

The Chronic Poverty Report 2014-2015:

The road to zero
extreme poverty



Chronic Poverty
Advisory Network

Getting to Zero



Chronic Poverty Advisory Network

Getting to Zero

CPAN is a network of researchers, policy makers and practitioners across 15 developing countries (Bangladesh, Benin, Burkina Faso, Cambodia, Ghana, India, Kenya, Nepal, Niger, Pakistan, Philippines, Senegal, South Africa, Tanzania, Uganda, Viet Nam) focused on tackling chronic poverty and getting to zero extreme poverty and deprivation. It is looking to expand this network to the 30 countries with the largest numbers of poor people, and it is planning to launch a consultancy service to help countries 'get to zero'. It has a 'hub', which is currently hosted by the Overseas Development Institute in London.

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Front cover: Beneficiaries of *Bolsa Família*, Brazil. Photo: Ana Nascimento/MDS



Preface and Acknowledgements

Preface

With the debate on the post-2015 development framework in full swing, the third international *Chronic Poverty Report* addresses one key question: what needs to be done to get to (or close to) zero extreme poverty by 2030 – the new goal for global poverty reduction?

The report is the first produced by the Chronic Poverty Advisory Network (CPAN), the successor to the Chronic Poverty Research Centre (CPRC), which produced the first two *Chronic Poverty Reports*. Drawing on ten years of research by the CPRC and others, and on recent policy guides from CPAN, it presents new analysis of what it takes to sustain escapes from poverty; of countries that have succeeded in tackling chronic poverty; and new projections of poverty in 2030.

It presents a tripartite challenge to the world: to get close to zero extreme poverty countries need to tackle chronic poverty, stop impoverishment and ensure that those who manage to escape from poverty sustain their escapes (the poverty 'tripod'). It also raises the spectre that there may remain a billion people living in extreme poverty in 2030 unless existing policies are implemented robustly and new policies and political commitments are up and running by 2020.

The bulk of the report focuses on the policies needed to get to zero. While there are many such policies, any country could and should be able to generate a selection of the key policies that will work with the national grain, and the report offers a device – the impoverishment index – to help countries determine the priorities that will carry their citizens out of poverty.

Acknowledgements

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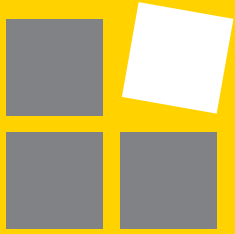
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Acronyms and abbreviations

ADLI	Agricultural-Development Led Industrialisation (Ethiopia)	UNESCO	United Nations Educational, Scientific and Cultural Organization
BRAC	formerly Bangladesh Rural Advancement Committee (now known by acronym)	UNFPA	United Nations Population Fund
CPAN	Chronic Poverty Advisory Network	UNESCO	United Nations Educational, Scientific and Cultural Organization
CPRC	Chronic Poverty Research Centre	UNFPA	United Nations Population Fund
DAC	Development Assistance Committee	UNICEF	United Nations Children's Fund
DHS	Demographic and Health Surveys	UPE	Universal Primary Education
DRC	Democratic Republic of Congo	USAID	United States Agency for International Development
DRM	Disaster-risk management	WHO	World Health Organization
EPRDF	Ethiopian People's Revolutionary Democratic Front		
FDI	Foreign Direct Investment		
GDP	Gross Domestic Product		
IFES	International Foundation for Electoral Systems		
IFs	International Futures		
IMF	International Monetary Fund		
LIC	Low-income country		
LMIC	Lower middle-income country		
MDGs	Millennium Development Goals		
MFI	Microfinance institution		
MHI	Multi Hazard Index		
MIC	Middle-income country		
MNE	Multinational enterprises		
MPI	Multidimensional Poverty Index		
ODA	Official development assistance		
ODI	Overseas Development Institute		
OECD	Organisation for Economic Co-operation and Development		
PPP	Purchasing power parity		
PVI	Poverty Vulnerability Index		
PSNP	Productive Safety Nets Programme (Ethiopia)		
PWD	Persons with disabilities		
PWLD	Persons with learning disabilities		
PWP	Public works programme		
ROSCAs	Rotating savings and credit associations		
RRR	Relief, reconstruction and recovery		
SHI	Social health insurance		
SMEs	Small and medium enterprises		
UHC	Universal Health Care		
UMIC	Upper middle-income country		
UN	United Nations		
UNCRPD	UN's 2006 Convention on the Rights of Persons with Disabilities		
UNEP	United Nations Environment Programme		



Executive Summary



Women working at a construction site, Dacope, khulna, Bangladesh. Photo: UN Women/Saikat Mojumder

The world is on the cusp of agreeing new global goals to succeed the Millennium Development Goals (MDGs) as we approach the 2015 deadline for their achievement. While the MDGs have certainly fuelled progress on poverty reduction over the past decade, the 3rd Chronic Poverty Report shines a light on the millions of people worldwide who are thought to be living in chronic poverty – the grinding and long-term poverty that scars their lives, and often the lives of their children. It proposes a new framing for a post-2015 goal to eradicate extreme poverty, focused on improving poverty dynamics – tackling chronic poverty, stopping impoverishment and supporting

sustained escapes from poverty. And, in the context of climate change, it makes the case for a new urgency in eradicating poverty before environmental conditions become much more difficult in many parts of the developing world.

There has been much talk in the post-2015 discussions about ‘getting to zero’ by 2030: eradicating extreme poverty for the first time in human history. The MDGs have been part of an unprecedented global effort to halve the number of people living in such poverty, but this report argues that ‘more of the same’ will not get us to zero. The report demonstrates that a sharper focus is needed on the inequalities that confront those living in chronic poverty – often those from the most marginalised sections of society. It argues for policies to address the social, economic and cultural forces that block their escape from poverty, and that pull them back

into poverty even if they manage to escape its clutches for a while. Indeed, the report's most pessimistic projection is that up to a billion people could still be extremely poor in 2030.

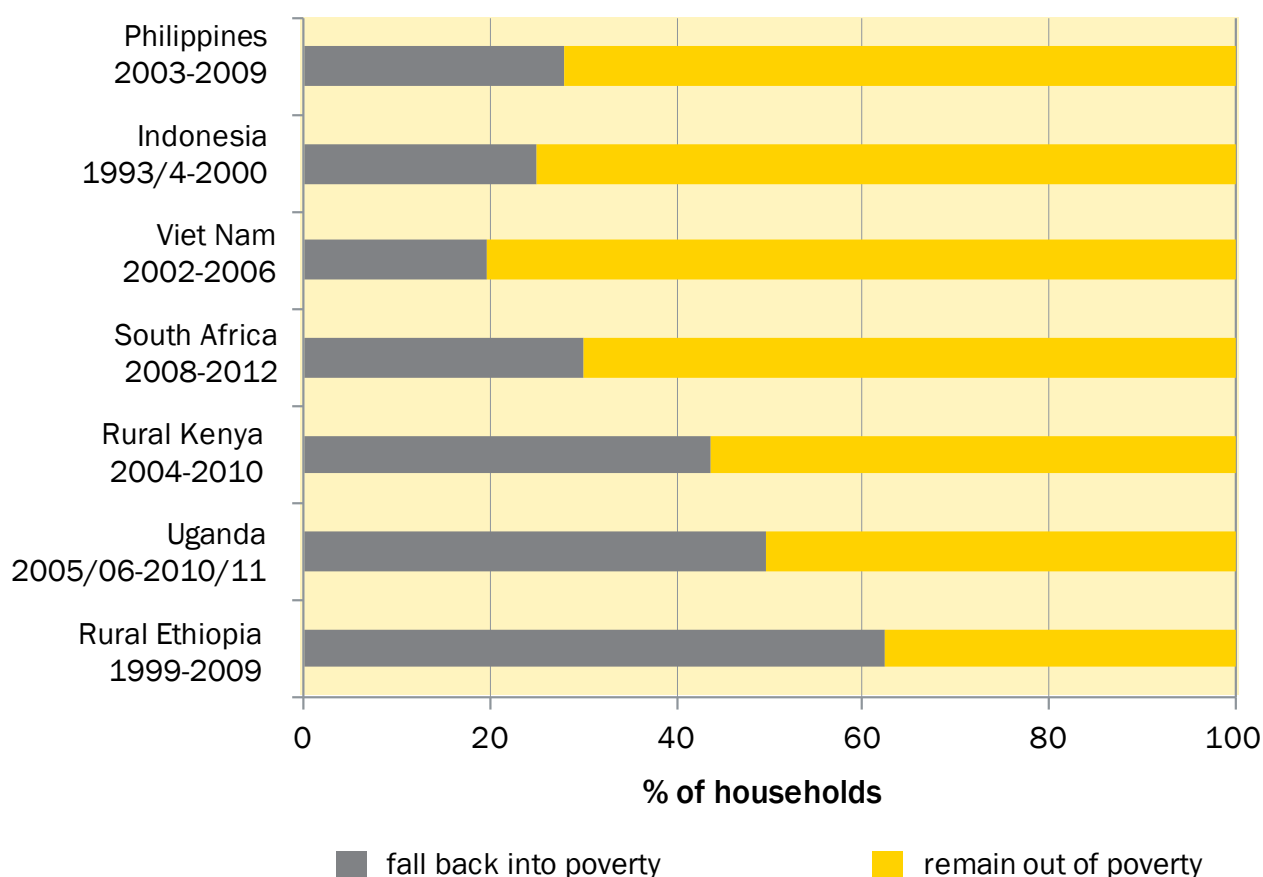
The road out of poverty is rarely a smooth, one-way street. Many people rise above the poverty line only to tumble back beneath it. Millions of vulnerable people return to extreme poverty, or become poor for the first time, when they are hit by a combination or sequence of shocks, such as a serious drought, a costly illness, and insecurity or conflict in their community.

The household-panel surveys that inform this report capture the precarious nature of many poverty escapes by tracking households over a number of years to see whether they have moved up, remained static or fallen back. In rural Kenya and in South Africa, surveys over varied periods of time have found that 30% to 40% of those who manage to escape from poverty fall back, rising to 60% during one recent period in rural Ethiopia (Figure 1). Even in successful Southeast Asian economies, such as Indonesia and Viet Nam, the figure has been around 20%. While we lack the global data needed to determine with accuracy how many people make the return trip out of and back into poverty, the panel data suggests the sheer scale of the problem.

Panel data can, therefore, paint a very different and more complex and volatile picture than the conventional picture of gradual reductions in poverty, particularly in countries where poverty is known to have reduced substantially over time. This more complex and volatile picture is confirmed by the life histories that pepper this report. This difference is because the panel surveys capture the fortunes of particular households at different points in time, and these can vary depending on events and processes affecting those households as well as the changing context around them. This picture is more fine grained and detailed, but over the longer term should not contradict the trends established by regular household surveys, which remain essential to track progress.

Over the shorter term, the panel data may present a more or less optimistic or pessimistic picture than the regular surveys, and the more complex pictures they present are of great use to governments as they assess the impact of their policies. For example, the report develops an impoverishment index from panel data, which governments can use to allocate resources among different poverty reduction policies. Table 1 shows the policies that could be most relevant to the situations revealed by panel data.

Figure 1: What happens to people who escape extreme poverty¹



Box 1: Definitions of poverty concepts used in the report

- Extreme poverty = \$1.25 per person per day (or below national poverty lines in some cases). This basic statistical measure is based on consumption or expenditure as recorded by household surveys.
- Severe poverty = \$0.70 per person per day, based on the average consumption of the poor in sub-Saharan Africa (or in some cases consumption below national food or severe poverty lines).
- Chronic poverty = extreme poverty that persists over years or a lifetime, and that is often transmitted intergenerationally.
- Impoverishment = descent into extreme poverty.
- Sustained escapes from extreme poverty = staying out of poverty and progressing towards a higher threshold (such as \$2 per person per day).
- Panel household survey = a survey that tracks the same households over several years, enabling the tracking of movements in and out of poverty.
- Multidimensional deprivation/poverty = the Oxford Poverty and Human Development Initiative defines this as being 'deprived in 3 of 10 assets and capabilities'; and severe deprivation as being deprived in half of these indicators.
- Political settlement = the relationship between power and institutions in a country. It refers to the way in which organisational and political power is organised, maintained and exercised, as well as to how the state relates to its citizens.

Supporting permanent escapes from chronic poverty requires far more investment in the education, employment and self-employment opportunities and in the associated infrastructure that allow people to improve their living standards while building their resilience to cope with setbacks and the consequences of climate change. This includes, for example, disaster-risk management, universal health provision and social protection. Such investment could create a virtuous circle of poverty reduction, national economic growth and expanded individual opportunity. Above all, it could reduce the inequalities that act as a brake on human progress.

Navigating the road to zero: three key policy objectives

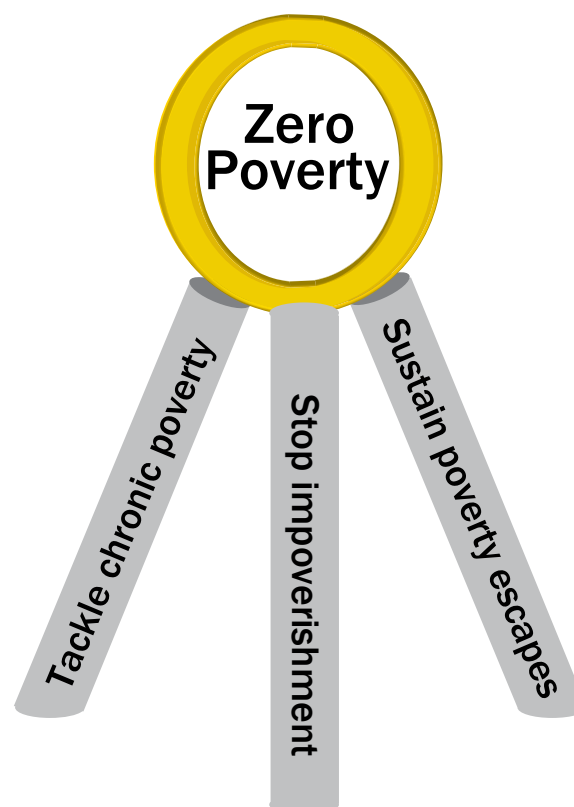
The road to zero poverty will be long and hard, but it can be navigated if, first and foremost, there is a shift in the way we think about poverty. The chronically poor – those who are poor for many years, or for their entire lives, and who often pass their poverty down to their children – need to be at the centre of poverty eradication policies, and there needs to be far more emphasis on stopping impoverishment: the descent into extreme poverty.

Until now, the focus has been on helping people to escape from poverty, but for those living in chronic poverty, who often face multiple disadvantages, any escape is likely to be short-lived. The poorest people often lack the skills, education or assets (such as land) to keep their heads permanently above the poverty line and are very likely to fall back into poverty if they are hit by shocks such as illness, unemployment, old age, a disability, extreme climate events, or conflict. Progress on poverty reduction to date, while impressive, has had less of an impact on these people than on those who were already closer to the poverty line, or those who were only temporarily poor.

Put simply, it will not be possible to 'get to zero' unless development policies put those living in chronic poverty front and centre.

This report breaks new ground by arguing that if we are to get close to zero extreme poverty, policies must be aimed for three separate but interdependent objectives – the zero poverty 'tripod' (Figure 2).

Figure 2: The zero poverty tripod



- Tackle chronic poverty
- Stop impoverishment
- Sustain poverty escapes

There are three policies that address all three legs of this tripod. All three are needed if the eradication of extreme poverty is to be sustained, and all three require massive global investment.

- **Social assistance** brings the poorest people closer to a decent standard of living, provides a safety net for them in tough times, and encourages them to make the investments and take the risks that could propel them out of poverty, and keep them out of poverty. One prime example of social assistance that has been taken to scale is Ethiopia's Productive Safety Net Programme, which has enabled thousands of vulnerable households to withstand drought without having to cut back on education spending.
- **Massive investment in education**, which enables escapes from poverty and sustains the climb away from it, also has the advantage of being a 'portable asset' that is resilient to crises.
- **Pro-poorest economic growth** ensures that the benefits of increasing national prosperity reach the very poorest people – one example can be seen in South Africa's extension of the minimum wage to groups such as domestic workers.

These three policies apply everywhere, and in every context. However, they do need to be part of policy packages that will, inevitably and quite rightly, vary from one context to the next. It is the context that defines the priorities, sequences and combinations of policies required. For example, in situations where the households sinking into poverty outnumber those escaping from it, policies should prioritise stopping impoverishment before it happens, as well as investing in poverty escapes.

To **tackle chronic poverty**, a government needs to build a solid foundation: an inclusive national development plan. Such a plan makes sure that the poorest children receive a good-quality basic education, including pre-schooling. It tackles the poor working conditions, lack of security and low wages that are commonplace in the informal sector and that hold people in poverty. It ensures that agricultural value chains generate reasonable returns for smallholder farm households. And social assistance programmes, such as targeted cash transfers or employment guarantees, which are relevant for poverty reduction in every context, are integrated into anti-poverty programmes, as has happened, to good effect, in Brazil.

In addition to building this foundation, governments need to work with civil society to make sure that the poorest people are represented politically and are included in the economy, politics and culture of their country on good terms. This often means challenging and perhaps sweeping away

aspects of the status quo and represents the most marked departure from 'business as usual'.

The anti-discrimination policies that need to be implemented often require institutional innovation and change, as well as careful monitoring to ensure that women, persons with disabilities, older people and disadvantaged ethnic, religious or caste groups are included in politics, economy and culture on equitable terms. Social norms that guide people's behaviour also need to change, requiring a raft of top-down and bottom-up initiatives on, for example, what is expected of adolescent girls and boys. Policies that ensure women have good access to resources – land, other property, finance, cash transfers – will help to tackle chronic poverty as well as prevent impoverishment, but will need to confront centuries-old and hard-wired gender discrimination. As things stand, the poorest women are being left behind as other groups climb out of poverty, and their empowerment is crucial to tackle chronic poverty, stop impoverishment and sustain poverty escapes.

To **stop impoverishment** all countries must aim for universal health coverage, as ill-health can push people into poverty and hold them there. Countries at all income levels can take action here, as shown not only in Thailand, where universal health provision is affordable and improves average health outcomes while narrowing equity gaps, but also in much poorer Burundi, where steps have been taken to make some critical services free at the point of delivery. Insurance also helps to protect vulnerable people against major risks such as extreme weather or the loss of their meagre assets: as seen in India's livestock insurance programmes, which are linked to dairy development schemes. In places where people are particularly vulnerable to shocks and stresses, savings and insurance are better at preventing impoverishment than micro-credit schemes, which can, if not well-designed, contribute to debt-driven impoverishment.

Conflict and environmental disasters are key triggers in driving people below the poverty line and only by addressing these major risks will it be possible to prevent impoverishment. It is essential that governments work to reduce the risk of violent conflict and to establish sustainable and inclusive peace settlements in places where conflict is present to prevent poverty and marginalisation fuelling its resurgence. Improved disaster-risk management is essential in countries and sub-national regions where poverty and vulnerability are concentrated, and where the growing impacts of climate change are felt most keenly.

Massive investment is needed in the assets that **sustain poverty escapes** and that propel people so far above the poverty line that they are unlikely to fall back. Chief among these is post-primary education, which must be of good quality and give pupils the skills they need for employment. Governments should work with the private sector to ensure that these skills actually match the needs of the jobs market.

Land is an important asset for sustained poverty escapes and land-tenure policy reforms are needed to protect the poorest people from the loss of their land and to help them gain access to more land over time. This is the basis for pro-smallholder agricultural systems that are so essential for sustained escapes from rural poverty.

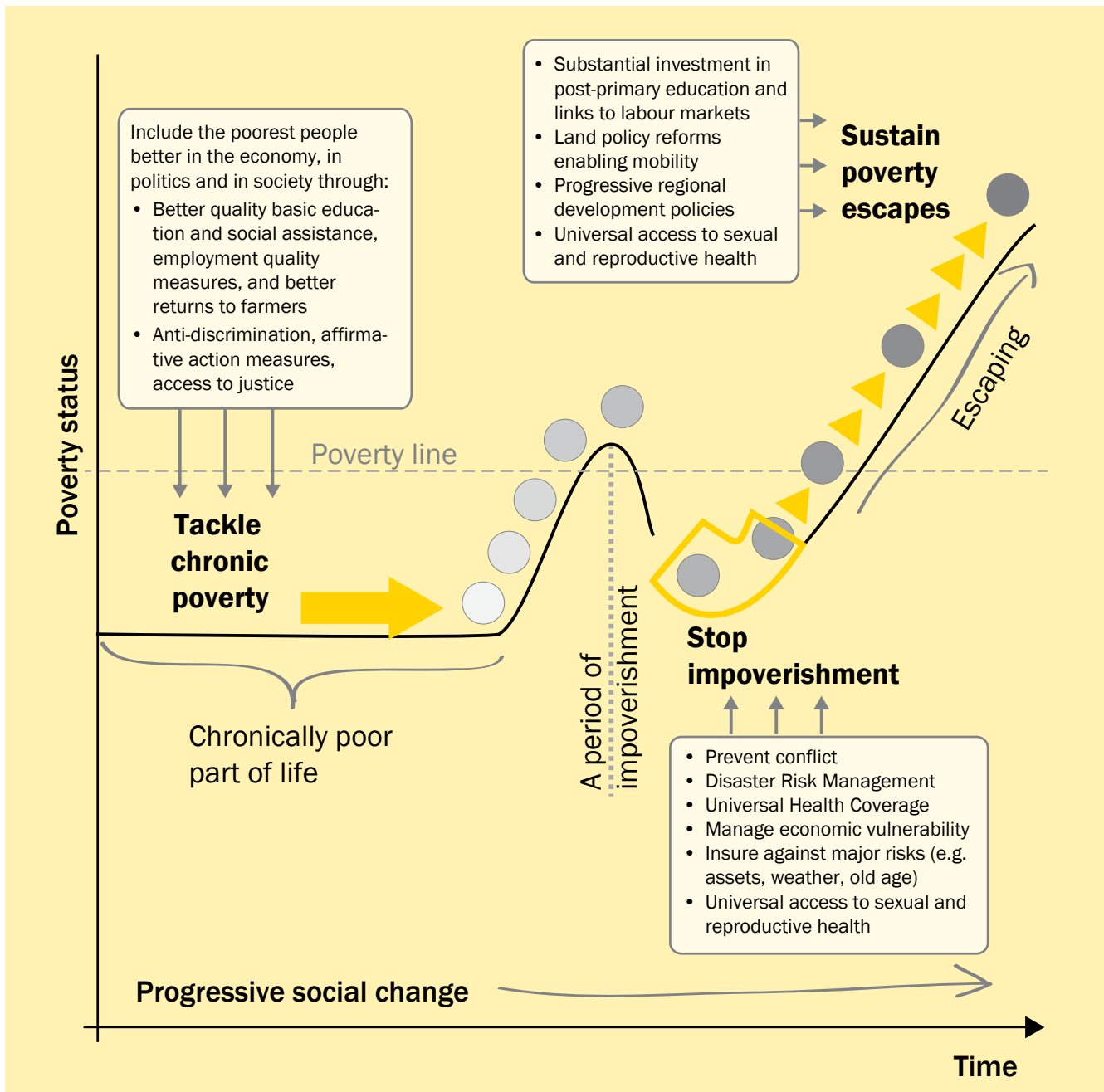
Having assets such as education and land helps to build poor people’s resilience to shocks. This reduces the power of such shocks to plunge them back into poverty, and allows them to diversify into the non-farm economy as a safeguard against, for example, crop failures. The build-up of assets at the local level needs to be matched by progressive regional and

local economic development policies to extend the benefits of economically dynamic regions or cities outwards to poorer areas through improved infrastructure and institutions.

It is clear, therefore, that getting to zero requires root-and-branch transformative social change that tackles the overlapping and debilitating inequalities faced by the poorest people – in gender, in access to land, in education and in labour markets – and that result in injustices that perpetuate poverty and powerlessness.

Where such transformative social change is not on the agenda there are still things that can be done to help the chronically poor, such as modest social transfers. Where these

Figure 3: Policies to tackle chronic poverty, stop impoverishment and sustain escapes from poverty



can be combined with improved access to decent quality health and education services and a pattern of economic growth that provides a growing number of decent wage and self-employment opportunities, the scope for getting to zero is greatly enhanced.

The financial resources required for such a transformative agenda are, however, far above current levels of spending in many developing countries. Here, more than half a billion people live in the 44 countries whose governments spend less than \$500 on each of their citizens per year (and that includes foreign aid). Projections indicate that spending levels may not increase by 2030 in at least 15 of these countries, suggesting a strong and continued need for development assistance.

This report stresses that there is no single, universal solution to eradicate extreme poverty and that the policy agenda it sets out must be tailored to specific country contexts. Likewise, there is no single group of actors that is responsible for eradicating extreme poverty. The challenge is to shift from a business-as-usual mindset to recognition of chronic poverty as everybody's business. Governments, civil society, the private sector and development financiers need to collaborate to ensure that the right policies are found and implemented in each country or sub-national region that is stricken by poverty.

Getting to zero extreme poverty by 2030 will not be easy, and this report sets out very clearly the challenges that may make that target beyond our reach. But by focusing post-2015 poverty eradication efforts and policies on three clear objectives: tackling chronic poverty, stopping impoverishment and sustaining poverty escapes, this historic achievement is within humanity's grasp. The post-2015 development framework should set the roadmap, emphasising the universal pre-conditions for arriving at the destination, while leaving countries space to define their own best possible route.

Key policy messages

- To reach zero extreme poverty, post-2015 poverty eradication policies must not be centred on poverty escapes alone. They must focus on all three of the following objectives: tackling chronic poverty, stopping impoverishment, and sustaining people's escapes from poverty. This is a new approach to the development of national plans and policies.
- The main actors driving progress towards zero poverty must be national governments, ideally in partnership with the private sector and civil society. Transformative social change is needed alongside social assistance systems, pro-poorest growth, human development for the hard-to-reach, and good enough governance and politics. As well as driving progress towards zero extreme poverty, such transformative change will, inevitably, reduce inequality.

Setting priorities

- The main public policies needed are shown in Figure 3. With the exception of the universal need for major investment in, and support for, social assistance, education, and pro-poorest economic growth, the policies needed for each trajectory are quite different. The priorities (and the sequencing of the solutions) will be determined in each country context and depend, in part, on the need to balance the urgency of chronic poverty, impoverishment and sustaining escapes from poverty.
- The gains made by families who pull themselves out of poverty can be wiped out by sudden shocks and predictable stresses, such as old age, dowry payments, or the birth of a child, which can drag them back into poverty. Governments rarely prioritise the prevention of impoverishment, preferring more positive agendas, such as achieving sustained economic growth. Given the increased frequency of extreme climate events, and the continued economic vulnerability of many least-developed countries, this neglect must be reversed in the 21st century, with its growing threats of climate and economic volatility. Such a reverse will require a sharper focus on the health of the population: something that even the most successful countries have often left until late in the development process.
- Poverty eradication strategies should lay out what they will do to improve these poverty dynamics. Countries without poverty eradication strategies need to focus on achieving the eradication of poverty through national development plans and annual development budgets.

Regional priorities

- In sub-Saharan Africa, the development of social assistance (cash transfer) systems is the major policy challenge for the next five years. Countries that have not developed these by 2020 will have very little chance of getting close to zero poverty by 2030. It is no accident that Ethiopia, with its Productive Safety Nets Programme, is among the countries seen as making progress.
- In South Asia, constitutional and legislative instruments to strengthen citizens' rights are a necessary complement to economic growth patterns that currently exclude the chronically poor. In India, for example, the Mahatma Gandhi National Rural Employment Guarantee has set in motion a new process of pro-poor growth by pushing up rural and then urban real wages.

How to get there

- If we are to get to zero poverty, the quality of policy delivery needs improvement in many contexts, so that both poverty outreach and the quality of service are maximised.

Table 1: Policy priorities, based on ratio between descents into poverty to escapes from poverty

	Impoverishment index: low	Impoverishment index: high
High poverty incidence (>50%)	<ul style="list-style-type: none"> Promote labour-intensive sectors/industries Infrastructure investments, particularly rural roads Improve education quality Increase access to sexual and reproductive health care 	<ul style="list-style-type: none"> Social protection targeted to the poorest Improve access to primary health care Legal reforms to tackle impoverishing social norms Disaster-risk reduction Changes to the political settlement to make conflict unlikely
Medium poverty incidence (20%-50%)	<ul style="list-style-type: none"> Develop, monitor and enforce labour legislation Promotion of value-chain interventions to include the poorest Substantial investments in post-primary education linked to the labour market Affirmative action to include the poorest in society 	<ul style="list-style-type: none"> Development of social protection systems Land policy reforms Insurance against major risks (e.g. weather, asset loss) Develop savings instruments for the poorest Disaster-risk reduction Changes to the political settlement to make conflict unlikely
Low poverty incidence (<20%)	<ul style="list-style-type: none"> Infrastructure to promote value-added activities (processing) Progressive regional development policies Life-cycle approach to education investments Achieve universal access to sexual and reproductive health care 	<ul style="list-style-type: none"> Social insurance Universal health care including targeted interventions for the poorest Improve fiscal space to respond to global crises Disaster-risk reduction

- Stronger domestic tax revenues will be needed, given that 540 million people live in multidimensional poverty in 44 countries where their government spends less than \$500 per year on each citizen.
- Aid will also continue to be extremely important in low-income countries, but few donors have displayed real interest in tackling chronic poverty.
- All of this requires an end to 'business as usual'. It means changes to policies, institutions and political bargains between elites, the middle classes and the poor, as well as changes in attitudes, and change at the international level. The report identifies political and governance factors that can help to sustain these changes, including credible commitments by political leaders and parties, strengthening of oversight systems, the coherence of policies, and boosting capacity for local problem-solving and collective action.

The implementation of such an agenda would be helped by a new framing for a post-2015 goal to eradicate extreme poverty, with targets to tackle chronic poverty, stop impoverishment and support sustained escapes from poverty. All three are necessary if we are to have any chance of 'getting to zero'. Table 2 provides suggested indicators for these targets, which need to cover: changes in (i) poverty dynamics; (ii) critical inequalities; and (iii) access to key opportunities and services. Indicators for these targets should reflect the changing dynamics of poverty, inequalities, and access to

opportunities. They should be expressed in terms of numbers as well as proportions.

This set of indicators demands new data, including national panel data (especially indicators 1.1 to 1.3, and, 1.5, 2.1 to 2.3, and 3.1, 3.2, and 3.4). This will require significant investment in not only data collection, but also in the capacities to analyse panel data and to disaggregate data by gender, age and intersecting disadvantages. Associated qualitative research/data collection and analysis will promote

Box 2: New analysis in this report

This report presents new analysis of:

- the balance of impoverishment versus escapes from poverty
- the critical correlates and causes of sustained escapes from extreme poverty, and of the thresholds beyond which a fall back into poverty is unlikely
- the relative progress towards zero extreme poverty across low-income countries and middle-income countries and the policies and politics behind the successes.

It also presents a new projection of extreme poverty and critical human development outcomes to 2030, proposes a new understanding of how to get to zero extreme poverty, and suggests a new framing for a poverty eradication goal.

greater understanding of the causes of what is observed, to inform policy.

Clearly, a wide range of policies are needed to get to zero. How can governments and other stakeholders determine the priorities? The impoverishment index, which is the ratio of descents into poverty to escapes from poverty, offers the basis for a method that takes account of poverty

dynamics. Table 1 indicates the policies that are likely to be of greatest relevance where the impoverishment index is either high or low, in countries with low, medium or high incidence of poverty. Of course, politics will ultimately determine the priorities: such a device can only be an aid to public discussion and debate.

Figure 4: A dynamic post-2015 goal to eradicate extreme poverty

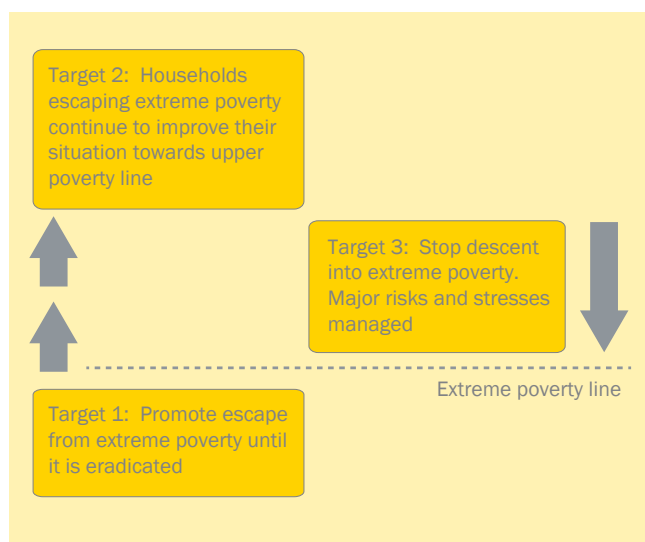


Table 2: Illustrative indicators for a dynamic post-2015 goal to eradicate extreme poverty

Target	Indicators
1	1.1. % and numbers crossing the extreme poverty line. 1.2. % and numbers of chronically poor. 1.3. % and numbers of severe poor crossing the extreme poverty line. 1.4. % of national income going to bottom 5%, 10%, 20%. 1.5. % of the poor children, women, older women and men, and poor persons with disabilities in excluded groups and regions crossing the extreme poverty line. 1.6. % of the poor adequately covered by social assistance to close the poverty gap. 1.7. % of the poor effectively included by value chain standards and/or labour standards. ² 1.8. % of poorest children, women, older women and men, and persons with disabilities covered by the above. 1.9. Implementation of anti-discrimination and affirmative action measures. 1.10. Years of (quality) education acquired by the poorest children.
2	2.1. % and numbers who have crossed the extreme poverty line who reach an upper poverty line (e.g. \$2 a day) and a country-specific resilience threshold (e.g. \$y a day/x years of education). 2.2. Extent to which target is met by excluded groups and regions. 2.3. % of the women in excluded groups and regions crossing the extreme poverty line and reaching upper poverty line. 2.4. Years of post-primary education achieved by the poorest children. 2.5. The poorest educated children's access to (decent) jobs.
3	3.1. % and numbers becoming poor. 3.2. Asset depletion due to conflict, natural disasters or ill-health. 3.3. Number of forced displacements. 3.4. Reported impoverishment due to conflict, natural disasters or ill-health. 3.5. Coverage of the poorest households by universal health care, disaster risk management. 3.6. % of poorest children, women, older women and men, and disabled people malnourished.

Box 3: The structure of this report

This report is divided into two parts: Part A, which examines improving poverty dynamics; and Part B, which assesses whether or not the zero poverty target is achievable by 2030, and what it will take to get there. Each part includes an introductory section.

Part A. Improving poverty dynamics

Chapters 1-4 outline the kinds of policy agendas and political settlements required to tackle chronic poverty, stop impoverishment and support sustained escapes from poverty – escapes that last and that carry people some way above the extreme poverty line.

Chapter 1 draws on two previous chronic poverty reports, a summary document ‘Tackling Chronic Poverty’ and subsequent work on the politics of tackling chronic and extreme poverty to set out the causes of poverty, recent progress on poverty reduction and the current state of play.

Chapter 2 provides an overview of policies that have had some success in tackling the causes of chronic poverty, emphasising four key interventions: social assistance; pro-poorest economic growth; human development for those who are hard-to-reach; and transformative social change.

Chapter 3 examines impoverishment, stressing that the eradication of poverty requires more than bringing poor people up to and above the poverty line. It means preventing the impoverishment of poor and non-poor people alike. It points out, however, that descents into poverty have been nearly as widespread as escapes from poverty since the turn of the 21st century in many developing countries.

Chapter 4 looks at the good news: the factors that enable households to escape poverty and more importantly, to climb out of it, stay out of it, and keep moving away from it, drawing out and examining the implications for policy-makers.

Part B. Can it be done? And what will it take?

Together, chapters 5, 6, and 7 review evidence about what works at country level (the drivers of success), the daunting scale of the task ahead and the goals and finances that will be needed to achieve zero poverty.

Chapter 5 pinpoints five key drivers in the progress that has been made on poverty: pro-poorest economic growth; major investments in inclusive education; policies to address the individual and systemic risks faced by the poorest people; transformative social change and governance that is ‘good enough’ to deliver public-sector services for everyone.

Chapter 6 looks ahead to potential poverty scenarios in 2030. It finds that, unless there is a marked change in our trajectory, there could still be one billion people living in extreme poverty – ringing alarm bells about the feasibility of the 2030 deadline for zero poverty. Chapter 7, however, sets out concrete global goals that, if reached, would make a real dent in chronic poverty, and improving poverty dynamics, robust indicators against which to measure success, and the resources that would be needed to lift people out of poverty for good.

Notes

- 1 These panel surveys tracking households over time give us information that enables us to characterise the poverty dynamics of a population. The surveys are not as representative as a cross-section survey because over time some households cannot be traced (attrition) and the sample also ages compared to a random sample. However, even a cross-section survey has limitations in terms of representativeness, as the sample is usually designed to be representative with respect to certain variables, so results using other variables may be less representative. The sources of three-wave panel data for this figure are; Philippines Family Income and Expenditure Survey (FIES) 2003, 2006 and 2009. Indonesia Family Life Survey (IFLS) 1993/94, 1997/98 and 2000. Viet Nam Household Living Standards Survey (VHLSS) 2002, 2004 and 2006. South Africa National Income Dynamics Study (NIDS) 2008, 2010 and 2012. Tegemeo Agricultural Survey rural Kenya 2004, 2007 and 2010. Uganda National Panel Survey (UNPS) 2005/06, 2009/10 and 2010/11. Ethiopian Rural Household Survey (ERHS) 1999, 2004 and 2009. The FIES, VHLSS, NIDS and UNPS aim for national representativeness. ERHS is representative of households in non-pastoralist farming systems in rural Ethiopia. The Tegemeo Agricultural Survey is representative of about 85% of Kenya’s rural population and the IFLS of around 83% of Indonesia’s population.
- 2 This is proposed in the absence of a viable indicator on decent work.



Introduction to Part A: Improving poverty dynamics



A young girl does her school work in Karachi, Pakistan. Photo: UN Photo/John Isaac

The third *Chronic Poverty Report* proposes a new framing for a post-2015 goal to eradicate extreme poverty, focused on improving poverty dynamics – tackling chronic poverty, stopping impoverishment, and supporting sustained escapes from poverty.

All three are necessary if we are to have any chance of ‘getting to zero’ – the new goal for poverty reduction – while ensuring that we ‘leave no one behind’. The specific targets to be achieved under each heading need to be set by each country, because the relationships between these three trajectories are context-specific – some countries need to place more emphasis on stopping impoverishment, for example – and these relationships may change over time.

One of the implications of the phrases ‘getting to zero’ and ‘leaving no one behind’, both of which are being used repeatedly to characterise the evolving post-2015 sustainable development framework, is that governments have a duty to include the poorest people in progress. If this principle is to stick, the full implications need to be worked out.

That is part of the purpose of this report. Chapters 1-4 outline the kinds of policy agendas and political settlements required to improve the dynamics of three poverty trajectories: addressing chronic poverty, stopping impoverishment and supporting sustained escapes from poverty – escapes that last and that take people some way above the extreme poverty line. **Poverty eradication strategies (or national plans that include poverty eradication) should lay out what they will do to improve these three poverty dynamics.**¹

What works everywhere to improve poverty dynamics across all three trajectories? Education and social assistance are universally relevant, and require massive public resourcing and political support in the coming years. One obvious implication is that stronger domestic tax systems and greater tax revenues will be required. Aid will also need to contribute significantly to the start-up costs for social assistance, and to finance education including scholarships for the poorest children and other measures.

Incorporating ‘reducing (income) inequality’ as a post-2015 goal would steer the international agenda in the right

Box 4: The Millennium Development Goals

Agreed in 2000/2001, the Millennium Development Goals (MDGs) constitute the ‘world’s biggest promises’ – ending world poverty and hunger to name just two.² Targets were set to halve world extreme poverty and hunger by 2015, and achieve a variety of other human development, environmental and global partnership objectives. The targets were global, and were not intended to be disaggregated to individual countries, although this has happened increasingly over the past five years as country performance on the MDG targets and indicators has come under the spotlight. Many assessments have been made, using different methods to calculate progress. While the target of halving world poverty has already been met, this is mostly the result of progress in China, and of India’s more recent poverty reduction. The UN’s own tracking system³ indicates that the poverty target will be achieved in North Africa, East and Southeast Asia, South Asia and Latin America; but not in sub-Saharan Africa, Oceania and West Asia. The hunger target has been achieved in a similar range of regions, with the notable exception of South Asia.

Of the other targets, gender parity in primary school enrolment has been widely achieved in developing countries, as has the halting and reversal of the incidence of HIV/AIDS, but other targets have proved to be more elusive. The reduction of child mortality by two thirds, for example, was only achieved in regions where such mortality was already low. Halving the proportion of the population without access to improved drinking water was achieved only in those regions that already had high (or in the case of Southeast Asia, moderate) coverage. While progress on sanitation lags behind the progress made on water, for the most part, two low coverage regions – East and Southeast Asia – are on track to reach the target of halving the proportion of the population without sanitation. While the verdict is that performance has been mixed, and the glass is either judged ‘half full’ or ‘half empty’, the weakest performance is thrown into stark relief once that performance is disaggregated, and is most striking at the country level. No fragile state will achieve any MDG targets; and taking the 48 least-developed countries (LDCs), for example, not one of the 14 targets recently assessed by the Centre for Policy Dialogue in Bangladesh is likely to be achieved, despite good progress on some of these.⁴ Such a gloomy state of affairs persists despite quite strong economic growth across the LDCs in the 2000s: this simply did not translate into economic or social transformation for the poorest people – it was very largely reliant on mineral exports – or into significantly higher savings and investment.

The biggest successes generated by the MDGs are thought to be in focusing the attention of developing country governments and their development partners (or aid donors) on supporting basic human development. Indeed, it is here that countries across the board have made most uniform progress, with even LDCs recording significant progress, even if targets have not been achieved.

With the job at best half done, at worst not even that, and with the most difficult parts of the job still to do, there is a hard road ahead. Most of the MDGs required average progress to be achieved, rather than equitable progress. If we are to meet the future challenge of ‘getting to zero’ extreme poverty and deprivation, any progress achieved must be equitable. This time around, the chronically poor, the severely poor and the most marginalised people will have to be included on equal terms.

direction, given that reducing or containing inequality speeds up the impact of economic growth on poverty reduction. However, the post-2015 framework would still need to frame a specific goal on the eradication of poverty, as it is possible (although harder) to reduce inequality without necessarily eradicating poverty.

This report argues that a focus on reducing the inequalities and polarisation processes that affect the poorest people in terms of access to land, labour markets and power relationships between women and men can achieve two goals at the same time: reducing both chronic poverty and inequality. The policies to improve poverty dynamics are similar to those that aim to address inequality, and may generate less political contention. Improving poverty dynamics will reduce the inequalities and polarisation that blight the lives of the poorest, and can be applied to all societies however rich, poor or unequal.

1. A recap and political perspective

Up to half a billion people are chronically poor, most of them in South Asia and sub-Saharan Africa. Around one-third of all those who are extremely poor are poor over many years

or even for their entire lives, and may well pass their poverty on to their children.

The severely poor (those languishing well below the extreme poverty line – on less than \$0.70 per person per day in this report’s calculations) are often also chronically poor because of three layers of factors. First: their lack of assets, the poor returns from the assets they have, and shocks or crises that lead them to lose their assets. Second: the skewed distribution of power that shuts them out, and their inclusion in economies, politics and cultures only on adverse terms. And third: the wider environment of the political settlement (the nature of the elite-citizen political bargain), macroeconomic policy, and social norms that may all work against the interests of the poorest. Policies need to address all three of these layers.

This requires a greater focus on certain areas. The impact of **social norms**, for example, has been a largely neglected aspect in efforts to eradicate poverty. Yet they can be critical in marginalising people and keeping them poor, and the stigma attached to various identity groups – by ethnicity, gender, caste or religion, for example – can be a powerful force for impoverishment. Equally, while a general commitment to increase employment is important,

there has been less emphasis on the creation of decent jobs (which guarantee safe working conditions and a decent salary). And **improving the quality of education, as well as educational access**, reinforces the impact of all other anti-poverty interventions.

Any poverty eradication strategy needs to be underpinned by a pro-poorest political settlement that puts the poorest people at the heart of the national development compact. Generating such a 'pro-poorest' political settlement is partly about political change, but progress can also be made if the intermediate characteristics of governance are 'good enough': if there are, for example, credible commitments by political leaders and parties, strong oversight systems, coherent policies, and the capacity for local problem solving and collective action. Tackling the most intractable, identity-based injustices, however, does require a combination of political and constitutional change that lead to universal policies and affirmative action, accompanied by social mobilisation and political participation. Countries that have taken such steps include Bolivia, Brazil, Ecuador, Ethiopia and Nepal.

A (relatively simple) administrative reform such as the establishment of a civil registration system can significantly increase the efficiency of social assistance and enable the poorest and most vulnerable people to access public services. Examples include Pakistan's Benazir Income Support Programme, or India's universal biometric identification programme.

2. Tackling chronic poverty

A focus on chronic poverty is justified by the fact that the poorest are still being left behind by social and economic progress, despite growing economies across the developing world. This phenomenon may well continue, given the growth paths adopted by some countries (Tanzania would be one example) and the threats posed by conflicts and natural disasters in certain countries. Measures to tackle chronic poverty other than social assistance are rare, and have not been mainstreamed or comprehensive in most countries, with the possible exceptions of Bangladesh, Brazil and China. Given the lack of specific concern among governments (and donors) about chronic poverty, its eradication will, inevitably, be a challenge, requiring much context-specific analysis and policy creativity.

Each country will have to design the mix of social assistance programmes (cash transfers, employment guarantees, asset building) most appropriate to its conditions and needs. The impact will be stronger when these programmes are built into integrated anti-poverty strategies and /or sustainable comprehensive social assistance systems. In addition to social assistance, the strategies required include: pro-poorest growth that tackles the adverse inclusion of the poor in economic life through measures

to create decent employment and develop pro-poor value chains; ensuring that the hard-to-reach are included in human development, for example by empowering women through education; and transformative social change, such as tackling the discrimination and exclusion experienced by the poor in labour markets and other institutions.⁵

There are a few exceptions (Ethiopia and Nepal are both featured in Chapter 2) that have tackled the identity-based intersecting inequalities that keep people poor, affecting ethnic minorities, women, members of lower castes, persons with disabilities and others. China has also done exceptionally well in reducing its extreme poverty and deprivation among its ethnic minorities.

While examples of such combined efforts are few and far between, there are programmatic responses that address specific areas with some success, such as inclusive strategies in education: school feeding programmes, stipends for poor children or girls or fee exemptions. In a few cases the poorest have been targeted by microfinance institutions or anti-poverty programmes with the kinds of transfers, training and institutional support and development they need to raise themselves to the point where they can afford to take credit (BRAC's programmes in Bangladesh, for example). A few programmes in agriculture target the poorest farm households, aiming to improve their food security.

Tackling chronic poverty and the intersecting inequalities that keep people poor is also served by social protection (social assistance, upgrading towards an integrated approach over time), but the problem here, in countries that do not yet have social protection systems, is that demand from elites and citizens is too weak. Mechanisms for citizen voice are needed, as is a recognition among elites that the promotion of social cohesion through social protection is in their own best interests.

Addressing income inequality head-on may or may not be a relevant objective, depending on country context and history and the current level of inequality. But polarisation⁶ in terms of lack of access to land, education and labour-market opportunities, and gendered disadvantages, needs to be tackled if chronic poverty is to be rolled back.

3. Stopping impoverishment

The rationale for the separation of targets by trajectory (chronic poverty, impoverishment and escapes from poverty) proposed in this report is to challenge governments to plan their anti-poverty strategies in a more sophisticated way. People do escape from extreme poverty, but often fall back, and non-poor people do become poor – so a target to stop impoverishment makes perfect sense. **Otherwise, the often hard-won gains made by families can be wiped out as they slip into poverty or fall back into poverty. In the past two decades, impoverishment has been nearly as widespread as escapes from poverty in many countries.** Given that the most

common causes of impoverishment are natural disasters, conflicts, economic crises and health shocks, the risk of impoverishment is not likely to decrease in the near future.

Technically, stopping impoverishment is the 'easy' part of improving poverty dynamics – social protection, disaster-risk management and universal health coverage can all be extended and improved with the necessary political leadership and sustained commitment. Thailand, for example, has led the way in demonstrating that everyone can benefit from health insurance if the state contributes premiums on behalf of the poor. At a lower level of progress, Burundi has also taken some bold steps to make certain services free at the point of delivery.

The biggest challenge is conflict, especially in the poorest countries, many of which also face the immense tasks of preparing for and managing disasters so that they do not impoverish so many people so frequently and of responding to climate change. Education (the most portable of assets) serves as a major insurance against such profound risks.

Pro-poorest political settlements are also essential to stop such risks destabilising entire countries and need to centre on the idea that the state reduces the risks of impoverishment faced by individuals and social groups. This requires a combination of the following priorities, adapted to different country and sub-national contexts.

- Universal health care is a policy priority wherever ill-health constitutes a primary source of impoverishment.
- Improving disaster-risk management is critical in countries and especially in sub-national regions where poverty and vulnerability to disasters are concentrated.
- Microfinance agencies should promote savings and insurance before credit, given that the poor are so vulnerable to shocks and stresses and may be unable to cope with a burden of debt.
- The high start-up costs of insuring the poor against critical risks mean that governments (or donors) need to subsidise these, at least initially.

Aiming for a pro-poorest political settlement to prevent impoverishment can facilitate a turnaround in fragile states, moving them towards resilience as the motivation for violence often generated by poverty and inequality is reduced.

Such approaches will, however, require greater freedom for countries to implement counter-cyclical macro-economic and fiscal policies than they have had in the past.

4. Climbing out, and staying out, of poverty

Helping people to escape from poverty is the most common apparent objective of anti-poverty policies, but policies are less concerned about whether the poor remain out of poverty and continue with an upward trajectory. The *Chronic Poverty Report* provides the first evidence that escapes are actually happening in many different contexts. Out of 10 households

that had escaped poverty at the time of one panel survey, between 4 and 8 were still out of poverty at the time of a follow-up survey in countries ranging from Ethiopia to Indonesia.

However, strategies rarely identify the combinations of policies required to keep newly non-poor households out of poverty. The report argues that the necessary foundations to end chronic poverty include: a 'pro-poorest growth package' of agricultural, infrastructural and employment policies, supported by a life-cycle approach to education and social assistance systems. The policies required to ensure that people who escape from poverty continue on an upwards trajectory include, once again, education; secure land-tenure systems for the poorest, and regional and local economic development policies. Each country would need to identify its own context-specific policies to sustain escapes from poverty, which will be defined to a great extent by the character of economic growth in each particular place. These policies could span all or a combination of the following.

- Support for the accumulation of agricultural assets (such as land and livestock), combined with diversification of crops and livestock helps to increase upward mobility.
- Security of tenure is vital and would include reversing policies that disenfranchise women on separation, divorce or widowhood; legal protection of existing land assets of poor smallholders, especially where land is not registered or privately owned; and the physical protection of land through soil and water conservation and sustainable smallholder agricultural development.
- Encouraging landowners to increase land availability for smallholder farm households by establishing a secure legal basis for land rental.
- Reducing landholding fragmentation upon inheritance through legal reforms that allow families to consolidate their fragmented holdings privately.
- Investing in good-quality education and skills for the poorest children to enable them to find employment in non-farm activities and lift their future households out of poverty. The level of education required to do this is context specific, but in all cases education needs to be of a good quality and provide skills relevant to the world of work. Primary school education alone is not usually enough and several years of post-primary education are needed if children are, as adults, to pull their families out of extreme poverty.
- Much more needs to be done to improve skills-based education to make the transition from education to work more successful, and working with the private sector is central to ensure young people develop the skills they need to succeed in the jobs market.
- In countries with a large informal sector, work skills could be improved by the formal recognition of traditional apprenticeships; the introduction of regulations to protect

apprentices from exploitation and the certification of the skills and experience they have gained through a national qualification. This would need to be accompanied by targeted interventions, such as cash transfers, to ensure the participation of the poorest people.

- Regional development policy can extend the benefits of an economically dynamic region outwards to poorer areas. Urbanisation is one critical aspect of regional development.⁷
- Implementing universal access to sexual and reproductive health services is also important for staying out of poverty, as it is for easing chronic poverty and impoverishment. But an equitable demographic transition is achieved by a combination of universal access, income increases, investment in education and other public health measures to address the perception that having large numbers of children provides some insurance against poverty.

Working to improve poverty dynamics will require significant investment in national (and sub-national) panel data, and associated qualitative research to promote an understanding of the causes of what is observed.

Finally, a dynamic approach to setting poverty targets would need to extend beyond the \$1.25 a day poverty line. Monitoring the progress that escaping households make toward \$2 and \$4 poverty lines would make sense from an extreme poverty perspective, since vulnerability to impoverishment generally declines as income rises.

Notes

- 1 Improving poverty dynamics is used here in a new, normative sense to indicate the sum of tackling chronic poverty, stopping impoverishment and sustaining escapes from extreme poverty. Poverty dynamics has been used previously in a descriptive sense, describing movements (or the lack of them) around a poverty line.
- 2 Hulme (2009).
- 3 http://www.un.org/millenniumgoals/pdf/report-2013/2013_progress_english.pdf
- 4 Battacharya et al. (2013).
- 5 Shepherd and Scott (2011).
- 6 The poorest losing out compared to others.
- 7 Strategic urbanisation was a topic addressed in the second *Chronic Poverty Report*, but has not been focused on in this report, as it requires its own separate treatment.

1

Chronic poverty: a recap and political perspective¹



Traditional Home in Timor-Leste. Photo: UN Photo/Martine Perret

Key points

- Up to half a billion people are thought to be chronically poor, with the vast majority of them living in rural areas in South Asia and sub-Saharan Africa. Around one third of all those who are extremely poor (below the international \$1.25 per person a day threshold) are also chronically poor: they are poor for many years or even for their entire lives – and often pass their poverty on to their children.
- The extreme poor are often chronically poor because of three ‘layers’ of factors: their lack of assets or low returns to those assets, particularly in the face of adverse events; their lack of power and their inclusion in economies, polities and cultures on adverse terms; and a wider environment – the political settlement, macro-economic policy and social norms – that can ease or exacerbate their poverty. To have any impact on chronic poverty, policies need to address all three layers.
- Social norms have been neglected in poverty eradication efforts when compared to macro-economic policy and, in recent years, politics. These norms can marginalise people and keep them poor, and stigma can be a powerful force for impoverishment.
- Obtaining a good enough political settlement to address poverty is not only about political change, although this is useful. Progress can also be made if the intermediate characteristics of governance are also good enough, including creating a space where the collective action problems faced by poor people can be resolved.
- Tackling the most intractable, identity-based injustices requires a combination of political and constitutional change that leads to universal policies and affirmative action, backed by social mobilisation and the political participation of the most marginalised people. Such a combination is essential if the world is to reach the goal of zero poverty by 2030.

1.1 Introduction

Chronic poverty is a multidimensional and complex phenomenon that is thought to affect up to half a billion people² – most of them in rural sub-Saharan Africa and South Asia. Chronically poor people are those who experience deprivation for many years, perhaps for their entire lives (life-course poverty), and who often pass poverty on to their children (intergenerational poverty). Chronic poverty differs markedly from transitory poverty, where people move in and out of poverty or fall below the poverty line only on occasion.³ The chronically poor also tend to be severely poor, living on less than \$0.70 a day.⁴

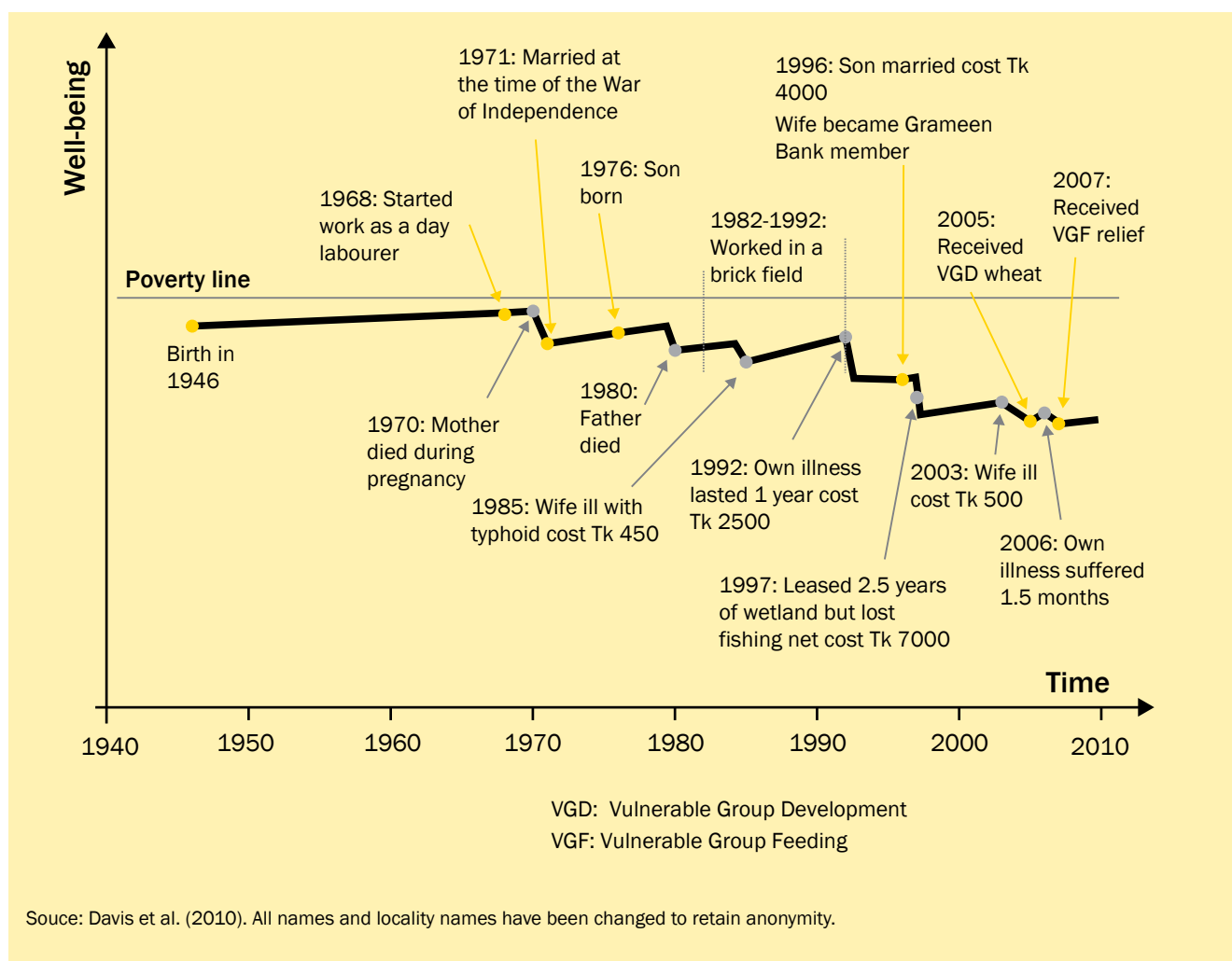
Figure 5 represents the typical life trajectory of a chronically poor person. Amin from Bangladesh lives with his wife Rohima and their only income source is a small shop that they run in in the local village bazaar. They regularly go without food because of their poverty and both suffer from chronic illnesses. Amin was born in poverty and his situation did not improve over time, despite ten years of salaried work in a brick factory and a loan from the Grameen Bank. On the contrary, a number of events (the War of Independence

in the 1970s, illnesses, the expenses for their son's wedding) have combined to keep him trapped in chronic poverty. His life history demonstrates that chronic poverty is difficult to eradicate because it is the result of different factors that operate at both the individual level and across the wider context.

Two previous chronic poverty reports (2004 and 2008⁵) and a summary document 'Tackling Chronic Poverty'⁶ from the Chronic Poverty Research Centre (CPRC) synthesised current knowledge and the evolving understanding of chronic poverty and its policy solutions over the period 2000-2011. This chapter draws on those documents and on subsequent work on the politics of tackling chronic and extreme poverty to provide a recap and an update. It first explains chronic poverty before it focuses on four sets of issues that perpetuate chronic poverty and make it difficult to eradicate:

- social norms and institutions
- adverse inclusions in economies, societies and polities
- intersecting inequalities
- the obstacles faced in achieving a pro-poor political settlement.

Figure 5: Life-history map for Amin, Male, 61 years old, rural Bangladesh⁷



Box 5: Identifying and defining the poorest

Chronic poverty

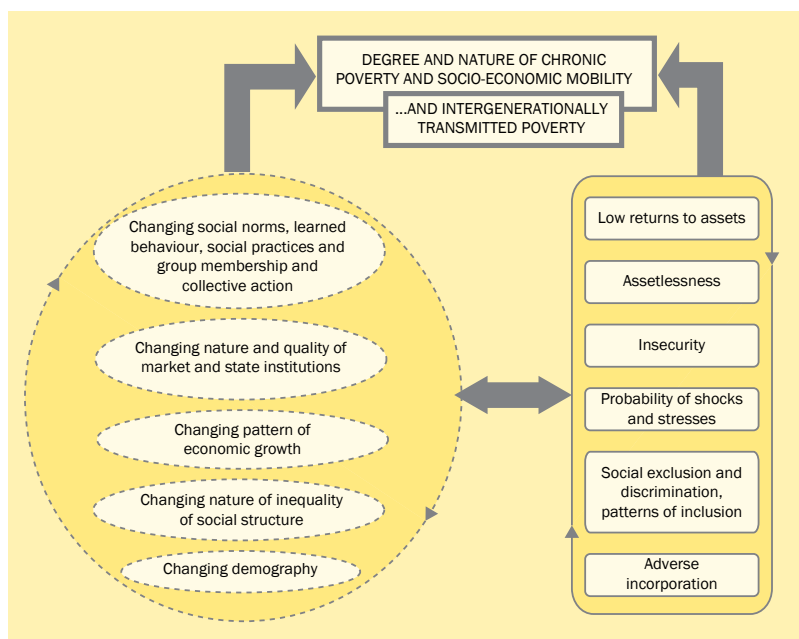
Chronic poverty is characterised by its long duration. Chronically poor people experience deprivation over many years. They may live in poverty for their entire lives and often pass their poverty to future generations through their children. As well as being income poor, people who are chronically poor are often deprived in many other dimensions, particularly education, health and nutritional status. A range of factors keep them trapped in chronic poverty, including living in remote rural areas; little or no ownership of land, livestock or housing; limited education and skills; unreliable and poorly paid work opportunities; poor social networks and discrimination, and vulnerability to risks including illness and drought.

In practice, households that are found to be living in poverty at two separate periods of time in a panel survey are identified as being chronically poor. However, where the period between two waves of a panel survey is too short (say less than five years) this may not be such a good measure of chronic poverty.

Severe poverty

In Part B of this report, severe poverty, or living on less than \$0.70 per person, per day, is used as a proxy for chronic poverty for cross-country analysis. Using a proxy is necessary, given the limited (though growing) number of countries that have panel data – the basis for the identification of chronically poor people. Where panel data do exist, they reveal that severely poor households are also likely to be chronically poor. However, there are more people living in chronic poverty than in severe poverty, so this is a conservative proxy⁸. The threshold of \$0.70 per person per day is used because this equates to the average consumption level of poor people in sub-Saharan Africa.

Figure 6: Explaining chronic poverty



It argues that these four areas demand specific attention if the target of zero chronic poverty report is to be achieved.

1.2 Explaining chronic poverty

In ten years of research on chronic poverty and poverty dynamics, the CPRC produced a powerful analytical framework (summarised in Figure 6) to unravel the complexity of chronic poverty,⁹ as well as solid empirical evidence on the factors that cause chronic poverty and that keep people trapped within it.¹⁰

This framework operates at three levels. First, on the left-hand side of the figure we see the enabling (or disabling)

environment (the political settlement, macro-economic policy and social norms). Then, on the right-hand side, we see the direct causes (lack of assets or low returns to those assets, particularly in the face of adverse events) and the underlying socio-economic and political processes (social exclusions, discrimination, adverse inclusion). **Policies that aim to tackle chronic poverty need to address all three levels.**

The poor remain poor because they have little or no assets, and the few assets they have provide low returns. They are excluded from economies, societies and polities, or included in them only on adverse terms.¹¹ They often lack access to labour, goods and money markets, or face unfavourable prices and terms of trade and employment. The poor may also be excluded by political and administrative institutions that overlook them, by discriminatory practices that affect their daily lives, and by their lack of political clout.

Social norms can also harm the poor, inducing behaviours within households and communities that constrain human development or lead to impoverishment.

The poor may also have to contend with an enabling or disabling environment. This often spans their country's political economy, together with its strategy for economic and social development and its pattern of economic growth; international economic conditions and their country's engagement in development finance, including trade, supply chains, foreign direct investment (FDI), financial markets and international aid; and shocks such as wars, economic crises and natural disasters.

Social norms and values can also be considered a part of the enabling environment, as they affect people's behaviour and the impact of their actions. They influence, for example, how people behave in terms of the numbers of children they decide to have, and therefore the speed of the demographic transition. But they also influence a host of other aspects of social relationships – marriage, inheritance, how employers treat employees, and so on. The story of Selina (Figure 7) shows how social norms and prejudices are highly correlated with chronic poverty. Selina's husband was 'bewitched' twice in his life and this led to mental illness, increasing the family's economic vulnerability and leading them into a downward spiral of impoverishment.

