). As of 2007, following significant lobbying from women's movements, a target specifying universal access to reproductive health services has been agreed, with indicators to follow. Gender equality has proved too controversial to address head on. As far as eradicating chronic poverty is concerned, these are two key elements that are missing from the international agenda.

These omissions may have held back progress on critical social change processes, illustrating that while the MDGs should be supported, they are not comprehensive. Countries should be free to develop their own priorities, speeds and pathways. The country-led policy processes in place (PRSs, budget support) are supposed to achieve this, and the UN's MDG 'project' needs to find a way of recognising this.

### Post-primary education

Educational opportunities can play a significant role in breaking the intergenerational transmission of poverty. Education can change social relationships, especially towards gender equality (as recognised by the education MDG target which, however, was not achieved).<sup>41</sup> It can build inclusive citizenship and democratic participation, as well as the social networks that are vital for poverty exits. Education can increase self-esteem and confidence – the well-educated are better able to negotiate for higher wages, manage rural–urban transitions, and extract themselves from exploitative relationships.

Educational levels (as proxied by adult illiteracy) are lowest in Africa and South Asia, with only limited recent improvements (adult illiteracy has even worsened in West Africa lately). In contrast, there have been recent significant improvements in adult literacy in the Middle East and in East Asia and the Pacific, particularly for women (see Annex F). Regional indicators of gender inequality also show that gender ratios (F/M) for adult literacy and gross primary school enrolment are still significantly below parity in Africa (including North Africa) and South Asia. East Asia and the

### Box 49: Access to reproductive health services in rural Uganda

As of 2002, Gladys and Moses – who live in Kalangaalo village, Mubende, Uganda – had 11 children, only two of whom had married and left home. Their eldest daughter lives close by, but Moses is still waiting for the bride price from his son-in-law. His eldest son works as a labourer at a fishing site (but Moses still sends money occasionally). The remaining nine children live at home. Whilst having a large family supports the subsistence-orientated farming strategy of the household (through the provision of household labour), and might provide support and security in old age, Moses and Gladys struggle to pay the requisite school fees and for uniforms which they both want to provide for their children.

Gladys has been very uncertain about using injections and pills for contraception, which have been available from the health clinic and a nearby NGO. Instead, she has relied on traditional forms of contraception, which have not worked. Moses and Gladys' lack of education has limited their awareness of, and engagement with, local family planning services. These services might, if Moses and Gladys had chosen to go down this path, have allowed the couple to focus their resources on a smaller family.

Source: Bird, K., fieldwork notes.

Pacific and Latin America and Caribbean show gender ratios much closer to parity, although there has been no significant movement in these indicators in recent years (see Annex F3).

What is the human story behind these statistics? Let us return to the stories of Angel, Bakyt and Maymana's son Mofizul. Like most poor children with a disability in Bangladesh, Mofizul never went to school. Now as an uneducated adult, he has no choice but to engage in physical labour to provide for his family, although this work is difficult, painful and tiring for him, and provides a low, often seasonal, wage. He has to rely on the goodwill of his employers to pay him a full adult wage. Basic literacy and numeracy may have allowed him to access other jobs, and to manage his own money without relying on employers and shopkeepers' help.

Angel had her first child when she was 12, but continued going to school until Form 2 (the second class in her Zimbabwean secondary school). She then had to drop out because her family ran out of money. She left her baby with her mother's family (when the baby was 21 months old) and as a 14-year-old moved to a town in the Midlands near Plot Shumba to look for work. Luckily, she found some, and worked as a 'house girl' for a middle-class family. But after a year she had to leave: her 'madam' was not paying her and she felt exploited.

Bakyt – the 11-year-old miner – helps his sister with the housework, and collects bricks from building demolition sites. Bakyt also occasionally goes to school. Considering the pressure Bakyt is under, he does remarkably well at school. But the chances of Bakyt receiving a complete education are very slim: not only because he works most of the time, but because his family cannot afford the required clothes and books. He rarely attends school in winter, as he does not have enough warm clothes. As Bakyt recognises himself, education may be the only chance for him or his siblings to escape from poverty.

What can be done for the Mofizuls, Angels and Bakyt's of this world? Clearly, getting them a good quality primary education is imperative – and they need to be well nourished

and well clothed to benefit. Schooling, not work, should be the focus of their childhood years.

The recent policy emphasis has been on universal primary education, and improving the quality of this provision. But mobility out of poverty is linked with completing more than just primary school. The quality of both primary and post-primary education is critical for employment, self-employment and improved human development outcomes. Post-primary education may well have offered Angel opportunities, and prevented her from being forced into exploitative employment. Sixteen years on from the Jomtien commitments to universal primary education, the world needs to focus swiftly on a similar commitment to quality, accessible post-primary education, which also will improve primary level completion rates.

The MDG gender equality target for secondary education is far from being achieved. This is important, for in many situations girls' participation in secondary school reduces fertility rates. This is evidenced by the CPRC analysis of Demographic and Health Surveys (DHS) data, which shows a very strong correlation between education and dependency ratios amongst the poorest quintile (see Box 50). Good quality schooling also could have raised Angel's awareness about HIV/AIDS.

The examples of Tamil Nadu in India (Box 51) and Bangladesh's Female Secondary School Assistance Programme illustrate that a public education system can ensure that female enrolment and attendance in secondary education equals or exceeds that of boys.<sup>42</sup> Straightforward measures include improving school infrastructure, increasing the numbers of female teachers in secondary schools, and making appropriate reforms to the curricula. Wider measures include providing scholarships to girls in rural areas, and educating communities on the importance of girls' education.

Considerable success is being achieved in applying conditional cash transfers to primary education. The experience of Bangladesh's Female Secondary School Assistance Prog-

*The well-educated are better able to negotiate for higher wages, manage rural–urban transitions, and extract themselves from exploitative relationships.*

ramme suggests that applying it to secondary education would have significant benefits too. It therefore seems appropriate that the instruments for promoting retention in primary school – such as conditional cash transfers, school feeding programmes, prevention and control of abusive teacher–pupil relationships and bullying, and the provision of alternative education for hard-to-reach children – can all be applied to the post-primary level (in addition to a strong focus on skills for employment, self-employment and healthy living). A special effort will be needed to reform post-primary education systems in Africa, where enrolment is extremely low.<sup>43</sup>

This is a complex agenda, but there are three practical steps that can be made:

- first, move slowly towards universal post-primary provision, bearing in mind that the middle classes are often self-provisioning through private education;
- second, recognise that scholarships or conditional cash transfers for poor children, especially girls but also children with disabilities and those from marginalised groups, are both feasible and desirable; and
- third, ensure that such measures can easily be targeted geographically, so that the poorest benefit most.

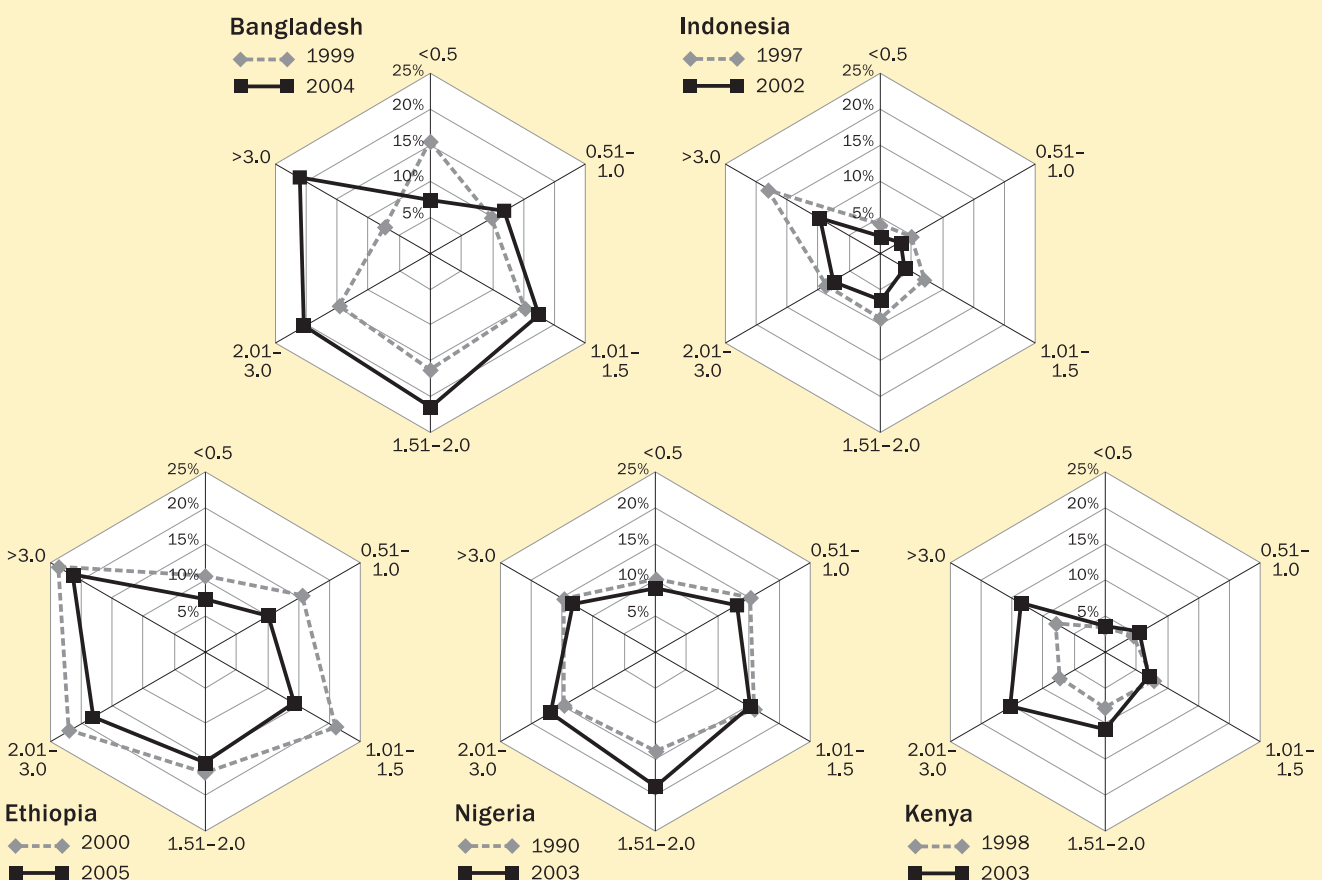
Such a commitment entails a significant increase in public expenditure, particularly on post-primary education. But the payoffs from investing in human capital are enormous. Take,

### Box 50: Adult illiteracy and dependency ratios amongst the poorest

DHS data provide some strong and convincing evidence of the close correlation between adult illiteracy and high dependency ratios.

Overall, the DHS data show that adult illiteracy amongst the poorest quintile was greatest in Ethiopia, Nigeria and Bangladesh (consistent with these countries' status as Chronically and Partially Chronically Deprived Countries). The pentagrams below also show that in all countries, apart from Nigeria, adult illiteracy of the poorest quintile was highest among households that had a high dependency ratio (shown by the skewing of the pentagram to the south and west). The Nigerian data add some weight to the argument that the links between poverty and household size/dependency need to recognise regional variations.

The five countries show startlingly different trends in terms of adult illiteracy. Indonesia (1997-2002) and Ethiopia (2000-05) have both improved the adult illiteracy of the poorest quintile in households of all sizes. On the other hand, in Bangladesh (1999-2004) and Kenya (1998-2003) adult illiteracy of the poorest quintile has worsened, especially for households with a large dependency ratio.



Source: CPCR DHS analysis: see Annex H

for example, the average public expenditure on education as a percentage of total government expenditure for our four country categories. Here we can see that Chronically Deprived Countries spend less than 4%, Partially Chronically Deprived Countries spend just over 5%, Partial Consistent Improvers spend under 7%, and Consistent Improvers spend over 8%.<sup>44</sup>

Of our six policy areas, the returns to investment in education appear greatest, with clear contributions towards gender equality, social inclusion and achieving greater levels of 'agency' and economic choice. For Angel, Mofizul and Bakyt, post-primary education, free at the point of use, and with support for their families, would change their lives for the better. Quality civic education for all children – rich and poor – can also help build the social compact more broadly.

### C. Politics

Transformative social change is inherently political. Existing interests and power relations must be renegotiated. This should not inspire pessimism – such re-negotiations can and do occur, and are what constitutes significant political change. As important as they are, social movements cannot be expected to be the key or only force behind these changes. The role played by the state and political society is critical here.

The vision and commitment required to promote and manage transformative societal change is often associated with certain forms of developmental state. In such states, national elites are able to see beyond the short- to medium-term perspective of maintaining political power, and through the often inefficient and corrosive politics of patronage. However, there is no guarantee that the types of developmental state capable of achieving high rates of economic growth and structural change are equally adept at, or committed to, protecting marginalised people (witness the plight of the San in Botswana, a prime example of a developmental state in Africa). Political elites and parties can and need to be engaged by development actors – to try and promote a stronger focus on the most marginal groups, and to understand the incentives these actors respond to, and the broader coalitions for change that can be built.

It seems that programmatic political parties, particularly those with strong social movement characteristics, are most likely to represent the interests of the poorest groups of society. They can also be associated with challenging disempowering forms of patronage. Such parties tend to operate most successfully in party systems that are well institutionalised and non-fragmentary. The development of such systems can be enabled by introducing rules that prevent the emergence of either too many parties, or parties being formed around a narrow range of interests, such as region or ethnicity. One example is Ghana, where a strong two-party system is emerging.

The wider process by which developmental states emerge relates to state formation. The forging of political institutions

has often been associated with the transformation of societies from rural to urban societies, or from colonialism to independence. Political settlements are thus reached between elite groups and different groups within society. These in turn broadly shape the socioeconomic status and entitlements accorded to each group. There is no guarantee that this process will benefit the worst-off, or even the majority of citizens (and in some cases the impoverishing effects of state formation can be fixed for generations, as in the cases of Northern Uganda

#### Box 51: Midday Meals programme, Tamil Nadu, India

The cost of sending children to school (whether enrolment fees, textbooks or lost income from child labour) is not the only barrier to poor children's access to education. Undernourishment is one important factor. Many poor children are undernourished, and 'may suffer from poor cognitive development ... have difficulty in concentrating, may be irritable, are more prone to infection and thus to miss school – all of which lower their likelihood of attaining well'.<sup>45</sup> In the light of this, school meals programmes act both to reduce poor children's exclusion from schooling, and improve their terms of inclusion, through boosting their nutrition. From the mid-1990s, India has promoted the national roll-out of free midday meals in public primary schools for all pupils (extending this to include alternative education centres from 2002). By 2005-06 it covered just under 953,000 schools/education centres, with just over 119 million pupils.<sup>46</sup> Implementation has varied across states, with differences in cost, quality and impact. Tamil Nadu, where the scheme began in the 1980s, is cited as being particularly effective: varied and nutritious meals are prepared by cooks (rather than teachers), at the price of just over one rupee per child per day. In large parts of the country this programme appears to have had significant positive effects on pupil attendance and retention, especially for girls. The states of Chhattisgarh and Rajasthan, for example, saw increases in girls' enrolment by close to 20% in the year the meals were introduced.<sup>47</sup> The supply side of education provision is also crucial – with the proximity of schools to the poor, the quality of teaching and materials, and social relations within schools all important. The programme's chief contribution here is in encouraging children from different castes to eat together, which seems to be a widespread practice, despite some reported objections from upper caste parents.<sup>48</sup> This is a small, but potentially useful, step towards weakening the caste discrimination prevalent in many schools that limits dalit (formerly known as untouchable) and adivasi (tribal) children's opportunities and helps to reinforce social norms of inequality and hierarchy among all children.<sup>49</sup> Such a change in the social relations within schools is important if the education system is to create exit routes from poverty, rather than maintaining children in poverty across generations.

Sources: See Endnotes

and Ghana). Historically, the institution created to resolve this process of forging a settlement between elite and mass groups, and which holds the promise of more universal gains within society, has been that of the social compact (see Chapter 6).

### Box 52: Alternative Basic Education for Karamoja (ABEK): Uganda

'Non-formal', or 'alternative', education schemes have been used around the world, to make education accessible to groups who have experienced *de facto* exclusion from the formal schooling system. Alternative Basic Education for Karamoja (ABEK) is a joint project of the Ugandan government, UNICEF and Save the Children Norway (SCNU). It was piloted by SCNU and is now incorporated into the national drive for universal primary education. Karamoja is a remote rural region in North East Uganda, mainly inhabited by nomadic pastoralist groups, collectively referred to as the Karamojong. For decades the Karamojong were seen as a 'problem' by central government. Under the Amin regime they were subject to 'pacification', in the form of military repression. Allegations of abuses by the Ugandan military continue today.<sup>50</sup> Literacy and health indicators in the region are among Uganda's worst.<sup>51</sup>

ABEK aims to improve educational outcomes in the region, by making formal education more accessible to Karamojong children, and by responding to fears among Karamojong adults that the education system would alienate children from their culture. It involves training Karamojong teachers, who travel with their class, conducting classes in local languages. It develops a timetable and curriculum, in close consultation with Karamojong people and which is adapted to fit with the children's responsibilities (often as cattle herders). Winning state support for the programme has been an achievement in itself. Further, it has endured and been expanded from its initial coverage. There has been a dramatic rise in the number of Karamojong children (and adults) enrolled, from approximately 7,000 in the year 2000 to approximately 32,000 by 2005.<sup>52</sup> Basic literacy and numeracy rates have improved, to approximately 50% among those enrolled (as against 11% of the population in the region in general),<sup>53</sup> On the other hand, only a small number make the transition to mainstream primary and formal education, and most of those drop out.<sup>54</sup> Attendance is generally low (roughly 33% at any one time<sup>55</sup>) and although the majority of pupils enrolled are female, they constitute a tiny minority of those that go on to mainstream education.<sup>56</sup>

Rather than any failure on behalf of ABEK, the low transition rate may simply indicate that the programme's educational model is better suited to its context than the mainstream system. This perhaps suggests a need for a continuation of similar flexibility into higher primary and secondary education, rather than attempting to use the programme to draw children into an unsatisfactory 'mainstream'.<sup>57</sup>

Sources: See Endnotes



The Anderanboucane Village Women's Association operates literacy and credit schemes. Sikiwate Boubacar explains: "Being literate has opened our minds and given us new ideas. That's why I'm now convinced that being able to go to school is the key to our problems. I want to send my own children to school." (Menaka, Mali). Photo © Crispin Hughes/Panos Pictures (2003).

## D. Policy contexts

Our six policy spheres – post-primary education, reproductive health services, anti-discrimination and gender equality, strategic urbanisation and migration, and providing an enabling environment for social movements – will not be equally applicable across country contexts. Particular elements are more feasible in different political environments. For example, in CDCs, where good governance is often at a premium, societal cohesion is limited. Urbanisation, migration and education policies are likely to offer greater legitimacy amongst elites, as they also contribute strongly to economic growth.

Social movements are likely to face more obstacles in CDCs, especially where experience of democracy is limited. Social movements are rarely spontaneous grassroots uprisings, but heavily dependent on financial, human, informational, social and other resources.<sup>58</sup> The channelling of such resources to movements generally requires the involvement of 'social movement organisations', e.g. NGOs, churches, student bodies, formal peasant or ethnic associations, and university groups.<sup>59</sup> Benefactors may require that social movements modify their demands or membership. Those social movements lacking resources may thus have limited autonomy.<sup>60</sup> Most of the more vibrant civic groups throughout Africa cannot sustain themselves for more than a few months from the annual subscriptions paid by their registered members.<sup>61</sup>

Social movements in resource-rich countries typically pursue an even more challenging agenda: protests at loss of land and forced land sales; at the loss of royalties and tax revenues through exemptions; at the privatisation of assets; and against the loss of a way of life. From the point of view of the chronically poor, the most significant aspects of this agenda are the protests against loss of assets, and the demands for greater distribution of the benefits through the tax system.

Successfully negotiated agreements can build positive social compacts.

A key impediment to social movements is their often limited knowledge of the workings of government and state apparatus – how government departments work, how policies are made and the implications of policies. In Africa, such limited knowledge is partly because this information is rarely made public.<sup>62</sup> General awareness of issues is also limited by censorship of the media, and by poor dissemination of information, particularly to rural areas.<sup>63</sup> Where a positive political and economic transition has started, and the challenge is to sustain it, notions of justice, underpinning anti-discrimination legislation and social movements, can begin to play an important role.

Table 7 summarises the kinds of policy measures capable of promoting positive changes in social relationships, which will

result in progress towards gender equality, social inclusion and greater economic agency. As in Chapter 3, this matrix is not founded on a rigorous research base, but is a simple tool to encourage an improved fit between policy suggestions and country context.

## E. Conclusion

This chapter has focused on policies and public actions which can foster beneficial social changes – characterised as expanded social inclusion, enhanced gender empowerment, and increased agency and economic choice. Six sets of policies have been identified. We argue that these policies and public actions can play a considerable role in tackling three key traps: social discrimination, limited citizenship and poor work opportunities.

**Table 7: National policies for transformative societal change**

| <b>Policies</b>                     | <b>Chronically Deprived Countries (CDCs)</b>  | <b>Recently improving CDCs</b>   | <b>Partially Chronically Deprived Countries</b>   | <b>Consistent Improvers</b>   |
|-------------------------------------|---|--|---|---|
| <i>Anti-discrimination</i>          | Specific legislation to promote inclusion of minorities, to ensure political stability  | Legislation on gender equality; legislation or other measures (e.g. minimum wages) to control discrimination in labour markets | Comprehensive constitutional agreements?<br>Legislation on child labour to tighten labour markets | Broader regulation of labour markets  |
| <i>Urbanisation</i>                 | Develop national urbanisation policy and infrastructure investments – getting the most out of urbanisation for the poor as a whole  | City policies on pro-poor (labour-intensive) growth and gender equality  | Quality mass urban services to break adverse incorporation  | Quality mass urban services to break adverse incorporation                    |
| <i>Migration</i>                    | Migrant support programmes; public information to counter negative stereotypes  | Migrant support programmes; public information to counter negative stereotypes; remove restrictions on mobility                | Open up trans-national movement; remove restrictions on labour mobility                           | Implement migrant rights and entitlements                                     |
| <i>Demographic transition</i>       | Foster demand and improve supply of reproductive health services (RHS)  | Foster demand and improve supply of RHS  | Sustain demand through girls' education, universal access to RHS                                  | Sustain demand through girls' education, universal access to RHS              |
| <i>Post-primary education (PPE)</i> | Universal PPE (including technical/vocational)  | Universal, compulsory PPE; widespread scholarships for poor children (girls) in secondary and tertiary education               | Free and compulsory PPE   | Support for tertiary education, including extensive scholarships for the poor |
| <i>Social movements</i>             | Public authority strengthened and civil and political rights protected, as a means of encouraging citizen engagement and reducing transaction costs for citizenship participation | Social movements focus on asset redistribution and social protection   | Direct support to actors within social movements that maintain a focus on the poorest             | Coalition-building between social movements and political institutions        |

Anti-discriminatory action – both sensitisation campaigns and affirmative action – can facilitate exits from poverty, if combined with broader egalitarian social and economic policies. Social movements have a strong role to play in rebalancing the inequitable distribution of political, social and economic power and enhancing the collective power of the poor. We argue that the quality of the policy environment is critical to their fortunes.

