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Prowse, Martin

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LUND UNIVERSITY

PO Box 117
221 00 Lund
+46 46-222 00 00



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Special Debate Section

The Chronic Poverty Report 2008–2009

Martin Prowse

Rural Policy and Governance Group, Overseas Development Institute

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Much development policy currently focuses on achieving the Millennium Development Goals (MDG), in particular achieving target one: halving extreme poverty and hunger by 2015. But MDG1 has always begged the question: what about the other half? Achieving MDG1 would still leave at least 800 million people living in absolute poverty (using \$1-a-day figures), many of whom would be chronically poor.¹ For example, current estimates suggest that between 320 and 443 million people were chronically poor during the first years of this millennium (CPRC, 2008).

The Chronic Poverty Research Centre (CPRC) aims to highlight the plight of those left behind by development policy: those in persistent poverty, at the margins of societies, and who are likely to remain poor after 2015. Chronic poverty is thus defined by its extended duration. It describes extreme poverty that lasts for ‘a long time’: a number of years, a lifetime or across generations. And chronic poverty is more than just long-term income poverty: it is about multidimensional deprivation – hunger, poor nutrition, illiteracy, unsafe drinking water, as well as discrimination and exclusion.

The *Chronic Poverty Report 2008–2009: Escaping Poverty Traps* is a key policy engagement tool for the CPRC. The report aims to bring the chronically poor to the attention of national-level policymakers in developing countries, staff in nongovernmental and civil society organizations as well as individuals within donor agencies. As befits a report that aims to influence development policy, the report argues that the main modalities of global poverty reduction – poverty reduction strategies and the MDGs – should be modified. It argues that a third generation of Poverty Reduction Strategy Papers (PRSPs) needs to become embedded in national societies and politics, and complement nationally driven political projects. Most importantly, the report argues that the MDGs need to be altered, for example, by including a goal of access to basic social protection for all poor and vulnerable people by 2020.

As illustrated by this emphasis on social protection, the report extends the findings of the Chronic Poverty Report 2004–2005. This first report introduced chronic poverty and provided some initial responses to key questions: Who are the chronically poor? Where do they live? And why does poverty persist? The current report expands these findings through suggesting an integrated set of policy responses to tackle the main causes of persistent poverty: namely, five poverty traps. Before outlining these traps, the proposed policy responses and the report’s key contributions, this article first summarizes three reasons why tackling chronic poverty immediately is so important.

First, persistent poverty reduces the likelihood that individuals and households will be able to leave poverty in the future (Barrett *et al*, 2006; Bowles *et al*, 2006). This means

that, if left, chronic poverty will become more entrenched and more costly to tackle. The report argues that poverty traps enmesh individuals in vicious cycles of material deprivation and a lack of investment in human capital where short-term needs override long-term strategies.

Second, a ‘demographic window of opportunity’ is currently opening in many low-income regions (World Bank, 2006). Dependency ratios are starting to fall, thus freeing more resources to invest in human capital (although this is a one-off window, as dependency ratios will rise again in coming decades as the cohort of older people grows).

And third, global justice and fairness. The report argues that there are few reasons for us to accept arrangements that offer no guarantee of a basic quality of life for those at the bottom of global society. All people have a right to a minimum standard of living based on the wealth that humanity has generated. Exclusion on the grounds of being the hardest and costliest to reach is not just. In this sense, prioritizing the chronically poor is a natural extension of the momentum the MDGs have generated.

So, what are the five poverty traps? And what are the possible policy responses that could counter these traps?

The first trap is *insecurity and poor health*. The chronically poor frequently live in insecure environments: conflict and violence are sources of insecurity, as are economic crises, natural hazards and sickness. Chronically poor households, with few assets and entitlements, have little capacity to cope with such shocks, in particular health shocks (see Moser, 1998; Jalan and Ravallion, 2005; Krishna, 2007). Moreover, faced with high levels of vulnerability and insecurity, households may adopt strategies to minimize the impact of vulnerability on their living standards in the short run, but which may keep them poor in the long run. ‘Rational’ responses to vulnerability adopted by poor households can create poverty traps from which it may be hard to escape (for example see Morduch, 1995; Wood, 2003; Schubert, 2005).

The second trap is *limited citizenship*. The report argues that the chronically poor do not have a meaningful political voice. They lack effective representation and power. In this sense, they are not full citizens: they do not have a substantial stake in society.

The third trap is *spatial disadvantage*. In short, geography matters. Remoteness and weak integration can create spatial poverty traps (see Sahn and Stifel, 2003; Kanbur and Venables, 2005). Importantly, such traps include much more than ‘lagging regions’ within a country. They include entire countries (discussed shortly) and urban slum areas, which contain desperate living conditions.