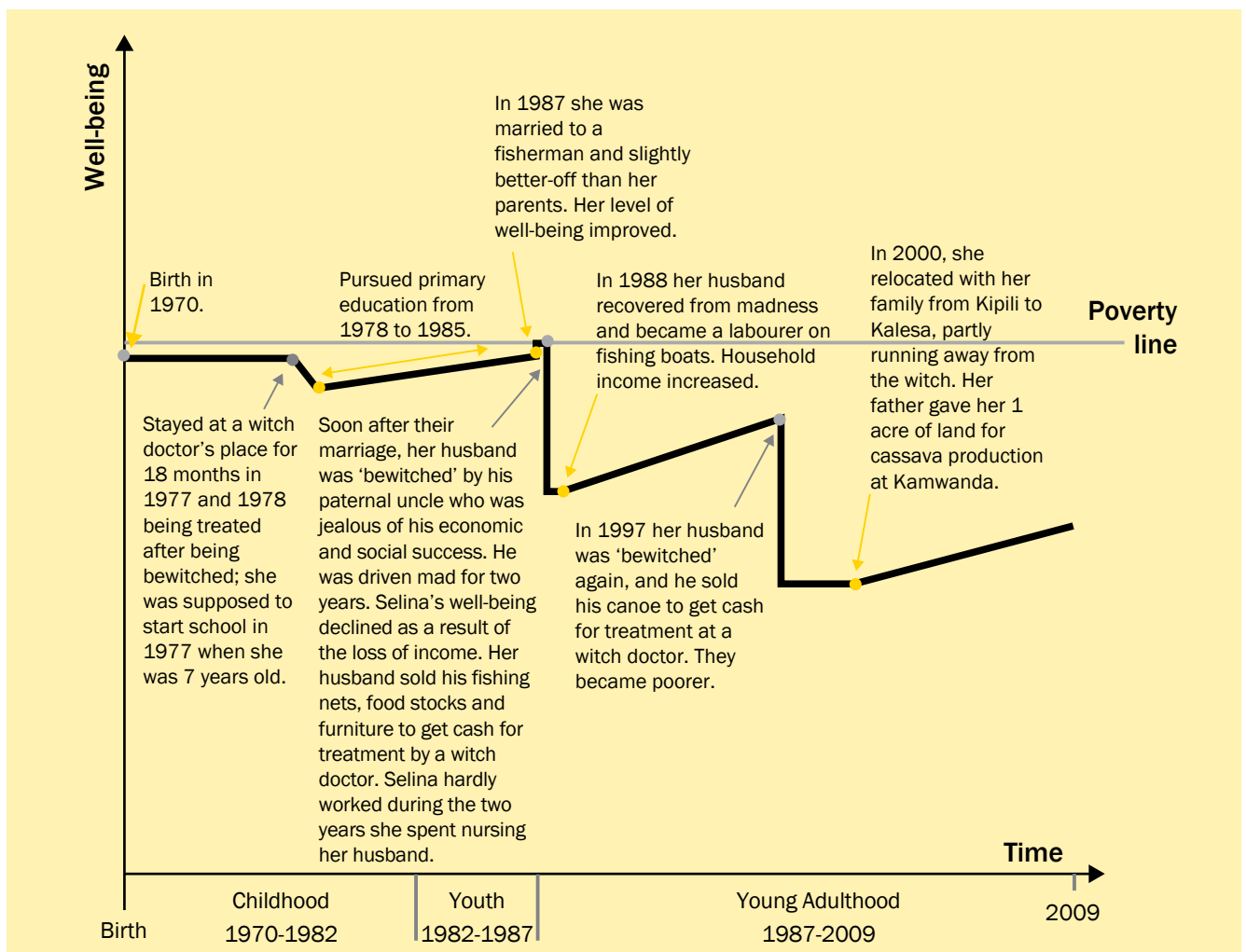
Policies also need to address the consequences of the demographic transition on the dynamics of poverty. In ten years' time, there will be more than one billion elderly people (aged 60 or over) worldwide, and population ageing is happening fastest in the developing countries where more than two-thirds of older people already live. By 2050, these countries will account for four-fifths of the total.¹² This is an indicator of success: more people are living longer, thanks

to widespread improvements in human development over recent decades. However, old age can be a major source of impoverishment and old-age poverty relates strongly to aggregate population poverty rates.¹³ Old-age poverty may be influenced strongly by the reduced physical and mental capacity that is a natural part of the ageing process, leading to an accumulation of disadvantages, reduced capacity to earn an income and economic vulnerability.¹⁴

Old-age poverty can also cause intergenerational poverty. Evidence from sub-Saharan Africa, for example, suggests that households with an older person (particularly an older woman) are more vulnerable to poverty than other households – a problem that may be compounded when these are so-called 'skip-generation' households, comprised of older people and children.¹⁵

It is, however, possible to escape poverty in old age with the right combination of family support, some continued level of participation in work, social assistance that guarantees a decent level of income security and access to quality health care.¹⁶

Figure 7: Life History Map for Selina Ngungulo, 39 years old, rural Tanzania



Shocks and negative events that have an impact that is stronger than people's resilience – especially when occurring in sequence – can drive people into chronic poverty or stop them escaping poverty. They impoverish people by eroding their endowments: human capital is diminished by illness, for example; livestock or land are sold to cope with bad harvests, houses and other physical assets are destroyed by natural disasters; children are sent into domestic service and miss out on schooling. The impact of such shocks may be stronger if they happen at critical moments in a person's life cycle, e.g. while they are very young or very old (see Box 6).

Typically, the poorest people are more exposed to negative shocks (because they are more likely to live in drought-prone or flood-prone areas, for example), are hit harder, and have weaker coping strategies (because they have few savings, and receive less help from neighbours they could not repay), so they face a greater struggle in recovering from a shock and often find it impossible to claw their way back to their initial asset level.

Conflicts and state failure can reinforce chronic poverty by increasing the number and type of shocks to which households are exposed, undermining their coping strategies and their chances of recovery, and further reducing the state's disaster-risk management capacity. The impact of negative shocks on impoverishment is analysed and described empirically in more detail in Chapter 3.

The second *Chronic Poverty Report* argued that chronically poor people face five poverty traps that keep

them poor: insecurity; poor work opportunities; limited citizenship; spatial disadvantage and social discrimination; and that policies need to address the key poverty traps in any particular context. The case of Christiana (Box 7) illustrates just how difficult it can be to escape poverty when multiple traps are at work.

This third *Chronic Poverty Report* shifts the focus of the analysis on the drivers of these traps – i.e. the broader processes that create and recreate them: social norms and institutions; adverse inclusion in economies, societies and politics; intersecting inequalities; the obstacles faced in achieving a pro-poor political settlement.

These drivers of chronic poverty are context-specific, so the solutions must be too. However, there are issues that policies must address, in one form or another, across all countries. These include: the vulnerability of the poorest; their access to assets and years of good-quality education; gender inequality among the poor; and powerlessness and discrimination. CPRC research has identified four major categories of interventions to address these issues:

- social assistance
- inclusive economic growth
- human development for the hard to reach
- progressive social change.

Key policies in each of these four areas are reviewed in Chapter 2.

Box 6: The impact of negative shocks at critical moments in the life cycle: Lovemore, Zimbabwe

Despite being the brother of the local chief, Lovemore is described as being one of the poorest people in the village. At 74, he is frail and suffers from painful, swollen legs, and his wife, Anna, is now blind in one eye and unable to afford the cost of transport to the clinic that can ease her condition. As their health deteriorated, they both found working became increasingly difficult and Lovemore lost his job as a car park attendant, making them more dependent on crop production and remittances from two of their surviving daughters. Their situation has worsened since the death of these daughters: not only did they lose the remittances, but Lovemore and Anna also took in five grandchildren. The sudden addition of five dependents in four years at a time when their income was plummeting has left them struggling to pay school fees. Two of the grandchildren have dropped out of school and one has been punished for not paying. The marked decline in the well-being of Lovemore and Anna reflects the insecurity of the older generation and the dangers of intergenerational poverty.

Box 7: The challenges faced by young people in escaping poverty traps in Ghana

At the age of 36, Christiana's life so far illustrates the challenges faced by young people who grow up in chronic poverty. Unable to pay her school fees, Christiana left school during grade one and her mother sent her to live with her grandmother and five other children. The children often had to work at the market in the morning to buy something to eat. A few years later, Christiana's mother sent her to live with her aunt to help in her business. Christiana was not paid and was often beaten when the accounts did not add up. More recently, and until just before she gave birth, she, her husband and their children (outside school time) resorted to breaking stones to supplement their income from casual labour and their small shop. However, opportunities for even this kind of work have dwindled. During very hard times, Christiana sends the children to her mother for food or cuts back the number of meals they eat at home. She would like to learn a trade or finish learning to sew clothes, but no loans, associations or groups are available to help her in her area, so she cannot see how she can ever get started.

1.3 Social norms and institutions

Research on chronic poverty and poverty dynamics has highlighted a number of social norms and institutions that regulate human behaviour and also shape economic and political structures. These social norms and values change most profoundly thoroughly and rapidly in response to socio-economic development.¹⁷ Research has also found that the way in which these norms and institutions operate is highly context-specific. This section reviews four areas where social norms and institutions have particularly strong impoverishing effects: dowries; child marriage; inheritance practices and the discrimination and exclusion faced by persons with disabilities. All the examples and life histories in this section come from Bangladesh: the focus on one country highlights how the impoverishing mechanisms are expressed through context-specific relations of power, culture and identity.

Dowry

Dowry is a highly impoverishing and gendered practice, affecting the bride, her original family and her offspring.¹⁸ In Bangladesh, dowry and wedding expenses are a major cause of the downward pressure on impoverished families.¹⁹

The married status of women and girls often determines their authority and control over assets, especially if inheritance law discriminates against women. Dowry payments also influence the status of a woman in her husband's family. On the one hand, a substantial dowry can give a woman more say in the allocation of the household budget. On the other hand, when a very poor girl is married on the basis of promised dowry instalments that do not materialise, she may well be sent back to her family or beaten until either her parents pay up or she leaves.²⁰

The inability to sustain dowry payments can make it impossible for a daughter to 'marry up' into a family that is wealthier than her own, or to marry at all. For this reason, daughters are often considered an economic liability, reinforcing a bias in favour of sons and the practice of selective abortion.²¹ This problem is reinforced by the escalating costs of wedding and dowries, which can amount to as much as two-thirds of a household's assets²² or several times more than its total annual income.²³ Many households finance their daughters' marriages by taking on loans that they are simply unable to repay and that lead them in a downward spiral of debt.²⁴

Child marriage

Child marriage – marriage before the age of 18, with or without the consent of the girl – can undermine a woman's capabilities. According to the United Nations Population Fund (UNFPA),²⁵ married adolescents are often characterised by large age gaps between the spouses, limited education – with ensuing lack of skills for the labour market; intense pressure to become pregnant, often accompanied by high risk of maternal and infant mortality and increased vulnerability

to HIV and other sexually transmitted infections (STIs); limited social support as a result of social isolation and restricted social mobility/freedom of movement; and little access to modern media (TV, radio, newspapers and the Internet).

In some countries, more than half of all girls under 18 are married. Specifically, the percentage of girls (aged 15 to 19) married by age 18 is 76% in Niger, 74% in the Democratic Republic of Congo (DRC), 54% in Afghanistan, 51% in Bangladesh and 50% in India.²⁶ Although the average age at marriage is increasing overall, there has been little or no progress among the poorest 20% of the world's population.²⁷ The rationale for child marriage among the poorest in South Asia includes the need to reduce dowry costs: the younger the girl, the lower the dowry payable by her family. In addition, the earlier she is married the sooner the family is relieved of a non-working dependent. Finally, if both parents are working, their daughter is not left at home without a chaperone: a situation that might undermine her reputation, as shown by Kamrunnahar's story in Box 8.

Inheritance practices

Discriminatory inheritance practices can significantly undermine women's economic capabilities, perpetuate their powerlessness and cause their impoverishment. Many women still suffer injustice in the division of productive assets access and ownership, but the poorest and least powerful women suffer the most. In many countries, inheritance for men and women is governed by religious or ethnic legal frameworks, many of which allow a woman only a fraction of her deceased husband's or father's land. In practice, however, what is actually handed over by male relatives is discretionary and many of the poorest women do not receive even the small fractions of inheritance to which they are entitled, as shown by the story of Halima in Box 9.

Disability

Disability is both a cause and consequence of chronic poverty.³¹ Between 15% and 20% of the population worldwide have some form of disability, and 2% to 4% of people have a severe disability.³² Many are locked in chronic poverty because of the discrimination and barriers they face as a result of their disability status. They are more likely to be poor and tend to stay within a lower socio-economic class than those who are able-bodied.³³

At the same time disability can be one of several intersecting disadvantages experienced by poor people.³⁴ Women with disabilities, for example, are more disadvantaged across a number of dimensions than men with disabilities.³⁵ However, persons with disabilities are not a homogenous group, and the impact of disability on an individual person will vary enormously depending on the nature and extent of the disability itself, and the context in which that person lives.

Box 8: Child marriage and dowry in Bangladesh

Kamrunnahar was married in 2003 at the age of 14. Her parents didn't ask her opinion while they arranged the marriage, assuming that as she had studied the Holy Quran, she would be an obedient girl and agree. Kamrunnahar believes they were in a hurry to marry her off as she used to stay alone at home while her parents were out working and her mother was afraid that the neighbours would say bad things about her. Kamrunnahar commented that "most of the girls of my age are not even married yet and I already have a son to look after".

Though her in-laws did not ask for any dowry, her parents had to give her gold earrings and a necklace as a wedding gift. Her initial days at her in-laws' home were better than her life had been at her parents' place, and she was able to eat three relatively satisfying meals every day.

She gave birth to her son one year after she was married. At around this time, her husband's family demanded an additional 20,000 taka dowry (roughly \$260²⁸) from Kamrunnahar's parents, but her parents were unable to pay. Her husband started to have an affair with a girl in the neighbourhood and wanted to get married again. He started to abuse Kamrunnahar physically and mentally, giving her less food and no money. When she complained, he simply abused her further. She worried that if her husband had affairs with other women, he would not care for his family.

When her son was 18 months old, she was forced to sign a written deed giving permission for her husband to take another wife. She signed the deed under duress as the brothers of the proposed new wife had threatened to kill her son.²⁹

Box 9: Inheritance-based destitution in Bangladesh

Halima is a 46 year-old widow. She was the first child of her father's first wife: he went on to marry another four wives. Her mother and her siblings had to support themselves, despite her father's income, with her mother becoming a labourer and Halima a child servant, losing her chance of an education. She was married at 13, without any ceremony and hurriedly, to an exceptionally poor man whose mother was a beggar. She was later asked to care for both her grandfather and father when they were ill, and was promised land in return for doing so – land that she never received. Her brother retains the 40 decimals (around 0.4 acres) of land and the 200 betel nut and coconut trees on it. When she needed a document to prove her ownership of her three decimals of homestead land to get support to rebuild her house after a cyclone, her brother denied her even that.

Her eldest sons have migrated and she looks after one son who has an injured leg and her three younger children. She gets no support from her rich brother, who owns a rice mill and who continues to hold on to her land inheritance.

As a devout woman, Halima believes that she has done everything that she was supposed to do: educating her children in Madrassas; wearing the burka even on the hottest days whilst labouring in order to maintain purdah, abiding by the wishes of her menfolk whenever they needed nursing, despite the poor way she has been treated since childhood. None of this 'playing by the rules' has protected her or her children against destitution.³⁰

While many may face functional limitations that prevent them carrying out certain tasks, people with different disabilities may be suited to certain jobs. In most cases, however, their employment opportunities are limited more by the social and environmental barriers they face, such as limited access to education, social isolation and (in particular) negative social attitudes and assumptions about their disability, than by their disability itself.

A recent project by the NGO Action on Disability and Development in Cambodia worked with families and communities to help them improve communication with persons with learning disabilities (PWLD), and to support them in developing basic skills. Relatives and community members were surprised at the progress PWLD made, and the contribution that they were able to make to domestic and income-generating activities, such as communal agricultural work.³⁶

Overall, however, it is the interaction between those with disabilities and the able-bodied that leads to marginalisation and impoverishment,³⁷ as shown by Bidhan's story in Box 10.

1.4 The significance of power for chronic poverty and adverse inclusion

Power relationships are an important driver of chronic poverty. One way in which they operate is through social norms: as discussed in the previous section, some social norms regulate access to resources and dominate key life events for certain categories of people. They may prescribe who holds power legitimately on a particular issue – and it is rarely the poorest people.

The chronically poor experience powerlessness in everyday social relations. This powerlessness may take the form of subjugation to someone else's will (e.g. through bonded labour); discrimination against a person's ethnic, gender,

Box 10: Discrimination against disability as a cause of impoverishment in Bangladesh

At the age of 21, Bidhan developed a degenerative condition called Guillain–Barré Syndrome (GBS). This auto-immune disease results in acute paralysis in the lower body, which progresses towards the upper limbs and the face. The treatment cost 400,000 to 500,000 taka per year (roughly \$5,160 to \$6,450³⁸), which was completely unaffordable for his family. Bidhan started to become completely dependent on other people as he couldn't even go to the toilet, dress or bath himself without assistance.

In the early days of his illness his family members were very supportive and sympathetic. But when the financial condition of the family worsened, they grew tired of looking after him and compassion fatigue set in. Their finances became so bad that they had to move to his sister's house in Sajahanpur to reduce their costs, where six of his family members lived in one small room. It was not easy to find any other room for rent: when landlords learned about Bidhan's disability they refused to rent rooms to the family. Bidhan said: "The landlords did not want to rent their rooms to our family because they thought we would not be able to pay the house rent since I am disabled. The landlords were also afraid about their rent because they saw I have no income – I did not even beg. On the other hand they thought that a disabled person would need much water and therefore the landlord would have less profit."

Bidhan's dependency on others grew and, at the same time, his elder brother got married and moved to his in-laws. Once he had his own child he was no longer able to help Bidhan as much as he once did. Bidhan's sister and brother-in-law have very little income and they have to pay the house rent. Their only son (Bidhan's nephew) is at school and they want to him to complete his studies, but he is Bidhan's main caregiver in the absence of other family members, which is hampering his schoolwork.

Bidhan's brother and sister can't afford to care for Bidhan any longer and want him to leave – even telling him to commit suicide when they are angry. They also feel that the investment they are making in their son going to school is becoming worthless, as caring for Bidhan distracts him from his studies.

Seeing no alternative, Bidhan's mother started begging in 2007 in order to pay for his food and treatment. Since 2009, Bidhan has received the disability allowance introduced by the Ministry of Social Welfare and managed by the National Disability Council. However, this amounts to only 300 taka per month (roughly \$3.86) – an amount so small that one cannot survive on it for even one week. Bidhan has to invest a great deal of time and energy to collect this tiny allowance, sometimes having to go to the office two or three days each month and often queuing for an entire day.

Bidhan has become so tired of his poverty and disability that he has tried to commit suicide five times and even his brother, out of anger and desperation, has tried to kill him.

religion or class identity; or the necessity to engage in patron-client relationships. These unequal power relations limit the ability of the poorest people to act according to their will, to exercise their rights, and to control any key productive resources (e.g. land and water). Their lack of power makes it difficult for them to use the legal system, and therefore to demand respect for their rights. Finally, the chronically poor lack the power to influence the political agenda, because they do not have the networks or connections to formulate and express their common views or mobilise around their shared interests.

Power relationships also result in 'adverse inclusion' – a term that CPRC researchers felt better fitted the circumstances of chronically poor people in developing countries than the term used more frequently – 'social exclusion' – although they would often be used together.³⁹

The terms of poor people's inclusion in the economy, politics and culture are adverse in that they produce negative results for those people, and are underpinned by unequal and sometimes exploitative power relations. Adverse inclusion has economic, political, socio-cultural and spatial dimensions:

- **economic:** insecure jobs with low wages, poor working conditions, and disadvantageous participation in markets and value chains by the self-employed or workers
- **political:** poor people often become political clients to gain a degree of security, but give up some of their freedom or agency to do so

- **cultural:** discrimination against socio-cultural categories (castes, ethnicities, genders, ages) and its resulting polarisation lead to adverse inclusion in households, communities and wider societies
- **spatial:** the environment that poor people inhabit becomes either peripheral or polluted, over-populated or subject to increasing natural disasters (because of poverty, urbanisation, privatisation of common land and water bodies, climate change and population growth); and poor people do not have the power to make any decisions about the use of the space they inhabit.

1.5 From intersecting inequalities to injustices and chronic poverty

Inequality is a key aspect of chronic poverty. As we have seen, social norms and power relations imply that the poor face multiple and intersecting inequalities.⁴⁶ These are historical social oppressions (i.e. discrimination on the basis of gender, ethnicity, race, religion, age, and disability) or spatial inequalities that intersect with each other and with material deprivations (income, material assets, human, social and financial capital). They result in three injustices that hit the chronically poor first and hardest: their exclusion from the opportunities offered by the economy and from the benefits of social and political support and citizenship;⁴⁷ adverse inclusion;⁴⁸ and adverse expulsions of the dependent

Box 11: Adverse inclusion in the job market

Most chronically poor people work as domestic servants, in construction and agriculture and as home-based workers. The poor conditions of their work, including low-pay, insecurity, irregularity and even danger, means that this work often keeps them in poverty.⁴⁰ Real wages (as proxied by labour productivity) have been relatively stagnant in most of sub-Saharan Africa after a period of decline in the 1990s, and while they have been on the rise in parts of Asia, wages have not risen in step with high rates of economic growth.⁴¹ Even where wages have been increasing, they have failed to keep up with food-price inflation following the world price spikes in 2007-09, 2011 and 2012 (see Chapter 3), resulting in more food insecurity, even for those in work.

There is a global trend towards the casualisation of work, brought on by deregulation, globalisation and competitive pressure to reduce labour and production costs.⁴² In particular, companies are passing any potential risks down to their workers, reducing their obligations towards them.⁴³ More workers are being hired on a seasonal or temporary basis, often through intermediaries or contractors, and are beyond the reach of national labour legislation. In agriculture, fewer working days are available because of increased mechanisation and more chemical inputs. Even in countries where real wages are said to be rising, the jobs themselves are associated with growing periods of underemployment.⁴⁴

This casualisation of work is not only associated with low wages but also with extremely unsafe working conditions. The most extreme manifestation of this was the collapse of the Rana Plaza building in Dhaka, Bangladesh, in May 2013, where more than 1,000 people died, most of them female garment workers.⁴⁵

Adverse inclusion is not limited to informal sector. It can be seen in factory jobs with long working hours and dangerous conditions. It should be noted, however, that not all of those employed in the informal sector experience adverse inclusion, such as small farmers in contexts where both productivity and crop prices are on the rise.

Box 12: Increasing polarisation between the poorest and the middle class: how the poorest have been left behind by development

A recent study by the Chronic Poverty Advisory Network (CPAN) drew on 16 panel-data surveys and the Demographic and Health Surveys (DHS) for 33 countries to assess whether the gap between the poorest and the better off closed or widened in the 1990s and the 2000s.

The study found that between one fifth and around one half of the poor remained in poverty over the time period covered – that is, they were poor in both periods of a panel survey. In particular, while the poorest quintile of the population did gain ground on the median quintile during the 2000s, its trajectory away from deprivation was slower than that seen for the next two quintiles. As a result, inequalities between the poorest and the median were greater at the end of the 2000s than at the beginning of the 1990s.

The study concludes “that significantly greater benefits (and fewer losses) from development across a range of indicators have gone to the second and third quintiles [than the bottom quintile]. This evidence shows that the poorest quintile have indeed lost out: they have not seen the same total amount of benefits as accrued by other wealth groups.”⁵⁰

Indeed, across the world, the middle classes (deciles 5-9) tend to be converging in terms of living standards, while the top and bottom may be drifting further and further apart, both nationally and internationally.⁵¹

and unemployed poor from any state, social and household support.⁴⁹ Through these injustices, intersecting inequalities can unleash severe impoverishment and widen the gulf between the poorest and the rest of the population (Box 12).

The fact that inequality matters for poverty reduction has been a key theme in recent debates on MDG achievement. It has been argued that the goal of zero poverty by 2030 is feasible only if growth forecasts from the International Monetary Fund (IMF) are met and are coupled with a significant reduction in inequality.⁵³

This new-found interest in inequality is both important and welcome, and has emerged from the discovery that roughly half of the world’s new ‘bottom billion’ people in extreme income poverty live in middle-income countries,⁵⁴ with similar trends in health and nutritional poverty.⁵⁵ The implication is that rapid economic growth that is not matched by efforts to tackle inequality will lengthen the journey to zero poverty and “a significant amount of world poverty could easily remain in stable middle-income countries (MICs) because of spatial and social inequalities”.⁵⁶

Reducing income inequality is a politically contentious issue for many governments and technically difficult to frame in international goals and targets. For these reasons, it will be difficult for it to materialise in a concrete goal for the post-2015 development agenda to follow on from the MDGs. However, it may be more feasible and less politically contentious to reduce the specific inequalities that, taken together, generate injustices and drive the creation of chronic poverty. This section looks at four specific inequalities, in particular, which hold back the poorest people and that need to be addressed, using examples and life histories from

Bangladesh and Tanzania. The four key areas are:

- land ownership, access and rights of residence
- labour market segmentations
- polarisation of the poorest women, who are left behind
- expulsion of the dependent and unemployed poor from state, social and household support.

It also examines the horizontal inequalities that combine to reinforce poverty still further.

Land ownership, access and rights of residence

Increasing polarisation between the poorest and the rest of the population is particularly evident in patterns of land ownership, with such ownership in decline across the poorest, poor and median income groups. For a sample of five countries (Figure 8), in all but one (Bangladesh) land ownership fell dramatically between the 1990s and the late 2000s, with the most marked decline seen among the poorest wealth quintile. For India, there is evidence that this decline has not been accompanied by any increase in land rentals, but rather by growing dependence on agricultural and other wage labour.⁵⁷

There are many drivers of land loss among the poor, with their relative importance varying from country to country (see Box 13 for Tanzania). They include: the effect of population growth (with land divided into ever smaller parcels among heirs); the privatisation of common property

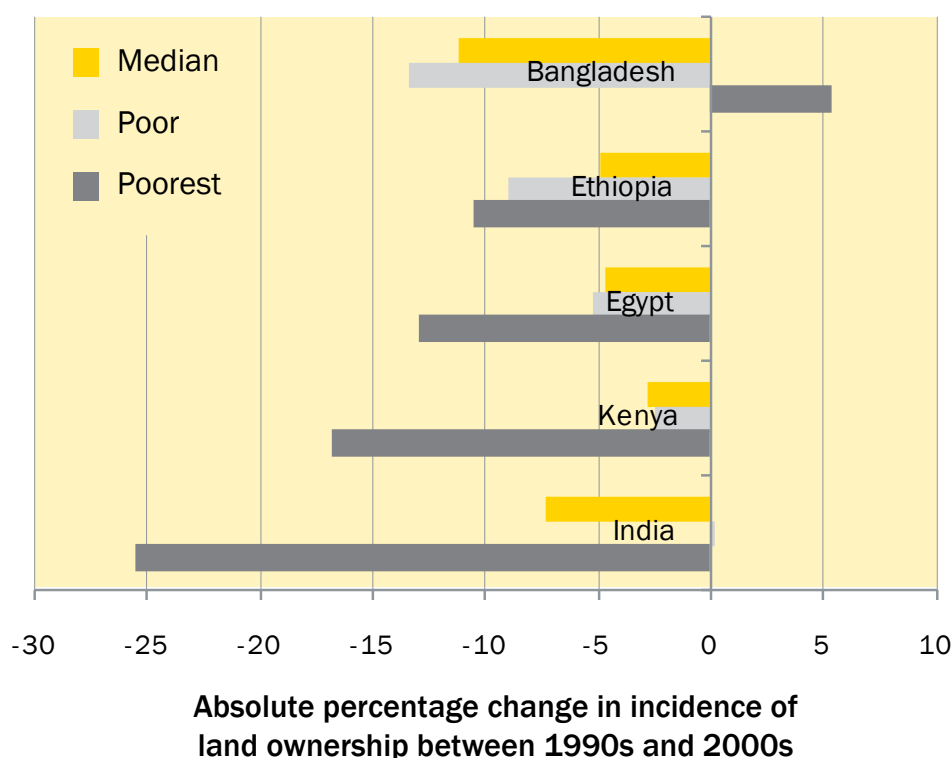
(land and water bodies) as a result of mounting resource extraction and commercial interests; and the normal effects of market transactions; as well as a recent, pervasive and global land grab, which has sparked struggles to secure common and traditional land rights. The sheer difficulties of farming, of debts and the resulting sales of land sales, underpinned by the combined impacts of climate change and faltering agricultural sectors on agricultural livelihoods remain facts of life in many countries despite high global food and agricultural commodity prices since the early 2000s. The stories of the poorest are full of lost access to common land and water bodies as they are privatised, land grabs or evictions, and the loss of any right of residence through slum evictions and evictions upon divorce, widowhood and separation. As a result, competition for land is now erupting into violent clashes in many places.

Intersecting inequalities and labour market segmentations

Intersecting inequalities are reflected in the segmentation of the labour market. This happens when employers use discriminatory categories (gender, age, location, and need for loans) to segment the market in their favour. As a result, the poorest who suffer from intersecting inequalities also face the lowest wages and the worst working arrangements.⁵⁹

In many contexts, employers reduce labour costs by using patronage or lending to pay lower wages, lengthening

Figure 8: Changes in land assets among the poor, poorest and median quintiles 1990s-2000s



Box 13: Drivers of land loss in Tanzania

Rising population has put downward pressure on the size of farmland inheritances. Young people in Kalesa, for example, speak of their parents inheriting 5-10 acres of land, while those in their twenties are now inheriting just fractions of acres. Population pressure is also reducing the fertility of land (through over-farming without fallow periods), so there is less fertile land available on the market. The increasing concentration of land holdings further reduces access, with large amounts of land held uncultivated as a store of wealth. Wealthier parents, for example, hold on to land or buy more land, so they can give it to their children.

Those who have lost land find it difficult to re-enter the land market, given that prices have increased considerably over recent years. Between 1999 and 2009, the cost of fertile cashew land tripled, while the cost of fertile maize land quadrupled. Renting land costs between one-fifth and half the cost of buying land outright. Since the 1990s, the availability of common property resources has declined, following an increase in the amount of land set aside for commercial fishing, and as a result of the private clubs that restrict hunting and the overgrazing by cattle from pastoral communities such as the Maasai and Sukuma, who are now encroaching on agricultural land.

Conflict over land is particularly prevalent in Kalesa and Magu. In Kalesa, the conflict began when Sukuma people (pastoralists) migrated to the area with a large number of cattle from northern Tanzania. They occupied land and started buying more from the local Fipa people. One newcomer was reported to have tricked many smallholder farmers into selling land to him at below market prices. In doing so, he managed to hoard about 100 acres of land: he had oxen to till this large area and could then use the remaining land for grazing. The situation is becoming worse, as tensions build between the indigenous people and the newcomers.

Taken together, these dynamics ensure that those who have sold their assets and turned to casual wage labour often remain trapped there.

Box 14: Bonded labour in Bangladesh agriculture

Gouri's husband has worked as a bochor mari (farm servant), on an annual contract with a farmer for more than a decade. He ploughs the farmer's land with a power tiller and does whatever work (agricultural or otherwise) that his employer needs. The working day lasts 12 hours or longer and if his employer has no work for him that day on his own farm, he will 'lend' Gouri's husband to work on another farm for the day – a practice that local labourers find humiliating.

Gouri and her husband are bound to their employer patron by their repeated need for loans for consumption, dowries and health crises. While they do receive some small benefits from this patronage, through gleaning rights and political favours, it is, in essence, an extreme poverty trap. For example, Gouri's husband was given an advance of 60-70 taka (roughly \$0.77-\$0.90⁶⁰) to harvest one bigha of land (a traditional land measure of around one-third of an acre). Yet at the time of harvest, the market rate for labour was twice as high as his actual payment.

Gouri's husband is afraid to leave his patron, whose links with local Mondol and ward commissioners helped him to get preferential access to 40 days of cash for work. This earned Gouri's husband 3,800 taka (around \$49⁶¹), with 200 taka deducted by the local council authority as a bribe to secure similar work in the future.⁶²

Box 15: Providing labour on credit in Tanzanian agriculture

A growing number of vulnerable households in Tanzania are forced by sheer necessity to provide labour on credit. They work without any formal contract, on the basis that they will receive a payment after, for example, a harvest or the sale of cashew nuts. Being compelled to provide such labour on credit is commonplace in areas where the labour market is oversupplied and under-regulated. In effect, this passes the risk of any shortfalls in the harvest or in prices from the employer to the poorest labourers, and can drive people into poverty, as in the case of Hawa, aged 47, from Nchinga village.⁶³

Hawa had the misfortune to have been paid less than half of what she was owed in the 2009/10 season, with landowners claiming that they had not had a good harvest and could not pay their debts. Some were trying to pay little by little, which was satisfactory, but being paid in a lump sum would have enabled Hawa to invest in some necessary items and assets. In the 2008/09 season, Hawa was paid only TZS 25,000 as a lump sum (roughly \$15.45⁶⁴); the balance of TZS 20,000 was paid piecemeal, in amounts of just TZS 500, TZS 1,000 and TZS 2,000. According to her, this money just 'evaporated', meaning it was spent on meeting the everyday costs of basic consumption.⁶⁵

working hours or securing unpaid work commitments (Boxes 14 and 15).

Employers may also reduce labour costs by employing only women or children as labourers (Box 16) in place of adult male labour. Women tend to be tied to any loans taken out by the male head of household, and also accept low or unpaid work in return for loans to cover everyday consumption or to earn the right to future loans. They may take on domestic work, cow-shed cleaning and heavy agro-processing in the landlord's home as part of a debt repayment arrangement. Women may also do housework for very little pay, simply to have on-going access to loans – a type of 'insurance' against future consumption crises, such as men losing their patronage as a result of ill-health, male migration, separation, divorce and widowhood.

Segmentation of the labour market often leads migrants to become embroiled in unfree and casual labour arrangements with contractors (Box 17) – common practice

among migrant workers in construction, agricultural work, off-farm work and in 'mini-factories'. Contractors who recruit such 'unfree' labour contribute to unfree labour relations.⁶⁹ The workers are usually tied to a particular employer and brought in for a specific job. Recruitment normally involves the payment of wages in advance, which then become debts owed by the worker.

For migrant workers in particular, there is little or no chance of opting out by changing employers or settling in the destination.⁷⁰ This is the case in the construction industry in India where workers are recruited by labour contractors from remote villages and brought to the cities with their families. This ensures a workforce that is totally dependent on the contractor for family survival. Living and working conditions are atrocious and abuses are rampant, with many migrant construction workers 'unfree' in that they are bonded to the contractor by debt.⁷¹

Box 16: Child domestic labour in Bangladesh

According to a baseline survey, 7.4 million children work in the informal sector in Bangladesh, with approximately 421,000 children aged between 6-17 years working as child domestic workers – 80% of them girls. Most are below the radar of government surveillance, NGO inspection and are even invisible to their neighbours.

Ashrafal and Tahura, from Rangpur, were forced to send their female children into domestic labour because they simply could not afford to keep them: Ashrafal was ill and Tahura was working as domestic worker herself to maintain the family. The decision was not an easy one, with Tahura saying that she wanted to commit suicide when she found that she had no choice but to send her children away. Each girl left at the age of six.

Ashrafal did not demand any payment for a daughter's work. Instead, he asked her employer to provide her food and lodging, in the belief that if he asked for any payment: "They (the employer) might be crueller if she was not able to serve them as per their demands."

In Rangpur, such contracts are oral ones between the parents and employer, with employers committing to cover the child's consumption and offering 'some help' with a dowry when the child becomes engaged – a promise that may amount to only 10,000-20,000 taka (roughly \$130 to \$260). Given that children begin to work as domestic servants at the age of six, families may wait a decade or more for such a payment, and it may not be paid at all. When Ashrafal's eldest daughter was married, her employer (whom he had believed to be the fairest in his treatment of his daughters) did not provide the help he had promised for her dowry.⁶⁷ Ashrafal's youngest daughter was also sent off to work at the age of six. She was tortured by her employer's wife and was forced to stay with them. She was unable to communicate with her parents and she was not permitted to attend her elder sister's marriage.⁶⁸

Box 17: Migrant labourers in Bangladesh

Men forced to migrate in search of work from the Haors (the wetlands of north eastern Bangladesh) tend to go to Sylhet, Chittagong, and Dhaka to work in poultry farms, hatcheries, rice mills and other small businesses, often lifting sand, cutting earth and providing other types of day labour. Typically, they migrate on the basis of an advance labour contract – a shardar or contractor offers 2,000-5000 taka (roughly \$26 to \$64⁷²) as an advance payment, which is used by the Haors labourers to tide their families over whilst they are gone. This advance payment binds the worker to the employer, and if he does not work on each of the agreed days, or if he does not work for all of the specified hours per day or complete his quota, money will be deducted from his total payment. This means he cannot be ill or take even one day off without deduction.

The quotas can be harsh: with sand lifting, for example, a labourer may need to lift 500-600 bags or baskets per day. If he lifts only 300 bags, he might not be paid at all for that day. Labourers tend to be housed in temporary and overcrowded shelters where they are vulnerable to infectious diseases, including fevers, jaundice and tuberculosis. Some give up and decide to live with the consequences of unpaid 'debt', often returning home in poor health. As a result, the very poorest men whose families are most reliant on their labour, are the most likely to have their labour undermined by a combination of inequalities and injustices.⁷³

Polarisation of the poorest women, who are being left behind

All of the processes of polarisation and the intersecting inequalities described above are intensified in the case of women, with gender adding another layer of discrimination. The poorest women lack assets, power and agency, and are often excluded from any potential support. They are also particularly vulnerable to abuse and dispossession in the course of major events in their lives that are governed by strong social norms (such as marriage, divorce and widowhood).

In Tanzania, processes of de-agrarianisation have reduced traditional male rural livelihoods, notably in cash crops, but also in the male trades that rely on farmers' incomes (e.g. carpentry, tailoring) and traditional work such as hunting, fishing and pastoralism, as a result of growing privatisation of common land. As a result, many women have been thrust into the position of being the main breadwinner, either indirectly as a result of male underemployment, despair and alcoholism or more directly through a significant rise in female-headed households through divorce, widowhood or single parenthood.

As women assume greater responsibility for family maintenance, they need greater control of assets and greater social protection to support their families. However, the trend seems to be moving the other way, with enforceable rights over land and traditional entitlements apparently undergoing some process of 'de-feminisation'. In addition, women's agency does not seem to be advancing (Box 18). Customary/tribal rights concerning who gets what following divorce/abandonment or widowhood differ in each region in terms of assets or income from the husband; custody and responsibility for raising children; and access to social protective networks in the families of the husband or wife.

In general, women in developing countries have never received very much in terms of assets after widowhood

and divorce. But now, the little they do receive appears to be contested as a result of increasingly limited and divided resources. Who gets the children and who gets the assets seems to be discretionary. It is often a contest that is won by those who are more powerful, negotiated by opportunists who can interpret tribal or religious laws and norms in a way that serves their best interest. Disputes about what women should receive following bereavement or divorce tend to be settled out of court or are determined by elders from their ethnic group or by clerics, who tend to favour men's ownership of productive assets, even though this is anachronistic in terms of any contribution to family maintenance. In the worst cases, women are simply intimidated or beaten to relinquish their rights. The end result is that, following divorce or widowhood, women are often stripped of any ownership of and access to productive and other assets (as in the case of Bintimusa in Box 19), despite legislation designed precisely to prevent this.⁷⁴

Women in Bangladesh are also victims of land dispossession as a consequence of patriarchal norms. If they divorce or separate, or if their husband dies or takes on more wives, they can lose their rights to their husband's assets, any assets built up through their marriage and any assets passed to their husbands' families. If a woman is the mother of the oldest son in the family, she has lineage rights to his father's land, but this is seldom operational in the poorest households. So she can also lose the right to live with her in-laws.

Having lost any right to a marital inheritance, she may well return to her parental home, often bringing her children with her. She now needs finance for their food and education and her only option is to work full time in unskilled low wage house or field work. There may well be tensions with her brother's family who have clear rights to her parent's household, the land it is on, and its assets. She may find

Box 18: Women's lack of agency in Tanzania

In Tanzania, men may strongly disapprove of their wives working because of the potential shame it can cause. Erick (aged 42, from Wazabanga) explained that, if a woman does not farm or care for cattle, people will think she is not fulfilling a woman's role. Women who rebel and set up businesses may end up as victims of domestic abuse. Successful women may be labelled prostitutes (meaning a woman who is unfaithful to her husband, perhaps through accepting small gifts from her lover, rather than someone who has sex for money) and become excluded from society. He said that women who perform non-farm activities are labelled 'tes': women who should never have been married in the first place because "they are stubborn and always compete with men." If the man is behind what the woman is doing, that is tolerated. Otherwise, "even though you will never be told that you are a prostitute, deep down everyone will think so and a woman by herself also thinks that this is what the community thinks about her." Erick said some women had coped with this community disapproval, but others had felt compelled to return to more traditional ways of living.

The rising costs of bride price can intensify the shame men feel about 'disobedient' wives and increase the pressures on new brides to be obedient, adhere to tradition and accept exclusion and even beatings if they dissent. According to Flora (a woman from Wazabanga), a real Sukuma man will never tolerate three things in a woman: he will never tolerate a woman being a prostitute, any laziness in her work or scandal mongering/gossiping. If he has married a woman with these three characteristics he is entitled to marry a second, third and even fourth wife immediately. This is also a punishment for a woman who has the characteristics that he does not like. A 'real man' does not like to argue or punish a woman physically but brings someone home as a replacement – a new wife, who is more obedient and respectful.

Box 19: Abandonment and widowhood in Tanzania

Bintimusa was a good farmer, but when she was widowed her husband's family took the house, land and livestock, leaving her with the children. Bintimusa needed more land to farm in order to survive and support her children and her mother and was finding it very hard to feed the family. However, she could not farm her brother's share of her father's land or rent it out, even though it had been uncultivated since he migrated. She was also afraid that he might get angry if she destroyed its fertility. Yet Bintimusa, like many other Tanzanian women, had full responsibility for feeding, educating and clothing her children and providing for her elderly mother.⁷⁵

herself a second class (and unwanted) citizen on her father's or brother's land, forced to earn a sub-male, sub-subsistence wage while being fully responsible for the food, clothing and education of her dependent children. She is often blamed by those she asks for support for having abandoned a marriage that may have been abusive, exploitative or polygamous.

This lack of any right to access to homestead land or right of place – a definition of extreme poverty – is most profound among the poorest women.

Expulsion of the dependent and unemployed poor from state, social and household support

The injustices endured by the poorest, including their loss of lands and other assets, their adverse inclusion in increasingly informal labour markets, and the gender-based disempowerment of the poorest women who are often responsible for maintaining families, can ultimately result in their expulsion from the family, and consequently from wider economic, political and social life.⁷⁶ What triggers this expulsion is usually the inability of the individual to contribute to the material well-being of the family by generating an income or caring for relatives, accompanied by their increased dependence on the family itself, for instance as a result of a disability.

Individuals who are both unemployed and dependent lose any political patronage (which can provide access to social assistance), because they can no longer work in exchange for favours, and are deemed as unable to repay loans. They are expelled from social life because they are too poor to dress for social occasions, give gifts, or engage in the reciprocal loans of food or goods that oil social relations. If they have to borrow from friends and family too often they begin to be shunned as compassion starts to wear thin.

Having lost political and social capital, the poorest households may be unable to bear the increasing pressure of feeding its unemployed and dependant members. At this

point, the household 'cracks' and the poorer half becomes separated from its family because it cannot pay its way. The severely poor household itself is often an "individuated remnant of a collapsed household".⁷⁷ With no friends or respect, the individual and their dependents become 'less than' others – losing their subjective sense of their own capabilities, vision, and sense of self-determination. And as their diet falls below what is necessary for their proper physical and mental functioning, their sense of worthlessness only increases.⁷⁸

Social acts of expulsion are accompanied by 're-labelling' of individuals from deserving to undeserving, with poor 'elders' re-labelled as 'witches',⁷⁹ elderly widows re-labelled 'crazy', chronically ill men re-labelled 'lazy', and young wives and mothers re-labelled 'dowry absconders', all of which justifies their abuse and continued lack of support.

In short, the destitute become unworthy of exercising any social claims and become invisible to economic, political or social institutions. They are ignored by local police and doctors, separated from their families and, if the process of destitution continues, excluded from community spaces altogether.

Horizontal inequalities

Horizontal inequalities (HIs) are an important manifestation of the ways in which inequalities intersect. HIs exist between groups that are defined by their identity (for example, their ethnicity, language or religion) and are often fuelled by an element of discrimination. Within these groups, women, PWD and the elderly may be the most severely disadvantaged and face a whole range of intersecting and mutually reinforcing inequalities. This, in turn, generates injustices that lead to chronic poverty.

Low caste, indigenous population and other ethnic minority groups are often victims of HIs. For example, more than three-quarters of the indigenous peoples of the world live in Asia and the Pacific region, of which one third are poor. All tend to be socially, politically and economically marginalised. And even though the incidence of poverty has declined among indigenous peoples over time in Asian countries like China, India, Laos and Viet Nam, the rate of decline is lower among them than among the majority populations, with the exception of China (see Chapter 2). For example, the poverty rate fell by over 80% for non-indigenous people in Viet Nam between 1993 and 2006 but by only 40% among the country's indigenous people.⁸⁰ A similar pattern emerges for India where between 1983 and 2004-05 the decline in poverty rates for Dalits was 35% and that for Adivasis was 31%, compared to a national average of 40%.

Box 20: Expulsion from the family through unemployment in Bangladesh

Khalil was a hardworking child labourer from the age of eight. He has experienced a series of tragedies in his life, but has been sustained by his relationship with his mother who helped him with cash, a home and support. He has also had the support of a local council member who gave him a rickshaw that he could pay for in instalments, and access to credit from a shopkeeper (though more costly than direct purchase).

But Khalil had to sell the rickshaw when his daughter became ill to pay for her expensive treatment. Chest pains undermined his own ability to work, and when his mother became ill more money was needed for her treatment. His brother's wife could not bear the burden of so large a family and there were tensions because Khalil could not make any contribution as a result of his unemployment. It all became too much for his mother to bear and she decided that Khalil should be separated from the family – the hardest time in his life, he says. It was rainy season when he left his parents' house. He borrowed some polythene from his neighbours and set up a make-shift tent for his family, with his wife carrying their second child. He expressed his anguish:

"I could not provide my wife even with an egg. My child weighed only 1.9 kg. Nobody expected the baby would survive. Because of my extreme economic crisis, I could not afford to give my wife anything good....I just embraced the legs of the members of the union parishad and begged them to help me."

Although the local council member gave him an initial loan for materials to build a house, he withdrew his support when Khalil's family was made homeless by cyclones Alia and Sidr. Previous patrons, family members and shopkeepers have all withdrawn support and Khalil and his family are now chronically and severely poor, as well as socially excluded.

1.6 Towards 'pro-poorest' political settlements

More countries are now adopting policies and programmes with the explicit aim of tackling chronic poverty. Two key aspects of this phenomenon need to be considered. First, how these countries can achieve better delivery for all, and second, the role played by demand for pro-poor (or in the case of chronic poverty: pro-poorest) interventions.

There is increasing recognition that any implementation of pro-poor policies and programmes needs to be accompanied by broader institutional strengthening and effectiveness to ensure systems that can deliver for all and not just for a few. This is not necessarily about a set of prescriptions that set out what these institutions must look like or about the promotion of any particular regime type. Indeed, as the analysis of MICs demonstrates (Chapter 5), there may be a variety of regime types, models and pathways that can help to address chronic poverty.

At the same time, a range of 'intermediate' level factors shape service delivery processes and outcomes, all of which concern the motivations of actors and the relationships between them.⁸¹

From an elite or governance perspective:

- the **credibility of political commitments**: whether the promises made by politicians to deliver broad-based public goods are seen as credible by voters – and if not, whether they vote on another basis instead (e.g. by ethnicity, region, community ties and so on)
- the **level of rent-seeking** within the system, i.e. whether some actors can access additional income by securing privileged access to scarce resources
- the **strength of oversight systems** and the coherence of policies and processes for implementation: whether there

are systems that set out clear roles and responsibilities for service delivery, and whether performance is monitored and sanctioned if it does not deliver effectively or efficiently

- whether there is **moral hazard**: with some actors failing to take the necessary actions because of a perception that some other actor will do it for them. This may be of particular relevance for more marginalised communities where, for example, external assistance has funded social protection programmes and may have reduced the incentives for national actors to take these on.

From the perspective of the chronically poor and marginalised:

- **capacity for local problem solving and collective action**: this may be particularly relevant for more marginalised communities, where working collectively and with other actors is likely to be vital to affect policy change and ensure adequate delivery.

The implementation of pro-poor policies and programmes seems to have happened where there is demand for it from politicians, constituents or other stakeholders. Demand is a key function of political economy and is, therefore, context-specific. In particular, it is affected by the nature of the 'political settlement' that is in place. This refers, in essence, to the common understanding, often forged among elites, about how political power is to be organised and shaped and how the state will relate to its citizens, and it can have major implications for the way in which the public sector operates. The nature of the political settlement, in other words, can define what the 'rules of the game' look like within any given society, and can shape the formal and informal understandings and arrangements that explain how things really work. These tend to evolve over time, and reflect historical legacies and structures, but they can also be reshaped at speed, for example after periods of violence or unrest, or in response

Box 21: Dynamic political settlements in Uganda and Rwanda: implications for maternal health⁸³

Recent analysis by Golooba-Mutebi and Hickey suggests that Uganda may have moved from a context in which its politics were aligned to an agenda of inclusive development, to one “where most observers are convinced that its developmental orientation is in decline.” It argues that Uganda has, in fact, experienced an increase in competitive clientelism, set within “a dominant leader political settlement within which the President remains the hegemonic centrifugal force.”⁸⁴

In Rwanda, Golooba-Mutebi finds that the failure to build a sufficiently inclusive political settlement lay behind the political violence that erupted in the 1990s. In the post-war period, the Government forged a new political settlement to bring political, social and economic elites together in support of a collective vision, although criticisms persist of more discriminatory or repressive policies.⁸⁵ The nature of such political settlements shapes how different governance factors will play out. In Rwanda, significant improvements in maternal health have been possible because of the existence of policy coherence and performance monitoring, as well as space for local problem-solving. This, in turn, has been made possible by strong leadership and the persistence of a shared vision among elites. In Uganda, however, the rates of improvements in maternal health have not been so marked, reflecting in part a lack of policy coherence, the dominance of clientelism and a lack of collective-action capacity, which may result from the way in which a ‘dominant leader’ political settlement has played out.⁸⁶

However, this does not mean that Rwanda now has a ‘pro-poor’ political settlement; rather that an elite-driven settlement has resulted in some improvements, including improvements for the poor. Other countries have gone further and could be described as having pro-poor settlements, such as a number of countries in Latin America, such as Ecuador, Bolivia and Brazil.

to changing national and regional contexts. As others have noted, a focus on political settlements helps to highlight “the underlying power arrangements that underpin and shape the emergence and performance of institutions.”⁸² Box 21 sets out some examples from Uganda and Rwanda.

What makes for a pro-poor ‘political settlement’ that paves the way for progressive pro-poor policies? There are many key elements, including the elites that forge electoral and other alliances with the poor (or engage in alliances that have indirect benefits on the poor); and a past history of conflicts and/or the threat of conflicts and social unrest.⁸⁷

Then there is the degree of social mobilisation of civil society and the political participation and representation of the poor and excluded groups.⁸⁸ The fiscal space created by state revenue sources and taxation capacity⁸⁹ represents another driver, alongside the extent of institutional capacity and the quality of governance. Different political trajectories can create these elements: while a mature democracy may have the advantage, movement-based regimes that are not particularly democratic can also build the necessary coalitions and social mobilisation, as the experience of Latin America illustrates (Box 22).

Box 22: Pro-poor political settlements and political trajectories in Latin America⁹⁰

In the past decade, many Latin American countries have, to different degrees, achieved pro-poor political settlements characterised by a combination of the following ingredients:

- social mobilisation, especially around the implementation of rights and guarantees
- political change
- constitutional reforms
- increased political participation in pluri-national states
- a combination of universal and targeted or affirmative action.

This outcome has been achieved following different political trajectories. Two broad (not exhaustive) typologies can be identified.

Governments with a strong inclusive and redistributive agenda combined with class-based social mobilisation, such as Ecuador and Brazil. These countries aim to address intersecting inequalities through different combinations of universal and targeted or affirmative action policies and programmes. In each case, the linkages of social movements with strong constituencies in marginal ethnic groups has been a significant aspect of the strategy for building electoral support. In Brazil, the inclusive agenda has been used to attract middle-class voters as well as excluded groups through an emphasis on broad benefits, such as reducing patronage and corruption.

Multi-ethnic countries in which movement-based governments are the expression of identity-group mobilisation, such as Bolivia. After decades of mobilisation, the indigenous majority gained political power in Bolivia in 2006. This has led to profound transformations, led by the adoption of a new Constitution in 2009 and a programme of legislative reform including electoral reform that gives more representation to indigenous constituencies, division of the legal system into an ordinary and an indigenous jurisdiction and decentralisation of power to indigenous local governments.

Crises of different sorts can also present opportunities to make fundamental policy changes. For example, widespread social protection was only introduced in China when the Government feared civil disorder as massive numbers of public-sector workers were being laid off around the Millennium as enterprises restructured.⁹¹ Persistent or large-scale environmental disasters that lead to loss of life and wide impoverishment can also lead to a turnaround in investment in disaster-risk management investment (see Chapter 3),⁹² albeit at a great human cost.

The degree of institutional change that will occur as the result of a disaster or shock will depend on the severity of disruption, how much it tests the legitimacy of the dominant logic, whether viable alternatives exist in the current context, and whether agents are in place to struggle for and facilitate a transition.⁹³

Demand for progressive policies is also affected by the type of relationship that exists between politicians and citizens. Three aspects of this relationship are particularly important: the credibility (or lack of it) of the political promises that politicians make to citizens; a lack of information among voters about the performance of their politicians; and forms of social fragmentation among voters that can manifest as identity politics.⁹⁴ The impact of lack of information is seen most clearly in the education and health sectors, where there is chronic information asymmetry and citizens cannot easily evaluate the quality and efficiency of services, which undermines their ability to judge politicians' performance.⁹⁵ In particularly fragmented societies (socially, ethnically or otherwise), voters may support candidates with whom they identify, regardless of their track record. Here, voters do not expect to obtain public goods on the basis of justice or merit, but because of social ties. Demand becomes

a playground between the competing influences of different ethnic groups, and decisions become erratic, depending on which group has influence at any particular time.⁹⁶

The two key steps in the development of a pro-poor political settlement are, therefore, the existence of incentives for elites to support 'pro-poorest' policies and the achievement of collective action among the poor.

Elites' incentives can emerge from threats to their power, their electoral possibilities, and the inclusion of the poorest among the constituencies of a ruling party. Politics can also be moulded by progressive leaders through nation-building projects that include a vision of a more equitable, as well as prosperous, society.

Development progress is not always about getting one person to do something for someone else, but rather to find ways for a broader group of people to come together and act in their collective self-interest.⁹⁷ The chronically poor often struggle to solve their collective action problem and mobilise as one. This can be because they do not have the time or security for such attempts; but also because they cannot see the immediate benefits. Indeed, there may be immediate costs that they will bear while others do not. As a result, they are unable to be citizens in the full sense.^{98,99} The potential number of veto holders or 'veto players', that is, those who need to agree to any reform or change process or who can block it entirely, is also critical in efforts to build greater collective action.¹⁰⁰

On the other hand, there are many mechanisms that can facilitate different forms of collective action, with some examples outlined in Box 23.¹⁰¹ These often work best when they are 'locally-anchored', that is: they address "the collective action problems that the relevant stakeholders actually face in specific local or sectoral conditions" rather generic

Box 23: Solving the collective-action problem among the poor

In Pakistan, the Orangi Pilot Project Research and Training Institute (OPPRTI), a local NGO, has helped to facilitate collective action within informal settlements and slums to address chronic sanitation problems. These settlements had languished outside formal provision for years, with open defecation and waste disposal resulting in serious risks to health and to the environment. The OPPRTI focused on dialogue with the Karachi city authorities, together with social facilitation and technical support for local residents. Local people constructed sewer channels to collect waste from their own homes and connect to the city's trunk sewers.¹⁰³ Another local NGO was able to broker communities' own agency, supporting them to finance, manage and build their own sewerage systems. As a result, strong relationships were also developed with local government engineers and administrators, allowing for the further upgrading of the local systems.¹⁰⁴

In Malawi, a community scorecard programme aimed to build capacity for collective action at local level, working in the education, health and agriculture sectors. Though designed as a tool to empower citizens, in practice the programme, run by Plan Malawi (with other local partners), helped to facilitate greater coordination and local problem-solving by actors right across both the supply and demand sides.¹⁰⁵ One key element of their approach was to identify key stakeholders who were part of the formal and informal processes and bring them together to devise joint action plans to tackle service delivery problems and provide follow-up.¹⁰⁶ This was particularly significant for Malawi, where stalled processes of decentralisation had contributed to a decision-making vacuum at local levels, with no single actor able to address service delivery gaps. In this context, effective 'brokers' such as Plan were key in bringing the different actors together and facilitating problem-solving that was not too costly or onerous for any one group.¹⁰⁷

models of international ‘best practice’. ‘Locally anchored’ may also mean building on hybrid institutions. For example, research into public education reforms in Mali, Niger and Senegal explored attempts to address the poor educational levels of government schools and their lack of popularity by incorporating elements that reflected Muslim values and expectations while also ensuring training for employment. The research found that this was a highly effective way to encourage greater attendance, although social norms and equity considerations will also need to be borne in mind for reforms that can address the most marginalised.¹⁰²

All of these processes are inherently dynamic. Opportunities to build collective action are bound to vary over time and will need to engage different configurations of stakeholders at different stages to be effective. Indeed, while we have developed a dynamic model for chronic poverty, there is a danger that the governance and political factors that drive or inhibit progress are too often treated as fixed or static.

1.7 Summary and conclusion

This chapter has provided a recap of the main findings from ten years of work by the Chronic Poverty Research Centre on who is living in chronic poverty and why, as well as possible escape routes. It has highlighted the dynamic and shifting nature of chronic poverty, and has outlined the poverty traps that keep people poor. It has argued that concerted and comprehensive policies are needed to address these traps, based on a combination of political and constitutional change, backed by ‘good enough’ governance and mass social mobilisation.

A strong focus is now needed on how to model these governance and political drivers in more dynamic ways, and without making any assumptions about the fixed nature of particular approaches or institutions or of chronic poverty itself. Chapter 2 sets out the key policy ingredients that have had some success in addressing the causes of chronic poverty, with an emphasis on the need for integrated and flexible approaches that are context-specific.

Notes

- 1 See also Shepherd and Scott (2011)
- 2 CPRC (2009)
- 3 Shepherd in Shepherd and Blunt (2013), Shepherd and Scott (2011)
- 4 McKay and Perge (2011)
- 5 CPRC (2004 and 2009)
- 6 Shepherd and Scott (2011)
- 7 Davis et al. (2010) Life history: Amin, Male, aged 61, Srirampur village, Kurigram District. Bath: Social Development Research Initiative Edited by Louisa Frears. Available from <http://www.sdri.org.uk>. All names and locality names have been changed to retain anonymity.
- 8 McKay and Perge (2011)
- 9 Shepherd (2007). See also Addison et al. (eds) (2009)
- 10 There are several useful compendia: Baulch (ed.) (2011), Shepherd and Brunt (eds) (2013), Lawson et al. (2010); and a summary: Shepherd and Scott (2011)
- 11 The CPRC used the term ‘adverse incorporation’ (Hickey and du Toit, 2007). Adverse inclusion is simply a more reader-friendly version.
- 12 UNDESA (2013)
- 13 Barrientos (2006)
- 14 Heslop and Gorman (2002)
- 15 Zimmer and Das (2012)
- 16 HelpAge International (2013)
- 17 There is a chicken and egg problem here. According to Inglehart and Welzel (2005), it is socio-economic development that drives changes in values most strongly.
- 18 Davis (2011a and 2011b); Quisumbing (2008); Tomlimson and Tariquzzaman (2009); Jones et al. (2010)
- 19 Davis (2007 and 2011a)
- 20 da Corta (2013b)
- 21 Jones et al. (ibidem)
- 22 Nolan (2009)
- 23 Anderson (2003 and 2007)
- 24 Davis (2011a and 2011b); Tomlimson and Tariquzzaman (ibidem)
- 25 UNFPA (2004)
- 26 UNFPA (ibidem)
- 27 Lenhardt and Shepherd (2013)
- 28 Currency conversion as of 28 January, 2014
- 29 da Corta (2013a)

- 30 da Corta (2013a)
31 WHO (2011)
32 WHO (2011)
33 Eide & Loeb (2006); Eide & Kamaleri (2009); Eide et al. (2011); Eide & Ingstad (2013); Henning & Bhekhe (2011); Kalameri & Eide (2011);
Loeb et al. (2008); Mitra & Sambamoorthi (2009); Mitra et al. (2013); Parnes et al. (2009); Trani & Loeb (2008)
34 Hulme and Shepherd (2003)
35 Emmett and Alant (2006); Reicher (2012)
36 ADD, personal communication
37 Cain (2012) argues that '[...] horizontal inequalities are fundamentally linked to marginalization. Furthermore, [...] marginalization is
not a 'state', but rather a 'dynamic' which is expressed in the interaction between those whose status is horizontally unequal as a result
of social constructs relating to factors such as disability, age, mental health and gender'.
38 Currency conversion as of 28 January, 2014
39 Hickey and du Toit (2007)
40 Scott et al (2013)
41 Lenhardt and Shepherd (2013), Figure 3
42 FAO et al. (2007)
43 ILO (2002a); Chen et al. (2004); Bertulfo (2011)
44 Rahman (2009)
45 <http://www.bbc.co.uk/news/world-asia-22476774>
46 Kabeer (2010)
47 UNRISD (2010); Kabeer (2010); Shepherd et al (2013a)
48 Hickey and du Toit (2007); Shepherd (2007); Lerche (1999); da Corta (2010); Breman (2011 and 2012); Phillips (2013); Razavi (2009)
49 Harriss-White (2002 and 2005); Green (2009)
50 Lenhardt and Shepherd (2013) p.2.
51 Palma (2006)
52 World Economic Forum (2012)
53 Sumner (2013); Edward and Sumner (2013); Karver et al. (2012); Ravallion (2013)
54 Sumner (2013)
55 Alkire, Roche and Sumner (2013); Glassman et al. (2011); Kanbur and Sumner (2011); Sumner (2010)
56 Sumner (2013) p. 29-30
57 Lenhardt and Shepherd (2013)
58 Lenhardt and Shepherd (2013)
59 da Corta (2010); Lerche (2007)
60 Currency conversion as of 28 January, 2014
61 Currency conversion as of 28 January, 2014
62 da Corta (2013a)
63 Kessy and Tarmo (2013) p. 39
64 Currency conversion as of 28 January, 2014
65 Kessy and Tarmo (2013) p. 39
66 International Labour Organisation (ILO); Baseline Survey on Child Domestic Labour in Bangladesh; 2006;
67 BBS/ UNICEF (2007)
68 da Corta (2013a)
69 da Corta (2013a)
70 Phillips and Mieres (2011)
71 Phillips and Mieres (2011)
72 Lerche (2011); De Neve and Carswell (2013)
73 Currency conversion as of 28 January, 2014
74 da Corta (2013a)
75 da Corta and Magongo (2013)
76 da Corta and Magongo (2013)
77 Devine and Wood (2010)
78 Harriss-White (2002); da Corta (2013a) van Schendel (1981); Shanin (1972)
79 da Corta (2013a)
80 Green (2009)
81 Hall and Patrinos (2010)
82 For a fuller discussion see: Harris and Wild (2013); Wild et al. (2012)
83 Golooba-Mutebi and Hickey (2013)
84 Golooba-Mutebi and Hickey (2013)
85 Golooba-Mutebi and Hickey (2013)
86 Golooba-Mutebi and Hickey (2013)
87 Chambers and Booth (2012)
88 Mosley (2012)
89 Arauco Paz et al (2014)
90 Barrientos (2013a)
91 The analysis in the table draws from Arauco Paz et al (2014)
92 Arauco Paz et al (2014)
93 see Shepherd et al (2013a)
94 Andrews (2013)
95 Keefer and Khemani (2005)
96 Keefer and Khemani (ibidem)
97 Thanks to Anne Floquet for this analysis.
98 Booth (2012)
99 Tembo (2013)

- 100 Gibson et al. (2005)
- 101 Tsebelis (2002)
- 102 Booth (2012)
- 103 Booth (2012)
- 104 Bano (2011); Sansom (2011)
- 105 Hasan (2006)
- 106 Wild and Harris (2012)
- 107 Wild and Harris (2012)
- 108 Wild and Harris (2012)

Tackling chronic poverty



80-year-old Ratna Maya Thapa from the Central Region of Nepal shows her voter registration card after walking for one and a half hours to cast her ballot in the Nepalese Constituent Assembly elections. Photo: UN Photo/Nayan Tara

Key points

- Tackling chronic poverty requires, first and foremost, a determination on the part of policy-makers to do so, coupled with demand for anti-poverty policies.
- There are four policy pillars need to be combined in order to tackle chronic poverty, which should be backed by 'good enough' governance and pro-poorest political settlements:
 - social assistance
 - pro-poorest economic growth
 - human development for those who are hard to reach
 - transformative social change.
- Social assistance¹ is always essential, but is more likely to enable graduation from extreme poverty if it is part of an integrated anti-poverty programme, rather than a stand-alone project.
- Pro-poorest economic growth entails improving the quality of informal employment, in particular, through labour standards and support for internal migrants.
- Chronically poor small-scale farm households can also drive agricultural transformation and can escape from poverty through agriculture if the market incentives are right, if their access to land is protected, and if there is strong governance of natural resources to improve and maintain land quality.
- Human development for people who are hard to reach is about extending access to quality services to everyone, backed by the necessary institutional and financial reforms, and moving from an exclusive pre-occupation with basic services to focus on secondary education and health.
- Transformative social change involves context-specific measures that foster inclusive and universal public service provision, and rapid shifts in the social norms and stigma that keep people poor.
- The balance between, and sequencing of, policy priorities will depend on context.

2.1 Introduction

This chapter provides an overview of policies that have succeeded in tackling the causes of chronic poverty as laid out in Chapter 1. Its core message is that the interests and needs of the chronic poor need explicit consideration by policy makers, and that if policies are to move us towards zero extreme poverty by 2030, they need to address the vulnerability of the poorest, their lack of access to assets and quality basic education, gender inequality among the poor, their powerlessness and the discrimination they experience. The chapter illustrates the four major interventions that are needed to address these challenges if we are to achieve zero extreme poverty by 2030.

Social assistance is an effective way to close the poverty gap.² To date, however, it has not been a priority for many developing countries, which have tended to focus on development objectives (in contrast to rich countries, where social assistance is commonplace). There has been insufficient demand for social assistance in many low-income countries or lower middle-income countries (LICs and LMICs), where the task of developing predictable and universal systems of social assistance is not yet considered a priority. Civil society organisations can help to stimulate this necessary demand for social assistance. Integrated approaches to social assistance are more likely to lead to graduation out of poverty than isolated projects, but the complexity of approaches implies that countries can only attempt this when they have to capacity and resources to do so. This would include the establishment of effective civil registration systems and ensuring universal birth registration as pre-requisites for the efficient and equitable delivery of social assistance.

Pro-poorest economic growth is possible and requires policies focused on sustainable agriculture, infrastructure and access to energy, as well as collaboration between the state and the private sector. Policies are also needed to prevent the adverse inclusion of the poor into the economy, as discussed in Chapter 1. This means creating good quality jobs for the poor and unskilled, with better working conditions, as well as upgrading their position as self-employed in markets and value chains and increasing the returns from their economic participation. It also means creating second chances in education for unskilled workers.

There are big issues of values and norms here. Where the poorest people are not considered to be productive, they are not seen as potential drivers of, or participants in, economic transformation. However, where they can increase their assets, they can also improve their productivity or become micro-entrepreneurs. This, in itself, will help to change elite attitudes and open doors to collective action, with producers' organisations no longer writing the poorest off.

Human development for those who are hard to reach is vital to extend its benefits to those disadvantaged groups that are still being left behind by global progress. Very young and older women, especially among minorities that experience

discrimination, often constitute the majority in these groups and targeted policies are needed to tackle their poverty and powerlessness. Access to justice and productive resources is essential, as is the reform of discriminatory institutions. Tackling the horizontal inequalities that often exist between different ethnic groups requires a context-specific policy agenda that combines affirmative action, social mobilisation and the top-down promotion of minority nationalities.

Education is the one single intervention that can enhance the effectiveness of every other pro-poor measure, but if education is to have a lasting impact on chronic poverty it will need massive and long-term investment in both access and quality. This is quite 'doable', but requires far more public expenditure, backed by strong political leadership. While increasing overall educational access is a popular and 'visible' political move, this issue becomes 'invisible' when it comes to reaching the last 10 or 20% as they do not have a voice.

Transformative social change (dynamic shifts in the norms, values, and social relationships underlying processes of development) is required to address the discrimination and exclusion faced by so many of the chronically poor. Attitudes towards those with disabilities, older people, pastoralists, indigenous minorities and lower-caste groups remain crucial barriers to progress. But norms and attitudes are also evolving in some cases, such as the rights of women and children, and more slowly in others, such as the rights of migrant workers and persons with disabilities. In some cases, however, norms and attitudes are even hardening, with the treatment of the Roma in Europe and of women in some fundamentalist religious contexts being prime examples.

The policy agenda to address chronic poverty requires governance that is good enough to ensure fair and credible targeting in social assistance, for example, and for the achievement of good learning outcomes among poor children in education. The various countries that have been implementing policies and programmes to tackle chronic poverty have one thing in common: a demand for such policies, either from politicians, constituents or other stakeholders. Such demand is, in turn, a function of incentives for the elite to build alliances with the poor, possibly around a nation-building project, and of the ability of the poor to solve collective action problems through organisation.

2.2 Tackling the vulnerability of the poorest through social assistance

Social assistance programmes are now the leading instrument for tackling the vulnerability and insecurity of the poorest people, and developing a security net that allows them to make some progress.