Migration's role as a liberator or oppressor is under-researched, but, with increased protection and access to social services, it can be another route out of poverty. This can be supported by allowing the free regional movement of labour, by progressively implementing migrants' entitlements to social services, and by disseminating public information to counter negative stereotypes.

*Social movements have a strong role to play in rebalancing the inequitable distribution of power.*

Though largely neglected in the design and implementation of the MDGs until recently, gender equality must be supported, through the improvement of access to reproductive health services and a more concerted effort towards gender equality in education. Post-primary education is also instrumental in improving agency, voice and inclusive citizenship (as well as economic opportunity). Given its importance, we recommend that post-primary education become compulsory as rapidly as possible. We recommend that governments or other agencies sequentially provide targeted scholarships, and then, when it becomes possible, abolish user fees. Collectively these six policy measures will contribute to fostering the social compact between citizens and the state.

## Notes

1. Ali *et al.* (1998)
2. Netherlands Ministry of Foreign Affairs (1998)
3. Ali *et al.* (1998): 46
4. Bebbington and Mitlin (2006)
5. Lavalle *et al.* (2005)
6. Moore and Putzel (1999); Houtzager with Pattenden (2003)
7. Chilton (2004)
8. Andonlina (2003)
9. Kay (2004)
10. Yashar (1999)
11. Mosse *et al.* (2005)
12. As reported in Kabeer (2005): 14-15.
13. Bebbington (2006); Bebbington and Mitlin (2006)
14. Greenslade and Johnstone (2004)
15. Skoufias and McClafferty (2001)
16. Bennett (2003)
17. Rubalcava *et al.* (2002)
18. Hoff and Pandey (2004)
19. Janet (2003): 23-25
20. Hall and Patrinos (2005)
21. Iturralde (2001): 14
22. However, these figures have been disputed by Jomo (2004).
23. De Haas (2007)
24. Yusof (2005): 3
25. Henderson *et al.* (2002): 2
26. Henderson *et al.* (2002): 8
27. Yusof (2005); Stewart (2001): 19
28. Stewart (2001): 19
29. Deshingkar and Start (2003); Farrington *et al.* (2006)
30. Hugo (2005)
31. Hugo (2005)



32. Jayaweera *et al.* (2002)
33. Mosse *et al.* (2005)
34. Mamdani (1996)
35. Prowse and Rizvi (forthcoming)
36. Sen (1985a)
37. For example, see Bigsten *et al.* (2003) on Ethiopia, and Christiaensen and Boisvert (2000) on Mali.
38. Muyanga *et al.* (2007) find that both smaller and larger households experience more chronic poverty.
39. See Whitehead (2006)
40. Handwerker (1989)
41. This event passed virtually without comment, indicating how little the development policy community is actively monitoring, and genuinely focused on, gender equality. While this was probably a failure of education, rather than gender equality policies as such, many education systems have clearly failed to get to grips with the factors which influence the gendered dimensions of schooling, especially the retention of girls.
42. UN Millennium Project (2005) Task Force on Education and Gender Equality
43. The World Bank, among others, have started this endeavour; see <http://go.worldbank.org/ME9KURHB40>
44. Anderson (2007)
45. Rose and Dyer (2006): 30
46. Government of India (2006b) Department of Education and Literacy
47. Rose and Dyer (2006): 32
48. Drèze and Goyal (2003): 4675-4677
49. Hoff and Pandey (2004)
50. Amnesty International (2003)
51. Okech (2005): 8; Nagel (2002): 4
52. Bakaengura (2003); Okech (2005)
53. UNOHCHR (2003)
54. Save the Children Norway (2003); Baker (2001)
55. Carr-Hill *et al.* (2005)
56. Save the Children Norway (2003)
57. Okech (2005); Krätli (2001)
58. Ballard *et al.* (2005)
59. Bebbington (2006)
60. Diamond (1997); Makumbe (1998)
61. Makumbe (1998)
62. A report from the African Civil Society Forum details the unreliability and sporadic nature of financial contributions to NGOs, which inhibit their constructing a strong financial base and long-term perspective (Makumbe 1998).
63. The aforementioned report of the African Civil Society Forum adds that African Civil Society Organisations (CSOs) would benefit from a periodic forum, to share experiences and respond to emerging questions (see Makumbe 1998).

# Ending violent conflict and building a social compact

## A. Introduction

Many poor people must make their lives in Chronically Deprived Countries (CDCs). In the random lottery of life, being born into a chronically poor family in one of the world's 32 CDCs is among the worst things that can happen to you. There will be very little healthcare for you or your mother, little, if any, education (if you make it out of infancy), and not much prospect of a good livelihood either. Of the 32 CDCs, some 22 are classified as 'fragile states' (see Annex K).<sup>1</sup> And of the 45 Partially Chronically Deprived Countries, ten are defined as being 'fragile'. This is the somewhat ambiguous term the international community applies to countries that have bad relationships with other states; export insecurity or conflict; or which struggle to provide any kind of worthwhile public provision for their citizens.<sup>2</sup> In all, 19 of the 32 countries classed as CDCs have experienced major conflicts since 1970 (a higher proportion than for other categories of country).<sup>3</sup> We must therefore add pervasive violent conflict (frequently state violence) and civil war (and the fatal diseases associated with war) to the myriad of risks faced by the chronically poor in CDCs. In short, violent conflict matters hugely for chronic poverty, mainly through the insecurity trap.

Violence is a problem for the poor in all societies, but especially so in CDCs. Poverty can be a cause of violence – from crime to civil war. Injustice can start wars, but, as they progress, commercial motives can start to drive them. Commerce can also be the initiator of civil wars, especially when rich mineral resources are the prize. Ending wars therefore involves dealing with those who use violence to become powerful and wealthy. But their removal (or containment) is no guarantee of peace. To bring about lasting peace, societies must build a viable social compact – a set of mutual obligations between the citizen and their state. A social compact is the driver behind efforts to create broad-based prosperity, and helps to overcome the trap of limited citizenship. If this is not achieved, then new warlords can readily find new recruits (especially among the poor) and war could return when peacekeepers are withdrawn.

*Pervasive violent conflict and civil war are among the myriad of risks faced by the chronically poor in Chronically Deprived Countries.*

Historically, there are different models for achieving a viable social compact. Common to all is an effective system of public finance, including revenue generation, without which the promises of politicians will prove hollow when they go undelivered. This is especially important in fragile states: new leaders must gain credibility rapidly, utilising any opportunities for new and better government. They need 'quick wins', to convince people that this time things can be different. New leaders must therefore look to the fundamental obligation of all states, which is to reduce individual risk. This means working to protect people against the risks that neither their communities nor the market can effectively deal with.

We therefore redefine the fragile state as a state that either does nothing to reduce individual risk, or actually increases individual risk through predatory behaviour. In both cases, non-state organisations, including rebel movements, can provide an alternative social compact. This increases the chances of conflict, which would undermine the state further, perhaps turning it into a failed state (one that is unable to exercise much, if any, authority across its territory).

Overall, this chapter argues that a viable social compact is one in which the state acts to reduce people's risks – through law and order, services and infrastructure – in return for their commitment to the state (including a willingness to finance it through taxation). Hence, the social compact is integral to people's perception of justice and to their realisation of citizenship.

## B. Violent conflict and impoverishment

It is widely held that poverty can be a factor in the outbreak of violent conflict.<sup>4</sup> Persistent poverty increases social discontent, but does not automatically lead to violent conflict. Open confrontation with elites carries high risks for people with few material assets or powerful sociopolitical connections, and a large-scale challenge demands resources that they may not have. Furthermore, different groups of poor people may not

perceive themselves as sharing a common cause. But, where their discontent is politicised, and where there is little prospect of non-violent political change, violent conflict becomes more likely.<sup>5</sup> Both economic hardship, and also the social experience of powerlessness associated with chronic poverty, may be important factors.<sup>6</sup>

Of course, mobilisation need not be based on class solidarity, nor explicitly have the general reduction of poverty as a goal.<sup>7</sup> Where poverty and inequality coincide with cultural or regional identities – group inequalities – the potential for conflict also appears to increase (and these identities make it easier to mobilise a group for action).<sup>8</sup> This makes tackling grievances to restore social stability more difficult, because while an aggrieved group will care about its absolute standard of living (and hence about chronic poverty) it usually also cares about its position relative to other groups. Closing the gap sufficiently to prevent (or end) violence is more difficult to achieve. It is particularly challenging when it reflects years of structural disadvantage (especially if some groups have benefited from others' poverty, lack of assets and lack of representation in the political process). A desperate lack of economic opportunity also makes violence a more attractive livelihood.

Grievance-based discontent can easily be exploited by ambitious politicians and entrepreneurs more interested in personal gain than righting injustice. In the worst cases, warlords drive violence forward as a commercial venture – as happened in Sierra Leone's initially grievance-based conflict. As conflict persists, sheer survival ('need') drives recruitment (some young fighters with the rebel Revolutionary United Front in Sierra Leone said that the promise of a pair of shoes had been enough to sway their decision to join up).<sup>9</sup> Forced conscription also plays a role, and chronically poor people have the least material and social resources with which to buy or bargain their way out of militias. In Liberia, Sierra Leone and Uganda, child soldiers have been involved in horrific violence.

It therefore becomes difficult to separate out the 'greed', 'grievance' and 'need' dimensions of civil war, especially when it is prolonged.

In summary, when conflicts persist and endure, personal gain becomes a more important factor in maintaining them. Lucrative opportunities to loot, sell valuable minerals and trade in drugs become available, and are developed to finance purchases of weapons and mercenaries. This can happen even in conflicts that began in order to redress a sense of injustice. War can become organised crime on a large scale. This can offer able-bodied poor people opportunities that they never had in peace – young uneducated men and women may be recruited as fighters – while many more vulnerable people become further impoverished.

Measures to stop a large-scale conflict occurring (or to reduce its likelihood) will therefore be much less effective once conflict has begun. They weaken as the conflict persists and as more people have a stake, both economic and social, in the conflict continuing. This can apply as much to government forces ordered to put down a large-scale rebellion as to the rebels themselves – with both pursuing lucrative livelihoods (sometimes in tacit cooperation).

### Injustice and ending war

Injustice may help start a war, but strategies to restore justice may not be sufficient to stop it. This has consequences for how far it is possible to ensure the adoption of poverty reduction as a political priority in any moves towards a settlement. In some cases, peace settlements offer opportunities to rewrite national myths and expand the political agenda to include tackling poverty. One example is Bangladesh in the early 1970s, when the suffering of women in the war of independence created popular sympathy for a national nutrition programme targeting poor rural women.<sup>10</sup> On a broader scale, conflict

*Policies to help poor people gain assets can lessen the risk of social conflict turning violent.*

### Box 53: Violence and pro-poor policy in Bihar and West Bengal

The North Indian states of Bihar and West Bengal inherited similarly unequal and exploitative agricultural economies on India's independence, with some of the highest poverty rates in India. In the late 1960s they saw a series of rural rebellions, culminating in the Maoist Naxalbari uprising. But since the 1970s, leftist governments in West Bengal have enacted a programme of land reforms, involving nearly two million beneficiary households. This has included increasing the security of tenancies, and distributing land to the landless. Political violence has declined markedly, and the rural poverty rate has fallen to around the all-India average. Meanwhile, in Bihar, Congress and other parties held on to power, and land reform on the Bengal scale did not happen. By 2000, over 75% of landholdings were judged marginal or sub-marginal. Political violence, pitting various caste or class militias against each other, is widespread, inequality has increased, and the rural poverty rate remains high.

This comparison suggests that policies to help poor people gain assets (such as land) can lessen the risk of social conflict turning violent. Clearly, the history of both these states is complex and there is more to their politics than land reform. But a wider survey of policy and conflict at state level in India offers some support to this thesis. It concludes that public expenditure on social services, and higher rates of education enrolments, were associated with reductions in civil unrest and violent conflict.

Sources: Justino (2006b), Kumar (2004), Thapa (2004)

sometimes results in the formation of groups that include poverty reduction amongst their aims – examples include the Sandinista-led overthrow of Somoza in Nicaragua, or the military victory of the National Resistance Movement (NRM) in Uganda. The extent to which such groups achieve poverty reduction varies considerably – largely failure in the Sandinista case, but considerable, if patchy, progress in Uganda over the last 20 years.

In other cases, particularly where criminal-type organisations have become prominent, the domestic policy agenda may instead be dominated by placating the powerful potential ‘spoilers’ to peace. Liberia during Charles Taylor’s presidency is one example – Taylor’s campaign slogan, ‘He killed my ma, he killed my pa, but I will vote for him’, grimly illustrated how appeasement can triumph over other priorities.<sup>11</sup> Afghanistan today is arguably another – with a weak central government, whose continued existence depends on placating warlords, offering them enough to ensure cooperation (handing out political and administrative appointments, for example) – but which has little in the way of mechanisms to achieve fundamental change. Even when poverty is on the policy agenda, it may be seen through a ‘security’ lens, which focuses on those social groups seen as constituting a security threat – often poor young men.<sup>12</sup> This may divert attention from meeting the needs of others, who are perceived as less likely to be combatants (for example, women or older people).

In summary, the possibilities for poverty reduction in the context of large-scale violence cannot be seen in isolation from the question of how political power is exercised, including the balance of power between competing groups. Potential political power is often the goal for competing political and commercial elites, recruiting the poor as voters or fighters when necessary.

From this situation, two problems follow for the international community. First, can powerful spoilers be taken out or neutralised by incorporation into an effective peace settlement? Second, if the present spoilers are dealt with, how can new spoilers be prevented from emerging, given the weak socioeconomic conditions of CDCs?

Regarding the first problem, the situation can be summarised as ‘one-and-a-half steps forward, and one step back’. First, we look at the steps forward. Since the end of the Cold War, which locked countries into spheres of influence which it was difficult to move beyond, the international community, in various combinations (the UN, NATO, regional bodies such as the African Union, and, more controversially, US-led coalitions), has increasingly intervened in violent conflict, ranging from Africa’s civil wars (Democratic Republic of Congo (DRC), Liberia, Sierra Leone), to genocide (Sudan), to overthrowing Afghanistan’s Taliban regime and its Al-Qaeda associates. Military action and peacekeeping removed the spoilers in Liberia and Sierra Leone – countries impoverished

by years of war. Warlords such as Charles Taylor are now facing international justice. But liberal interventionism has only treated the symptoms and not the causes. More vigorous and effective action against bribery, money laundering and the international trade in weapons and mercenaries, would make it harder for the wealthy and powerful to engage in violence to achieve their ends. There has been (modest) progress in each of these areas. For example, in 2005 Swiss banks were forced by the country’s Supreme Court to return US\$505 million, looted by the late General Sani Abacha, and place it in a special poverty fund run by the Nigerian government. However, much more remains to be done.

The step back is that the high hopes of the early 1990s, for the creation of an international system to deal with conflict, have been stymied by the competing interests of the permanent members of the UN security council, and by the US-led war in Iraq. Mobilising enough peacekeepers has proved next to impossible – hence, the long-running humanitarian disaster of Darfur in Sudan, that threatens to destabilise neighbouring Chad (both CDCs).

*The primary purpose of the state is to reduce individual risk.*

Regarding the second problem, removing individual spoilers is not enough. Removing one Charles Taylor leaves many potential Taylors to take the stage, if the socioeconomic conditions provide them with the opportunity, and if the poverty that supplies their recruits, persists. If war can be ended, and post-conflict recovery begun, it is vital for societies to start to construct what we term a social compact – a set of mutual obligations between the state and its people. That social compact drives the process of political, social and economic change that hopefully propels societies towards a better and more prosperous future. This removes the context in which the Charles Taylors of this world thrive.

### C. Redefining the fragile state

What does all this mean for the individual (and their community)? Another way of posing this question is to ask: from the perspective of the individual, what is the state for? Many answers are offered to this question in political philosophy, but we suggest that the primary purpose of the state is to reduce individual risk. This is the first obligation of a well-functioning state.

Chronic poverty is, by definition, a state of multiple risks (see Chapter 1). The state can absorb those risks that the individual and their community cannot (although there are limits, such as climate change). People benefit not only from actual help (drought relief, for instance), but also from the knowledge that assistance will come if needed. For chronically poor people this is vital, because the fear that goes with poverty is in itself highly debilitating, and limits the possibility of high-risk, high-return livelihood strategies (see Chapter 3). Informal mechanisms of risk reduction exist at the family and community level in all



*A child standing near a washing line outside a corrugated iron house in the slums of Sincelejo. Many Colombians are now living in slum areas after fleeing their homes due to political violence. This migration is part of the cycle of violence and forced internal displacement that affects large numbers of people (Sincelejo, Sucre, Colombia). Photo © Stephan Vanfleteren/Panos Pictures (2006).*

societies, and formal insurance markets develop alongside economies, but many risks cannot be significantly reduced. These are risks that either affect most people in a community (for example, a natural hazard, a highly infectious disease, or economic recession), or that cannot be insured against, because formal insurance markets do not exist.<sup>13</sup>

We argue that, to have a useful meaning, the term ‘fragile state’ must be based on an understanding of the individual’s relationship to the state. In this respect, we argue that a fragile state is one that does nothing to reduce individual risk. Individuals may be entirely ignored (receiving no help, but paying no taxes either), or they may pay tax but receive little in the way of risk reduction in return (leaving them with fewer resources of their own to cope with shocks). In the worst cases, the state is violently predatory, dramatically increasing people’s risks, and impoverishing them. Myanmar and Sudan are two examples of this latter type, the former using forced labour, the latter turning to violence to ensure a hold over oil wealth.<sup>14</sup> A further example is Zimbabwe, as the life story of Angel demonstrates (see Box 54).

Fundamentally, fragile states are those that never managed to create a social compact post-independence, or where the social compact has disintegrated, or countries in which the social compact is under great stress – usually from economic pressure. The result is often violent conflict.

At this point, a strong word of caution is in order, for we must avoid mechanistic explanations. While there is a broad statistical relationship between a low and declining per capita income and a country’s vulnerability to conflict, there are politically stable countries that have nevertheless gone through precipitous economic decline. Thus, Zambia’s economy stagnated dramatically from the 1980s to the 1990s, yet it has never suffered the turmoil that economically more successful Kenya and Côte d’Ivoire have gone through. Zambia has seen no major violent conflict and has moved peacefully from one-party to multiparty politics (although Zambia has never created the conditions for a developmental

#### Box 54: Angel and the state in Zimbabwe

Angel lives alone with her 19-month-old baby, in a tiny tin shack close to a town in the Midlands Province, Zimbabwe. After leaving home when she was 14, and working for a short time in a town (where she was exploited by her employer), in 2002 she moved to a nearby informal settlement.

Fifty or so households live in Plot Shumba, in small, fragile, temporary structures which are scattered over three acres of a 66-acre piece of rain-fed agricultural land. Plot Shumba developed gradually as a settlement from the early 1970s. Residents moved to the Plot because they had nowhere else to go – they had lost their commercial farming or mining jobs and therefore their homes: they were unemployed, had lost contact with their rural homes, or they could not afford urban rent. In February 2003 the army demolished Plot Shumba, as part of the state’s drive against squatter settlements and informality (called Operation Mariawanda). Angel was severely beaten and spent a month sleeping in the open at the long-distance bus shelter (along with others from the Plot). The landowner obtained a court order enabling them to move back and the residents rebuilt their homes.

In February 2004, Angel’s cousin helped her to get a job at a local small-scale goldmine, selling beer. While she was there she met a gold panner and fell in love. The mine owner went bankrupt in August 2004 and she lost her job and her home, and was forced to return to Plot Shumba with her boyfriend. For a while things looked up: Angel made a living selling and vending vegetables. She became pregnant in 2004 and gave birth to their first son in March 2005. However, that same month her boyfriend was killed, when the mine he was working in collapsed, killing him and three other men. Angel stayed at Plot Shumba, until it was demolished during Operation Murambatsvina. Afterwards she had to rebuild her shack again. Now unable to care effectively for herself or her son, Angel relies on local networks and an NGO for her own survival and that of her son. In all likelihood, such support has not been sufficient for either of them.

Source: Bird (2006b)

state – see Box 32). Nigeria has staggered from one economic crisis to another, and from democracy to military rule and back again, but, the grievances (and local insurrection) of the Delta region notwithstanding, there has been no conflict on the scale of the 1967-70 Biafra war.<sup>15</sup> The social compact in Nigeria and Zambia, while stressed and partial in many respects and some locales, has proven resilient. Institutions, both formal and informal, channel most grievances into mechanisms for their expression and (perhaps) resolution, that are non-violent in character.

We must also be clear that whilst dictatorships are found among fragile states, dictatorships are not necessarily fragile states. A dictatorship may, if it retains its monopoly of violence, effectively repress any opposition. Some long-lasting dictatorships have, however, sustained themselves by offering a large segment of the population some tangible risk reduction – at least security of the person and protection of property rights (provided one does not challenge the state, or belong to an ethnic group or hold a religion that the dictator finds ‘distasteful’). If the dictatorial state manages the economy well (and/or it has extensive revenues from natural resources to distribute), dictatorships can provide some measure of prosperity, thereby reducing economic risks as well. Some dictatorships can do better at poverty reduction than some democracies. This is not a defence of dictatorship – individual liberty and freedom are rightly goals in themselves – but is a statement of historical fact. That said, many dictatorships fail to reduce poverty, and increase the risks that their population are subject to.