The fourth trap is *social discrimination*. The chronically poor often suffer from negative social relationships that trap them in exploitative arrangements or deny them access to public goods and services. Such relationships are often based on class and caste systems, gender, religious identity, ethnicity or other social characteristics. Many of the chronically poor are bound into negative social relationships that, while being protective against destitution, deny them choice and limit their ability to escape poverty.

The fifth trap is *poor work opportunities*. Where there is limited or no economic growth, work opportunities are usually limited. Where growth is stuck in an enclave, work opportunities are inaccessible. And where there is broad growth, the employment generated may be exploitative, with unhealthy working conditions.² Although allowing day-to-day existence, poor work opportunities and unsustainable livelihoods do not permit savings or significant asset accumulation, and often increase health shocks (for example, see Begum and Sen, 2004).

The report argues that these five traps contribute to the persistent nature of chronic poverty. It suggests five policy areas that national-level policymakers, practitioners and development partners could use to counter these traps. These five policy proposals do not map neatly onto the five poverty traps. Instead they broadly address the poverty traps they are closest to, as shown in Figure 1.

Two responses are core policies – *social protection* and *public services for the hard-to-reach*. Of these, we prioritize social protection, in particular state-provided social assistance. By this we mean direct government-provided transfers, in cash or in kind. Not only does such social assistance provide security for the poorest (allowing them to avoid exploitative short-term financial or employment opportunities), but the report argues that social assistance can also help to instigate wider changes (see Chapter 3): it can increase the agency, entitlement and voice of the poor and can stimulate demand for key public services. Moreover, the report also suggests that social protection can, with the necessary contingent investments, help to stimulate growth.

Second, we focus on the provision of two public services that deserve much greater attention and expenditure. We argue that *reproductive health services* and *post-primary education* can help to break the transmission of poverty between generations and play an important role in gender empowerment.

Large family sizes and high dependency ratios are correlated with chronic poverty in some developing countries, particularly in South Asia (see Chapter 5). But the direction of causality is not clear because poor families often self-insure through a large family. Policy can play an important role here: basic health and sanitation measures can reduce child mortality, and social protection can further reduce the need to self-insure. Reproductive

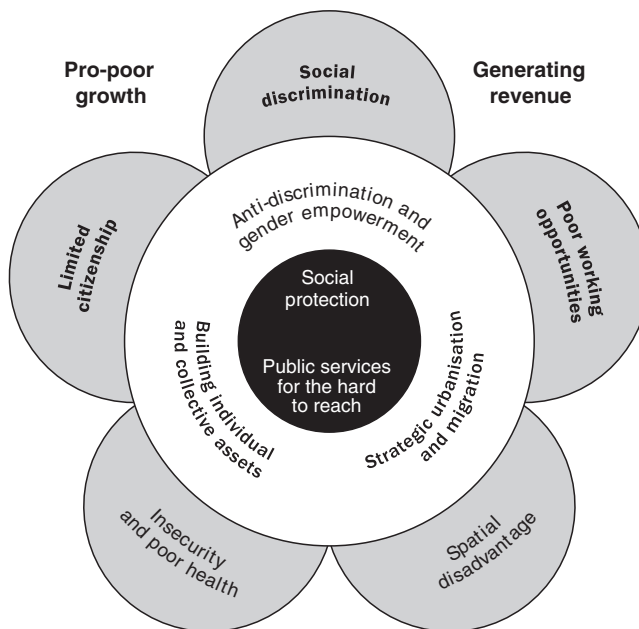


Figure 1: Poverty traps and policy responses.
 Source: CPRC (2008).

health services can play a complementary role, where demand for such services can be stimulated by nonmedical reproductive health agents (the Bangladesh model) and supported through women's education and employment in qualification-demanding sectors (the West Indies model).

Education plays a vital role in supporting gender empowerment and breaking the intergenerational transmission of poverty. However, leaving poverty is often linked to completing more than just primary school (ECLAC, 1997, cited in Carlson, 2001). Almost two decades on from Jomtien commitments to universal primary education, the report argues for a similar commitment to quality, accessible post-primary education for all. This would improve female empowerment, and in many situations girls' participation in secondary school would reduce fertility rates.³ Examples of the Midday Meals programme in Tamil Nadu (India) and Bangladesh's Female Secondary School Assistance Programme show how the public education system can ensure that female enrolment and attendance in secondary education equals that of boys.