We know that social assistance programmes are good at tackling chronic poverty and closing the poverty gap (the gap between the average poor and the poverty line – usually measured in terms of consumption), even though that is

Table 3: Types of social assistance³

Type of social assistance programme	Underlying understanding of poverty	Impact on poverty
Pure income transfers (cash or in kind)	Poverty as lack of income	Transfers increase purchasing power and/or consumption level. They can target particularly vulnerable groups of people, e.g. the elderly. There is a case for targeting the elderly because they are unable to participate in other anti-poverty initiatives such as public works or microfinance programmes and because old-age pensions tend to be redistributed within their families. Example: Old Age Allowance, Nepal. ⁴ Non-contributory pension scheme providing an allowance to people aged 70 and above and poor widows aged 60 and above. Recipients value it for its material benefits, but also because it enhances their self-esteem and status.
Conditional cash transfers	Intergenerational transmission of poverty because of low levels of human development	Targeted transfers raise income to a minimum level and promote human development, creating incentives for the increased use of education and health and providing support to accumulate financial and physical assets. Example: <i>Progresa/Oportunidades</i> , Mexico. ⁵ Income transfers are conditional on children's enrolment and minimum attendance in school, and on the use of preventive health care services by household members, especially expectant mothers and young children.
Unconditional cash transfers	Poverty as lack of income	Cash transfers are provided with no conditions upon their use, under the assumption that releasing the cash constraints faced by the poor will result in their increased use of health and education services or productive activities. Example: Social Cash Transfer programme, Malawi. ⁶ It distributes unconditional cash transfers ranging from \$4 to \$13 per month to over 28,000 severely poor households, and is expected to serve 300,000 households with 910,000 children by 2015.
Public works programmes (PWP)	The 'poor work opportunities' trap leads to lack of stable and predictable income, which increases vulnerability	Transfers in cash or in kind are provided in exchange for work. The aim is to build assets or infrastructure that are useful for the community and, in turn, to provide a predictable source of income for chronically poor and food insecure households, especially during lean seasons. Example: Productive Safety Net Programme, Ethiopia. ⁷ Cash or food transfers for a maximum of six months in the lean season; about 90% of beneficiaries must engage in PWP in order to receive transfers. Beneficiaries are selected by the community among those most in need.
Integrated poverty reduction programmes	Poverty as multidimensional deprivation	A cash transfer is part of a set of integrated interventions to address the deficits that keep households in poverty and to break more than one poverty trap at the same time. Example: <i>Chile Solidario</i> , Chile. ⁸ Aims to eradicate extreme poverty caused by social exclusion by supporting poorest households in achieving minimum thresholds across seven main dimensions of well-being: income, employment, housing, health, education, registration and household dynamics. Each eligible household receives a small cash transfer and is assisted by a social worker who tailors a package of interventions to tackle the household's specific needs.

rarely their main objective (with the exception of *Bolsa Familia* in Brazil, and China's Minimum Living Standard Scheme (MLSS)). Table 3 outlines the impacts that are possible, and a few examples of such programmes in action.

However, social assistance programmes have their limitations – the most important being that social assistance by itself rarely enables 'graduation' – the escape from extreme poverty that justified the social assistance in the first place.⁹ Other interventions are required and an 'integrated approach' is the ideal, as shown by the examples of Bangladesh and Brazil (Box 24). This level of integration is, however, rare.

In which case, the next best option is separate programmes (social assistance and others) targeted at the same areas, and if possible, the same people.

Social assistance programmes also carry with them two conditions that must be met if they are to have an impact on chronic poverty.

- First, only permanent social assistance systems can limit people's exposure to risk in the long-term. Small-scale, time-limited projects will not create an environment that enables poor people to take the decisions they need to take if they are to escape poverty. This requires long-term and

Box 24: The integrated approach to social assistance

Integrated social assistance programmes combine cash transfers with interventions to reduce households' vulnerabilities, improve their productive capital and increase their children's human capital through investments in their education, nutrition and health. For example, BRAC's 'Targeting the Ultra Poor' programme in Bangladesh has nine main components, including a monthly stipend and health services, income-generation training, transfers of assets (e.g. poultry and cages, milk cows and stables) and technical support to micro-enterprises. Beneficiaries are supposed to graduate after a certain period to BRAC's standard microfinance programme.¹⁴ This strategy reflects a multidimensional understanding of poverty, as well as the recognition of its intergenerational dimension. Such an understanding is more likely to address the causes of chronic poverty and, therefore, to allow graduation. However, only a handful of countries are implementing this type of programme at present. In 2010, only Argentina, Bangladesh, Chile, Colombia, India, Panama and Uruguay had integrated social assistance programmes up and running.¹⁵ Many low-income countries still face serious difficulties in scaling up their existing (often short-term, stand-alone, pilot project) cash-transfer schemes, let alone consolidating different anti-poverty interventions into one integrated programme. The constraints they face are not only because they lack financial resources or political willingness, but also because they lack the administrative and management capacity required to implement large-scale and complex programmes.

Brazil, however, provides a remarkable example of how a country's social assistance strategy can evolve over time, given expanding financial and implementation capability, political commitment to poverty eradication and donor influence. *Bolsa Família*, the country's renowned conditional cash-transfer programme, was created in 2003 by consolidating different national and sub-national income-transfer programmes, and is considered one of the main factors in Brazil's success in reducing extreme poverty, which more than halved, from 17.5% to 8.4%, between 2003 and 2009.¹⁶ In 2011 it expanded into a large multi-programme initiative to eradicate extreme poverty by 2014. The new initiative, called *Brasil Sem Miséria* (Brazil Without Extreme Poverty), is built around two key principles: economic inclusion and intermediation.¹⁷

Brasil Sem Miséria pursues economic inclusion by creating employment opportunities for the poor and building collaboration between the public and the private sector. For example, the Brazilian Food Purchase Program (*Programa de Aquisição de Alimentos da Agricultura Familiar*), purchases school meals from local farmers; and poor workers can be employed in community kitchens.¹⁸ Conditional cash transfers are part of the initiative, giving the poor the necessary human capital to take advantage of the employment opportunities on offer.

Intermediation between the beneficiaries and the state is improved through the *active search* of the poor (which consists of professional teams actively seeking out people in extreme poverty through door-to-door visits and logging them in a single national register with their municipal institutions) and the direct supply of public services to the poorest areas.¹⁹ The Single Registry for Social Programmes is crucial for intermediation: the registry records all poor families and their characteristics, coordinating their eligibility and access to different activities and programmes. The Registry also creates poverty maps to target health and public-assistance interventions to the poorest municipalities.

Box 25: Creating demand for an old-age social pension in Tanzania¹³

In 2008, HelpAge International developed a policy initiative for universal pension coverage in Tanzania. This was based on an impact evaluation of a small social-pension programme implemented by its partner NGO 'KwaWazee', which generated evidence of its impact on the food security, health and psychosocial indicators of older people and children. In 2009, the Director of Poverty Eradication and Elimination of Poverty in the Ministry of Finance requested a study into the feasibility of scaling up the KwaWazee pilot to national level.

HelpAge's local network of NGO partners worked to popularise the study and build awareness among key stakeholders. As it was an electoral year, the priority was to ensure cross-party support for the universal pension through its inclusion in party manifestos. This involved targeting the regions and locations that had the greatest political influence for sensitisation and advocacy planning. At the national level, media were trained on the issues around ageing and the findings of the study were shared via a media engagement campaign, which also built a collaborative relationship with respected journalists. Key people in strategic zones across the country who could influence government, including faith leaders, Regional Commissioners, MPs, business people and media were invited to meetings to debate the study's findings, while other key stakeholders, such as research institutions, religious organisations and lobby groups, were consulted as part of the feasibility study process.

Older people and community organisations were encouraged to take part in the process, with the strategic aim of making the social-pension agenda a people's agenda, well understood and 'owned' by the older people themselves.

Since 2009, the universal pension for older people in Tanzania has been mainstreamed into various national development processes and initiatives. As of 2013, the Social Security Regulatory Authority (SSRA) and the Ministry of Labour were working to design a new social pension scheme and find appropriate sources of funding.

spatially distributed systems that are designed to expand to reach more people. These systems should also be designed in such a way as to be extendable in times of crisis. In fact, conventional social protection instruments, such as PWP, take time to scale up and are more likely to do so efficiently when they are already well established. When this is not the case, second-best options, such as short-term subsidies or school feeding may be more appropriate.¹⁰

- Second, there needs to be demand for social assistance from poor people and/or elites, together with an appreciation of what it can achieve. If there is little or no demand, it can be created. There is an enormously important role here for civil society organisations, many of which now understand the power of social assistance and are firm advocates, as shown in Box 25. Demand for different types of social assistance can, in turn, be driven by political economy factors. PWPs, for example, are very popular among international agencies and the governments of some poor countries, despite the lack of strong evidence that their costs are commensurate to their benefits.¹¹ Their popularity is because, in large part, they constitute a highly visible response to unemployment and jobless economic growth, and are easier to implement than structural interventions that relate to the global economy or national sectors and that require more time to generate positive outcomes. PWPs are also more easily to justify financially, as they can be presented as an investment, rather than as spending on consumption.¹²

Mechanisms to create demand include: advocacy and lobbying; pilot programmes; studies (especially credible evaluations); and media attention. The key ingredient in the success of Latin American social protection programmes is the way in which they have generated cross-political party support, with information put into the public domain and kept there by the media.

The conditions placed on cash transfers have also played a key role: they have been used to generate support for transfers among the middle classes, particularly among those who do not trust the poor to spend their money wisely. While this is not generally the case, it may be a fact of political life that programmes need to address.²⁰

Good impact evaluations relayed to the media are also instrumental in dispelling myths about social assistance creating dependency and non-participation in the labour market.

2.3 Pro-poorest economic growth

Economic growth is essential to reduce both income and non-income dimensions of extreme poverty, not least because it gives the state the resources it needs to invest in health, education and social assistance. However, while growth benefits the chronically poor, it benefits them less than it benefits the poor overall, and far less than it benefits the wealthy (see Box 12 in Chapter 1).²¹ As we have seen in

the previous chapter, the chronically poor tend to be either left out of economic growth altogether, or included in it adversely. Specific policy measures can be adopted to ensure that everyone benefits from economic growth. These include:

- A growth path that is balanced and less vulnerable to volatility and shocks, rather than a path that is fast but unequal and unstable.
- An emphasis on labour-intensive sectors where growth creates jobs for the poor and the low-skilled. This requires collaboration between the state and the private sector: with industrial policies that expand the manufacturing sector coupled with apprenticeship schemes or training to match skills to opportunities (see also Chapter 4).²² Reforms are also needed to support private sector development, in particular to promote the growth of small and medium enterprises (SMEs). In addition, labour laws are needed to prevent the exploitation of workers.²³ Most importantly, the priority should be the creation of decent jobs for all, rather than a generic increase in employment.²⁴ Quantity is no substitute for quality, which is represented by minimum wages and safe working conditions.
- Putting investment in agriculture at the centre of the strategy, with a focus on asset accumulation and protection for small-farmers (improving access to more and better land, to livestock and to other inputs) in a context of sustainable agriculture – bringing indigenous as well as modern technologies into the agricultural mainstream.²⁵

The promotion of smallholder agriculture has been a very important part of poverty reduction stories in East and Southeast Asia.²⁶ A combination of smallholder-focused agricultural development and rural non-farm economic development has characterised efforts to tackle chronic poverty in South Asia (although this region has more unequal landholding patterns, with inheritances dividing land into ever smaller fragments)²⁷ where a far greater reliance by the chronic poor on wage labour is found.

In sub-Saharan Africa, where there is still more of an open land frontier in many areas, there is a lively debate about whether to focus policy on supporting chronically poor smallholders or on those who are climbing out of poverty by accumulating land, and who can employ other workers on their farms. Ministries tend to prefer to support the latter option, as successful farmers have more resources with which to innovate. However, given that small farm households account for a large proportion of the chronically poor, it seems extremely unlikely that poverty can be eradicated without raising their level of farm incomes. This means empowering them to achieve a competitive scale of operation through collaboration. This collaboration can be achieved by cooperative working, contract farming arrangements or simple private sector interventions, although NGO support can often provide a good stimulus. Box 26 outlines a successful collaboration between smallholders and a private investment firm in Nigeria.

Box 26: Babban Gona Farmers Organization, Nigeria²⁸

The Babban Gona Farmer Organization operates in the northern Nigerian State of Kaduna. This farmer-services organisation is committed to lifting five million smallholder farmers out of poverty by 2030, targeting male and female smallholder farmers who have, on average, agricultural plots of between 1 and 4 hectares.

Babban Gona was developed as a franchise model by the impact investment firm Doreo Partners and provides three types of services to franchise groups of smallholder farmers, known as Trust Groups:

- training and development, including agronomy, financial literacy, business skills and leadership training
- inputs such as seeds and fertilizers on credit
- post-harvest marketing services.

Farmers also receive high-quality, low-cost inputs and mechanisation services on credit to increase productivity and crop yields. In one year of operation, the number of established Trust Groups soared from 16 to 150, with around 1,000 farmers and 1,500 hectares covered.

The farmers involved have seen a dramatic increase in yields (up to three times the national average). A further benefit is that Babban Gona sells outputs on behalf of the farmers, reducing post-harvest losses and ensuring farmers' access to premium markets. With the support of the microfinance institution Kiva, Babban Gona provides loans in the form of a 'harvest advance', allowing farmers to meet their short-term cash needs.

The actions above should be accompanied by widespread investment in infrastructure, including the provision of access to reliable energy for all. In fact, access to electricity – together with the assets that enable it to be used in a transformational way, improved cooking technologies, and mechanical power – can help people to escape from persistent poverty.

Three policies, in particular, are helpful: expanding electricity coverage and distributing clean-combusting fuels and equipment to populations not yet served; improving the ability of the poorest people to afford these when they are available; and enhancing the reliability and availability of energy services.²⁹ It also makes sense to link such investments to investments in other areas, particularly farming, the non-farm economy and other aspects of infrastructure development.

Massive investment in education for the poorest is necessary to ensure that they complete primary education and get at least a few years of secondary education, which boosts their chances of gaining access to more productive and better-paid jobs and of pulling their families out of poverty.

Finally, reforms that make taxation more efficient and if possible (although far more challenging) more equitable, should accompany economic growth (see Chapter 7).³⁰

Policy responses to economic adverse inclusion

Employment

Ultimately, devising policy responses to adverse inclusion is about governing globalisation at a national level and making development a fair and equal process. One fundamental aspect of this is the creation of decent work.

The majority of chronically poor people are economically active, but the poor quality of their work, including its low pay, its dangerous conditions and its insecurity and

irregularity, means that this work often keeps them in poverty rather than enabling them to escape that poverty. Box 27 outlines possible policy approaches to ensure that work itself helps to address chronic poverty.

Internal and international migration has the potential to be a major pathway out of poverty for those who migrate in search of employment. However, active measures must be taken to make sure that migration is not a substitute for efforts to create decent employment in the countries or areas of origin, and that it doesn't lead to adverse inclusion.³⁴ Measures include legislation on the free movement of labour, reform of public services in host areas to include migrants more effectively, ensuring that they have ID cards; and developing the infrastructure network along the routes followed by migrants (see Table 4).

An employment guarantee can stimulate an improved job market for unskilled workers. India's employment guarantee, for example, has helped to increase once stagnant rural wages since 2006, because people were able to find alternative local employment in the 'lean season', rather than having to migrate or work on a landlord's farm. This had a knock-on effect on urban open-market wages. Wage increases were also sustained by rapid growth in infrastructure investment as well as private investment in housing, which generated demand for unskilled labour in construction, and the upward impact on wages was sustained across the country. The resulting growth in consumption has been a major factor in India's unprecedented reduction in the number of poor people – down by 138 million between 2004/5 and 2011/12. This has, in turn, increased demand for some manufactured goods, such as processed food, shoes, clothes, furniture and mobile phones. At a time when economic growth in India has faltered, the poor seem to have received some of its benefits.³⁸

Box 27: Employment policies for decent work

CPAN's Employment Policy Guide³¹ argues that both additional employment opportunities and improvements in the conditions of existing jobs are essential if chronically poor households are to escape poverty through the work they do.

For this to happen, governments need to recognise different types of informal jobs and officially acknowledge their contribution to the overall economy. Until recently, little effort has been made to include informal wage employment within policy frameworks – the assumption being that the informal economy is just one stage in the development trajectory and is largely composed of self-employed micro-enterprises. However, informality persists and informal wage employment is on the rise as even large companies strive to reduce obligations to their workers.³²

Workers in informal wage employment should fall under legal frameworks governing labour markets, enjoy freedom of association and organisation and be included in official statistics. Inclusion of groups of workers in a minimum wage, for example, can have dramatic positive income effects – as in the case of the more than one million domestic workers in South Africa.³³

Sustained economic growth is certainly important to generate productive employment, and labour market policies (including their extension to labour contractors) are important to improve the quality of work for chronically poor people. However, none of these are sufficient on their own to create decent work. Tackling that challenge also requires investments in human capital, infrastructure and social protection as well as support for workers' organisations. This is beyond the remit of any one single body, and the involvement of all government ministries and public institutions is, therefore, crucial.

Table 4: Targeted services for migrant workers: the case of the Aajeevika Bureau in Rajasthan, India³⁵

The *Aajeevika* Bureau provides support to migrants from Southern Rajasthan who head to Gujarat and Maharashtra to seek part-time, seasonal work at construction sites, brick kilns, in factories, markets and in a vast range of services. Mostly very young males, unskilled and from lower castes, migrants face many problems at their destination that are related to identity, stable employment and access to basic services. The specific services offered by the Bureau aim to tackle such problems.

Services	Outcomes
Registration and photo ID provided through a network of walk-in resource centres at source and the destination areas.	Migrants are provided with proof of identity, which also serves as a gateway to banking services and to getting SIM cards and gas connections at the destination. In some cases, proof of identity has helped workers to avoid harassment from police and civic authorities.
Training and placement: vocational skill training and placement services to help rural youth.	By December 2011, <i>Aajeevika</i> had trained 1,822 youths and provided placements for 3,026.
Legal counselling, arbitration services and legal literacy offered in the walk-in centres and through a phone-based help line are also available for workers in Udaipur.	In case of a dispute, workers can approach the centres to register their case and seek counsel or aid. The centre plays an intermediation role between the complainant and the offenders. So far, <i>Aajeevika</i> has resolved 550 disputes and facilitated compensation worth Rs 5.2 lakhs ³⁶ (just over \$83,000 ³⁷).
Financial inclusion and linkages with social security schemes: a specialised agency called <i>Rajasthan Shram Sarathi Association</i> (RSSA) provides support in accessing micro-credit, insurance and pensions.	Micro-loans offered by RSSA help migrants to prevent abrupt breaks in the migration cycle. Some banks have started to accept the ID cards issued by the Bureau as a valid document to satisfy their Know Your Customer (KYC) requirements.
Family Support Programme and empowerment at source areas.	Special vulnerabilities are addressed to help migrants complete their migration cycle successfully.

Markets and value chains

Private-sector development is essential for job creation and self-employment opportunities. It can also be pro-poor, provided it is not based on national or international value chains that include small producers and unskilled labourers only on adverse terms. For example, organisational restructuring by multinational enterprises (MNEs), together

with sub-contracting in developing countries, has increased the flexibility and feminisation of labour at the production end of many global value chains.³⁹ As a result, more workers (particularly women) have been brought into paid employment, but their employment is often temporary or sourced through third-party contractors, informal in nature and gives them no legal rights or benefits. Indeed, while

they provide opportunities for workers, producers and vendors, supply and distribution chains are also where MNEs make their margins, squeezing returns to low-income suppliers or distributors while demanding higher-quality standards.⁴⁰ For these reasons, poor producers and workers may find participation in national and local value chains less hazardous than participation in MNEs.

It is possible to restructure supply, distribution and value chains to become pro-poor. This involves:⁴¹

- upgrading the position of SMEs in the supply chain by, for example, moving into more 'sophisticated' products with increased unit value, or taking on new functions, upstream or downstream in the chain
- improving returns and opportunities and reducing risk for those at the bottom of the supply chain, such as the producers of food crops, cocoa, coffee, rubber, etc.
- creating commercial opportunities for small-scale and informal sector vendors through their involvement in the distribution chain
- improving social, economic and environmental standards – such as specifications relating to environmental impact, worker conditions and smallholder rewards (Box 28)
- working with poor women to help them move from unstable domestic 'backyard' work into SMEs where they can be more productive.

The restructuring of the supply chain is most effective if accompanied by the reform of market systems to create business solutions that are tailored for local small and micro enterprises.⁴²

2.4 Human development for the hard to reach

Despite global consensus – and rhetoric – on the importance of human development, the health and education sectors are still underfunded in many countries (see Chapter 7). What's more, certain groups of people are still excluded systematically by health and education services and, as a result, have been excluded from the overall progress made on human development in recent decades. Interventions to

bring health to the poorest are discussed in Chapter 3; here, we focus on measures to ensure pro-poor education.

Pro-poor education

Basic education (primary and lower secondary) that ensures basic literacy and numeracy is a pre-condition for a household to escape from poverty and to sustain that escape over the long-term (see Chapter 4). Good quality education is also the ultimate intervention in terms of promoting empowerment: it endows individuals with capabilities and a sense of their rights; it gives households the chance to interact with state institutions, and it gives communities a collective interest around which they can organise and demand the improved, transparent and accountable provision of a vital public service. Yet the way in which education is delivered will determine whether this empowerment and these collective interests are realised.

Since the 1990s, major resources have been devoted to the push for universal primary education (UPE). Education has, in some cases, been prioritised politically, not least because of its perceived link to nation-building. One example can be seen in Osun State, Nigeria, with its combination of massive teacher training, infrastructural rehabilitation, school feeding programmes and the use of tablets in public schools.

However such prioritisation has often meant a focus on the highly visible actions that offer greater political rewards, such as school construction and enrolment,⁴⁴ and the neglect of issues around access and the quality of the teaching and learning on offer, which remain far less visible to parents, students and to the wider community.⁴⁵ This may be particularly true for chronically poor and marginalised communities, where parents themselves may not be educated and where there are particular barriers to measuring and monitoring learning outcomes.

The fact is that the more education someone has had, the more they are able to judge the quality of education their children receive. This has an impact on incentives; as others have noted: "Paradoxically, it is those parents who are least likely to have had significant access to and experience

Box 28: The potential for voluntary codes and standards to improve labour conditions⁴³

Private or corporate voluntary codes and standards can help to improve labour conditions and may be able to strengthen both existing labour laws and their enforcement. They do, however, have some limitations. For example, some value chains rely on a limited demand for certified products, which is easier to generate in international, rather than national, value chains. The impacts of social standards are not uniform and tend to correspond to existing social inequalities, with the poorest, particularly migrant labourers, benefiting the least. In addition, the enforcement of labour standards is difficult. However, external audits, combined with civil society campaigning, can help to increase workers' knowledge of their entitlements.

Unless the fundamental governance structures and regulations regarding global value chains are also addressed, codes can become a 'laundering' process whereby corporates wash their hands of responsibility and pass their costs and risks down to operators in their supply chain. Overall, codes and standards are no substitute for effective, and enforced, government legislation – particularly labour laws that protect workers' rights, including their freedom of association.

of quality education services (i.e. those from the poorest or most marginalised households) that most need to influence the provision of services to their children.”⁴⁶

The chronically poor may face the biggest barriers to assessing how well their children are being educated and will need additional support to monitor (and make demands of) education providers. Moves to include learning outcomes in the post-2015 development framework that will follow the MDGs could be instrumental in increasing the visibility of these issues, particularly if outcome indicators are disaggregated to include a focus on the poorest or most marginalised people.

Education can become an area where different social groups compete over social norms, especially in divided societies – and the language of instruction can really matter where there is high ethnic factionalism.⁴⁷

The accountability of education systems is critical to address such issues, which must be made visible to ensure that poor families have the support they need to demand more and better education – a key element in good learning outcomes for the poorest students (Box 29). It is also important to create better links between schools and the labour market; to make schools accessible to those who continue to be left out (Box 30); and reform education financing to enable poor

Box 29: Enhancing community accountability, empowerment and education outcomes in low- and middle-income countries: the *Vidya Chaitanyam* Project (VCP) in Andhra Pradesh⁴⁸

Many development agencies have supported community accountability and empowerment interventions that aim to improve educational outcomes for the poor by improving the quality of educational services overall, as well as the level of participation by students. These interventions include community score cards, citizen report cards, and similar projects that help local communities to hold governments, funders, bureaucracies and service providers accountable for the provision of services.⁴⁹

One significant example is the *Vidya Chaitanyam* Project (VCP) in Andhra Pradesh (AP), India, through which self-help groups of disadvantaged women have improved educational outcomes in their local schools.⁵⁰

The project, which ended in early 2012, aimed to address inadequate access to, and poor quality of, primary education by improving accountability between parents and schools, with a focus on School Management Committees (SMCs). SMCs were first established in 2007 by the AP Government as the main vehicle for school accountability. However, a baseline study in 2009 found that SMCs met only irregularly and were ineffective.

The VCP took a different approach. Implemented through 60 selected Village Organisations (VOs) located in seven isolated mandals (sub-districts) of Anantapur district, it promoted collective action by a large network of mothers (70% of whom were illiterate) who were already active in self-help groups (SHGs). SHGs used a simple traffic-light scorecard process, designed in consultation with district officials for people with low literacy,⁵¹ to measure and track key dimensions of school quality: student progress (attendance and academic achievement); leadership and management (publication of school statistics, use of government grants, and parental support); teaching and learning (teachers' attendance, use of teaching and learning resources and co-curricular activities); infrastructure (maintenance, provision of midday meals and toilets) and the image of the school (parental involvement in SMCs).

The scorecards were designed to provide staff with performance information that was compatible with their own measures. SHGs also shared these scorecards in their own group meetings and at SMCs. Overall the use of scorecards facilitated a shared understanding of key elements of school quality between communities, SMCs and the state. It also promoted collective action by mothers in the self-help groups (SHGs), 70% of whom were illiterate.

The achievements of the VCP have been attributed⁵² to a carefully sequenced set of sub-interventions that built the capacity of and sensitised the school, raised community awareness of education rights, designed the scorecard, built the capacity of marginalised women, mobilised parents to attend SMC meetings and enhanced their voice at these meetings, as well as their engagement with district officials.

Box 30: Access to education for excluded groups: nomads and pastoralists in Eritrea⁵³

Children of nomadic herders in Eritrea tend to be excluded from the formal education system because the seasonal migration of their communities is out of step with the formal school calendar. In general, classes are already underway by the time nomadic children are settling down after their migration.

In response, the Eritrean Government and UNICEF are developing non-formal Complementary Elementary Education (CEE), with a flexible calendar that is better suited to nomadic migration patterns. This is having a positive impact on access to education for nomadic boys and girls, providing them with new opportunities for learning. The establishment of education committees, composed of community elders, mothers and fathers, has also enhanced the perceived value of education among nomadic herders – and their appreciation of its long-term benefits for the community as a whole.

Box 31: Financing equitable basic education in Kenya: underestimating the need for equity⁵⁴

Kenya registers outcomes far above the average for sub-Saharan Africa for most measures of human development. Yet its national averages mask extreme disparities. The worst performances are found in 12 counties located in Kenya's Arid and Semi-Arid Lands (ASALs), which are characterised by high levels of income poverty, chronic food insecurity and acute deprivation across a wide range of social indicators.

Deprivation and inequality are particularly stark in education, with the ASAL counties accounting for 46% of Kenya's out-of-school population, even though they have only 18% of Kenya's primary school-age children. Gender disparities in education are also among the widest in the country, with girls having lower rates of enrolment and being less likely than boys likely to sit the secondary school-leaving exam. The unequal allocation of public spending across counties has reinforced and reproduced disparities in education outcomes and it is clear that reforms are needed to build an equitable approach to public spending. Currently, public expenditure to education is allocated almost entirely on the basis of the numbers of children in school. This has a perverse and unintended effect: counties with lower levels of school participation – such as the 12 ASAL counties – are penalised, when in reality they need more resources to counteract their higher drop-out rates. The allocation of public resources to basic education should be reformed in a way that gives more weight to the number of children of primary age who are out of school and to wider indicators of disadvantage, including the poverty gap and indicators of gender inequality.

children to have enough years of education to make a real difference to their lives (Box 31).

2.5 Transformative social change: from powerlessness to empowerment

Chronic poverty is the result of structural economic and social factors and traps, and the intersecting inequalities that ensue. Eliminating chronic poverty requires transformative social change that challenges the social order (caste, gender, race and class relations) and the social practice (lower pay for women, seizing the assets of widows, child labour and debt bondage) that perpetuate these factors and traps. Two key and interconnected aspects of transformative social change are the empowerment of disadvantaged groups and individuals and the mitigation of intersecting inequalities.

Empowerment should aim to enable people to do three things: take decisions about their lives; take the right decisions; and decide what constitutes the right or wrong decisions for them. This can be achieved through a wide range of policies and programmes,⁵⁵ but here we focus on three key policy approaches: the empowerment of children to claim their rights via effective civil registration systems; the empowerment of poor women through policies to enhance gender equality; and the empowerment of persons with disabilities through policies to enhance their social and economic participation. Policies to tackle intersecting inequalities are discussed in section 2.6.

Civil registration systems

The first step in transformative social change is the establishment of an effective civil registration system: one that is accessible to excluded and disadvantaged groups. Globally, the births of nearly 230 million children under the age of five have never been recorded, and the number

of children without a birth certificate is even higher. Rates of registration are lowest among socially disadvantaged children, such as children from ethnic minorities and/or those whose mothers have had little or no education.⁵⁶

Without a birth certificate, children (and adults) can be denied access to health and education services and, more generally, denied recognition of their rights and entitlements. Birth registration rates can be increased by, for example, registering families who seek health care and who enter their children in school. As births can only be recorded as part of national civil registration systems, the strengthening of such systems is also essential. The case of Brazil, with its Single Registry For Social Programmes (see Box 24 above) shows that a civil registration system can increase the efficiency of social assistance significantly, as well as the delivery of public services more generally. India is also taking steps in this direction (Box 32).

Box 32: India's Unique Identification (Aadhaar) project

In 2010 the Government of India launched *Aadhaar*, the world's largest biometric identification initiative. It aims to collect both personal (date of birth, name) and biometric information (fingerprints and retina scans) from every resident in of India; and issue citizens with 12-digit identification numbers and bank accounts. This is to enable the Government to deposit welfare payments and other benefits directly into people's accounts, cutting out potentially corrupt middlemen. The scheme has the potential to curb corruption in social welfare and benefits and to increase governance capacity through access to better-quality population data.

Empowerment of the poorest women and gender equality

The second step in transformative social change is progress towards greater gender equality for the poorest women, who are lagging far behind other groups in terms of human development and empowerment.⁵⁷ They have gained less from increases in educational attainment (especially years of schooling) than the average women, so the educational gap has widened. The gap between the average age of marriage among the poorest girls compared to those in the median wealth quintile has also increased significantly. And overall progress in women's financial agency has benefited the poorest women only marginally: they had less control over household spending in the 2000s than the average for women in their countries in the 1990s.⁵⁸

Empowering women is a necessary condition for any strategy to reduce chronic poverty. A raft of measures could be adopted: some of them universal (chiefly in education) while some are context-specific (reforming discriminatory social norms and institutions). Targeting adolescent girls and young women, in particular, is essential to achieve a deeper transformative social change (Box 33).

One key aspect of promoting the empowerment of the poor – and of the poorest women in particular – is access to justice. Poor women benefit from access to legal and police protection that ensures their physical integrity and mitigates the inequalities they face in access to resources. This can take the form of, for example, providing a legal framework to strengthen their individual and collective ownership.

Changing discriminatory social norms around dowry and child marriage is essential – although difficult – to break

the poverty traps faced by girls and young women. While the damaging impact of dowry practices on poverty and the empowerment of women has been recognised in public debate, little has been done at policy level to address it.⁶⁰ Evidence that the practice of dowry has actually increased over the past decade, especially in South Asia, emphasises the need for urgent action and highlights the resistance to change norms that are rooted in patriarchy. The stubborn pervasiveness of dowry payments also suggests the lack of any alternative mechanisms for upward social mobility for poor families. The fact that it is so firmly embedded in social norms and institutions implies that it will take multiple types of interventions to tackle the problem, including:⁶¹

- enforcement of anti-dowry legislation
- public campaigns to spread awareness of the consequences and illegality of dowry practice, and to instil a view of women as economically productive – both in the workplace and the household (see Box 34)
- the economic empowerment of girls and unmarried women through, for example, targeted educational transfers and income-generation programmes
- the creation of incentives at community level to modify dowry practice, such as rewards to villages or local governments that reduce the incidence of dowry.

Child marriage is a practice rooted in customary family codes, but, as we have seen in the previous chapter, it is also often used by poor families as a strategy for economic survival, or to protect girls from unsafe environments where they are at risk of sexual abuse. It follows that no single approach will address this problem: a combination of

Box 33: Stemming girls' chronic poverty through institutional reforms

The CPRC report on gender, *Stemming girls' chronic poverty*,⁵⁹ identifies childhood, adolescence, and early adulthood as being critical in determining the life-course potential of girls and young women. For many, these key phases of life are marked by deprivation and vulnerability to chronic poverty. The report examines how context-specific social institutions shape their life opportunities and agency. Underscoring the need to recognise the importance of culture and social norms and practices in the poverty traps faced by girls and young women, it recommends that policy-makers:

- develop and enforce context-sensitive legal provisions to eliminate gender discrimination in the family, school, workplace, and the community
- support measures to promote the right of children, and especially girls, to be heard and to participate in the decisions that affect them
- invest in the design and implementation of child- and gender-sensitive social protection
- strengthen services for girls who are hard to reach because of their spatial disadvantage and the age- and gender-specific socio-cultural barriers that surround them
- support measures to strengthen individual and collective ownership of, access to, and use of, resources by girls and young women. This includes measures for gender-sensitive legislation, such as the Legal Assistance Centre in Namibia, which works to reform cohabitation and marital property regimes. Other measures include the promotion of women's collective rather than individual ownership of land and assets. In Andhra Pradesh, India, poor low-caste women in groups of 5 to 15 have purchased or leased land through government schemes for subsidised credit and grants, and are now farming this land productively in 75 villages. Such collective-ownership programmes and production cooperatives have also had success in Latin America and in some countries in Africa
- strengthen efforts to promote the physical integrity of girls and women and their control over their own bodies, especially in conflict and post-conflict settings.

Box 34: A soap opera sparks debate on gender issues in India

Harnessing the power of the media to highlight gender issues has been an effective approach to raise awareness and stimulate debate. In India, for example, a government–NGO partnership involving Plan International, the Edward Green Charity, and later the International Foundation for Electoral Systems (IFES) and the United States Agency for International Development (USAID) developed and broadcast a soap opera series to highlight the problems of sex-selective abortion to the general public. The soap used a Bollywood-style approach to examine issues such as the law against prenatal tests, gender poverty, anti-dowry laws, violence against women and potential social problems stemming from a skewed sex ratio. An audience assessment by the New Delhi-based Centre for Advocacy Research (CAR) found that the drama resonated very strongly with young women, but that more interactive feedback on such storylines was needed to reach older women and men, so that they did not feel alienated by the programme or its sensitive topics. Overall, however, CAR concluded that there was considerable scope for soap operas to tackle such issues and for their producers to do so while seeking regular feedback from their viewers.⁶²

approaches is needed. Policy measures include the reform of formal and informal legal codes, enforcement of family law, spreading legal literacy among women and an understanding of their rights in statutory and customary laws, and raising awareness of the harmful effects of child marriage as well as of the economic value of women within and beyond the household. Education, once again, has the potential to be the most effective type of intervention, as it helps to delay marriage while improving a girl's capabilities (Box 35).

Empowerment of persons with disabilities

The social and economic inclusion of persons with disabilities (PWD) is backed by the UN's 2006 Convention on the Rights of

Persons with Disabilities (UNCRPD) ratified by 133 countries. More recently, disability has been highlighted by the High-level Panel on post-2015 agenda and in the subsequent report of the UN Secretary General. This is now seen as an area that was neglected in the MDGs,⁶⁴ and if the post-2015 framework aims for zero poverty, there will have to be policies and programmes at national and international level to tackle the links between disability, exclusion and poverty. Two sets of actions will be necessary to break these links.

First, there needs to be a paradigm shift in the understanding of disability so that it is seen as a social as well as a medical issue; as a human rights as well as a vulnerability/needs issue; and as an empowerment as well as a provision issue. Shifts in understanding help to address the discriminatory attitudes and practices that exclude PWD from access to resources and services, and from participating in all aspects of life. Their agency can then be strengthened through their greater engagement with able-bodied people at all levels (family, community, policy-making), their engagement and representation in other social movements (such as the women's movement), and their economic empowerment.

The Albinism project in Uganda described in Box 35 demonstrates the importance of shifting understanding as the route to changing the discriminatory attitudes and practice that lock people into chronic poverty.

Second, the economic empowerment of poor PWD is necessary to ensure their inclusion in mainstream development and prosperity, and to provide pathways out of multidimensional poverty. Actions are needed to address, systematically and sustainably, the barriers that exclude them from economic opportunities and from health and education services. These actions include, for example, targeted education and training for PWD in both the formal and the informal sectors, as well as the involvement of the private sector in the design of innovative agricultural value chains to create opportunities for PWD. Actions are also needed to target social-protection schemes to improve the participation of PWD and their families in informal self- and wage-employment and to design transport systems

Box 35: Ethiopia's *Berhane Hewan* ('Light for Eve')⁶³

Ethiopia's *Berhane Hewan* programme aims to delay marriage for girls by giving families incentives to keep them in school. Run by the Ethiopian Ministry of Youth and Sport and the Amhara Regional Bureau of Youth and Sport, the programme targets unmarried girls aged between 10 and 19. Parents pledge that their daughters will not be married in the next two years in exchange for the benefits of a formal or informal education. On completion, a goat is presented to the family. As part of the programme, community dialogues are held every two weeks with elders to discuss harmful practices and their effects.

The full impact of the programme is not yet clear, but an end-of-programme survey carried out in Mosebo in 2006 found that far more girls were in school (96% compared with 89% when the programme started in 2004); none of the girls in Mosebo had married in the previous year; girls' knowledge of sexually-transmitted infections had improved; and they were more likely to use contraceptives (75% of sexually-active girls had used a method of contraception by the end of the study). In short, girls from Mosebo were far less likely than girls at the control site to have married, suggesting that the programme had succeeded in delaying marriage.

Box 36: Promoting the human rights of people affected by albinism in Uganda⁶⁵

Between 2012 and 2013, a project to promote the human rights of people affected by albinism in the regions of Bugisu and Sebei (specifically in the districts of Bududa, Mbale, Sironko, Bulambuli, Bukwa, Kween and Kapchworwa) in Uganda generated changes in both behaviour and policy. Led by the NGO Action on Disability and Development (ADD), the project received substantial support from local government and civil society actors, who not only received but also passed on key messages through their own administrative systems and to the community at large, including through a mass-media campaign.

People with albinism report that they now receive much more 'respect' from the community. There is also ample evidence that education authorities and schools have taken decisive action to provide appropriate and inclusive support for students with albinism. The evidence suggests that more children with albinism are enrolling in school, and predicts that they will remain in school much longer than past generations of people with the same condition.

The targeting of key stakeholders has been instrumental in promoting a pro-disability institutional framework. People with albinism have been appointed as representatives on local Disability Councils and District Unions of Persons with Disability. Bududa District Council has adopted an ordinance on the rights of persons with disabilities and the duties of service providers, which includes an explicit mention of the rights and special needs of persons with albinism. Mbale District Council is now considering a similar measure, and encouraging others to follow suit.

that are more accessible to PWD. Such measures should be underpinned by legal frameworks, in line with obligations under the UNCRPD, to tackle discrimination and remove barriers, and to engage more effectively with PWD to understand these barriers and monitor the implementation and impact of policies.

2.6 Policies to tackle intersecting and horizontal inequalities and achieve a more just society

The creation of a just society takes more than stand-alone policies and programmes that target only the groups who are actually experiencing discrimination. It envisions a combination of political change, constitutional reform, increased political participation, affirmative action policies

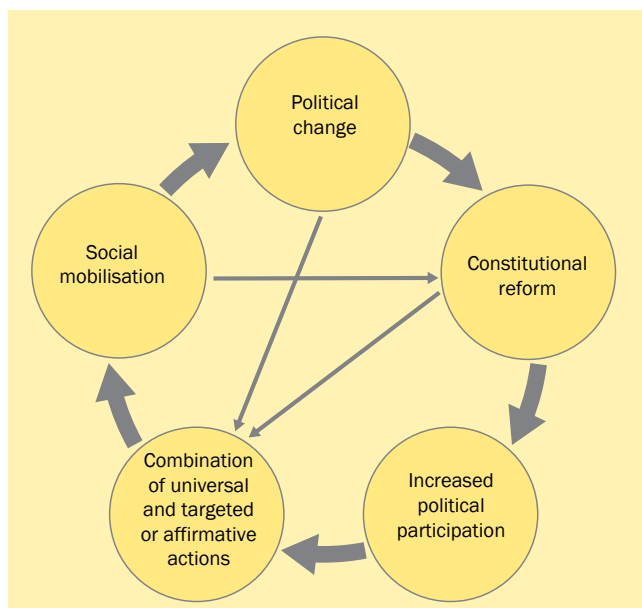
and social mobilisation (see Figure 9).⁶⁶ Where horizontal inequalities (HIs) are strong, specific policies are also needed to build social cohesion. This is particularly important in fragile and post-conflict states, given the tendency of conflicts to flare up in places where they have already happened (see Chapter 3). Building social cohesion is essential to reinforce resilience to conflicts, but it is often neglected in the rush to rebuild states. The policy matrix in Table 5 provides a range of policies that can be used to pursue the all-important social cohesion that can help to prevent more violence.

Taken together, these policies can build more inclusive and pro-poorest political settlements in societies affected by conflicts. The best current example of this is Nepal, where a root and branch overhaul of the state has been taking place since the Comprehensive Peace Agreement of 2006 (see below and Box 59 in Chapter 5).

Table 5: Policies to address horizontal inequalities (HIs)⁶⁷

Dimension	Policy approach		
	Direct HI reducing	Indirect HI reducing	Integrationist
Political	Group quotas; seat reservations; a constitution that guarantees power-sharing among all groups; proportional representation.	Voting systems and seat boundaries/numbers designed to achieve power-sharing across groups; human-rights legislation and enforcement.	Geographical voting spread requirements; ban on ethnic/religious parties.
Socio-economic	Quotas for employment or education; special investment or credit programmes for particular groups.	Anti-discrimination legislation; progressive taxation; regional development programmes; sectoral support programmes.	Incentives for cross-group economic activities; requirement that schools are multi-cultural; promotion of multi-cultural civic institutions.
Cultural status	Minority language recognition and education; symbolic recognition.	Freedom of religious observance; no state religion.	Civic citizenship education; promotion of overarching national identity.

Figure 9: Addressing intersecting and horizontal inequalities – the core ingredients



The policy agenda to tackle intersecting and horizontal inequalities is challenging and one that is not fully in the hands of governments alone: civil society and the private sector must also play a role. The countries that have implemented such an agenda have done so using context-specific variations of the model shown in Figure 9 and of the policies discussed in Table 5.

Box 22 in Chapter 1 describes two variations of this model adopted by some Latin American countries that were successful in achieving a pro-poor political settlement. Box 37 shows the experience of Ethiopia, which has achieved positive outcomes for at least some of its citizens who face multiple disadvantages.

An interesting case of success in tackling horizontal inequalities is that of China. China's route to poverty reduction has been – as well chronicled – through pro-poor, but environmentally unsustainable growth, combined with massive investments in education. What is less well known, however, is how China has tackled the horizontal inequalities between ethnic minorities and the majority Han population, with poverty reduction programmes strongly targeted to ethnic minority areas.

The Chinese model appears markedly different to that shown in Figure 9, in that it has not been based explicitly on constitutional reform, political change or the participation of citizens. However, this masks the fact that national political change has triggered more progressive policies and that affirmative action to promote the political participation of minorities has been a feature of China's evolving political institutions.⁶⁹

Box 37: Tackling intersecting inequalities in Ethiopia

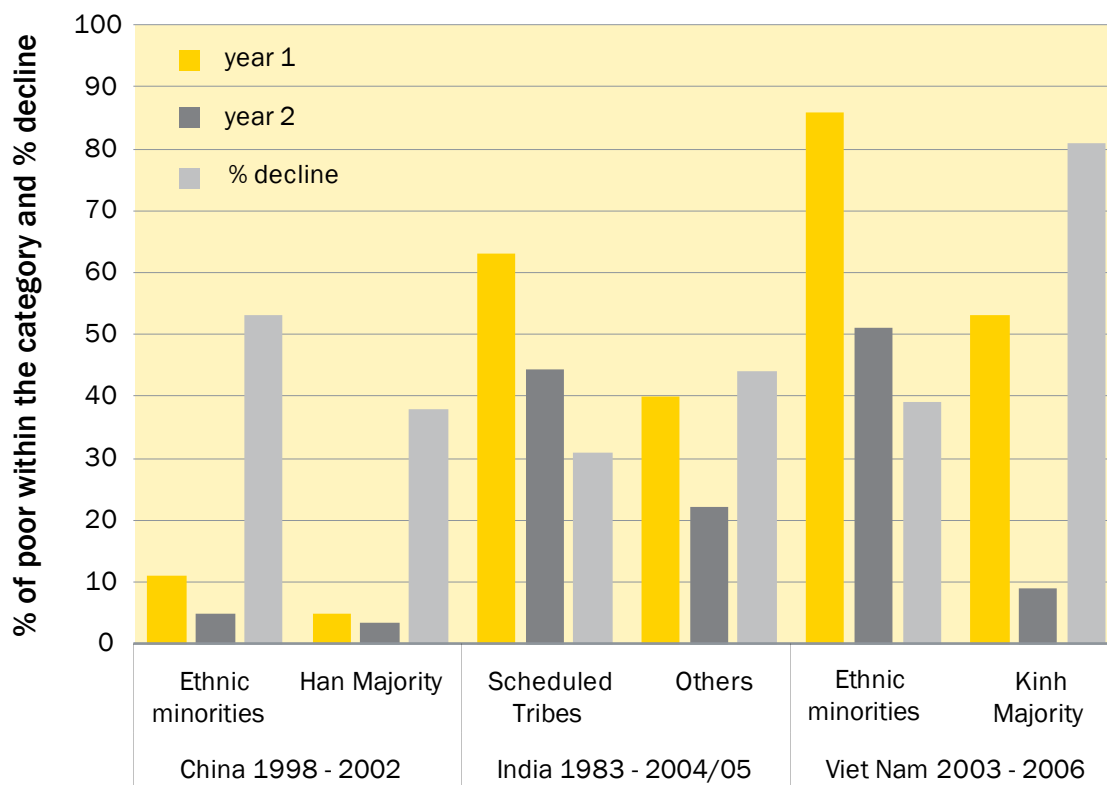
Under a Constitution based on ethnic federalism, where the central government aims to equalise outcomes across different ethnic groups, Ethiopia has reduced group-based inequalities between women and men in education and wealth, and group-based inequalities between ethnic groups in child mortality between 2000 and 2011. It is worth noting that such inequalities were very high in Ethiopia in 2000 and were deeply rooted in history, so these remarkable achievements in a low-income country are significant.⁶⁸

As Figure 10 shows, the much faster relative progress for China's ethnic minorities, compared to the Han majority and to outcomes in India and Viet Nam, is remarkable. The reasons of these progress are under-researched, but probably relate to the granting of autonomous area status to ethnic minority regions and areas.⁷⁰ This has allowed greater local control of public finances and economies, within a context of already highly decentralised authority across China.

These policy approaches have been combined with affirmative action to promote members of minorities to chair the autonomous regions and areas, looser regulation of fertility. They have also been supported by a long history (dating from the late 1970s) of establishing minority boarding schools and proactive policies for the matriculation of students from ethnic minorities into colleges and universities, subsidies for minority students, and the promotion of schooling in local languages (although all children must also learn Mandarin).

Yet another variation of the model depicted in Figure 9 is the rights-based approach increasingly adopted in South Asia. This approach focuses on 'rights and guarantees' and establishes a constitutional basis for the implementation of specific policies which aim to reduce inequalities and discrimination. This 'language of rights', which has gained momentum in the past decade, is now a regular vernacular in the discussions of governance and in the framing of policies for social protection in many South Asian countries. The proponents of this approach argue that rights are an important vehicle "for realising the goals of progressive movements."⁷³

India has been the front runner in the promotion of this approach in recent years, as testified by the adoption of a number of laws and policies establishing legal entitlements and policy frameworks for specific rights. Notable examples are the Right to Information Act (2005), aimed at creating transparency in government; the National Rural Employment Guarantee Act (NREGA 2005, see Box 38); the Right to Education Act (2009), which guarantees education for children aged 6-14; the Forestry Rights Act (2006), creating a right to land titles in forest areas; the Food Security

Figure 10: Poverty trends among ethnic minorities, China, India and Viet Nam⁷¹

Bill (2013) reforming the Public Distribution System, and the Land Acquisition, Resettlement and Rehabilitation Act (2013), replacing the colonial Land Acquisition Act of 1894.

In 2012/13 alone, 48 million households in rural India accessed work under the NREGA, of which 22% belonged to the 'Scheduled Castes', 17% to 'Scheduled Tribes' and more than half (52%) were women. A survey from a sample of 1,000 NREGA workers found that 69% reported that the NREGA has helped them avoid hunger, 35% stated that it had helped them escape hazardous demeaning work, while 47% stated that it had helped them to cope with family illness. In particular, the women reported the NREGA sponsored employment as being their only source of income.

Nepal has also undertaken a path towards a rights-based approach, specifically to tackle horizontal inequalities. The development of a new Constitution in 2007 was a key moment of this process, followed by affirmative action in the civil service and in politics to create a more inclusive state. The National Plan that accompanied the Constitution had very clear targets – to raise the Human Development Index of the poorest communities and marginalised groups – Dalits, Janajatis, Madhesis and Muslims – by 10% in three years by mainstreaming excluded communities into the whole development process and its planned outcomes; increasing access to resources for excluded communities; ensuring proportional representation of excluded communities in the decision-making processes and structures of the state;

launching special targeted programmes for excluded communities; and adopting a policy of positive discrimination in the economic, health and education sectors.

A fundamental action to achieve these targets was the adoption of the Civil Service Act of 2007. This act was

Box 38: Rights-based approach: a case study of India (NREGA, 2005)⁷⁴

In 2005, the Indian Parliament passed the National Rural Employment Guarantee Act (NREGA), which created a constitutional basis for the right to a minimum of 100 days of employment per fiscal year to every household in rural India. The act guarantees employment within 15 days of applying for work with the local village panchayat and, among other things, has provisions for the entitlement to an unemployment allowance, of at least one quarter of the statutory minimum wage for the first 30 days and half of the statutory minimum wage thereafter, if there is a failure to provide employment. The other noteworthy mandate of this act is the requirement of payment of equal wages for women and men: a significant step, given the workers benefitting from this programme would otherwise be employed in an informal sector that lacks such wage parity. This act has resulted in the creation of one of the largest public works programmes in the world.

spearheaded by the ideals of positive discrimination and called for the reservation of 45% of all seats in the police and armed forces for marginalised groups. While it is too early to be able to speculate about the long term impact of this policy, the data since the enactment show increased civil servant intake from the targeted groups; from 2007/08 to 20011/12, 30% of the total seat intake occurred through the reserved quota system. This includes an intake of 37% women, 27% Janajati and 4% persons with disabilities.

2.7 Summary and conclusion

Three core and universally valid policies are needed to tackle chronic poverty: massive investment in education, social assistance and pro-poorest growth. These must come with more context-specific policies that aim to prevent the adverse inclusion of the poorest in value chains and the labour market. These are the same interventions that are needed to make economic development a fairer and more inclusive process and to distribute its benefits in a more equitable way.

Eliminating chronic poverty is also about eliminating the intersecting inequalities faced by the poor as a result of

social norms and power relations. This requires progressive social change, starting with the empowerment of women and the elimination of discrimination between identity-based groups. Making a more just society, capable of dealing with the most intractable causes of chronic poverty – intersecting inequalities, discrimination and political exclusion – takes more than stand-alone targeted programmes. It requires a combination of political change, constitutional reform, increased political participation, affirmative action policies and social mobilisation. Tax reforms and political commitment are also needed to support the additional investment in education, social assistance, infrastructure and agriculture. In order to achieve this, new political agreements and alliances among elites and poor citizens will be needed in many developing countries.

Implementing these policy recommendations countries may substantially improve the conditions of many chronic poor people – and may also reduce inequality. However, this may not be sufficient to prevent the impoverishment of poor and non-poor people alike. In societies characterised by structural change and multiple risks, more specific interventions will be required. These are discussed in chapter 3.

Notes

- 1 In this report, 'social assistance' is used to indicate the non-contributory component of social protection which has the explicit aim of interrupting the intergenerational transmission of poverty or prevent destitution through benefits and transfers (in cash or in kind), which can be complemented by other types of interventions (i.e. integrated poverty reduction programmes). The other component of social protection is 'social insurance' (discussed in Chapter 3), intended as the transfers made out of pooled resources which include at least some contributory element, and which are meant to provide support against life course contingencies such as maternity and old age, or work related contingencies such as unemployment or sickness.
- 2 The gap between the average poor and the poverty line.
- 3 Adapted from Barrientos and Niño-Zarazúa (2011).
- 4 HelpAge International (2009)
- 5 See the literature cited in Barrientos and Niño-Zarazúa (ibidem).
- 6 Covarrubias et al. (2012); DFID (2011)
- 7 Gilligan et al. (2009); Barrientos and Niño-Zarazúa (ibidem).
- 8 Brandt (2012); Barrientos (2010).
- 9 See for instance the evidence reviewed in Browne (2013)
- 10 McCord et al (2013)
- 11 McCord (2012)
- 12 McCord (2012)
- 13 HelpAge International, personal communication
- 14 Hulme and Moore (2010)
- 15 Barrientos et al. (2010)
- 16 Barros et al. (2011)
- 17 Barrientos (2013b)
- 18 Barrientos (2013b)
- 19 Lula da Silva (2013)
- 20 Hulme et al. (2010)
- 21 McKay (2009)
- 22 Osmani (2007)
- 23 Companies with good labour records, or good CSR policies could also be favoured for public-private collaboration.
- 24 Decent and quality job (or work) are used interchangeably in this report to mean employment which pays a decent salary and is carried out in safe working conditions, in conformity to ILO's Decent Work Agenda.
- 25 CPAN (2012)
- 26 van Donge et al. (2012); Henley (2012)
- 27 Gaiha et al. (2014a)
- 28 Doreo Partners, Press Release: The Otunba Tunwase Foundation subscribes to social impact bond; <http://www.doreopartners.com/press-release-the-otunba-tunwase-foundation-subscribes-to-social-impact-bond/> (accessed on 22/01/2014); Kiva, Babban Gona Farmers Organization. Nigeria; <http://www.kiva.org/partners/288> (page accessed on 22/01/2014)

- 29 Pachauri et al. (2013)
30 CPRC (2009)
31 Scott et al. (2013)
32 ILO (2013)
33 Dinkelman and Ranchhod (2012)
34 Deshingkar et al. (2008)
35 Khandelwal et al (2012); see also <http://www.aajeevika.org/>
36 1 lakh= 100,000
37 Currency conversion as of 30 January, 2014
38 Mehrotra et al. (2014)
39 Barrientos (2003); Barrientos and Kritzing (2004)
40 Ashley (2009)
41 Ashley (2009)
42 Tschumi and Hagan (2009)
43 Scott et al. (2013)
44 Harris, Mcloughlin and Wild (2013)
45 Harris, Mcloughlin and Wild (2013)
46 Harris, Batley, Mcloughlin and Wales (2013)
47 Mcloughlin and Batley (2012)
48 Thanks to Bill Walker for providing the material on which this Box is based.
49 This analysis is based on the results of a systematic review investigating mechanisms through which community accountability and empowerment interventions may work in different contexts, in low and middle income countries (Westhorp et al 2014).
50 Galab et al. (2013)
51 Simple traffic-light indicators were developed as a ratings system. The cut-off points for each colour rating were agreed collaboratively with input from District level officials to align with existing indicators and standards.
52 Westhorp et al (2014)
53 Minority Rights Group (2009) cited in Green (2013)
54 Watkins and Alemayehu (2012)
55 For an overview of policy to tackle empowerment see Green (2013)
56 UNICEF (2013)
57 Lenhardt and Shepherd (2013)
58 Lenhardt and Shepherd (2013)
59 Jones et al. (2010)
60 Davis and Bach (2010)
61 Jones et al (2010)
62 Jones et al (2010)
63 Erulkar and Muthengi (2009) cited in Jones et al (2010)
64 Wapling (2012)
65 Young (2013)
66 This analysis was based on research on Brazil, Bolivia, Ecuador, Ethiopia, Malawi, Nepal, and Pakistan. See Arauco Paz et al (2014)
67 Stewart (2008) Table 14.1, p 304
68 It should be noted that the emphasis on ethnic federalism has also been criticised by, for example, the International Crisis Group (ICG 2009).
69 Hannum and Wang (2012)
70 This has been questioned by one of this report's reviewers, who was of the opinion that indigenous areas' autonomy was not very strong. Rather the achievement is to do with the general strong decentralisation in China. This issue needs more research.
71 Based on evidence and data presented in Hall and Patrinos (2010)
72 Cornwall and Molyneux (2006)
73 Hunt (1990)
74 Dreze and Khera (2011)
75 Breman (1996 and 2003); Harriss-White (2003)

Stopping impoverishment



People have deserted a drought stricken village in Mauritania. UN Photo/John Isaac

Key points

- There have been periods in the past 20 years when the number of households falling into poverty (impoverishment) has been almost as great as the number escaping poverty: the gains made by those who manage to escape can be wiped out as they, and others, fall back into poverty.
- Action by the state to reduce the risk of impoverishment is essential to achieve the goal of zero poverty by 2030 and is a key component of pro-poorest political settlements.
- Universal health care (UHC) is a policy priority wherever ill-health constitutes a primary cause of impoverishment.
- Savings and insurance matter more than credit wherever the poor are very vulnerable to shocks and stresses.
- The high start-up costs of insuring the poor against risks mean that government (or donors) must subsidise such insurance at the outset.
- It is essential to improve disaster risk management in countries, and especially sub-national regions, where poverty and vulnerability are concentrated.
- Countries need greater freedom to implement counter-cyclical macro-economic and fiscal policies than they have had in the past.
- Aiming for a pro-poor political settlement can help fragile states turn the corner towards resilience.

3.1 Introduction

The eradication of extreme poverty requires more than bringing poor people up to and above the poverty line. It means preventing impoverishment, of poor and non-poor people alike. This is because the poverty headcount at any given point in time is a function of three things: the magnitude of poverty at a previous point in time; how many people have left poverty since that point; and how many people have entered poverty. In other words, it is the combination of the ‘stocks’ of chronically poor people and the flows of transient poor in and out of poverty.

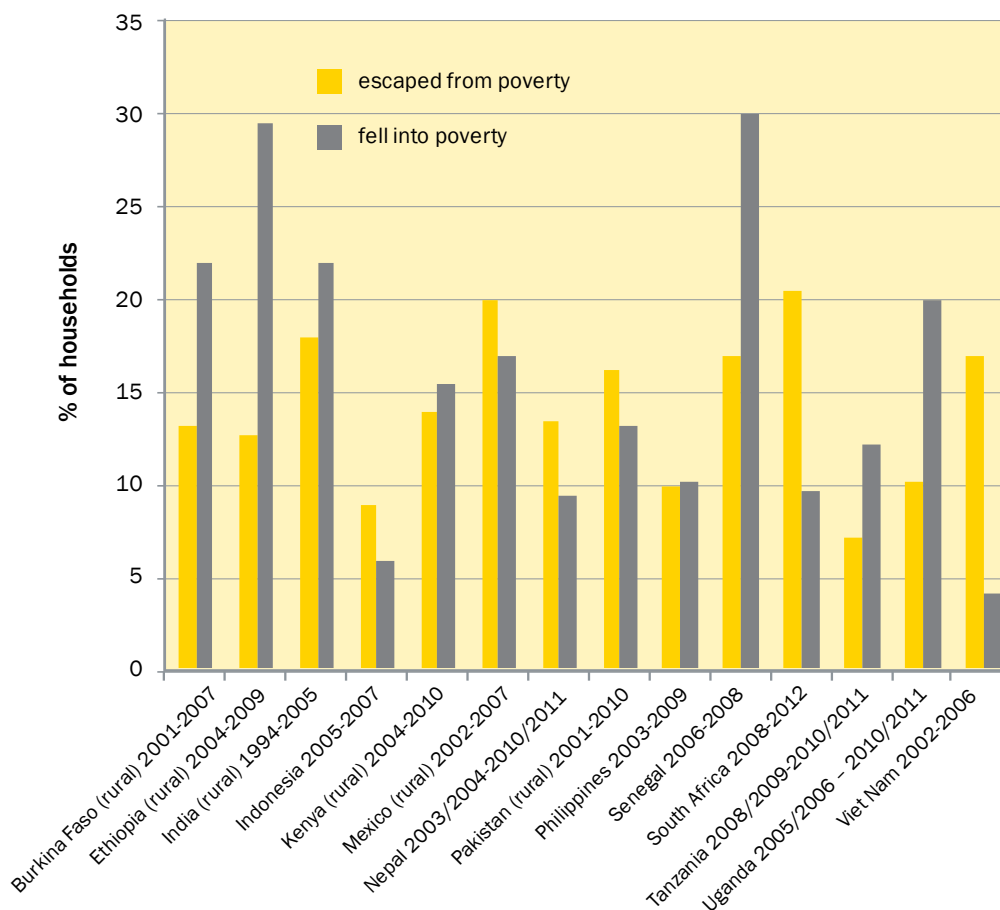
Since the turn of the 21st century, however, descents into poverty have been nearly as widespread as escapes from that poverty over certain periods of time in many developing contexts. Figure 11 is based on available data from the most recent nationally or rurally representative panel surveys in 14 countries. In interpreting the data, it must be taken into account that the panel surveys are not directly comparable with each other, because they cover different time periods and in some cases also a different sample population (the samples for rural Ethiopia and Kenya represent agro-ecological zones rather than the population as a whole, as in all other countries in Figure 11). The results are also

not directly comparable with the overall trends in poverty, because the latter are based on household surveys which tend to cover different periods, and sometimes populations. More details on the panel surveys used for this analysis can be found in Annex 2.

Figure 11 flags up some surprises: countries that are experiencing economic growth, such as Ethiopia, India and Kenya, do not always show more escapes than descents for the periods studied. Indeed, Ethiopia, often portrayed as a success story (see Chapters 2 and 5), has had far more descents than escapes. In the case of Ethiopia this may be because 2009 was a drought year in some of the villages in the panel survey. Even so, the numbers suggest that even countries that are identified as successful in terms of economic growth and overall poverty reduction, will struggle to achieve zero poverty in the coming decades. Similarly, even in those countries where there are more escapes than descents, the ratio can be too close for comfort.

This is particularly striking if we look at the impoverishment index in Table 6, or the ratio between descents and escapes (where an impoverishment index greater than 1 means that descents outnumber escapes; see Table 6) for six of the countries represented in Figure 11 (the

Figure 11: Poverty transitions – escapes and descents into poverty¹



sources of data are the same). With the exception of South Africa, all have an index bigger than or close to 1. Note also that the index can substantially vary over time, as in Uganda, where the index is below 1 (indicating more escapes than descents) in the first period, and well above 1 in the second period (with more descents than escapes).

This critical evidence confirms that policy makers should give as much emphasis to the processes that impoverish people as to the factors that support escapes, if the target of zero extreme poverty by 2030 is to be achieved. Countries should aim explicitly to reduce their impoverishment index if they want to ensure that their progress in reducing chronic poverty is sustainable in the medium- and long-term and resilient to shocks. The policies adopted must be context-specific, given the major variations in the ratios of escapes from and descents into poverty across different countries.

There are two reasons why the risk of impoverishment is going to be a more pressing issue in the future. First, as countries do manage to reduce extreme poverty, the proportion and number of people who are vulnerable to poverty increases. More than one billion people were between

the poverty lines of \$1.25 a day and \$2 a day in 2008;³ and about 75% of people in developing countries now live on less than \$4 a day,⁴ so many are in danger of falling below the extreme poverty line whenever they are hit by major shocks and/or sequences of negative events. Second, economic development and globalisation bring about structural change through increasingly complex and interconnected processes. While these processes can pull people out of poverty, they also generate their own drivers of poverty, in the form of negative shocks and the adverse inclusion of the poorest in economic growth.

To identify the policy measures that are necessary to prevent impoverishment, we first need to understand the nature of the shocks that can drive impoverishment and the different kinds of risks faced by the poor. Individual risk, for example, is specific to individuals or households, whereas systemic risk has an impact on an entire group, such as a village, a region or the country as a whole (see Table 7). However, despite its impact on individual people or families, individual risk is not always random or unpredictable, nor are its causes determined only at this micro level. Indeed,

Table 6: An impoverishment index to measure the relative importance of flows across the poverty line²

	Impoverishment index		Impoverishment index
Rural Kenya		Uganda	
2004-2007	1.1	2005/06-2009/10	0.9
2007-2010	1	2009/10-2010/11	2.5
Nepal		Indonesia	
2003/04-2010/11	0.7	2005-2007	0.7
Tanzania		South Africa	
2008/09-2010/11	1.7	2008-2010	0.5
		2010-2012	0.4

Table 7: Risks and policy measures

Type of risk	Impoverishment channel	Policies to mitigate risk and reduce vulnerability
Individual	Production-related risks (inherent in farming and in entrepreneurial activity) and unemployment. Credit-debit spirals. Health shocks. Life-cycle turning points.	Tailor-made financial services, especially savings and insurance products. Universal health coverage. Social assistance for the extreme poor Social insurance in countries where the economy is (slowly) formalising. Pre-school educational vouchers and targeted support to young families.
Systemic	Macro-economic and financial shocks. Conflicts. Natural disasters and climate change. Price spikes and inflation.	Macro-economic policies. Conflict prevention. Disaster risk-management. Wage policies.

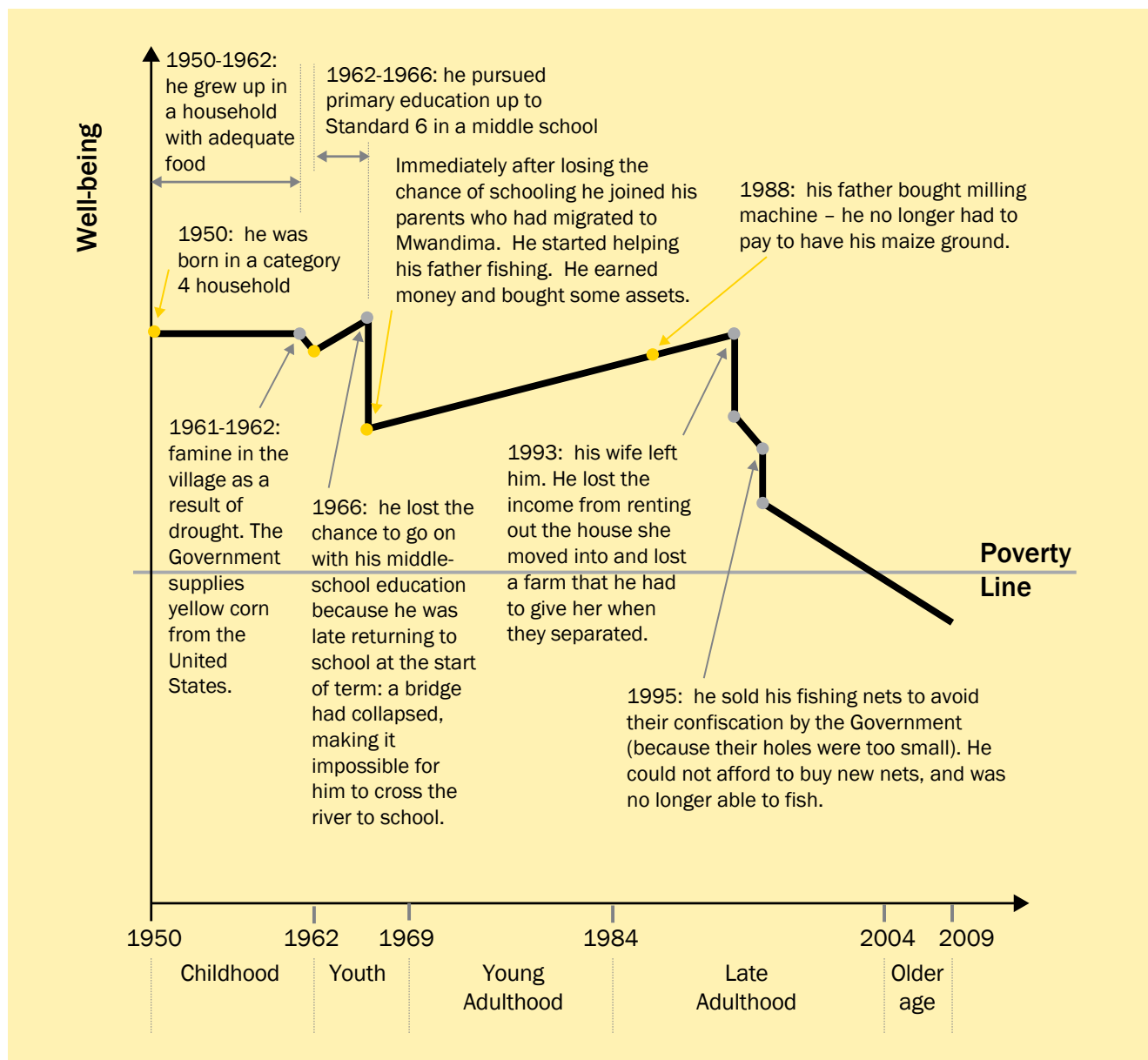
the negative shocks that hit individual people or families often stem from predictable and regular challenges in the lives of the poor, including their low status in power relations; their lack of access to markets, public services and infrastructure; as well as the discriminatory social norms and adverse inclusion they face each day. Tackling the risk of impoverishment implies, therefore, tackling the ways in which individual risks are generated by the meso- and macro-contexts in which the poor live.