Our definition of a fragile state – one that does nothing to reduce individual risk – offers a better conceptualisation of state fragility for development policy than many in the development discourse. These definitions tend to focus on one of three areas:

- first, bad relationships with other states and development actors;
- second, negative outputs, where the state in question fosters and propagates insecurity and conflict; and
- third, state functionality, which is often viewed as a composite of political will and institutional capacity.<sup>16</sup>

Our definition improves upon the third of these categories,<sup>17</sup> in two ways. First, instead of focusing on a government’s political will to reduce poverty, it focuses on the outcomes of these policies – the risks that citizens face. Second, many definitions place too much emphasis on state capacity (including its military capacity to impose its will on the people). You can strengthen the state (i.e. improve its ability to implement the decisions of its government), but then it may simply become a more efficient predator (i.e. better able to extract resources from individuals, and therefore become more of a fragile

state under our definition, since it raises their risks). Thus, the Government of Myanmar has periodically strengthened itself, making it better able to extract forced labour from its populace and suppress regional secession. Our conceptualisation, however, is also congruent with the ‘right to protect’ – the principle that the international community has an obligation to intervene in cases of gross human rights abuses when the state turns predator, and that this requires interference in the internal affairs of the state (previously ‘off-limits’ for much of the UN’s history). This is vital for internally displaced persons (IDPs) and refugees, who are disproportionately found among the chronically poor. We now turn to the impact of state fragility on the poor.

### Consequences of state fragility for poverty

Of the 32 CDCs, some 22 are defined as fragile states under the standard Department for International Development (DFID) definition (see Annex K). What does this mean for the lives of the people in them, especially the chronically poor? There are four main channels through which state fragility intersects with poverty, three of which relate to violent conflict.

First, the poor may turn to non-state actors for their risk reduction, when these are perceived to be more available and

more effective than the state. Non-state actors may be legitimate (e.g. Bangladesh’s NGOs) but some may operate as a quasi-state alongside the (internationally) recognised state – terrorist groups seek legitimacy in this way. For example, Hezbollah in Lebanon operates an effective welfare state for Lebanese Shi’ites, keeping many out of

poverty. As states weaken, new groups create social compacts of their own. The populace then relies upon them, rather than the internationally recognised state, to reduce risk and keep them above the poverty line. DRC and Nepal are two examples. A given geographical territory that is nominally controlled by a state may contain many such groups, each building their own social compact. Sometimes these extend across national borders as well, so that the people in this territory owe no effective allegiance to the state in whose territory they reside. Thus, the areas of Pakistan bordering Afghanistan have long created their own form of social compact, managed their risks, and have no predisposition to call on central government to help – instead they resist it fiercely. Similar situations are found in the DRC and Somalia.

Second, fragile states are often at war. Recall that 19 of the 32 countries classed as CDCs have experienced major conflicts since 1970. The horrible death and mutilation inflicted upon people in war is matched, and in many cases exceeded by, the deaths caused by the accompanying hunger and disease. One estimate is that adult and infant mortality increases by 13% during conflict, and remains 11% higher for at least five years.<sup>18</sup> International sanctions to bring belligerents to peace talks may

*Death in war is matched, and in many cases exceeded, by the deaths resulting from the accompanying hunger and disease.*

have the unintended effect of worsening the lot of the poor. There is some evidence of sanctions worsening nutritional status in Burundi, and sanctions against the Saddam Hussein regime in Iraq were much criticised for their impact on child health and nutrition. Paradoxically, the nutritional status of some of the chronically poor may improve during conflict if they reach the safety of well-run refugee camps, where they receive food and medical assistance (and perhaps some education as well). They may also face fewer (non-conflict) risks in such camps, when previously they made their livelihood in environmentally fragile conditions.

Education also suffers during wartime. This is not only through the physical destruction of schools (which were a deliberate target during Mozambique's civil war), but also due to heightened insecurity, and therefore fears about sending children out to school. Further collapses in household income reduce people's ability to afford to send children to school. One study calculated that an increase of 10% in the proportion of households affected by civil conflict in Uganda reduces investment in schooling by about one year.<sup>19</sup> The impacts can be very different for different groups: the 1992-98 civil war in Tajikistan saw a sharp drop in school enrolments of girls, but not boys, and in urban areas rather than rural areas. Households allocated their reduced resources to educating boys, and were also afraid of girls being harassed by the military. Urban incomes fell more sharply than rural incomes, and rural households had some subsistence income to fall back on.<sup>20</sup> Reduced educational opportunities matter less for the chronically poor, who may never have had much access to education to begin with, or sufficient income to afford to send their children to school.

Third, conflict rips apart the social capital of societies, as flight and displacement (often for many years) damages family and social bonds. In the worst cases, young children are conscripted into armies and forced to commit atrocities against their own people, as a way of severing their social bonds and hardening them to violence (the atrocities committed in Sierra Leone and in Northern Uganda, are just two examples). Market exchange is undermined, as people's trust in each other falls, with the consequence that traditional mechanisms for coping with shocks, such as selling assets, become more difficult. During the genocide in Rwanda, people were too afraid to take their cattle to market and when they were able to do so, the prices were low.<sup>21</sup> As people try to protect themselves, new forms of social capital emerge, including the mutual-support groups formed by street children around the world. Sometimes these cooperative groups form the basis for new livelihoods, keeping people above the poverty line or helping them to cross it.<sup>22</sup>

Fourth, during wartime, overall economic activity and employment are reduced, as people become reluctant to create new businesses or to invest in their farms. The total level of

investment by large, small and micro enterprises falls. It also becomes very distorted – towards activities that deliver a quick profit (especially trading in scarce commodities) and away from investing in activities that have a longer-term (but now more uncertain) payoff. The opportunities for unskilled labour thus created tend to be characterised by insecure and exploitative terms of employment, with little attention to labour rights.<sup>23</sup> The exception, in terms of levels of investment at least, is the mineral sector, which is often a protected enclave providing revenue for governments and/or rebels. Unless the country is mineral-rich, the revenue base almost always declines during violent conflict, endangering already weak safety nets and social sector provisions for poor people.<sup>24</sup> In mineral-rich countries undergoing conflict, there may be ample revenues available for poverty reduction (Republic of Congo and Angola are examples), but these are often not used to this end, disappearing instead into a non-transparent fiscal system for elite use. Progress in this area has been patchy at best, and while measures such as the Extractive Industries Transparency Initiative may improve accountability, this is not evident in many countries.

In the same way that fear can debilitate those living in poverty and conflict, hope for the future characterises those living in successful, peaceful societies. Hope goes along with economic and social mobility, and therefore is itself a product of successful economic and social development. Many of the success stories, historical and contemporary, cited in the next section are examples of each generation doing better than the last, implying a reduction in the intergenerational transmission of poverty. Building a viable social compact thereby supports, and is in turn renewed by, the many successful individuals who lead healthier, more secure lives than their parents.

*Education suffers during wartime, through the physical destruction of schools, heightened insecurity, and collapses in household income.*

## D. Towards a social compact

To repeat, a social compact is a set of obligations, based on a core set of agreed values, between the state and its people. It is not written down (although it is often reflected in a country's constitutional documents). Citizens and the state fulfil their mutual expectations and obligations through political and social institutions. A social compact exists when the majority of citizens agree (or at least acquiesce) to accept restraints on their individual actions, in exchange for tangible benefits. Typically, the state acts to reduce people's risks – through law and order, services and infrastructure – in return for their commitment to the state (including a willingness to finance it through taxation).

A social compact also affects how citizens behave towards each other. It can create norms and expectations around how individuals interact with each other (politically, morally and economically). Importantly, these norms and expectations

increase mutual benefits and reduce costs. When these 'rules of the game' are largely adhered to, the social compact fosters high levels of trust, reducing the chances of being exploited by others, increasing investments in long-run activities (stimulating growth) and reducing the chances of conflict. Conversely, a weak social compact, and a lack of institutions through which to settle disagreements, increases the chances of exploitation, increases individuals' uncertainty about the future (making investments more short term, thereby hindering growth), and increases the chances of confrontation and violence.<sup>25</sup>

For reasons to be discussed below, the social compact need not only evolve in a democracy (no matter how desirable democracy is in itself). Authoritarian states have achieved viable social compacts, in which large numbers of people acquiesce (and are not just coerced) to limited political competition, in return for tangible benefits – the protection of person and property (provided you do not fall foul of the authoritarian rulers) and rising material prosperity.

### How are social compacts built?

How do viable social compacts get built? The short answer is that there are many paths. History holds important (and sometimes uncomfortable) lessons for present policies and practices, as the following review of styles of social compact in Europe, the USA, Latin America, East Asia, South Asia and Africa attests.

Historically, social movements have not only organised the poor, they have also put pressure on the state and its institutions to address the needs of the poor. As such, they changed the nature of the state itself. This is part of the story of how Europe built effective social compacts during its development. The history of the state in 19th and 20th century Europe involved the construction of social welfare systems in response to the rising power (both political and in the market) of labour movements. Traditional elites increasingly sought to accommodate these social forces – via unemployment insurance, public pensions and healthcare systems – as they built and reinforced nation states (and instilled a sense of nationalism, which was not always for the good, as the wars of 20th century Europe attest). Interacting with, and reinforcing, this process was the extension of the political franchise to parties directly representing the interests of the previously powerless, and their entry into legislatures. This process was, in part, driven by broad-based economic growth. As growth fuelled a rise in demand for skilled, and eventually unskilled, labour, the market power of workers was strengthened (giving them the income to finance their trade unions and political parties). Growth also reduced the adverse incorporation of rural workers and peasants in feudal systems, by providing them with new work opportunities – although this did not always lead to more favourable terms of

*History has shown that there are many paths to building a viable social compact.*

employment (as Dickens' and de Toqueville's descriptions of horrific working conditions in dark mills illustrate). With the dilution of the power of the traditional landlord class, the rise of the manufacturing class, and, eventually, the working class, the politics of modern Europe was born. Europe thereby built a social compact, in which people expected something of their state (law and order and, eventually, social protection), and the state made demands of its people (taxes, in return for public provision, as well as military service to defend the nation state). In this respect, the social compact took the form of an agreed and adhered to set of duties and rights that became embedded in public institutions.

The US social compact was somewhat different, as broad social protection was not a priority. It was equally strong, however, being based on the generation of fast employment growth, through a vigorous capitalism that absorbed new immigrants.<sup>26</sup> Easy labour mobility (rather than social protection) provided both the mechanism to ameliorate periodic market crises, and some escape for African-Americans from their extremely adverse incorporation in the economy of the southern states, which 'reconstruction' after the civil war did little to change. Crises challenged the rules underpinning each type of social compact – notably, two World Wars and the inter-war depression. These required, in Europe's case, the restoration of democracy, and in the USA a grudging acceptance of a bigger role for the state.

Both Europe and the USA constructed a different mix of market and state institutions (and there are also many variations of the European 'model'), but each variety of capitalism worked well enough to give many people – though not all – a better life (or at least the hope of one). For the last 60 years the majority have remained committed to these 'rules of the game' (in particular to non-violent political competition), and flexible institutions and rigorous public debate have so far ensured their resilience. Importantly, the different varieties of capitalism delivered rising revenue bases that, with successful tax institutions, enabled politicians to deliver on at least some of their promises under the social compact. Different mixtures of revenue mobilisation were used, with a greater progressivity characterising the income tax system of European states, in comparison with the USA.

By the start of the 20th century, Latin America, with its rapidly rising population of European immigrants, looked like it might follow the European path towards a viable social compact. But the predatory colonial legacy undermined this possibility. High initial inequality (especially in land ownership) delivered a pattern of growth with very narrow benefits, reinforcing a landed elite adept at controlling legislatures, and limiting the political (and economic) space of an impoverished rural population. Many indigenous people were either left behind or adversely incorporated into exploitative agricultural-export economies. Periods of rapid industrial development



created a working class and urbanisation. From time to time populist governments emerged with redistributive agendas (in Argentina, notably), but these experiments often broke down under macroeconomic instability. With an inadequate revenue base (leading governments to resort to inflationary finance) the creation of social compacts based on European welfare state models stalled. Periodic reversions to authoritarian rule largely failed to deliver economic growth or increase societal cohesion. Hence, these states were unable to build a social compact based on providing the populace with rising living standards in return for accepting an absence of democratic rights (as in the East Asian model).

The painful adjustments of the 1980s, together with a better global economic environment (in particular booming commodity prices), have provided today's democratic governments with a chance to build a new social compact. Tax revenues are rising with growth, and the commodity price boom is providing scope for countries to negotiate better

deals with mining companies (thereby dodging the need to engage in extensive fiscal reform, which has been periodically attempted, but often abandoned in Latin America). This raises the prospects of increased pro-poor social provision, such as the creation of conditional cash transfer programmes in Brazil, Chile, Colombia, Ecuador and Mexico. If successful, such schemes will further consolidate democracy in the region and could make a substantial contribution to consolidating existing social compacts. But progressive state provision remains vulnerable to macroeconomic weakness (economies are still very much dependent upon primary commodities) and the public finances of Latin America are not on a stable footing.

East Asia, starting with South Korea, Singapore and Taiwan, and later followed by China and Vietnam (after their experiments with central planning), built viable social compacts with limited (or non-existent) political competition. Populations largely acquiesced to limitations on political freedom in return for very fast (and historically unprecedented) increases

### Box 55: Tackling chronic poverty and spatial disparity in Indonesia

Over 100 million people live on less than US\$2/day in Indonesia, with many clustered around the national-level poverty line of around US\$1.55 purchasing power parity (PPP). Health and education indicators overlap considerably with consumption-based poverty, as do land/asset holdings. Considering the huge size of the country, it is not surprising that there are huge disparities between regions. For example, the mean distance to a health clinic is 4km in Java, whilst in Papua it is over 32km; and while 66% of households in Java and Bali have access to improved drinking water, only 9% do so in Papua. Such disparities are also reflected in the incidence of chronic poverty. Before the 1998 economic crisis, most provinces in Indonesia had relatively low levels of chronic poverty. This was especially the case in Western Indonesia – such as in the provinces of Jakarta, West Sumatra and Java. In Eastern Indonesia the rates of chronic poverty were much higher. Chronic poverty in Indonesia changed considerably after the 1998 economic crisis. All provinces experienced a much higher incidence of chronic poverty (see Figure 4). However, by 2005 chronic poverty appears to have fallen back to pre-crisis levels.<sup>27</sup> The strengthening of the social compact through the provision of social protection measures, and political and fiscal decentralisation, have played an important role here.

The government took a multipronged approach to social protection after the economic crisis, and introduced three main measures. First, the Jaringan Pengamanan Sosial, a social safety net, provided subsidised rice and health cards for the poor, a public works programme, and scholarships to keep children in school. These measures worked reasonably well, with the exception of the subsidised food distribution system, which suffered from large targeting and leakage problems.

Second, from 2001 the government introduced a fuel subsidy. This highly regressive measure benefited the richest decile five times more than the poorest decile. As government expenditure on the subsidy escalated rapidly, the scheme was scaled back and complemented by an unconditional cash transfer programme (Bantuan Tunai Langsung) in 2005 (in addition to investments in health clinics, secondary school scholarships and rural infrastructure). The scale of this transfer was immense. Over 15 million households received over US\$2.4 billion in four instalments during the year starting October 2005. A government evaluation reported that over 97% of the money reached targeted households (which included non-poor beneficiaries). The following year Bantuan Tunai Langsung was replaced with a conditional cash transfer programme.

The fall of the Suharto regime in 1998 also precipitated a period of rapid and far-reaching political and fiscal decentralisation. From this time, regional governments received a much greater proportion of central government revenue (40% of total public spending), and also gained greater powers to generate their own revenue, and develop and implement service delivery. To access these funds, regional governments have had to produce the regional equivalent of Poverty Reduction Strategy Papers to provide a framework for pro-poor service delivery. These and other initiatives have increased regional government's pro-poor expenditures. This is not to say that the decentralisation process has not been without its problems. Regional governments suffer from limited institutional capacity, a lack of coordination between levels of government, and weak prioritisation. It appears that remote regions of Indonesia have benefited disproportionately from the manner in which the social compact has been strengthened. For example, both Papua and East Nusa Tenggara showed large falls in chronic poverty between 1996 and 2005. Such falls have been sufficient to contain (if not reduce) regional disparities across the country.

Source: Wells (2008)

in living standards. Large-scale asset redistribution (principally of land) accompanied or followed radical political change (the largest, and most brutal, in communist China in the 1950s, created a rural social safety net with lasting effect). This secured the support of rural populations against external aggression, and limited the possibility of domestic insurgency (important in both South Korea and Taiwan). Rapid poverty reduction followed from fast economic growth. The containment of extreme asset inequality, together with substantial human capital investment, ensured that the benefits of growth were broadly distributed. Social inclusion therefore characterised these authoritarian models and reinforced (or built, in Taiwan's case) strong national identities. Growth, especially through exports, delivered the revenues necessary for state-building in East Asia. In China, state control of the economy enabled direct extraction of revenue (and redistribution) by the Communist Party before (and long after) economic reform began in the 1970s. Recently, China's tax revenues have grown alongside the economic boom. This has given the regime room for manoeuvre in meeting its biggest current challenge: spreading the benefits of growth to interior provinces and poorer, remote and mountainous regions. The number of chronically poor people in China remains high.

Securing the state against internal insurgency was a motive for Indonesia's Suharto after the 1966 coup. The regime delivered 30 years of growth, with rural poverty reduction and some reduction in this large country's spatial inequalities, financed by reinvesting oil rents (widely praised at the time by donors, who ignored Indonesia's takeover of East Timor). Since Suharto's downfall, successive governments have struggled to contain secession (with Timor-Leste breaking away) and

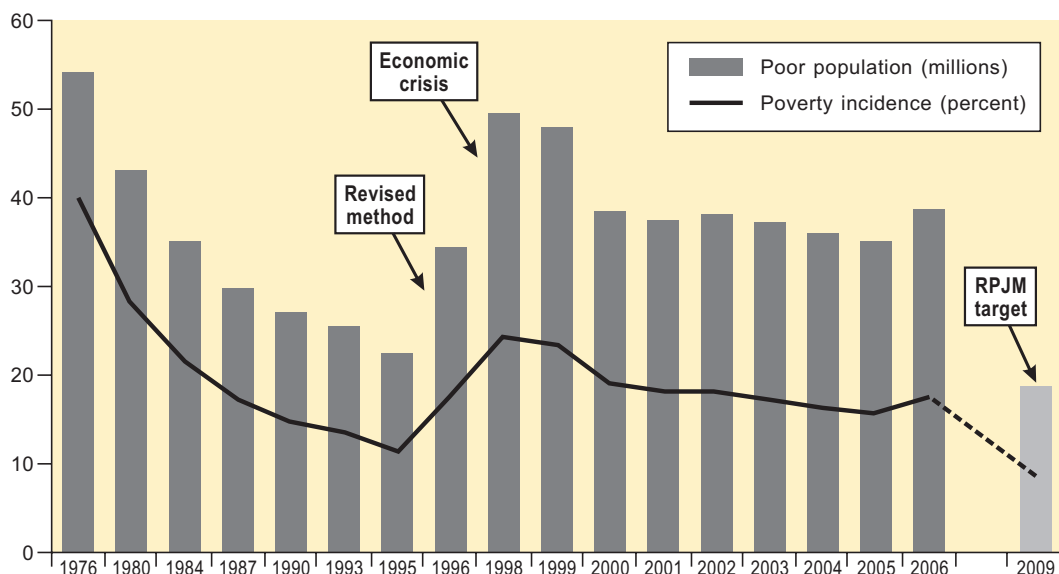
to create a new social compact. The containment of spatial disparity is paramount, and some success has been achieved in containing the effects of the 1998 economic crisis (notably in West Papua). Public finance has been of utmost importance in shifting revenue (especially that from natural resource rents) across the regions.

The Philippines has also been characterised by secessionist movements – in the disadvantaged Muslim areas, rebels have mobilised the local populace by promising a social compact of their own. Whilst the Marcos dictatorship in the Philippines was long-running, it was ineffective in delivering growth that benefited the poor (the export economy was controlled by the landed elite, who adversely incorporated the poor into their plantations). It also failed to contain grand corruption (whereas the venality of Suharto's regime was contained until its last few years).

A more extreme example of the difficulties of state formation in a dispersed territory comes from the CDCs in the Pacific. In Papua New Guinea (PNG) economic management is weak, revenues low (despite the natural resource rents) and the country remains aid-dependent. As our earlier review of Poverty Reduction Strategies showed (see Box 18), PNG has not been able to articulate a satisfactory poverty reduction strategy. Disenchanted young people, without much hope of employment, expect little of the centre, which appears to care little for them (health services are woefully inadequate, and easily defeated malaria is rife in the lowlands, for example).

Papua New Guinea has not built much sense of nationhood since independence, and its politics is as fragmented as the society. Whereas in PNG a mountainous terrain divides people into competing social (language) groups, in the Solomon

**Figure 4: Poverty in Indonesia, 1976-2006**



Source: Wells (2008)

### Box 56: The natural resource curse in Papua New Guinea

Papua New Guinea (PNG) has substantial natural resources – minerals, hardwood and oil/gas – but very few of the revenues generated from these resources improve public facilities or services. Instead, poverty in PNG is widespread and deep. Poverty is worst in the more remote areas of the country, such as the Highlands and the Momase/North coast region. For example, the poverty headcount and incidence in PNG doubles when households take longer than one hour to access basic health facilities and community schools (and the relationship is stronger when using poverty depth and severity measures). The poor take over three times as long as the non-poor to reach the nearest road.

Instead of investing in collective assets and basic public services, the revenues generated from natural resources have been frittered away by politicians, whose immediate obligations are not to the state, but to clan and ethnic loyalties. PNG's six million people are divided into more than 850 language groups (clans or wontoks), with strong cultural identities and traditions. Clan and ethnic differences weaken the sense of nationhood and coherent national politics (also see Box 18 on decentralisation in PNG).

Violent conflict in PNG is widespread, especially in urban areas. Gangs and clan rivalries contribute to PNG's capital – Port Moresby – having a very violent reputation. The elderly and infirm are often victims, and gender-based violence is widespread. Gun crime is commonplace, with members of the urban elite involved. Corruption is endemic. Companies extracting natural resources are frequently alleged to use bribes to obtain contracts, and it is well known that civil servants and politicians abuse their positions of power for personal, family or clan gain. With few signs of change, and a fragmented civil society, many are resigned to the lack of state services and accountability.

Source: Cammack (2007)



Local villagers and clanspeople congregate at the remote Kiburu polling station to cast their votes in the 2007 general election (Mendi, Southern Highlands, Papua New Guinea). Photo © Jocelyn Carlin/Panos Pictures (2007).