The third policy is building *individual and collective assets*. 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, as well as in formal financial markets. Social protection has a strong role to play in protecting individual assets. Schemes can increase individual assets, indirectly through cash transfers or directly through asset transfers (one example is BRAC's Targeting the Ultra Poor programme).

The provision of collective assets, such as basic water and sanitation services, decent school buildings and health facilities, plays a vital role in forming and sustaining human capital. In addition, investments in economic infrastructure, such as roads, give households greater opportunities to gain from specialization in production (by opening larger markets to them), can help to 'thicken' local markets (improving the negotiating power of the poor) and improve food security in rural areas (by easing the timely transfer of grains from surplus to deficit regions).

The fourth policy area focuses on *antidiscrimination and gender empowerment*. Discrimination is often difficult to uproot. Elites can support their economic interests by defending it, and middle classes often reaffirm their status and self-worth through it. Moreover, the poor tend to internalize low status from an early age. To overcome such powerful social norms, public action must base itself on fundamental principles. The chronically poor need full legal and employment rights (one example of an anti-discrimination policy that successfully tackled poverty is Malaysia's New Economic Policy). But although the presence of such rights – such as formal equality before the law, the ability to seek legal redress and access to justice – on the statute books is important, they also need to be implemented and enforced. This is not straightforward, but progress can be made in a number of areas: supporting political representation by minority groups (and supporting their engagement in the formal political sphere); assisting social movements that make sure the state is accountable and promoting campaigns to tackle discriminatory attitudes and perceptions (role models can play an important role here).

The fifth and final policy area is *strategic urbanization and migration*. Many of the chronically poor do not access the benefits of urbanization and cannot seize the opportunities offered by migration. Strategic urban planning can maximize the benefits of urban growth for both urban and rural residents. In this respect, not only can urbanization provide opportunities for those who engage directly – urban residents, migrants and suppliers of goods and services – but it also has indirect ripple effects on wage rates and

prices in surrounding areas and through transport arteries. Urbanization can also provide escape routes from adverse relationships and generate powerful political forces (such as the creation of trade unions and social movements).

Importantly, the report argues that the five policy responses add up to more than the sum of each individual policy. Working together, the report argues that these policies can create and maintain a *social compact* based on justice and fairness.⁴

The report defines a social compact as 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.⁵

The report argues that 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, social protection, basic public services, infrastructure, antidiscrimination – 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.

However, not all social compacts are necessarily just. As the report shows, social compacts come in many different forms 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. The report suggests 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 through an efficient system of public finance that mobilizes domestic resources and allocates them to development and nation-building priorities.

Public finance determines whether a state can achieve risk reduction and foster a social compact with its citizens. In other words, without the fiscal institutions to generate revenue, and the effective delivery of better services and other tangible benefits, the promises of government are worthless. In this respect, the report argues that domestic resource mobilization that improves security and stability through investments in social protection, public services for the hard to reach (as well as the further three policy responses) can help to increase a government's credibility.

This is especially important in fragile states: new leaders need to get off to a good start, delivering on quick wins. Reducing people's risk, via law and order, services and infrastructure, is the way forward. The report argues that 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, we argue, is the true basis of citizenship.

As is clear in this discussion, the five policy areas, and the creation and maintenance of a social compact, are very much dependent on economic growth (as the tax base increases with greater national income and market activity and trade). But although the report says plenty about the fiscal link between growth and reducing chronic poverty (through

increasing the potential for pro-poor public spending), it is much more reticent about the extent to which the chronically poor can directly benefit from growth.

There are two direct channels through which growth can reduce chronic poverty. First, when 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). And second, when the chronically poor exchange their labour for wages, by working for smallholders, large farmers and manufacturers (both large and small).

Although the evidence in *Escaping Poverty Traps* on how the chronically poor relate to growth is fragmentary, it does suggest limited direct 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 (often locking them out of national growth processes and globalization'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. And although the healthy work hard, without much education their opportunities are limited. In many cases, work enables survival, but the work itself is demeaning and dangerous. Many chronically poor people depend on work that is insecure, low paid, unhealthy and unsafe and have little scope to improve their situation. In sum, in a growing economy the chronically poor may well fall behind the poor in general, and in the worst cases, their situation may deteriorate (for example, if they have insecure tenure they may lose their land to the more powerful as its commercial value rises with economic growth).

What is different about Escaping Poverty Traps?

There are five main ways in which the *Chronic Poverty Report 2008–2009* departs from more conventional poverty reports and contributes to the opaque interface between research and policy in development.