Figure 12 depicts a life history of impoverishment caused by a combination of individual shocks and economic vulnerability. The main negative events in the life of Emanueli were: missing the chance to complete his education; the separation from his wife, which was accompanied by the loss of some assets; and the confiscation of his fishing nets

by the Government. Emanueli’s story reveals the absence of mechanisms of insurance or social assistance that could have helped him to cope with and recover from the events that derailed his life.

This chapter reviews the main sources of both individual and systemic risk, and their impoverishment channels (Table 7). It argues that a government’s first duty to its citizens is to protect them and reduce the risks they face, and it investigates the ways in which governments and other stakeholders can reduce those risks to prevent impoverishment.⁵ The chapter includes some areas of overlap with Chapter 2 in relation to measures to tackle chronic poverty and stop impoverishment.

Figure 12: Life-history map for Emanueli Mazua, 59 years old, rural Tanzania



3.2 Macroeconomic vulnerability and the risk of impoverishment

The reduction of economic risks at the macro- and micro-levels plays a fundamental role in any strategy of economic development and poverty eradication. At the macro-level, economic vulnerability is one of the three criteria⁶ used to define – and identify – the ‘Least Developed Countries’ (LDCs).⁷ Economic vulnerability is measured by a composite index comprising indicators of natural and trade-related shocks, physical and economic exposure to shocks, population and remoteness.⁸ In the nearly 40 years of this categorisation of LDCs, only three countries have managed a ‘turnaround’ on economic vulnerability and leave the group: Botswana (in 1994), Cape Verde (in 2007) and the Maldives (in 2011). The main obstacle to graduation from the LDC category remains the persistence of economic vulnerability.⁹

Price shocks – indeed, shocks of any kind – are liable to hit the poor first and hardest. Oil price shocks, for example, increase the price of farming inputs, which become unaffordable for small-scale farmers. Food price shocks hit those poor who are net purchasers of food. Even net sellers of food (e.g. medium-scale farmers) may not benefit from

the price rise if that rise is not transmitted to them through the supply chain and is, instead, captured in its entirety by intermediaries who buy the farmers’ output and trade it with exporters. Evidence from the 2007/08 food price crises (see Box 39) demonstrates that the negative impact of price rises can be eased by public policies and increases in wage rates, although the net impact will also depend on the specific macro-economic context.

Developing countries were hit less hard than developed and emerging economies by the 2007-2009 financial crises (see also Box 62 in Chapter 6 for an overview of its impact) because they were less involved in the international financial market, and less exposed to the banks and other investors that went bankrupt or had to downsize.¹⁷ In addition, the impact was smaller than in previous crises because LMICs were better prepared to respond.¹⁸ In fact, many of them had accumulated foreign reserves to anticipate and prevent balance-of-payment crises and enacted counter-cyclical fiscal policies (e.g. China, which switched to a growth strategy fuelled by domestic demand).

In general, thanks to their foreign reserves and sustainable levels of public debt, many LMICs had room

Box 39: Policy responses to the food price crises and their potential impact on preventing impoverishment

In 2007/08, the price of cereals on world markets rose unexpectedly, recording the sharpest increase in over 30 years. Most governments were responsive, adopted programmes to limit the transmission of food price rises to domestic markets, maintaining food availability and incentivising agricultural production.¹⁰

Their actions revealed four key lessons about policy responses in the aftermath of food price crises.

First, **only countries that had cash-transfer programmes in place before the crisis could use them to mitigate the impact on the vulnerable**, and even for them the task proved difficult, because many programmes had not been designed to be scaled-up.¹¹ Effective safety nets cannot be put into place in response to shocks: they have to be there before shocks if they are to be expanded to meet increased temporary needs.

Second, **few countries were reported to have responded with nutrition interventions**, such as temporary programmes of vitamin and mineral supplementation for infants and young mothers in vulnerable households. Again, these can be used during a crisis if they were already in place before the shock.¹² They are particularly important in preventing the long-term negative impact of malnutrition on women and children (see Box 44).

Third, **most households didn’t receive any kind of public assistance** and had to rely on their own resources and intra-community transfers. This was, in large part, because of limited coverage of any interventions that were available or their bias towards urban sectors. If vulnerable families have to rely on their own private responses to cope with shocks, governments should at least facilitate and support these responses by, for example, suspending regulations controlling petty trade or migration, or making additional second-tier funding available to micro-finance agencies responding to additional requests for emergency loans.¹³

Finally, **farmers have proven to be responsive to the increase in price of cereals**, but their incentives to increase production and trade can be reduced by some of the policies needed to prevent transmission of price rises to domestic markets. Each country should, therefore, design a policy mix specific to the conditions of its own agricultural sector and value chains.¹⁴

Such analysis suggests two useful public policy measures in the aftermath of food price shocks.

- Limit the transmission of higher prices to domestic markets by, for example, reducing import tariffs, restricting food exports, setting ceilings on food prices, releasing public stocks and subsidising the price of staples
- Promote the rapid increase of food production and target the poor and vulnerable: if farmers respond to the price rise with increased production, this can increase the rural wage rate. There is evidence that this has been the case in China and India.¹⁵ However, while higher wages can restore people’s purchasing power, they can also perpetuate the upward pressure on prices by increasing production costs. This may help to explain why the price of rice in the larger rice-consuming countries is still well above pre-crises levels, despite increased production.¹⁶

for expansionary macro-policies.¹⁹ They also faced less international interference than in previous crises in terms of how they shaped their policy responses. The greater and more flexible economic and policy space that they enjoyed allowed many to adopt one or more of the following policy responses:

- a managed exchange rate to accommodate shocks (e.g. through devaluation) and then return to target; an interest rate kept low to stimulate domestic output and employment; reserves used to balance the foreign exchange market and prevent self-fulfilling exchange rate attacks,²⁰ a lower cash-reserve ratio; an expansionary budget and increased public borrowing
- indirect capital controls through stricter bank regulation
- a shift away from portfolio flows towards foreign direct investment (FDI) and an accumulation of reserves to act as a countercyclical buffer .

Good macroeconomic management in response to the financial crises was also favoured by improved governance capacity.²¹ Definitive estimates of the crises' impact on poverty have yet to be produced, but it is safe to argue that better macroeconomic management greatly diminished their negative socio-economic impact.

Overall, countries are better able to face economic crises and manage financial vulnerability when they are able to implement flexible policy packages, tailored to their specific macroeconomic situation. This, in turn, requires policy space, economic space (national reserves and fiscal sustainability), and the pre-existence of both rigorous macroeconomic management and governance capacity.

3.3 Protection from economic shocks at the micro-level: from economic vulnerability to financial inclusion

Poor people have very volatile incomes and unpredictable spending needs (especially for health care).²² The story of Zulfa (Box 40) shows how economic vulnerability can spiral into impoverishment. Access to financial services, including microfinance, savings groups and insurance can help people to balance their income and expenditure and so prevent such impoverishment.

Access to financial services, including microfinance, savings groups and insurance can help people to balance their income and expenditure and so prevent impoverishment. However, systematic evidence of the positive impact of access to financial services on poverty reduction is limited,²³ while there is evidence that microfinance can even lead to impoverishment²⁴ and harmful debt-spirals. Table 8 provides an overview of the channels through which credit, savings and insurance instruments can either prevent or induce impoverishment, as well as the limits they face and possible strategies for their improvement.

Credit

Despite substantial evidence that the poor regularly engage in multiple financial transactions (Box 41), microfinance is not a major driver of poverty reduction at present. To achieve a stronger pro-poor impact, microcredit should be embedded in an overall strategy including, for example, value-chain upgrading or farming intensification and improved marketing.²⁵ Efforts are also needed to design products that are more suited to the needs of the poor and that involve both borrowing and saving. These would include, for example, arrangements that allow small deposits and withdrawals at any time to ease a household's cash-flow management; long-term contractual savings products that allow the poor to limit the effects of expensive events like weddings and funerals or to handle emergencies and large purchases; and general-purpose loans.²⁶ Measures are also needed to protect savings accumulated in the form of assets, such as health protection, purchases and stocks set aside in times of hunger to protect prices from collapse, or legislation on the trade in tree products.²⁷

Savings

There is evidence that poor people benefit from services that help them accumulate savings.²⁹ However, savings products for the poor have very high unit costs and their supply is, therefore, very low. There is also evidence that the savings products provided by microfinance institutions (MFIs) do not reach the poorest, who tend to rely more on savings groups. The design of savings products that target the poor and the

Box 40: Economic vulnerability and risk of impoverishment in rural Tanzania

Zulfa's downward mobility mirrors the dwindling fortunes of the rural district in which she lives. At the age of 82, Zulfa depends on the support of her daughters and infrequent remittances from her sons. Zulfa and her widowed daughter live in a house lent to her by her sister. She has been married twice, with both marriages ending in separation when her husbands migrated for better work opportunities as the local cashew farming industry went into decline. All of her children completed primary school during the period when attendance was mandatory and costs were low. Two of her grandchildren now attend school with the support of their uncles because their mother lost all her assets when their father died and could not afford the costs of their schooling. Zulfa believes the poverty she sees and experiences today is the result of the rising costs of basic needs (food and fuel) and services (water, health, education), which have outstripped the incomes gained from the production and sale of cashew nuts over the past 15 years.

Table 8: Financial services preventing and causing impoverishment

	Credit	Saving	Insurance
Preventing impoverishment	Increases households' assets and avoids asset sell off after a shock. Allows purchase of goods that improve well-being and resilience (e.g. fridge, motorbike).	Helps accumulation of savings to use to face shocks and capture investment opportunities.	Helps households cope when shocks and negative events occur, transferring the risk to the insurance company.
Causing impoverishment	Debt spirals. Exposure to the volatility of the financial system. Anxiety and stress as a result of debt repayment can lead to impoverishing behaviours. Loss of assets following failure to repay.	Savings requirements of participation in micro-finance may be at the expense of consumption.	Can induce moral hazard and reduction in savings, with insurance seen as a substitute.
Limitations and constraints	Used mostly for consumption-smoothing rather than productive investments. Limited outreach to the poorest.	Very high unit costs; outreach to the poorest requires targeted and tailored products with frequent visits to clients. Demand is potentially high but supply is low.	Limited outreach, especially to the poorest. Low supply as a result of extra and high cost associated with insuring the poor. Low demand because poor people may struggle to see the benefits of insurance and insurers have limited understanding of poor peoples' risks.
Strategies for performance improvement	Use of IT technologies that reduce unit and transaction costs. Use of tailored and integrated systems that provide choice to poor clients. May require state regulation and subsidisation.		

Box 41: Portfolios of the poor

A 2009 study²⁸ in Bangladesh, India and South Africa recorded the daily financial transactions of 250 poor households and constructed their daily balance sheet. It revealed that:

- Poor people have very volatile incomes and their spending needs are very unpredictable (particularly when health issues arise) – a combination that increases both the need and demand for financial services.
- Poor people regularly engage in multiple financial transactions, including borrowing and saving, and often at the same time: some loans were taken to purchase gold, for example, as a form of investment.
- Physical assets (gold, livestock, trees) are an important component of the portfolios of the poor.

poorest should, therefore, be an important component of any strategy to prevent impoverishment and a major focus of MFIs.

Self Help Groups and ROSCAs (rotating savings and credit associations) provide an important form of informal insurance for the poor, especially where the poor are relatively

socially homogeneous. They are particularly important in providing access to finance for women. However, if the poorest are to be more involved in these institutions, the institutions themselves require nurturing. The unit costs of participation are high, and generally require the assistance of NGOs or other intermediaries to help people organise themselves and to make the requisite links to banks, local authorities or government programmes and agencies. It is often such intermediaries that are in short supply and this remains an extremely valuable role for NGOs.

Insurance for farming activities

Many of the poor are still employed in agriculture – a very risky activity – and are vulnerable to the environmental events (mainly drought and floods) that undermine farming activities and are a major cause of farm-household impoverishment. Insurance products could mitigate these risks and play a strong role in preventing impoverishment, with two types of products already demonstrating real potential in this area, particularly in India: weather-based crop insurance and livestock insurance.³⁰

Weather insurance pays indemnities based on a weather index (defined in terms of measurable weather events like rainfall) that is highly correlated with crop losses. This

Box 42: The pluralism of the Bangladesh health care system

In recent years, Bangladesh has made considerable progress in reducing the gaps in birth-rates, mortality and immunisation between the poor and non-poor. Yet these achievements have taken place within a health system that has inadequate physical and human infrastructure and logistics, and that is low performing. This paradox is attributed in part to the plurality of Bangladesh's health system, which is based on a mix of services from the NGOs, the Government and other public and private stakeholders.⁵¹

Socially driven NGOs and the Government have scaled up innovations that have been shown to work and have targeted the poorest and women, including innovations in family planning, immunisation, oral-rehydration therapy, maternal and child health, tuberculosis, vitamin A supplementation and other activities. These have been promoted through the work of the country's enormous network of community health workers, which reaches most households.⁵²

Such efforts have built on the attention given to the poorest women by Bangladesh's powerful NGOs – from the largest initiatives such as BRAC and the Grameen Bank to smaller organisations at village level. The scale of the operations are sometimes immense, with BRAC, for example, now operating in more than 65,000 of the country's 84,000 villages, with more than 100,000 community health workers. Many NGO programmes for the extreme poor in Bangladesh have now added similar health and/or nutrition components to their programmes to ensure economic empowerment of the poorest.⁵³ In most cases, the mobilisation of the active agency of women has been a key feature.⁵⁴

The pluralism of Bangladesh's health system has, however, some notable downsides. It is associated, for example, with poor health-systems governance and regulation, resulting in endemic problems such as the overuse and misuse of drugs.⁵⁵ The Government share of total health expenditure is falling, with a reduction from 36% to 26% seen between 1997 and 2007. The growing privatisation of health services means that fewer people are seeking health care because it is unaffordable – and 4-5 million people are pushed into poverty each year because of the out-of-pocket expenditure associated with health care.⁵⁶

In sum, although Bangladesh has made impressive gains in health equity over the past four decades, rising treatment costs and the increased exposure of poor people to the negative health and economic effects of urbanisation, global market dynamics and climate change threaten to undermine this success. Furthermore, growing socioeconomic divides in access to curative and rehabilitative services and in geographical inequities are also apparent as doctors and health resources continue to concentrate in urban areas. Finally, the achievements made on infectious diseases, and the resulting improved life expectancy, mean that the health system will have to adjust to shift its focus to non-communicable diseases and the changing health needs of an aging population.

insurance is more suited to the problems of small and marginal farmers because it pays the insurance premium before the crop loss occurs, mitigating problems of moral hazard³¹ and adverse selection³². Weather insurance pilot schemes were introduced in India in 2003 by private insurers supported by the World Bank, and in 2007 the Weather Based Crop Insurance Scheme became a publicly subsidised programme, although private insurers are allowed to compete with it.³³ In 2010-11, more than nine million Indian farmers were insured under this scheme.³⁴

Livestock insurance, which pays a premium upon the loss of animals, has been used with success in India's famous dairy milk schemes, where it has been linked to contract farming in the formal sector – a link that facilitated the participation of private insurance providers. However, traditional indemnity-based livestock insurance (based on individual losses) has proved ineffective in other contexts, because of the high cost of covering animals spread across vast areas, and because of the risks of moral hazard. Index-based insurance programmes based on livestock mortality rates by species (i.e. all herders receive a payment when the mortality rate among animals reaches a certain level, regardless of their individual losses) have proved successful in addressing these problems, for example in Mongolia.³⁵

The two main constraints to bringing (index-based) insurance to the poor are their limited experience of

the concept, and the lack of data that are disaggregated sufficiently to construct and monitor weather or mortality indexes. The high start-up costs involved in designing and providing specific pro-poor insurance products implies that the government (and possibly NGOs) will have to underwrite such insurances initially, as well as creating the conditions to enable private-sector involvement (e.g. developing national weather services, infrastructure, data systems and research).

3.4 Poor health and the risk of impoverishment

Countries that have done well on improving health indicators are also, in general, the countries with a decent record on reducing extreme poverty, with examples including Bangladesh, Indonesia, Thailand, Rwanda and Viet Nam.³⁶ Recent cross-country work for UNDP's Human Development Report on inequality also provides indirect support for this view: confirming that countries that have reduced international non-income health inequalities happen to be the countries with improved track records on poverty.³⁷ It seems clear: health is an important determinant of the dynamics of poverty.

First, ill-health is an important long-term determinant of the persistence of extreme and chronic poverty. Typically, it reduces household savings or leads to the sale of assets, with the most severe impact felt by chronically

poor households.³⁸ Experience of successful extreme poverty reduction programmes in Bangladesh shows that escaping poverty depended crucially on the good fortune of not having to encounter any major illness in the course of an escape from poverty. If, however, such an unfortunate twist of fate did take place, then the prospects of upward mobility among programme beneficiaries often turned bleak.

Meanwhile, chronic under-nourishment often leaves the extreme poor in a permanent state of poor health. Child mortality is typically three to five times higher in the poorest quintile compared to the richest quintile across developing countries, with a similar gulf between the poorest and richest quintiles in terms of child undernutrition. Data on adult nutrition is relatively scarce, but the gap across wealth categories is also believed to be very high.

Maternal nutrition matters for female well-being, but it is also instrumental in the prospects of achieving other desirable social and economic goals. Maternal malnutrition, however, is a prime bio-medical cause of stunting – a long-term condition of nutritional deprivation among children. Maternal malnutrition also has important implications for pregnancies and is a predictor of the future pattern of child health, at least up to the adolescent years.³⁹ High stunting rates among children have been shown to affect their future schooling, jobs, and productivity in the Philippines and Viet Nam, to name just two countries.⁴⁰

Part of the problem of persistent maternal malnutrition relates to women's pre- and post-marital low economic empowerment (see Chapters 1 and 2).⁴¹ Previous *Chronic Poverty Reports* have singled out maternal malnutrition as an important cause of chronic poverty and of its intergenerational transmission.⁴²

Second, ill-health is an important trigger of descent into poverty and/or further downward slips within poverty. Panel studies across the world show the critical importance of health in shaping poverty dynamics and, in particular, in explaining downward mobility into poverty.⁴³ This is equally true of the further slippage of those who are moderately poor into extreme poverty even within the *current* generation.⁴⁴ The dynamic effects of health shocks for the 'fallers' can often be traced to episodes of ill-health among breadwinners dating back as far as 10 years.⁴⁵ One-quarter to one-third of the descents of the non-poor into poverty can be explained by ill health alone.

For the extreme poor without access to public health services or any health insurance cover, even the small costs of treatment for common ailments may be too high for their meagre finances. The impact can be disastrous in the case of major and chronic illnesses where far greater resources are needed and where 'negative coping methods' may include parting with savings, asset sales, high-cost borrowing from the informal credit market, and outright cuts in consumption.⁴⁶ The extreme poor have to part with a far larger proportion of their income to mitigate the costs

of catastrophic illnesses than other income groups. This is particularly true for manual workers such as rickshaw pullers who face considerable occupational health hazards.⁴⁷

Unanticipated health shocks become all the more damaging when the cost of treatment needs to be paid with out-of-pocket expenditures at the point of delivery.⁴⁸ In a sample of 89 countries, up to 11% of people were found to suffer financial catastrophe (defined as spending more than 40% of household income directly on health care after basic needs have been met) each year and up to 5% were forced into poverty because they had to rely on out-of-pocket payments for health services.⁴⁹ Recent studies show that such payments pushed 100,000 households in both Kenya and Senegal below the poverty line in a single year. And around 290,000 households experienced the same fate in South Africa.⁵⁰

Third, health well-being enhances the sustainability of the anti-poverty effects of economic growth. The permanent and sustained ascent of the wealth ladder within and beyond poverty – including mobility across generations – requires the deliberate and uninterrupted accumulation of educational human capital. This leads to more choices of occupations that are better paid and to higher future economic mobility, creating a virtuous income-growth loop. However, the accumulation of educational human capital can be severely compromised by initial conditions of ill-health (such as poor parental nutrition) or health shocks (such as sudden and severe illnesses).

Protecting the poorest from ill-health and health shocks

Health improvements can make a substantial contribution to poverty reduction and human development at both the household and country level. In South Asia, early commitment to social policies resulted in health improvements even for those at a low level of income and contributed to subsequent poverty reduction. Sri Lanka and Kerala State in India are two classic examples of poverty reduction that is led by human development. Bangladesh seems to have emulated this pattern in its own way i.e. not via large fiscal expenditures, as in Sri Lanka, but through the wider use of NGO health-service delivery combined with targeted poverty programmes (see Box 42). The South Asian experience also suggests that social mobilisation and social empowerment, as well as institutional decentralisation, can complement and reinforce improvements in health and health care.

Minimising the risk of impoverishment linked to health shocks requires universal health coverage (UHC) with an emphasis on access, quality, equity, and minimising out-of-pocket expenses. This solution to the health-poverty challenge is a health service that is free at the point of delivery, whether funded by tax revenues or part-funded by insurance contributions, and accessible to the poorest children and adults.

Access to health is a fundamental human right, and in this sense governments have the moral obligation to pursue

UHC. But UHC goes beyond the individual lives saved and improved to provide greater health returns on health investment and accelerate progress towards the health-related MDGs. For example, it has been estimated that the deaths of 1.8 million children under-five and 100,000 mothers would be averted each year by 2015 if in-country wealth inequities in maternal and child health coverage were eliminated in 47 countries. This would reduce child mortality by one-fifth and maternal mortality by almost one-third in these countries.⁵⁷ Evidence from Burundi and Thailand (Box 43) illustrates some of the improvements that can be achieved with UHC.

Targeted measures are needed for the achievement of UHC. If all citizens are to be reached, the health needs of girls, adolescent girls and young women need special attention. Good nutrition is often a neglected aspect of

the health service, but is critical as a way to interrupt the intergenerational transmission of poverty (Box 44).

How to achieve universal health coverage

Universal health coverage (UHC) means that everyone has the same financial protection and access to the same range of high quality health services regardless of their employment status or their ability to pay.⁶⁷ Different approaches have been promoted in developing countries to extend health coverage, but these have often had unsatisfactory results. It seems that UHC requires approaches that are driven by rapid scale up and backed by public funding – approaches that are feasible in even the poorest countries.

The shortcomings of several current approaches have been well-documented. Community-based health insurance and private health insurance, for example, are regressive

Box 43: Universal Health Coverage in Burundi and Thailand

The experience of Thailand proves that a country does not have to be rich to achieve UHC. Before 2000, health insurance coverage in the country was fragmented and 30% of its people were uninsured. In 2001, the Thai government introduced a Universal Coverage Scheme (UCS), fully financed by general government revenues, which expanded coverage to an additional 18 million people (approximately): most of them from the previously uncovered 30%. The benefit package was made free at the point of use, removing direct out-of-pocket expenditures. As a result, the incidence of catastrophic health expenditures (defined as >10% of total household expenditure) among the poorest quintile fell from 6.8% in 1996 (before UCS) to 2.9% in 2009, and among the richest quintile from 6.1% to 4.7%.⁵⁸

Even countries that still rely on direct payments and that have lower tax-revenue capacity can start by exempting specific groups – pregnant women or children, for example – or by providing certain procedures free of charge. Burundi's success is a prime example.⁵⁹ The country introduced user fees in 2002. Two years later, four out of five patients were either in debt or had sold assets, and only one in every five babies was born in a health unit.⁶⁰ In 2006, the government waived fees for maternal and child care, including the delivery of babies. Just three months after this fee exemption was introduced, the use of outpatient services for children under five had soared by 42%.⁶¹ Additional public funding has since been allocated to meet the rising demand for services. Overall, Burundi has reduced its infant and child mortality by 43% since 2006.⁶²

Box 44: How nutrition interventions interrupt the intergenerational transmission of poverty

Access to enough nutritious food is essential to enable every person to realise their potential.

Children who are healthy and well-nourished have more robust cognitive development and are better able to learn than children who are not. Their school attendance, their educational attainment and their future earning potential are all higher.⁶³

In Guatemala, for example, adult men who had been enrolled in a nutrition intervention that dispensed a food supplement when they were aged three or younger had higher wages than those who had not been enrolled. An initiative among severely malnourished children in India that kept children in school through supplemental feeding programmes increased potential earnings by as much as 55%. In parts of sub-Saharan Africa, the direct productivity gain of preventing blindness among children through vitamin A supplements is over \$1,840 per child; while iron supplementation programmes could increase their future wages by as much as 25%.⁶⁴

Healthy and well-nourished women are more productive, save more and invest more. Better maternal nutritional status before and during pregnancy may create 'biological' pathways to better nutrition in the women and higher birthweights for babies, giving children a head-start that will make them healthier throughout their lives.⁶⁵

Again in Guatemala, the nutritional status of women was found to have a stronger impact than their educational level on the human capital of their children (measured by schooling attainment, birthweight and length-for-age at the age of three).⁶⁶

Targeted interventions to improve the nutritional status of women and children are, therefore, an effective way to improve their human capital, thereby reducing the risks of intergenerational transmission of poverty.

ways to finance health care and are often unaffordable for the poorest.⁶⁸ They have achieved little coverage so far and demonstrate little potential for scaling up.⁶⁹

Some countries have focused on social health insurance (SHI) schemes following a ‘formal sector first’ approach. Membership is mandatory for all formal sector workers, who pay their contribution through a dedicated payroll tax and in most cases their employers also contribute. As experience in Latin America has demonstrated, once SHI is established for salaried workers, employers and employees may be reluctant to subsidise membership for poorer members through their contributions. To address this problem and extend coverage to those in the informal sector, many countries have adopted schemes that are open to everyone: people outside formal employment can enrol and pay an annual premium for membership.⁷⁰

Ghana adopted such a SHI scheme in 2003. This ‘single risk pool’ is financed through payroll contributions from the formal sector, voluntary premiums from households in the informal sector and, increasingly, earmarked revenues from value-added tax. Ghana’s experience is considered successful, with around 54% of the population enrolled in the space of ten years. Yet, enrolment rates among informal workers and poor households are much lower than among other groups, as people are either reluctant to pay upfront for services they might not need, or do not renew their yearly membership. Premium exemptions for poor families do exist, but eligibility is difficult to identify and the exemptions hard to access.⁷¹

An alternative pathway to UHC, recommended by WHO,⁷² is the extension of entitlement to health coverage to all on the grounds of their citizenship and/or residency rather than their employment status or financial contributions. Access to services must be subsidised for those too poor to pay insurance premiums through the pooling of resources. While these pools will be complemented by government revenues, health-insurance contributions need to be mandatory, otherwise the rich and healthy will opt out, leaving insufficient funding to cover the needs of the poor and sick. The larger and fewer the pools created, the more efficient cross-subsidisation will be.

This approach, based on non-contributory universal entitlement and cross-subsidisation, is the one adopted by countries that have had the greatest success in achieving UHC.⁷³ Two variations of the approach can be seen.⁷⁴

A first group of countries, including Brazil, Malaysia and Sri Lanka, fund UHC from tax revenues. In Brazil, half of the population had no health coverage in the late 1980s, but just two decades after the establishment of the country’s tax-financed Unified Health System, 70% of Brazil’s 200 million inhabitants now rely on it for their health care. Tax-financed health systems in Malaysia and Sri Lanka provide citizens with some of the highest levels of financial-risk protection in Asia. Crucially, the only low-income countries to achieve

universal and equitable health coverage have done so using tax financing.

A second approach, followed by Kyrgyzstan, Mexico and Thailand, is to collect insurance premiums only from those in formal salaried employment, and to pool these premiums where possible with tax revenues to finance health coverage for the entire population. Thailand’s health system, for example, relies on payroll contributions for only 12% of its population and finances its Universal Coverage Scheme using general government revenues. In just 10 years, the number of people without health-care coverage fell from 30% to less than 4% of the population, while steps to merge different schemes are now addressing the inequity of superior health-care benefits for those in formal employment.

These experiences suggest that the most successful approach to achieve UHC is the rapid scale up of coverage using public funding to cover the untargeted informal sector. In the formal sector, social health insurance is financed by contributions from formal sector workers. Across society, including in the informal sector, publicly funded services for all are financed through tax revenue.

Clearly, UHC based on this approach requires substantial improvements in the collection of tax revenue. The positive message here is that even poor countries can achieve UHC if they manage to implement tax reforms that improve their government’s tax collection capacity and increase revenue. Strengthening tax administration alone could raise an additional 31% of tax revenue across developing countries, amounting to \$269 billion in increased domestic resources.⁷⁵

3.5 Protecting against a range of risks: the challenge of bringing social insurance to the poor

Beyond health insurance lies the territory of broader social insurance, which becomes a relevant way to prevent impoverishment as a higher proportion of workers enter the formal job market and as employers can contribute to the pooling of risks. While this may not tackle chronic poverty, it could prevent the impoverishment of vulnerable people earning between, say, \$2 and \$10 a day. This would require a portfolio of well-targeted interventions that decrease people’s exposure to negative shocks and diminish their vulnerabilities, while increasing their resilience to shocks, helping them to cope with the consequences. The first task can be fulfilled by social assistance (as discussed in Chapter 2) complemented by interventions such as improvement of sanitary conditions and access to electricity. The second task, however, requires interventions with an insurance component, which pool risk – and resources, transferring (at least part of) the burden of coping with the negative event to an external institution.⁷⁶ This is best achieved when private insurance for farming activities (discussed in section 3.3) and health insurance are part of comprehensive social insurance systems.

High-income countries have developed social insurance systems to help people cope with risks associated with their working life and their life-cycle.⁷⁷ Similar systems exist in LICs and MICs, but cover only a small share of the total population: globally only about 20% of the world's working-age people have effective access to comprehensive social protection.⁷⁸ In sub-Saharan Africa, only 5% of the working-age population is covered effectively by contributory old-age pension schemes, rising to about 20% in Asia, the Middle East and North Africa. Coverage of income-support systems for the unemployed is slightly over 20% in North Africa, less than 20% in Asia, Latin America and the Middle East, and only a fraction of the economically active are covered in sub-Saharan Africa.

Extending coverage of social insurance in LICs and MICs is constrained by the fact that the majority of the population works in the informal sector, where employment relationships are not recorded. This means that, in general, the extension of social insurance has to proceed in conjunction with at least a degree of formalisation. However, in the past decade a number of LICs and MICs have adopted systems that delink social insurance from formal employment (together with increased effort of tax revenue collection), to extend it to workers in the informal sector. Many of these 'experimental' approaches are based on complementary measures in the form of specialised contribution modalities, eligibility criteria, and benefit packages to suit the needs of informal workers.⁷⁹

Bringing social insurance to the poor also means accounting for the specific contingencies faced by poor people – rarely contemplated in traditional social-insurance systems. These include migration and high rates of HIV prevalence, as well as systemic risks that are experienced by entire communities at the same time, such as droughts, floods or epidemics, which cannot be insured with traditional mechanisms. Innovative insurance products are needed for these specific risks.

To ensure that poor and non-poor people are protected against the different contingencies of the life-cycle, and in particular against the risk of impoverishment, countries should:

- Develop specific insurance policies to address major risks faced by poor people – health, weather-based, livestock, etc.
- Explore insurance approaches to reduce the vulnerability of the non-poor, perhaps focusing on specific categories of workers, while prioritising social assistance to address chronic poverty.
- Aim for universal coverage, especially for health and old-age security
- Apply a non-contributory approach to social assistance first and then expand to social insurance.
- Accompany universal coverage with strategies to formalise the economy in order to maximise tax revenue – and with it the contributory component of social security systems.

3.6 Conflict and the risk of impoverishment

An effective state is one that protects its citizens against risk. But states can themselves become hostile and add to the vulnerability of their poorest people by erupting into internal wars.⁸⁰ Conflicts keep people poor, cause impoverishment and reduce the political space to implement anti-poverty interventions. In addition to their obvious toll in terms of lives lost, they affect three essential dimensions of everyday life: incomes and assets; human capital (health, nutrition and education), and social relations (especially family and social bonds).⁸¹ The likelihood of any sustained escape from poverty is greatly reduced during conflicts and the chances of tackling chronic poverty are close to zero, although some social groups that are poor have been known to improve their status as a result of conflict.

Not all crisis states (i.e. states confronted with situations that challenge the reigning political, economic and social institutions) descend into conflicts or deep political crisis accompanied by violence. Some are resilient: they experience stagnant economic growth and persistent poverty but manage to avoid political or conflict crises. Four key dimensions determine whether a crisis state is heading towards fragility (leading to conflict and violence) or towards resilience:

- **A monopoly on the legitimate use of force.** Fragile states either lack the security forces that can defeat non-state armed challengers, or the state's armed forces regularly unleash violence against its own citizens to remain in power.
- **Taxation capacity** determines the state's ability to deliver public services and finance the security apparatus of the state.
- **Outreach of a state's organisation in all its territories.** Lack of state presence in border areas or regions undergoing economic transformation can lead to the emergence of forces that challenge the state's authority.
- **Institutional multiplicity** can be a source of fragility. Resilience is enhanced when the state's institutions dominate over rival rules anchored among traditional authorities.

Table 9 discusses these dimensions in relation to two case studies to illustrate trajectories of fragility (Afghanistan) and resilience (Zambia).

These four dimensions are influenced by a fifth: the shape and path of political organisations. In particular, states undertake trajectories of resilience when and where the political organisations that control it have mobilised their social base in ways that accommodate the demands of a sustainable elite coalition without pursuing the violent repression of non-elites. They have also established executive authority within the state with the power and resources to discipline defectors and reward those who play by state rules. The executive authority is independent of the particular individual(s) who occupy high office and is subject to checks against the abuse of power.⁸³

Table 9: Trajectories of fragility and resilience⁸²

Trajectory of fragility: Afghanistan	Trajectory of resilience: Zambia
1. In post-Taliban Afghanistan, the state's legitimate monopoly of coercive force is undermined by lack of a political settlement that includes non-state armed actors.	1. In Zambia the state has consolidated its control over disciplined armed forces and has developed a basic policing capacity, thanks to the presence of solid political parties that have incorporated factions and individuals into security forces in a regulated and institutionalised manner.
2. Tax-take averaged 4.7% of GDP in 2003/05; the state lacks a monopoly of taxation and smuggling is controlled by autonomous political organisations.	2. The Government has relatively high tax levels and a diversity of tax sources, and has (post-1990) maintained a monopoly over tax collection despite substantial episodes of smuggling.
3. The major economic activity – poppy cultivation – is beyond the state's control.	3. In the first two decades after independence, marketing boards contributed to the development of state-rural interest-group links, and the provision of social infrastructure and services.
4. Regional power brokers, warlords, traditional authorities and religiously defined authorities are rooted in long-established institutions that challenge the state's legitimacy.	4. The Government has successfully promoted state rules over those of traditional authorities, incorporating actors prone to appeal to traditional sources of authority into the ruling party.

The challenge for a resilient state is to undertake a developmental trajectory. This requires the creation of incentives and conditions for those who hold the wealth to invest in domestic production (particularly labour-intensive activities), and to support internal economic integration and human capital expansion.⁸⁴ This requires that in the political 'bargain', elites focus on development rather than on their own existence and survival. If such a bargain cannot be struck, development may also be possible if there is a political settlement (see Chapter 1) that has the 'good enough' intermediate governance characteristics to create islands of progress.

A resilient state is not necessarily one that is good at preventing impoverishment, and trajectories from fragility to development may not necessarily be pro-poor or pro-poorest, at least in the short term. In a country where the economic pie is growing, people will demand increasing opportunities – and, therefore, a redistribution of that pie. How much the poor will benefit from this process depends, as discussed in Chapter 1, on the extent to which they represent an electoral constituency, or manage to build coalitions with elites, and the existence of incentives for those elites to support pro-poorest policies.

It is true, however, that the ingredients in a pro-poorest political settlement are those that characterise trajectories of resilience and developmental transformation (including fiscal space created by state revenues, institutional capacity and governance quality, as well as social mobilisation). The implication for crises and post-conflict states is that it is worthwhile to pursue a path to a pro-poorest political settlement right away.

Preventing conflicts and supporting trajectories from resilience to development that are also pro-poorest requires three sets of actions.

1) Given that conflicts tend to resurge in contexts where they have occurred before, they must be ended in a way that guarantees a sustainable peace settlement.

Conflicts that end with a clear victory for one side tend to produce more stable outcomes than negotiated settlements, but they have become increasingly rare since the end of the Cold War.⁸⁵ Negotiated settlements can be stable if combatants accept that they have no hope of winning and if their security is guaranteed by an external force during the process of disarming (ideally a UN peace-keeping mission).

Essentially, a peace settlement is only sustainable if either the root causes of the conflict have been resolved or if the circumstances of the belligerents change, so that peace becomes a more attractive option than continued warfare. It is particularly difficult to eliminate the causes of a conflict that has mobilised identity groups on the grounds of grievances that date back decades or even centuries. In these cases, it is vital to create a political settlement that is committed to tackle chronic poverty and horizontal inequalities (see below). Nepal is one of the few countries that seems to be succeeding in this area (see section 2.6).

The sustainability of any peace settlement also depends on the ability to guarantee the executive authority of the state – going beyond a post-conflict political competition. The state must have the power and the resources to, as mentioned, discipline defectors and reward those who play by state rules. A recent study⁸⁶ examining peace agreements in the post-Cold War period finds that the durability of peace is increased when the peace accord includes civil-society actors such as religious groups, women's organisations, and human-rights groups. Further, the adoption of pro-poor reforms is more likely in the presence of constituencies of non-elite social groups that can articulate specific demands and engage in the political contest that is necessary for these demands to be met.

A return to violence may seem an easy option in poor countries where unskilled people have little or no employment opportunities. The creation of jobs and access to public goods and services is then essential to prevent the re-emergence of a conflict. Such conditions are also a key aspect of pro-poorest post-conflict reconstruction.

2) Post-conflict reconstruction that promotes economic and social recovery and aims to create a pro-poor political settlement.

A society characterised by chronic poverty and horizontal inequalities is more prone to violence. It follows that a pro-poorest political settlement able to promote (even mild) redistributive policies is more likely to be stable and sustainable. A focus on impoverishment (and chronic poverty) in post-conflict reconstruction can strengthen the state-building process and create the conditions for long-term stability because it contributes to the creation or renewal of the social contract between the state and its citizens⁸⁷ – a contract that is weak or absent in a post-conflict and/or fragile state. A strengthened social contract requires two sets of policies.⁸⁸

- The creation of effective social safety nets and social protection, which help poor (and non-poor) people reduce the vulnerabilities that have been exacerbated by the conflict. Humanitarian support from international agencies is paramount, but must be short term, giving way to state-led initiatives. Indeed, humanitarian support can constitute a window of opportunity to put social protection on the political agenda. Lack of data and large population movements may make this task particularly challenging, but evidence from successful cash-transfer programmes in Afghanistan, DRC and Somalia shows that it can be done.⁸⁹
- The expansion of access to quality social services, with the state seen to be committed to the delivery of public goods and services. This commitment can play a fundamental role in creating legitimacy for the government and building a collective vision of peace and prosperity. However, it must be accompanied by efforts to improve the equity of provision, with a particular focus on the inclusion of groups with legitimate grievances. The delivery of social protection and quality public services will only be possible, however, if such a strategy is also aligned with the interests of the elites. Post-conflict reconstruction can involve the allocation and re-allocation of power, rents and privileges to new and old elites, to give both groups incentives to maintain stability.⁹⁰

The achievement of a pro-poor political settlement and prevention of new conflicts requires elites to see the material benefits of shared growth and prosperity. The implementation of economic and political reforms may actually be easier if new elites have emerged in the wake of the conflict, as they have no reason to cling to old mechanisms of rent allocation to secure their new capital (be it political, financial or reputational).

Economic reforms play a fundamental role in ensuring that the political settlement emerging from post-conflict reconstruction is sustainable and pro-poor. The most important reforms are those concerning the stability of the macroeconomic framework, taxation and public spending.⁹¹

International aid agencies and the private sector have key roles to play here. Governments of countries with large mineral-resource endowments, for example, have fewer incentives to implement effective fiscal reform and international agencies can step in to demonstrate the benefits of adopting such reforms. Where resource-extractive industries exist and flourish, they can be encouraged to contribute to wider economic development through the creation of infrastructure, investment in processing activities and the development of the skills of their workers. In addition, the revenues collected can be used to finance social protection and access to quality social services. International aid can also play a fundamental role at this stage by easing the resource constraints that the state is likely to face and that can undermine the pro-poorest interventions. The international community can also help to create the right incentives for the implementation of all of the policies outlined above and to push social protection further up the political agenda. Finally, humanitarian assistance can support these processes by promoting the adoption of social protection schemes in refugee or internal displacement camps, even before the end of a conflict.

3) Preventing fragile states not yet engaged in war from falling into large-scale violence by reinforcing institutions' resilience to internal and external shocks.

First, everything we have said above on the creation of a pro-poor political settlement in post-conflict holds true for crisis states that have not yet given way to large-scale violence but where political crisis is endemic. Tackling and mitigating horizontal inequalities is particularly important to reduce the risk of factional politics that lead to violent confrontation. Actions that block trajectories of fragility and contribute to pro-poor outcomes include:

- improving the outreach of the state in all regions of the country (full devolution of power to areas where the state has little presence can actually aggravate fragility) and their economic integration
- monitoring and responding to episodes of urban violence: treating them as forms of civic violence that express valid resentment of the state and elites, rather than as common criminal activities, can help prevent such episodes spiralling into long-term violent conflicts.⁹²

As in post-conflict reconstruction, tax and fiscal reforms and job creation are fundamental for preventing conflict and reducing poverty in fragile states. To be effective, tax and fiscal reforms must be accompanied by measures to formalise the urban informal sector, particularly of the most dynamic enterprises (typically in the construction sector). Capital

accumulation in this sector would not, in fact, help to enlarge the tax base of the state, but it may well be captured by elites, who could use it as a system of patronage and clientelism that undermines state consolidation, eroding its authority and efficacy.⁹³ Formalisation – and regulation of the land and housing market – can become more palatable to those who profit in the informal sector if accompanied by the effective delivery of key public goods.

State capacity is likely to vary considerably across different sectors and functions in a fragile state. The design and implementation of reforms need to focus on the areas of good performance first, and then try to replicate the conditions that created this performance in other spheres of state action. International aid needs to work in harmony with these strategies, being channelled through agencies of the state to promote its core capacities.

3.7 Natural disasters and the risk of impoverishment

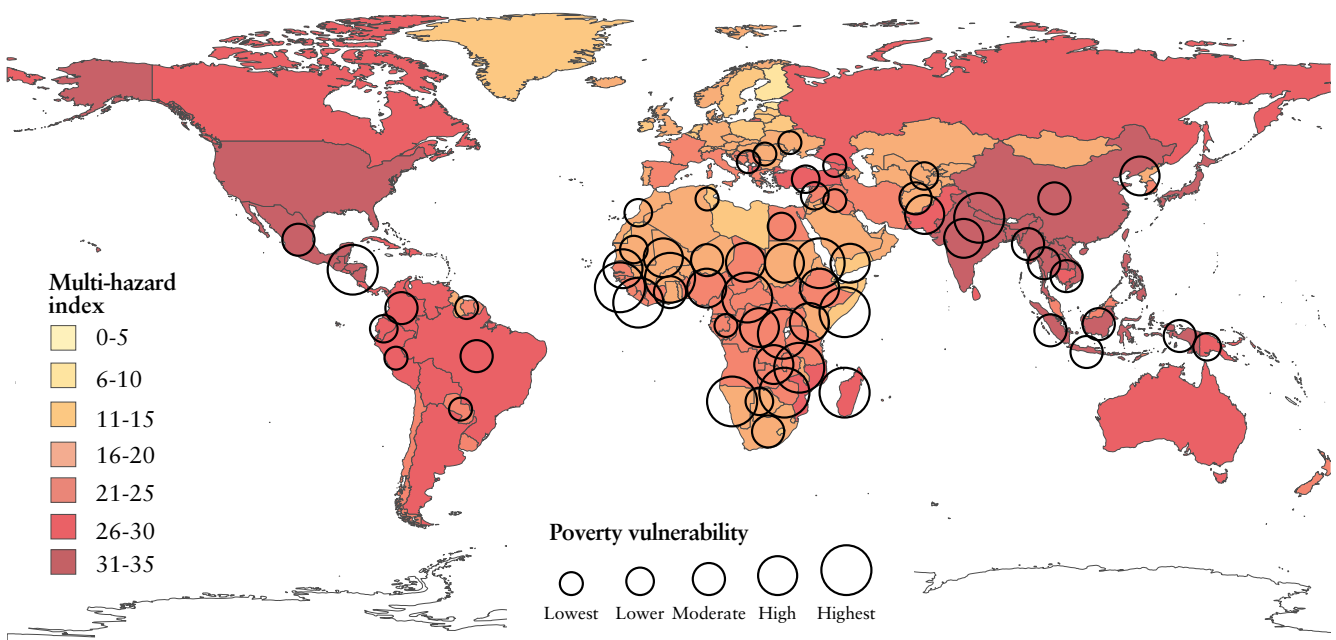
Not surprisingly, today's geography of natural disasters corresponds to the geography of poverty. Thanks to climate change, many of the world's poorest people now face increased risks to their lives and livelihoods as a result of more intense or lengthy droughts, extreme rainfall, flooding and severe heat waves.⁹⁴ These extreme climate events are particularly damaging for people employed in agriculture, and their negative impact is exacerbated by lack of access to markets, infrastructure and social protection, as well as

by scarcity of land and of jobs outside agriculture. The risk of impoverishment is increased by difficulties in providing insurance mechanisms that can help the poorest people to cope with climate shocks and rebuild in their wake.

According to a major study by the Overseas Development Institute (ODI), without concerted action, up to 325 million extremely poor people could be living in the 49 countries most exposed to the full range of natural hazards and climate extremes in 2030.⁹⁵ Again, there is a striking overlap between countries where people are at risk of impoverishment and countries that are at risk of natural disasters. Figure 13 maps the countries that will have the highest risk of impoverishment in 2030, as measured by the Poverty Vulnerability Index (PVI), revealing the overlap with countries that have the highest exposure to hazards, as measured by a Multi-hazard Index (see Box 45).

The Multi-hazard Index takes into account five types of natural disasters: earthquakes, droughts, floods, high temperatures and tropical cyclones. When the index is estimated taking earthquakes and cyclones out of the equation and including only disasters caused by drought, floods and extreme temperature, the number of African countries that score in the highest risk category (which includes the 45 countries in Table 10) increases. However, the largest number of poor people living in high-risk countries is still found in Asia (in particular, and under an optimistic scenario, 51 million people in India, 15 million in Nepal and 14 million in Bangladesh).

Figure 13: Hazards and vulnerability to poverty in 2030 – overlaying the Multi-hazard Index and the Poverty Vulnerability Index⁹⁶



Box 45: The Poverty Vulnerability Index (PVI) and the Multi-hazard Index (MHI)

The Poverty Vulnerability Index (PVI) is a composite index that combines a number of indicators into one index of poverty in 2030. The poverty line is measured at two levels – at \$1.25 a day per person and \$0.75 a day – generating five levels of vulnerability to poverty from non-vulnerable (most countries) through to those that have the highest vulnerability. The most vulnerable countries are those with the highest proportions of people living below the poverty line, while the lowest vulnerability countries are those with more than 10% of the population, and more than one million people, living on less than \$4.00 a day.

The Multi-hazard Index (MHI) combines the ‘hazard rating’ (the probability of the event occurring in the future) for five types of natural disasters: earthquakes, droughts, floods, high temperatures and tropical cyclones. For each disaster, the ‘hazard rating’ ranks on a scale of 1 to 7, and the MHI value is the sum of the hazard-indicator level for each of the contributing five hazards at the country level. The MHI maximum level is 35, and 20 is taken as the cut-off point for identifying the top poverty and hazard-prone countries.⁹⁷

Table 10: Total poverty projections for the top 45 countries prone to drought, extreme heat and floods in 2030* – baseline and optimistic scenario (millions of people)⁹⁸

Poverty indicators (\$ per day)	Global	Asia	Latin America and the Caribbean	Sub-Saharan Africa
Baseline 1.25	319	185	15	119
Optimistic 1.25	176	92	10	75

NOTE: the global figures include other regions.

*i.e. the 45 countries that achieve a score of 20 or more in the new index.

Disaster-risk management capacity in hazard-prone countries

Disaster-risk management (DRM) is most effective when it involves a portfolio of actions to reduce and transfer risk and to respond to events and disasters, rather than a focus on any single action or type of action. Such integrated approaches should be informed by and customised to specific local circumstances and combine hard infrastructure-based responses and soft solutions, such as individual and institutional capacity building and ecosystem-based responses. Table 11 illustrates the key aims and activities of a national DRM system.


Table 12 classifies the high-hazard and high-poverty countries in 2030 according to the relative effectiveness of their DRM systems and their adaptive capacity today. Given the difficulty of measuring these at the national and sub-national level, such categorisation is only indicative. The classification is based on a comparative composite-assessment score that combines three different indicators:¹⁰¹ the ‘adaptive capacity’ score of the World Risk Index;¹⁰² the Governance Readiness Index of the Global Adaptation Institute;¹⁰³ and a combined score of qualitative information derived from the Hyogo Framework for Action (HFA) Monitor.¹⁰⁴ The composite assessment score ranks between 0 and 5, with 0 being worst and 5 being the best.

This categorisation suggests that there is no automatic correlation between a country’s level of wealth or its position on the human development index and the quality of its DRM capacity. Countries such as Chile, Colombia, Indonesia, Mexico and the Philippines have been leaders in creating

world-class national DRM capacity, often in advance of many European countries. Poor African countries such as Rwanda, Tanzania and Zambia also score in the highest category of DRM capacity. This suggests that while commitment to DRM is certainly driven by the need to manage frequent and intensive exposure to natural hazards, significant improvements to the system tend to follow a ‘turning point’ disaster, after which reducing the risk of the re-occurrence of the same event and the mitigation of its negative consequences becomes a political priority (as in Senegal after the 2009 floods, see Box 46).

While there is clear evidence that high DRM capacity can minimise the potential for long-term losses resulting from the impacts of hazards,¹⁰⁵ not all disasters become ‘turning points’ that move DRM to the top of the policy-making agenda. This suggests that political and political economy factors influence a country’s commitment to DRM. Identifying these factors and how they can be influenced needs to become a key concern for research and debate on DRM at national and international level.

While it is useful to assess DRM capacity at the national level, an understanding of different capacities at the sub-national level is often more relevant to the needs of policy-makers. This allows country actors to decide where to direct their efforts, and evaluate whether they need to strengthen local capacity. India, for example, has DRM of reasonable quality at national level, but its poorest states – which bear primary responsibility for DRM – do not (see Box 47).¹¹²

Table 11: Aims and activities of a national disaster-risk management system¹⁰⁰


Reduce risk		Manage remaining risks and uncertainties		
Aim: Reduce vulnerability	Aim: Reduce hazards and exposure	Aim: Pool, transfer, and share risk	Aim: Prepare and respond effectively	Aim: Increase capacity to cope with 'surprises'
Activities: Poverty reduction. Access to health care. Access to services and productive assets enhanced. Livelihood diversification. Access to decision-making increased. Community security improved.	Activities: Mainstream risk-management into development processes. Building codes and retrofitting. Defensive infrastructure and environment buffers. Land-use planning. Catchment and other ecosystem management. Incentive mechanisms for individual actions to reduce exposure.	Activities: Mutual and reserve plan. Financial insurance. Social networks and social capital. Alternative form of risk transfer.	Activities: Early warning and communication. Evaluation plan. Humanitarian relief supplies. Post-disaster livelihood support and recovery.	Activities: Flexibility in decision-making. Adaptive learning and management.

Table 12: Categories of countries according to their current disaster-risk management capacity and their ability to manage and cope with future shocks and stresses

Category of DRM capacity today	High-hazard, high-poverty countries in 2030
Category 1 (3.5-4.0 on relative score): relatively good DRM and adaptive capacity, with a high chance of minimising long-term disaster impacts now and in the future.	Colombia, Indonesia, Mexico, Rwanda, Tanzania, Thailand, Viet Nam, Zambia.
Category 2 (3.0-3.4): better than average DRM and adaptive capacity with a good chance of minimising long-term disaster impacts now and in the future.	Burkina Faso, China, Guatemala, Honduras, India, Malawi, Nicaragua, Philippines, Senegal.
Category 3 (2.5-2.9): average DRM and adaptive capacity, with the potential danger of disasters having long-term impacts now and in the future.	Bangladesh, Burundi, Cameroon, Ethiopia, Guinea, Kenya, Liberia, Nepal, Nigeria, Madagascar, Mali, Papua New Guinea, Uganda, Zimbabwe.
Category 4 (2.0-2.4): poor DRM and adaptive capacity, with high likelihood that disasters will cause long-term impacts now and in the future.	Central African Republic, Cote D'Ivoire, Democratic Republic of Congo, Guinea Bissau, Haiti, Myanmar, North Korea, Pakistan.
Category 5 (1.9 or less): very poor DRM and adaptive capacity, with disasters very likely to cause long-term impacts now and in the future.	Afghanistan, Chad, Somalia, Sudan, Yemen.

It should be noted, however, that disaggregated analysis is currently impractical in most developing countries, as very few have the amount and quality of data needed for effective assessments of sub-national DRM. The UN International Strategy for Disaster Reduction (UNISDR) is trying to improve this situation by collecting questionnaire survey-based data through local mayors. In general, however, more efficient and systematic collection of data must be a key aspect of all future efforts to improve DRM capacity.

It is clear that achieving the target of reducing extreme poverty by 2030 and preventing future impoverishment requires DRM to be at the heart of anti-poverty strategies.

In order to reinforce the link with poverty prevention, a DRM strategy should be composed of a portfolio of five key actions:¹¹⁶

- Decrease vulnerability by, for example, reinforcing social-protection systems and promoting climate-change proof investments;
- Decrease exposure to hazards. This includes such actions as creating a supportive infrastructure, moving people out of harm's way, implementing different legal actions, and adopting measures to safeguard lives and livelihoods.
- Management of remaining risk through preparedness, including emergency measures, enhanced by higher

Box 46: Turnaround in disaster-risk management in Senegal

Senegal is vulnerable to four main natural hazards: drought, locust invasion, flooding and sea level rise, which causes important coastal erosion. In 28 years (1980-2008), floods have affected over 600,000 people, killed dozens of people and have caused damage estimated at over \$42 million. In August 2009, heavy rainfall once again caused serious flooding, particularly in Dakar, but also across the rest of the country.¹⁰⁷ The flooding was not caused by exceptionally heavy rainfall but by unfavourable existing conditions and the lack of a functioning storm-water drainage system. According to Government figures, about 360,000 people were affected directly, particularly those from the lowest-income groups. Post-flood response efficiency was limited by the lack of sufficient and appropriate resources and adequate preparedness.¹⁰⁸

The Government had started to address the flooding issue in the 2000s, instituting a number of dedicated inter-ministerial structures. But it was only after the 2009 floods that a turnaround on disaster-risk management (DRM) took place. A High Commissariat responsible for coming up with a definitive solution to the flooding problems was created and a Post Disaster Needs Assessment (PDNA) was carried out with the assistance of international institutions.¹⁰⁹ A national DRM programme was adopted in 2011, in line with the GFDRR (Global Facility for Disaster Reduction and Recovery) Country Programme and with a strong focus on enhancing resilience in Dakar. DRM is now one of the sub-components of Senegal's Poverty Reduction Strategy (PRSP). A national DRM policy project was presented on September 10, 2012 at the Parliamentarian Assembly and is awaiting approval.¹¹⁰

Despite this progress, a number of challenges still need to be addressed.¹¹¹ DRM mechanisms are embedded in complex and unclear institutional frameworks that stakeholders often ignore, while the supporting legal, regulatory and operational mechanisms are still weak. Local DRM is inefficient because of weak decentralisation of DRM capacities and resources to local authorities. Future needs include a rationalised institutional framework, with supporting legal, regulatory and operational mechanisms, the promotion of stronger stakeholder information, awareness and involvement, and clear definition of the responsibilities of local authorities.

Box 47: Disaster-risk management in India's states¹¹³

India illustrates the importance and feasibility of analysing sub-national DRM capacity. A risk-governance index adapted and expanded from the World Risk Index has been applied across India's 28 states and seven union territories.¹¹⁴ This index draws on four indicators (adaptive capacity, public investment, governance and institutional resilience¹¹⁵), which reflect the assumption that the ability to respond effectively to disasters is shaped by a country's socioeconomic structure, its existing service delivery capacity, its infrastructure network and the level of government accountability.

There are two key findings.

- There is a strong overlap between the likely incidence of hazards and poverty in 2030 in northeast India. Assam, Madhya Pradesh, Odisha, Uttar Pradesh, and West Bengal are all high poverty states that also score high in the MHI and that have significantly lower DRM capacity than other Indian states.
- Gujarat and Andhra Pradesh have, respectively, the highest and the second highest score in terms of the risk-governance index. This is not surprising, given Gujarat's good economic performance and relatively efficient administration over the past decade, and Andhra Pradesh's high spending on calamity relief and infrastructure.
- A counterintuitive finding is Bihar achieving the third highest score, above states that are thought of as far more advanced in terms of development progress, such as Kerala (which loses out because of its poor availability of safe drinking water); Tamil Nadu (which comes lower down because of its low spending on health and calamity relief); and Maharashtra (which has one of the lowest rates of health expenditure of all the ranked states).

Bihar's experience is important because it demonstrates that DRM capacities can improve over time, even in the poorest states. As well as being exposed to frequent natural disasters, until 2005 Bihar was also widely considered to be one of India's worst governed states, with extremely low economic development, high rates of crime and an unresponsive polity. Since 2005, when the centre-left Janata Dal United (JDU) Government took over, the State has seen some dramatic improvements, with falling crime rates and double-digit economic growth rates in 2010 and 2011. These changes have also translated into improved capacity to deal with natural disasters. For example, in the eight years before the change in Government (1997-2004) an average of 372 people died each year as a result of natural disasters. This death toll fell to an average of 254 in the eight years following the JDU's coming to power (2005-2012). Similarly, average yearly economic losses from natural disasters more than halved in the same period.

Any replication of the Bihar model would, however, require an investigation of the factors that made this progress possible. In particular, an assessment of Bihar's performance should recognise that this State started from very poor levels of economic and human development and governance – which made it easier to realise improvements at the margins – and that this happened in the context of a political settlement characterised by strong caste and class divisions. These conditions may not be replicable (or even desirable) elsewhere. Bihar's experience does, however, support the IPCC's claim that DRM is most effective when composed of a portfolio of actions that are customised to specific local circumstances.

public awareness on the issue.

- Risk finance: creating the portfolio of sources to finance DRM. The increasing involvement of the private sector is essential, but it is clear that public support is still required in many cases (especially to target the poorest and most vulnerable areas and people).
- Relief, reconstruction and recovery, including support for household resilience that provides assistance to re-build assets and ensure more sustainable livelihoods.

DRM should also be seen as a chance to turn disasters into opportunities for development, change and renewal. Disasters can be seen as windows through which to implement institutional change, because crisis-driven processes often facilitate the adoption of solutions that question pre-existing institution and overcome contextual impediments.¹¹⁷

This idea, captured by the expression 'build back better',¹¹⁸ has been debated and promoted by humanitarian agencies at the stage of relief, reconstruction and recovery (RRR).¹¹⁹ Evidence of its application so far demonstrates that trying to 'build back better' can contribute to positive changes.

In Aceh, for example, the Indonesian government identified peace-building as a goal of 'build back better' following the tsunami of 2004. This allowed the national Rehabilitation and Reconstruction Agency to work not only technically on reconstruction, but also politically to build trust between the central government and the Acehnese and to support broader, long-term national objectives.¹²⁰

Evidence also shows, however, that different actors interpret the concept in different ways and have different priorities.¹²¹ Building back better is a process with both technical and political aspects and humanitarian agencies may not be well-suited to manage the latter. In conclusion, all stakeholders involved in DRM and in particular in RRR (i.e. the state, civil-society organisations and humanitarian agencies), should be aware that disasters can trigger positive change and be prepared to catch any opportunities when they arise, perhaps planning alternative strategies to do so within DRM itself.

Some LICs and MICs have already achieved considerable levels of risk preparedness (see Table 12), but additional efforts are needed.

First, national and international investment in risk management must target the countries identified as being at the greatest risk of natural disasters and impoverishment and having very low DRM capacity. These belong to two groups. The first is composed primarily of countries in South Asia, plus Haiti and Madagascar, which experience all five of the major environmental hazards included in the MHI. The second group is composed mainly of African countries that experience droughts, high temperatures, and flooding (Benin, Central African Republic, Chad, Gambia, Guinea Bissau, Liberia, Mali, and Zimbabwe) plus North Korea, and that have low DRM capacity.

Second, within each risk-prone country, DRM policies and systems must target the poorest and most disaster-prone regions explicitly. This is not happening as yet in many countries: five of the countries of most concern in ODI's study – Ethiopia, Haiti, Madagascar, Nepal and Pakistan – were found to direct DRM programming to high-value assets and to saving lives rather than protecting the livelihoods of the poorest.

Third, DRM must acknowledge and incorporate the adaptation strategies developed by people living in arid and semi-arid regions, where climate variability is the norm and where ill-conceived interventions can be destabilising factors.

3.8 Summary and conclusion

The sources of impoverishment discussed in this chapter reflect analysis of panel data and other sources of evidence carried out over years by the Chronic Poverty Research Centre, its successor the Chronic Poverty Advisory Network and others.

No universal priorities can be laid down for every government to follow, because contexts vary so markedly in terms of the major impoverishing processes and the political and institutional capacities to address them. However, some general conclusions can be drawn.

There are three very high priorities across all countries. First, in all cases, some types of episodes of ill-health are impoverishing, and aiming for UHC over a period of time is one solution that can be adapted to any circumstances in any country. Second, where conflict is or has been a reality and remains a visible threat, all governments need to try to prevent its resurgence by ensuring a pro-poorest political settlement. Third, improving DRM is a must wherever natural disasters are frequent, and wherever DRM strategies and capacities are not yet adequate to prevent consequent impoverishment. Taking a geographically and socially disaggregated approach to these priorities – focusing on regions and local areas where such impoverishment processes are concentrated and on the groups most seriously affected – would help to target such policies to greatest effect.

However, whether and when to introduce social insurance is a far more complicated issue. Social insurance becomes a policy option in economies that are becoming increasingly 'formal'; but where informality remains the norm it will only benefit only a few of the vulnerable non-poor. It is likely that specific forms of insurance – against ill-health or weather extremes – will have greater positive impacts than broader social insurance in preventing impoverishment. By comparison, it has been possible to make a universal case for social assistance (Chapter 2) and extending such assistance beyond the extreme poor to the vulnerable non-poor or moderate poor may well have a greater impact than extending social insurance coverage.

The visibility of impoverishment as a political issue is varied. At the international level it was not visible, for example, in the design of the MDGs. It needs to be made far more visible in the post-2015 framework that will succeed them. Already, suggestions have been made to include targets on social-protection and DRM. This would certainly help visibility at the national level, where governments are often focused on a positive, growth-based narrative of development, and do not tend to prioritise policies against impoverishment.

The next challenge is not only to guard against impoverishment, but also to ensure that people keep moving away from poverty once they have escaped its grasp – the topic of Chapter 4.