Islands it is the vast distances that have hindered construction of a social compact. People in outlying islands perceive that the centre has done little for their lives, while rapacious politicians and entrepreneurs have contributed to extracting the nation's natural resource base.

India has maintained its democracy for most of its 60+ years of independence, despite a low per capita income. Despite religious tensions and outbreaks of communal violence, neither these, nor the Naxalite rebel movements (Maoist-inspired insurgencies recruiting from the rural poor), have seriously threatened the state's integrity. The political system yields social compacts at state level – of varying levels of effectiveness, ranging from Bihar (worst) to Kerala (best). These are underpinned by fiscal federalism, in which part of the state budget is financed from the centre. Organisations of the poor are an increasingly important driver of national

politics, attempting to refashion the national social compact through efforts such as the 'right to food' movement (which invokes the constitution and the state's responsibilities to its people). Strong growth is raising revenues, but India's tax system is highly inefficient, full of *ad hoc* exemptions (to the benefit of the wealthy). Revenues are therefore not rising as fast as growth – to the detriment of pro-poor public spending. India has a broad array of social protection measures in place, but with highly variable implementation and performance. For example, India's new National Rural Employment Guarantee Act (NREGA) is a key arm of the social compact, but suffers from dishonest and corrupt practices, especially in particular states, which reduces its effectiveness. However, the high-level political debates around the major schemes – such as the Public Distribution System, pensions, and NREGA – suggest that India will continue to strengthen its social compact.

In Bangladesh, at a minimum, the state must provide disaster relief to secure its social compact. But the corruption and ineffectiveness of the most recent governments – before the caretaker government took over – and the strength and capacity of the country's large NGOs, imply that many people, particularly the chronically poor, would see their relationship (compact) with these non-state actors as being far more important. Moreover, structures of patron–client relations, and the slow development of a strong concept of citizenship, indicate that many Bangladeshis insulate themselves against insecurity through often exploitative social networks.<sup>28</sup> The government's revenue base is weak – and Bangladesh's vulnerability to climate change threatens to slow the growth on which this is based – and the country continues to receive large aid volumes. This will throw even more onus onto NGOs, and further embed individuals in damaging patron–client relationships.

In contrast to India, Pakistan's democratic politics has been unable to deliver a viable social compact, and the country's periodic military dictatorships have not attracted mass support. Pakistan is characterised by very poor human development indicators (especially for women), and the adverse incorporation of the peasantry into what in many ways is still a feudal rural economy. In Nepal, a weak social compact (with very ineffective service delivery) has traditionally been shored up by the religious reverence in which the monarchy was held. This declined as the greed of the royal family became more evident in the 1990s, and the country's extreme rural poverty has enabled Maoist insurgents to build a robust political base, taxing the peasantry to provide the fiscal base for the insurgency.

Turning to Africa, the social compact offered by newly independent states was not so different from that in East Asia. Promises were made of a rapid rise in living standards, in return for loyalty to one-party states. (Political competition was ostensibly limited in order to contain interethnic rivalry, a constant theme in the politics of 1960s Africa.) Aid donors acquiesced, concerned about the stability (and loyalty) of their former colonies, and about their own commercial interests in the mines and plantations of 'independent' states. Thus, Malawi was for long hailed (and financed) as an African 'success story' by major donors, as Hastings Banda delivered growth (but very limited poverty reduction) through a system of highly personalised rule (profiting from the ownership of large export-orientated estates).<sup>29</sup> Similarly, Félix Houphouët-Boigny of Côte d'Ivoire was able to contain the strong centrifugal forces of spatial disparity (between North and South in this case) by redistributing the income provided by a vibrant export economy through the fiscal system. For a while this was thought to be a highly effective social compact along East Asia lines: a strong export economy delivering the revenues for state-building (magnified by generous bilateral and multilateral aid flows). Poverty fell, and the state itself absorbed large numbers of young people into a generous system of public employment (eventually this cracked open in the mid-1980s, as the economy went into decline.)

Many other African countries tried the same formula – generous public employment, together with minimal political competition. Due to a combination of bad policy (overtaxation of agriculture) and bad luck (external shocks), however, they failed to create the growth necessary to sustain expansion. Falling output (and rising poverty) took the state's revenue base with it, thereby magnifying an inability to deliver even basic services. This destroyed nascent nationalism and opened the way for (increasingly violent) competition along ethnic lines. In Sierra Leone and Zaire (now the DRC), the hollowness of the state's intent to create any kind of social compact with the populace became particularly apparent in the 1980s, as the economic collapse that accompanied predatory rule

*If living standards do not rise, then political liberty is unlikely to be sufficient to maintain political stability.*

was exposed. The capture (or promise) of valuable natural resources enabled increasingly powerful warlords to offer the prospect of their own pact to the young and disenchanting.

Much of Africa is, at last, on the up again. Whether this is the final fruit of the difficult economic reforms conducted from the 1980s onwards, or the bounty from an expanding global economy (driven by China's insatiable demand for minerals) need not detain us here. What is clear is that growth in much of Africa is once again strong. The few states that built and consolidated effective social compacts from independence onwards are now reaping the gains of high commodity prices. In Botswana's case, the country has the fiscal means to redistribute mineral rents to the population (thereby ensuring that what is otherwise a very narrow growth trajectory, after the fiscal incidence is accounted for, is remarkably progressive).

In contrast to Botswana's relative democracy, Ethiopia, Uganda and Rwanda have limited political competition (although politics is becoming a little more open in Uganda of late). Donors, whatever their statements about the benefits of multiparty democracy, have been happy to fund these states generously, given their effectiveness (at least in Rwanda and Uganda) in achieving post-conflict reconstruction and a large measure of political stability (notwithstanding conflict in Northern Uganda, and both Rwanda and Uganda's engagement, and competition with each other, in the DRC's civil war). But a commodity price boom is not always beneficial for the majority. For example, generous and rising mineral revenues have allowed elites in states such as Angola and Equatorial Guinea to consolidate their rule. With little need to swap representation for taxation, they have mostly ignored the needs of large sections of the populace, which consequently remain impoverished.

This rapid tour of regions brings us to a fundamental point: states have a variety of political stripes (from true multiparty politics, to competition within a single-party system, to outright dictatorship), but democracy is not necessarily associated with an effective social compact. Irrespective of whether the population desires political liberty in itself, remarkably successful social compacts can be maintained by authoritarian states – if they are able to deliver economic growth and thereby improve living standards (and not all dictatorships, perhaps only the minority, achieve this). If living standards do not rise, then political liberty is unlikely to be sufficient to maintain political stability (low-income democracies have a high failure rate, reverting back to authoritarianism after eight years, on average).<sup>30</sup> Moreover, the chances of violent political competition rise, on average, as per capita incomes fall. Growth provides the revenue to buy off potential opposition, ensure the loyalty (if not the love) of the majority of the populace, and defend the state against external aggressors. But growth that is not accompanied by structural economic change (investment of the revenue rents in new sectors to broaden the economy's

base, particularly in exports) leaves the state vulnerable to an external or internal shock that hits the main export sector, and therefore its revenue sources. Moreover, social compacts come in different shades. They may include public policies that reduce individuals' risks in some areas, through providing law and order, land redistribution, or famine prevention; but not in others, such as not tackling malnutrition and maternal mortality, or not providing sufficient health services.

In summary, there are many pathways to a social compact. Historically, each successful pathway created a set of reciprocal obligations: from the state to the citizen and from the citizen to the state. Many actors are involved: social movements; democrats; 'enlightened despots' and technocrats. Many motives drive the process, including a sense of injustice by those fighting to get out of poverty, fear among elites about losing power, and nationalism. Elite self-interest can be central to implementing, sustaining or renegotiating a social compact. Not all the effects of a social compact are positive, however. Welfare states were sometimes built, and supported, by militarism and external aggression, as in Tilly's memorable phrase: 'wars make states, and states make wars'.<sup>31</sup> Whatever path that was followed, each successful social compact was characterised by building an effective state, and an efficient system of public finance, that mobilised domestic resources and allocated them effectively to development and nation-building priorities.

## E. Financing the social compact

Throughout our discussion of the social compact and the fragile state we have emphasised the importance of revenue and expenditure: nothing gets done unless it is financed. Once financed, it has to be implemented, through an effective public expenditure system. In this section we say more about revenue than about expenditure. There is now much consensus on what needs to be done to improve public expenditure management (a debate intimately bound up with Poverty Reduction Strategies (PRSs), Medium Term Expenditure Frameworks and the whole question of scaling up aid). Moreover, building a social compact is not just about financing states; it is also about getting money and help directly into the hands of poor people themselves. We therefore also discuss external finance, including aid, in this section.

Consider first domestic revenue, which must take centre stage for state-building. A country's tax base rises with the increase in national income, market activity and trade (both domestic and international) that accompanies growth. This provides greater scope for collecting more public revenue, through indirect and direct taxes as well as customs duties. Greater revenues can finance more pro-poor public spending, such as cash transfers to poor families (often encouraging greater school participation); greater provision of basic healthcare, as well as sanitation and water infrastructure; and roads and communication systems that enhance existing

livelihoods and generate new ones. Many more items can be added to this list, but without higher public revenues, funding pro-poor spending will remain dependent on the vagaries, and possible conditions, of foreign aid (if it is available). Moreover, higher domestic revenues are essential to building the state itself, both at the centre and at regional and local levels, and therefore to the prospects of effective (and democratically accountable) service delivery. Rising revenues also reduce the need to focus poverty reduction on narrowly targeted measures, allowing perhaps faster movement towards the construction of inclusive welfare regimes, covering both the poor as well as the 'anxious middle'. This, in turn, can increase the political prospects for effective action, when most people are worried about the impact of global changes on their families and descendants.<sup>32</sup>

The fiscal link between growth and poverty is especially important when the main drivers of growth benefit few people directly. This is the case in economies where only a few families own the best land, for example – as in the histories of Central America and southern Africa. This is especially so in mineral-rich economies, where the direct and indirect poverty effects of growth in the mineral enclave are very limited (the poor participate in growth neither as producers nor as employees). Indeed, it is potentially possible for an economy to have a very narrow growth process, but one that yields such a large revenue stream that rapid poverty reduction becomes feasible within a generation.

Taxation is now at the forefront of the fiscal policy debate, whereas previously more attention was given to the expenditure side of public finances.<sup>33</sup> Many countries in sub-Saharan Africa, but also some in South Asia, taxed agriculture heavily until reform began in the mid-1980s. This taxation was 'implicit' (in the structure of policy) rather than 'explicit' (since agricultural income is difficult to tax, for example). In many cases, implicit taxation of this kind exacerbated the plight of the poor by undermining growth. The reform agenda has therefore consisted of four main strands:

- reducing the implicit taxation of agriculture through sector and macroeconomic reforms;
- reforming customs and excise services – so that the revenue actually reaches the government – but also reducing dependence on trade taxes by reforming sales taxes (and introducing the more efficient Value Added Tax (VAT));
- reforming income and capital gains taxes, including taxes collected by local governments; and
- generally broadening the tax base and making the administration of tax institutions more efficient (and honest).

In addition, there is also a reform agenda on urban taxation, to secure some of the resources from urban property and business growth to finance service delivery and infrastructure.

These reforms have had mixed results so far. Most developing countries hope to raise tax revenues of 15-20% of GDP. In practice, however, very similar tax structures and tax rates appear to generate very different revenues across different countries, and many countries have still not reached the 15-20% target.<sup>34</sup> Tanzania and Uganda, for example, have both struggled to raise revenues, despite successful macroeconomic stabilisation programmes. The revenue base in many low-income countries remains highly volatile (reflecting the high variance in output when economies are relatively undiversified). Donors can play an important role here, through providing stable and consistent aid flows for key social protection measures and social sector expenditures. Moreover, broadening the tax base is desirable to reduce overall revenue volatility. Broadening the VAT base, however, cannot be achieved without raising the tax burden on the poor. Broadening can therefore only really be justified when the net fiscal incidence (taking account of the incidence of expenditures as well as taxes) is pro-poor – and this is not the case in many countries. Lack of political progress on the expenditure side of fiscal reform holds up desirable progress on the revenue side.

There is also a balance to be struck in mobilising more revenue, in ways that do not discourage growth or investment by the poor themselves. (Punitive tax rates, for example, undermine investment incentives or encourage low-return investments.) Evidence is accumulating that local government taxes have very adverse impacts on poorer households in many countries. They are often arbitrary, harshly enforced, and yield little in the way of actual improvements in local services, thereby increasing the public's reluctance to pay taxes.<sup>35</sup> Periodic budget crises intensify enforcement, but this is simply squeezing more revenue from a badly designed system – and from the poor. Ultimately this undermines the legitimacy of local government. If raising taxation becomes an election issue, then revenue collection may become even tougher.

In summary, there are substantial problems with raising tax revenue-GDP ratios. In low-income countries, which are predominantly rural, much economic activity is informal, and incomes are therefore difficult to tax.<sup>36</sup> On the institutional side, tax administrations are often archaic, with limited ability to assess tax liabilities properly, and taxpayers are adept at evasion – helped by corruption in many tax authorities. Moreover, many governments subvert the independence of the tax authorities, which are also underfunded – thereby providing little in the way of incentives for staff. Improvements are generally patchy, and corruption has proven resistant to successive institutional reforms in many sub-Saharan African countries (e.g. Tanzania and Uganda). In Kenya, only 30% of those who should pay income taxes, do so. This implies that an increase in compliance would allow a reduction in the burden on current taxpayers, without reducing total revenues.<sup>37</sup> There is thus

***Donors can play an important role by providing stable and consistent aid flows for key social protection measures and social sector expenditures.***



*A hairdresser cuts a customer's hair in a makeshift barbershop that he has set up in the abandoned tax department of the derelict National Bank of Liberia (Monrovia, Liberia). Photo © Tim A. Hetherington/Panos Pictures (2005).*

a wide divergence between effective and statutory tax rates, particularly in sub-Saharan Africa. This offers considerable scope to raise revenues without increasing tax rates.

Progress is possible. Simplifying the tax regime to make it institutionally compatible is important, although this may come at the cost of less progressivity (e.g. if a flat tax rate is introduced). Many countries have complex tax codes and systems of exemptions, originally intended to support forms of import-substituting industrialisation that are now out of favour. Generous exemptions are also granted to those successful in

lobbying, and their elimination would make the system more progressive. Property and income taxes have positive effects on distribution, whereas indirect taxes are sometimes seen as having adverse distributional effects.<sup>38</sup> In Ghana, the increased role of direct taxation has been a pro-poor strategy.<sup>39</sup> Excise duties have received less attention in the reform

agenda than other instruments, but they can be used to dampen some of the regressivity of VAT on the overall indirect tax structure. Excise duties can raise substantial revenue and at the same time still be distributionally progressive.

Much has been made of the difficulties of collecting income taxes. A single rate of income tax with a high exemption level will, however, be administratively feasible. This can achieve even greater redistribution than an income tax system with sharply increasing marginal rates.<sup>40</sup> The income tax threshold should be high in order to protect poor households; in Kenya, the personal income tax threshold is four times the per capita income and has been consistently raised relative to per capita

income to avoid overtaxing low-income earners.<sup>41</sup> Ultimately, countries must create comprehensive income tax systems if they are to fund inclusive welfare regimes – this will also enable them to use tax credits and other mechanisms to target poor households.

How to set about this technocratic agenda is reasonably well known. Questions remain about whether this is politically achievable, and what strategies can be deployed to break out of the institutional stagnation now apparent in many countries. There are success stories: Rwanda has successfully boosted its revenue-to-GDP ratio, for example. We need to know more about the political economy of such cases. But one observation can be made now, regarding inequality.

High inequality means not only that the direct benefits of growth tend to go to the non-poor, especially the wealthy, but also that the wealthy have the power to influence the political process to block tax reforms (and public expenditure reforms more generally) that run against their interests. They can do this by generously financing political parties that oppose progressive taxation, as well as mass media that are against progressive tax reform, and which can influence voters (an important reason why tax reform has been slow at best in Latin America).

Legislators themselves are often disproportionately drawn from higher income groups, especially large landowners, who oppose property and land taxes. The political power of the wealthy and the impact of this on tax policy, pose a major problem for policymakers attempting to finance Poverty Reduction Strategies, notably in countries with large land inequalities, such as Nicaragua.<sup>42</sup> In the case of Nicaragua, some propose taxing land, and setting a threshold to simplify administration and exempt the poor. This would help raise more revenue and encourage large landowners to sell their land – which can then be purchased on behalf of the poor, which also would raise agricultural growth, since much land is underused.<sup>43</sup> This is unlikely to occur, however, given the political influence of Nicaragua's land-owning class.<sup>44</sup> The same story is repeated, in much the same form, in many other countries with high inequality.

Resolving this political impasse is part and parcel of creating a social compact. The importance of social movements in that process is clear (as shown in our earlier discussion). Revenue is a good issue around which social movements can mobilise: it is tractable (the policy issues are clear); it involves democratic accountability (and therefore provides lines of 'attack' for a social movement – demanding accountability in the use of public money etc); and there are technocratic issues, in which donors can help (institutional design etc.).

*The political power of the wealthy, and the impact of this on tax policy, pose a major problem for policymakers attempting to finance poverty reduction strategies.*

## What role should donors play?

What role should the donor community play in all this? Full CDCs, though constituting only 10% of total population and 17% of US\$1/day poverty, account for 30% of infant mortality and 36% of child mortality (as shown in Table 3).<sup>45</sup> Yet they received just 29% of total aid (in 2002). This implies that the proportion of aid received by CDCs is less than the share of chronic poverty they endure. Moreover, the CDC share of mortality and poverty has been rising through time. These statistics become even more worrying when one considers that the number of CDCs is also increasing.

One reason for this is, of course, the very weakness in state capacities that we have highlighted in this chapter. These make aid difficult to disburse in large volumes. Moving from project aid to budget aid (which is central to scaling up) is a distant prospect in many CDCs. But donors can still play an important role, and support revenue generation, through improving the predictability and stability of aid flows. Aid flows are at least as volatile as domestic revenues, and this volatility appears to be increasing.<sup>46</sup> Commitments by donors are frequently not matched by disbursements. For example, pledges are often not implemented in full or on time. Such volatility has numerous

effects. It can jeopardise macroeconomic stability, through increasing domestic borrowing or reducing investment expenditures; it can divert attention from improvements in financial management systems; and it can reduce the likelihood of long-term social sector investments.<sup>47</sup> Stable and consistent aid flows should smooth the high volatility of the revenue base in many low-income countries.

In addition to conventional aid flows, there are numerous innovative sources of funding for poverty reduction, as illustrated in Box 57.

## F. Conclusion

Through discussing the role of conflict and violence in contributing to the insecurity trap, and examining the key issue of revenue mobilisation, this chapter has covered a set of complex issues, to which there are no easy answers. Indeed, the rush by donors to find easy answers to the 'problem' of fragile states, while understandable, is a problem in itself, especially in the many CDCs that are fragile states. It is not that we encourage donors to disengage – they cannot, and indeed should not. But they need to reflect on their own histories in building social compacts. These demonstrate that many paths are possible, that the interface between democratisation and state-building is a complex one, and that the role of social movements has been crucial in making progress.

The international community has a valuable role to play in removing those who use violence to become powerful and wealthy. This must be done within the full framework of

### Box 57: Innovative finance for poverty reduction

'Innovative' sources of development finance are attracting increasing attention, given the large sums needed to achieve the MDGs (such as social protection programmes) and the shortfall in Official Development Assistance (ODA), which, while it has risen in recent years, is still far below its target level. New sources of development finance can also fund more global public goods, especially in peacekeeping (reflecting the intense pressure on the peacekeeping resources of the UN and regional bodies such as the African Union); health (in the light of new pandemics, such as severe acute respiratory syndrome (SARS) and avian influenza, as well as the continuing HIV/AIDS crisis); and global climate change. Innovation can take the form of new modalities and new forms of private and public cooperation. Global environmental taxes (specifically a carbon-use tax) are gaining support. According to one estimate, taxing hydrocarbon fuels could generate US\$50 billion, and may have a 'double dividend': reducing adverse global climate change, as well as raising revenue.<sup>48</sup> Certainly, the revenue could be used well to help Bangladesh and other low-lying countries adapt to climate change: recent floods in South Asia did enormous damage, and the chronically poor on the chars (river islands) of Bangladesh are especially blighted by flooding. A tax on airline fuel, which has become a cornerstone of French action on innovative finance, could go some way to slowing down the carbon emissions associated with the global airline industry.<sup>49</sup>

Health is another urgent area in which innovative finance can be mobilised. The UK's International Finance Facility (IFF) proposal aims to leverage and frontload ODA by borrowing from the international capital markets, the bonds being guaranteed by donor governments. For the moment, the IFF remains at the planning stage, but the International Finance Facility for Immunisation (IFFIm) is now in place, and, aside from its inherent desirability (in reducing child mortality, especially), it also constitutes a pilot for an eventual IFF. Innovation in service delivery is central to the new philanthropy, as is public and private partnership. A good example is the current effort to supply cheap Coartem (a highly effective malaria drug) to Africa. Novartis, which makes Coartem, has waived the patent restriction and supplies it at cost price to public health authorities in Africa, the Global Fund to Fight Aids, TB and Malaria, and other donors. The Bill & Melinda Gates Foundation is working with the Global Fund and the World Bank to cut the cost further, by subsidising the supply chain by some US\$300 million per year. This, together with Novartis' production subsidy, constitutes a major external resource transfer, straight into an area of key priority – since at least one million Africans die of malaria every year (many of them under five years old). Global philanthropy (both large and small scale) – often exploiting the enormous leverage available from global financial markets – could take the centre stage of development finance in the next decade. Development philanthropy by individuals and corporations can be increased by tax incentives, and by matching private donations with public funds.

The market for ethical financial products is also growing, as more individuals and companies seek to incorporate ethical investments into their portfolios (again a trend that can be encouraged by more tax incentives). Ideas for hybrid products – those which appeal to both self-interest and altruism – are also around. Some propose a global premium (prize) bond to fund development and global public goods, modelled on the UK's successful premium bond; each bond is entered in a regular prize draw and the return depends on luck, with no loss of the initial stake.<sup>50</sup> Microfinance is now increasingly internationalised, through the work of NGOs such as the Microloan Foundation and Five Talents, building on the much deserved success of the Grameen Bank. And while remittances are a very old flow (now amounting to US\$80 billion per annum, matching annual aid flows), there are new ideas (including the use of mobile telephones to make financial transfers) to reduce transaction costs for poorer households, by creating new financial services to improve on the present, high-cost money-transfer services.<sup>51</sup> In summary, innovative finance is growing, through a blend of public and private money. It can deal with global public 'ills', aside from raising revenues, and it has become a basis for political cooperation between North and South (such as the 'Action Against Hunger and Poverty' initiative of the governments of Brazil, Chile, France and Spain).