First, and in contrast to many poverty reports, the Chronic Poverty Report 2008–2009 tries to show the human face behind poverty statistics by weaving the life stories of seven chronically poor people into chapters of the report (see Prowse, 2008). These life stories demonstrate the varied causes of chronic poverty, and how policy interventions have, in some cases, helped to improve well-being. These vignettes demonstrate that chronic poverty is ultimately about harm to an individual and her or his family. And although such material is not representative, we suggest that life histories highlight key themes and processes that may be typical of individuals with similar sets of sociobiographical characteristics in similar circumstances.

Second, *Escaping Poverty Traps* is multidisciplinary. It utilizes the insights from the core social science disciplines that inform development studies – economics, politics and sociology – as well as from wider fields such as demography and geography. For example, the report includes chapters on economic growth and the chronically poor, discusses the politics of social protection schemes (discussed below) and focuses on the changes in demography and gender roles that are part and parcel of poverty reduction.

Third, the policy measures suggested in the report are tailored to country context. The report follows Anderson's (2007) use of cluster analysis to classify 131 non-OECD countries according to the level and change average welfare through time (using longitudinal data of at least 20 years).⁶ This shows evidence of four distinct country clusters: Chronically Deprived Countries, Partial Chronically Deprived Countries, Partial

Consistent Improvers and Consistent Improvers.⁷ Each policy chapter in the report – on social protection, on economic growth, on societal change, and on conflict and fragile states – tailors policy suggestions to this classification. Recognizing context in this fashion increases the consistency between policy proposals and how societies and economies function.

Fourth, the report is infused with the real politics of pro-poor reform. There are two strands here. On the one hand, the report focuses on the ability of social movements to hold the state and other actors to account, thus helping to reconfigure the relationship between the state and civil society (see Bebbington, 2006; Mitlin and Bebbington, 2006).⁸ Typically, such movements focus on the distribution of particular assets such as housing or on extractive industries or discrimination (one example is Nijera Kari with its emphasis on collective empowerment and emancipation of landless Bangladeshi labourers; another is the Mumbai Railway Slum Dwellers' Federation).⁹ Although the chronically poor's participation in social movements is limited, such movements can still play an important role in tackling chronic poverty. For example, they can help to renegotiate the ways in which poverty is framed in national discourses.

On the other hand, the report focuses on the politics of successful poverty-reduction policies (see Hickey *et al*, 2007). This comparative research highlighted how moments of political upheaval, electoral windows and support from Ministries of Finance and Planning can be vital factors in the creation of antipoverty interventions. This research also provided insights into how, once implemented, such policies can be supported. For example, how civil society organizations can sustain policies, how targeted programmes appear more politically expedient than universal schemes and how engaging in the battle of ideas in society on the causes of poverty is vital (as, after all, elites need to be persuaded that the poor face constraints that require public action).

The fifth and final main contribution of the *Chronic Poverty Report 2008–2009* regards the agency of the poor. Although the report says a great deal about policy, the need for policy change should not mask the fact that the chronically poor are the leading actors in overcoming their poverty. Very few poor people passively wait for assistance: most work very hard and actively strategize to maintain and improve their and their families' quality of life (often in circumstances they have not chosen). The core message of the report is that they need real commitment, matched by actions and resources, to support their efforts and overcome the traps that hold them in poverty.

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Notes

1. Moreover, most of the goals, including MDG1, could be met by addressing the needs of those who are closest to the poverty line (as most goals are measured against mean population figures).

2. See ILO's decent work agenda – <http://www.ilo.org/global/Themes/Decentwork/langen/index.htm>.
3. 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 among the poorest quintile.
4. 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.
5. Importantly, the report suggests that 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 mobilizing political support for national and international antipoverty initiatives.
6. The classification uses four welfare indicators – GDP per capita, child mortality, fertility and undernourishment. It is 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.
7. Chronically Deprived Countries (CDCs) are characterized by relatively low initial levels of welfare and by relatively slow rates of progress over time across all available indicators. Partially Chronically Deprived Countries (PCDCs) are characterized 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 characterized 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 characterized by relatively low initial levels of welfare, but faster rates of progress over time across all available indicators. A residual category, Others, are countries that are neither chronically deprived nor good performers in any of the four indicators.
8. Following Bebbington (2006) and Mitlin and Bebbington (2006), the report defines social movements as politicized 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. These are not necessarily organizations, but often uncoordinated forms of collective action, popular protest and networks, that link actors for social mobilization.
9. Recent research into the effects of social movement engagement with extractive industries indicates that although this may alter where exploitation takes place, many such protests fail to cohere or have an impact (Bebbington *et al*, 2008).

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