Notes

- 1 Sources: see Annex 2
- 2 Source: see Annex 2
- 3 World Bank (2013e)
- 4 World Bank (2013d)
- 5 The significance of risk to paths in and out of poverty is also acknowledged and explored in the *World Development Report 2014: Risk and Opportunity* (World Bank 2013d). This work is an important contribution in focusing the attention on the risks of impoverishment faced by poor and non-poor people.
- 6 The other two are income per capita and human capital.
- 7 As defined by the United Nations Economic and Social Council (ECOSOC). There were 49 LDCs in 2013, with Vanuatu, Samoa and Equatorial Guinea held back from graduation by the General Assembly for the time being. See UNCTAD (2013) *The Least Developed Countries Report 2013: Growth with Employment for Inclusive and Sustainable Development*, Geneva.
- 8 UNCTAD (2012a)
- 9 UNCTAD (2012b)
- 10 Wiggins et al. (2010 *ibidem*)
- 11 Wiggins et al. (2010 *ibidem*)
- 12 Wiggins et al. (2010 *ibidem*)
- 13 Wiggins et al. (2010 *ibidem*)
- 14 Wiggins and Keats (2013b)
- 15 Wiggins and Keats (2013a and 2013c)
- 16 Wiggins and Keats (2013a and 2013c)
- 17 Griffith-Jones and Ocampo (2009)
- 18 Griffith-Jones et al. (2010); Chhibber et al. (2009)
- 19 Griffith-Jones et al. (2010); Chhibber et al. (2009)
- 20 Griffith-Jones et al. (2009); Ash et al. (2009)
- 21 te Velde et al. (2010)
- 22 Collins et al. (2009)
- 23 Roodman (2011)
- 24 See for instance the evidence reviewed in Bateman (2010)
- 25 Anne Floquet, personal communication
- 26 Collins et al. (2009)
- 27 Anne Floquet, personal communication
- 28 Collins et al. (2009)
- 29 Roodman (2011)
- 30 IFAD (2010)
- 31 This is a situation where a party will have a tendency to take risks because the costs that could result will not be felt by the party taking the risk.
- 32 This is a market process in which undesired results occur when buyers and sellers have asymmetric information (access to different information); 'bad' products or services are more likely to be selected in this situation.
- 33 Clarke et al. (2012)
- 34 Clarke et al. (2012)
- 35 Olivier et al. (2009)
- 36 See Chapter 4 for a list of such countries and evidence of their achievements in poverty reduction.
- 37 UNDP (2013)
- 38 Narayan et al. (2009)
- 39 Osmani and Sen (2003)
- 40 Duncan et al. (1998); Glewwe and King (2001); Glewwe et al. (2001); Daniel and Adair (2004)

- 41 Mason and King (2001); Kabeer, Mahmud and Tasneem (2011); Begum and Sen (2009); Sen and Dreze (2013)
- 42 Bird (2007)
- 43 Baulch and Hoddinott (2000); Sen (2003); Krishna (2010); Baulch (2011)
- 44 Rahman and Hossain (1995); Sen (1994)
- 45 Narayan et al. (2009)
- 46 Rahman and Hossain (1995); Sen (2003); Baulch (2011)
- 47 Begum and Sen (2005) for Dhaka pullers; Kurosaki et al (2007) for Delhi pullers with irregular income flows; Sen and Ali (2013) generally on unsustainable livelihoods.
- 48 World Health Organisation (2010)
- 49 Xu K et al. (2007)
- 50 ILO (2008)
- 51 Ahmed et al (2013b)
- 52 Bhuiya et al. (2013); Adams et al. (2013)
- 53 Bhuiya et al. (2013); Adams et al. (2013)
- 54 Sen (2013) Adams et al. (2013)
- 55 Ahmed et al. (2013b)
- 56 Bhuiya et al. (2013); Alayne et al. (2013)
- 57 <http://www.countdown2015mnch.org/> quoted in Save the Children (2013a)
- 58 Save the Children (2013a)
- 59 World Health Organisation (2010)
- 60 MSF (2004)
- 61 Batungwanayo and Reyntjens (2006) cited in WHO (2010)
- 62 Burundi DHS 2010, Institut de Statistiques et d'Études Économiques du Burundi (ISTEEBU), Ministère de la Santé Publique et de la Lutte contre le Sida [Burundi] (MSPLS), et ICF International. (2012), 'Enquête Démographique et de Santé Burundi 2010, Bujumbura, Burundi: ISTEEBU, MSPLS, et ICF International.
- 63 PMNCH (2012) and the literature cited in Behman et al. (2010)
- 64 PMNCH (2012) and literature cited there.
- 65 Behman et al. (2010)
- 66 Behman et al (2010)
- 67 Oxfam (2013)
- 68 Community-based health insurance programmes are voluntary, not-for-profit health insurance schemes organised at a community level that specifically target those outside the formal sector. They may be useful in providing some financial risk protection in situations where more widespread prepayment and pooling arrangements do not exist, but their potential to be scaled up to reach UHC is limited. Moreover, they are a highly regressive way of funding health care, because they usually charge premiums at a flat rate, implying that poor people contribute a higher proportion of their income than wealthier people. Private health insurance is offered by private entities including commercial companies. Although PHI can increase financial protection and access to health services to those able to pay, high premiums mean that few people can afford to join. More than 25 years after the introduction of PHI in developing countries, there is still no evidence that it can benefit more than a limited group of people. The contribution of PHI to UHC has been insignificant or has even had an adverse impact by increasing inequalities (Oxfam 2013).
- 69 Oxfam (2013) and Save the Children (2013a)
- 70 For a review of the impact of this approach see Acharya et al (2012)
- 71 Lagomarsino et al. (2012)
- 72 WHO (2010)
- 73 WHO (ibidem)
- 74 Oxfam (2013)
- 75 Oxfam (2013)
- 76 Social security or social protection can be conceived as composed of social assistance and social insurance, although in practice policies may not always clearly fall distinctly into these two categories, especially in developing countries in the process of creating or reforming their systems.
- 77 Bastagli (2013)
- 78 ILO (2010a)
- 79 Olivier et al. (2012)
- 80 CPRC (2009)
- 81 Addison et al. in Shepherd and Brunt (2013)
- 82 Putzel and Di John (2012)
- 83 Putzel and Di John (2012)
- 84 James Putzel, personal communication.
- 85 "Civil wars: How to stop the fighting, sometimes". The Economist, 9th of November 2013
- 86 Nilsson (2012)
- 87 Addison et al. in Shepherd and Brunt (2013)
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- 89 Harvey et al. (2007) cited in Addison et al (ibidem)
- 90 Puzel and Di John (2012)
- 91 Putzel and Di John (2012)
- 92 Putzel and Di John (2012)
- 93 Putzel and Di John 2012
- 94 Shepherd et al. (2013a)
- 95 Shepherd et al. (2013a)
- 96 Shepherd et al. (2013a)
- 97 20 has been chose as cut-off level for this analysis because it allows to include both the countries that experience all five of the hazards in the MHI, as well as the majority of sub-Saharan countries that are exposed to drought, heat and floods but not cyclones or earthquakes.
- 98 Shepherd et al. (2013a:55)
- 99 IPCC SREX (2012) cited in Shepherd et al (2013a)

- 100 IPCC SREX (2012) cited in Shepherd et al (2013a)
- 101 All indicators have been rescaled to be between 1 and 10. Data for calamity relief expenditure and anti-corruption efforts is only available for key states.
- 102 see Technical Annex D and E in Shepherd et al. (2013a)
- 103 see Technical Annex F in Shepherd et al. (2013a)
- 104 A country self-reporting mechanism that assesses progress against a set of indicators under five thematic areas.
- 105 In 2010, for example, 11% of those exposed to the Haiti earthquake lost their lives, compared to 0.1% of those who experienced the Chile earthquake. In 2008, Cyclone Nargis killed 138,000 people in Myanmar, while Hurricane Gustav, a storm of similar strength, killed just 153 in the Caribbean and US in Shepherd et al. (2013a).
- 106 GFDRR (2012)
- 107 WFP (2010)
- 108 WFP (2010)
- 109 GFDRR (2012)
- 110 GFDRR (2013)
- 111 GFDRR (2012 and 2013)
- 112 Shepherd et al. (2013a)
- 113 Shepherd et al (2013a)
- 114 However, it was possible to calculate the composite index only for 13 States, as not all the required data for all the indicators were available for every State.
- 115 For further methodological details of the sub-national index and its indicators, see Technical Annex E in in Shepherd et al. (2013a)
- 116 Tom Mitchell, personal conversation
- 117 Andrews (2013)
- 118 UN (2006)
- 119 DFID (2010)
- 120 A study has investigated its concrete application in three instances of disaster responses: the Indian Ocean tsunami in Aceh, the Cyclone Nargis in Myanmar and the earthquake in Haiti. See Fan (2013)
- 121 Fan (2013)

Climbing out, and staying out, of poverty



The Windhoek Vocational Training Centre in Khomasdal is a training centre for artisans. The centre boasts a number of female students across the board. Established in 1988 for demand driven vocational training. The auto mechanic workshop. Female students Kapolo Leena and Metha Goaseb who both hope to open their own workshops one day. Kapolo with fellow student Nikanor Niitembu. Photo: John Hogg / World Bank

Key points

- Moving out of poverty is not a one-way street; a household may escape poverty, but its future status as non-poor is not guaranteed.
- Escaping poverty requires a combination of assets, including the human assets generated by education.
- Households need physical assets (such as land and livestock) as well as the ability to diversify, within and beyond agriculture, for upward mobility and for resilience to shocks such as food price rises, natural disasters or economic crises.
- Land is an important asset for sustained escapes from poverty, yet the poorest people are the most likely to lose land through market mechanisms and inheritance. Land tenure policies would help here, including:
 - security of tenure
 - establishing a secure legal basis for land rentals to encourage landowners to increase the land available for smallholders
 - reducing the fragmentation of landholdings as a result of inheritance practices.
- Household members – particularly heads of household – need education and skills to find jobs outside agriculture (particularly jobs with regular salaries), or to set up non-farm businesses.
- Education builds resilience, and the knowledge and skills it provides, unlike physical assets, are not lost during or after shocks.

- Primary education may not be enough: several years of post-primary education are needed to support a lasting escape from extreme poverty.
- The education provided needs to be of good quality and provide relevant skills for a smooth transition from education to work.
- It is essential to work with the private sector to ensure young people develop the skills required to succeed in the jobs market.
- In countries with a large informal sector, work skills could be improved through the formal recognition of traditional apprenticeships, regulations to protect apprentices from exploitation and certification of their skills and experience through national qualification, backed by targeted interventions such as cash transfers to ensure participation of the poorest.
- Regional development policy, including the development of 'secondary' towns, can extend the benefits of an economically dynamic region outwards to poorer areas.

4.1 Introduction

'Getting to zero' poverty by 2030 involves having the right policies, institutions and politics in place to ensure that the poorest people can escape from poverty. As the reduction in the global number of people in poverty illustrates, there are widespread stories of success, particularly over the past two decades, and we have a fair idea of how and why some households escape poverty while others do not.

We know far less, however, about what happens to those individuals and households after they escape from poverty. Do they continue to improve their situation, perhaps joining the burgeoning middle-classes of South Asia and sub-Saharan Africa? Do their living conditions stagnate at a level just above the extreme poverty line, leaving them poor, but not extremely poor? Or, after a period of living above the poverty line do they slip back into to their former situation of extreme poverty? Ensuring that households that escape poverty remain above the poverty line and continue to improve their situation should be a major objective in 'getting to zero'.

This chapter outlines the factors that enable households to escape poverty and more importantly, to climb out of it, stay out of it, and keep moving away from it. The chapter also draws out and examines the policy implications.

4.2 Climbing out of poverty

Escaping poverty requires a combination of both increasing assets (in the form of natural, social, physical, economic and human capital) as well as increasing returns from those assets.¹ We are learning more about the factors associated with upward mobility and escapes from poverty and, while ultimately context specific, there are some common factors.

For many households living in rural poverty, agriculture, whether through involvement in their own-cultivation, livestock rearing or agricultural wage labour, is often the only or main economic option. For these households, any escape

from poverty is, in part, about being able to accumulate the assets that underpin successful engagement in agriculture, including livestock (e.g. Bangladesh and Nepal²) and land (e.g. Bangladesh and Kenya³).

'Livestock ladders' are one pathway out of poverty, whereby the poorest households first rear small livestock including poultry, goats and pigs and then, with increased resources and experience, move on to larger livestock, such as cattle.⁴ In the Peruvian Andes, for example, diversification of incomes from livestock, including changing breeds and livestock products, is critical for upwards movement.⁵

Whether a household is able to use crop cultivation to improve its situation depends, in particular, on whether it has enough land and human capital (in terms of educated and healthy household members).⁶ With these endowments in place, households in India have adopted sustainable rice intensification or modern varieties of rice to improve their situation by moving into higher productivity agriculture.⁷ Diversification of crops and diversification across cultivation and livestock rearing are both significant for upwards mobility.⁸

While agriculture clearly matters for upwards mobility, particularly in South Asia and sub-Saharan Africa, it is involvement in the non-farm economy that is often the tipping-point to propel households above the poverty line.⁹ Escaping poverty often involves getting a job, or engaging in activities, beyond agriculture.¹⁰ The key point is not just that the non-farm economy can increase returns to labour and physical capital¹¹ but that it also enables households to diversify their incomes.¹²

Escapes from poverty through involvement in the non-farm economy take two main forms: establishing a successful non-farm business or obtaining non-agricultural employment.¹³ In El Salvador, for example, households that have escaped from poverty have tended to diversify their activities beyond agriculture through self-employment in micro-enterprises.¹⁴

Such escapes are often related to changing conditions of work and additional labour income. This can be the result of greater diversification, higher earnings per hour or an increased number of hours worked.¹⁵ In Venezuela, the household head who gains a public sector job seems to be particularly important for household poverty escapes,¹⁶ while in Madagascar and Peru it is labour-market integration that appears to make the difference.¹⁷ In Chile, escaping poverty has been associated with changes in labour income beyond agriculture, both through increasing returns from an existing job and through other family members taking on work.¹⁸ Very often, it is linked to an increased supply of labour into the labour markets, combined with fewer dependents (a declining household dependency ratio).¹⁹

Migration of a household member can contribute both to household income diversification and often to higher earnings. In Bangladesh, trade, migration and non-agricultural labour are all means through which households diversify into the non-farm economy and escape poverty.²⁰ The remittances sent home by migrants also contribute to poverty escapes.²¹

Transport options, particularly connecting communities to the rest of the country by all-weather roads, and access to information on job opportunities, for example, are both important to engage successfully in migration and to escape poverty.²² In South Africa, poverty escapes have been linked to improvements in infrastructure, including electricity,²³ while access to electricity has also been cited as a factor in poverty escapes in Kenya²⁴ – the result of the increased productivity of agricultural and non-farm enterprises that it enables.

Education is crucial for escaping poverty²⁵ and educating the next generation is a key component of intergenerational poverty escapes.²⁶ Educated and healthy household members, and particularly educated heads of household, drive escapes from poverty, improving access to non-farm activities and increasing earnings from all the income-earning activities of the household.²⁷ So, the more educated a new head of

household is (as new households form) the more likely it is that their household will escape poverty. Education also makes individuals more resilient in the face of crises – being a ‘portable asset’.²⁸

The exact level of education required for poverty escapes depends on the context, but post-primary education is, in general, important.²⁹ In Ethiopia, completing primary education is more effective at improving welfare in urban than in rural areas, with rural employment not being as education-intensive as employment in urban areas.³⁰ In Pakistan, however, education may be a valuable component of poverty escapes, but it is not enough, on its own to move people out of poverty.³¹ Above all, the education on offer needs to be of a good quality, and provide skills that are relevant to the world of work if it is to provide an effective contribution to poverty escapes.³²

Households that escape poverty are not unaffected by shocks, but they are more resilient, and better able to cope with shocks, as seen in the story of one couple in Bangladesh (Box 48).³³ Health shocks are often cited as a driver of poverty³⁴ but this is not the case for all households. Analysis of panel data from the Kagera region of Tanzania finds that the richest households do not suffer long-term problems as a result of illness or agricultural shocks.³⁵ Indeed, systemic risks (with many households affected at the same time) can be an opportunity for the richest households to strengthen their situation,³⁶ purchasing cattle sold at low prices by others less fortunate, for example.

4.3 Staying out of poverty

This section draws on analysis of panel data with three waves – where the same households are tracked across three points in time. This allows exploration of household wealth trajectories after their escape from poverty. Very little analysis of three-wave panel data examines the resilience of such poverty escapes; or the subsequent fortunes of households

Box 48: Moving out of poverty and stopping its intergenerational transmission in rural Bangladesh

Amena is 35 years old. She and her husband, Liton, have improved their situation steadily and can withstand periods of shock through sheer hard work, by accepting advice from others, using loans to accumulate land and livestock and by seeking a non-farming income. Amena and Liton diversify their income sources constantly: he continues to deal in sand, she has taken loans from Grameen Bank to start a business rearing cows, and they have used the profits to buy Liton’s rickshaw van. They have been able to rebuild after a flood and have since built a new home with a thatched roof. They have also coped with medical expenses for their youngest son. More recently, further loans and the re-mortgaging of their land through the Grameen Bank has enabled them to diversify yet again, this time cultivating jute.

Unlike her mother who had 13 children, Amena has used the IUD contraceptive and has had just three sons. While only two of her siblings were educated, all of her sons attend school and are doing well with the help of the cash-for-education programme that she uses for a private tutor. She and Liton place a high priority on the education of their sons, as Liton’s younger brothers were both well-educated and now have good jobs. Amena feels she has gained in confidence and she is proud of the way she and Liton have worked together to improve their family’s situation.

that were living in poverty in wave 1, but escaped in wave 2. Figure 14 illustrates the fortunes of such households by the time of wave 3 using panel data from Indonesia³⁷, Viet Nam³⁸, South Africa³⁹, Tanzania⁴⁰, Uganda⁴¹ and Ethiopia⁴².

It reveals plenty of upward mobility and confirms that it is possible to sustain an escape from poverty. The proportion of households that are able to sustain their escape, however, differs markedly from country to country.

If a household escapes poverty then its future status as non-poor is not guaranteed, as Figure 14 also illustrates. With the exception of those captured by the Ethiopian Rural Household Survey, most households that escaped poverty between wave 1 and wave 2 remained out of poverty in the third wave. This is good news. However, in each survey at least 15% of households that had escaped from poverty in the first two waves had fallen back into poverty by wave 3 and in some surveys this figure was as high as four or even six in every ten households.

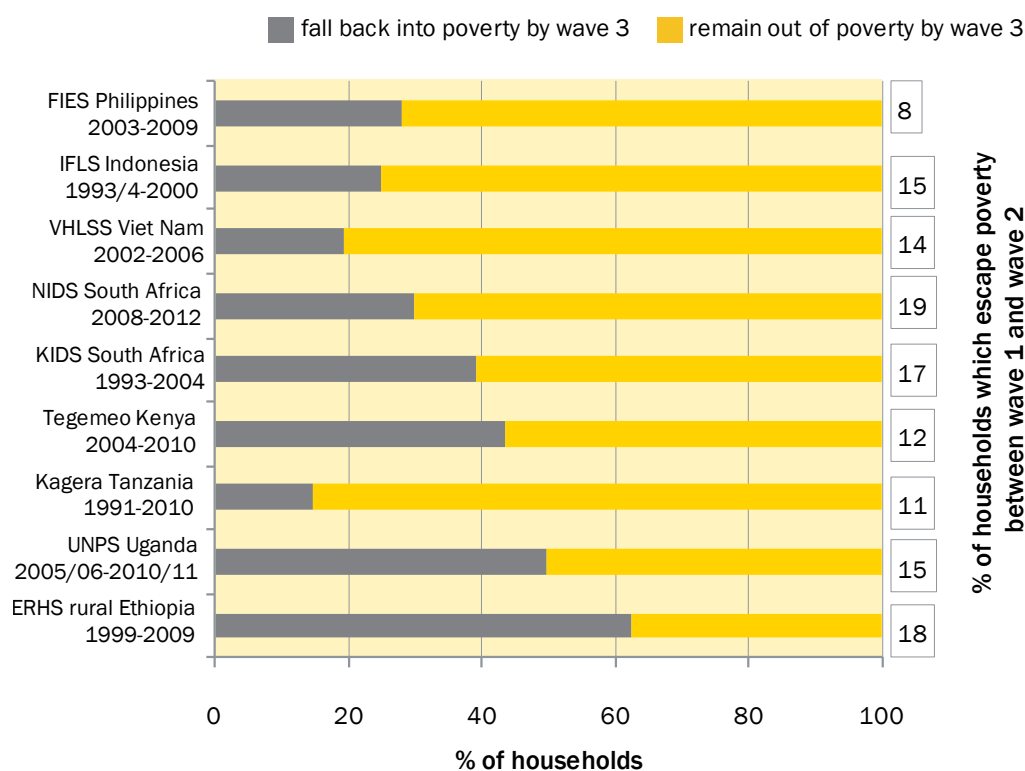
Why do some households stay out of poverty while others fall back below the poverty line? One problem is that small increases in consumption that position households just above the poverty line are not likely to push them further up to a point where they can save and invest. The exact level

of consumption that will make this possible is likely to be context-specific. In South Africa, 30% of households escaping poverty between 2008 and 2010 increased their consumption to a level twice as high as the poverty line, while in Uganda 20% of households escaping poverty between 2005 and 2010 increased their consumption to the same extent (Annex 3).

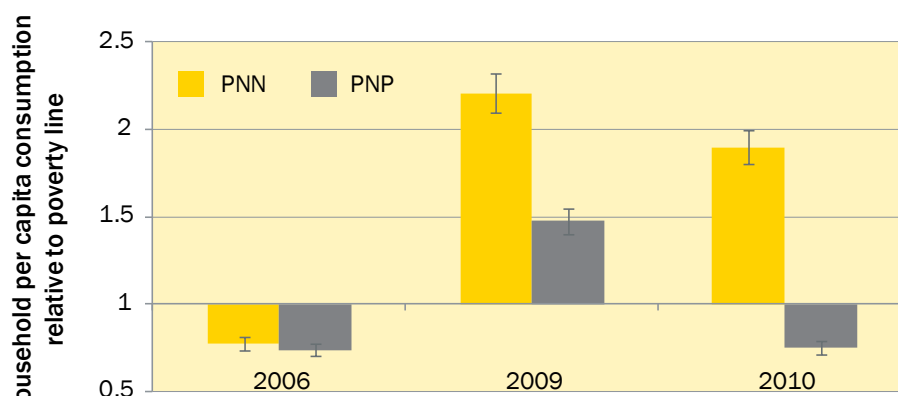
Figure 15 examines poverty escapes relative to the poverty line in two nationally representative panel surveys. It shows how households that escaped poverty between wave 1 and wave 2 and then stayed out of poverty increased their consumption in wave 2 more than those households that escaped poverty and then fell back. In these instances, the resilience of poverty escapes may be, in part, a function of how far households travel above the poverty line.

Other factors, in addition to income diversity and education, are linked to escapes from poverty and the resilience of those escapes in different contexts. As Figure 16⁴⁴ on South Africa and rural Ethiopia and Uganda shows, land remains an important component of sustained poverty escapes, and location matters: living in Uganda's central region, for example, is associated with sustained escapes from poverty.

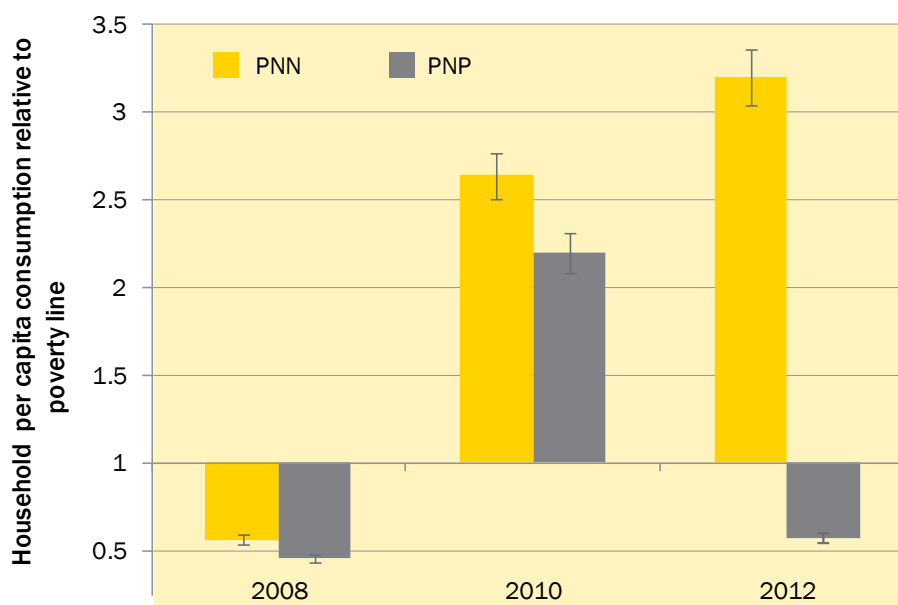
Figure 14: What happens to people who escape extreme poverty? The fortunes of households that escaped poverty between wave 1 and wave 2⁴³



FIES = Family Income and Expenditure Survey; IFLS = Indonesia Family Life Survey; VHLSS = Vietnam Household Living Standards Survey; KIDS = KwaZulu-Natal Income Dynamics Study; NIDS = National Income Dynamics Study; UNPS = Uganda National Panel Survey; ERHS = Ethiopian Rural Household Survey. See Annex 2 for more details of the panel surveys.

Figure 15: Poverty escapes relative to the national poverty line**Uganda**

Source: Uganda National Panel Survey.

South Africa

Source: National Income Dynamics Study.

Note: PNN = poor in the first wave, non-poor in the second and non-poor in the third. PNN = poor, non-poor, non-poor.

4.4 Is there a resilience threshold?

The idea of a resilience threshold, or a level of assets and/or income above which households are extremely unlikely to live in poverty in the future is both attractive and conceptually plausible. As we have seen, assets, including education, often act as buffers against shocks.

Evidence from Latin America suggests that people living between a level of \$1.25 and \$10 a day are the 'new poor' or 'strugglers' who remain vulnerable to falling back into poverty. Here, a person becomes a secure member of the middle class when they live above a level of \$10 a day.⁴⁶ It would be difficult, however, to lift people above this threshold in sub-Saharan Africa, where the average income of those living in poverty is just \$0.70 a day. Nevertheless, it

is likely that if there were an income threshold it would be high in sub-Saharan Africa to compensate for more limited government safety nets and access to free health care.

Initial quantitative research on resilience thresholds in Africa shows that in rural Ethiopia, Uganda and South Africa, the higher a household's consumption and the more years of education the household head has, the less likely they are to fall into poverty in the future. In rural Uganda, a household with consumption five times above the national poverty line in 2005 had just a 10% chance of living in poverty in 2009, with the same probability for an urban household with a level of consumption three times higher than the poverty line. Meanwhile, in South Africa a rural household needed a level of consumption over 20 times the level of the national

poverty line in 2008 to have a 10% chance of living in poverty in 2012.⁴⁷

It is difficult, however, to identify an income or consumption threshold, as such, from these national datasets. It is likely that, if they exist, resilience thresholds are highly context-specific⁴⁸ and would not, therefore, lend themselves to a global indicator. Life-history analysis also suggests that any resilience threshold would be multidimensional, comprising diversified livelihoods and income (including from salaried employment, which itself is linked to education) combined with social connections, access to contraception and a small family size (Box 49).

4.5 Policies for resilient poverty escapes

We know about ‘saw-toothed’ patterns of upward mobility out of poverty (see Figure 17),⁴⁹ whereby shocks and stresses can interrupt upwards mobility and movement away from the poverty line. This suggests that households that manage to escape from poverty need some protection to reduce the likelihood that they will fall back and to enable their faster progress away from the extreme poverty zone.

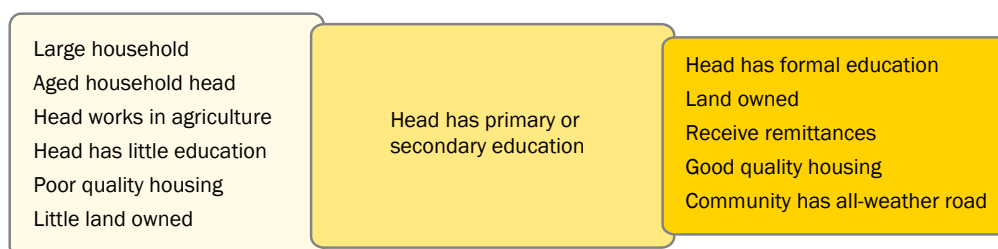
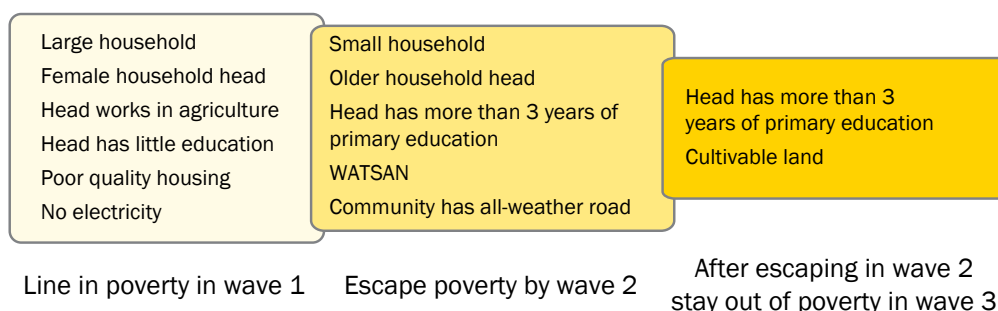
Social assistance has, quite rightly, been targeted at the poorest or most vulnerable people, but this may miss those who are escaping from poverty. Measures to protect escapees from impoverishment were discussed in Chapter 3, which

Box 49: Resilient livelihoods to prevent the intergenerational transmission of poverty in Tanzania

Zacharia’s childhood was good, primarily because his father had a salaried job as a driver with the local district office. However, when his father became chronically ill, he was forced to sell land and livestock to pay high medical bills and eventually had to leave his job. Family members abused his vulnerability by selling off his assets under the guise of paying additional medical costs. The impact on Zacharia’s household was severe. A household that once had a range of assets, a solid house with a bathroom and housemaids, was reduced to eating just one meal a day and keeping a few cattle as assets. Thankfully, before he became ill, Zacharia’s father had helped him to start a small business buying and selling maize. This business grew and Zacharia was able to rent a truck and acquire new assets such as cattle and goats. He later went on to become a clinical officer, and diversified into selling crops, fish and livestock. Although Zacharia only completed primary school, he has improved his situation and hopes to be able to afford a quality education for his children. Recognising the importance of good connections in the community, he is a member of several committees and is investing in the local market.

Figure 16: The factors associated with living in poverty, escaping poverty and sustained poverty escapes⁴⁵

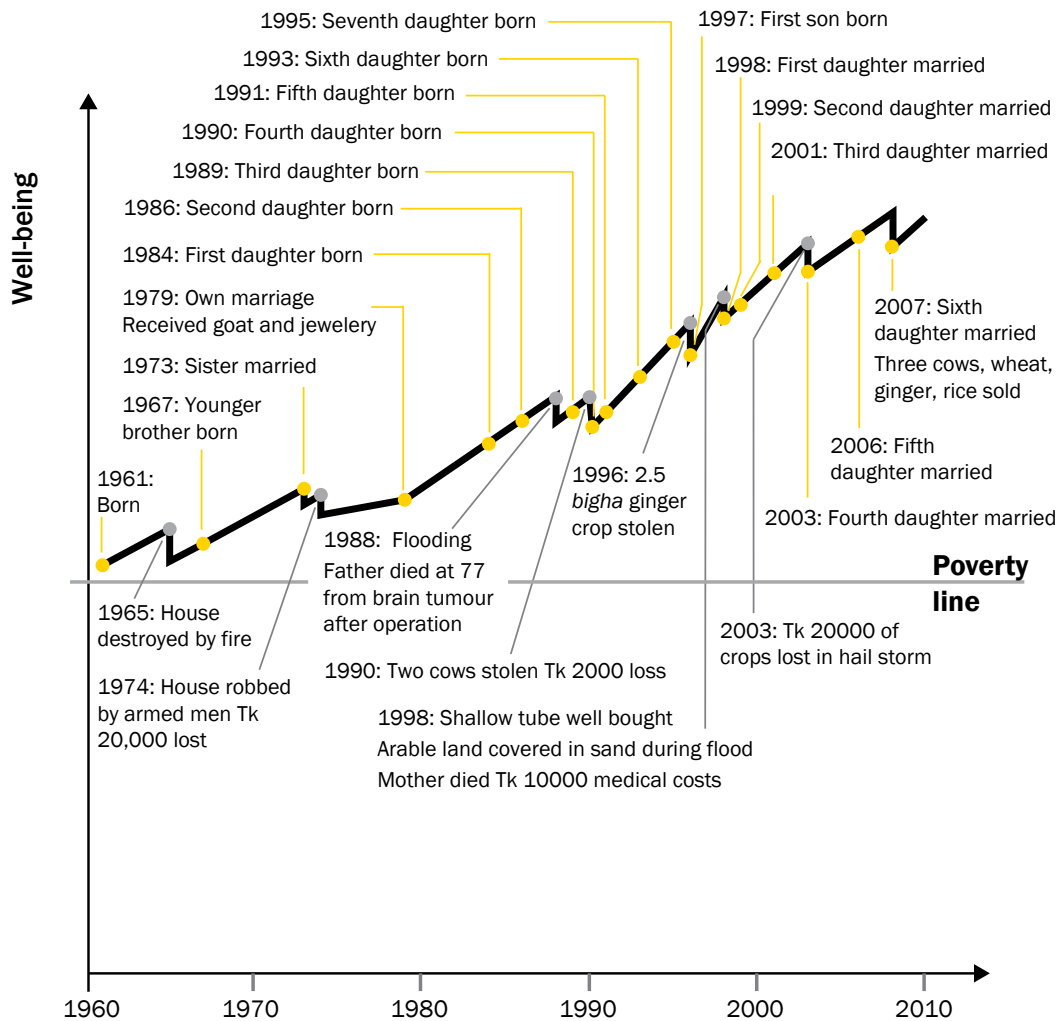
South Africa (KIDS and NIDS)



Rural Ethiopia (ERHS) and Uganda (UNPS)

Sources: for South Africa: National Income Dynamics Study and Kwa-Zulu Natal Income Dynamics Study. For Ethiopia: Ethiopian Rural Household Survey; Uganda: Uganda National Panel Survey.

Figure 17: Saw-tooth upwards mobility in rural Bangladesh : Monir, 46-year old man, Nilphamari District



highlighted pro-poor political settlements, tailored financial services (including saving and insurance), the prevention of conflict, better DRM, UHC and social insurance.

Our analysis suggests that there are three critical areas of policy that are necessary to create an environment that enables people below the poverty line to make steady upward progress: education, land, and regional or local economic development.

4.6 Education to transform lives

The CPAN *Education Policy Guide* emphasises a life-cycle approach to education, starting from early childhood and then ensuring that children leave school with the knowledge and skills they need as adults.⁵⁰ This contrasts with the current focus on enrolling all children in primary schools – a fine ambition, but the sheer act of enrolment does not, by itself, help children or their families emerge from poverty. At the very least, children need to complete primary school

Box 50: Aspiring to go to secondary school in Tanzania

When Melina completed her primary schooling, she wanted to continue with her education but her father could not afford to send her to private school. So she decided to re-sit the standard seven examinations that would help her get a place in a government secondary school, with her older sister covering her costs and giving her a place to stay while she prepared for her exams. Sadly, her sister died just a few months later and Melina had to go back to her parents and help them to farm. She remembers in pain the day her dreams for further education shattered following the death of her sister. “The day my sister died I felt like an unlucky person in this world; I wanted so much to study up to university and get a good job and life. But my desire remained a dream. I know I could have been a different person had I gone to school.”

and achieve minimum levels of literacy and numeracy if education is to stand them in good stead. But there is evidence in many societies that several years of post-primary education are needed if children are to have life chances that are good enough to pull their families out of extreme poverty.⁵¹

Formal secondary schooling is the most effective way to improve the skills that are essential for life and work⁵² and without it a whole range of possibilities can be closed off (Box 50). It is particularly important for women: those with a secondary education are less likely to get married than those who only made it to the end of primary school, and less likely

to have children at an early age, while their own children are also less likely to be stunted.⁵³

A life-cycle approach starts with pre-school, continues through primary and post-primary education, and finishes with skills that are useful in the labour market. As these skills may change over a lifetime, adult refresher education is likely to become increasingly important in enabling people to stay out of poverty for life. The policy implications are that governments need to make significant additional investments of money and human resources to ensure good access to enough education for poor children, and allocate

Box 51: Ten steps to build skills and pathways for a better future

1 Provide second-chance education for those with low or no basic skills

Second-chance education can provide children and youth who did not complete primary school with an opportunity to develop basic skills. Effective second-chance education requires well-coordinated and adequately funded programmes at scale.

2 Tackle the barriers that limit access to lower-secondary education

Improving access to lower-secondary school means abolishing school fees and providing targeted financial support, linking lower secondary to primary schools, providing a common core curriculum so that all children are equipped with core skills, ensuring that there are enough government school places and assuring accessibility in rural areas.

3 Make upper-secondary education more accessible to the disadvantaged and improve its relevance to work

Secondary education should balance technical/vocational and general subjects and develop the capacity of students to solve problems. Flexible opportunities should be given for youth at risk of dropping-out, including distance-education centres, with greater recognition of the skills gained through such alternative learning centres.

4 Give poor urban youth access to skills training for better jobs

Public interventions that build on traditional apprenticeship systems should strengthen training by master craftspeople, improve working conditions for apprentices and ensure that skills can be certified through national qualification frameworks.

5 Aim policies and programmes at youth in deprived rural areas

Farmer field schools and training through cooperatives build skills and provide training in agricultural techniques. Training in entrepreneurship and financial management widens opportunities in non-farm activities.

6 Link skills training with social protection for the poorest young people

Combining microfinance or social protection with training in basic literacy and numeracy, as well as livelihood skills, can help to tackle the multiple forms of disadvantage that keep people trapped in poverty.

7 Prioritise the training needs of disadvantaged young women

Providing young women with microfinance and livelihood assets, as well as stipends to tide them over until these assets start to yield income, together with the skills needed to make the best use of these assets, gives them greater control over their own resources in ways that benefit them and their families.

8 Harness the potential of technology to enhance opportunities for young people

Basic technology, such as radio, can be important in skills training, particularly for people in remote rural areas.

9 Improve planning by strengthening data collection and coordination of skills programmes

Government leadership is important to coordinate the range of actors involved in skills training, reducing fragmentation and duplication of effort and assuring equitable access. Data are needed to monitor accessibility of skills-development programmes so that they can be planned effectively. This includes more information on school dropout and completion, and details on academic as well as technical and vocational areas. Better data are also needed on skills-development programmes beyond the formal school system, including informal apprenticeships, linking these data with information on the labour market. Governments also need to work more closely with businesses and trade unions to improve the relevance of skills training in the workplace.

10 Mobilise additional funding dedicated to the training of disadvantaged young people

Source: UNESCO (2012)

expenditure geographically to ensure equitable education outcomes across countries to compensate for the high levels of dropout that occur in the poorest areas.

What should be prioritised? Clearly it depends on the current experience of poor children in education systems – so information on their situation is the first requirement. It may be that the poorest children drop out of primary school early because they have not been prepared for school and can't keep up with the other children. In this case, targeted pre-school scholarships or the universal provision of pre-schooling could be the priority. Or it may be that the transition from primary to post-primary schooling is their biggest challenge. Here, the policy response could be a massive investment in free education for the first few years of post-primary.

In almost every situation, the transition from school to work is highly problematic. Schools continue to produce children who have academic credentials but who have little or no skills and there is plenty of scope to enhance skills-based education. A range of approaches and interventions are needed to ensure that education can build the skills of the poorest children and youth to the extent that it can transform their lives (Box 51). Children and youth who have missed out on formal schooling can build their skills through 'second-chance' education and formal skills training or work-based training, including apprenticeships and training on farms.⁵⁴ Working with the private sector is crucial to ensure that young people are developing the skills they need to succeed in the job market.

Technical, Vocational Education and Training (TVET) is in a sorry state in most developing countries,⁵⁵ and is rarely able to help poor children or young adults.

Honourable exceptions include the *Jovénes* programmes in Latin America, introduced in Chile in 1991 and then replicated elsewhere in the region. The *Jovénes en Acción* programme in Colombia, for example, targets disadvantaged urban youth, providing them with a combination of classroom and on-the-job training. The wages of women completing the programme rose by almost 20% and their chances of gaining formal employment increased.⁵⁶ However, programmes like this can be expensive and the gradual and formal recognition of traditional apprenticeships may be a more feasible approach in countries with a large informal sector, as in Cameroon and Senegal. Such an approach is particularly successful if designed and implemented in partnership with informal-sector associations. Gradual formalisation can include regulations to protect apprentices from exploitation (including on working hours), and certifying the skills and work experience gained through a national qualification framework. This would need to be accompanied by targeted interventions for the poorest young people, such as cash transfers, to ensure that they are able to participate.⁵⁷

This agenda is exceedingly ambitious, with significant resource implications (Chapter 7). However, education is the social sector that is recognised by governments around the

world as critical to economic success, and is, therefore, more likely to get the public investment required than health or social protection. The international community, by contrast, remains largely fixated on enrolment and completion figures for primary education alone.

4.7 Land policy

Land policy and governance is in the spotlight in response to international land acquisitions that have been linked to the 2008 global financial, fuel and food-price crises. The evidence on land acquisition is much contested and in flux. It seems likely, however, that it is not international land acquisition that has the greatest impact on the access of poor people to land, but the processes of national and local land acquisition through market mechanisms. On these, there is little or no cross-country evidence.

Before the current concerns about large-scale land acquisition, the focus was on enhancing security of tenure as a way to promote property rights, development and productivity. The evidence on whether this actually works is mixed, with other factors playing a big part in determining outcomes in different contexts.

From a poverty dynamics perspective, policies that enable the accumulation of key assets – in particular land (and, linked to it, water) – would help to sustain escapes from poverty. Such policies would include land-tenure policies, with special reference to security of tenure, making it easier to rent (and to rent out) land, and measures to avoid the fragmentation of landholdings as a result of inheritance practices. There is some evidence that improved housing also makes a difference, but this needs further research.

It is clear that the poorest people are vulnerable to losing land, particularly through market mechanisms and inheritance practices.⁵⁸ Countries where the poorest people have avoided such losses include Bangladesh and Ghana, where exceptional outcomes may be the result of exceptional circumstances: the still partially open land frontier and the absence of easier survival alternatives to agriculture in Ghana; and, in Bangladesh, the partial investment of enhanced incomes from agricultural and non-farm activities in land over the past two decades. In Bangladesh there are also government-backed land programmes for the poorest – the *Ashrayan* programme to provide shelter (homestead land) to the absolutely landless, and 'one house one farm', which also covers those who are functionally landless. This is in addition to the annual public *khas* land (state owned land) distribution, which is notorious for its poor targeting. However, no assessment of these programmes exists.

Several aspects of security of tenure are important: reversing policies and norms that disenfranchise women on separation, divorce or widowhood; the legal protection of the existing land assets of poor smallholders, especially where land is not registered or privately owned; and the physical

protection of land through soil and water conservation and sustainable agricultural development.

The reform of inheritance systems in favour of women (and their children) is a contested political issue in several countries, and one that requires significant social and political mobilisation to push through. And, as is so often the case, having legislation may be only the first step – land issues are often deeply cultural and embedded in local institutions that may (or may not) implement any laws on the ground. The implementation of progressive legislation requires, therefore, extensive follow-up work with local leaders to change practice.

Land rental systems can increase land availability for smallholder farm households that are able to expand by renting land, and provide an income to small landowners who want to concentrate on other occupations. However, many landowners are reluctant to rent out because they do not feel confident that they will get their land back. And, in systems that allocate land-use rights rather than outright ownership, if landowners do rent out land it is only for very brief periods to prevent tenants establishing any long term rights to its use. So establishing a secure legal basis for renting land is an action that will have significant poverty reduction potential.

Poor smallholders may not be offered long-term tenancies, however, but sharecropping options that have less favourable terms. There has been much debate (but little evidence) on whether reforms to sharecropping tenancies generate higher productivity, with some opposition to government intervention.⁶⁰ *Operation Barga* in India's West Bengal is one of the few programmes to give tenants greater security of tenure and greater bargaining power in their negotiations with landowners, and has been evaluated as a widespread success in terms of security of tenure, although the benefits for productivity and income distribution have been questioned.⁶¹

Inheritance systems tend to emphasise equity – children (particularly male children) inherit equally, often resulting

in the fragmentation of landholdings. Inheriting land at the right moment is often a critical factor in the ability to escape poverty, but where fragmentation leaves people with plots that are very small, there is a need for public debate on the merits of such inheritance systems, and discussion about how landholdings could be consolidated. Families sometimes choose to consolidate their fragmented holdings privately, and this should be allowed for in any legal reforms. Where this does not happen it could be advantageous to put pressure on families to consolidate their farming operations. This has the added advantage that families will be pushed to think more broadly about their children's futures, particularly if only a few will continue in farming. The difficulty with this strategy is that ministries of agriculture often have high and unrealistic thresholds for viable farm size, so this issue needs public debate and greater technical study. It should be remembered that smallholder farms are rarely operating full time.

4.8 Regional development

Living in a region or area that is economically dynamic gives poor people opportunities to escape from poverty that are simply not available to those living in less dynamic regions – hence the importance of migration.

Regional and local economic-development policy is attractive to policy-makers who want to extend the benefits of dynamism outwards from wealthier to poorer regions. But what can it accomplish? The conclusions of a recent survey of attempts to tackle the spatial dimensions of poverty concluded that success depends on four key factors:

- balancing universal programmes (including equalisation grants that increase the capacity of local authorities in poorer areas to use a universal programme) with the development of second-round targeting (of poor households or poor locations, for example) to prevent benefits from leaking to non-poor areas
- managing the integration of poor regions with their wealthier neighbours: poor forest dwellers in India, for

Box 52: Reforming inheritance in sub-Saharan Africa⁵⁹

Inheritance systems and practices in sub-Saharan Africa can be pivotal at key moments in a person's life, including when they marry, when they set-up a new household, and when property is divided following a death. The end of a marriage is another critical point, as divorced or separated status can have a profound impact on inheritance rights and responsibilities. Similarly, the birth of a child can affect decisions about the distribution of parents' accumulated assets, as does the aging of parents and their retirement from productive work. These critical moments are the catalysts for transferring (or not) assets from one person or household to others.

Focusing attention on inheritance systems and practices as critical intervention points to prevent the intergenerational transmission of poverty implies a broad and coordinated approach to legal reform and implementation, as well as influencing social norms and actions.

Policy-makers need to recognise that implementation requires a cooperative approach: a coalition of national and local actors may be vital to ensure that reforms are seen as legitimate by powerful local people. Reforms are likely to be slow and take place over many years, and a coalition of actors can help to see them through. Paralegal workers are needed at the grass-roots level to work with chiefs and other local leaders to resolve disputes – a more effective approach than leaving it to the courts themselves.

example, need both access to conserved forest resources (tackling the cause of their disadvantage) but also opportunities outside forest regions, through education and better conditions for migration (India has passed a Forest Rights Act to do the former; but the latter remains largely unaddressed in some states)

- combining investments that generate short-term payoffs – such as transfers and employment programmes – with longer term, sectoral investment strategies in infrastructure and human development that address the structural causes of regional underdevelopment
- disaggregating well-being and progress within regions to identify where the poorest people are so that they can be included: not all towns, villages or people in all poor regions are themselves poor.⁶²

Urbanisation is a critical aspect of regional development: towns and cities are the hubs that can drive the development of their hinterlands if these are well connected in terms of infrastructure and institutions.⁶³ However, this report is not able to include an analysis of the strategic role of urbanisation: this will have to await a future Policy Guide on Strategic Urbanisation for Poverty Eradication.

Examples of countries with successful regional development policies include Brazil and China. But other

countries that have had some success in improving poverty dynamics and tackling chronic poverty, as identified in Chapter 5, have also made some strategic and spatially-sensitive policy choices, even though they have not used the language of regional development to the same extent.

4.9 Summary and conclusion

A combination of policies is needed to achieve sustained escapes from poverty. A basic pro-poorest growth package would consist of agricultural, employment, and infrastructure (especially, but not only, energy access) measures, coupled with a strong emphasis on basic education. These kinds of policies will enable poor people to escape from extreme poverty in the first place. Then, to enable people who have made their escape to continue their upward trajectories, a more comprehensive investment in life-cycle education needs to be complemented by land policies that permit smallholders to accumulate land, and regional development policies and programmes that bring opportunities closer to home.

Chapter 5 sets out concrete examples of such policies and approaches in action, to build a picture of what actually works in addressing chronic poverty.

Notes

- 1 Baulch (2011)
- 2 Davis (2011); Dev Bhatta and Sharma (2011); Quisumbing (2011)
- 3 Davis (2011); Muyanga et al. (2011); Quisumbing (2011)
- 4 Kabeer (2002)
- 5 Krishna et al. (2006)
- 6 De Weerd (2010)
- 7 Bhide and Kapur Mehta (2005)
- 8 Krishna (2010)
- 9 Higgins (2011); Scott (2011)
- 10 Bezu et al. (2012); Davis and Stampini (2002); Lawson et al. (2006)
- 11 Bezu et al. (2012)
- 12 Bhide and Kapur Mehta (2005); Krishna (2010); Radeny et al. (2012)
- 13 Baulch and Hoang Dat (2011); May et al. (2011)
- 14 Gonzalez-Vega et al. (2004)
- 15 Inchauste (2012)
- 16 Fields et al. (2003)
- 17 Herrera and Roubaud (2005)
- 18 Neilson et al. (2008)
- 19 Bhide and Kapur Mehta (2005)
- 20 Sen (2003)
- 21 Baulch (2011); Christiansen et al. (2013); Gonzalez-Vega et al. (2004)
- 22 De Weerd (2010); Krishna (2010)
- 23 Aguero et al. (2007)
- 24 Christiansen and Subbarao (2005)
- 25 Baulch (2011)
- 26 Mushonga and Scoones (2012)
- 27 Baulch (2011); Bhide and Kapur Mehta (2005); Christiansen and Subbarao (2005); Davis and Stampini (2002); Slon and Zuniga (2006)

28 Bird, Higgins and McKay (2010)
29 Hossain et al. (2012)
30 Bigsten et al. (2003)
31 Arif and Farooq (2012)
32 Hossain et al. (2012)
33 Baulch (2011)
34 Krishna (2010)
35 De Weerd (2010)
36 World Bank (2013d)
37 Findings taken from Widyanti et al. (2009)
38 Findings taken from Baulch and Hoang Dat (2011)
39 Findings taken from May et al. (2011) for KIDS. Analysis of NIDS undertaken by CPAN for Scott et al. (2014)
40 Analysis undertaken by CPAN for Scott et al. (2014)
41 Analysis undertaken by CPAN for Scott et al. (2014)
42 Analysis undertaken by CPAN for Scott et al. (2014)
43 Analysis using national poverty lines and household per capita consumption data (with the exception of Tegemeo which uses income data). Indonesia Family Life Survey (IFLS) wave dates 1993/94, 1997/98 and 2000. Vietnam Household Living Standards Survey (VHLSS) wave dates 2002, 2004 and 2006. National Income Dynamics Study (NIDS) 2008, 2010 and 2012. Kwa-Zulu Natal Income Dynamics Study (KIDS) 1993, 1998 and 2004. Uganda National Panel Survey (UNPS) 2005/06, 2009/10 and 2010/11. Ethiopian Rural Household Survey (ERHS) wave dates 1999, 2004 and 2009. The use of national poverty line and different time periods means that data from the different surveys are not strictly comparable. The total time period spanned by each of the three wave panel surveys is: IFLS 7 years; VHLSS 4 years; NIDS 4 years; Kagera 19 years; UNPS 6 years; ERHS 10 years. Tegemeo is one region of Kenya, as is Kagera in Tanzania. As such, national generalisations should not be made from analysis of these surveys.
44 Sequential logit regression was used to investigate the association between a range of explanatory variables and the seven possible poverty trajectories in 3-wave panel data; non-poor, non-poor, non-poor (NNN); non-poor, non-poor, poor (NNP); non-poor, poor, non-poor (NPN); non-poor, non-poor, poor (NNP); poor, non-poor, poor (PNP); poor, non-poor, non-poor (PNN) and poor, poor, poor (PPP). The analysis was particularly interested in the difference between households that were PNP and those that were PNN i.e. those with more resilient poverty escapes. For full results of the sequential logit regression see Scott et al. (2014).
45 The variables included here are those that have the same direction in each of the two surveys and are significant in at least one. If a variable is significant in one survey but is not present in the other survey it is also included. A note on the variables present in the surveys: ERHS has no information on household electricity, water and sanitation facilities. The electricity variable in UNPS did not have enough variation to be used. NIDS has no information on land in wave 1.
46 Birdsall et al. (2013)
47 CPAN analysis for Oxfam
48 Boudreau et al. (2013)
49 Davis (2011a)
50 Hossain et al. (2012)
51 UNESCO (2013)
52 UNESCO (2012)
53 UNESCO (2013)
54 UNESCO (2012)
55 UNESCO (2010)
56 Attanasio et al. (2011)
57 UNESCO (2012)
58 Lenhardt and Shepherd (2013)
59 Cooper (2010)
60 E.g. World Bank (2003)
61 Pal (1995)
62 Higgins et al. (2010)
63 CPRC (2009)

Introduction to Part B: Can it be done?



Working in the field. Ghana. Photo: Curt Carnemark / World Bank

Having investigated what is needed to get to zero in Part A, Part B explores whether it is possible to get to zero. It does this by examining how middle- and low-income countries have performed to date in tackling chronic poverty in particular (Chapter 5); by projecting extreme poverty and some human development indicators to 2030, using a sophisticated global model (Chapter 6); and by investigating the resources currently available and likely to be available for poverty eradication (Chapter 7). Chapter 7 also proposes framing the post-2015 Poverty Eradication Goal in terms of improving poverty dynamics – with targets for each leg of the ‘poverty tripod’ introduced in Part A, and a set of indicators against which progress could be monitored:

5. What works? The drivers of success

National progress on poverty varies markedly, but significant progress is, and has been, possible across a wide range of countries. Success has not been confined to the superpowers of Brazil, China and India. Between 1990 and 2010 Bangladesh, Mali, Nepal, Pakistan and Senegal also halved the number and the proportion of people living on less than \$0.70 per person per day.¹

It seems that both low-income countries (LICs) and middle-income countries (MICs) have been making the kind of progress required to get to zero extreme poverty and deprivation by 2030 on some indicators. However, few manage it on all indicators, especially when the poorest are disaggregated from the average. Even much vaunted successes like Bangladesh, with its powerful NGO programmes, or Ethiopia with its social protection and major investments in human development and infrastructure, still need to take major strides to take for their poorest people.

There are policies and programmes that have been successful in addressing chronic poverty as well as extreme poverty in general and in improving human development outcomes overall. Less successful countries can learn from these experiences at the 2015 ‘half way mark’ to the eventual eradication of extreme poverty.

The success stories of the past 20 years suggest five drivers of progress against chronic poverty:

- pro-poorest economic growth (with its rate and composition determining its impact)
- major investments in inclusive education as part of nation-building approaches
- policies to address the individual and systemic risks faced by the poorest
- transformative social change
- governance that ensures credible political commitments to deliver public sector services for everyone, backed by the ability to do so.

For LICs to reach zero poverty, they need a combination of pro-poorest growth and the better management of risks, but the policies and politics to achieve these are very challenging. Risks facing the poorest tend to have been addressed late in the development sequence, especially in today’s East Asian successes. Today, however, leaving improved risk management till the last minute is a problem in a global economy that presents increasingly high-risks and in a climate-affected 21st century with a projected changing and more volatile climate.

It is worth remembering, however, that today’s MICs were LICs two or three decades ago – a cause for hope for the most impoverished countries.

6. A daunting task – projections of extreme poverty and human development deprivation to 2030

Getting to zero extreme poverty by 2030 will be extremely difficult. Projections based on a complex and constantly updated global model show just how daunting a task this is, given the political and policy pre-conditions essential for the achievement of this goal.

The risk is that nearly one billion people will still be extremely poor in 2030 and up to 300 million will be severely poor, if the report’s pessimistic scenario is realised.² Several successful LICs and MICs are still at risk of continued extensive poverty in 2030. The projections indicate that 2030 poverty is split fairly equally between LICs and MICs, and fragile and non-fragile states, with extreme poverty in sub-Saharan Africa a significantly larger share of the whole than South Asia by 2030.

The report argues that there are, therefore, two categories of country (plus certain states in India), that need special attention if getting to zero is to be possible:

- A number of fragile, unstable and conflict-affected countries (and Indian states), both lower middle-income countries (LMICs) and LICs, where getting a stable political settlement is the first challenge, and preventing the recurrence of conflict through inclusive development is the second. Key countries include: Burundi, Democratic Republic of Congo, Madagascar, Nepal, Nigeria, Pakistan, Rwanda (despite its record of successful poverty reduction to-date) and Sudan, plus the poorest and conflict-affected Indian states of Bihar, Madhya Pradesh, Odisha and Uttar Pradesh. The resources to eradicate poverty are far more available in the LMICs than in the LICs among this group, but the political settlements are not necessarily better.
- LICs (and some Indian states) where conflict, stability or social cohesion are not immediately pressing issues, but where poverty remains widespread as a result of sectoral and geographical patterns of economic growth, adverse inclusion of the poorest in economic life and resource constraints. Here, the key countries include: Bangladesh, Burkina Faso, Ethiopia, Malawi, Tanzania and the key Indian states are Andhra Pradesh, Rajasthan and West Bengal.

The politics of eradicating poverty in these states is challenging. However, clear successes in the past have been underpinned by several models of political regime:

- Maturing democratic societies that elect redistributive governments for long periods with strong links to social movements, which develop integrated policies and programmes to address the most intractable forms of extreme poverty and deprivation, often with a strong rights-based approach.
- Communist regimes where market-based economic growth has been pursued on the basis of initial and continued equal distribution of key resources, such as land, and a commitment to smallholder farming and to education for all through to post-primary levels.
- Populist regimes that have invested in significant universal and targeted policy measures, often including social protection, to include the poorest in the benefits of economic growth and human development.
- Autocratic regimes in East Asia that invested early and heavily in human development, and that industrialised rapidly while retaining strong commitment to rural development. Two of these, South Korea and Taiwan, are the only non-oil producing economies to have become high-income countries (HICs).

These are examples of the most dramatic cases of improvement. More incremental progress can also be made, even in clientelistic states,³ through the development of more progressive ‘hybrid’ institutions that contain elements of both modern and traditional arrangements. These have proved to be helpful in finding solutions at local as well as national levels to critical collective-action problems. Such incremental

progress may, however, be set back by crises and its impact on poverty may be very slow.

Ultimately, if we believe the lessons of history, incremental progress needs to give way to 'going viral' – with poverty dynamics perspectives included in the policies of all major sectors and geographical regions, and competing political parties or other power centres promoting the interests of the poor and vulnerable alongside their own, in new political alliances and coalitions. Going viral makes it more likely that extreme poverty will be eradicated more rapidly.

7. Goals and financial resources

The final chapter of the report proposes framing the post-2015 Poverty Eradication Goal in terms of poverty dynamics targets, and provides a set of indicators that could be used to monitor achievements and change. It then assesses the various other goals and targets that have been proposed during the discussions about the post-2015 development framework (up to December 2013), in terms of the extent to which each one would tackle chronic poverty and improve poverty dynamics.

Education tops the list of priority policy areas that cut across all three trajectories (chronic poverty, impoverishment and poverty escapes). Here, major education investments are needed to support pre-school education for the poorest children; 9-10 years of good quality education for every child, with special provisions for the poorest children and for girls; and modernised apprenticeship systems to smooth the transition from school to the world of work. These education investments will help to promote pro-poorest economic growth.

Social assistance is also vital, helping to build the capacity of households to pull themselves out of poverty and increase their resilience to shocks. Further investment is also needed in the health sector, with a healthy and well-nourished population better able to escape poverty and contribute to national economic development.

The financial resources required for the likely health and education goals are predominantly domestic (as are the accompanying politics). However, in the 44 countries that currently spend less than \$500 per year on each of their citizens (way below the levels required to eradicate poverty), aid will continue to play a key role as a source of revenue through to 2030, and probably beyond. An estimated 540 million people live in intense and multidimensional poverty in such countries (arguably a proxy for chronic poverty).

Of the 44 countries in the Multidimensional Poverty Index sample, current projections show that 19 are still likely to have government spending below \$500 in 2030, and that 16 of these are in sub-Saharan Africa.

The report argues that domestic resource mobilisation is an essential part of any evolving national political settlement between the governing and the governed, elites and other

citizens. Such mobilisation may be easier, in technical terms, for LMICs than LICs, but it may be just as hard politically. International development cooperation and aid can play roles in both contexts, although the specific roles may differ. The boundary between LICs and LMICs is entirely arbitrary and, contrary to the view of many donor agencies, aid should not be reduced or cut off automatically when a country 'graduates'. There are, and will continue to be, many people living in extreme poverty in LMICs in the coming decades.

The political resources and strategies required are, therefore, considerable. To summarise a thread of political analysis running through the *Chronic Poverty Report*: eradicating poverty is as much a political as a technical exercise. Coalitions, alliances and social mobilisation as well as political settlements and the delivery of coherent policies and commitments, are all likely to be important features. The politics is particularly challenging in fragile states, but LMICs with high or rapidly growing inequality also face significant political challenges in balancing the demands of their growing middle classes and the needs of the poorest and most vulnerable, who generally have little or no voice in the process.

While the post-2015 international development framework can attempt to build-in incentives to encourage the elites to form pro-poor alliances and coalitions and adopt transformative policies, it is national politics, political parties and leaders that will determine the pace of progress towards the eradication of poverty.

What is to be done to produce the right policies?

The degree of difficulty involved in eradicating extreme poverty suggests that it is not a job for one set of actors only: it will need coalitions and alliances, with the state playing a major role, but probably a different role in different societies. It is worth asking at this point who should do what and how? Clearly the answer to that must be context- and regime-specific. Table 13 can be only the beginnings of a menu to be elaborated in each country, and sub-nationally. It is more about process than the policies themselves, and while processes are even more context-specific than policy, some pointers can be given.

Table 13: Key stakeholders' strategies on the road to zero

	Tackling chronic poverty	Stopping impoverishment	Sustaining escapes out of poverty
<p>Governments and major political parties</p> <p>Develop disaggregated and panel data-based monitoring systems, with linked qualitative research and policy evaluation</p>	<p>Political parties acknowledge the electoral significance of giving the chronically poor a voice, and support relevant policy measures – social assistance, human development, pro-poorest growth measures.</p> <p>Use disaggregated data in policy making to target needs of specific regions and/or groups of people.</p> <p>Facilitate progressive social change, for instance through policies that ensure that women have access to key assets, and anti-discrimination policies to tackle intersecting inequalities.</p> <p>Pursue pro-poor economic strategy based on creation of decent jobs and of value chains that generate reasonable returns for smallholder farm households.</p> <p>Reinforce domestic tax revenue capacity.</p>	<p>Use policy space created by shocks to implement and re-prioritise disaster-risk management.</p> <p>Develop political strategies and peace settlements to prevent (re-) emergence of violent conflict, for instance pursuing a sustainable and inclusive distribution of power and resources.</p> <p>Aim for universal health provision and, if necessary, take intermediate steps like making some critical services free at the point of delivery.</p>	<p>Shape social contract to focus on job quality - security, wage levels and working conditions.</p> <p>Develop opportunities to reform land-tenure policies to support accumulation of land by successful smallholders. Respond positively to social movements on land.</p> <p>Build public opinion in favour of a massive improvement in opportunities for the poorest children to go through 9-10 years of good quality education, as a public good, and for good apprenticeship schemes to create a more skilled workforce.</p> <p>Pursue a new approach to urbanisation linked to regional development, with a view to supporting migration and other flows to/from the poorest locations.</p>
<p>Global governance institutions and processes</p> <p>Support collection of panel data and data disaggregation, and linked qualitative research.</p>	<p>Take an active interest in the fortunes of the poorest, and begin to act as their advocates with partner governments.</p> <p>Provide adequate stable, consistent aid in LICs and high poverty LMICs with a long-term perspective through to 2030.</p> <p>Create conditions (e.g. trade agreements) for labour-intensive value chains to prosper.</p> <p>Help countries implement targeted cash transfers and employment guarantees as part of integrated anti-poverty strategy and/or comprehensive social assistance programmes.</p> <p>Build support in donor countries for tackling chronic and intractable poverty.</p>	<p>Support the initial costs of scaling up successful social protection pilots into durable tax-based systems in LICs.</p> <p>Support universal health coverage and disaster-risk management in similar ways.</p> <p>Prioritise support for fragile states, including support for civil-society alternatives to state action ('Bangladesh model').</p> <p>Support creation of global public goods that address the needs of the poor.</p>	<p>Support the achievement of resilience – among previously poor households, poor disaster-prone regions and against the eventuality of war by providing massive support for education.</p> <p>Take the long-term view when social movements or governments propose radical schemes for land reform.</p> <p>Continue to work intensively at sub-national levels – the new poverty frontier.</p>

	Tackling chronic poverty	Stopping impoverishment	Sustaining escapes out of poverty
<p>Civil society organisations and social movements</p> <p>Demand disaggregated and longitudinal data systems combining qualitative and quantitative approaches.</p>	<p>Lobby for the chronically poor, since they rarely lobby for themselves; and against discrimination.</p> <p>Acknowledge that the poorest need a 'leg up', and cannot 'pull themselves up by their own bootstraps'.</p> <p>Support social movements for transformative social change.</p>	<p>Global NGOs to support growth of civil-society organisations in fragile states, where the 'Bangladesh model' may be of special relevance.</p> <p>Create consensus in public opinion for policies and programmes that tackle exclusion, discrimination and intersecting inequalities.</p>	<p>Support and develop social movements on land issues.</p> <p>Educational NGOs could pave the way to massive investment through pilot programmes to demonstrate how the poorest children can get through enough years of education to bring their families out of poverty.</p>
<p>The private sector</p>	<p>Introduce and strengthen labour and other ethical standards.</p> <p>Agribusiness to work with smallholder farmers on contract farming and other similar arrangements to achieve economies of scale. Support poorest farm households with relevant asset building.</p>	<p>Medium- and large-scale business to disaster- and climate-proof their investments.</p> <p>Develop weather-based and other (life, death, health) insurance schemes with financial arrangements that suit the poorest.</p>	<p>Expand and tighten up voluntary codes and standards.</p> <p>Work with governments to formalise apprenticeships and ensure that TVET develops the skills people require for the labour market.</p> <p>Agribusiness to work with smallholder farmers on contract farming and other similar arrangements to achieve economies of scale.</p>

Notes

- 1 Purchasing power parity.
- 2 These are necessarily rough figures. Severe poverty is defined here as \$0.70 per person per day purchasing power parity or below. This figure has been chosen because it is the average level of poverty in sub-Saharan Africa – well below the international extreme poverty line. Ideally, any such measure would be relative to national extreme poverty lines, so a uniform international figure is very much a second best.
- 3 Clapham (1985), defines neo-patrimonial (here clientelistic', for simplicity) as a "form of organisation in which relationships of a broadly patrimonial type pervade a political and administrative system which is formally constructed on rational-legal lines." It is a system in which an office of power is used for personal uses and gains, as opposed to a strict division of the private and public spheres.

What works? The drivers of success



A woman cutting bamboo to weave into baskets. Vientiane, Lao PDR. Photo: Stanislas Fradelizi / World Bank

Key points

- National progress on tackling the poverty of the poorest citizens varies markedly, but significant progress is, and has been, possible across a wide range of countries.
- Success on reducing the income poverty of people living furthest below the poverty line is not confined to the superpowers of Brazil, China and India: Bangladesh, Mali, Nepal, Pakistan and Senegal halved the number and the proportion of people living on less than \$0.70 per person, per day,¹ between 1990 and 2010.
- Worldwide, however, improvements in incomes of the poorest 30% of people living below the extreme poverty line have lagged behind those of the rest of the population.
- There have been widespread national improvements in human development (education, health and living standards), as well as significant reductions in the number of people living in multidimensional deprivation in a range of countries, including Bangladesh, Cambodia, Ethiopia and Uganda.
- The success stories of the past 20 years suggest five drivers of progress against chronic poverty:
 - pro-poorest economic growth (with its rate and composition important for its translation into poverty reduction)
 - major investments in inclusive education as part of a nation-building project
 - policies to address the individual and systemic risks faced by the poorest
 - transformative social change
 - governance that ensures credible political commitments to deliver public sector services for everyone, backed by the ability to do so.
- Countries that have had success on chronic poverty have also reduced their fertility rate since 1990: an indication of increased gender equality and economic transformation.
- Many countries neglected, early in their development, to address the risks facing the poorest people (including health shocks and environmental shocks and stresses). Access to universal health care and social protection are vital to ensure that progress on extreme poverty is not eroded by shocks that push people back below the poverty line.

5.1 Introduction

There have been great strides in the reduction of extreme poverty since 1990. The proportion of people living in extreme poverty halved between 1990 and 2010 from 42% to 21%; while the absolute number of people living in extreme poverty (living below \$1.25 a day purchasing power parity) fell from 1.9 billion to 1.2 billion.² Chronic poverty too can and has been reduced, at least in several of the countries with three-wave panel data (surveys returning to the same individuals or households at three points in time) to measure this (Table 14).

These successes mean that “eradicating extreme poverty is no longer a pipe dream.”³

Across the world, however, there are marked variations in the extent and nature of improvements for the poorest and chronically poor people. In Nepal, 20% of the population remained living in poverty across the eight-year period from 1995 to 2003, while just 7% of the population remained in poverty between 2003 and 2010. This represents a significant decline in chronic poverty. Impressive reductions in chronic poverty are also seen in Uganda, which halved the proportion of people living in chronic poverty between the 1990s and the end of the 2000s (Table 14).

In contrast, Ethiopia’s rural chronic-poverty headcount increased, from 19% of the population between 1999 and 2004, to 24% between 2004 and 2009. This contrasts with the decline in the national poverty headcount ratio as collected by national surveys in 2004 and 2011. The increase in chronic poverty reflects, in large part, a year of severe localised drought and high food prices in 2009, the date of the third wave of the survey.⁶ It also illustrates that, as well as escaping from chronic poverty households can, and do, fall back into it.

There are, however, only limited three-wave panel data available to measure change in the incidence of chronic poverty over time. For much of this chapter and the next, therefore, we use severe poverty as a proxy for chronic poverty (see Box 1 in the Executive Summary).

Table 15 identifies countries that have seen particular success, between 1990 and 2010, in reducing the extreme

income poverty of the poorest people, alongside improvements in wider measures of living standards (see Annex 4 for the full table with final scores). It highlights the components of their success, demonstrating in particular, how success is, and has been, possible even in low-income countries (LICs).