Sources: See Endnotes

international law: the way that Charles Taylor was brought to justice is the template. Once such spoilers are gone, peace is not certain – building a social compact must take over as the driver. If this does not happen, then new spoilers will enter the stage, encountering favourable conditions for recruiting followers – deep poverty, few livelihoods, and non-transparent (and ineffective) government. Historically, there are many ways to build a social compact, but common to all is a sound system of public expenditure management and, as we have emphasised, revenue. Otherwise, little (or nothing) that politicians promise will be delivered, and no meaningful social compact will be built. This will undermine the trajectory to democracy (if it is in place). Non-state actors, who might deliver a social compact, will then become more attractive to the populace, and may

mobilise rebellion on this basis. Some of these non-state actors will be deeply unattractive to the international community.

The revenue dimension of growth is especially important in resource-rich countries, where resource extraction is often an enclave activity (oil and natural gas in West Africa, for example), so that growth does not directly generate much in the way of increased employment. In these countries, the main way that growth can reduce poverty is through the transmission of resource revenues into greater pro-poor public spending. For the most part, this is not happening. Instead, the poor are missing out on the revenue boom provided by higher commodity prices (especially oil), as revenues flow into spending for elites (or directly into their pockets).



Similarly, in societies characterised by high levels of inequality in access to land and other productive assets, the best means for redistribution may lie not in redistributing these assets themselves – desirable though that may be – but in incorporating redistribution into the fiscal system. This can be through progressive taxation (of capital gains from land sales, for example) to finance public spending that creates better livelihoods and human capital for the poor. In summary, growth can contribute to poverty reduction, even in societies with very high levels of asset inequality, but only if fiscal institutions are built to generate revenue, and focus on the poor and their needs. Otherwise the promises of politicians will prove hollow when they go undelivered.

This is especially important in fragile states: new leaders need to get off to a good start, delivering on quick wins. Many of those quick wins will be in areas directly engaging with chronic poverty – basic health services, and infrastructure to remote (often rebellious) regions. Reducing people’s risk, via law and order, services and infrastructure, is the way forward. This sets up mutual obligations between the state and the individual, and provides the basis for individuals to commit their money, through paying taxes, to build the state. The state thus becomes an institution that enters meaningfully into the lives of poor people, rather than an abstract entity (or even worse, something that they do everything to avoid). This is the true basis of citizenship.

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## Notes

1. DFID (2005)
2. Cammack *et al.* (2006)
3. Anderson (2007)
4. E.g. Timmerman *et al.* (2006)
5. Wood (2003)
6. At the end of El Salvador’s civil war, one participant in the insurgency commented: ‘Higher incomes? Who knows? But that we not be seen as slaves, this we’ve won’.
7. Indeed, even in El Salvador, outside the richest sector of the elite (who were overwhelmingly pro-government), participation in the insurgency varied widely across social classes.
8. Stewart (2003)
9. Peters and Richards (1998). Another survey reported that satisfying basic needs – food, education and security – were enough motivation for the largely poor combatants (Justino 2006a: 12).
10. The Vulnerable Groups Feeding programme. See Hossain (2006).
11. However, some years later there are grounds for cautious optimism that, with Taylor in custody and a new government, political space for anti-poverty measures is growing. Taylor’s staggering campaign slogan, sometimes given even more starkly as ‘He killed my ma. He killed my pa. If he’s President, he won’t kill me!’, is reported by many sources, e.g. Tran (2007).
12. See, for example, Collier (2007: 16) although here it is merely the proportion of young men in the population that is measured, without reference to poverty or inequalities.
13. Gough and Wood (2004) Welfare regimes.
14. The southern Sudan peace deal agrees to share the region’s oil wealth. However, at the moment, it seems likely to fall apart, because most southern Sudanese do not feel that they are exchanging their region’s oil income for any kind of tangible benefits from Khartoum. The government is perceived as engaging in behaviour that raises their risks, keeping them in poverty: hence their likely vote for secession in the eventual referendum.
15. Described so movingly in Adiche’s (2006) *Half of a Yellow Sun*.
16. Cammack *et al.* (2006). See also Torres and Anderson (2004), DFID (2005).
17. Our definition shares some characteristics with that of Warrener and Loehr (2005), where a fragile state cannot or will not offer basic services and functions to the majority of the population. However, instead of focusing on the services and functions, we focus on the effect on the individual.
18. Justino (2006a): 8
19. Justino (2006a): 6
20. Justino (2006a): 6-7
21. Verpoorten (2006)
22. For example, the success of Mozambique’s women in growing and supplying food to wartime Maputo.
23. Cramer (2006)
24. The result of the decline in the tax base, which falls as incomes and trade contract and as tax institutions degrade and collapse.
25. Addison and Murshed (2004)

26. Contrary to popular belief, the USA did implement some social welfare programmes – such as civil war pensions and widows' pensions – before the New Deal implemented by Roosevelt in the 1930s. These early social welfare policies were in fact greater than European programmes at a similar time, but were marked by one important difference: they were not based on economic-demographic categories, as in Europe, which discriminated in favour of Union soldiers (see Skocpol 1992). There are some parallels here with how war veteran pensions in South Africa and Lesotho were initiated, and later expanded.
27. See Wells (2008)
28. Gough and Wood (2004)
29. See Pryor (1990); Harrigan (2001); Van Donge (2002a, 2002b)
30. Przeworski and Limongi (1997)
31. Tilly (1975)
32. Revenue reform is now central to the whole climate change agenda, since carbon (and other environmental) taxes offer good prospects for correcting environmental externalities (Stern, 2006) and an additional 'dividend' of revenue for pro-poor spending, including protection from the effects of climate change (Sandmo, 2004).
33. Addison and Roe (2004); Gupta *et al.* (2004)
34. Heady (2004)
35. For example, see Ehrhart and Mwaipopo (2003); Ellis and Freeman (2004)
36. Heady (2004)
37. Karingi and Wanjala (2005)
38. Tanzi and Zee (2000)
39. Colatei and Round (2000); Younger (1996)
40. Heady (2004)
41. Addison and Levin (forthcoming)
42. Wiggins (2006)
43. Deininger *et al.* (2003)
44. Wiggins (2006)
45. Moreover, CDCs continue to lag behind all other non-OECD countries, by as much as 5-7% per annum in terms of reducing child mortality.
46. Nick Highton, personal communication
47. Nick Highton, personal communication
48. See Sandmo (2004); Stern (2006)
49. Landau (2004)
50. Addison and Chowdhury (2004)
51. Solimano (2004)



# Part C

## Conclusion

The Chronic Poverty Report 2008-09





## 7

# Eradicating chronic poverty

## A. Eradicating chronic poverty

Chronic poverty can be eradicated; it is not the poverty of 'hopelessness' with which we just learn to live. Many people now enjoy a standard of living that their parents would have found unimaginable: technology, finance and trade have created unprecedented opportunities to leave poverty behind. With such resources, it is inexcusable that at least 400 million people remain locked in lives of hardship and deprivation, with the prospect of an early death. Poor people wish for a better future for their children: we must help them to realise this hope.

We must be clear that, while many of the chronically poor live in Chronically Deprived Countries (CDCs), hundreds of millions live in stable, relatively prosperous nations. Therefore, a focus on the so-called 'bottom billion' countries alone will not tackle chronic poverty.<sup>1</sup> Even achieving the first Millennium Development Goal (MDG) will leave 800 million people in absolute poverty, many of them chronically poor.

The five chronic poverty traps – insecurity, limited citizenship, spatial disadvantage, social discrimination and poor work opportunities – must be tackled, and urgently. If this is done, then nations will stand a chance of building a social compact between citizens and their state, and on this basis, tackling chronic poverty.

## B. Five key poverty traps

Policy has to deal with five urgent chronic poverty traps. The first is an insecurity trap. Those who are exposed to, or live unprotected within, insecure environments often experience an extended duration in poverty. Conflict and violence are obvious sources of insecurity, as are economic crises and natural hazards. Chronically poor households, with few assets and entitlements, have little capacity to cope with such shocks. Moreover, the chronically poor are also the worst equipped to deal with individual- or household-level shocks, such as ill health (as graphically shown by our life histories). Responses to shocks can lock households into low-risk, low-return activities, and exploitative social relations. The impacts of such

shocks on wellbeing can be permanent, and can reinforce the intergenerational transmission of poverty.

Limited citizenship is the second trap. Moving beyond the good governance agenda, and purely technocratic interventions around 'getting institutions right' or 'strengthening civil society', we focus on individuals' engagement in the political sphere. We argue that the chronically poor do not have a meaningful political voice, and lack effective and legitimate political representation and power. In this sense, they have a very limited sense of citizenship, and do not have a substantive stake in society.

Spatial disadvantage is the third trap. Spatial disadvantage characterises some CDCs, as well as intra-country spatial poverty traps, through four overlapping dimensions – remoteness, natural resource endowments, political disadvantage and weak integration. In urban areas, many of the poor are trapped in locations with poor or non-existent services, high levels of violence, and desperate living conditions, which make it very hard to escape poverty.

Social discrimination is the fourth trap. Many of the chronically poor experience social 'traps', based on their positions within households, communities and countries. Social relationships – of power, patronage and competition – often entrap individuals in exploitative relationships. Such social structures evolve with locally or nationally specific 'social orders', such as class and caste systems, or gender-specific roles and responsibilities.

Poor work opportunities constitute the fifth trap. When economic growth is low or non-existent, employment is limited. Where there is economic growth only in enclaves, work opportunities are very few. Employment can also be exploitative, rather than empowering. Many of the chronically poor, especially women, are stuck in low return activities of benefit to others, but not themselves. They need opportunities to move out of oppressive relationships, and voice to articulate their interests – greater 'agency' in other words. Examples of such agency include the ability to bargain for higher wages, and to assert their citizenship rights and entitlements.

*Even achieving the first Millennium Development Goal will leave 800 million people in absolute poverty, many of them chronically poor.*



Girls attending CEACC (Research Centre for Cultural Action and Citizenship) youth project in the Cidade de Deus (City of God) (Rio de Janeiro, Brazil). Photo © Jenny Matthews/Panos Pictures (2005).

Tackling these five traps can deliver a just social compact between citizens and the state (see Chapter 1). Political and social institutions are then arranged to ensure a fair distribution of public goods and services.

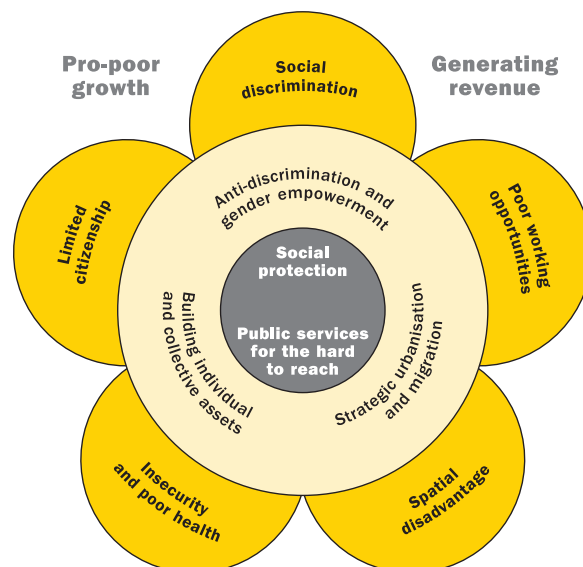
Once established, such a social compact has two desirable outcomes. First, the state reduces people’s risks – through law and order, services and infrastructure – in return for their commitment to the state (including a willingness to finance it through taxation). In many CDCs, the current situation is the exact reverse: the state is either irrelevant to peoples’ lives (especially in remote areas) or they do their very best to keep out of its way – because it is violently predatory. Second, a just social compact creates norms and expectations around how individuals interact with each other (politically, morally and economically). Importantly, these norms and expectations increase mutual benefits and reduce costs. This is critical to delivering broad-based economic growth, and therefore employment opportunities.

A just social compact is integral to people’s perception of fairness. When the state acts unfairly, the resulting sense of injustice can destroy a society. The poor are drawn into coping strategies that are often harmful to themselves and society. Grievances can then be readily exploited by ambitious politicians and entrepreneurs bent on capturing state power for their own ends.

### C. Policy responses to chronic poverty traps

In this report, we propose five policy areas that can tackle the five chronic poverty traps and contribute to a just social compact (see Figure 5). We argue that two of these policies – social protection and public services for the hard to reach – have important roles to play in tackling all five traps. The further three policy areas mainly tackle the traps they are closest to in Figure 5.

Figure 5: Poverty traps and policy responses



What can be done in each of these five policy areas partly depends upon country context. We highlight two factors of special importance:

- A country’s potential for inclusive growth reflects its resource endowments, geography and location.
- A country’s potential to mobilise revenue for investment in poverty reduction and development reflects its per capita income (and therefore the potential size of the tax base) and its resource endowment (especially whether it has large mineral revenues).

Country context influences the chances of ending chronic poverty, but does not determine it. Being landlocked, for example, makes inclusive growth harder, but does not prevent it. On the other hand, a country with ample mineral revenues may not necessarily spend them well.

Growth and revenue interact. As an economy grows, so does the tax base. Institutions must be built to gather the revenue and put it to good use. A just social compact is therefore underpinned by an effective system of public finances. Otherwise, the promises of governments are worthless (see Chapter 6). With an effective system of public finance in place, governments can credibly deliver the social protection and public services that reduce the impact of the shocks that reinforce chronic poverty – thereby reducing the many risks faced by poor people.

### Social protection and social assistance

State-provided social protection, and social assistance, has a vital role to play in reducing the insecurity that breeds chronic poverty. It is affordable, can be politically acceptable, and can develop solidarity by distributing risk across a population. Social protection helps in tackling the life-course and intergenerational implications of chronic poverty. This is

shown by programmes in countries as diverse as Brazil and Bangladesh, where children's educational, nutrition and health status has risen significantly and the incidence of child labour has fallen.

Combining transfers with public services is the safest approach to tackling multidimensional poverty. Given elite scepticism about the ability of poor households not to 'drink away' unconditional transfers, conditional transfers may well have particular policy traction. However, if the policy terrain is more conducive to unconditional transfers, then conditions may not be necessary. Poor households manage their resources very sensibly, usually with an eye to human development.

Elections, and 'executive champions' within political society, are likely to be highly important for initiating social protection measures. The chronically poor lack political representation and power, which negates their status as citizens. There is therefore a need for executive actors and mid-level bureaucrats (who, as part of the 'anxious middle', have more affinity with their poor, and often rural, kin) to champion their cause. Urban-rural politics is also important. The urban poor are visible and can feel threatening to urban elites; they are therefore sometimes able to make stronger claims than the rural poor, through social and political movements and effective local government representation.

Civil society organisations also have an important role to play. Whilst direct lobbying has only rarely played a critical role in initiating social protection measures, civil society organisations appear to be a significant force in helping recipient groups form a policy constituency capable of protecting social protection policies, once they are in place.<sup>2</sup> Development partners can support such actors.

Further evidence about the efficacy of social protection is required – however, the discourse about poverty in poor countries is as important as 'pure' poverty data. Elites need to be convinced that the poor face significant constraints that require public action – interventions in India, Bangladesh and southern Africa were all introduced by political forces, who explained how poverty was caused by factors beyond the control of the deprived group. Those interested in promoting social protection policies should engage with the broader battle of ideas – ideas on the causes of poverty, and around concepts of development and nation-building – in societies in the South. There is also a need for a much stronger focus on causality within poverty diagnostics.<sup>3</sup> Here we make two recommendations:

- First, the integration of social exclusion analysis within the poverty diagnostics carried out for Poverty Reduction Strategies (PRSs);
- second, the adaptation of Living Standards Measurement Surveys and other instruments to evaluate social protection schemes so that, as the 2015 MDG targets

approach, there is plenty of data on impact in different contexts.

Donors need to make long-term commitments, to encourage governments to follow suit. The recent five-year commitment in Zambia begins to take us along this path. Committed and long-term policies should be put in place, based on evaluation results collected over the next three to five years.

### Public services for the hard to reach

Equitable and free access to public services for the chronically poor is a pivotal intervention. In particular, reproductive health services and post-primary education are key areas that deserve much greater attention and expenditure. The international policy community has abrogated its responsibilities for promoting gender equality and reproductive health services (see Chapter 5). Without progress in these areas, we cannot tackle chronic poverty. Following significant lobbying from women's movements, a target specifying universal access to reproductive health has been agreed.

Bringing services to the chronically poor is certainly a challenge. But interventions in reproductive health, education and nutrition complement each other, forming a virtuous circle of social and economic development. Markets alone do not ensure universal access to basic social services. Public action is vital, regardless of whether an economy is centrally planned or

*Interventions in reproductive health, education and nutrition complement each other, forming a virtuous circle of social and economic development.*

market-oriented. The state has a key role to play in ensuring adequate coverage of services – particularly in rural areas, because private providers and professionals tend to be concentrated in urban areas, where the greatest demand and returns to investment can be found. Sequencing social investment can

increase its efficacy. For example, the existence of high (basic) education levels among the population ensures that, when the investments in health infrastructure are made, there is a strong demand for health services. Efficiency in the use of human and financial resources is important, to prevent social spending creating fiscal burdens.

In contrast to health, where basic and comprehensive coverage is a priority rather than specialist services, there is important evidence that in some contexts, 12 years of education (i.e. completion of secondary school), protects 80% of young people against poverty.<sup>4</sup> While basic education remains a priority, investment beyond primary level is vital, not least for the demographic transition. Such a shift in population distribution can be supported by adequate nutrition. Ensuring the survival of children, and the wellbeing of mothers, is critical to reducing fertility rates and enhancing reproductive health.

The all-important gender equality target for secondary education is far from being achieved. Eighteen years on from the Jomtien<sup>5</sup> commitments to universal primary education, the world needs to focus swiftly on a similar commitment

to post-primary education. A significant increase in public expenditure will be required, together with accompanying instruments for promoting retention in secondary school, such as cash transfers, especially for girls. In both health and education sectors, stimulating demand from the poor remains a key factor. The promotion of women's employment, and infrastructure development, in addition to the direct, demand-enhancing role of social protection measures, can indirectly boost such demand.

### The building of individual and collective assets

A lack of assets not only exposes the chronically poor to risks, but also excludes them from employment opportunities and the growth process. Those who are healthy work hard, but without much education their opportunities are limited. A lack of secure land and housing in urban areas, plus livestock and tools in rural areas, compounds their disadvantages. Without access to formal credit and insurance markets, assets are frequently sold off at very low prices in times of distress.

Asset holdings increase the personal (and collective) agency of the chronically poor. The more assets a household has, the more leverage it has in social networks and transactions, as well as in formal financial markets. This applies to psychological assets, as well as physical and social assets – for whilst non-material assets are less tangible, there is no doubt they can play a vital role in reducing chronic poverty (see Chapter 5).

Social protection has a strong role to play in protecting and accumulating assets. Schemes can increase individual assets, either indirectly through cash transfers, or directly through asset transfers (one example is BRAC's Targeting the Ultra-Poor programme; see box 26). The provision of basic collective assets, such as basic water and sanitation services in urban locations and roads, decent schools buildings and health facilities in rural locations, plays a vital role in forming and sustaining human capital. This is often the basis for the accumulation of further assets.

Social movements have a vital role to play in mobilising around key issues such as housing or the provision of basic water and sanitation facilities. One example is Nijera Kori, which, with an emphasis on collective empowerment and emancipation of landless Bangladeshi labourers, is reversing their historic lack of voice, agency and organisation (see Box 41)

Building individual and collective assets also requires attention to informal and formal institutional arrangements. Those which support asset accumulation should be given priority. Laws or norms which discriminate against particular social groups – for example, those that deny or rob women of land and other assets – need to be challenged as a matter of priority.

*The ability of social movements to hold the state and other actors to account is paramount.*

In this respect, the ability of social movements to hold the state and other actors to account is paramount. Without such pressure, obligations on delivering collective assets, such as infrastructure, housing and basic services may falter and wider benefits that social movements can bring, such as challenging discrimination, may stall. Social movements offer an important source of countervailing power.

In societies characterised by high levels of asset inequality in land and other productive assets, there may be a case for redistribution. However, the best way to achieve fairer asset distribution may not be to redistribute assets themselves, but, rather, to incorporate redistribution into the fiscal system. This can be done through progressive taxation (of capital gains from land sales, for example) to finance public spending that creates better livelihoods and human capital for the poor. This may require persuading the political elites, who control the media, legislature and most productive assets.

The temptation for the state to weaken, de-legitimise, incorporate or, indeed, repress social movements is always high. There is a clear role for development partners in reducing the chance of this occurring, through fostering an enabling environment. This can be achieved, for example, through providing support to independent ombudsmen, and by encouraging the promotion of human and civil rights. Two further areas of potential support are research capacity and policy advocacy.

### Anti-discrimination and gender empowerment policies

Ensuring progress towards social inclusion, achieving greater levels of 'agency' and economic choice, and enabling gender empowerment can only be achieved through processes of transformative social change. There are powerful policy levers in five key areas:<sup>6</sup>

- **Legal rights:** formal equality before the law, including constitutional declarations of equality, delineation of the rights of certain groups, the ability to seek legal redress; also access to justice, and elimination of discrimination from the justice system.
- **Political representation:** e.g. supporting members of discriminated-against groups, or ensuring their representation in legislature, and other types of engagement with formal political processes.
- **Economic resources:** e.g. prohibiting discrimination in labour markets or access to finance, redistributive tax or benefits systems to help discriminated-against groups. This includes environmental issues, such as land and water usage, natural resource-based livelihoods (e.g. fishing, forest products).





Slavka Misalkova, a Roma girl, at the window of the one-room log cabin where she lives with her parents and four siblings. The settlement has no running water or basic sanitation (Rakusy, Slovakia). Photo © Julie Denesha/Panos Pictures (2003).

- **Key public services:** especially in education, health, housing and welfare sectors.
- **Attitudes and perceptions:** policies such as mass media campaigns, and the promotion of grassroots initiatives, can help to tackle hard-to-legislate-against discrimination (such as domestic violence). Role models play a vital function here.