Table 15 presents a ranking of those countries on the basis of their progress on:

- reducing the severe poverty headcount (the proportion of the population living on less than \$0.70 per person, per day, used as a proxy for chronic poverty)
- increasing the income share of the poorest 20% of the population
- improving life expectancy (the health component of the Human Development Index, HDI)
- increasing mean and expected years of schooling (the education component of the HDI)
- the Gender Inequality Index
- the Global Hunger Index.

The ranking includes, therefore, two measures – the severe poverty headcount and the income share of the poorest – that reflect directly the income situation of the poorest people, combined with four additional indicators, measured at the national level, of wider dimensions of progress and deprivation. LICs and middle-income countries (MICs) are presented separately to allow comparisons of progress over time between countries with similar initial levels of development.


Overall, the ranking finds that MICs saw the greatest progress in terms of improving gender equality and food security. LICs, in general, made greater improvements in terms of the income share for the bottom 20% and on education and health. It shows how progress has been made in a very wide range of contexts, spanning small island states and landlocked countries, as well as nations that experienced conflict during that 20-year period. The experiences of some of these countries are discussed in more detail below.

Table 14: Progress on the reduction of chronic poverty (using national poverty lines)⁴

	Time period 1	Remaining in poverty period 1	Time period 2	Remaining in poverty period 2
Ethiopia ⁵ (rural)	1999-2004	19%	2004-2009	24%
Indonesia	1993-1997	9%	1997-2000	6%
Nepal	1995/6-2003/4	20%	2003/4-2010/11	7%
Pakistan (rural Punjab and Sindh)	2001-2004	10%	2004-2010	9%
Philippines	2003-2006	16%	2006-2009	16%
South Africa (KwaZulu Natal)	1993-1998	40%	1998-2004	38%
South Africa	2008-2010	75%	2010-2012	67%
Uganda	1992-1999	20%	2005/06-2009/10	10%
Viet Nam	2002-2004	14%	2004-2006	11%

Table 15: The top performing low-income and middle-income countries between 1990 and 2010⁷

Low-income country (LIC)	Middle-income country (MIC) as in 2012
Niger	Iran
Mali (pre-conflict)	Nicaragua
Mauritania	Lao PDR
Bangladesh	Pakistan
Malawi	Guyana
Nepal	Tunisia
Cambodia	Brazil
Mozambique	Panama
Ethiopia	Senegal
Guinea	El Salvador
Uganda	Ecuador
Gambia, The	Viet Nam
Central African Republic (pre-conflict)	Jordan
Sierra Leone	Peru
Burkina Faso	Guatemala
	Thailand
	Sudan
	Timor-Leste
	China
	Bhutan
	Ghana
	Honduras
	Indonesia

 countries that moved from LIC to MIC status between 1990 and 2012

5.2 On the way to zero: progress to date on the reduction of extreme and severe poverty

Progress on the reduction of extreme and severe poverty varies significantly across countries and regions. Success on extreme poverty reduction has been concentrated in East Asia and the Pacific, where extreme poverty fell from 56% in 1990 to 14% in 2008 and, to a certain extent, South Asia where extreme poverty dropped from 54% to 36% over the same period. In sub-Saharan Africa, however, the number of people living in extreme poverty actually increased, despite a decline in the proportion of people living in extreme poverty between 1990 and 2008 (from 57% to 48%).⁸

Just over one quarter of people living in poverty in 2010 lived in severe poverty (or on less than \$0.70 per person, per day), with the majority of these 288 million people living in sub-Saharan Africa. Ten countries accounted for around 75% of people living in severe poverty, including Nigeria (which had 23% of the world's severely poor people), China, the Democratic Republic of Congo, India and Tanzania.⁹

This is not to say that severe poverty has not been reduced. Many of the successful countries from Table 15 have seen significant progress in decreasing the income poverty of their poorest people. Several had more than one million people living on less than \$0.70 a day in 1990 and had halved both the numbers of people living below this level and the proportion by 2010 (Figure 18).

However, despite this progress on severe poverty, the incomes of the poorest 5% of the world's population (350 million people, or roughly 30% of those still living in poverty) are lagging behind those of the rest.¹¹ This is also the case for other key economic indicators, including access to land, where the households in the poorest wealth quintile are losing-out relative to those in the median quintile (see Chapter 1).¹²

Including everyone in improvements on human development

Improvements in human development and the overall quality of life have been faster than GDP growth and reductions in income poverty in many contexts, and even in contexts where there has been no economic growth at all.¹³ Indeed, it is clear that economic growth is not enough to improve the non-monetary dimensions of poverty¹⁴ and there is no automatic link between growth and human development.¹⁵ The comparison between Bangladesh and India is striking here. While Bangladesh has experienced economic growth, its levels of GDP per capita remain half that of its larger neighbour. Despite this, Bangladesh outperforms India on indicators of health, sanitation and education including life expectancy, child mortality and open defecation.¹⁶

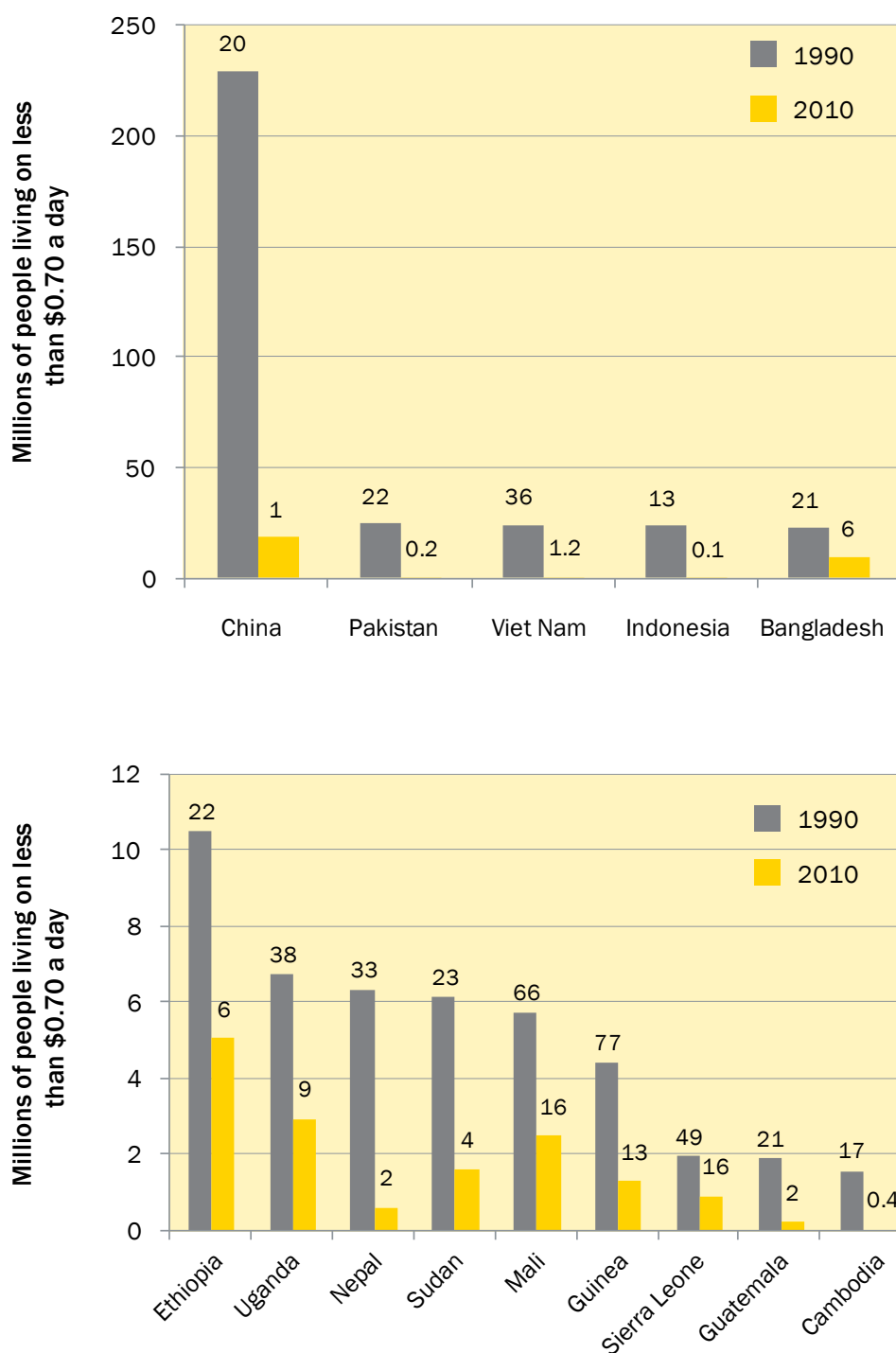
Between 2000 and 2012 all countries, with two exceptions (Lesotho and Zimbabwe), increased their human development status (as measured by the Human Development Index, HDI, an aggregate index comprising health, education and living standards¹⁷). There has been a "great convergence

Box 53: Raising the age at which girls get married

The past 20 years have seen a significant decline in marriage rates for girls under the age of 14 in South Asia: falling by 35% in India, 45% in Bangladesh, 57% in Nepal and 61% in Pakistan.

This can be attributed to the increasing number of years that girls are spending in school. Girls who are less educated are far more likely to be married as children and education provides one of the strongest safeguards against child marriage. Some secondary stipend programmes in South Asia have also helped to delay the age of marriage into late adolescence, such as Pakistan's Punjab Female Stipend programme²² and Bangladesh's Secondary Stipend programme.²³

Source: Marcus (2013) and Raj et al. (2012).

Figure 18: Reducing severe poverty¹⁰

Numbers above the bars give the severe poverty headcount ratio (proportion of the population living in severe poverty).

Source: PovcalNet.

in quality of life¹⁸, with over 40 countries accelerating their progress on measures of human development between 1990 and 2012. These include not just the major global powers of Brazil, China and India, but also the LICs of Bangladesh, Mali, Mozambique, Rwanda and Uganda.¹⁹

Successful LICs have also made progress on indicators that suggest there will be improved standards of living for the next generation, or that are likely to break the inter-generational transmission of poverty from parents to their

children. These include measures of child marriage (See Box 53), the years of education of women and girls and childhood nutrition (Table 16). Married girls, for example, rarely continue their education and they and their children face significant dangers from early child-bearing.²⁰ Stunting, one outcome of poor nutrition, is linked to mental impairment and has a direct and negative impact on labour productivity and individual earnings.²¹

Table 16: Reducing intergenerational poverty²⁹

	Average number of years of education for girls			Average age of marriage of girls			Percentage of stunted children < 5 years		
	1990s	2000s	Change number of years	1990s	2000s	Change number of years	1990s	2000s	% change
Bangladesh									
Q1	0.5	2.4	1.9	14.0	14.4	0.4	65.0	53.7	-11.3
Q3	1.9	5.1	3.2	14.0	14.9	0.9	63.5	40.7	-22.8
Ethiopia									
Q1	0.3	1.0	0.7	15.2	16.1	0.9	60.2	49.2	-11.0
Q3	0.4	1.7	1.3	15.8	16.1	0.3	60.7	45.6	-15.1
Nepal									
Q1	0.3	1.9	0.6	15.8	16.8	1.0	64.5	56.0	-8.5
Q3	0.7	3.7	3.0	15.6	16.8	1.2	58.1	34.5	-23.6
Uganda									
Q1	2.0	3.1	1.1	16.6	17.2	0.6	50.2	37.3	-12.9
Q3	2.7	5.0	2.3	17.0	17.4	0.4	44.3	45.0	0.7
Mali									
Q1	0.2	0.8	0.6	15.7	16.3	0.6	38.5	44.2	5.7
Q3	0.4	0.6	0.2	15.7	16.2	0.5	36.1	42.6	6.5
Cambodia									
Q1	1.8	2.8	1.0	19.5	19.5	0.0	57.9	51.1	-6.8
Q3	2.8	4.6	1.8	19.1	19.5	0.4	47.5	39.3	-8.2

Q1: poorest wealth quintile; Q3: median wealth quintile.

National progress on human development indicators tells us little about who, exactly, has experienced those improvements and who has been left behind.²⁴ The LICs that have reduced severe income poverty have, however, also reduced the proportion of people living at the very lowest levels of human development as measured through their combined levels of education, health and livings standards.²⁵ In Bangladesh, Cambodia, Ethiopia, Malawi, Nepal and Uganda the proportion of the population living in multidimensional deprivation has fallen significantly since the turn of the century²⁶. Ethiopia, in particular, has also been successful in reducing the severity of deprivation that people experience.²⁷

Looking in more detail at particular indicators of human development and the intergenerational transmission of poverty reveals a more positive picture for the poorest and most deprived people (Table 15) in successful LICs. In Bangladesh, Cambodia, Ethiopia, Mali and Nepal, the poorest girls are now marrying later than they were in the 1990s, are attending school for more years and children under the age of five have better nutrition (with the exception of nutrition for both the poorest and median quintiles in Mali). In some instances, progress has been greater among households in the poorest wealth quintile than those in the median wealth quintile.²⁸ This includes the years of education of girls in Mali and average age of marriage for girls in Ethiopia and Uganda

(Table 16). This is all good news for the future eradication of extreme poverty.

5.3 Lessons from success: what drives reductions in chronic poverty?

This section introduces the drivers of successful chronic poverty reduction in MICs (see CPAN's Middle Income Countries Policy Guide) and LICs, particularly Bangladesh, Ethiopia, Mali and Nepal (see Table 14).

Successful MICs tend to have moved along one of four pathways:

- One group – largely Asian Communist economies (China and Viet Nam) – have pursued rapid, pro-market and pro-poor growth strategies combined with strong early investments in education. They came to health and social protection investments later.
- Another group is authoritarian and semi-authoritarian right-wing anti-Communist regimes with strong states, including Indonesia, Iran, Malaysia, Singapore, South Korea and Taiwan. These pursued a mixture of policies combining, at various stages, strong state influence in the economy, reliance on local private enterprise, technology imports, occasional fundamental restructuring of the economy and society (e.g. land reform, changes in the legal status of women, controls on unions, political

parties and civil society) and heavy investment in human capital (health, nutrition, education and promotion of the status of women outside the home).

- Another group of Latin American democracies that prioritise human development (Brazil, Chile and Ecuador, for example), has pursued redistributive social policies, with the synergies among these policies helping to tackle chronic poverty.
- A final group of ‘middle way’ countries have pursued both growth and broad social development simultaneously, under a variety of political regimes from populist (Thailand), to democratically elected (Cape Verde), to effectively a one-party state (Tunisia).³²

The LICs discussed here have also combined a strong nation-building project around education with a focus on economic growth, either through agriculture (Ethiopia through agriculture-led industrialisation and Mali through the export of unprocessed agricultural products) or international migration and the non-farm economy (Bangladesh and Nepal). Substantial investments in social protection have, once again, come later.

Driver 1. Pro-poorest economic growth: the importance of its rate and composition

African countries have accounted for six of the ten fastest growing economies in the world over the past decade.³³ Analysis of 11 substantial economies in sub-Saharan Africa shows that growth is a very important part of the story of significant income poverty reduction, though whether growth translates into poverty reduction varies according to patterns of change in inequality, which reflect the policy environment.³⁴ In Tanzania, for example, recent economic growth has not reduced poverty as much as expected and poverty in the rural areas has even increased from 17% in 2008 to 22% in 2011.³⁵ This is because growth has been concentrated in sectors, including mining, that do not have strong linkages

to the rest of the economy. The only way that natural-resource driven growth will contribute strongly to poverty reduction is if revenues are invested in infrastructure, strategic urbanisation, services, and agricultural development. This is challenging in political terms.

In all regions, strong nation-building projects and far-sighted leadership have driven MIC success on the reduction of chronic poverty. This often expresses itself as an economic project, with a strong focus on economic growth and transformation.³⁶ Successful MICs have, for example, had a strong focus on increasing labour income. First through the adoption of labour-intensive manufacturing or services, often combined with minimum-wage legislation, to complement strong investment in agriculture, where most people who are chronically poor continue to work. And second (and later) through labour upgrading (Box 54).³⁷

LICs that have tackled chronic poverty successfully have also experienced high rates of economic growth. Ethiopia, for example, is currently Africa’s fastest growing non-energy economy.³⁸ Both Bangladesh and Ethiopia are striving for MIC status: Bangladesh by 2021 and Ethiopia by 2025 (together with an ambition to become a carbon-neutral economy). The Ethiopian People’s Revolutionary Democratic Front (EPRDF), in common with regimes in many successful MICs, has relied heavily on economic development to provide legitimacy for its top-down style of governance, with former Prime Minister Meles an avid promoter of a ‘developmental statist’ vision; seeking to emulate China’s economic ‘growth miracle’ through active government involvement in Ethiopia’s economy.³⁹ In both Bangladesh and Nepal it is also increases in labour income, connected to growing economic activity, that have played the largest role in reducing extreme poverty in the past ten years.⁴⁰

The composition of this growth, however, varies across successful LICs. Bangladesh and Nepal have diversified their economies successfully, with international remittances

Box 54: Increased labour income as a driver of poverty reduction in Brazil

Income inequality rose in most countries in Latin America in the 1990s, but that trend was reversed in the 2000s. One of the main drivers of changes in the distribution of income is a reduction in labour earnings inequality.

During the 1990s, skills-based technology change accounted for much of the increase in earnings inequality in the region. During the 2000s, however, some Latin American countries experienced a fall in earnings inequality, driven by the improvements in educational attainment generated by policies to broaden access to education.

In Brazil, an increase in non-labour income (particularly through pensions and transfers from the *Bolsa Família* initiative) accounted for 50% of the overall increase in incomes among the poorest 10% of the population between 2000 and 2009. This was followed closely by labour income, accounting for nearly 40% of income improvements. Meanwhile, higher labour income was the most important factor in income improvements for households already living above the lowest income decile.

The drivers of higher labour incomes for poor Brazilians include improvements in their educational access and attainment and an expansion of economic opportunities as a direct result of economic growth. This is combined with government commitment to a minimum wage that has risen every year since its introduction in 1994 and that has possible knock-on effects on wages in the informal economy.

Source: Kahhat (2010) and Portela de Souza (2012)

contributing significantly in each case (20% of GDP in Nepal⁴¹ and 10% in Bangladesh⁴²). In Nepal, remittance income comprises a greater proportion of household income for those households in the poorest quintile than for those in richer quintiles, with members of the poorest households migrating to India for labouring jobs.⁴³ The ready-made garment sector in Bangladesh was also a key driver of economic growth during the 2000s.⁴⁴

Poverty reduction in Mali has also been driven largely by growth in the agricultural sector (at 8% per year between 2006 and 2010, supported by favourable weather), which enabled the poorest to improve their living conditions relative to the rest of the population.⁴⁵ Its overall rates of economic growth, however, have not been that impressive (just 3.2% per capita per annum in the past 10 years) and it exports cotton and cattle without any local processing.

Ethiopia meanwhile, has focused on improving the situation for smallholder farmers and on growth in the agricultural sector. Agriculture currently accounts for more than 40% of GDP, 75% of exports and more than 80% of employment⁴⁶ and the country remains one of the most rural in the world.⁴⁷ “We remain convinced that agricultural-based development remains the only source of hope for Ethiopia” declared the then Prime Minister, Meles, in 2000.⁴⁸ This vision was implemented, until 2011, through Agricultural-Development Led Industrialisation (ADLI) with its focus on improving the situation of smallholder farmers. This emphasised positive growth linkages spurred by agricultural growth and, in particular, the belief that an increase in the power of the dominant rural purchaser – farmers – can spur the development of a large, employment-intensive rural non-farm economy.⁴⁹

Public investments in road infrastructure under Ethiopia’s ADLI have had the greatest impacts on household welfare.⁵⁰ Improved links between rural areas and small towns have provided opportunities for the development

of the non-farm economy, offering households important opportunities for diversification.⁵¹ And in Bangladesh (Box 55) and Nepal, investment in rural roads has also been an important driver of equitable economic growth and poverty reduction. Nepal has undertaken systematic expansion of the road network, which grew at an annual 6.7% per year between 1996 and 2004, with an emphasis on rural or district roads, which grew by 11% over the same period. The expansion of secondary and feeder roads also serves the poorer regions of the country.⁵² These investments in rural roads have helped to improve household welfare, as measured by land values, consumption growth, poverty reduction or agricultural income growth.⁵³

Driver 2. Building nations and reducing poverty through investments in inclusive education

An educated population contributes to economic growth, thereby helping the poor, while educating the poorest people enables them to benefit from that growth (Box 56). In particular, education can increase access to salaried work⁵⁴, a key route out of poverty, and improve earnings from self-employment. Educated women marry later and their children are healthier as a result of better child care⁵⁵ while education also increases the ability of the poorest people to engage in social movements and with government decisions that have an impact on their lives.⁵⁶

The economic and nation-building projects of successful MICs are almost always supported by substantial investments in education.⁵⁷ Delivering education at scale and expanding access, combined with improving quality and investing in primary levels, secondary levels and beyond, as well as in life-skills development, are all crucial if the poorest people are to benefit from education and if countries are to avoid the ‘middle-income trap’.⁵⁹

Box 55: Improved infrastructure to increase returns to household assets in rural Bangladesh

Monir, 46, is a farmer. He lives with his wife, Bimola, and three of his five daughters. Through careful investment in livestock, land and agricultural technology, Monir has slowly accumulated assets and improved the situation for himself and his family.

Aged 15, Monir left school to support his father who had become too ill to farm their land. At 18, he used the small cash dowry from his marriage to buy a goat, later selling it to buy a cow. He moved from rearing and selling poultry and goats to share-farming larger livestock (cattle). Monir’s village has benefited in recent years from the Food-for-Work programme; a new road, electricity and improved communication, helping Monir to irrigate his land and increase its yield.

Monir has bought and sold livestock and land to cover the costs of his parents’ medical and funeral expenses, dowry for six of his seven daughters, and to recover from significant crop losses arising from thefts and storm damage. Two of his daughters have received government support for education but, through prudent investment, Monir has been able to fund schooling for his three other daughters and his only son. His support for community money-raising initiatives has improved his social position in the village, helping to secure good marriages for his daughters. Monir relies on the sale of crops to cover his family’s daily living costs but he has been able to take out a private agricultural loan to finance his fifth daughter’s marriage and the family’s accumulated assets have helped him and Bimola to cope during shocks and crises.

Box 56: Education can increase the success of new businesses. The story of Jane from Kenya

Jane's life history is an example of how a solid education, financial credit and an entrepreneurial spirit can build and sustain an escape from poverty. Having seen her parents struggle to save any income from agricultural labour and making and selling charcoal to buy a plot of land, Jane decided to pursue a business career in her adult life.

Jane left secondary school after two years in preparation for marriage and so that her family could afford her bride price. She and her husband had two children but the marriage ended after just two years. Before marrying again, Jane completed a two-year college course in Nairobi and opened her first salon business aged 25. She diversified into second-hand clothing and, later, opened a grocery. Despite having to relocate twice, Jane continued to build her businesses and has plans to open a fourth M-Pesa outlet (for the mobile transfer of money). Credit and loans have been central to Jane's success. She has borrowed from a local microfinance institution and Equity Bank, and is a member of a local women's savings group. She provides regular remittances to her father and, at the age of 43, plans to develop a plot of land she purchased recently and become a landlady.

The East Asian successes – China, South Korea, Taiwan and Viet Nam – have all invested heavily and early in the development trajectory in education, including post-primary as well as primary schooling and early childhood development. Their development successes and their reduction (or eradication) of extreme poverty are as much a human development story as an economic growth story. Similarly, the Latin American and 'third way' successes have been built on massive investments of public resources in education.

Among LICs, both Bangladesh and Ethiopia have seen widespread investments in (predominantly primary) education over the past 20 years. Since the 1990s, the Bangladesh government has focused systematically on increasing primary school enrolment rates, with these increasing steadily to reach 100% by the end of the decade.⁶⁰ The education reform process and the push to address mass illiteracy had previously been a highly political process, with reforms used as a means to fill key local positions with

supporters. At the start of the 1990s, however, education emerged for the first time as an issue that was above party politics. From the 1990s onwards, 'non-formal' education programmes delivered by NGOs became part of mainstream policy. Despite its initial scepticism the Government of Bangladesh allowed these to operate, even though it regarded NGOs as providers of literacy education rather than 'proper' primary education.⁶¹

In Ethiopia, the EPRDF used education from the outset to consolidate its powers, with education provision central to its image as a revolutionary pro-poor movement and as a representative of the rural masses.⁶² Education was seen to have a central nation-building role in the transmission of communal and national values, with one of the key missions of education policies to generate 'good citizenship,' as defined by the Government – a mission that has been inclusive of the poorest girls and boys (Box 57).⁶³

Box 57: Getting poor girls into school in Ethiopia

In the mid-1990s, boys were 50% more likely to go to school than girls in Ethiopia, although neither boys nor girls were particularly likely to be in school at all: only 31% of all boys were in primary school, and only 20% of girls. But by 2008-09, girls were catching up, with 91% of girls and 97% of boys enrolled. And most impressively, the fastest improvements in enrolment were seen among the poorest Ethiopians. How did Ethiopia do it?

Overall, the policies of equitable expansion were backed by a strong partnership of development actors, led firmly from the front by a highly committed Ethiopian Government leadership.

First, the Government increased education's share of spending within the national budget from just 8% in 1985 to almost 24% in 2009, making Ethiopia one of the biggest education spenders (as a proportion of overall spending) in Africa. Fees were abolished, but efforts were made to plan the expansion so that quality would not suffer as a result of the sudden mass influx of children into schools. Second, the Government reached out to underserved areas, rolling out a major programme of rural school building and teacher recruitment and training.

Third, particularly vulnerable groups were targeted through non-formal schemes for hard-to-reach groups and school feeding programmes.

Fourth, more regional autonomy over education policy made it possible to teach in the mother-tongue of the pupils. Ethiopia now has one of the best-regarded policies in this area. Decentralisation and block grants have enabled education priorities to be set locally, with unequal financing addressed through central grants.

Fifth, community participation has worked: local people, through parent-teacher associations, district and education officials have invested considerable time and resources in the system, particularly in the rapid expansion of education in the early 2000s.

Sources: Hossain et al. (2012), drawing on Engel and Rose (2011) and Rose (2003)

The challenge for these LICs in the coming decade will be to repeat these successes for pre-school and post-primary levels, ensuring that poor children are able to complete enough years of decent quality education to bring their families out of poverty. How this can be done is laid out in the CPAN Education Policy Guide.

Driver 3. Policies to address individual and systemic risks facing the poorest

While successful MICs have invested strongly in education from the start, large-scale investments in health care and social protection to address the risks facing the poorest often only emerge after violent conflict, or in response to the threat of such conflict.⁶⁴ Given the extent to which people who are chronically poor are kept poor by combinations or sequences of shocks (see Chapter 1) and the extent to which impoverishment caused by ill health, for example, can reduce net progress in poverty reduction (see Chapter 3), the wisdom of such a delay in investment can be questioned.

Bangladesh, Ethiopia and Nepal illustrate a similar story for LICs in terms of social protection. Bangladesh's social-protection schemes have had patchy coverage, their scale is limited and the benefits too small to enable the poorest people to address the risks that they face effectively. However, the country has invested heavily in flood protection and relief, recognising that floods are a risk faced by all, with strong impoverishing as well as life-threatening impacts. The cross-party agreement on this has been one of the critical factors in Bangladesh's stellar performance for its poorest people.⁶⁵

Since the 1990s, and particularly since the end of the conflict in 2006, the Government of Nepal has expanded social protection initiatives, partly to reduce poverty and address some of the root causes that led to conflict in 1996,

and partly to construct a strong self-image, build legitimacy and secure popular support. However, with the exception of Nepal's old-age pension, which was launched in 1993 and has since expanded to the near-universal coverage of those over the age of 75, social-protection initiatives are concentrated in wealthier areas and fail, for the most part, to reach the poorest. All deliver limited benefits that are insufficient to have an impact on poverty.⁶⁶

Ethiopia has, since the mid-1980s, been associated with images of severe drought and large-scale starvation, with natural and man-made factors resulting in serious food insecurity in many parts of the country. The Food Security Programme, launched in 2005, aims to address this.⁶⁷ One component is the Productive Safety Nets Programme (PSNP), the largest social-protection scheme in Africa outside South Africa's social-grant schemes. The PSNP delivers social transfers in the form of either public-works activities or, for households without a member able to participate in public works, through cash or food transfers.⁶⁸ The programme increased the amount of time a beneficiary is food secure by more than one month each year in all regions and increased the number of meals consumed by children in the lean seasons between 2006 and 2010. Participation in the PSNP programme for five years has also been found to increase livestock holdings.⁶⁹ Together with the agriculture, education and infrastructure policies already mentioned, this forms a powerful set of anti-poverty policies in Ethiopia, though this has not been strong enough to prevent either chronic poverty or impoverishment, both of which continue (see Table 14 above and Chapter 4).

Social protection, then, has not yet played a significant role in reducing chronic poverty over the past 20 years in these LICs, except possibly in Ethiopia. Ensuring that social

Box 58: Declining maternal mortality in Nepal

There has been no single 'magic bullet' in Nepal's impressive reduction in maternal mortality ratios (MMR). A near-halving of MMR between 1996 and 2006 was, however, rooted in a consistent policy focus and sustained financial commitment by the Nepali government and donors for the past 20 years. All sides saw the health sector as an area of political contestation – particularly during the country's 10-year conflict. As such, there were incentives to continue improving primary health provision, particularly maternal and child health services.

Total health expenditure per person doubled from \$34 in 1995 to \$68 in 2011. This included substantial increases in funding for maternal health, and allowed for widespread improvements in access to medical services, particularly in the more remote areas of the country. This, in turn, contributed to an increase in the use of antenatal and postnatal care, skilled birth attendance and access to essential medicines and contraceptives.

Improvements in women's education and empowerment are likely to have contributed to these changes, alongside substantial outward migration by men, recent increases in household incomes and awareness and information campaigns.

An important turning point was the 1991 Health Policy, which aimed to expand the primary health care system to the rural population (MoHP, 1991). The policy endorsed 'Safe Motherhood' and set clear targets for the reduction of MMR. There have also been substantial improvements in the scope and provision of maternal health services at the village and district levels, particularly in the last decade, including the expansion and use of female community health workers. Meanwhile, the spread of rural roads has improved access to maternal care.

Source: Engel et al. (2013)

protection is firmly established on the political agenda remains a challenge in many countries – MICs as well as LICs (see Chapter 3).

Health care, however, is another story. Bangladesh has seen impressive gains in health that exceed those made in wealthier India and Pakistan; maternal mortality has decreased by 75% since 1980, infant mortality has more than halved since 1990, and life expectancy has risen to just over 68 years – rapid changes that, according to Sir Fazle Abed (2013) “have almost no historical precedent.”⁷⁰ What’s more, the gains in health have been most marked among the most disadvantaged populations.

The ingredients in this success include investments that are pro-poor and women-focused and that have rapidly achieved scale. The fact that the Government has allowed NGOs to operate in the health-sector has assisted the equity-focus of health interventions.⁷¹ A key innovation is the use of household visits by community health workers and Bangladesh is a pioneer of using community mobilisation and outreach activities in the areas of community mobilisation and outreach in the areas of expanded immunisation, oral rehydration therapy, family planning, and tuberculosis control as a way to achieve both speed and scale in the delivery of interventions.⁷²

Maternal mortality has remained stubbornly high in many developing countries and continues to be one of the most challenging MDG targets, even though it is widely recognised as a good indicator of the overall state of health services and can be a critical predictor of chronic poverty in the next generation.⁷³ Nepal, however, managed to reduce its maternal mortality ratio (MMR) by 47% between 1996 and 2006, showing what is possible (Box 58).

This confirms the need to widen the policy discussion when looking at how best to tackle chronic poverty. Too often, the response is a targeted programme aimed at specific aspects of social protection. In practice, this can be an *ad hoc* intervention that is not sufficiently institutionalised to address the real drivers of chronic poverty. As the examples from health and education above show, we need a wider lens to look at the capacity to deliver broad-based public goods and services for all; and to understand the political and governance drivers that are needed to build such capacity.

Driver 4. Transformative social change

Transformative social change is essential to tackle chronic poverty. Such change challenges the social orders (caste, gender, race and class relations) and social practices (including lower pay for women, seizing the assets of widows and child labour) that prevent the poorest people from improving their situation.⁷⁴ Demographic transition is a key component of transformative social change, reflecting both increased gender equality and transformation of the economy (the process of change from economic reliance on

Table 17: Countries with the greatest percentage reduction in their fertility rates between 1990 and 2010⁷⁷

Country	Change in fertility rate (%)
Maldives	-61.65
Iran	-60.49
Bhutan	-57.88
Cape Verde	-54.27
Bangladesh	-49.96
Lebanon	-49.60
Nepal	-49.29
Libya	-49.15
Viet Nam	-48.85
Yemen	-48.10
Cambodia	-47.25
Lao PDR	-46.52
Nicaragua	-44.66
Pakistan	-43.06
Malaysia	-43.04

agriculture to the development of industry) and the way in which society views children.⁷⁵

Many of the LIC and MIC success stories from Table 15 have reduced their fertility rates significantly over the past 20 years (Table 17). Bangladesh and Nepal, for example, almost halved their fertility rates between 1990 and 2010. In Bangladesh, where, on average, women will have 2.3 children in their life time, the country is about to reap a ‘demographic dividend’; the number of adults will exceed the number of children being born, increasing the share of the population that works.⁷⁶

Bangladesh achieved much of this progress through concerted government and NGO promotion of local health and family planning workers who are in close contact with women and their families, leading to a very high coverage of women by reproductive health services. However, as well as access to affordable family planning and reproductive health care, initiatives to promote gender equality and women’s rights are key factors in declining fertility rates. Education is a central component of these, alongside the economic empowerment of women. Obviously, governments play a huge role in facilitating such intense social changes.⁷⁸

In the aftermath of the conflict in Nepal, from 2007, the Government enacted policies and legal reforms to give greater rights to women. This reflected, in part, the diversification of household income sources away from a sole reliance on farming and the greater role of women in contributing to household incomes. Measures included a bill against sexual harassment in public workplaces, following an assessment that found that 55% of women in the labour force were leered at or abused by their male colleagues.⁷⁹

Nepal’s 2007 Interim Constitution aims, more broadly, to make society more inclusive, providing equal status to

Box 59: Making Nepal a more inclusive society: the 2007 Interim Constitution and Civil Service Act

Nepal's 2007 Interim Constitution retains many provisions from the 1990 Constitution but, in addition, calls for the greater inclusion of women and minority groups (caste and ethnicity). It provides space to allow Nepal's diverse groups to develop to their full potential. The 1990 Constitution viewed economic and social rights as 'directive principles only' and so they could not be the basis for legal claims. Under the 2007 Interim Constitution, however, they can. The Interim Constitution also endorses positive discrimination for marginalised groups (particularly women, ethnic groups including Janjatis and Madhesis, those from the Dalit caste and persons with disabilities). The Civil Service Act of 2007 fleshed out this positive discrimination, calling for the reservation of 45% of all seats in the policy and armed forces for marginalised groups. Data since its enactment show an increased civil-servant intake from the targeted groups. From 2007-08 to 2011-12, 30% of the total seat intake was generated by the reserved quota system.

Source: Arauco Paz et al. (2014)

women and men and identifying the illegality of racial, caste, ethnic discrimination and untouchability (Box 59). Ethiopia's 1994 Constitution also promotes equal rights for women and men while its family and penal code have been revised recently (in 2000 and 2005 respectively) to increase the legal age of marriage to 18 and give equal rights in the conclusion and dissolution of marriage to women and men.⁸⁰ While

many countries have progressive legislation around equal rights for men, women and minority groups, ensuring that these laws are actually upheld is another matter (Chapter 2), and one that requires strong interactions with local opinion leaders and continuous campaigns to implement legislation 'against the grain' of current social norms and practices.

Driver 5. Governance and political factors that enable inclusive public-sector delivery

The quality of institutions and the incentives that motivate those within and outside the public sector also play a role in facilitating – or holding back – the effective delivery of public goods to the poorest people. Too often, generic reference is made to the presence or absence of 'political will' or leadership. While this is useful in highlighting the importance of governance factors, it does not shed sufficient light on some specific types of governance factors or why countries with very different political systems and institutions can make progress (such as Bangladesh, Ethiopia and Nepal).

Chapter 1 provided an overview of the political and governance factors that help to explain why progress appears to have been possible across a range of different contexts. In Ethiopia, for example, strong oversight systems and a coherent policy framework have been important components of its centralised and often top-down governance model, which has contributed to sustained improvements. In Bangladesh, there are a number of examples of 'collective action' and local problem-solving, including by a range of prominent NGOs. In Nepal, education has been seen as a strong source of political support, with competing parties

Box 60: Governance at the heart of Cape Verde's success

Good governance has played an important role in Cape Verde's achievement of the highest sustained level of economic growth in sub-Saharan Africa and has allowed it to become one of the very few countries to graduate from Least Developed Country (LDC) status. The building blocks of this achievement were laid down after independence by a ruling political party that believed in social cohesion, meeting basic needs and instilling dignity through access to basic education and health. There was then a peaceful transition to multi-party electoral competition in 1990 under a new Constitution, and another peaceful transfer of power back to the previous ruling party in 2000.

Macroeconomic policies have been consistent since the early 1990s, regardless of the political party in power, but there has also been a more strategic approach since 2000 to, for example, promote tourism and, more recently, to promote regional development through infrastructure, spreading the benefits of tourism and agricultural development despite the harsh nature of the water-scarce, rocky terrains of many of Cape Verde's islands. Consensus policies have been developed through widespread consultation, including consultation with all the islands. There has been a minimum wage in the past, and there has been recent debate about the possibility of its re-introduction.

There has also been a coherent and consistent approach to expanding access to services, with a particularly dramatic expansion since 2000.

In addition, policies have been firmly 'pro-citizen'. For example, the Government responded to the 2007-08 financial crisis with a strongly counter-cyclical fiscal approach involving a mix of tax cuts and accelerated infrastructure spending. While these policies put considerable strain on the Government's fiscal position and debt profile, they succeeded in mitigating the worst effects of a deteriorating external environment. While social assistance has not been adopted (with the exception of measures to assist persons with disabilities), employers are actively encouraged to bring informal workers (in domestic service and construction, for example) into the social insurance system.

Sources: African Development Bank (2012a, and 2012b); interview with Olugbenga Adesida

trying to increase their access to state resources and influence in the post-conflict period, generating strong incentives to improve service delivery, including to areas and groups that were once marginalised. At the local level, however, schools (including School Management Committees) have also been subject to strong capture by, and competition between, political parties. This has affected educational outcomes – especially where it has led to uneven distribution of teachers based on their political affiliations, and particular gaps in more remote and marginalised areas.⁸² Therefore, while some of these factors can drive progress, they may not always lead to the more equitable provision of public services.

There are, however, successful MICs where governance has been seen as the critical factor in generating equitable development, with Cape Verde the leading example (Box 60).

5.4 Summary and conclusions

Clearly there is no universal blueprint for what works to tackle chronic poverty in LICs. But several pathways for its successful reduction can be identified. These include a movement-based regime that moves gradually to competitive party politics and invests heavily in agriculture and education; an electorally competitive regime, with strong economic diversification and NGO programmes (Bangladesh); a conflict-based story of progress (Nepal), in which a gender-inclusive political movement rooted in the country's marginalised groups extracted a degree of

accountability; and development. While the centrally led nation-building project of Ethiopia resembles the successes seen in MICs, it is also possible to make progress where there is not such a strong nation-building project or where such a project is disputed.

Some MIC successes show two clear patterns: first, an elite-led growth-plus-education strategy, second, a democratic (often leftist) human development-led strategy, both of which achieve much of their poverty reduction through increasing income from labour – a substantial result of heavy investment in education. However, some other successful MICs do not fit neatly into either of these patterns.

The reduction of the risks faced by the poorest has been a missing or belated element of strategies in many successful countries. Undoubtedly, investing in growth and education is more attractive both to elites, who can manage risks better, and to voters, as they are positive stories. There is, therefore, a difficult political task of risk reduction ahead, and anything the post-2015 development framework can do to emphasise risk reduction will have large pay offs.

There is also a governance story underlying success: the value of coherent policies, strong oversight systems, collective action and local problem-solving capacities means that success will not depend on allegiance to any particular type of political regime. That is not to say that success is, or ever will be, easy. The daunting nature of the challenges ahead need to be recognised, and are set out in Chapter 6.

Notes

- 1 Purchasing power parity
- 2 *ibidem*
- 3 *The Economist* (2013c)
- 4 These data use national poverty lines and so are not comparable across countries. Sources: Indonesia Family Life Survey, Widyanti et al. (2009); Pakistan Rural Household Survey, Arif and Farooq (2012); South Africa National Income Dynamics Study, Finn and Leibbrandt (2013); KwaZulu Natal Income Dynamics Study, May et al. (2011); Viet Nam, Baulch and Hoang Dat (2011); Uganda, McKay (2005) and Kaduru et al. (2013); Philippines, Reyes et al. (2011); Nepal Living Standards Survey, Bhatta and Sharma (2011) and Gaiha et al. (2014b); Ethiopia Rural Household Survey, Scott et al. (2014).
- 5 2009 was a particularly bad year in Ethiopia, with both drought and rising food prices. National statistics, collected in 2004/05 and 2010/11 have the poverty headcount declining over this period.
- 6 Several surveyed villages in Tigray and SNNPR experienced severe localised droughts in 2009. Compounding this, the ERHS was undertaken approximately six months after the 2008 harvest (there is no consistent timing for the ERHS across the rounds) and in the aftermath of the rapid food prices rises of 2008. Many households covered by the ERHS are net food consumers (buy more than they produce) and the survey round may have occurred when food stocks were depleted and households were just entering the market and, due to high prices reducing the quantities of food they consumed (Dercon et al. 2012).
- 7 Country rankings were produced using a three-step methodology. Firstly, countries were ranked according to the reduction in \$0.70 a day poverty head counts that they achieved between 1990 and 2010. Secondly, all countries are assigned scores ranging from 0 (best) to -20 (worst) based on their relative progress on five further indicators that proxy for chronic poverty between 1990 and 2010. These indicators are the Human Development Index Education and Health components, the Gender Inequality Index, the Global Hunger Index and the Income share held by lowest 20% of the population. Lastly, the final country score for the rankings in Table 15 is calculated as the maximum of 100 plus the country scores on all the indicators. Thus, the larger the final score, the better the countries relative performance on the five indicators. Note that countries that had missing information on poverty headcounts or did not reduce their \$0.70 per person a day headcount are excluded from the final ranking. LICs and MICs are ranked separately due to the limited validity of comparing relative performance of countries which start at such different levels. The analysis does not include countries from Eastern Europe and Central Asia.
- 8 Ahmed et al. (2013)

- 9 Analysis using PovcalNet
- 10 Up until 2010 Mali had made significant progress at reducing severe poverty. Since then though it is likely that many of the gains have been reversed.
- 11 Milanovic (2012)
- 12 Lenhardt and Shepherd (2013)
- 13 Kenny (2011)
- 14 McKay (2013)
- 15 UNDP (2012)
- 16 Sen and Dreze (2013)
- 17 UNDP (2012)
- 18 Kenny (2011)
- 19 UNDP (2012)
- 20 Marcus (2013)
- 21 Bird (2007); Hoddinott et al. (2008) also find this looking at improved nutrition in general.
- 22 World Bank (2011)
- 23 Amin and Sedgh (1998)
- 24 Grimm et al. (2008)
- 25 As according to the Multidimensional Poverty index (MPI): The MPI is a measure of acute deprivation in areas of education, health and living standards produced by the Oxford Poverty and Human Development Initiative. Individuals are multidimensionally deprived when they suffer from deprivations in at least one third of the indicators contributing to the MPI. Severe multidimensional poverty then describes individuals, who are deprived in a minimum of 50% of indicators.
- 26 Alkire and Roche (2013). Bangladesh 2004-2007. Ethiopia 2000-2005 and 2005-2011. Nepal 2006-2011. Uganda 2006-2011. Cambodia 2005-2010.
- 27 Alkire and Roche (2013)
- 28 This table compares outcomes for the poorest quintile to their country averages (third or median quintile) since this not only minimises long upper tails in these distributions (caused by a few wealthy individuals for example) but also because bringing progress for the poorest up to meet the rates of progress seen for the median wealth group seems a more feasible goal than comparing their progress to the wealthiest households.
- 29 Dates of Bangladesh DHS 1994 and 2011 for years of education, stunting is 1997 to 2011, age of marriage 1994 to 2007. Ethiopia 2000 and 2011. Mali 1996 and 2006. Nepal 1996 and 2011. Cambodia 2000 and 2010. Malawi 1992 and 2010. Uganda 1995 and 2011.
- 30 Average number of years of education and age of marriage for girls and women currently aged 15-49.
- 31 Child stunted when height-for-age < -2 standard deviations (SD) of the WHO Child Growth Standards median. Stunting is the measure of childhood malnutrition used here as its effects are mostly irreversible.
- 32 Bulla et al. (2014)
- 33 The Economist (2013a). Between 2001 and 2010 Angola, Nigeria, Ethiopia, Chad, Mozambique and Rwanda were among the top-ten world's fastest growing economies based on their average annual GDP growth. Between 2011 and 2015 Ethiopia, Mozambique, Tanzania, Congo, Ghana, Zambia and Nigeria are expected to be in the top-ten.
- 34 McKay (2013)
- 35 NBS (2012)
- 36 Bulla et al. (2014)
- 37 Bulla et al. (2014)
- 38 Handino et al. (2012)
- 39 Handino et al. (2012)
- 40 Azevedo et al. (2013)
- 41 MoHP et al. (2012) in Engel et al. (2013)
- 42 World Bank (2012)
- 43 Dowling and Yap (2009)
- 44 World Bank (2010)
- 45 IMF (2013)
- 46 Handino et al. (2012)
- 47 Ellis (2013)
- 48 Cited in Devereux and Guenthe (2009)
- 49 Dorosh and Mellor (2013)
- 50 Moguees et al. (2008)
- 51 McKay et al. (2007)
- 52 Dowling and Yap (2009)
- 53 Dillon et al. (2011)
- 54 Baulch (2011)
- 55 UNESCO (2013)
- 56 Shepherd with Scott (2011)
- 57 Bulla et al. (2014)
- 58 Hossain et al. (2012)
- 59 Bulla et al. (2014). The middle-income trap is a situation whereby a country's growth reaches a certain level and then stagnates, meaning that it is unable to achieve high-income status.
- 60 Lewis (2011)
- 61 Lewis (2011)
- 62 Brown and Teshome (2007)
- 63 Engel with Rose (2011)
- 64 Bulla et al. (2014)
- 65 Cash et al. (2013)
- 66 Upreti et al. (2012)
- 67 Sabates-Wheeler et al. (2012)
- 68 Devereux and Guenthe (2009)

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- 69 Berhane et al. (2011)
70 Abed (2013)
71 Adams et al. (2013)
72 Adams et al. (2013)
73 Suryadarma, Pakpahan and Suryahadi (2009)
74 Shepherd with Scott (2011)
75 Handwerker (1986)
76 The Economist (2012)
77 This analysis omits countries from Central Asia (meaning that just Turkmenistan is not included, which reduced its fertility rate by 44.49% between 1990 and 2010).
78 Chowdhury et al. (2013)
79 ADB (2010) in Upreti et al. (2012)
80 Kumar and Quisumbing (2012); Hallward-Driemeier and Gajigo (2013)
81 Thapa et al. (2013)
82 Vaux (2011)

A daunting task - projections of extreme poverty and human development deprivation to 2030



Elderly woman planting rice. Sta. Cruz- Laguna- Philippines. Photo: Danilo Pinzon- World Bank

Key points

- The target date for zero poverty looks optimistic: projections suggest that there will still be substantial extreme and severe poverty and human development deprivation in 2030. Altogether, there may still be up to one billion people living in extreme poverty.
- Poverty is likely to be concentrated in sub-Saharan Africa and South Asia, but roughly equally between fragile and non-fragile states, low-income and middle income countries, and also in a number of states within India.
- The grounds for pessimism include:
 - the concentration of poverty in fragile and conflict-affected states, which present big challenges, where poverty itself presents a threat to peace and security
 - the severity of poverty in sub-Saharan Africa, with many people living far below the poverty line
 - the overlap between the geography of poverty and the most intense discrimination based on, for example, ethnicity, gender or caste
 - the growing threats of climate change and natural disasters in the regions that have made the greatest progress on poverty
 - a global environment that is not conducive to the achievement of zero poverty by 2030.
- Poverty eradication efforts need, therefore, to focus on two categories of country (and Indian states):
 - fragile, unstable and conflict-affected countries, including both low-income and lower middle-income countries (and some Indian states)
 - low-income countries (and some low-income Indian states) where poverty remains widespread because of sectoral and geographical patterns of economic growth, adverse inclusion and resource constraints.

6.1 Introduction

“It can be done” is the argument of this report. But it will be a daunting task, and this chapter reflects on just how daunting.

Our projections suggest that there will still be substantial extreme and severe poverty and human development deprivation in 2030. This poverty and deprivation will be concentrated almost entirely in sub-Saharan Africa and South Asia, and particularly in fragile, unstable or conflict-affected states and non-fragile low-income countries (LICs), plus a number of fragile and poorer Indian states. Indeed, 2030 appears to be a very ambitious target date for the achievement of ‘zero poverty’.

This chapter compares projections of extreme and severe poverty derived from the International Futures (IFs) model with other recent projections that are more optimistic. Given the high levels of uncertainty involved in projecting to 2030, the chapter also manipulates a number of key determinants of poverty to create both optimistic and pessimistic scenarios (the justification for focusing on the latter would seem to be quite strong). This projection is also compared with other projections of extreme and severe poverty and of multidimensional deprivation.

In addition to projecting income/consumption poverty, the chapter also examines likely human-development outcomes in 2030 and the implications for the intergenerational transmission of poverty.

The link between extreme and chronic poverty

As outlined in Chapter 1, chronic poverty is extreme poverty that lasts for a long time. We know that the severely poor – people a long way below the poverty line – are also likely to be chronically poor.¹ However, in most settings the chronically poor will include a larger group than the severely poor: there are people much closer to the poverty line who are also persistently poor, or poor for most of the time. So if we use a measure of severe poverty we will almost certainly underestimate chronic poverty. In the projections that follow we have used \$0.70 a day, as well as the current standard

Box 61: Poverty projections using the International Futures (IFs) model

The International Futures (IFs) model is a large-scale, long-term data-modelling system developed at the Frederick S. Pardee Center for International Futures at the University of Denver. It contains and regularly updates internationally representative data sources on demographic, economic, energy, agricultural, socio-political and environmental subsystems for 183 countries, with data series dating back as far as 1960. The system facilitates the development of scenarios based on user-generated assumptions about the drivers of a future condition. The IFs model continues to expand and has been adopted by a number of forward-looking research and reporting agencies, including Global Environmental Outlook at the United Nations Environment Programme (UNEP). For further details on the model, see Annex 5.³

international measure of \$1.25 a day for extreme poverty. The figure of \$0.70 was selected because this is the average income of the poor in sub-Saharan Africa.² As we will see, it is also a relevant threshold for South Asia.

The International Futures (IFs) model

Most projections of poverty rely on relatively few variables (principally economic growth, inequality, and population growth). Unlike other modelling exercises, the International Futures (IFs) model (Box 61), draws out the underlying drivers of change rather than relying on measures of inequality and growth alone.

The IFs model produces a baseline projection, based on the interaction of the 1,500-plus parameters in the model. There are then up to 100 parameters that can be manipulated to produce optimistic and pessimistic scenarios by applying a simple multiplier, as indicated in Table 18. The selected parameters for this report’s projections have been pared down to those that relate most unambiguously to poverty.

Table 18: Parameters of the IFs model manipulated for the projections

Poverty scenario variables	Variables’ impact on poverty	Optimistic multiplier	Pessimistic multiplier
Agricultural productivity	An increase of agricultural productivity increases agricultural output, domestic food supply and rural incomes.	1.2	0.8
Total fertility rate	An increase in the fertility rate increases food demand, prices and the demand for resources but can increase labour supply and output.	0.8	1.2
Total factor productivity	An additive component of the growth rate represents output that enhances technological change.	0.01 (additive)	-0.01 (additive)
Education: No. of years by which gender parity survival reached in lower secondary	An increase in educated women leads to increased participation in the formal labour market, increased household earnings, lower fertility rates and better health outcomes.	1.2	0.8
Malnutrition	A decrease in this parameter reduces the incidence of malnutrition.	0.8	1.2
Social security and welfare tax rate	A multiplier on government taxes imposed on households and firms for social security and welfare. A higher value increases taxes proportionately.	1.5	0.5

Box 62: Impact of the 2008 global economic crisis on poverty in developing countries

The impact of the global economic crisis that began in 2008 on the poor in developing countries has been hard to chart. There have been very few good studies, and even those reveal mixed evidence. A study in the Philippines,⁶ for example, which included ‘before and after’ comparisons, found that a relatively small number of households that depended on remittances or manufacturing jobs were impoverished as a result of the crisis, while the impacts on others were negligible. On the other hand, where there were negative impacts, these were serious: some households withdrew their children from school, with potential long-term effects.

It is also clear that austerity tends to have a disproportionate impact on women and children, as they are more dependent on public services. According to Plan (2013): “As household and government budgets shrink, women worldwide are ‘picking up the slack’ to provide for their children. Many women have to work more hours for less income, thus increasing their ‘time poverty’, leaving their daughters to help fill the gaps in meeting the basic needs of the household.”⁷

Households have certainly had to pay more for food than they did before the crisis, but this has been part of a trend of food-price rises since 2000, and there are winners and losers among the poor, even though the poorest are, in general, net food buyers. In the case of rice, however, rising wages in Asia have compensated for higher prices.⁸

The impact on youth has been hard to disentangle from long term structural problems of un- or under-employment or sexual harassment by employers in economies with few formal jobs (Ghana and Mozambique); where the formal sector was better established (Viet Nam) the labour market was sluggish. It certainly became more difficult to pay school fees, causing drop out, particularly among girls.

6.2 Projections compared: IFs projections (numbers and proportions) compared to other projections of £1.25 a day poverty

Other exercises in projection have taken a relatively optimistic line, which is perhaps appropriate for the historical moment of formulating a new international development framework. However, there are ample grounds for pessimism at this point in time. The optimism is founded partly on the achievements made towards the MDGs, particularly the progress made in reducing income poverty. The grounds for pessimism, however, include:

- the fact that four fifths of the income-poverty reduction achieved was the result of China’s phenomenal, and almost certainly unrepeatable performance; and that there is no new China on the horizon⁴
- the less pro-poor pattern of growth in India, the world’s next largest ‘poverty country’, and the country expected to take up the baton of poverty reduction from China⁵
- the large distance below the poverty line of most poor people in sub-Saharan Africa

- the impact of the global economic crisis that started in 2008, especially on public investment in education and other services (see Box 62).

The IFs baseline projection for \$1.25 a day poverty is somewhat more pessimistic than other projections, and this reflects its greater sophistication. Table 19 summarises the ways in which its projection differs to other estimates.

In the other projections,⁹ India is widely expected to take up the burden of poverty reduction from China, whose extreme poverty is projected to be close to zero by the early 2020s. However, the IFs modellers expect that India will have to dedicate a higher proportion of national income to savings, as China has done, thereby reducing the future rate of consumption growth, and raising India’s level of inequality, as has already happened in China (Box 63). From what we know about poverty and its dynamics in India, three further facts suggest it will be impossible to get anywhere close to zero in that country by 2030 (See Figure 19). First, poverty in India is highly multidimensional,¹⁰ and discrimination against its ethnic minorities and lower caste groups is strongly institutionalised and embedded in

Table 19: A comparison of estimates with the IFs projection used in this report

Study	Range of % of those living on less than \$1.25 a day in 2030	Range of numbers living on less than \$1.25 a day in 2030	Key uncertainty of the projection
Ravallion (2013)	3 – 15%	0.2 – 0.8 billion	Rate of poverty reduction may decline once the level is below 10%.
Chandy et al. (2013)	1.4 – 15.2%	0.386 billion baseline	Rate of poverty reduction slows in 2020s as remaining poor are severely poor.
Edward and Sumner (2013)		0.3 – 0.9 billion	
The IFs projection used in this report		0.427 – 0.954 billion 0.624 billion baseline	The rate at which income is converted into savings and investment.

Box 63: India's poverty according to various projections

India is of particular concern in terms of poverty, given its vast population size. The IFs baseline projection (126 million people) is high compared to Edward and Sumner's pessimistic (static income distribution and low growth) result of 84 million, which is closer to the IFs optimistic scenario result of 51 million (Edward and Sumner 2013). This is not surprising, given the worsening income distribution built into the IFs model, which is, in turn, related to the assumption in the model that consumption growth in India will have to yield to savings and export growth, as it has in China in recent decades. Worsening inequality is certainly plausible for India, given that its Gini index is in the mid-30s and is rising in urban areas, if not in rural. This chimes with China's experience of inequality that has increased alongside faster growth and industrialisation. The latest projection from the IFs for India is even more pessimistic (Figure 19).

social norms and relationships. Second, extreme poverty is concentrated in a few of the poorest Indian states (in terms of the numbers of poor people and the proportion of poor people in the population), some of which have experienced a long-term governance deficit and even protracted violent conflict. Third, these two problems have major geographic overlaps.

6.3 The geography of poverty in 2030

According to the baseline scenario shown in Table 20, there will be more than 10 million severely poor people in six countries in 2030 (India, Nepal, Pakistan, Madagascar, Democratic Republic of Congo (DRC) and Tanzania), and the pessimistic scenario (Table 21) predicts that a seventh country – Nigeria – will also have more than 10 million people below \$0.70 a day. These seven countries could, arguably, be the primary countries to focus on in tackling chronic poverty. The geography of severe poverty in 2030 is highly concentrated in South Asia, as shown in Figures 20 and 21, where maps highlight the likely location of the largest numbers of poor and severely poor people.

According to the baseline scenario, there will be more than 10 million poor people living below the \$1.25 a day poverty line in 15 countries: Bangladesh, India, Nepal, Pakistan and the Philippines in Asia; Burkina Faso, DRC, Ethiopia, Kenya, Madagascar, Malawi, Nigeria, Sudan and Tanzania in Africa; and Yemen in the Middle East. Even in the optimistic scenario outlined in Table 22, we still predict that 11 of these countries will be home to more than 10 million people in extreme poverty in 2030. The global poverty eradication project would be well advised to ensure that none of these countries neglect their poor people, particularly as the pessimistic scenario's 21 countries with 10 million-plus poor people present a plausible barrier to extreme poverty eradication by 2030.

Figure 19: Extreme poverty history and projection for India (IFs baseline)¹¹

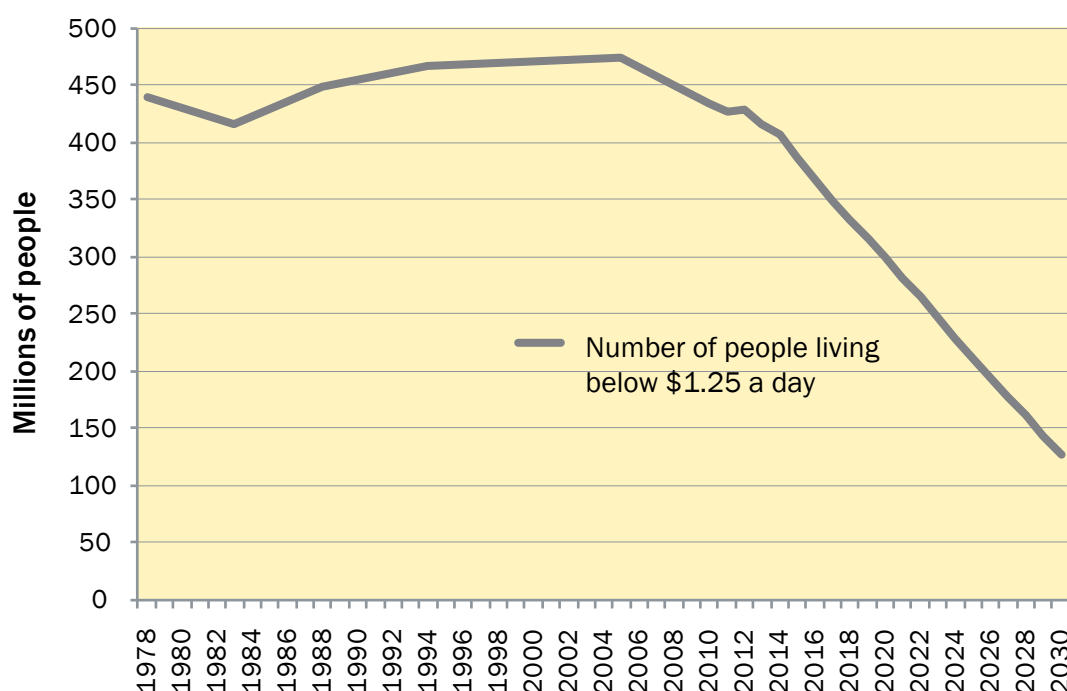


Table 20: Baseline projection: millions of people and proportion of the population living in severe poverty, extreme poverty and on less than \$2 a day

Baseline (millions of people)					
Top 10 countries \$0.70/day		Top 10 countries \$1.25/day		Top 10 countries \$2.00/day	
India	23.04	India	126.5	India	396.4
Madagascar	19.19	Pakistan	57.56	Pakistan	151
Congo; Democratic Republic of	11.39	Congo; Democratic Republic of	29.96	Bangladesh	58.04
Tanzania	10.95	Tanzania	27.43	Ethiopia	54.36
Pakistan	10.85	Madagascar	27.24	Congo; Democratic Republic of	50.68
Nepal	10.04	Ethiopia	21.76	Nigeria	47.14
Malawi	8.26	Nigeria	21.75	China	45.1
Sudan	5.936	Bangladesh	20.93	Tanzania	43.56
Rwanda	5.896	Nepal	18.45	Madagascar	33.21
Burundi	5.778	Sudan	18.24	Philippines	31.09

Baseline (% of population)					
Top 10 countries \$0.70/day		Top 10 countries \$1.25/day		Top 10 countries \$2.00/day	
Madagascar	54.08	Burundi	77.5	Madagascar	93.58
Burundi	46.13	Madagascar	76.74	Burundi	89.77
Swaziland	40.38	Swaziland	62.9	Guinea Bissau	79.77
Haiti	34.09	Malawi	60.31	Swaziland	78.81
Rwanda	33.89	Rwanda	54.03	Malawi	78.12
Central African Republic	31.96	Guinea Bissau	53.12	Somalia	76.12
Malawi	31.3	Haiti	51.22	Eritrea	69.76
Somalia	29.48	Comoros	51.07	Haiti	68.83
Guinea Bissau	29.39	Central African Republic	49.2	Central African Republic	68.47
Comoros	29.51	Somalia	48.76	Comoros	68.17

Table 21: Pessimistic scenario: millions of people and proportion of the population living in severe poverty, extreme poverty and on less than \$2 a day

Pessimistic (millions of people)					
Top 10 countries \$0.70/day		Top 10 countries \$1.25/day		Top 10 countries \$2.00/day	
India	54.74	India	256.4	India	668.3
Madagascar	21.69	Pakistan	86.79	Pakistan	194.2
Tanzania	19.61	Tanzania	42.68	Bangladesh	84.37
Pakistan	18.01	Congo; Democratic Republic of	35.82	Ethiopia	73.93
Congo; Democratic Republic of	12.82	Bangladesh	34.66	Nigeria	69.56
Nepal	12.63	Nigeria	34.59	China	64.92
Malawi	11.15	Ethiopia	31.79	Congo; Democratic Republic of	61.01
Nigeria	9.916	Madagascar	30.83	Tanzania	60.52
Rwanda	8.517	Nepal	22.51	Philippines	44.33
Burkina Faso	7.716	Malawi	20.28	Indonesia	39.98

Pessimistic (% of population)					
Top 10 countries \$0.70/day		Top 10 countries \$1.25/day		Top 10 countries \$2.00/day	
Madagascar	56.75	Burundi	80.83	Madagascar	95
Burundi	47.52	Madagascar	80.69	Burundi	92.41
Swaziland	47.01	Malawi	70.75	Malawi	86.76
Rwanda	45.48	Swaziland	69.63	Swaziland	84.08
Malawi	38.9	Rwanda	66.36	Somalia	83.43
Haiti	35.8	Comoros	57.8	Niger	81.68
Somalia	35.29	Somalia	56.8	Guinea Bissau	79.64
Central African Republic	33.19	Burkina Faso	55.36	Burkina Faso	79.39
Nepal	29.91	Palestine	55	Rwanda	78.95
Comoros	29.88	Haiti	53.97	Benin	76.39

Table 22: Optimistic scenario : millions of people and the proportion of the population living in severe poverty, extreme poverty and on less than \$2 a day

Optimistic (millions of people)					
Top 10 countries \$0.70/day		Top 10 countries \$1.25/day		Top 10 countries \$2.00/day	
Madagascar	14.99	India	76.43	India	277.6
India	11.80	Pakistan	35.07	Pakistan	113
Nepal	8.12	Madagascar	22.78	Bangladesh	44.96
Congo; Democratic Republic of	7.64	Congo; Democratic Republic of	21.54	Congo; Democratic Republic of	38.56
Tanzania	6.44	Tanzania	18.54	Ethiopia	37.17
Malawi	6.02	Nepal	15.58	Nigeria	34.73
Pakistan	5.35	Nigeria	15.05	China	32.98
Sudan	4.29	Bangladesh	14.51	Tanzania	32.39
Rwanda	4.18	Sudan	13.98	Madagascar	29.53
Burundi	4.16	Ethiopia	12.8	Sudan	23.71

Optimistic (% of population)					
Top 10 countries \$0.70/day		Top 10 countries \$1.25/day		Top 10 countries \$2.00/day	
Madagascar	45.74	Madagascar	69.51	Madagascar	90.09
Burundi	35.81	Burundi	68.35	Burundi	83.73
Swaziland	33.91	Swaziland	56.35	Swaziland	73.64
Haiti	30.48	Malawi	52.01	Guinea Bissau	71.9
Central African Republic	28.67	Haiti	47.07	Malawi	70.93
Rwanda	25.89	Comoros	46.63	Somalia	69.93
Malawi	24.87	Central African Republic	45.32	Haiti	64.93
Somalia	24.15	Rwanda	44.72	Central African Republic	64.8
Comoros	23.1	Guinea Bissau	43.7	Comoros	63.57
Guinea Bissau	22.21	Somalia	41.94	Eritrea	62.83

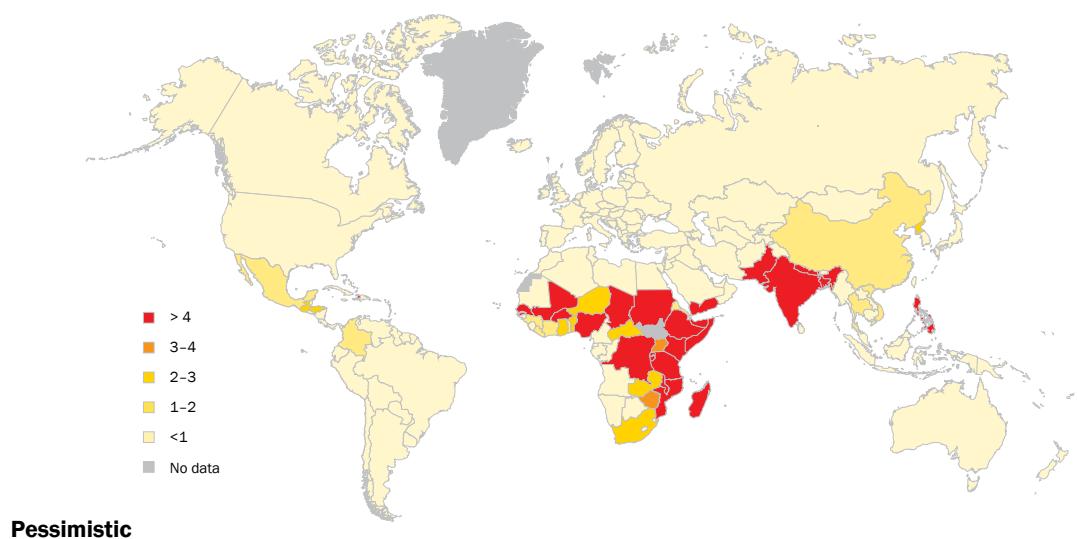
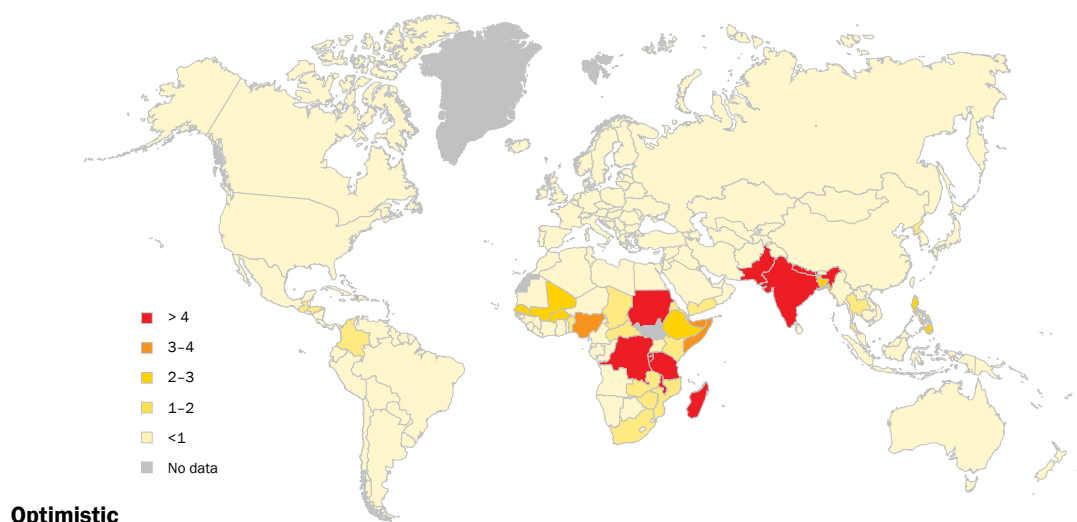
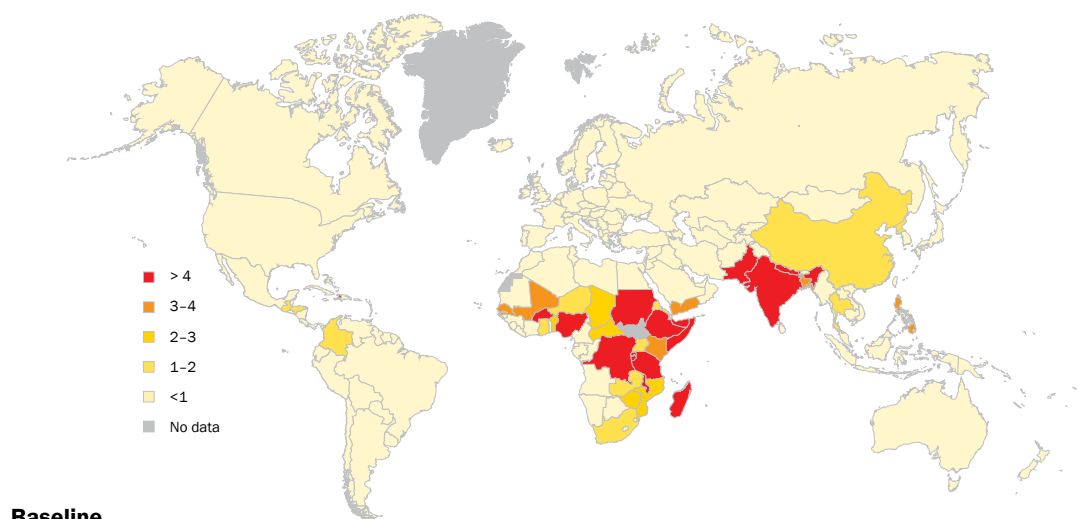
Figure 20: \$0.70 a day poverty in 2030, baseline, optimistic and pessimistic (millions of people)

Figure 21: \$1.25 a day poverty in 2030, baseline, optimistic and pessimistic (millions of people)

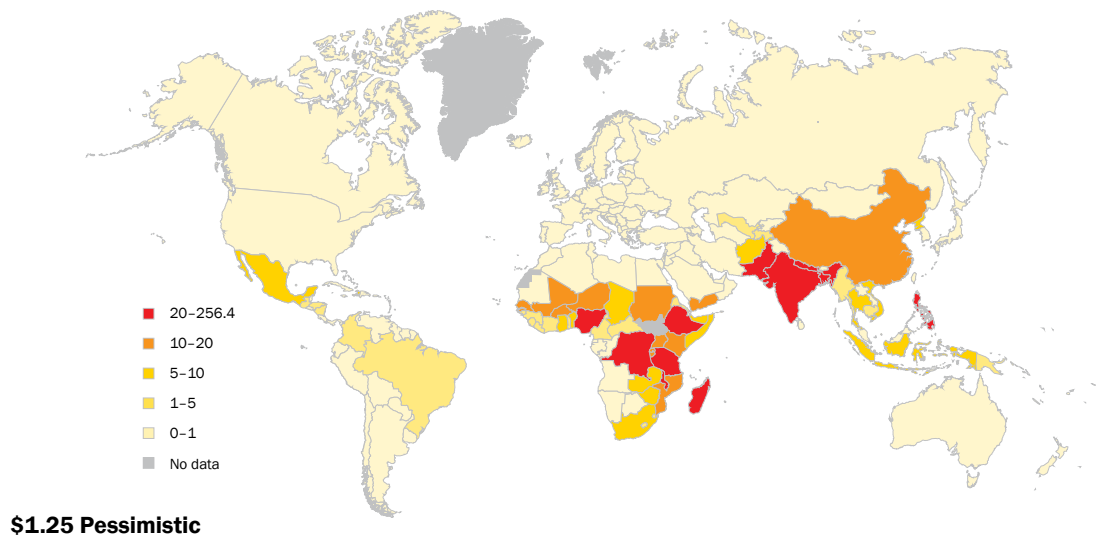
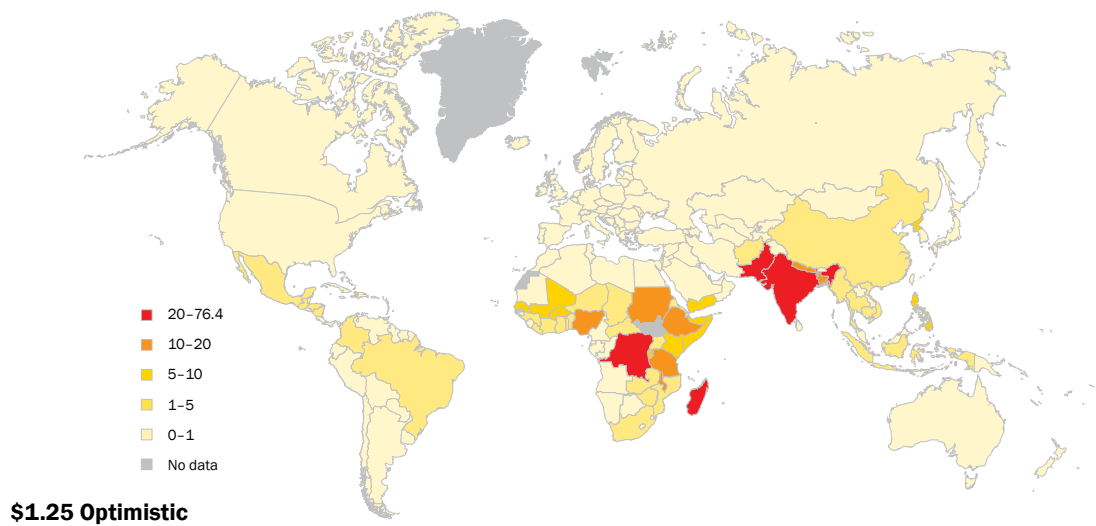
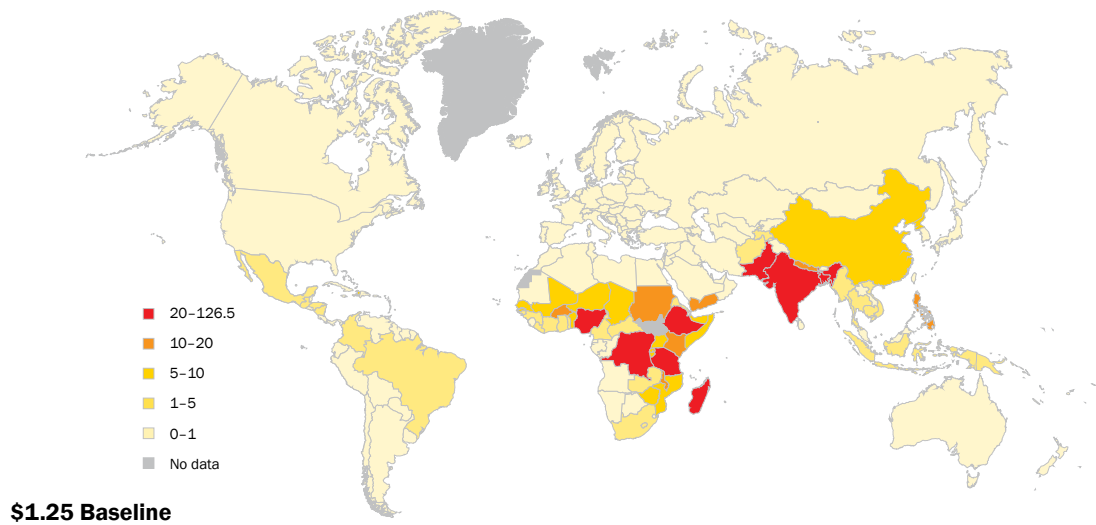


Table 23: Regional and global projections (2030), optimistic, baseline and pessimistic scenarios (millions of people)

	East Asia and Pacific	Europe and Central Asia	Latin America & Caribbean	Middle East & North Africa	South Asia	Sub-Saharan Africa	Global
\$0.70/day Optimistic	6.9	0.2	8.8	2.2	27.5	84.5	130.1
\$0.70/day Baseline	10.3	0.4	11.6	4.1	47.8	124.8	199.0
\$0.70/day Pessimistic	15.2	0.6	14.4	6.3	92.8	172.1	301.4
\$1.25/day Optimistic	33.1	1.9	21.4	9.1	143.4	218.7	427.5
\$1.25/day Baseline	46.6	3.0	27.8	14.2	228.0	304.5	624.1
\$1.25/day Pessimistic	68.3	4.4	35.3	20.3	409.1	417.5	954.9

In all of these projections the number of poor people in India far exceeds that of any other country. The numbers projected to live below the \$1.25 a day threshold in India would be equal to half of the total for sub-Saharan Africa as a whole, and around one quarter of those living in severe poverty on less than \$0.70 a day. This is not to suggest that small countries that are projected to have smaller numbers of poor people in 2030 should be neglected. Together, the countries that each have fewer than 10 million projected extremely poor people still account for up to 193 million people in poverty in 2030. In fact, the IFs model projects that 56 countries will continue to have more than 1 million people living in poverty in 2030.

The geography of severe poverty (\$0.70 a day) is very similar to that of extreme poverty (\$1.25 a day), with a concentration in 2030 in East Africa, South Asia and the Sahel plus Nigeria. The Philippines remains a stubborn presence under every scenario. What the maps don't show is the overwhelming scale of Indian poverty in 2030, even at the \$0.70 threshold and even in the optimistic scenario, as mentioned. Most of the poor in Somalia will remain severely poor – an extreme case of the general sub-Saharan phenomenon of most poor people being a long way below the extreme poverty line.

These forecasts focus on the numbers of poor people remaining by 2030. The regional and global totals are indicated in Table 23.

How do these totals break down between different categories of country? Figure 22 indicates that \$1.25 per day poverty is likely to be split evenly between LICs and LMICs, and as expected, severely poor people will be more concentrated in today's LICs, several of which will be LMICs by 2030. The projection for fragile and non-fragile states is more controversial (Figure 23), given the debate among the pundits:¹² this projection uses the OECD's list of fragile states,¹³ and projects higher levels of both \$0.70 and \$1.25 poverty in today's fragile states in 2030. This is not surprising, given the projected top poverty countries (see Tables 20-22). If India's 'fragile states' were included, which account for a large proportion of that country's poverty today and its projected poverty in 2030, this would tip the balance firmly towards fragile states.

In terms of charting the challenge ahead, it is important to focus on the incidence of poverty as well as the numbers of poor people, because if the incidence is high, a country is less likely to be able to afford to tackle chronic poverty. Tables 20-22 demonstrate that countries with the highest numbers in poverty are not necessarily those with the highest

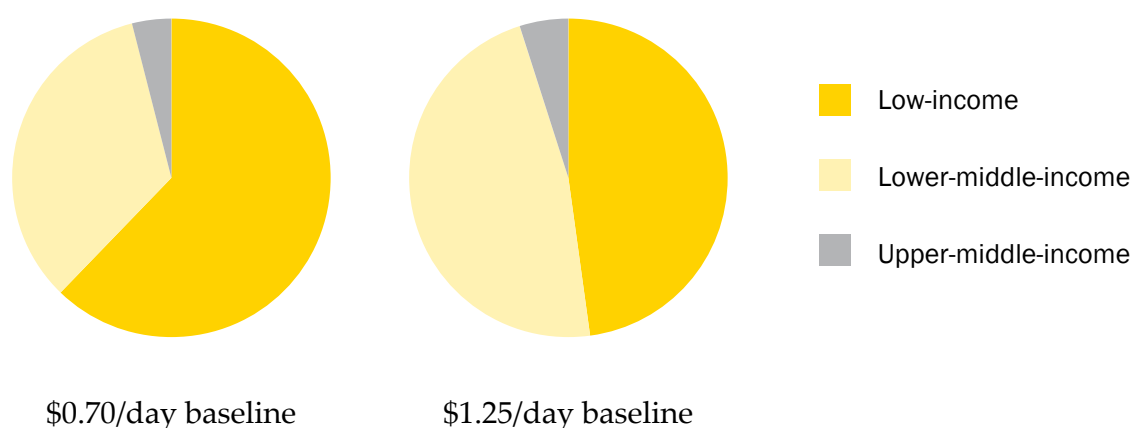
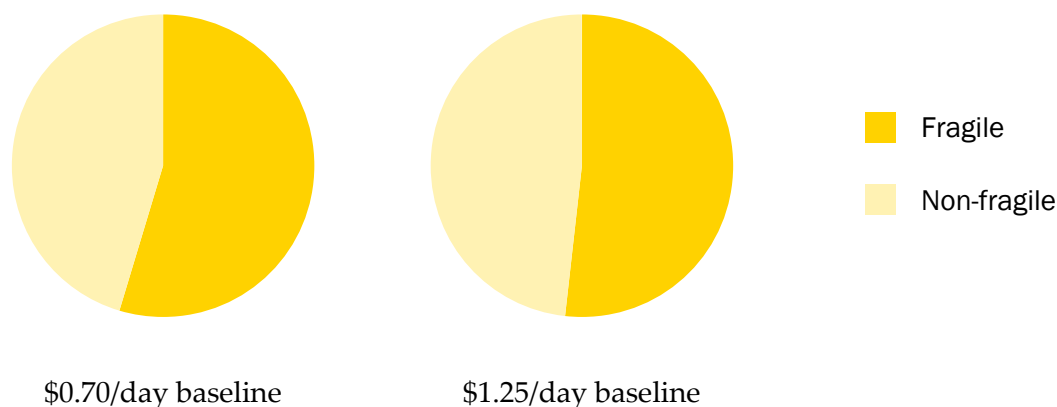
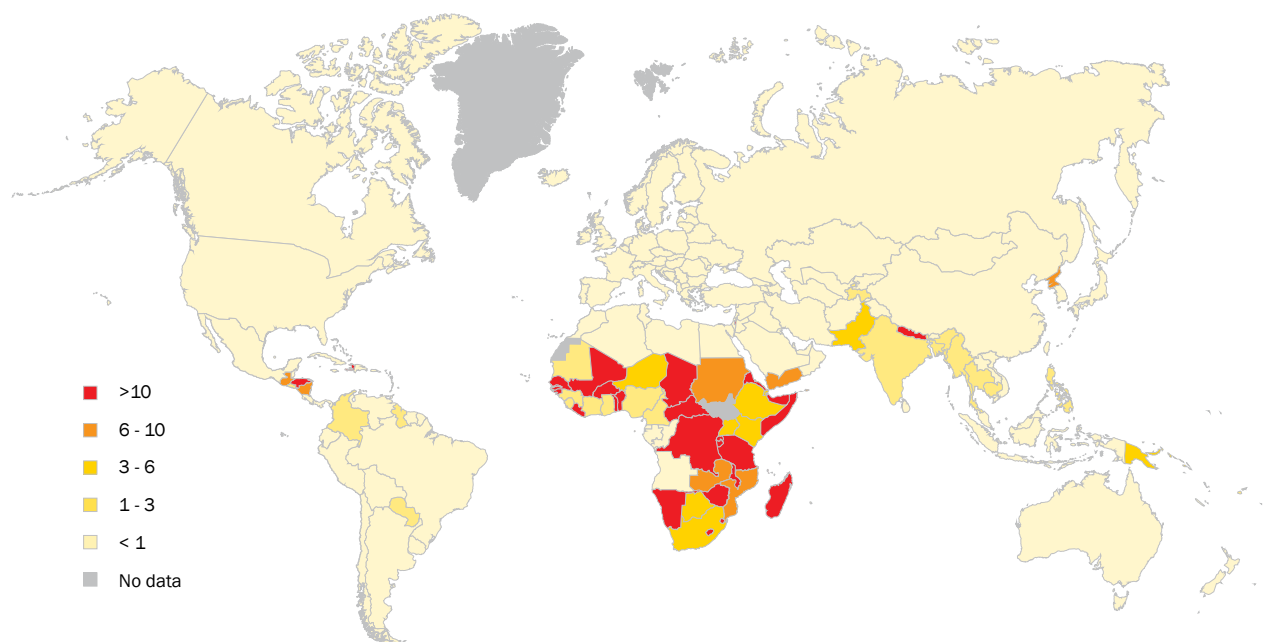
Figure 22: Projected poverty headcount in 2030 by country income category

Figure 23: Projections to 2030, fragile and non-fragile states**Figure 24: Proportion of income poverty in 2030 at \$0.70 a day (% of total population)**

proportions of their population poor. While the argument in this report is that the focus should be first and foremost on the numbers, having a high proportion in poverty will make it more difficult to reach zero poverty by 2030, as there will be fewer resources, public and private, to call on.

Some smaller countries in terms of population size are projected to have extremely high proportions of people living in extreme poverty in 2030, including Burundi (77%), Swaziland (63%) and Haiti (51%). Such staggering proportions of people in poverty expose entire countries to high risk in the face of environmental disasters or economic shocks, as well as stretching state resources to combat the poverty that afflicts the majority of the population. Figures 24 and 25 show which countries have the highest proportions of their populations in severe and extreme poverty in 2030.

A few countries are projected to have both high numbers and high proportions of people living in poverty: Madagascar, Nepal, Malawi, Rwanda, with Burundi joining this group in the optimistic scenario and Burkina Faso in the pessimistic scenario. These are likely to be the countries where getting to zero will be the most challenging.

To systematise this analysis, CPAN developed a Poverty Vulnerability Index in 2030, which combines a number of indicators into one, with the most vulnerable countries being those with more than 10% of their population living on less than \$0.70 a day. The next most vulnerable category comprises those countries with more than one million people living below \$0.70 a day in 2030, followed in sequence by poverty lines of \$1.25, \$2.00 and \$4.00 (Figure 26 shows the complete categorisation). Countries categorised as not vulnerable are

Figure 25: Proportion of income poverty in 2030 at \$1.25 a day (% of total population)

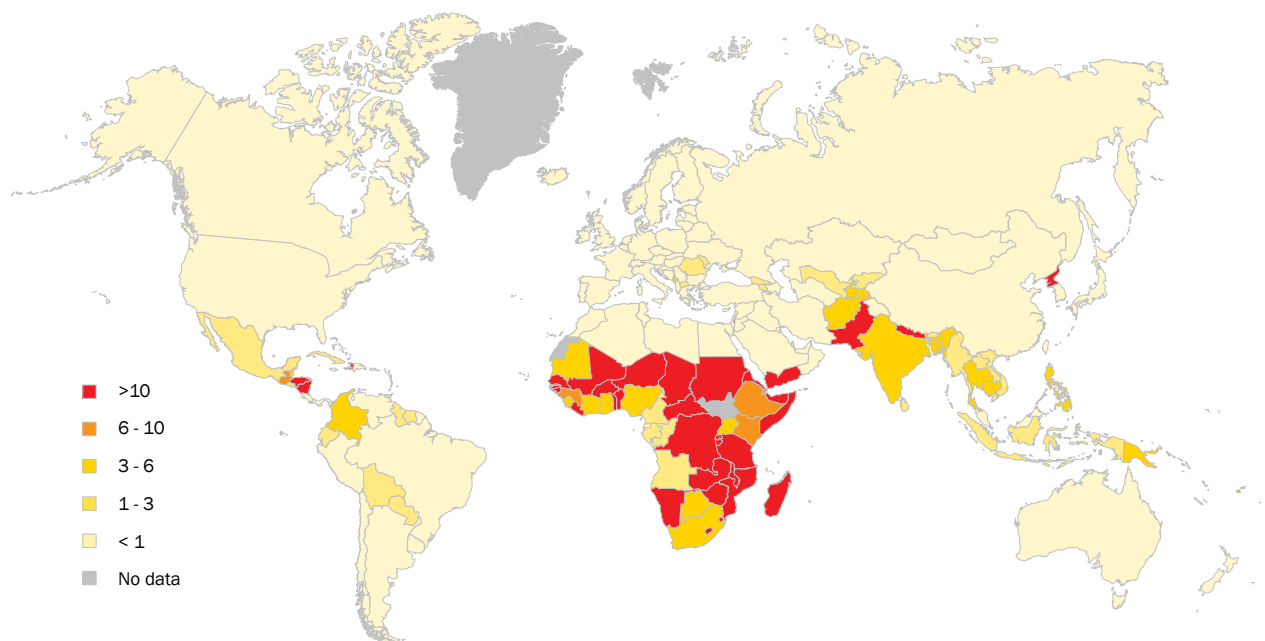
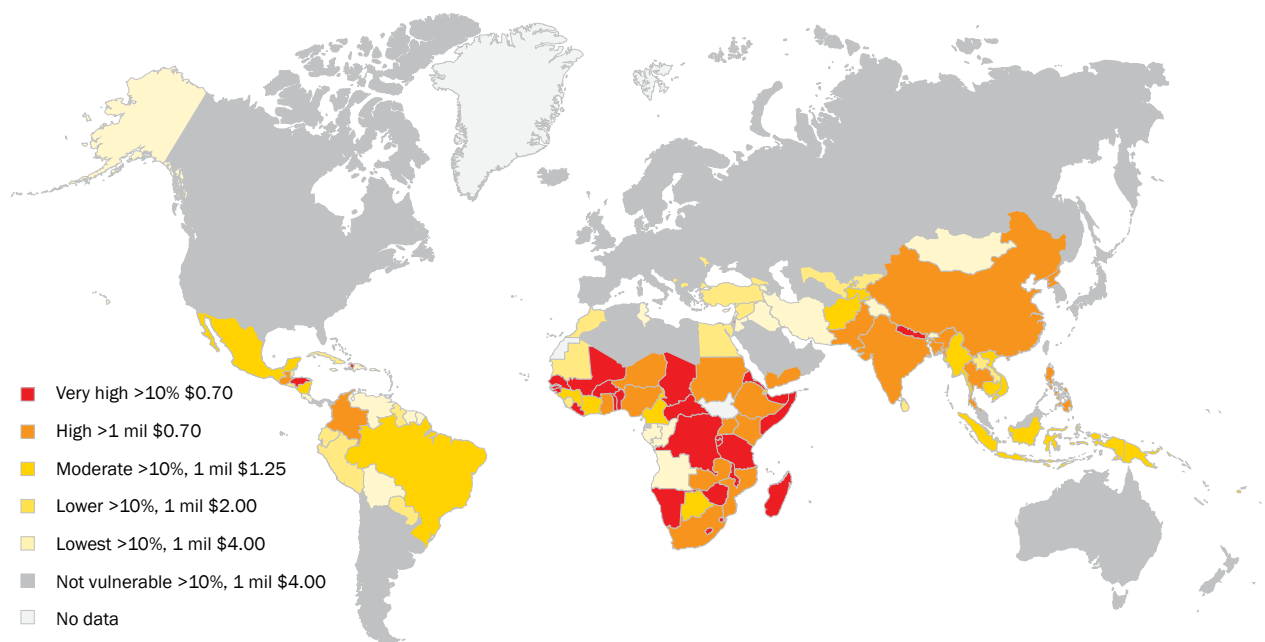


Figure 26: Poverty Vulnerability Index, 2030, IFs baseline scenario



Source: see Annex 5.

those with less than 10% of their population or less than one million people living below \$4.00 per day. Annex 5 explains the detail and locates countries across the index. Figure 26 shows that the highest vulnerability to poverty in 2030 lies in sub-Saharan Africa, Asia and Central America.

There are some noteworthy high-population MICs that remain highly vulnerable to poverty in 2030, and these countries will need to target their policies for the poorest people effectively if poverty is to be eradicated: Ghana, South Africa and Thailand are all projected to have more than one million people still living in severe poverty. Lessons for these countries may be drawn from countries with successful targeting experience, such as Brazil and China.

6.4 Justified pessimism

While the discussions about the chances of eradicating poverty post-2015 are, by and large, optimistic about achieving low levels (if not eradication), our analysis would tend to justify a pessimistic outlook. There are five key reasons for this.

- First, a significant proportion of poverty in 2030 (55%) is likely to be located in today's fragile states, including states within India. This brings the challenge of reducing poverty in fragile states to the fore, which is no mean challenge – few have turned the corner since the international community started to focus strongly on poverty reduction in around 2000. It also highlights the challenge of preventing future conflict, which, as Chapter 3 relates, is not easy.
- Second, there is the overlap between the geography of poverty in 2030 and countries where the poorest experience deep discrimination based on their ethnic or other identities. This is true in Pakistan, Nepal, Nigeria, Rwanda and Sudan, among the top ten poverty countries, for example; and in the Indian states of Bihar, Madhya Pradesh, Odisha, Rajasthan, Uttar Pradesh and West Bengal.¹⁴
- Third, regions where poverty has been reducing fastest will be affected in particular by disasters. The Asia-Pacific rim and the Bay of Bengal will be exposed to increased risks of climate-related hazards, which are likely to have impoverishing effects, even if the loss of life is reduced (as the recent cyclones Haiyun in the Philippines and Phailin in Odisha will almost certainly demonstrate). This means that there will be set-backs to progress, and a premium on good disaster prevention, as well as post-disaster recovery.¹⁵
- Fourth, a large proportion of those living on \$0.70 a day are in sub-Saharan Africa today, and just under half of all those living on less than \$1.25 a day. Chapter 4 proposed that the absence of demand for social protection in sub-Saharan Africa from governments and citizens is holding back a rational investment which would help to tackle prevalent severe (and chronic) poverty. Despite all the pilot social-protection programmes now in place, it is difficult to see political uptake on any scale before 2020.

Box 64: The intergenerational transmission of poverty: Sabrina, rural Tanzania

Sabrina is 33 years old. She is married, has four sons and is pregnant with her fifth child. She and her husband farm a small plot of land that he inherited from his grandmother, but they do not apply any agricultural inputs, so production is low. They rely on her husband's irregular casual labour for income and eat just one meal of porridge each day because his income is not enough to support the family. Sabrina's life trajectory illustrates the educational trap of intergenerational poverty: she left Standard One because her parents were unable to meet the requirements set by the school and, because of chronic hunger, her sons now "roam or scavenge" for food or money rather than going to school themselves. She believes a loan would enable her to start a business selling snacks and that without some outside support their lives will not improve.

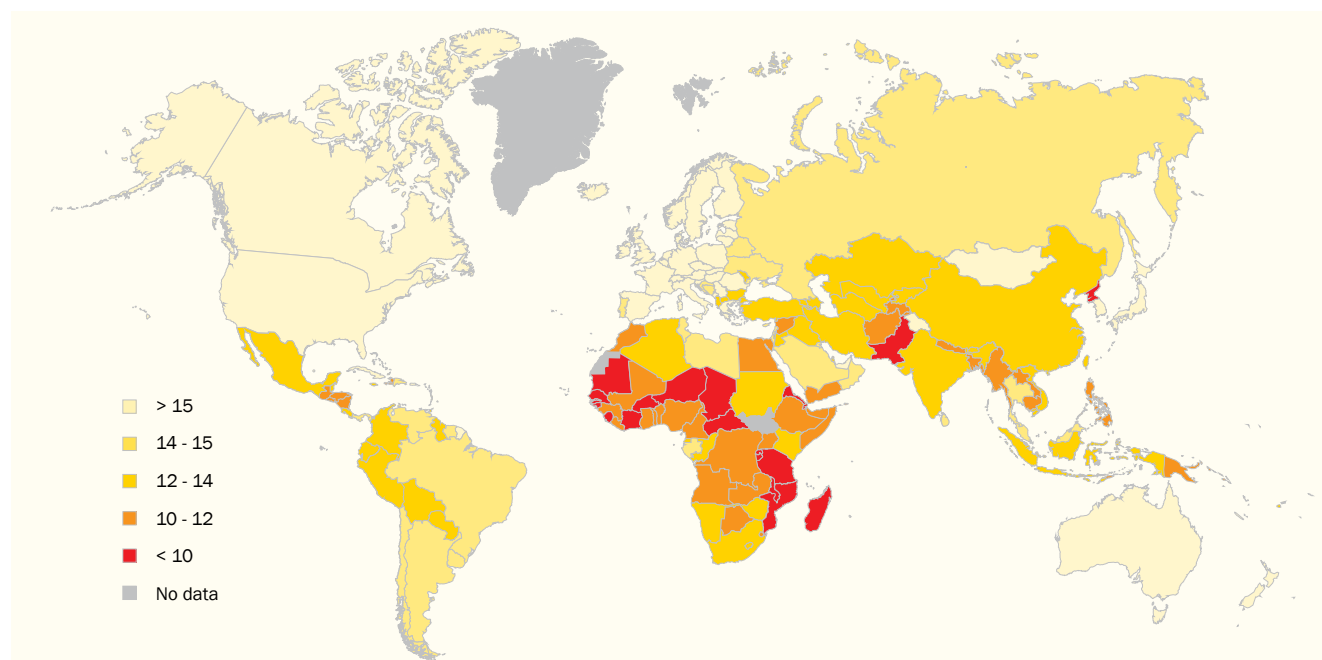
This will slow any progress possible in Africa, as there are few other measures that will close the poverty gap so effectively. The kind of economic growth experienced in much of Africa is unlikely to close that gap by itself, as it will not generate enough good-quality jobs.

- Finally, the global environment is not conducive to the achievement of zero poverty by 2030. Although developing countries were insulated in some ways from some aspects of the 2008 global crisis, the slowdown in economic growth in China, Europe and elsewhere has affected growth prospects in sub-Saharan Africa and other developing regions, and a global atmosphere of austerity is hardly propitious for the massive investments that are needed in education, health and social protection to lift people out of poverty.

It is entirely plausible, therefore, if very disheartening, that there will still be nearly one billion extremely poor people in 2030. Box 64 reflects on durable poverty that will be hard to shift in a country where there are many such stories.

6.5 Projections of human development deprivation and implications for intergenerational poverty in 2030

Save the Children Fund's (SCF) *Getting to Zero* report,¹⁶ focusing on combating human development inequalities, found that reducing income inequality and improving governance improved human development outcomes significantly, implying that it would be possible to get close to zero in 2030. As SCF's previous report, *Born Equal*,¹⁷ demonstrates, income inequality is known to be associated with the intergenerational transmission of capability deficits. Unequal access to economic opportunities in the current generation leads to deprivation in human development in

Figure 27: Projections of school life expectancy in 2030 (baseline, years of education)

the next generation. *Getting to Zero* argues that countries need to reduce income inequality and improve governance to get close to zero deprivation in human development in terms of child deaths, stunting, education and access to safe water.

Reducing income inequality is thought to be feasible: of the 78 countries in the SCF sample, 19 show increased income inequality since the 1980s as measured by the Gini index or the Palma ratio between the bottom 40% and the top 10%. Another 21, however, show reduced inequality; and in 39 there has been no significant change, or levels have fluctuated, or there is not enough data. The projections were based on reducing income inequality to the lowest level achieved by each country since the 1980s, and in 18 countries this was the most recent point.

The SCF analysis is global and regional. To get a more fine-grained picture comparable to the income/consumption projections above, projections of likely years of education and child mortality were also made using the IFs model. Figures 27 and 28 map two predicted human development outcomes in 2030 using the IFs model, with school life expectancy (the number of years a child spends in school) and child mortality selected as good indicators for the intergenerational transmission of poverty. Tables 24 and 25 show the 10 countries most at risk in terms of these outcomes in 2030.

Estimates of school life expectancy in 2030 are a significant exception to the relatively pessimistic outlook of this *Chronic Poverty Report*. In fact, the projections show only 12 countries where children are anticipated to receive less than nine years of schooling. Optimism about education seems well founded if we consider the tremendous gains seen the world over in increased access to primary, and

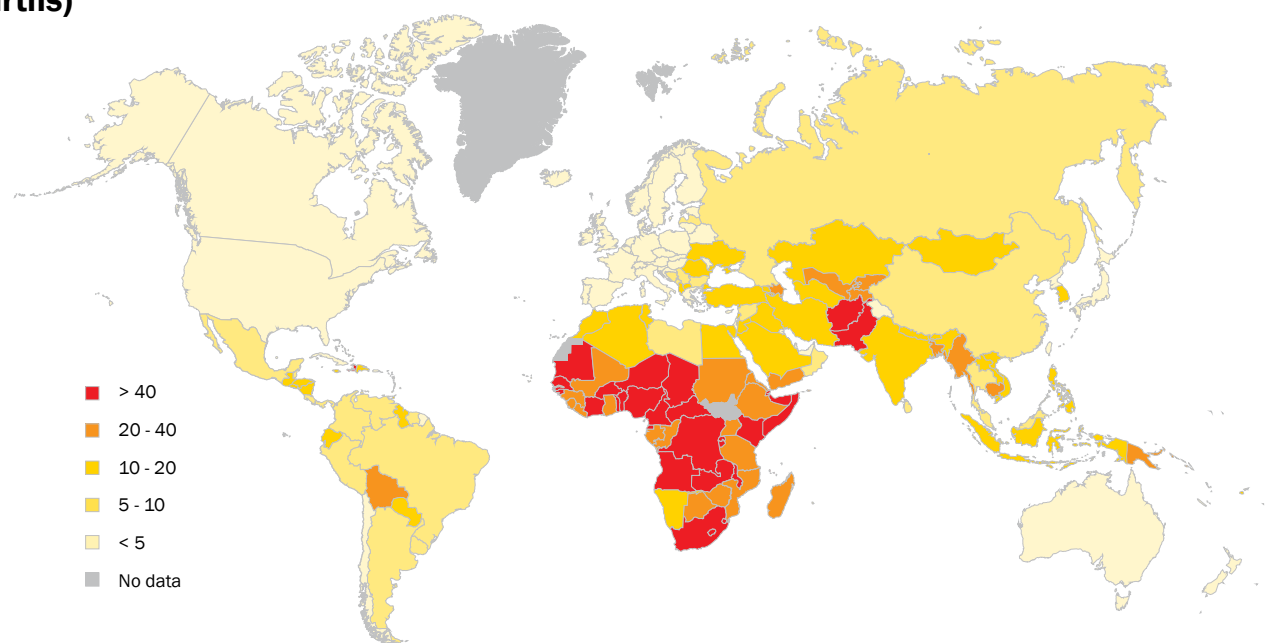
Table 24: Lowest school life expectancy in 2030

	School life expectancy (years)
Madagascar	7.280
Niger	7.384
Eritrea	7.526
Burundi	7.741
Central African Republic	7.835
Guinea Bissau	8.303
North Korea	8.399
Malawi	8.639
Chad	8.658
Mozambique	8.675
Rwanda	8.805
Djibouti	8.917

gradually secondary, education. Progress in education and its central role in national planning is perhaps the most significant achievement of the MDGs. In 1980, a person aged 15 or over could expect an education of 5.3 years on average. Today, that number has jumped to 7.8 years.¹⁸ Of course these figures are not disaggregated, and persistent exclusion from education will need to be considered. These averages mask disadvantaged groups that will need more support to access and succeed in school.

Child mortality rates also show significant progress by 2030, although there are still high average levels in much of sub-Saharan Africa, as well as in Afghanistan and Pakistan (Figure 28 and Table 25).

Figure 28: Projections of under-five mortality in 2030 (baseline, deaths per thousand live births)



Published IFs projections^{19,20} have concluded that gains in life expectancy will become harder to maintain over time, as non-communicable diseases become the major cause of deaths worldwide, while communicable diseases remain a significant threat, especially for the poor. This is likely to mean a switching of health resources to deal with non-communicable diseases, while the diseases that continue to afflict the poor lose out in terms of public expenditure. The underlying drivers of mortality and morbidity are lack of income (GDP per capita) and education. Economic growth is especially important in the poorest countries, and has powerful effects on health and life expectancy through delivering reduced fertility and population growth. The levels of economic growth that can be achieved are, of course, highly uncertain.

Table 25: Highest child mortality rates predicted in 2030

	2030 Under-five mortality per 1,000 live births	2010 child mortality rate
Guinea-Bissau	82.783	92.0
Chad	75.061	98.9
Afghanistan	72.991	103.0
Congo; Democratic Republic of	59.899	111.7
Central African Republic	59.657	106.0
Equatorial Guinea	58.447	80.5
Cameroon	56.639	84.4
Djibouti	51.046	73.0
Swaziland	50.991	55.1
Pakistan	49.812	69.7

For education – an important driver of health as well as enabling less adverse economic inclusion – the critical likely futures include the near universalisation of lower-secondary school enrolment in all regions except sub-Saharan Africa, by 2030. Sub-Saharan Africa would not achieve universal primary enrolment until 2045 in the IFs base scenario, with all other regions at 90% or more by 2015. The real challenge is in getting children to stay in school beyond primary education: there will be many countries that will not reach 90% lower-secondary enrolment by 2030.²¹ The 2015 target for gender parity in primary education will only be widely achieved in sub-Saharan Africa by 2030, and there will still be countries trying to reach this target in 2040. The leading uncertainties in determining these futures are population and economic growth, as well as public education expenditure. So, for example, a lower population-growth scenario would lead to an 11% increase in lower secondary enrolment by 2060 in sub-Saharan Africa.

The implications for the intergenerational transmission of poverty by 2030 are:

- education is the leading area where significant progress is likely by 2030, even in sub-Saharan Africa
- reducing income inequality in this generation helps to reduce the human development deprivations experienced by the next
- population and economic growth rates are significant determinants of participation in education: poor households with many children in slow-growing countries or sub-national regions are likely to lag behind in both enrolment and in their progress through the education system.

Figure 29: Overlap between low-income countries, fragile states and sub-Saharan African Countries



6.6 Summary and conclusion

The main locations for extreme poverty in 2030 will be sub-Saharan Africa and South Asia. While such poverty has been widespread to date across both these regions, and in East and Southeast Asia too, large numbers of poor people will be concentrated increasingly in just a few Asian countries and in some Indian states. In South Asia the main concentrations will be found in Afghanistan, Bangladesh, Nepal, Pakistan and the Indian states of Andhra Pradesh, Bihar, Karnataka, Madhya Pradesh, Odisha and West Bengal. In West Africa, concentrations of extreme poverty will be found in Nigeria and the Sahelian countries; in East Africa: Ethiopia, Madagascar, Mozambique, Sudan and Tanzania. Extreme poverty will be a little more concentrated in today's LICs than MICs, although a few LMICs will contain very large numbers of people in poverty (India, Nigeria, Pakistan, for example). UMICs should, for the most part, be making the transition to high-income country status. Extreme poverty will be divided almost equally between fragile and non-fragile states.

The geography of severe poverty follows a similar pattern, though with more of it seen in LICs and fragile states and in sub-Saharan Africa – three categories of country that overlap significantly (Figure 29). Nevertheless, today there are likely to be a surprising number of severely poor people in South Asia – at least half of the number seen in Africa as a whole.

This means that poverty eradication efforts need to focus on two categories of country plus India.

- A number of fragile, unstable and conflict-affected countries (and Indian states), both LMICs and LICs, where getting a good political settlement is the first challenge – a settlement that prevents the recurrence

of conflict through inclusive development. The key countries include Burundi, DRC, Madagascar, Nepal, Nigeria, Pakistan, Rwanda and Sudan (and the poorest and conflict-affected states in India such as Bihar, Odisha, Madhya Pradesh and Uttar Pradesh). The resources to eradicate poverty are far more available in the LMICs than the LICs in this group.

- LICs (and some Indian states) where conflict, stability or social cohesion are not immediately pressing issues, but where poverty remains widespread because of sectoral and geographical patterns of economic growth and adverse inclusion (see Chapter 1) and resource constraints. The key countries include Bangladesh, Burkina Faso, Ethiopia, Malawi and Tanzania, while the key Indian states include Andhra Pradesh, Rajasthan and West Bengal.

The chapter has produced a range of scenarios from optimistic to pessimistic, with a strong justification made for taking the more pessimistic projections seriously. However, if income inequality can be reduced, and governance improved as suggested in the SCF report *Getting to Zero*, the possibilities of interrupting the intergenerational transmission of deprivations will be greater. The modelling for this report suggests that the only really optimistic projection is that for education, which is, fortunately, one of the two keys to improving poverty dynamics across the board; the other one being social assistance.

Improved poverty dynamics will, of course, require adequate resources. The next and final chapter of this report reviews the proposals that are on the table and the financial resources available for their implementation, particularly in relation to health and education.

Notes

- 1 McKay and Perge (2011)
- 2 According to analysis by Chandy (2013): <http://www.brookings.edu/blogs/up-front/posts/2013/05/29-africa-challenge-end-extreme-poverty-2030-chandy>
- 3 Further details can be found in: Shepherd et al.(2013a); Hughes et al. (2009); and Hughes & Hillebrand (2006).
- 4 Chen and Ravallion (2012)
- 5 Chandy (2013)
- 6 Reyes, Sobrevinas and de Jesus (2010)
- 7 Plan (2013)
- 8 Wiggins (2013)
- 9 Chandy et al. (2013), Edward and Sumner (2013), Ravallion (2013)
- 10 Oxford Poverty and Human Development Initiative (2010)
- 11 Barry Hughes, personal communication
- 12 Kharas and Rogerson (2012) and Sumner (2012)
- 13 OECD (2013)

- 14 For the analysis of Indian states, see Shepherd et al. (2013a). <http://www.odi.org.uk/publications/7491-geography-poverty-disasters-climate-change-2030>
- 15 Shepherd et al. (2013a)
- 16 Save the Children (2012)
- 17 Save the Children (2013b)
- 18 Barro and Lee, 2010
- 19 Hughes et al. (2011)
- 20 Hughes et al. (2009)
- 21 Hughes et al. (2009) Table 5.2 p 83

Goals and financial resources



Greenhouse workers, Mali. Photo © Dominic Chavez/World Bank

Key points

Goals:

- This report's major proposal for the post-2015 development framework is that the poverty eradication goal should be formulated in terms of targets to tackle chronic poverty, stop impoverishment and produce sustained escapes from extreme poverty.
- The post-2015 goals as a whole should enable the policies needed to do this. The 'stopping impoverishment' target, for example, would emphasise complete coverage of the poor and vulnerable by social protection as well as disaster-risk management.
- While progress towards all of the Millennium Development Goals (MDGs) would have been enhanced by greater progress on chronic poverty, the MDG's emphasis on averages did not include the chronically poor or hungry. The post-2015 goals need a strong equity focus, showing significant concern for the poorest 5%, 10% and 20% of the income distribution.
- There should be an annual 'Leave No One Behind' conference linked to the UN General Assembly meeting to review the progress made by the poorest and most marginalised people.
- A new emphasis in the post-2015 development framework on the principle of 'leave no one behind' should see each and every target across all goals framed in a way that includes the poorest. There is general consensus on proposals for some post-2015 goals that relate to chronic poverty and improving poverty dynamics, such as zero poverty by 2030, gender, education, health and energy, although more work is needed to ensure proper guidance for policy-makers.

Resources:

- Resources need to target both chronic poverty and its causes, backed by a clear plan within the post-2015 framework to mobilise the resources that are needed to achieve its ambitions.
- The financing of social protection needs to be incorporated as an explicit objective and strategy for sustainable progress on chronic poverty.
- Most people in poverty live in countries with limited domestic resources: indeed, the countries with the most intense deprivation also have the lowest levels of domestic resources to address such deprivation. To address this, a renewed global partnership needs to commit additional resources to meet the gap.
- Almost three-quarters of the people living in \$1.25 a day poverty are in South Asia or sub-Saharan Africa, but it is countries in sub-Saharan Africa, in particular, that have the most limited domestic resources to address chronic poverty.
- Projections of resource availability towards 2030 show divergent country experiences:¹ domestic resources will grow for many countries, but programmes and policies in the poorest countries will face continued and severe resource constraints. This situation will be aggravated by the negative impacts of climate and weather variability, requiring renewed efforts, as well as innovative approaches and funding.
- Official development assistance (ODA) will remain a crucial resource for countries with the lowest levels of domestic resources, but the type of ODA provided by donors needs to address the causes of poverty in recipient countries.

7.1 Introduction: global goals to tackle chronic poverty and improve poverty dynamics

Part A of this report lays out the rationale for focusing a poverty eradication goal on improving poverty dynamics, including tackling chronic poverty. Implementing the policies that are required to get to zero extreme poverty would be helped by a new framing for a post-2015 goal to eradicate extreme poverty. This would have targets to tackle chronic poverty, stop impoverishment, and to support sustained escapes from poverty (Figure 30). All three are necessary to have any chance of ‘getting to zero’. Table 26

provides suggested indicators that need to cover: changes in poverty dynamics; critical inequalities; and access to key opportunities and services.

This set of indicators demands new data. National panel data are required for many the indicators proposed above (1.1 to 1.3, and 1.5, 2.1 to 2.3, and 3.1, 3.2, and 3.4, in particular). This will require significant investment in not only data collection, but also the capacities to analyse disaggregated data in terms of gender, age, and intersecting disadvantages. Associated qualitative research will promote understanding of the causes of what is observed, to inform policy.

A number of other goals and targets are being discussed in the lead-up to the post-2015 agreement that are of vital significance, including goals on education and health. This final chapter analyses the kinds of proposals being made from a poverty dynamics perspective and then examines the financial resources available to developing countries, and specifically the resourcing of the health and education goals. It ends with a set of take-away messages for the post-2015 agenda.

In the first *Chronic Poverty Report* (2004-05), an analysis of the Millennium Development Goals (MDGs) (see Annex 6)³ concluded that addressing chronic poverty specifically would help to achieve many of the targets: progress on child malnutrition (which was and is slow) and child mortality, universal primary education, and combatting HIV/AIDS, malaria and tuberculosis. And some of the targets were considered instrumental in addressing chronic poverty: promoting gender equality in education, for example, if that led to girls from poor households staying in school longer; and reducing maternal mortality. There were also negative possible trade-offs – gender equality overall might be at the expense of poorer men and boys in education or the labour market.

Figure 30: A dynamic post-2015 goal to eradicate extreme poverty

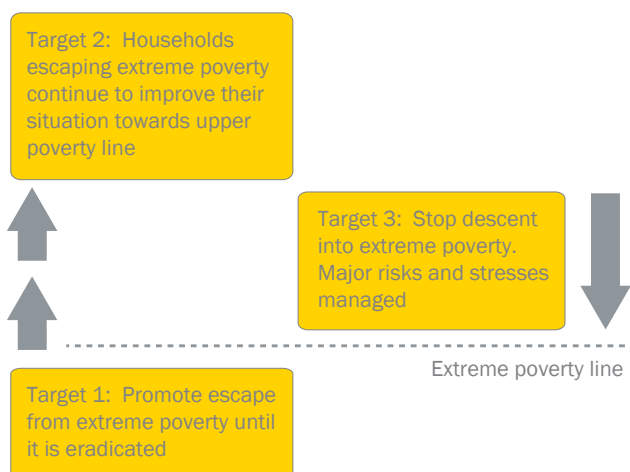


Table 26: Illustrative indicators for a dynamic poverty eradication goal

Target	Indicators
1: Tackle chronic poverty	<ol style="list-style-type: none"> 1.1. % and numbers crossing the extreme poverty line. 1.2. % and numbers of chronically poor. 1.3. % and numbers of severe poor crossing the extreme poverty line. 1.4. % of national income going to bottom 5%, 10%, 20%. 1.5. % of the poor children, women, older women and men, and poor persons with disabilities in excluded groups and regions crossing the extreme poverty line. 1.6. % of the poor adequately covered by social assistance to close the poverty gap. 1.7. % of the poor effectively included by value chain standards and/or labour standards.² 1.8. % of poorest children, women, older women and men, and persons with disabilities covered by the above. 1.9. Implementation of anti-discrimination and affirmative action measures. 1.10. Years of (quality) education acquired by the poorest children.
2: Stop impoverishment	<ol style="list-style-type: none"> 2.1. % and numbers who have crossed the extreme poverty line who reach an upper poverty line (e.g. \$2 a day) and a country-specific resilience threshold (e.g. \$y a day/x years of education). 2.2. Extent to which target is met by excluded groups and regions. 2.3. % of the women in excluded groups and regions crossing the extreme poverty line and reaching upper poverty line. 2.4. Years of post-primary education achieved by the poorest children. 2.5. The poorest educated children's access to (decent) jobs.
3: Support escapes from poverty	<ol style="list-style-type: none"> 3.1. % and numbers becoming poor. 3.2. Asset depletion due to conflict, natural disasters or ill-health. 3.3. Number of forced displacements. 3.4. Reported impoverishment due to conflict, natural disasters or ill-health. 3.5. Coverage of the poorest households by universal health care, disaster risk management. 3.6. % of poorest children, women, older women and men, and disabled people malnourished.

Table 27: Policy options to address chronic poverty and poverty dynamics and by comparison with inequality

Issue	Policy response to chronic poverty and poverty dynamics	Policy response to inequality
Vulnerability	<ul style="list-style-type: none"> • Tax based social assistance/cash transfers/employment guarantees. • Social insurance. • Disaster-risk management. • Preventing conflict. • Universal health coverage. 	<ul style="list-style-type: none"> • Tax based social assistance/cash transfers/employment guarantees. Social insurance. • Universal health coverage.
Productivity and employment	<ul style="list-style-type: none"> • Structural transformation, decent work and capability enhancement. • Access to infrastructure for the poorest. • Strong policy support for smallholder agriculture. 	<ul style="list-style-type: none"> • A macroeconomic framework that avoids pro-cyclical policies or restrictive monetary and fiscal policies during periods of slow growth. • Selective and well-managed industrial and agricultural policies that connect the agricultural sector more productively to industry and other sectors of the economy. • Stimulating and maintaining an adequate level of labour demand by expanding domestic production and raising the demand for domestic goods and services. • Minimum wages. • Equitable approaches to infrastructure.
Health	Publicly funded universal health coverage.	Equitable approaches to strengthening public services.
Education	Right to 9 or 10 years of quality education.	Equitable approaches to strengthening public services.
Tax	Significant hike in efficiency of domestic resource mobilisation needed to finance education, health and social protection measures, and infrastructure.	Greater equity in tax incidence.
Indicators	Median: compares bottom 5, 10 and 20% with median quintile.	Gini coefficient or Palma – compares bottom 40% with top 10%.

Sources: for chronic poverty and improving poverty dynamics, the analysis in this report; for inequality: Save the Children (2012 and 2013b); UNRISD (2010); Fuentes-Nieva and Galasso (2014).

Several of the MDG targets (on education and health) were expressed as averages, which would not necessarily mean that the benefits would reach the chronically poor. This time around, in the post-2015 era, investment in the 'leave no one behind' principle should ensure that each target is framed in such a way as to include the poorest.

The MDG poverty and hunger targets (to halve them both) were designed in a way that largely excluded the chronically poor and hungry, since it would be more difficult and expensive to address the poverty and hunger of this hard-to-reach category of people. Neither the poverty gap nor the share of the poorest quintile in national income indicators in the MDGs were ever used – raising questions on whether the widely supported equity or inequality indicators proposed to monitor progress will be used, post 2015, to ensure that no one is left behind. Adopting dynamic poverty eradication goals would also steer the post-2015 agenda in a pro-equality direction, because the policies identified in this report as necessary to address poverty dynamics, largely overlap with the policies needed to reduce inequality (see Table 27).

It will require both effort and political commitment from leading countries or groups of countries to establish specific mechanisms to make sure such issues are monitored. This could include, for example, an annual 'Leave no one behind' conference, linked to the annual UN General Assembly meeting to undertake regular monitoring of progress. The task ahead is to determine the goals and targets that are likely to have the greatest impact on chronic poverty and improving poverty dynamics, and, very importantly, the greatest chance of buy-in from all of the key stakeholders.

7.2 Future goals: consensus and debate

Tables 28 and 29 review the current crop of major proposed goals for the post-2015 development agenda and their potential impact on chronic poverty. These are divided into goals where there is already a fair degree of consensus, and those where far more work will be needed to get a broad agreement.⁴

It is clear that these poverty targets need significant work if they are to give any guidance to policy makers. The gender targets, for example, are cross-cutting and need to be linked explicitly to poverty if they are to contribute strongly to its eradication. The discussions on health, education and energy goals are going in the right direction. In education, however, children from poor households need many years of post-basic education to compensate for the disadvantages with which they are born; similarly, investment in pre-school and early-childhood education can be another powerful factor in laying a good foundation for children. So the agenda is, as yet, far too unambitious if education is to play a major role in the eradication of poverty. Universal health coverage (UHC) is something that few LICs or LMICs have yet achieved, but the experience of Viet Nam indicates that it

can be a feasible goal to work towards. It requires significant increases in public expenditure on health services, of course, as well as demand-side measures to ensure that poor people use the services.

There are then goal areas where there are both technical and political challenges (Table 29).

The overwhelming impression is that the post-2015 development framework will be very similar to the outgoing MDG framework in its contents and in its strengths and weaknesses, albeit with different kinds of emphases. However, given the amount of effort that has gone into designing the 'new' framework, and also because of the more complex issues that are involved in the post-2015 era (such as the likely impacts of climate change), it would be disappointing if that were the case. For example, it is not prudent to assume that similar approaches would be used to lift people from extreme and persistent poverty as were used to deal with those who are 'averagely poor'. Far more work is needed to conceptualise and define appropriate responses if the post-2015 framework is to steer the process of poverty eradication. For example, the need for massive investment in education, social assistance and health will need to be recognised alongside substantial expenditure on infrastructure for inclusive economic growth.

Similarly, one of the challenges for the Secretary-General's Open Working Group is to bring the environmental and poverty agendas closer together in 2014. This has already been done to some degree in the proposals on food security, energy and water shown in Table 29. Critical additional areas will be economic growth and employment, and poverty eradication itself. International and national governance could also have a strong environmental dimension, given the dependence of the poorest people on fragile and often common-pool resources.

Then the political bargaining will take place to determine the shape of the final framework. There are some bottom lines for the chronically poor in this process:

- the formulation of a poverty eradication goal that includes them
- inclusion of a target on social assistance coverage
- countries setting their own 'minimum' targets, providing the foundation for global targets, and acknowledgement that countries will progress towards UHC and the right to 9 or 10 years of quality education (and other targets) at different paces and via milestones
- equity/inequality indicators across all goals to monitor who is being left behind
- a significant focus on tax, both national and international
- an emphasis on preventing violent conflict
- a gender goal that targets poor households in particular (or cross-cutting gender targets/indicators that also disaggregate by income/wealth)
- a focus on the quantity and quality of jobs created by economic growth

Table 28: Consensus goals for the post-2015 development agenda

Goal	Likely targets (indicators) on:	Do these address chronic poverty and help improve poverty dynamics?
Poverty	End absolute (extreme) income poverty. Reduce vulnerability to risks, especially natural disasters and conflict.	The meaning of 'end' (is this 0%, 3% or what?) will influence whether chronic poverty is addressed. Indicators should focus on the numbers of poor people as well as the proportions in poverty. New indicators are needed to cover: poverty dynamics, inequalities and access to opportunities (see Table 26 for suggested indicators). Good to include disasters and conflict. The most universal impoverishing risks are ill health and meeting social obligations (see Health below).
Gender	Prevent and end violence against women and girls. Promote empowerment of, and end discrimination against women and girls. Data disaggregation by gender for all goals.	All of these targets are excellent but need to be applied to poor households, and to women and girls as a priority, given that poor women experience the most acute powerlessness and discrimination. A specific target on promoting improved access by women and girls to resources and acquisition of assets is also necessary.
Education	Access. Links to employment. Quality. Gender parity.	Would address chronic poverty and improve poverty dynamics if access, quality and gender parity refer not only to basic but also post-basic and pre-school education.
Health	Universal health coverage (UHC). End preventable maternal and under-five child mortality. Reduce/end communicable and non-communicable diseases. Expand immunisation rates.	UHC is perfect, but the implications are extremely challenging for LICs and LMICs. Reducing maternal mortality is critical for interrupting intergenerational transmission of poverty, and a good indicator of the functioning of health services. Achieving universal access to sexual and reproductive health services is a vehicle to give poor women and their families urgently required agency on household demographics.
Energy	Universal access to sustainable energy. Share of renewables in energy mix. Improved energy efficiency. Transition to clean energy without harming economic growth or universal access. Phase out fossil-fuel subsidies.	Universal access proposals need to deal with the financial constraints faced by the poorest households. Pro-poorest tariff systems and cross-subsidies, or tax-based subsidies will be required. Renewables should benefit the many off-grid chronically poor. But small systems will not be accessible to the poorest unless there are special financial deals.

- environmental conservation targets that clearly benefit (or can be made to benefit) the poorest
- proposals to make a reality of the universal access to sexual and reproductive health services agreed in 2005
- much better disaggregated and dynamic data to monitor targets, ensure accountability, transparency and provide the basis for effective policy-making and implementation.

7.3 Financial resources

Any poverty eradication goal must be accompanied by a resourcing plan if it is to be achieved, and financial resources will be critical. The financing of efforts to address extreme and chronic poverty ought to take centre stage within the overall resourcing of development, and this will need to be pursued with the same kind of urgency and ambition that mobilised trillions of dollars to bail out banks in the recent global financial crisis.

Efforts by the UN Secretary-General's High-level Panel to define clear financing targets to achieve the goals are a useful starting point, but more needs to be done to: show where the resources are expected to come from; how they will be delivered to maximise impact; and how the most marginalised (those who are chronically poor) will benefit.

Part of the solution is a move away from fragmented, short-term funding to more secure resource provision based on predictable and longer-term global partnerships. For available resources to contribute effectively to the eradication of chronic poverty, transparency and mutual accountability must also be exercised at different levels – global, national and sub-national. Given that chronic poverty affects individuals, households, communities and that chronic deprivation affects whole nations, addressing a challenge of this magnitude and complexity will require combinations of local or micro-, sectoral and regional or meso-, and whole society or macro-level interventions.

Table 29: Post-2015 development goals which require more work to get broad agreement

Goal	Likely targets (indicators) on:	Do these address chronic poverty and help improve poverty dynamics?
Food security	End hunger and malnutrition. Sustainable fishing and food production. Reduce food losses and waste.	Admirable and relevant targets, but will be very difficult to achieve, based on MDG experience. Requires tackling food and nutrition throughout the lifecycle, dealing with the intergenerational transmission of poverty, and increasing resilience against shocks.
Water and sanitation	Sustainable water management. Universal access to drinking water and sanitation. Improved waste-water management.	Extending sanitation to the poorest has proved extremely challenging. The successful whole-community approaches are difficult for governments to implement as they involve a lot of community mobilisation. Including the poorest will also involve cross-subsidies, or targeted revenue-based subsidies.
Inclusive growth and employment	Improved access to finance, infrastructure and services for entrepreneurs especially women and marginalised groups. Increased productivity. Coherent employment-generating policies. Support for youth employment and entrepreneurship through skills training. Decent jobs. (Indicators: new measures that value environment and well-being)	Decent jobs and increased productivity is especially relevant to challenging the adverse incorporation experienced by the chronically poor, and to escaping poverty. Key sectors include: small-holder agriculture, construction, home working and domestic work. A major expansion will be needed in skills training and it should be targeted explicitly, as the poor hardly benefit at present. Coherent employment policies are critical and difficult to achieve, given the limited capacity of relevant government departments and continued opposition to 'industrial policy'.
Peace and stability	Reduce violent deaths. Promote inclusive growth and reduce inequalities. Fair, non-discriminatory justice institutions.	Horizontal and intersecting inequalities need a special focus. Peace without addressing these may well be temporary.
Governance	Increased transparency and accountability, including access to information. Participatory governance. Civil and political rights. Universal birth registration.	Better data are critical for transparency, accountability and effectiveness – on poverty dynamics, and disaggregated. Universal registration is a basis for 'leaving no one behind' in access to opportunities. It is not clear that chronically poor participate a great deal, even when institutions are created. Governance may rely more on elite-driven, nation-building political projects, which may or may not be democratic in nature. Freedom to associate is critical for the poorest workers. Economic and social rights may be more important than the civil and political rights favoured by this proposal.
Environmental sustainability – goal and also cross-cutting objective	Sustainable resource management. Address climate change (several different proposals). Reduce greenhouse-gas emissions.	Is still treated in isolation from poverty. Few specific proposals bring the two issues together. No indication of how this goal area would perform any better post-2015 than pre-2015.
Global enabling environment	Finance. Trade. Tax. Aid. Global architecture and partnerships. Supportive, accountable business practices.	There is no indication how this goal area would be handled in the post-2015 era. There has been a sliding back from progress which was made in the 2000s to promote aid alignment and harmonisation and to link these with domestic resource prioritisation. Tax and illicit flows also continue to be a critical aspect of political settlements that include the poorest. There is useful new global momentum behind combatting illicit financial flows.

The world is entering a new era: the post-2015 framework

The past 50 years of development cooperation have been built largely on aid flows provided by donors and received by developing countries, and previous discussions have been dominated by 'balance of payments' equilibriums concerns. However, the discourse underpinning the post-2015 agenda is quite different. This framework places primary emphasis on domestic drivers of implementation and progress. Ending chronic poverty, achieving social progress and reducing key inequalities will be driven within a framework that is led by domestic commitments that are supported – no longer determined – by the international community. The Paris/Accra/Busan series of agreements on achieving aid effectiveness by supporting country systems and priorities has charted the way: the momentum of these agreements needs to be renewed and extended to cover all financial flows, and this should be underpinned by the 'new global partnership'.

Resources matter

The achievement of the post-2015 goals will require the contribution of factors beyond resources alone. Political momentum and mobilisation, technical and managerial capacity and other factors are all important, but it is vital that the domestic drivers of ending chronic poverty are properly resourced and that international resources are mobilised to support the post-2015 goals. To this end, the UN Secretary

General has established a Sustainable Development Financing process during 2014. This chapter (indeed, this whole report) seeks to inform that process.

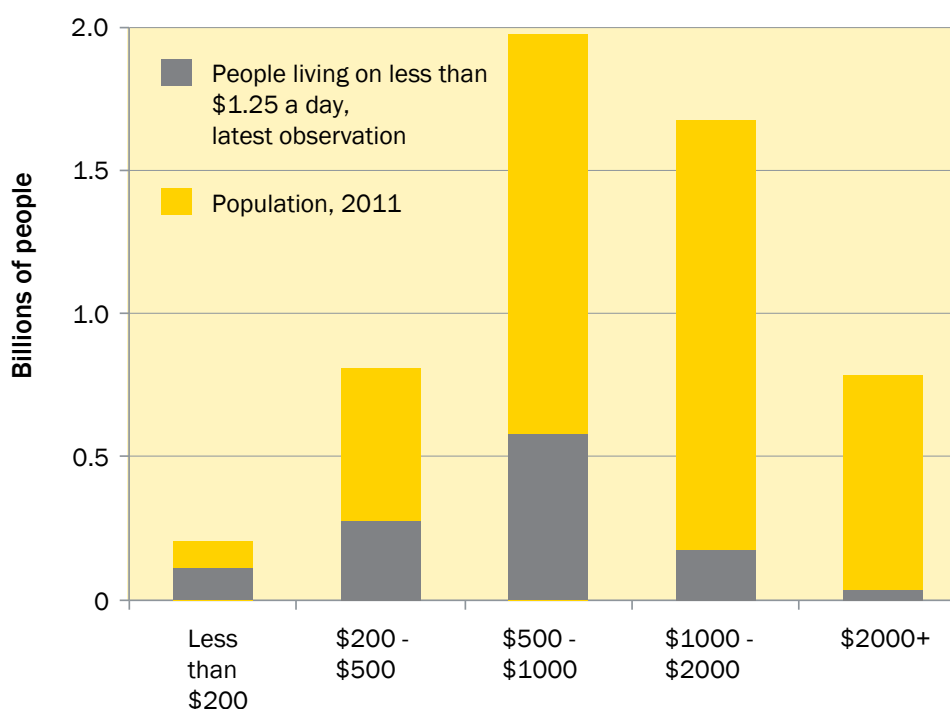
It is important, therefore, to evaluate the resources that are available to domestic institutions as well as the presence of wider domestic and international resources that can contribute, in various ways, towards the goal of ending chronic poverty.

Domestic resources

The resources available to governments are central to domestic efforts to end poverty. They are not the only relevant domestic resources – household expenditure, as well as the activities of NGOs, civil-society organisations (CSOs) and the domestic private sector are important determinants of the measures of health, education and living standards. Nevertheless, governments are important because they provide most public services, set the conditions to alleviate poverty, work with other actors and institutions to do so, and establish the basic infrastructure. It is also the governments of developing countries that committed to halving extreme poverty under the MDGs, and it is their government institutions that will commit to ending extreme poverty through the post-2015 framework. So it is important that these institutions have the resources they need to meet this challenge.

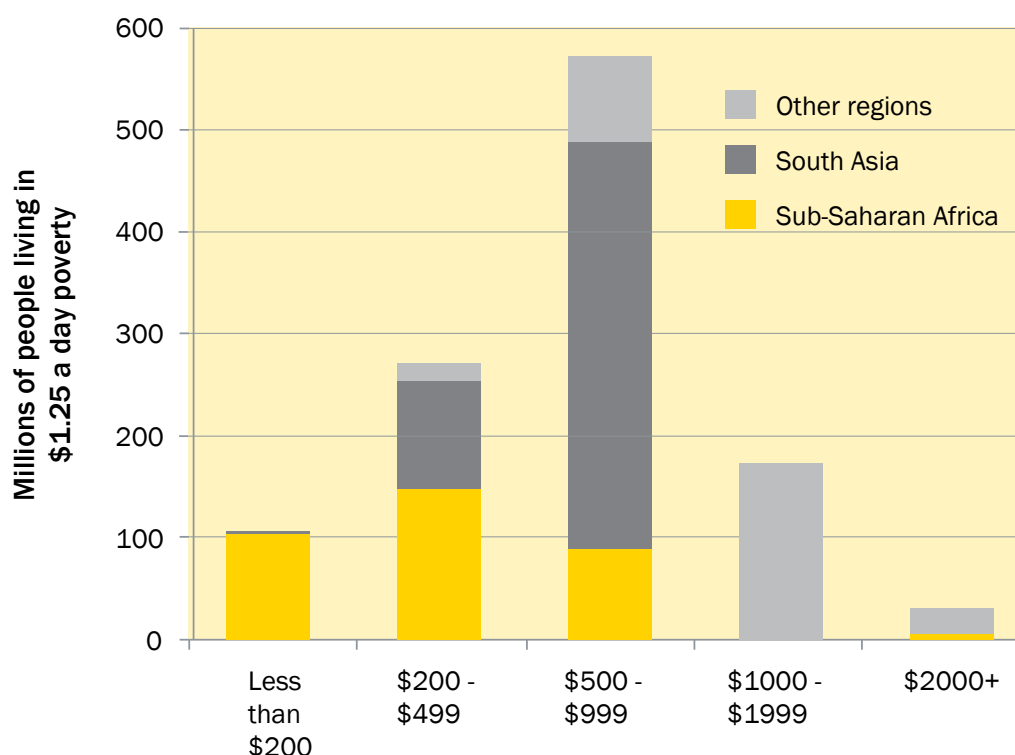
Domestic resource levels are growing: total government spending across all developing countries almost tripled

Figure 31: Population and number of people living in \$1.25 a day poverty by level of government spending per person



Note: Population and \$1.25 a day poverty data are from the year of the most recent survey; government spending data are from 2011.