Of course, legislation needs not only to be on the statute books, but also to be implemented or enforced. Whilst implementation is often patchy and inadequate, the very presence of such rights is important so that when the moment arises, claims can be made.

Anti-discrimination legislation comes with many caveats. Many affirmative action programmes appear to have been plagued with problems. An example is the South African Black Economic Empowerment programme to encourage black employment at the management level, which is popularly perceived as only benefiting a politically well-connected urban middle class. It is clear, however, that anti-discrimination legislation is dependent on supportive policies for its effective implementation. For example, the training of paralegals, and the provision of legal aid to indigenous groups in Ecuador made legislation meaningful. In some countries, additional state institutions may be required to make legal rights effective, such as a commission on gender equality or human rights.

Gender empowerment can be supported through anti-discrimination legislation. It can also be underpinned by many other means. This report has focused on universal access to reproductive health services and post-primary education, as two ways of supporting gender empowerment. There is a need to find significant political energy to support the new MDG target for universal access to reproductive health. It requires concerted support. Participating in the demographic transition needs to be seen as a basic right – the poor should not have to wait for this.

Gender equality in primary education is a vital goal, which has been difficult to achieve. Our analysis suggests, however, that primary education alone is not enough: rapidly enhanced access, by girls as well as boys, to quality post-primary education is essential for the eradication of poverty.

Political pressure for gender empowerment stems in large part from women's movements; they need allies to support this fundamental social change.

### Strategic urbanisation and migration

The chronically poor generally stay put, but where it is possible, migration can extend agency and the range of economic choice. It can also loosen exploitative and constraining social relationships, such as caste or class systems, or those characterised by the difficult trade-off between security and the possibility of future improvements. Migration can 'liberate' women from conservative rural constraints, but women migrants also can be subject to significant harassment and abuse – especially in the informal sector – and can suffer from a lack of support networks (see Vuyiswa's story). Urban populations and government are often relentlessly hostile to migrants, resulting in exclusion and discrimination. In addition to inclusive economic growth, which generates employment opportunities, creating a favourable environment for migration can be achieved through public information campaigns to counter negative stereotypes and the reform of social services, to make them more accessible to migrants.

Similarly, urbanisation can, if properly managed, benefit the poor. It can provide escape routes from adverse economic and social relationships; improve rural access to services and social capital; and generate political mobilisation. There are good and underused policy levers to spread the benefits of urbanisation: infrastructure development; regional development policies; and city policies on employment. Not only can urbanisation provide opportunities for those who engage directly – urban residents, migrants and suppliers of goods and services – it also has indirect effects on wage rates and prices.

China, India and Latin America and the Caribbean are urbanising at a rapid rate. Due to the significant downsides to such transformations – such as the destruction of previous modes of livelihood – there is a need for strategic management of urbanisation, to ensure that change is broadly positive for the urban poor. Urbanisation itself often creates potentially volatile political pressures, which can lead to pro-poor policy, such as the creation of trade unions and social movements. Such political forces can help translate the benefits from urban economic growth into improvements in human development indicators for all urban inhabitants.

## D. Country context

This report has identified ways forward. But much depends on the specificities of countries: there can be no universal blueprint for the just social compact. However, some distinction can be made between Chronically Deprived Countries (CDCs) and the rest. In CDCs, state capacity is limited, and many countries are, or have been, in conflict. There is thus an urgent need to establish trust in the state and its institutions. If and when positive political change is achieved, the next step is to build confidence. Accordingly, the governments of CDCs need quick wins to convince a sceptical populace that this time things are different. Politically, these quick wins must be in areas valued by everyone so as to mobilise support for the consolidation of peace and democratisation – but also in areas valued by the chronically poor. The provision of basic health services and primary education (with conditional cash transfers), followed by post-primary education, would seem to meet both requirements. For remote areas (which are often secessionist), investments in infrastructure can stimulate livelihoods, by improving connections to major markets – and so can also constitute a way forward. However, investments need very careful design to ensure that they do truly benefit the poor; infrastructure budgets are notorious for their capture by elites.

*What should donors do?* Here we need to distinguish between CDCs that have ample mineral revenues (which are rising with the boom in world prices), and those that do not. For resource-rich CDCs, there is no reason why they cannot establish social protection now. Donors have limited leverage, as commodity earnings exceed aid inflows for resource-rich CDCs. Donors should therefore focus on technical assistance, to build the institutions necessary for effective social protection (linked to educational and health investments). They should also support social movements, mobilising around the Extractive Industries Transparency Initiative and other initiatives, in the drive to promote revenue transparency, often lacking. In resource-poor CDCs, aid donors will have to step up budget support and reduce the volatility of aid (ensuring that it becomes counter-cyclical, since aid currently tends to fall when government revenues fall). Donors must also be prepared to shoulder much of the cost of basic services and social protection.

The human capital developed in this way will contribute to accelerating economic growth and help to diversify the economy, attract foreign investors and make it more inclusive. This will only happen if the government implements a supportive set of development policies – still a major task in some countries, and one that itself requires technical assistance. As the economy grows, so will the revenue base, and with it the prospects for state-building. CDCs might then stand a chance of eventually becoming less aid-dependent.

For non-CDCs, the challenge is not generally one of achieving growth, but rather one of increasing the inclusiveness



*Ali Mohammed Aqlan plays with a bird in the streets surrounding Al Kwod Othman School (Kwod Al-Othman School). The school, which Ali attends in the mornings, is located in one of the slum areas of Aden and is supported by Oxfam (Aden, Yemen). Photo © Abbie Trayler-Smith/Panos Pictures (2007).*

of growth. Reducing spatial inequality is key, and infrastructure investment will play a large role in this. Many non-CDCs have the best prospects for investing soon in a large-scale roll out of post-primary education. Some, such as Brazil, are leading the way in social protection, and others need to follow their example. Non-CDCs are generally very urbanised or quickly urbanising societies, and so it is imperative to manage the cost of urbanisation, and ensure good shelter and services for slum dwellers. While democracy is generally solid at the national level in most non-CDCs, they face many challenges in ensuring that local politics delivers for poor people. Too often, poor people only seem to count around election time, when politicians need their votes.

## E. Regaining the promise of poverty reduction

Tackling all five of the chronic poverty traps is a substantial task, and policymakers will rightly ask: where do we start?

Which of these policy measures offers a quick win?

The one policy which is most likely to be effective across a range of country contexts, and act as a building block for other policy areas is social protection and social assistance in particular. Not only does social protection provide security for the poorest and most marginalised people, through maintaining minimum consumption levels (and improving nutrition, education and healthcare) and asset holdings (as shown in Chapter 4), but it can also help to build a momentum for much wider societal changes. It can help to stimulate economic growth (Chapter 4), increase agency, choice, and economic entitlement (Chapter 5), increase demand for key public services (Chapter 5), and foster the social compact between citizens and the state (Chapter 6).

To tackle chronic poverty, substantial changes need to be made to the two core international policy initiatives: Poverty

*As the economy grows, so will the revenue base, and with it the prospects for state-building.*

Reduction Strategies (PRSs), and the Millennium Development Goals. If the eradication of poverty is to be taken seriously, we need to move to a third generation of PRSs. Poverty Reduction Strategies could have been a device to reduce chronic poverty and build social compacts. Instead, they have mainly been a donor-owned product. A third generation of PRSs must be a more political project, taking into account the informal spaces and networks through which key decisions are made. This project must also recognise that the political environment in which a PRS operates is critical, and acknowledge that the countries which have been most successful in addressing chronic poverty in their PRSs do not have the most competitive political systems.

The MDGs are a good start on the road to eradicating poverty. But the MDGs need to evolve, if they are to be effective for the chronically poor. The recent and important addition of universal access to reproductive health services demonstrates that the MDGs are flexible, and not set in stone. We argue that through renewed and concerted public campaigning and parallel advocacy, the MDGs should evolve to encompass an overarching goal of eliminating absolute poverty and deprivation. Chronic poverty must not be allowed to become the poverty of 'hopelessness'.

*A third generation of Poverty Reduction Strategies must be a more political project.*

Whilst encouraging countries to specify their own goals and targets, and the international community to support nationally defined nation-building 'projects', we argue that for poverty eradication to be achieved the MDGs need to incorporate:

- **An overarching target of eliminating absolute poverty by 2025;**
- **A target of access to social protection for all the poor and vulnerable by 2020; and**
- **Universal access to post-primary education by 2020.**

The new millennium presents many challenges. But it also presents unprecedented opportunities, for much has been learnt about how to help chronically poor people. On many issues, we do not need to learn new lessons; the inventiveness of poor people themselves, and those working with them, gives us plenty of potential templates to transfer across countries. But without more action, there is little chance that the children of Angel, Bakyt, Mofizul, Moses, Txab and Vuyiswa will lead long, full and rewarding lives. Chronic poverty can and must be eradicated.

## Notes

1. Collier (2007)
2. Hickey *et al.* (2007)
3. Hulme and Green (2005)
4. ECLAC (1997), cited in Carlson (2001)
5. 1990 World Conference on Education for All in Jomtien, Thailand.
6. Brauholtz (2007)



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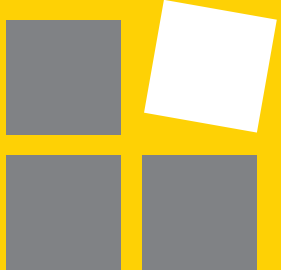
# Part D Annexes

The Chronic Poverty Report 2008-09









# Annex A: Background papers for The Chronic Poverty Report 2008–09

Many of these papers have already been published as CPRC Working Papers and are available to download from [www.chronicpoverty.org](http://www.chronicpoverty.org); for these the CPRC WP number is listed after the title. Most of the others are also available on the CPRC website.

| <b>Poverty Reduction Strategies and Chronic Poverty</b>          |  |
|--|--|
| Baliscan, Arsenio M.   | An analysis of chronic poverty and Poverty Reduction Strategies in the Philippines <sup>6</sup>            |
| Brown, Taylor and Teshome, Amdissa                               | Implementing policies for chronic poverty in Ethiopia <sup>1</sup>   |
| Cammack, Diana   | Chronic poverty in Papua New Guinea <sup>6</sup>   |
| Clarke, Matthew  | A qualitative analysis of chronic poverty and poverty reduction strategies in Solomon Islands <sup>6</sup> |
| Evans, Alison  | PRS synthesis paper <sup>1</sup>   |
| Floquet, Anne  | Benin Poverty Reduction Strategy and chronic poverty: A desk review <sup>1</sup>                           |
| Grant, Ursula and Marcus, Rachel                                 | Chronic poverty and PRSPs – A desk study <sup>1</sup>  |
| Shinyekwa, Issac and Hickey, Sam                                 | PRS review: Uganda case study <sup>1</sup>   |
| Tuan, Pham Anh   | Vietnam country case study <sup>1</sup>  |
| Wells, Adrian  | Chronic poverty in Indonesia: National overview paper <sup>6</sup>   |
| Wiggins, Steve   | Poverty Reduction Strategy Review – Country case: Nicaragua <sup>1</sup>                                   |
| Yamauchi, Tamahi   | PRS assessment on chronic poverty in Tanzania – focusing on health and HIV/AIDS sectors <sup>5</sup>       |
| Zohir, Sajjad; Harun, Abantee; Farid, Naser; and Huq, Iftekharul | Implementation of policies for reducing chronic poverty – PRS country study: Bangladesh <sup>1</sup>       |

| <b>Economic Growth and Chronic Poverty</b>              |   |
|---|---|
| Anderson, Ed  | Growth incidence analysis for non-income welfare indicators: evidence from Ghana and Uganda <sup>2</sup>                                      |
| Bhide, Shashanka and Kapur Mehta, Aasha                 | Economic growth and poverty dynamics in India <sup>3</sup>  |
| Cabral, Lidia   | Growth policies and chronic poverty in Vietnam since Doi Moi – Literature review <sup>3</sup>   |
| Cabral, Lidia   | Growth policies and chronic poverty in Ethiopia during the 1990s <sup>3</sup>   |
| Dercon, Stefan; Hoddinott, John; and Woldehanna, Tassew | Growth and poverty in rural Ethiopia: Evidence from 15 communities 1994-2004 <sup>3</sup>   |
| Grant, Ursula   | Pro-poor growth and the poorest <sup>1</sup>  |
| Grant, Ursula   | Urban economic growth and chronic poverty <sup>3</sup>  |
| McKay, Andy   | Growth and the poorest: A panel data analysis for Uganda <sup>2</sup>   |
| McKay, Andy; Shepherd, Andrew; and Prowse, Martin       | Scope for increasing the participation of the chronic poor in economic growth <sup>3</sup>  |
| Mosley, Paul and Suleiman, Abrar                        | Agricultural policies against severe and chronic poverty: Cross-section analysis and country case studies for sub-Saharan Africa <sup>4</sup> |

|  |   |
|--|---|
| Mosley, Paul; Suleiman, Abrar; and Chiripanhura, Blessing            | Escape routes from the rural poverty trap: evidence from three African countries <sup>3,4</sup>                         |
| Prowse, Martin   | Agricultural growth and chronic poverty reduction in Malawi: the organisation and operation of key markets <sup>3</sup> |
| Prowse, Martin and Bird, Kate  | Economic contraction, markets and the chronically poor in Zimbabwe <sup>3</sup>   |
| Ratakondla, Usha   | Growth and reform policies and chronic poverty in India during the 1990s <sup>3</sup>                                   |
| Shepherd, Andrew and Prowse, Martin                                  | Agricultural growth, poverty dynamics and markets <sup>3</sup>  |
| Ssewanyana, Sarah N. and Bategeka, Lawrence                          | Chronic poverty and economic growth in Uganda: the role of markets <sup>3</sup>   |
| Suleiman, Abrar and Mosley, Paul                                     | The poverty-reducing effect of increased food crop productivity in Ethiopia: A multi-market analysis <sup>4</sup>       |
| Thang, Nguyen; Trung, Le Dang; Dat, Vu Hoang; and Phuong, Nguyen Thu | Poverty, poverty reduction and poverty dynamics in Vietnam <sup>3</sup>   |
| Wiggins, Steve   | Growth and chronic poverty in Nicaragua <sup>3</sup>  |

### The Politics of What Works

|   |  |
|---|--|
| Hickey, Sam                                 | The politics of what works in reducing chronic poverty: A synthesis report ( <b>CPRC WP91</b> ) <sup>7</sup>                       |
| Hossein, Naomi                              | The politics of what works: The case of the Vulnerable Group Development Programme in Bangladesh ( <b>CPRC WP92</b> ) <sup>7</sup> |
| Kumar, Anand and Anand, Navneet             | Poverty target programs for the elderly In India with special reference to National Old Age Pension Scheme, 1995 <sup>7</sup>      |
| Massingarella, Claudio and Nhate, Virgulino | The politics of what works: A case study of food subsidies and the Bolsa-Escola in Mozambique <sup>7</sup>                         |
| Pelham, Lissa                               | A review of the old age social pensions in Lesotho, Namibia and South Africa <sup>7</sup>  |

### Social Movements and Chronic Poverty

|                                       |  |
|---------------------------------------|--|
| Bebbington, Anthony                   | Social Movements and the politicization of chronic poverty policy ( <b>CPRC WP63</b> ) <sup>1</sup>                            |
| Mitlin, Diana                         | The role of collective action and urban social movements in reducing chronic urban poverty ( <b>CPRC WP64</b> ) <sup>1</sup>   |
| Mitlin, Diana and Bebbington, Anthony | Social movements and chronic poverty across the urban-rural divide: concepts and experiences ( <b>CPRC WP65</b> ) <sup>1</sup> |

### Other Papers

|   |   |
|---|---|
| Anderson, Ed  | Identifying chronically deprived countries: results from cluster analysis ( <b>CPRC WP70</b> ) <sup>6</sup>           |
| Braunholtz, Tim   | Policy responses to discrimination and their contribution to tackling chronic poverty <sup>1</sup>                    |
| Chimhowu, Admos   | Tinkering on the fringes? Redistributive land reforms and chronic poverty in Southern Africa ( <b>CPRC WP58</b> )     |
| Chopra, Mickey; Neves, David; Tsai, Alexander; and Sanders, David | Health, health systems and chronic poverty <sup>1</sup>   |
| Grant, Ursula   | Health and poverty linkages: Perspectives of the chronically poor <sup>2</sup>  |
| Grant, Ursula with Lwanga-Ntale, Charles and Barrientos, Armando  | Research into policy processes: Bringing global evidence on social protection into local policy contexts <sup>8</sup> |
| Rose, Pauline and Dyer, Caroline                                  | Chronic poverty and education: A review of the literature <sup>1</sup>  |
| Santibanez, Claudio   | Review of integrated programmes tackling extreme and persistent poverty in Latin America <sup>1</sup>                 |

| <b>Data Work</b>                               |  |
|--|--|
| Lawson, David and Bridges, Sarah               | Demographic Health Survey (DHS) data work and country-level summary of observations <sup>1</sup>               |
| Lawson, David and Ado-Kofie, Lawrence          | Update of chronic poverty statistics, and summary of observations (indicators of chronic poverty) <sup>1</sup> |
| Lawson, David; Moore, Karen and Prowse, Martin | Regional and global estimates of chronic poverty <sup>1</sup>  |

| <b>Other Contributions</b>       |  |
|----------------------------------|--|
| Banerji, Manjistha               | Economic growth and chronic poverty – Public expenditure and infrastructure; Agriculture growth policies; Urban growth policies and urbanisation (three brief literature reviews) <sup>3</sup> |
| Braunholtz, Tim                  | Chronic poverty – Future scenarios: Interviews with key figures in public policy on poverty <sup>1</sup>   |
| Jones, Gemma                     | Long-Term Societal Change – Migration, forced displacement and chronic poverty; Urbanisation (two annotated bibliographies/literature reviews)   |
| Lindo, Sharon                    | Future scenarios and poverty (annotated bibliography)  |
| Prowse, Martin and Rizvi, Raania | Findings on Household-Level Demographics from Panel Data Studies   |
| Rizvi, Raania                    | Demographic transition, poverty and long-term social change (annotated bibliography/literature review)   |

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6. Australian Government's AusAID
7. Netherlands Ministry of Foreign Affairs
8. Overseas Development Institute (ODI)



## Annex B: Glossary of key terms

- Absolute poverty:** A person living in absolute poverty is not able to satisfy his or her minimum requirements for food, clothing or shelter. The dollar a day poverty line is accepted internationally as an absolute poverty line. (DFID, 2001: 174-186)
- Accountability:** Accountability is generally defined as the means by which individuals and organisations report to a recognised authority, or authorities, and are held responsible for their actions. (Edwards and Hulme, 1995)
- Adverse incorporation:** Where people are included in social, political and economic institutions and processes, but on extremely unfavourable terms. (CPRC definition)
- Agency:** What a person is free to do and achieve in pursuit of whatever goals or values he or she regards as important. (Sen, 1985)
- Asset/Asset building:** Asset building enables poor people and their families to save in small amounts, to accumulate modest stocks of wealth and to use those savings, usually for specific purposes. (OECD, 2003) Assets: Includes financial, physical, natural, human, social, cultural and political capital. (DFID)
- Bonded labour:** A person becomes a bonded labourer when his or her labour is demanded as a means of repayment for a loan. Also known as debt bondage. (Anti-Slavery International)
- Buffers:** The protective measures deployed by households and communities facing hazards and stresses. These can include assets, entitlements and networks. (Barrientos, 2006)
- Capabilities:** A term developed by Amartya Sen that refers to the means which enable people to function. The term distinguishes intrinsic and instrumental capabilities - income, education, health, human rights, civil rights, etc. (Gordon and Spicker, 1999: 22)
- Capability deprivation:** Poverty defined in relation to the failure to achieve basic capabilities, such as being adequately nourished, leading a healthy life or taking part in the life of the community. The emphasis on capabilities shifts focus away from money-based measures, such as income or expenditure onto the kind of life the individual can live. (DFID, 2001: 174-186)
- Cash assistance/Cash transfers:** Cash assistance or cash transfers are cash payments which are made to poor households with an aim of supplementing household purchasing power, and improving acquisition of human capital. Cash transfers can be made conditional or they can be given without conditions. (DRT/CPRC, 2007)
- Child labour:** Work that exceeds a minimum number of hours, depending on the age of a child and on the type of work. Such work is considered harmful to the child and should therefore be eliminated. (UNICEF)
- Child mortality:** Child mortality is the death of children in their first five years of life. (UNICEF)
- Chronic poverty:** Poverty experienced by individuals and households for extended periods of time or throughout their entire lives. Also called persistent poverty. Chronic poverty should be distinguished from transitory poverty. (CPRC definition)
- Chronically Deprived Countries (CDCs):** Chronically Deprived Countries (CDCs) have experienced sustained deprivation for decades. These countries correspond very closely with UNCTAD's Least-Developed Countries, and the UNDP MDGs Top Priority countries. They are mainly located in sub-Saharan Africa. (Anderson, 2007)
- Citizenship:** Reducing people's risk via law and order, services and infrastructure sets up mutual obligations between the state and the individual and provides the basis for individual willingness to pay taxes to build the state. (CPRC definition)
- Civil society:** Areas of activity that take place outside of both the state and the market. Civil society includes a wide range of actors through which citizens can articulate their views and priorities - including non-governmental organisations, grassroots organisations, professional organisations, religious groups, labour organisations and the media. (The Global Facilitation Network for Security Sector Reform)
- Consistent improvers:** Consistent Improvers (CIs) are characterised by relatively low initial levels of welfare, but faster rates of progress over time across all available indicators. (Anderson, 2007)
- Coping strategy:** How a household responds when faced with an unexpected event such as illness, drought or unemployment. Typical responses include taking children out of school or drawing on support from the extended family or other households. (DFID, 2001: 174-186)
- Covariate shock:** An unexpected event that affects all the members of a group. An example is a drought, which typically reduces the agricultural output of all the households in a village. (DFID, 2001: 174-186)
- Decentralisation:** The process of transferring control over, and administration of, services from national to local level. (DFID, 2001: 174-186)
- Dependency ratio:** The ratio of economically-active household members to those who are economically dependant. (CPRC definition)
- Deprivation:** A lack of welfare, often understood in terms of material goods and resources, but equally applicable to psychological factors, relative to the local community or the wider society or nation to which an individual, family or group belongs. (Gordon and Spicker, 1999: 37)

- Depth:** A measure of the average distance of poor individuals or households below the poverty line. The depth of poverty is also known as the poverty gap. (DFID, 2001: 174-186)
- Destitution:** Refers to the total, or virtually complete, absence of resources. Although indicative of extreme poverty, it is not necessarily equivalent; a person may become destitute immediately through fire or natural disaster, while someone in chronic or extreme poverty may have experienced long-term malnutrition and disadvantage. (Gordon and Spicker, 1999: 38)
- Developmental states:** A developmental state is broadly understood as one that evinces a clear commitment to a national development agenda, that has solid capacity and reach, and that seeks to provide growth as well as poverty reduction and the provision of public services. (Fritz and Menocal, 2006)
- Dimensions of poverty:** The individual and social characteristics of poverty such as lack of access to health and education, powerlessness or lack of dignity. Such aspects of deprivation experienced by the individual or group are not captured by measures of income or expenditure. (DFID, 2001: 174-186)
- Disability:** The outcome of the interaction between a person with an impairment and the environmental and attitudinal barriers that s/he faces. (WHO's International Classification of Functioning).
- Discrimination:** Refers to the institutional, environmental and attitudinal factors that work to exclude certain people from activities, organisations and institutions. (CPRC definition)
- Economic growth:** An increase in a country's total output. It may be measured by the annual rate of increase in a country's Gross National Product (GNP) or Gross Domestic Product (GDP) as adjusted for price changes. The increase in GNP, at constant prices per head of population, indicates changes in the average living standards in that country, but says nothing about the distribution of the levels for different social groups around that average. (DFID, 2001: 174-186)
- Empowerment:** The process whereby people gain more power over the factors governing their social and economic progress. This may be achieved through: increasing the incomes and assets of the poor; interventions that aim to enhance confidence and self-respect; by developing collective organisation and decision-making and by reforming political institutions to make them more inclusive. Empowerment is one aim of setting up participatory processes. (DFID, 2001: 174-186)
- Entitlements:** Reflect claims on public and private programmes, such as social assistance and social insurance schemes run by the state or NGOs. (Barrientos, 2006)
- Exclusion:** The economic, political and cultural processes that lead to the isolation of some groups in society, including ethnic minorities or the long-term unemployed. Different interpretations of this concept range from notions of discrimination, to understanding the social consequences of poverty. (CPRC definition)
- Extension services:** The organized exchange of information and the purposive transfer of skills. (FAO, 1997)
- Food insecurity:** A situation that exists when people lack secure access to sufficient amounts of safe and nutritious food for normal growth and development and an active healthy life. It may be caused by the unavailability of food, insufficient purchasing power or the inappropriate distribution or inadequate use of food at the household level. Food insecurity may be chronic, seasonal or transitory. (FAO)
- Forced labour:** People illegally recruited by governments, political parties or private individuals, and forced to work – usually under threat of violence or other penalties. (Anti-Slavery International)
- Fragile states:** Fragile states are those where the government cannot or will not deliver core functions to the majority of its people, including the poor. (DFID)
- Gini coefficient:** An aggregate numerical measure of income inequality ranging from 0 (perfect equality) to 1 (perfect inequality). (FAO)
- Global public goods:** Goods and services that benefit everyone and for which one person's consumption does not detract from anyone else's consumption. International research, environmental agreements or measures for conflict management and resolution are examples of global public goods. (DFID, 2001: 179)
- Gross Domestic Product:** The total value of all goods and services produced domestically by a nation during a year. It is similar to Gross National Product (GNP), which is the value of output produced by a country's labour and capital regardless of whether it is in the country or not. (DFID 2001: 179)
- Hazards:** Events which have the potential to adversely affect living standards and livelihoods. These include natural hazards and disasters, socially-induced hazards such as unemployment or economic crises, and idiosyncratic hazards such as sickness or death. Although hazards are sometimes portrayed as events outside one's control, this is not always true; many, such as the spread of HIV/AIDS, arise from interactions of factors that can include individual behaviour, constrained by exploitative social conditions. (Barrientos, 2006)
- Human capital:** Factors such as knowledge, skills and health, which increase the productivity of the individual. (DFID, 2001: 179)
- Human development index:** The Human Development Index measures the average achievements in a country in three basic dimensions of human development: a long and healthy life, knowledge and a decent standard of living. It is calculated for 177 countries and areas for which data is available. In addition human development indicators are available for another 17 UN member countries for which complete data was not available. (UNDP)
- Income poverty:** Poverty defined with respect to a money-based poverty line for income or expenditure. The distinction is made between this and other concepts that emphasise the many dimensions of poverty. (DFID, 2001: 180)
- Indicator:** A numerical measure of quality of life in a country. Indicators are used to illustrate progress of a country in meeting a range of economic, social, and environmental goals. Since indicators represent data that have been collected by a variety of agencies using different collection methods, there may be inconsistencies among them. (World Bank)
- Infant mortality rate:** Probability of dying between birth and exactly one year of age, expressed per 1,000 live births. (UNICEF)
- Informal sector:** All economic activities by workers and economic units that are – in law or in practice – not covered or insufficiently covered by formal arrangements." (ILO, <http://www.ilo.org/public/english/support/lib/resource/subject/informal.htm>)

- Insecurity:** The potential for events outside one's control to prevent the fulfilment of values and objectives, the achievement of living standards, or the satisfaction of needs. Insecurity implies uncertainty over the extent to which intentional behaviour is likely to lead to expected outcomes. It extends both to objective dimensions and indicators, for example the extent to which people are food insecure or living in conflict areas, as well as to more subjective feelings. (Barrientos, 2006)
- Insecurity trap:** Those who are exposed to or live unprotected within insecure environments often experience an extended duration in poverty. Conflict and violence are obvious sources of insecurity, as are economic crisis and natural hazards. (CPRC definition)
- Intergenerational poverty:** Refers to poverty that persists across generations. Poverty is not transferred from one generation to the next as a 'package', but as a set of positive and negative factors that affect a child's chances of experiencing poverty. IGT poverty can involve both 'private' and 'public' transmission of capital, and transfers can be both positive and negative. (Moore, 2005)
- Life-course poverty:** When the poverty experience is related to the stage in life. Life-course events, including transitions into adulthood or old age, marriage and child birth, widowhood and death, often play a significant part in altering someone's vulnerability to poverty. (Moore, 2005)
- Longitudinal study:** A study that observes the same unit of analysis (e.g. individual, household, village, country, sector etc.) over time. (DFID, 2001: 181)
- Low-income country:** A country having a Gross National Income (GNI) per capita equivalent to \$755 or less in 1999. There are currently about 64 low-income countries where the standard of living is lower, there are few goods and services and many people cannot meet their basic needs. (World Bank)
- Marginalised people:** Those who are physically or socially remote. They are by-passed by most economic, political and social activity and likely to have very precarious livelihoods. (DFID, 2001:181)
- Microfinance:** Microfinance is the supply of loans, savings, and other basic financial services to the poor. Financial services needed by the poor include working capital loans, consumer credit, savings, pensions, insurance, and money transfer services. (The Consultative Group to Assist the Poor (CGAP))
- Millennium Development Goals (MDGs):** The eight goals to be achieved by 2015 that respond to the world's main development challenges. The MDGs are drawn from the actions and targets contained in the Millennium Declaration that was adopted by 189 nations and signed by 147 heads of state and governments during the UN Millennium Summit in September 2000. (UN definition)
- Millennium Summit:** The Millennium Summit was a meeting among many world leaders from 6-8 September 2000 to discuss the role of the United Nations at the turn of the twenty-first century. The Millennium Declaration was adopted during the Millennium Summit, striving to "free all men, women, and children from the abject and dehumanizing conditions of extreme poverty." (UN definition)
- Money-metric:** A reference to poverty from an income, consumption or expenditure perspective. (CPRC definition)
- Multidimensionality:** Multi-dimensional approaches capture a fuller range of deprivations that constitute poverty, include non-monetary dimensions, and may give voice to the poor. (CPRC definition)
- National poverty lines:** Poverty lines drawn by national governments or national statistical offices to measure poverty. It is not possible to make comparisons between countries using national poverty lines as each is calculated on the basis of criteria specific to that country. (DFID, 2001: 182)
- Networks:** Networks provide the basis for claims based on solidarity and reciprocity, especially within families and communities, but can also form the basis of exclusion and adverse incorporation, fostering vulnerability. (Barrientos, 2006)
- Panel data:** Data from a type of longitudinal study that tracks the same individual or household over time. (CPRC definition)
- Partially Chronically Deprived Countries (PCDCs):** Characterised by relatively low initial levels of welfare and relatively slow rates of progress over time across at least one available indicator. (Anderson, 2007)
- Participatory Poverty Assessments (PPA):** Participatory Poverty Assessment is an instrument to include poor people's views in the analysis of poverty, in developing interventions for poverty reduction, in evaluating the effect of projects and policies and in the formulation of strategies to reduce poverty through public policy. (FAO)
- Poverty breadth:** Poverty breadth refers to the multidimensionality of poverty, the many ways in which people can experience poverty. (CPRC definition)
- Poverty depth:** Poverty depth refers to how far below a poverty line – however measured – someone falls. (CPRC definition)
- Poverty duration:** Poverty duration refers to the length of time someone experiences a particular poverty state. (CPRC definition)
- Poverty dynamics:** Changes in well-being experienced by individuals and households over time. (CPRC definition)
- Poverty exits:** Movements out of poverty. (CPRC definition)
- Poverty headcount:** Refers to the proportion of individuals, households or families that fall under the poverty line. Divides the number of people identified as poor by the total number of people in the community. The headcount ratio ranges from zero (nobody is poor) to one (everybody is poor). (Gordon and Spicker, 1999: 73)
- Poverty incidence:** The percentage of people living below the poverty line. (DFID, 2001: 179)
- Poverty line:** Represents the level of income or consumption necessary to meet a set of minimum requirements to feed oneself and one's family adequately, and/or to meet other basic requirements such as clothing, housing and healthcare. Those with incomes or expenditure equal to or above the line are not poor. While the minimum has an important subjective element, poverty lines are typically anchored to minimum nutritional requirements, plus a modest allowance for non-food needs. (CPRC definition)
- Poverty Reduction Strategy Papers (PRSP):** A national strategy for poverty reduction. All countries that are eligible for World Bank concessional lending or for debt relief under the Heavily Indebted Poor Countries (HIPC) Initiative are producing PRSPs. The PRSP is intended to be the basis for all donor support, including the IMF and World Bank. (DFID, 2001: 184)
- Poverty spell:** The period of time spent in poverty. (DFID, 2001: 184)

- Poverty trap:** A situation in which poverty has effects which act as causes of poverty. There are thus vicious circles, processes of circular and cumulative causation, in which poverty outcomes reinforce themselves. (Gore 2003). Poverty traps can operate at various units of analysis, from individual and household, to national. At the individual and household level, poverty traps enmesh people in vicious cycles of material deprivation and a lack of investment in human capital.
- Purchasing Power Parity:** A method of measuring the relative purchasing power of different countries' currencies over the same types of goods and services. Because goods and services may cost more in one country than in another, PPP allows us to make more accurate comparisons of standards of living across countries. PPP estimates use price comparisons of comparable items but since not all items can be matched exactly across countries and time, the estimates are not always 'robust'. (World Bank)
- Risk:** Understanding of the likelihood of events occurring, for example, on the basis of past experience. This concept contrasts with that of uncertainty, in which the likelihood is unknown. An individual or household may assess that the likelihood of a bad event, such as drought, occurring is high enough to alter their livelihood strategy. (DFID, 2001: 185)
- Scheduled castes:** In India, a collection of castes formerly known as 'untouchables' (dalits) that have been 'scheduled' for positive discrimination in education and employment.
- Shock:** The materialisation of hazards – the fact that someone actually becomes unemployed or sick. Not all shocks are unexpected; unemployment among informal workers, for instance, is a common occurrence. (Barrientos, 2006)
- Social assistance:** A component of social protection that addresses poverty and vulnerability directly through transfers, in cash or kind, to poor households. (Adapted from Chen and Barrientos, 2006)
- Social compact:** A set of mutual obligations between the state and its people, based on a core set of agreed values, which take the form of duties and rights that become embedded in political and social institutions. A social compact exists when the majority of citizens agree (or at least acquiesce) to accept restraints on their individual actions in exchange for tangible benefits. (CPRC definition)
- Social exclusion:** The social, economic, political and cultural processes that lead to the social isolation of some groups in society. (CPRC definition)
- Social grants:** see social assistance.
- Social insurance:** A component of social protection where the state undertakes or mandates an insurance programme – the exchange of regular premiums or payroll contributions to secure entitlements to financial assistance in the case of specified contingencies such as unemployment, old age, illness, impairment, crop failure, fire or theft. (CPRC definition)
- Social justice:** The way in which the major social institutions distribute fundamental rights and duties. (Rawls, 1999: 3)
- Social movements:** Politicised collective activities by people with a common ideology who try together to achieve certain general goals – in this case, of and for the chronically poor. Not organisations *per se*, but often uncoordinated forms of collective action, popular protest and networks that serve to link both organised and dispersed actors in processes of social mobilisation. (Mitlin and Bebbington, (2006) Social movements and chronic poverty across the urban-rural divide: concepts and experiences. CPRC Working paper 65. Manchester: IDPM/Chronic Poverty Research Centre (CPRC). Available at: <http://www.chronicpoverty.org/resources/cp65.htm>)
- Social protection:** A broad concept, describing all interventions from public, private, voluntary organisations and social networks, to support communities, households and individuals, in their efforts to prevent, manage, and overcome vulnerability. (Shepherd and Barrientos, 2007)
- Social solidarity:** The ties in a society or group (social relations) that bind people to one another; a sense of connection, integration or interdependence (CPRC definition)
- Social transfers:** see social assistance.
- Spatial poverty traps:** Geographical areas which remain disadvantaged and whose people remain multi-dimensionally deprived and poor over long periods of time. (CPRC definition)
- Stress:** Stresses (or negative trends) are changes that take place over a longer period of time than is the case with shocks or seasonality. Examples include increasing population pressure; deforestation and soil erosion; declining commodity prices; deterioration in public safety. (DFID)
- Stunting:** Low height for age, reflecting a sustained past episode or episodes of undernutrition. (FAO)
- Targeting:** The process by which expenditure is directed to specific groups of the population defined as poor or disadvantaged, in order to increase the efficiency of the use of resources. (DFID, 2001: 186)
- Transformative growth:** A decline in the relative GDP share of agriculture and an increase in the shares of manufacturing and services, in the context of fast overall GDP growth. (CPRC definition)
- Transformative social change:** Progressive changes in the social institutions and norms that govern relationships. There are powerful policy levers for transformative social change in five key areas: legal rights, political representation, economic resources, key public services, attitudes and perceptions. (CPRC definition)
- Transitory poverty:** Short-term poverty. Also known as transient poverty. Poverty experienced as the result of a temporary fall in income or expenditure although over a longer period the household resources are on average sufficient to keep the household above the poverty line. (DFID, 2001: 186)
- Under-five mortality rate:** Probability of dying between birth and exactly five years of age, expressed per 1,000 live births. (UNICEF)
- Under-nourishment:** Food intake that is continuously insufficient to meet dietary energy requirements. (FAO)
- US\$1/day:** An absolute poverty line introduced by the World Bank in 1990 to estimate global poverty. The dollar amount is revised over time to keep pace with inflation and now stands at \$1.08 in 1996 prices. This is converted into local currencies using purchasing power parity (PPP) exchange rates. (DFID, 2001: 174-186)
- Voice:** Ability to articulate needs and influence decisions regarding one's life. When the chronically poor lack 'political voice' they lack political representation and power which would support their efforts to meet basic standards of living. In this respect, their status as citizens is negated and do not have a substantive stake in society. (CPRC definition)

**Vulnerability:** Likelihood that individuals, households, or communities will fall into or continue to experience poverty in the future. Results from the interplay of two key components: on the one hand, the presence of hazards and stresses that threaten basic living standards; and on the other the actions and buffers deployed by those affected or likely to be affected. (CPRC definition)

**Wasting:** Low weight for height, generally the result of weight loss associated with a recent period of starvation or disease. (FAO)

**Waves:** The occasions on which a survey is conducted to make up panel data, e.g. a three wave panel dataset has conducted comparable surveys at three different times on the same individuals or households. (CPRC definition)


**Wellbeing:** Wellbeing is a state of being with others, where human needs are met, where one can act meaningfully to pursue one's goals, and where one enjoys a satisfactory quality of life. (Wellbeing in Developing Countries, ESRC Research Group)

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## Annex C: Summary of selected social protection programmes in low(er) income countries

| Programme title  | Description  | Politics   | Financing   | Delivery  |
|--|--|--|---|---|
| <b>Bangladesh</b><br>Challenging the Frontiers of Poverty Reduction/ Targeting the Ultra Poor          | Integrated asset and cash transfers, learning, microcredit   | Introduced and managed by BRAC (poverty reduction NGO) in response to operational lessons                              | Donor consortium (plus some of BRAC's own funds)  | Targets poorest, through geographic and wealth ranking, and delivery through local committees; 70,000 beneficiaries in 2006                         |
| <b>Bangladesh</b><br>Old age allowance scheme and Assistance programme for widowed and destitute women | Unconditional cash transfer; US\$2 per month   | Introduced in National Plan; managed by Ministry of Social Welfare and local committees                                | Tax financed; costs around 0.03% of GDP   | Targets fixed number of poorest and oldest beneficiaries in each ward, then selection by local committees; 1.4m beneficiaries                       |
| <b>Bolivia</b><br>Bono Solidario (BONOSOL)   | Unconditional cash transfer; US\$248 annually  | Introduced to ease privatisation of utilities  | Privatisation proceeds fund; cost is 0.25% of GDP   | Paid to those aged 65+, who were 21+ in 1995; public agency manages bond paid through banking system  |
| <b>Ethiopia</b><br>Productive safety net programme   | Conditional transfers in cash or food to chronically food-insecure households with available labour, and unconditional transfers to households ineligible for work | Adopted by government after protracted discussions with donors over shift from emergency food aid to social protection | Mix of tax financed and joint donor group support; 5 year window                            | Geographic selection of food insecure districts, then community identification of vulnerable households; 1m households                              |
| <b>India (Maharashtra State)</b><br>Rural Employment Guarantee Scheme                                  | Conditional cash transfer; public works employment   | Statutory programme developed in 1970s; scaled up nationally in 2005   | Tax financed  | Geographic targeting then self-selection; in 1990s supported 100m person-days   |
| <b>Nicaragua</b><br>Red de Protección Social   | Conditional cash transfer programme  | Converted from a social fund set up to address conflict emergency  | Inter-American Development Bank and social fund; cost is around 0.02% of GDP; 5 year window | Geographic targeting selects poorest municipalities with available infrastructure, then proxy means test; managed by social fund; 10,000 households |
| <b>Zambia (Kalomo District)</b><br>Social transfer pilot scheme  | Unconditional cash transfer programme  | Piloted by GTZ as an alternative to recurrent emergency food aid; managed by Public Welfare Assistance Scheme          | Financed by GTZ; 4 year window; cost of scaling up nationally is 0.4% of GDP                | Community targeting of 10% poorest and economically inactive households; 1,000 households   |

Selected and adapted from Barrientos and Holmes (2006).



## Annex D: Summary information on selected conditional cash transfer programmes in developing countries

| Title  | Start date  | Type   | Coverage   | Targeting  | Objectives  |
|--|---|--|--|--|---|
| <b>Bangladesh</b><br>Food for Education                  | July 1993, later changed to cash transfer (Cash for Education)  | Initially in-kind transfer conditional on schooling, later cash transfer – demand subsidy  | 2.4m children (2000)   | Geographic targeting, then community targeting   | (i) Improve school attendance;<br>(ii) Reduce child labour  |
| <b>Brazil</b><br>PETI Child Labour Eradication Programme | Piloted in 1996, then extended to all other areas in 1999. Incorporated into Bolsa Familia (see below) in 2006                            | Targeted schooling subsidy and supply side provision of extended school day  | Poor households with children aged 7-14 working in hazardous or degrading conditions, 866,000 beneficiary children in 2002 | Geographic targeting of municipalities with high incidence of hazardous child labour; then poor households with per capita income below one half the minimum wage                      | (i) Eradicate the worst forms of child labour (e.g. those involving health risk);<br>(ii) Reduce child labour;<br>(iii) Provide remedial education and training   |
| <b>Brazil</b><br>Bolsa Familia                           | Bolsa Escola initially developed in Campinas in 1995; scaled up to federal programme in 2001; incorporated into new Bolsa Familia in 2003 | Consolidates several existing programmes: Bolsa Escola (cash transfer conditional on schooling); Bolsa Alimentação (unconditional cash transfer to indigent households); Auxilio-Gás (unconditional cash transfer subsidising poor households' gas consumption); and recently PETI (see above), into single programme targeted to households in extreme poverty and poor households with children. | Poor households; 12m households; about 25% of population   | Participation of municipalities is demand driven; then geographic targeting within municipalities; then poor households with per capita income less than one half the minimum wage     | (i) Reduce hunger, poverty and inequality through a cash transfer conditional on guaranteed access to education, health and nutrition services;<br>(ii) Reduce social exclusion by facilitating the empowerment of poor and vulnerable households |
| <b>Colombia</b><br>Familias en Accion                    | 2001  | Targeted conditional cash transfer – schooling and health demand subsidy   | Poor households with children 0-17; 362,403 households (2002)  | 622 municipalities with fewer than 100,000 inhabitants, with a bank and health and education infrastructure, then households with children 0-17 identified as poor by proxy means test | (i) Reduce poverty among households with children;<br>(ii) Raise school enrolments;<br>(iii) Provide a safety net   |

| cont ...   | Benefits  | Conditionality  | Evaluation   | Poverty reduction efficiency   | Budget as % of GDP                    |
|--|---|---|--|--|---------------------------------------|
| <b>Bangladesh</b><br>Food for Education                  | Mean transfer US\$2.40/month or 4% of poor's consumption  | Minimum school attendance (85%)   | 9-17 percentage point rise in school enrolment (from 55%), but US\$1.60 to deliver US\$1   | 40% to non-poor; low horizontal efficiency as covers only 2-3 households per thana   | US\$77m in 2000; approx. 0.16% of GDP |
| <b>Brazil</b><br>PETI Child Labour Eradication Programme | School subsidy US\$11-17 per child per month  | School attendance (80%) in a three month period; participation in after school sessions; participation by parents in educational and income generating sessions | Fall in the incidence of child labour from 19.6% in 1992 to 12.7% in 2001; rise in completed schooling; rise in school enrolments                  | 90% of the target population covered; however, some municipalities included ineligible poor households with children not working | 472.4m Reals in 2002 or 0.04% of GDP  |
| <b>Brazil</b><br>Bolsa Familia                           | US\$7 per child below 16 up to three, plus US\$28/month for poorer households   | School enrolment and 85% school attendance  |  | Good vertical poverty efficiency due to targeting, but 43% of target households not reached                                      | US\$3.1b or 0.3% of GDP               |
| <b>Colombia</b><br>Familias en Accion                    | US\$6/month schooling subsidy for children in primary school; US\$12/month for children in secondary school; US\$20/month to households with children below 7 years of age; benefits paid to the mother | 80% school attendance in a two month cycle; regular visits to health providers for monitoring of children's growth and development                              | Raised school attendance by 13% in urban sector and 5% in rural sector; reduced incidence of undernourished children; raised vaccination incidence |  | US\$100m (2004) or 0.12% of GDP       |

| Title   | Start date                                 | Type  | Coverage   | Targeting   | Objectives   |
|---|--|---|--|---|--|
| <b>Honduras</b><br>Programa de Asignacion Familiar (PRAF)   | 1990, later re-launched as PRAF II in 2000 | Targeted conditional cash transfer – demand subsidy and supply side support | 4.7% of population. Poor households with children aged 0-3, and 6-12 who have not completed 4th grade  | Geographic targeting: municipalities with lowest mean height for age z-scores and with school and health centres are selected for participation; all households within that municipality are covered              | (i) Improve school attendance;<br>(ii) Improve nutrition of children;<br>(iii) Improve use of health care  |
| <b>Jamaica</b><br>Programme of Advancement through Health and Education (PATH)  | 2002                                       | Targeted conditional cash transfer  | Poor households; 236,000 individuals are the target beneficiary population   | Poor households by proxy index  | (i) Poverty reduction;<br>(ii) Raise school attainment;<br>(iii) Reduce child labour;<br>(iv) Serve as safety net  |
| <b>Mexico</b><br>Progresa (Programa de Educacion, Salud y Alimentacion); in March 2002 changed to Oportunidades and extended to urban areas | 1997                                       | Targeted conditional cash transfer – demand subsidy and supply side support | Initially rural households with children 7-14 in school, 3.2m households (2001); 40% of rural households, 3.38 % of population                     | Geographic targeting, small rural communities with a high marginality score and access to education and health providers, then proxy means test   | (i) Improve school attendance;<br>(ii) Improve nutrition of children and their households;<br>(iii) Improve use of health care   |
| <b>Nicaragua</b><br>Red de Protección Social  | 2000, as extension of Social Fund          | Targeted conditional cash transfer – demand subsidy and supply side support | Poor households and poor households with children 7-13 who have not completed 4th grade; 10,000 households/60,000 individuals; 1.21% of population | Geographic targeting selects poorest departments, then poorest municipalities within them with access to health and education and transport infrastructure; and then proxy means test to identify poor households | (i) Increase school enrolment and attendance for children in grades 1-4;<br>(ii) Improve care for children aged 0-4;<br>(iii) Supplement income of households in extreme poverty |

Source: Barrientos 2006.

| cont ...  | Benefits   | Conditionality  | Evaluation   | Poverty reduction efficiency  | Budget as % of GDP               |
|---|--|---|--|---|----------------------------------|
| <b>Honduras</b><br>Programa de Asignacion Familiar (PRAF)   | US\$3/month for children under 3, disabled children under 12, plus pregnant mothers and poor older people; and 4 monthly benefits to children at school in grades 1-4  | School enrolment and absences less than 7 days in one term and not to repeat grade more than once; plus regular visits to health care providers   |  | Includes non-poor in selected municipalities                        | 0.019% of GDP                    |
| <b>Jamaica</b><br>Programme of Advancement through Health and Education (PATH)  | About US\$7.60/month per beneficiary   | Visits to health centres; school enrolment of children aged 6-17, minimum attendance 85% of term  |  |   |                                  |
| <b>Mexico</b><br>Progresa (Programa de Educacion, Salud y Alimentacion); in March 2002 changed to Oportunidades and extended to urban areas | US\$12.50 per month family consumption supplement; US\$8-16.50 per child in primary school per month and US\$15.50 school materials per year; US\$24-30.50 per child in secondary school per month plus US\$20.50 school materials per year; up to a maximum of US\$75 per household per month | Enrolment of 6-17 year olds in grades 3-9 and 85% school attendance; attendance to health providers and information sessions  | US\$1.10 to deliver US\$1; impact on progression rates; enrolments up 7.2-9.3 percentage points for girls (from 67%) and 3.5-5.8 percentage points for boys (from 73%); stronger impact on secondary enrolments; 70% of households show improved nutrition; incidence of illness reduced | 58% of benefits to lowest quintile, and 80% to lowest 40% of income | US\$1.8b or 0.32% of GDP in 2000 |
| <b>Nicaragua</b><br>Red de Protección Social  | US\$9.20 per household per month and US\$21 school materials per year to help with schooling; US\$ 18.70 per household per month to support health; and US\$4.60 per year subsidy to school per child covered  | School enrolment; no more than 6 days absent in 2 months; school grade promotion; monthly or bimonthly visits to health centre for children 0-5; up to date vaccination programmes; mothers attendance at nutrition and hygiene talks | US\$1.10-US\$1.50 to deliver US\$1; enrolments up 22 percentage points (from 69%); reduction in child labour 8.8 percentage points from 27% for 10-13 year olds; reduction in working hours of children  | 20.5% of beneficiary households are non-poor;                       | US\$5m (2002) or 0.021% of GDP   |

# Annex E: Estimates of regional and global numbers

| Region                                  | Proportion of poor who are chronically poor over five years, nationally (1) |               | Population (2)       | Proportion poor (US\$1/day) (3) | Number of poor (US\$1/day) where panels were available (4) | Number of poor (US\$1/day) where US\$1/day was available (5) | Estimate of number of poor (US\$1/day) for entire region (6) | Number of chronically poor (7) |                    |
|---|---|---------------|----------------------|---------------------------------|--|--|--|--------------------------------|--------------------|
|   | Low estimate  | High estimate |                      |                                 |  |  |  | Low estimate                   | High estimate      |
| <b>Region</b>                           |   |               |                      |                                 |  |  |  |                                |                    |
| <b>East Asia and Pacific</b>            | <b>0.17</b>   | <b>0.27*</b>  | <b>1,951,344,000</b> |                                 | <b>259,665,942</b>   | <b>301,458,658</b>   | <b>302,000,000</b>   | <b>50,550,000</b>              | <b>80,750,000</b>  |
| e.g. China (a)                          | 0.15  | 0.25          | 1,312,979,000        | 0.166                           | 217,954,514  |  |  |                                |                    |
| e.g. Indonesia (b)                      | 0.15  | 0.25**        | 226,063,000          | 0.075                           | 16,954,725   |  |  |                                |                    |
| e.g. Philippines (c)                    | 0.30  | 0.40          | 84,566,000           | 0.155                           | 13,107,730   |  |  |                                |                    |
| e.g. Vietnam (d)                        | 0.35  | 0.45**        | 85,029,000           | 0.137                           | 11,648,973   |  |  |                                |                    |
| <b>South Asia</b>                       | <b>0.26</b>   | <b>0.36*</b>  | <b>1,517,047,000</b> |                                 | <b>482,222,425</b>   | <b>495,826,701</b>   | <b>496,000,000</b>   | <b>126,480,000</b>             | <b>176,080,000</b> |
| e.g. Bangladesh (e)                     | 0.20  | 0.30**        | 153,281,000          | 0.360                           | 55,181,160   |  |  |                                |                    |
| e.g. India (f)                          | 0.25  | 0.35**        | 1,134,403,000        | 0.347                           | 393,637,841  |  |  |                                |                    |
| e.g. Nepal (g)                          | 0.50  | 0.60**        | 27,094,000           | 0.241                           | 6,529,654  |  |  |                                |                    |
| e.g. Pakistan (h)                       | 0.25  | 0.35          | 158,081,000          | 0.170                           | 26,873,770   |  |  |                                |                    |
| <b>Sub-Saharan Africa</b>               | <b>0.35</b>   | <b>0.45*</b>  | <b>765,728,000</b>   |                                 | <b>136,784,320</b>   | <b>353,915,728</b>   | <b>354,000,000</b>   | <b>123,900,000</b>             | <b>159,300,000</b> |
| e.g. Ethiopia (i)                       | 0.45  | 0.55**        | 78,986,000           | 0.230                           | 18,166,780   |  |  |                                |                    |
| e.g. Kenya (j)                          | 0.50  | 0.60**        | 35,599,000           | 0.228                           | 8,116,572  |  |  |                                |                    |
| e.g. Nigeria (k)                        | 0.20  | 0.30          | 141,356,000          | 0.708                           | 100,080,048  |  |  |                                |                    |
| e.g. Uganda (l)                         | 0.20  | 0.30          | 28,947,000           | 0.360                           | 10,420,920   |  |  |                                |                    |
| <b>Latin America and Caribbean</b>      | <b>0.30</b>   | <b>0.40</b>   | <b>549,824,000</b>   |                                 | <b>16,802,038</b>  | <b>48,828,240</b>  | <b>49,000,000</b>  | <b>14,700,000</b>              | <b>19,600,000</b>  |
| e.g. Brazil (m)                         | 0.30  | 0.40          | 186,831,000          | 0.075                           | 14,012,325   |  |  |                                |                    |
| e.g. Chile (n)                          |   |               | 16,295,000           | 0.020                           | 325,900  |  |  |                                |                    |
| e.g. Nicaragua (o)                      |   |               | 5,463,000            | 0.451                           | 2,463,813  |  |  |                                |                    |
| <b>Europe and Central Asia</b>          | <b>0.10</b>   | <b>0.20</b>   | <b>478,176,000</b>   |                                 | <b>2,879,060</b>   | <b>17,786,482</b>  | <b>17,800,000</b>  | <b>1,780,000</b>               | <b>3,560,000</b>   |
| e.g. Russian Federation (p)             |   |               | 143,953,000          | 0.020                           | 2,879,060  |  |  |                                |                    |
| <b>Middle East and North Africa</b>     | <b>0.10</b>   | <b>0.15</b>   | <b>342,561,000</b>   |                                 | <b>2,258,350</b>   | <b>23,421,932</b>  | <b>23,500,000</b>  | <b>2,350,000</b>               | <b>3,525,000</b>   |
| e.g. Egypt (q)                          |   |               | 72,850,000           | 0.031                           | 2,258,350  |  |  |                                |                    |
| <b>Rest of the World (ECA+MENA+LAC)</b> |   |               | <b>1,370,561,000</b> |                                 | <b>21,939,448</b>  | <b>90,036,654</b>  | <b>90,300,000</b>  | <b>18,830,000</b>              | <b>26,685,000</b>  |
| <b>ALL</b>                              |   |               | <b>5,604,680,000</b> |                                 | <b>900,612,135</b>   | <b>1,241,237,741</b>   | <b>1,242,300,000</b>   | <b>319,760,000</b>             | <b>442,815,000</b> |

\* Regional range altered

\*\* National range altered

## Notes on table construction

### 1. Regional ranges determined by:

- A. Investigating relevant panel data from relevant countries to determine unconditional probability of chronic poverty using forecasting method (proportion of entire population chronically poor divided by proportion that was poor in first wave);
- B. Making an adjustment (based on judgement calls) to take into account:
  - i. If the dataset spanned more or fewer than five years;
  - ii. If the dataset was not nationally-representative;
  - iii. Whether income or consumption expenditure was used as the welfare metric (there are likely to be more apparent poverty transitions in income than in expenditure data because of greater measurement error); and
  - iv. Whether the national poverty lines used were higher or lower than the US\$/day poverty rate.

To determine a range of feasible proportions (this is reported in the table for each country considered); and

- C. Extrapolating from the population weighted average, in consideration of the overall proportion of the region that these countries represent, to determine a feasible range for the entire region.

### Notes:

In CPR1, for the Middle East and North Africa region, where there was only one country (Egypt) with some available panel data, a guesstimate of 10-15% of poor people are chronically poor was made, and then the nearest round numbers were chosen for the absolute numbers of chronically poor people for the regions (e.g. 750,000/1,100,000; 350,000/500,000), before the proportions were recalculated (e.g. 10.05%/14.74%; 9.98%/14.26%). In the CPR1 figures reported here, we have reverted to the 10-15% guesstimate, so the absolute numbers of chronically poor people estimated are nominally different. For CPR2, the numbers are rather higher because of the high population growth in the region, as well as the inclusion of three countries not previously considered.

### 2. CPR1: Population data are from the 2003 World Development Indicators.

CPR2: Population data are from 2005 Medium Variant from World Population Prospects: 2006 Revision Population Database (UNDESA Population Division). Available from: <http://esa.un.org/unpp/index.asp?panel=1>. Population data for West Bank and Gaza is for Occupied Palestinian Territories. Population data for Serbia and Montenegro is for Serbia plus Montenegro.

### 3. Years for US\$1/day poverty rates as estimated by the World Bank are included with the footnote for each country. US\$1/day poverty rates are taken from the 2006 World Development Indicators. It is important to note that recent changes in the way that purchasing power parity are calculated and applied to international poverty estimates mean that US\$1/day poverty rates are likely to be revised soon. In some cases, and for some large countries like China and India, these revisions are likely to be very substantial. This likely will have serious implications for the regional and global estimates of chronic poverty.

### 4. Population × proportion poor (US\$1/day); summed for region. (Countries with panel data and US\$1/day data).

E.g. South Asia

CPR1: Bangladesh, India, Pakistan

CPR2: Bangladesh, India, Nepal, Pakistan

### 5. Population × proportion poor (US\$1/day); summed for region. (Countries with WB or CPRC estimated \$US1/day figures – this includes both countries with and without panel data.)

For those countries of over 1 million people with no World Bank US\$1/day data, CPRC has very broadly estimated a US\$1/day rate based on available national and international information.

Note that there can be a greater number of additional (non-panel data) countries used in this column for CPR2 as compared to CPR1, because additional US\$1/day poverty rates are available, taken into account, or estimated.

E.g. South Asia

CPR1: Bangladesh, India, Nepal, Pakistan, Sri Lanka

CPR2: Afghanistan, Bangladesh, India, Nepal, Pakistan, Sri Lanka

### 6. Final column of absolute number of US\$1/day poor includes an adjustment for countries without US\$1/day data.

E.g. South Asia

CPR1: Afghanistan, very small adjustment for Bhutan and Maldives

CPR2: very small adjustment for Bhutan and Maldives

### 7. Estimate of US\$1/day poor in entire region × low and high estimates of chronic poverty for entire region

## Country-specific notes (e.g. panel dataset details, sources, US\$1/day poverty rate years etc.)

### a. China

CPR1: Rural Sichuan; Rural Household Survey (RHS) 1991-95 (annual waves); 3,311 households (McCulloch and Caldrino, 2003).

[38.7% of poor chronically poor according to forecasting method.]

US\$1/day figure – 1998

CPR2: As above

US\$1/day figure – 2001

### b. Indonesia

CPR1: Indonesia Family Life Survey (IFLS) 1993, 1997; 7,224 households in 1993; <http://www.rand.org/labor/FLS/IFLS/> (Alisjahbana and Yusuf, 2003).

[51.3% of poor chronically poor according to forecasting method.]

US\$1/day figure – 2000

CPR2: IFLS Panel 1993, 1997, 2000 (half wave in 1998) (Strauss *et al.* 2004).

[41.6% of poor chronically poor according to forecasting method.]

US\$1/day figure – 2002

### c. Philippines

CPR1: FIES-APIS 1997, 1998, 1999; 17,897 households (Reyes, 2002).

[79.6% of poor chronically poor according to forecasting method.]

US\$1/day figure – 2000

CPR2: As above

US\$1/day figure – 2000

### d. Vietnam

CPR1: Vietnam Living Standards Survey (VLSS) 1992/93 – 1997/98; 4,272 households (Glewwe and Nguyen, 2002; Baulch and Masset, 2003).

[51.2% of poor chronically poor according to forecasting method.]

US\$1/day figure – 1998

CPR2: Vietnam Household Living Standards Survey (VHLSS) 2002-2004; 4,008 households (Thang *et al.* 2007) CPR2 background paper in forthcoming CAF book.

[54.3% of poor chronically poor according to forecasting method. Proportion of poor that are chronically poor range has been reduced due to shorter length of panel. US\$1/day rate remains at 1998 level of 17.7% – but national poverty rate showed a decline of approximately 22% between 1998 and 2002, so we have reduced the US\$1/day rate by a similar proportion.]

### e. Bangladesh

CPR1: Rural; BIDS 64 Village Panel 1987/88, 2000; 379 households (Sen, 2003).

[54.9% of poor chronically poor according to forecasting method.]

US\$1/day figure – 2000

CPR2: Rural; IFPRI-CPRC-DATA Longitudinal Dataset; 3 datasets: (1) microfinance 1994/95-2006/07, 325 households. (2) agricultural technology 1996/97-2006/07, 908 households. (3) educational transfers 2000, 2003, 2006 (Quisumbing, 2007).

[26.7%, 22.8% and 36.6% of poor chronically poor according to forecasting method in each site; as the last is the most representative and the closest to a five year panel, we use this.]  
US\$1/day figure – 2000

### f. India

CPR1: Rural; National Council of Applied Economic Research (NCAER) panel 1970/71-1981/82; 3,319 households in 250 villages and 4,979 households in 259 villages (Bhide and Mehta, 2004).

[52.6% of poor chronically poor according to forecasting method.]

US\$1/day figure – 1997

CPR2: NCAER – extra wave 1998/99 (Munshi and Rosenzweig, 2005; Bhide and Mehta, 2006).

[52.6% of poor chronically poor according to forecasting method – transitory poor not disaggregated into moving out of/moving into poverty in Bhide and Mehta (2006) for 1998/99 wave; overall figures very similar, so overall proportions kept the same.]

US\$1/day figure – 1999-2000

### g. Nepal

CPR2: National LSMS Panel 1995/96, 2003/04; 962 households (Bhatta and Sharma, 2006).

[59% of poor chronically poor according to forecasting method.]

US\$1/day figure – 2003-2004

### h. Pakistan

CPR1: Rural Pakistan IFPRI Household Food Security Panel annual waves 1986/88-1990/91; 638 households (Baulch & McCulloch, 2003).

[51.2% of poor chronically poor according to forecasting method.]

US\$1/day figure – 1998

CPR2: As above

US\$1/day figure – 2002

### i. Ethiopia

CPR1: Ethiopia Urban Household Survey 1994, 1995, 1997; 1,500 households (Bigsten *et al.* 2003, Kedir & McKay, 2005).

[73.1% of poor chronically poor according to forecasting method – the 30-40% range for the country seems low given that the figure is so high for urban areas, even if the panel was only four rather than five years.]

US\$1/day figure – no date

CPR2: Ethiopia Rural Household Survey 1994-2004; 1,187 households (Dercon *et al.* 2006, CPR2 background work).

[46.2% of poor chronically poor according to forecasting method – because the CPR1 figure seemed low, and that we had to increase the new estimate to take into account the long 10-year panel, as well as down slightly for being only rural, we've decided on a 45-55% range.]

US\$1/day figure – 1999-2000

### j. Kenya

CPR2: Tegemeo Agricultural Monitoring and Policy Analysis Project 1997, 2000, 2004; 1,500 rural households – doesn't include northern arid region with high population of nomads (Muyanga *et al.* 2007).

[67.3% of poor chronically poor according to forecasting method for 1997-2000 period; 64.9% of poor chronically poor according to forecasting method for 2000-2004 period. It has been noted by CPRC partners that these figures seem high, but we are including them due to a lack of alternative data.]

US\$1/day figure – 1997



**k. Nigeria**

CPR1: CPRC estimate  
US\$/day figure – 1997  
CPR2: As above  
US\$/day figure – 2003

**l. Uganda**

CPR1: IHS/UNHS 1992, 1999; 1,105 households (Lawson *et al.* 2003).  
[38.9% of poor chronically poor according to forecasting method. The 20-30% range for the country seems low given that this was a 7-year national panel that should have been increased. However, without any further evidence from new panel data, we've kept the same range.]  
US\$/day figure – 1996  
CPR2: As above  
US\$/day figure – 1996

**m. Brazil**

CPR1: CPRC estimate  
US\$/day figure – 1998  
CPR2: As above  
US\$/day figure – 2003

**n. Chile**

CPR2: 1968, 1986; 200 rural households (Scott, 2000).  
[69.9% of poor chronically poor according to forecasting method. This is a small, long, but only two wave, rural panel. Contributes to the regional estimate of 30-40%]  
US\$/day figure – 2000

**o. Nicaragua**

CPR2: Living Standards Measurement Survey (LSMS) 1998, 2000; 2,800 households (Davis and Stampini, 2003).  
[67.5% of poor chronically poor according to forecasting method. Contributes to the regional estimate of 30-40%]  
US\$/day figure – 2001

**p. Russia**

CPR1: Russian Longitudinal Monitoring Survey (RLMS) waves 5 to 7 (1994-96); 2,887 households (Lokshin and Popkin, 1999).  
[No disaggregated transitory poverty data, so impossible to provide proportion of poor chronically poor according to forecasting method. Transition matrix shows 6.9% of population chronically poor.]  
US\$/day figure – 2000  
CPR2: RLMS waves 5 to 9 (1994-2000); 2,145 households (Spryskov, 2003).  
[Again, transitory poverty data not disaggregated into exits and entries (uses components approach). Chronic poverty figure (permanent household expenditure level lower than permanent poverty line, and poor in more than two rounds) is 11.8% – higher than the 6.9% for the earlier waves. Note that poverty dynamics findings on using the latest rounds up to 2004 have yet to be published.]  
US\$/day figure – 2002

**q. Egypt**

CPR1: Egypt Integrated Household Survey (EIHS) 1997, 1999; 347 households (Haddad and Ahmed, 2003).  
[75.1% of poor chronically poor according to forecasting method.]  
US\$/day figure – 1995  
Note: Unclear whether this data was considered in CPR1. It is a small, short and only partially representative panel. See note on MENA region above for further details.  
CPR2: As above  
US\$/day figure – 1999-2000



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