Figure 32: People living in \$1.25 a day poverty, by government spending per person in each country, highlighting those in South Asia and sub-Saharan Africa



between 2000 and 2011, and spending grew by an average 5% or more per year in over 70 developing countries. However, domestic resources remain very low in many countries. Over three billion people live in countries where the government spends less than PPP\$1,000 per person per year in total, and 86% of those who are multidimensionally poor⁵ live in countries where government spending is less than PPP\$1,000 per person per year. Around 540 million people live in multidimensional poverty in 44 countries where the government spends less than PPP\$500 per year. Figures 31 and 32 illustrate how many people there are in countries whose governments spend different amounts per person.

This analysis makes use of the Multidimensional Poverty Index (MPI) to set against government expenditure data. The MPI is household-survey based, and counts a household as multidimensionally poor if it is deprived in 3 of its 10 indicators, and as severely poor if it is deprived in half or more of the indicators. The combination of personal or household poverty across several dimensions and low public expenditure is probably enough to fuel persistent poverty, and its continued intergenerational transmission. This is likely to be even more the case for severe multidimensional poverty.

Figure 32 shows over 500 million people living in \$1.25 a day poverty in South Asia, where public institutions face considerable domestic resource constraints. India, which

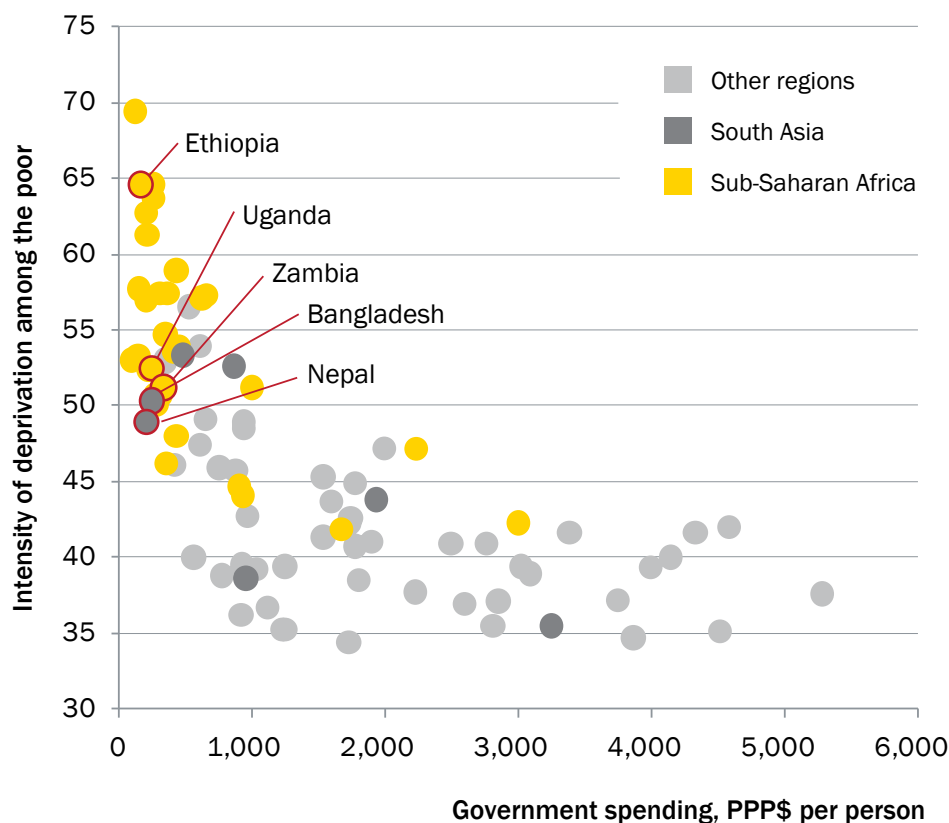
was home to 269 million people in extreme poverty in 2011 (greatly reduced for the first time from 407 million in 2004/5), had government spending of only PPP\$860 per person in 2011. Bangladesh, which has almost 65 million people in poverty had government spending of only PPP\$250 per person in 2011.

Sub-Saharan Africa is home to over 350 million people in \$1.25-a-day poverty, but domestic institutions face even more severe resource constraints in many sub-Saharan African countries. Nigeria, where around 88 million people live in multidimensional poverty, had one of the highest levels of government spending on the continent, at PPP\$650 per person, in 2011. DRC and Ethiopia, home to over 50 million and 25 million people in poverty respectively, each had government spending of less than PPP\$200 per person in 2011.

The level of resources available to institutions working to reduce poverty in these two regions must be a key component of the financing plan to end chronic poverty.

Where multidimensional deprivation is at its most intense, domestic institutions have much lower levels of resources to address it (Figure 33). The MPI captures 10 aspects of poverty across three areas, namely: health, education and living standards. People who are deprived in three of these areas in the weighted index⁶ are considered to be living in

Figure 33: Scatter graph showing government spending per person and the intensity of deprivation among the poor in each country



(Note that the y axis starts at 30 because multidimensional poverty is defined in the MPI as being poor in at least one-third of the factors considered).

multidimensional poverty. But the index also allows an evaluation of the intensity of their deprivation, and people in many countries are deprived in more than three of the areas captured. Further, there is a strong negative correlation between the intensity of poverty and the resources available to government institutions – a key finding of this report.

Many of the places in which poverty is most intense are in sub-Saharan African countries where domestic resources are lowest. For example, average deprivation among the poor in Niger is almost 70% of the maximum, while government spending was just PPP\$115 per person in 2011. In Ethiopia, also, the poor are, on average, deprived in around six or seven of the aspects captured by the index. Similarly, in Burkina Faso, Burundi, Guinea, Mali and Mozambique the poor are deprived in more than six of the MPI aspects, and government spending was only between PPP\$200 and PPP\$260 per person in 2011.

In some countries, governments are likely to experience a continued rapid expansion of resources. Countries such as India and Sri Lanka in South Asia, as well as Indonesia, the Philippines and Thailand, are likely to experience a doubling (or more) of government spending per person between now and 2030. For these countries, the challenge will be to scale up service provision and use these growing resources effectively to reach those in chronic poverty. Non-financial factors, such

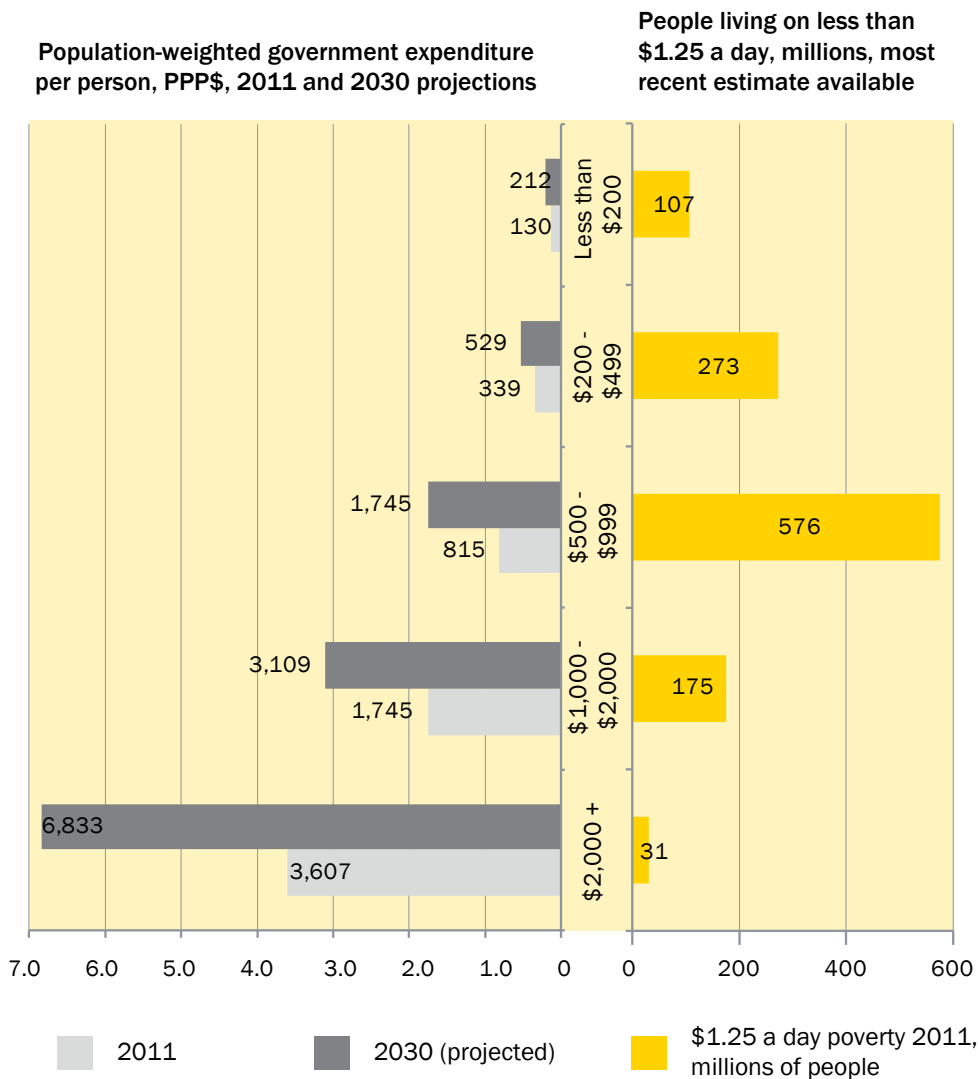
as the political context or the technical capacity to broaden and deepen service provision, will be critical.

For other countries, domestic resources are likely to remain extremely low over the period of the post-2015 timeframe. Of the 44 countries where government spending in 2011 was less than PPP\$500 per person each year, current projections show that 19 are still likely to have government spending below PPP\$500 in 2030, and that 16 of these are in sub-Saharan Africa. Figure 34 provides a summary picture of the relationship between government spending and people in poverty, for 2011 and 2030.

These challenges are further compounded by the fact that sub-Saharan African countries with the highest numbers living in poverty are expected to experience only slow growth in domestic resources over the post-2015 timeframe. While, for example, government spending per person in Ethiopia may double in percentage terms, this will take the country to only around PPP\$300 per person in 2030. Likewise, in DRC, government spending per person may remain below PPP\$200. Even Nigeria, where government spending was slightly higher in 2011 at PPP\$650 per person, is likely to experience only very slow growth, taking it to around PPP\$700 per person – a result, in part, of rapid population growth.

It seems clear that the most severe and ongoing domestic resource constraints are likely to be in sub-Saharan

Figure 34: Average government spending per person in 2011 and projections for 2030, for countries with different current levels of domestic resources, and the number of people living in \$1.25 a day poverty (most recent estimates available)



Africa. It is, of course, very hard to project accurately so far into the future, but these rough projections paint a stark picture. Countries that already face the most severe resource constraints – many of them in sub-Saharan Africa – are likely to experience the slowest growth in domestic resources over the post-2015 timeframe.

International resources

The international resources that flow to developing countries have grown rapidly in both scale and diversity. Indeed, the landscape of international resources looks very different now compared to 2000, when the MDGs were agreed. These trends have been driven largely by growth in foreign direct investment (FDI), remittances, and loan disbursements.

Each developing country receives a different mix of international resources. FDI flows largely to countries that are more economically-developed, or countries that have natural resources. Remittances are very important for a number of

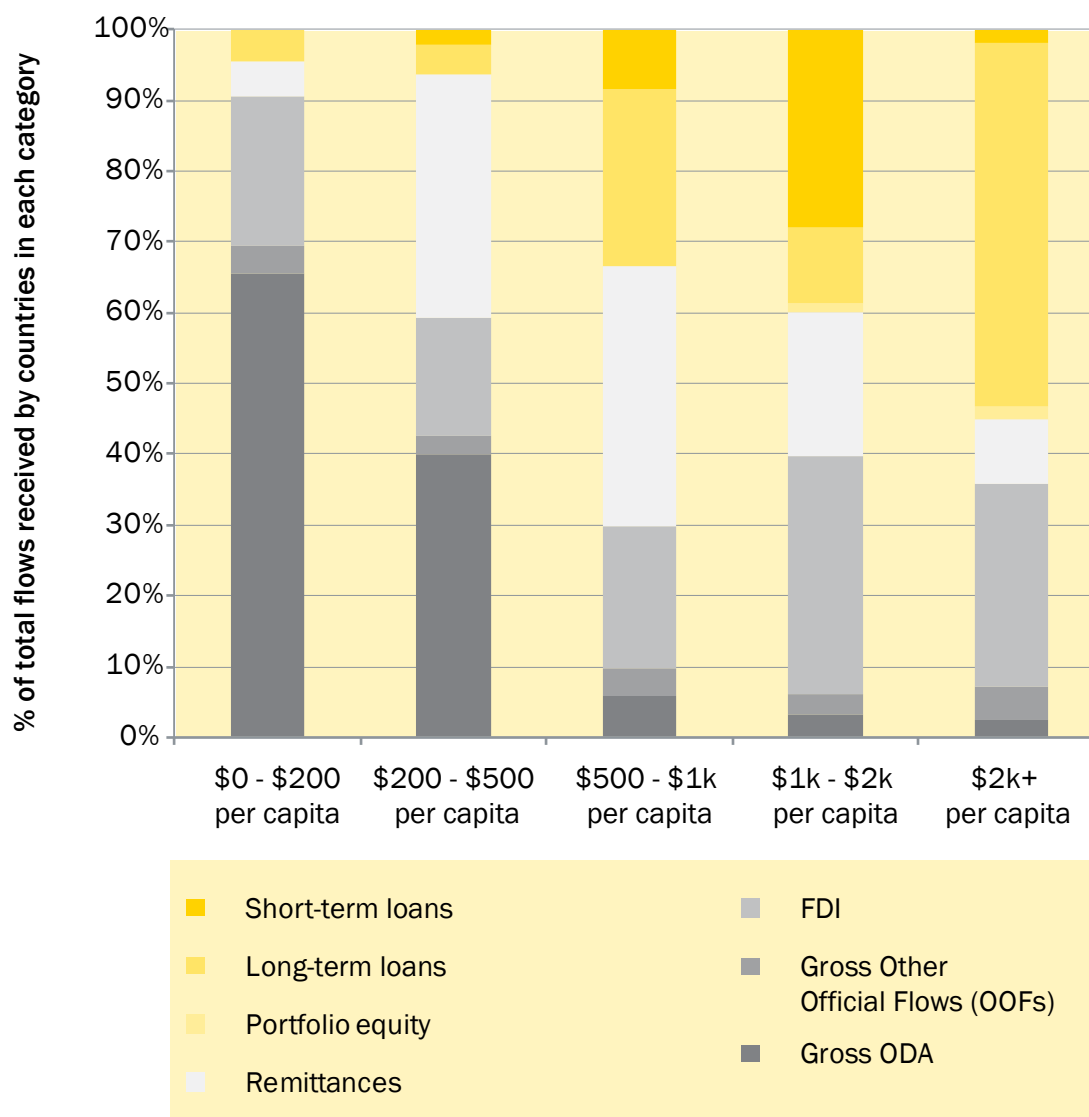
countries such as India, Nigeria and the Philippines, that have large diaspora.

Therefore, official development assistance (ODA) remains the largest resource flow for countries with the lowest levels of domestic resources, and it is the largest resource flow received by 70% of countries where government spending is less than PPP\$500 per person each year. For countries with government spending of less than PPP\$200 per person each year, ODA accounts for 65% of inflows as shown in Figure 34.

ODA has, therefore, an extremely important role to play in realising the post-2015 agenda. Given its unique mandate to target improved welfare and development specifically, and its continued importance to countries with the lowest levels of domestic resources, ODA is well placed to mobilise and catalyse wider flows in a way that other resources cannot.

Where domestic political momentum to improve taxation exists, ODA can support developing countries in both the mobilisation and use of resources. Mechanisms such as

Figure 35: The mix of resource flows to countries in each government expenditure per capita category, 2011



domestic resource mobilisation and tax-reform programmes can generate substantial additional resources for developing countries. The proportion of ODA that goes towards these types of programmes is relatively low, although research shows that a significant proportion already goes to countries with the lowest levels of domestic resources.⁷ ODA can also support countries as they increase their capacity to deliver services, or mobilise the contributions of wider domestic and international resources towards the post-2015 goals. It can leverage resources towards 'hard-to-fund' sectors such as policy research, and can act as a catalyst for wider international flows.

The post-2015 framework should create room to experiment with new models of financing or partnerships, but it is vital that these mechanisms maintain a primary focus on development outcomes and retain the principles of transparency and accountability.

Health and education: domestic resources

As noted in earlier chapters, investments in health and education can help to break the intergenerational cycle of poverty. In 2009, WHO undertook a detailed exercise to estimate the cost of providing basic healthcare in LICs to meet the health-related MDGs. They concluded that, on average, LICs needed to spend a minimum of \$44 per person each year, rising to \$60 per person by 2015,⁸ in order to provide basic healthcare. This estimate was not limited to public spending; household, private and commercial spending on healthcare is important in many developing countries. Nevertheless, it represents an important benchmark for public spending on health.

The left-hand graph in Figure 36 compares the number of poor people who have experienced the death of a child in the family; the right-hand graph compares the number of poor people who are malnourished. Note that data are not

available for the total number of people affected in each area; these figures are for the number of people who are poor (or vulnerable to poverty) – those with deprivations in at least two of the 10 areas covered in the MPI. Government health-spending data are from WHO.

The majority of poor people who are deprived in the area of health⁹ live in countries where government spending is below the WHO health-spending benchmarks. In addition, 85% of those recorded by the MPI as deprived in the area of child mortality, and almost 90% of those deprived in nutrition live in countries where government spending on health is less than \$45 per person.

India accounts for a significant proportion of these people; an estimated 150 million people deprived in terms of child mortality and almost 275 million deprived on nutrition. Government spending on health in India was an estimated \$44 according to the WHO in 2011.¹⁰ The Ethiopian government spent an estimated \$30 on health per person in 2011, and an estimated 28 million and 42 million people were deprived in the areas of child mortality and nutrition (some 34% and 50% of the total population). Bangladesh, DRC, Mozambique and Pakistan all spent less than \$30 of public money per person on health and account for a further 74 million people deprived in relation to child mortality.

These findings highlight the importance of increasing the resources available for healthcare. Public resources are only a part of the picture – a considerable amount of health expenditure in many developing countries is funded by households, and international resources such as remittances may also be important, as social insurance might be if it were available. Nevertheless, it is clear that most people who are deprived in the area of health live in countries where the government spends only a small amount on health per person.

The situation in the education sector is similar – the majority of those deprived in education live in countries with low levels of public spending on education. In 2009, UNESCO undertook a detailed study to estimate the cost of financing education in LICs and produced estimates for the total annual cost of education between 2009 and 2015. Figure 37 compares these country-specific estimates against actual recorded expenditure in 2011 for 28 LICs that are covered by both the UNESCO estimates and Government Spending Watch.

7.4 How are donors responding?

In the Dakar Framework for Action,¹⁴ the international community affirmed that “no countries seriously committed to education for all will be thwarted in their achievement of

Figure 36: Comparing government spending on health with health deprivation

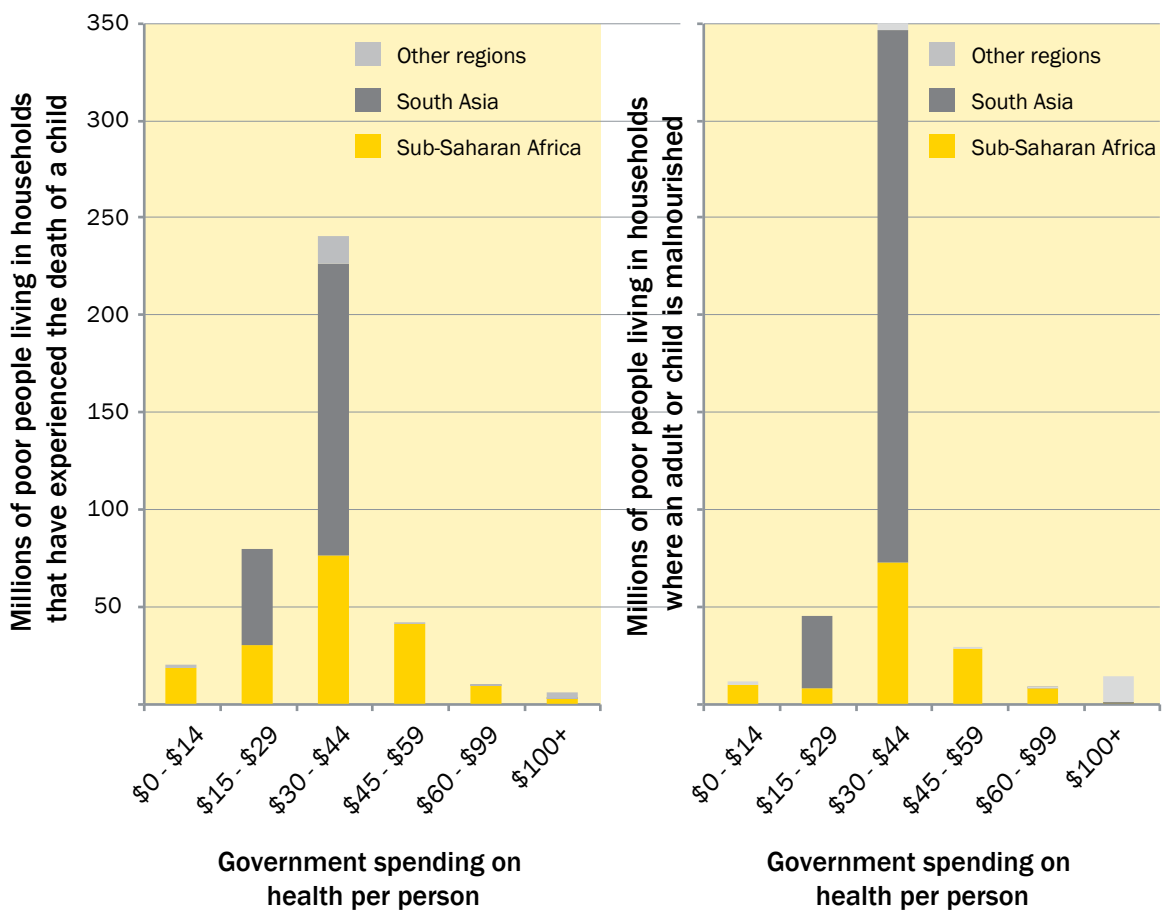
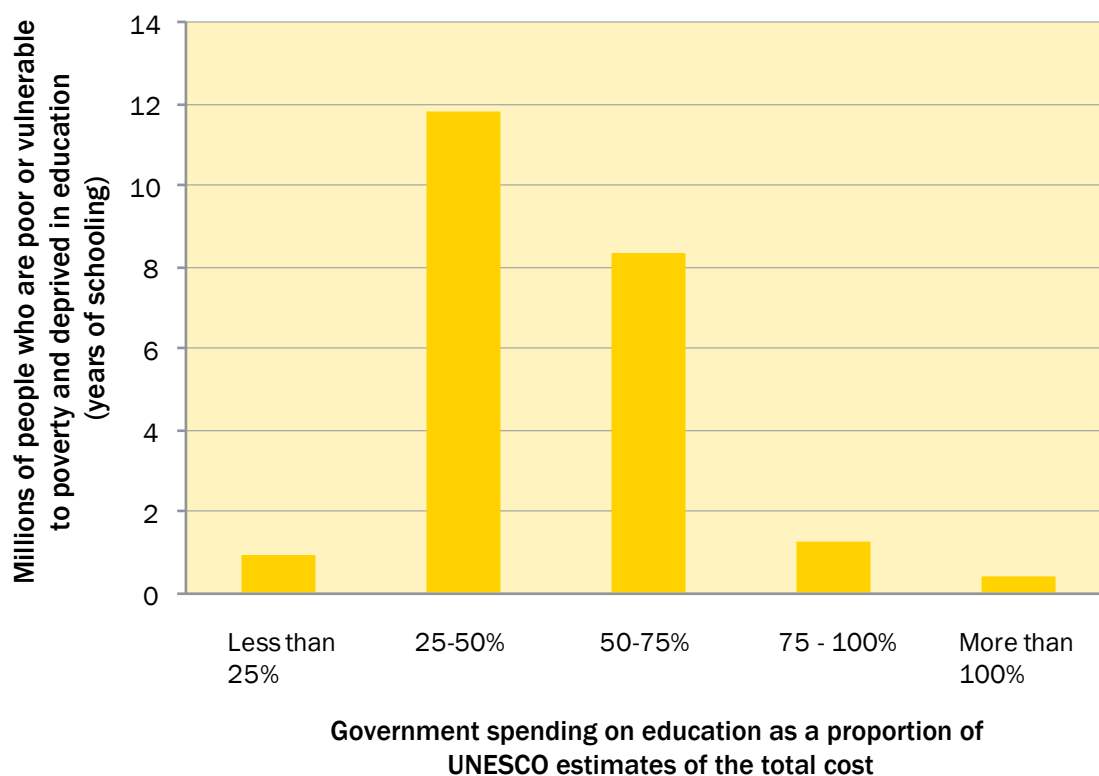


Figure 37: The number of people living in low-income countries who are poor or vulnerable to poverty¹¹ and are deprived in education¹²



These data cover 28 countries¹³ that are both covered by UNESCO's estimates (UNESCO, 2009) and for which there are data on government spending on education (Government spending watch). Government spending data is for 2010/11 financial year or 2011, with the exception of Niger whose data cover 2012.

this goal by lack of resources" and called on bilateral and multilateral funding agencies, as well as development banks and the private sector, to mobilise resources to achieve this goal.

The type of ODA provided by donors may not be well aligned with the composition of deprivation in recipient countries. Investments in health and education are vital to ending poverty, and in countries where deprivation in one or other sector is more widespread or more intense, one would expect to see donors investing a greater proportion of ODA in those sectors. But this is not the case.

Figures 38 and 39 show the contribution of health and education towards the MPI, using this rough measure to gauge the extent to which the lack of health and education can be considered causes of poverty in different countries. Comparing this against health and education ODA as a proportion of total ODA, one would expect a positive relationship, with countries clustering around the diagonal dashed line.

However, the figures show that there are many countries where the lack of health or education is a major aspect of deprivation, yet these sectors do not account for a larger proportion of ODA. This is particularly true regarding

health. For many countries, such as Indonesia, the Maldives and the Philippines, poor health is a significant contributing factor in overall poverty, but is not prioritised by donors. Most of the countries where health ODA accounts for a high proportion of total ODA are in sub-Saharan Africa, with HIV/AIDS programmes accounting for a significant portion of the total ODA received in many of these countries.

Looking within each sector, however, there is a stronger relationship between the countries prioritised by donors and those that are home to the highest numbers of people deprived in health and education than there is between the countries where the poor health and education are major contributors to multidimensional deprivation. In general, the countries with the largest numbers of people deprived in health and education receive the largest proportions of health and education ODA.¹⁶ There are a few exceptions: in education there are a couple of countries – the West Bank & Gaza Strip and Jordan – that receive a high proportion of education ODA despite having relatively smaller numbers of people who are deprived in the area of education. And in both sectors there are a number of countries that have up to one million people deprived in the areas of child mortality or schooling but that do not receive significant amounts of ODA.

Figure 38: Health as a contributing factor to the Multidimensional Poverty Index and the proportion of ODA received by each country that goes to the health sector

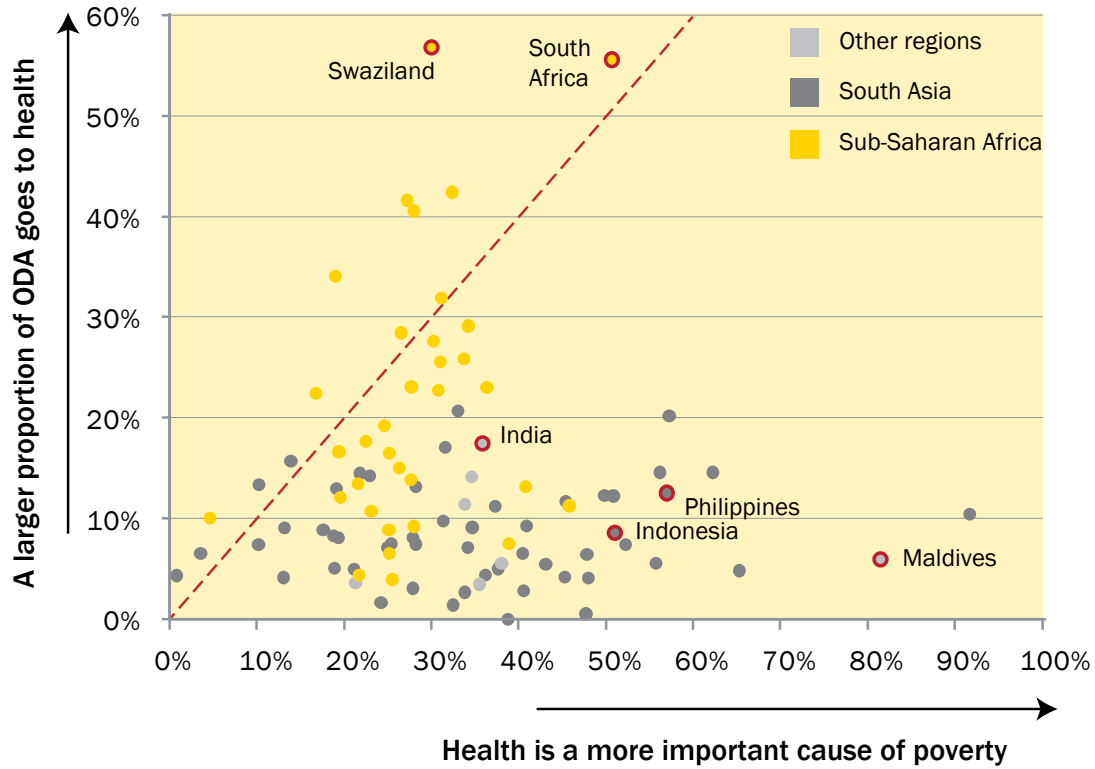


Figure 39: Education as a contributing factor to the Multidimensional Poverty Index and the proportion of ODA received by each country that goes to the education sector

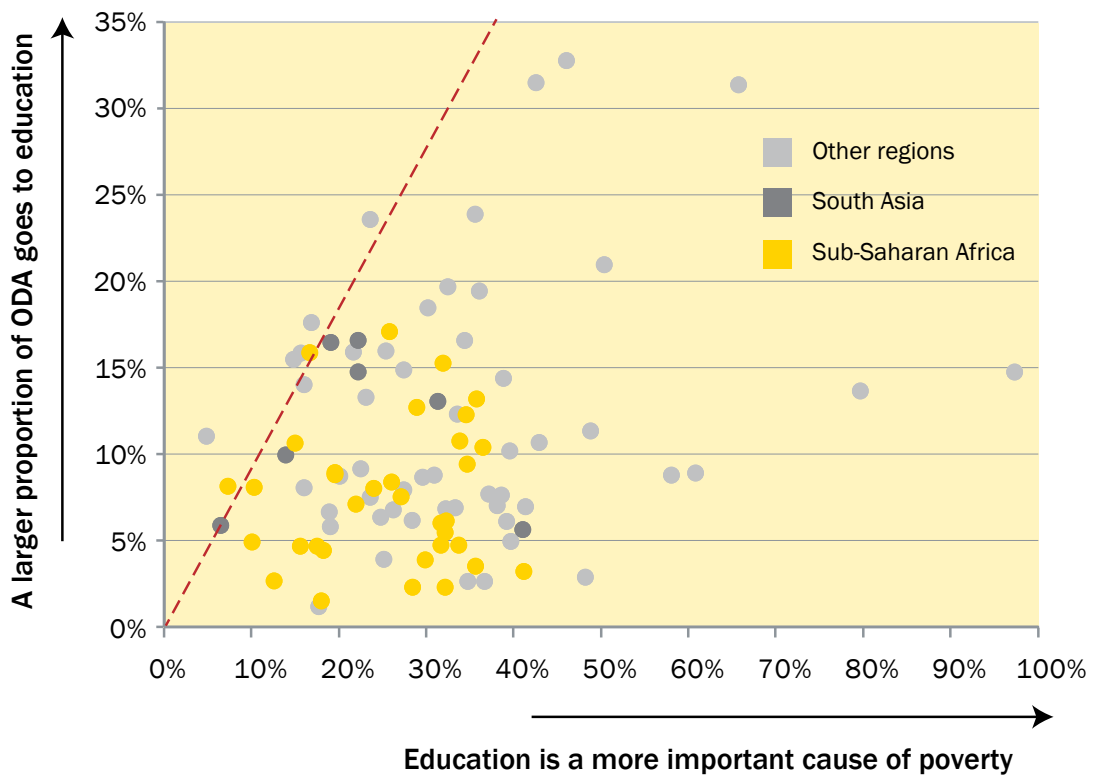
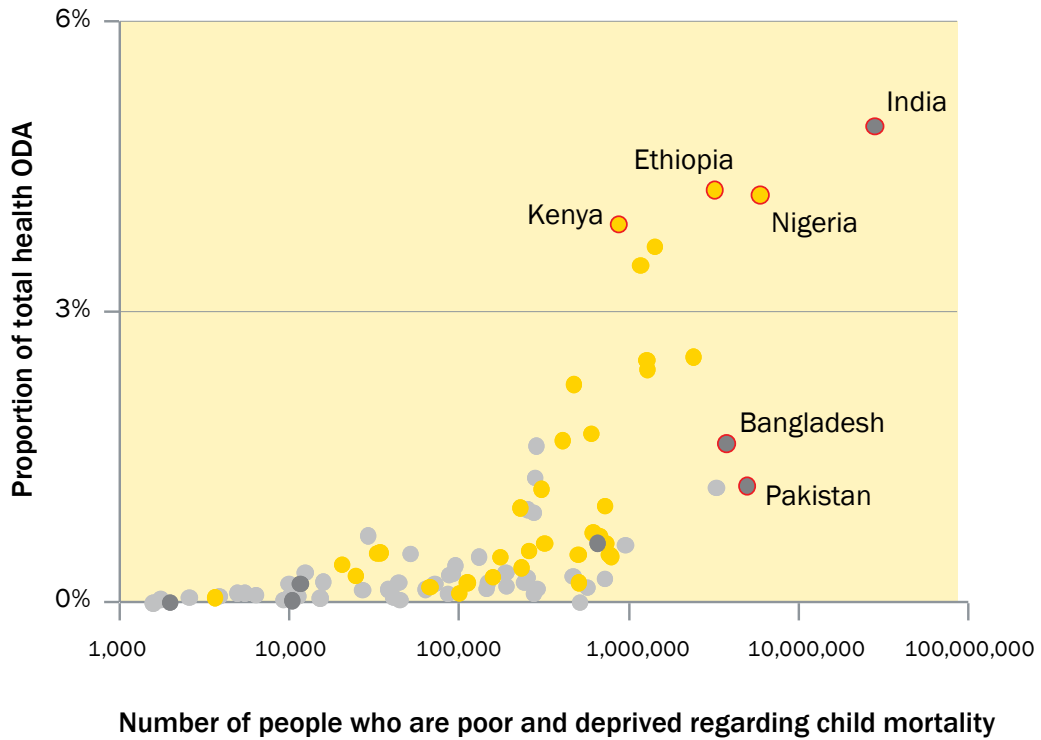
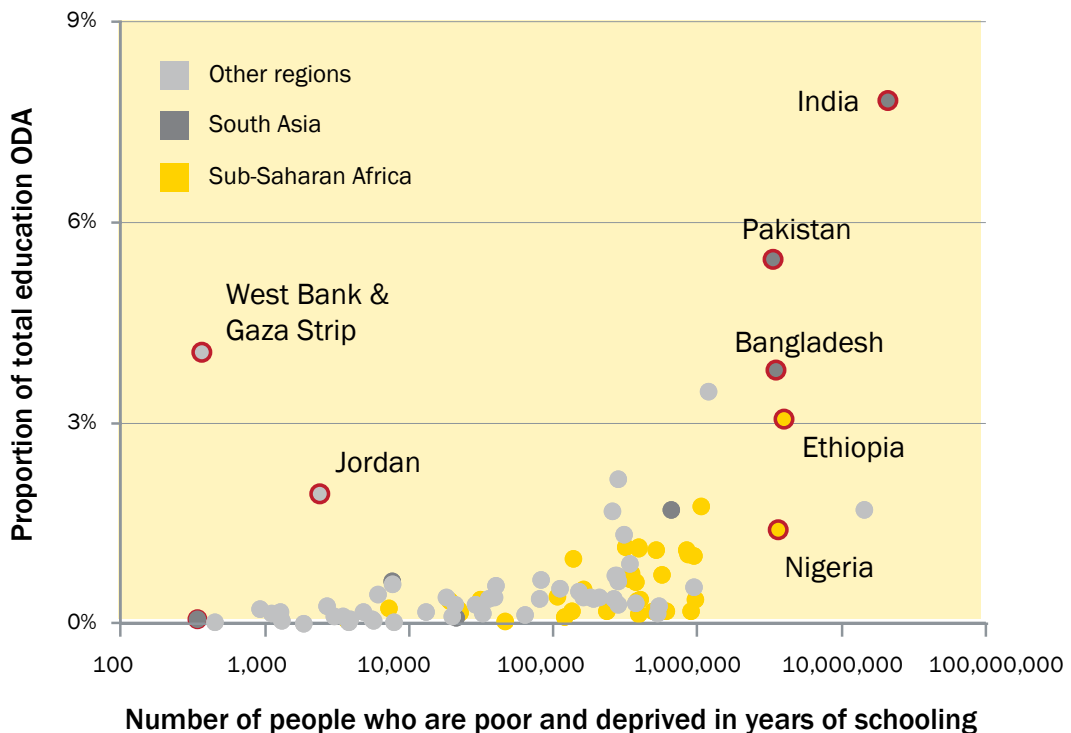


Figure 40: The estimated number of people who are living in multidimensional poverty and who are deprived regarding child mortality, compared against the proportion of health ODA to each country



ODA figures are gross ODA from DAC donors in 2011, excluding non-transferred ODA.⁴⁵ Note the logarithmic scale on the x axis.

Figure 41: The estimated number of people who live in, or are vulnerable to, multidimensional poverty, and who are deprived regarding years of schooling, compared to the proportion of education ODA to each country



ODA figures are gross ODA from DAC donors in 2011, excluding non-transferred ODA. Note the logarithmic scale on the x axis.

7.5 Summary and conclusions

The evidence presented in this chapter highlights the importance of adequate resources for initiatives to end poverty. While resources are not the only determinant of progress – the achievement of the post-2015 goals will require sustained political will as well as technical capacity and other contributing factors – efforts to realise the goals may be fruitless if they lack the necessary resources.

Poverty is most prevalent and most intense where domestic resources are lowest. This finding is consistent whether looking at headline poverty or at poverty within sectors such as health and education. Over 80% and 85% of people living in \$1.25 a day and in multidimensional poverty live in countries where government spending is less than PPP\$1,000 per person each year. Between 85% and 90% of people living in poverty who are deprived in health indicators live in countries where government spending on health is less than \$45 per person: less than the cost benchmarks estimated by WHO.

South Asia and sub-Saharan Africa account for most of this poverty, and public institutions across countries in both regions face considerable resource constraints. South Asia accounts for the largest number of people in poverty: over 500 million people. However, the intensity of deprivation in sub-Saharan Africa is generally higher, and the resources available to public institutions tend to be even lower.

Looking towards 2030, some countries will experience rapid growth in domestic resources while many of the poorest countries are likely to face continued and severe resource constraints. Projections to 2030 show a likely divergence in country experiences. A number of countries, including India, Indonesia and the Philippines, are likely to experience a doubling (or more) of government resources per person – the challenge for these countries will be in using these resources efficiently to scale up the delivery of public services.

Many other countries, however, will face much slower growth in domestic resources. Of 44 countries with government spending of less than PPP\$500 per person in 2011, 19 (16 of them in sub-Saharan Africa) are likely to still have government spending of less than PPP\$500 in 2030, according to current projections.

International aid is a vital resource for the countries with the lowest resources. While wider international flows have grown in scale and diversity, international aid remains the largest resource for most countries with the lowest levels of domestic resources.

There may be room for donors to improve the targeting of ODA at the root causes of poverty within partner countries. For most developing countries, there does not appear to be a strong relationship between the extent to which health or education are root causes of poverty and the proportion of ODA received that goes to these sectors. However, within the education and health sectors, donors appear to be better

at prioritising countries by the sheer magnitude of their deprivation in these areas.

Takeaway messages for the post-2015 agenda

There is a need for resources that are targeted at chronic poverty and its causes. The goal of zero poverty by 2030 provides a good opportunity for the development community to focus its efforts in the post-2015 era, but little or no achievements will be made unless adequate and good quality resources are provided to address extreme and chronic poverty. The clear relationship between low resource levels and chronic poverty highlights the need to target appropriate levels of resources at its root causes. As such, social protection needs to take centre stage in any post-2015 settlement alongside investment in all other pro-poor and pro-sustainable growth efforts.

The post-2015 framework must develop a clear plan to mobilise resources that are commensurate with the ambition of its goals. The implementation framework for the post-2015 agenda should place primary emphasis on domestic commitments to realise these goals, but it must also recognise the considerable resource constraints that face many developing countries. And it should develop a clear plan to mobilise resources that match the needs.

This financing plan should mobilise the efforts and resources of a wide range of actors. Chronic poverty affects more than individuals – its impact is felt by households, communities, countries and entire regions, so a complex mix of efforts and resources is needed to address it at every level, from local and national to global.

The added value of mobilising ‘all resources’ is as much in the increased volumes as it is in the comparative advantages that the varied resource components bring to the pot. Different resources perform different functions and do not, in general, displace one another. The post-2015 financing framework should build on the comparative advantages of different resources, actors and institutions.

ODA is a unique resource and has an important role to play in ending poverty. Given its mandate to target improved welfare and development specifically, ODA can be used in ways that other resources simply cannot. There is a strong argument that ODA should target poverty eradication and the root causes of extreme and chronic poverty.

ODA can also play a critical role in supporting the mobilisation of domestic resources. Where domestic political commitment exists, ODA can support developing countries in the mobilisation and use of resources. This includes mechanisms such as domestic resource mobilisation and tax-reform programmes, as well as support for countries to increase their capacity to deliver services. ODA can also help to address international issues that affect domestic resource levels, such as reducing illicit finance.

Finally, ODA can play a critical role in mobilising wider international resources and, given the growth in international flows to developing countries, there is considerable scope to yield additional resources in support of the post-2015 agenda. ODA is uniquely placed to leverage and catalyse these wider flows, and the post-2015 framework should create room to experiment with new models of financing or

partnerships. ODA can complement and leverage resources towards 'hard-to-fund' sectors such as policy research. It is vital, however, that mechanisms to catalyse and mobilise wider resources are constructed in a way that maintains the primary focus on development outcomes and retains the principles of transparency.

Notes

- 1 Projections are from Development Initiatives (2013).
- 2 This is proposed in the absence of a viable indicator on decent work.
- 3 CPRC (2004) p. 59 *The Chronic Poverty Report 2004-5*, www.chronicpoverty.org. page 59.
- 4 Reference: <http://www.odi.org.uk/sites/odi.org.uk/files/odi-assets/publications-opinion-files/8711.pdf>
- 5 The Multidimensional Poverty Index is now available for over 100 countries – see Latest reference. Annex 5, however, illustrates that there is no straightforward relationship among the variables used in the bulk of this report and multidimensional poverty. This is an issue for further research.
- 6 The three areas health, education and living standards are weighted equally to create the headline measure of poverty.
- 7 Development Initiatives, forthcoming
- 8 However the amount varies by country: for five of 49 countries the average cost is more than \$80 per person in 2015, while for six countries it is less than \$49 per person.
- 9 As measured in the Multidimensional Poverty Index. The healthcare deprivation criteria in this index are: that the person surveyed has experienced the death of a child in the family, or they are malnourished. Note that the data cover those who are poor or vulnerable to poverty and deprived in each area of health, not the total number of people deprived. It uses the k=0.2 data from the MPI.
- 10 Although other sources suggest it may be considerably lower: Government Spending Watch estimates planned spending on health equivalent to \$15 in India and \$5 in Ethiopia in 2010/11.
- 11 Using the Multidimensional Poverty Index cut-off of being deprived in 2 out of 10 indicators.
- 12 They have received less than five years of schooling. Years of schooling is used as country coverage for the other education measure, child school attendance is less comprehensive.
- 13 These countries are: Bangladesh, Benin, Burkina Faso, Burundi, Cambodia, Congo (Dem. Rep.), Cote d'Ivoire, Ethiopia, Gambia, Ghana, Haiti, Kenya, Liberia, Madagascar, Malawi, Mali, Mozambique, Nepal, Niger, Nigeria, Rwanda, Senegal, Tajikistan, Tanzania, Togo, Uganda, Yemen and Zambia.
- 14 Dakar Framework for Action (2000), paragraph 10, p.9.
- 15 The components of non-transferred ODA are: administrative costs, student costs, interest subsidies and other spending within the donor government.
- 16 Note that these figures exclude ODA in each sector that can be identified as not being transferred to the 'recipient' country.



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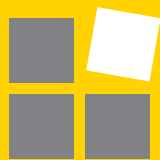


Annexes

The Chronic Poverty Report 2014-2015



Felicienne Soton is part of a women's group that produces gari (cassava flour). She and her group in Adjeğounle village have greatly benefited from Benin's national CDD project. Photo: © Arne Hoel/World Bank



Annex 1: Glossary of key terms

Accountability: generally defined as the means by which individuals and organisations report to a recognised authority, or authorities, and are held responsible for their actions.

Adverse inclusion (or incorporation): where people are included in social, political and economic institutions and processes, but on extremely unfavourable terms. These terms are often characterised by unequal and sometimes exploitative power relations.

Adverse selection: a market failure generated by information asymmetries, whereby a product or service is selected by only a certain group of people who offer the worst return for the company. In the insurance market, it describes a situation whereby an individual's demand for insurance (the propensity to buy insurance and the quantity purchased) is correlated positively with the individual's risk of loss (higher risks buy more insurance), and the insurer is unable to allow for this correlation in the price of insurance.

Affirmative action: initiatives that seek to redress past discrimination through active measures to ensure equal opportunity, as in education and employment.

Agency: what a person is free to do and achieve in pursuit of whatever goals or values he or she regards as important.

Assets/asset building: assets include financial, physical, natural, human, social, cultural and political capital. 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.

Birth registration: the process by which a child's birth is recorded in the civil register by the applicable government authority. It provides the first legal recognition of the child and is generally required for the child to obtain a birth certificate. Whilst, in some cases, this is issued to the child at the same time as registration, in others, a separate application must be made.

Bonded (or unfree) 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.

Cash transfers: cash payments made to poor households to supplement household purchasing power and improve acquisition of human capital. Cash transfers can be made conditional or they can be given without conditions.

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 marriage: marriage before the age of 18 (UNICEF definition).

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.

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.

Civil registration system: the continuous, permanent, compulsory and universal recording of the occurrence and characteristics of vital events pertaining to the population as provided through decree or regulation in accordance with the legal requirements of a country. Civil registration is carried out primarily for the purpose of establishing the legal documents provided by the law (UN definition).

Clientelism: organisation of patron-client factions by political organisers (patrons) who intend to use the organisational power to bargain for and capture rents.

Community scorecards: qualitative monitoring tools that are used for local-level monitoring and performance evaluation of services, projects and even government administrative units by the communities themselves. Their aim is to exact social and public accountability and responsiveness from service providers.

Collective action: cooperation among the components of a group in the pursuit of a common interest or the resolution of a common problem.

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.

Decent (quality) job: decent and quality job (or work) are used interchangeably in this report to mean employment that pays a decent salary and is carried out in safe working conditions, in conformity with ILO's Decent Work Agenda.

Decentralisation: the devolution of powers and resources from higher levels in political systems to elected bodies at lower levels. There are three main types of decentralisation: administrative decentralisation (or deconcentration), fiscal decentralisation, and devolution (or democratic decentralisation).

Demographic transition: the transition from high birth and death rates to low birth and death rates as a country develops and its average income per-capita increases. Demographic transition is characterised by an initial increase in population growth, as death rates decline faster than birth rates, which slows down as birth rates decline too.

Dependency ratio: the ratio of economically-active household members to those who are economically dependent.

- Discrimination:** the institutional, environmental and attitudinal factors that work to exclude certain people from activities, organisations and institutions.
- Empowerment:** the process whereby people gain more power over the factors governing their social and economic progress.
- Extreme poverty:** living on less than \$1.25 purchasing power parity per person per day (or below national poverty lines in some cases).
- Formalisation:** inclusion of informal businesses and workers into the formal sector.
- Fragile states:** those where the government cannot or will not deliver core functions to the majority of its people, including the poor. They are characterised by weak or no monopoly on the legitimate use of force, little taxation capacity, little outreach of state's organisation in all its territories and by institutional multiplicity.
- Hazards:** events that 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 individual risks 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.
- Horizontal inequalities:** inequalities that exist between groups that are defined by their identity (for instance religion, language or ethnicity) and that are often fuelled by an element of discrimination.
- Human capital:** factors such as knowledge, skills and health, which increase the productivity of the individual.
- Impoverishment:** descent into extreme poverty. It is used to indicate drops in income below the poverty line of both poor and non-poor people. In common English it can be used at any level of consumption.
- Impoverishment index:** the ratio between the number of people descending into poverty and the number of people escaping poverty. An impoverishment index greater than 1 means that descents outnumber escapes.
- Inclusive or pro-poor economic growth:** economic growth whose benefits are felt by all, including the poorest and most marginalised groups of the society – this can take place, for instance through an increase in their income per capita, and/or an increase in public services targeted to them, and/or an increase in their employment.
- Individual risk:** risk that is specific to individuals or households.
- 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.
- Intergenerational poverty:** 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. Intergenerationally transmitted poverty can involve both 'private' and 'public' transmission of capital, and transfers can be both positive and negative.
- Intersecting inequalities:** historically constituted social and economic inequalities or spatial inequalities that intersect with each other and with material deprivation. They are often associated with social and political oppression and/or discrimination on the basis of gender, ethnicity, religion, age and disability.
- Labour-market segmentation:** when individuals or groups with different characteristics not directly related to their skills and productivity (e.g. gender, religion, ethnic group) face different wages and labour conditions.
- 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).
- 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.
- Microfinance:** 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 (CGAP definition).
- 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).
- Moral hazard:** a situation where a party will have a tendency to take risks because they are unlikely to carry the costs that could result from that risk.
- Multi-hazard Index (MHI):** a composite index that combines the 'hazard rating' (the probability of the event occurring in the future) for five types of natural disasters: earthquakes, droughts, floods, high temperatures and tropical cyclones.
- Out of pocket expenditures:** any direct outlay by households, including gratuities and in-kind payments, to health practitioners and suppliers of pharmaceuticals, therapeutic appliances, and other goods and services whose primary intent is to contribute to the restoration or enhancement of the health status of individuals or population groups. It is a part of private health expenditure (WB definition).
- Oversight systems:** formal processes of monitoring and supervision.
- Panel household survey:** data from a type of longitudinal survey that tracks the same individual or household over time.
- Patron-client relationships:** a mutually obligatory and asymmetric arrangement between an individual who has authority, social status, wealth, or some other personal resource (the patron) and another person who benefits from his or her support or influence (the client).
- Polarisation:** process of increasing inequality between the two extremes of a distribution. Increasing income polarisation implies increasing inequality between the richest and the poorest people.

- Political settlement:** the relationship between power and institutions in a country. It refers to the way in which organisational and political power is organised, maintained and exercised, as well as to how the state relates to citizens.
- Poverty escape (or sustained poverty escape):** exiting poverty and staying out of it while progressing towards a higher income threshold (such as \$2 per person per day).
- Poverty gap:** the distance between one's income and the poverty line. It is a measure of the intensity of poverty.
- Poverty line:** 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 trap:** a situation in which poverty has effects in itself that act as causes of poverty. There are thus vicious circles, processes of circular and cumulative causation, in which poverty outcomes reinforce themselves. Poverty traps can operate at various units of analysis, from individual and household, to national.
- Poverty Vulnerability Index (PVI):** a composite index that combines a number of indicators into one index of poverty in 2030.
- Public works programmes:** transfers in cash or in kind are provided in exchange for work. The aim is to build assets or infrastructure that are useful for the community and, in turn, to provide a predictable source of income for chronically poor and food insecure households, especially during lean seasons.
- Rent-seeking:** expenditure of resources in any activity that seeks to create, protect, transfer or alter rents. Rent-seeking can be legal (lobbying), informal (patron-client relations) or illegal (corruption). It is found in both private and public sector.
- Resilience:** ability of a system, an individual or a household to respond to a shock or disturbance by resisting damage and recovering quickly.
- Resilient state:** states that experience stagnant economic growth and persistent poverty but manage to avoid political or conflict crises.
- Risk:** an 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 occurring, such as a drought, is high enough to alter their livelihood strategy.
- Rotating Savings and Credit Associations (ROSCAs):** pooling of resources among friends and neighbours to build up a 'pot' that can be loaned, in turn, to each member.
- Scheduled castes:** in India, a collection of castes formerly known as 'untouchables' (dalits) that have been 'scheduled' for positive discrimination in education and employment.
- Severe poverty:** living on less than \$0.70 purchasing power parity per person per day, based on the average consumption of sub-Saharan Africa's poor (or in some cases below national food/severe poverty lines).
- 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.
- Social assistance:** in this report, social assistance is used to indicate the non-contributory component of social protection that has the explicit aim of interrupting the intergenerational transmission of poverty or preventing destitution through benefits and transfers (in cash or in kind), which can be complemented by other types of interventions (i.e. integrated poverty reduction programmes).
- Social exclusion:** the economic, political and cultural processes that lead to the isolation of some individuals and 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).
- Social insurance:** transfers made by the State or other entity out of pooled resources that include at least some contributory element, and that are meant to provide support against life course contingencies such as maternity and old age, or work related contingencies such as unemployment or sickness.
- 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.
- Spatial poverty traps:** geographical areas that remain disadvantaged and whose people remain multidimensionally deprived and poor over long periods of time.
- Sterilisation:** central bank operations aimed at neutralising the impact of foreign exchange operations on domestic money supply, and more generally to offset the potentially adverse consequences of inflows and outflows of capital.
- Stunting:** low height-for-age, reflecting a sustained past episode or episodes of undernutrition (FAO).
- Systemic risk:** risk that has an impact on an entire group, such as a village, a region or the country as a whole.
- Targeting:** the process by which expenditure or transfers are directed to specific groups of the population defined as poor or disadvantaged, in order to increase the efficiency of the use of resources.
- Transformative (or progressive) social change:** changes in the social institutions, values and norms that govern relationships and underlie the process of development. As a result of these changes, discrimination decreases, more rights are universally recognised and relationships are less governed by unequal positions of power.
- 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.
- Under-five mortality rate:** probability of dying between birth and exactly five years of age, expressed per 1,000 live births (UNICEF).

Undernourishment: food intake that is continuously insufficient to meet dietary energy requirements (FAO).

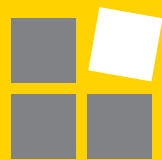
Universal Health Care: a health care system in which means everyone has the same financial protection and access to the same range of high-quality health services regardless of their employment status or their ability to pay for the service.

Value or supply chain: the full range of activities required to bring a product or service from conception through the different phases of production (involving a combination of physical transformation and the input of various producer services), of delivery to final consumers and to final disposal after use.

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).

Weather-based crop insurance: an insurance that pays indemnities based on a weather index (defined in terms of measurable weather events like rainfall) that is highly correlated with crop losses.

Well-being: well-being 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).



Annex 2: Details of the representativeness of the panel surveys

Enquête Permanent Agricole (EPA) conducted by the Ministry of Agriculture of Burkina Faso, focuses on the rural population. The sampling frame is based on the agricultural census and comprises agricultural households, which consists of 81.5% of all households – 95% of rural households and 45% of urban households. In particular, the sample frame includes agricultural households that are not engaged exclusively in horticulture – accounting for 94.2% of households in rural and 5.8% of households in urban areas. The sample is selected in two stages; first villages and then farms. The sample is stratified by farm size (Ministere de L’Agriculture de l’Hydraulique et des Ressources Halieutiques, Burkina Faso, 2009). Source of analysis: Wetta et al. (2011).

Enquête de Suivi de la Pauvrete, Vulnerabilites et Pauvrete Chronique au Senegal has a sample size of 1,200 households. Broadly speaking the sample is nationally representative, but is not necessarily representative of smaller geographic areas and regions. Source of analysis: Fall et al. 2011.

Ethiopian Rural Household Survey (ERHS) is representative of households in non-pastoralist farming systems in Ethiopia. Given that only 15 communities are sampled, generalisations to the whole of rural Ethiopia should be made with caution (Dercon et al. 2012; Dercon and Hoddinott 2011).

India National Council for Applied Economic Research (NCAER) panel follows 13,000 rural households across the twelve-year period from 1993/94 to 2004/05. Data are derived from nationally-representative sample surveys carried out by the National Council for Applied Economic Research (NCAER). Source of analysis Krishna et al. (2011).

Indonesia Family Life Survey (IFLS) is representative of around 83% of the Indonesian population covering 13 out of 33 Indonesian provinces (Widyanti, et al., 2009).

Indonesia National Socio-Economic Survey (Susenas) covers a nationally representative sample (Dartanto and Nurkholis 2013).

Kagera Health and Development Survey (KHDS) is representative of the Kagera region in Tanzania. Conclusion can be generalised to rural Tanzania, as shown by Christiaensen et al. (2013) and Beegle et al. (2011), but results have to be interpreted with caution.

KwaZulu-Natal Income Dynamics Study (KIDS), the initial 1993 KIDS survey was part of the World Bank Project for Statistics on Living Standards and Development and was, therefore, designed to be representative at the provincial level. The later 1998 and 2004 surveys excluded white and coloured households, due to their small numbers and high concentration in few clusters (May et al. 2006).

Mexican National Rural Household Survey (ENHRUM); data for the first round is from 2002, and for the second 2007. The sampling strategy was designed by the Mexican National Institute of Statistics and Geography to be representative of Mexican rural communities with populations between 500 and 2,499 habitants (representing more than 80% of Mexico’s rural population). The country was divided into five regions and 16 villages were selected from each region. The sample consists of more than 1,700 randomly selected households located in 80 villages from 14 Mexican states. The results presented here are from a panel consisting of 1,529 households (Gomez-Urquiza and Lopez-Feldman 2013).

Nepal Living Standards Survey 1,200 households are covered in the panel between the 2003/04 NLSS2 and the 2010/11 NLSS3. This panel is a sample from the national cross-sectional survey, the sample of which is constructed to be nationally representative. The sources of analysis are Mascie-Taylor (2013) and Gaiha et al. (2014a).

Pakistan Rural Household Survey 2001 and 2010. The first round, the Pakistan Rural Household Survey (PRHS), was carried out in 2001 in rural areas of 16 districts selected from all four provinces. The 2010 round, re-covered these 16 original panel districts. An urban sample was also added to the third round (though the figures presented here just give the rural panel), and it was renamed the Pakistan Panel Household Survey (PPHS). The sample may, however, have over represented the poorer regions. (Arif and Farooq 2012).

Philippines Family Income and Expenditure Survey (FIES) provides a sample that represents the whole country and its 17 regions. Source of analysis: Reyes et al. (2011).

South Africa’s National Income Dynamics Study (NIDS) cross-section samples are nationally representative (Finn and Leibbrandt, 2013). Source of analysis: Scott et al. (2014).

Tanzania National Panel Survey is a nationally representative panel survey. The first round was conducted in 2008/09 and the second in 2010/11. Altogether the NPS sample comprises 409 clusters (census enumeration areas in urban areas and villages in rural ones) and 3,265 households (Tanzania National Bureau of Statistics 2012). Source of analysis: Tanzania National Bureau of Statistics (2012).

Tegemeo Agricultural Survey, Kenya is conducted nationwide and is representative of rural, non-pastoralist households in Kenya, covering all major, eight agro-ecological zones (Suri et al., 2008). It is representative of about 85% of the rural Kenyan population and about 60% of the rural areas (land surface). This is because the data set excludes the North Eastern region which is sparsely populated but constitutes about 40% of the Kenyan land. Source of analysis: Scott et al. (2014).

Ugandan National Panel Survey (UNPS) covers a nationally representative sample of households (UBOS 2010). Source of analysis: Scott et al. (2014).

Vietnam Household Living Standards Survey (VHLSS) is a nationwide survey that is representative of the whole country, its eight regions and its provinces as well as urban and rural parts. Source of analysis: Baulch and Hoang Dat (2011).



Annex 3: The quality of escapes from poverty

This annex gives more details on the quality of escapes by households from poverty between wave 1 and wave 2 and then between wave 2 and wave 3 in South Africa's nationally representative National Income Dynamics Study (NIDS) and Uganda's nationally representative National Panel Survey (UNPS).

South Africa

Figures 42 and 43 illustrate how households escaping poverty across the waves of NIDS saw their consumption increase. Around 10% of households escaping poverty saw their consumption increase to a level just 10% higher than the poverty line. Meanwhile, a far greater proportion of households escaping poverty saw their consumption increase to twice the poverty line (just under 35% of households escaping poverty between 2008 and 2010 and 40% of households escaping poverty between 2010 and 2012).

Uganda

As with the quality of poverty escapes in South Africa, in Uganda around 10% of households escaping poverty saw their consumption increase to a level less than 10% above the poverty line, meaning they are vulnerable to living in poverty again in the future. Overall, the quality of poverty escapes in Uganda is lower than in South Africa. In comparison to South Africa, in Uganda, a smaller proportion of households increased their consumption to a level over twice that of the poverty line (25% of households escaping poverty between 2005/06 and 2009/10 and just of 20% of households escaping poverty between 2009/10 and 2010/11).

Figure 42: Consumption, relative to the poverty line, in wave 2 of households escaping poverty between wave 1 (2008) and wave 2 (2010) (South Africa)

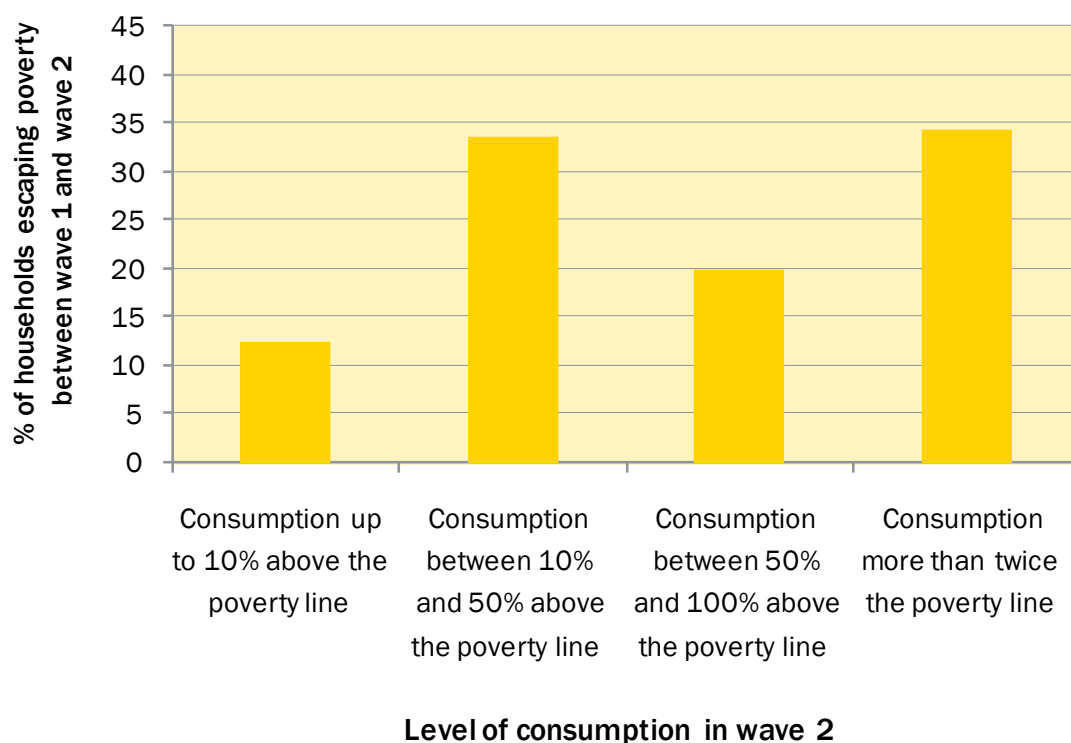


Figure 43: Consumption, relative to the poverty line, in wave 3 of households escaping poverty between wave 2 (2010) and wave 3 (2012) (South Africa)

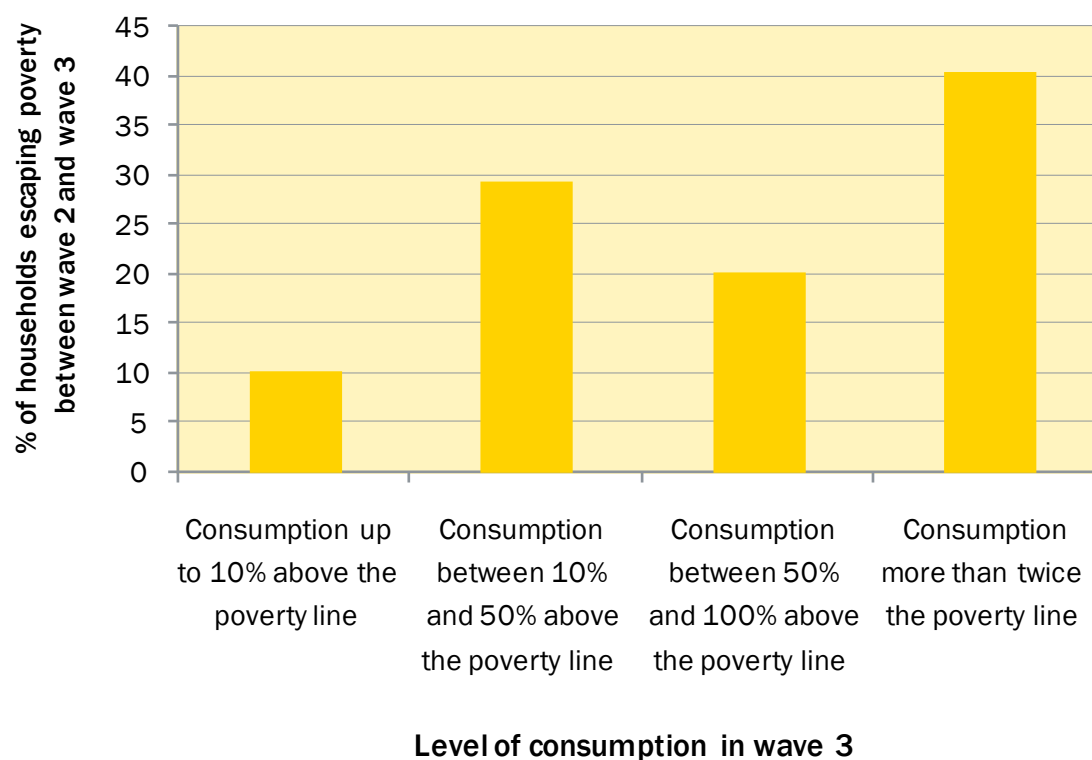


Figure 44: Consumption, relative to the poverty line, in wave 2 of households escaping poverty between wave 1 (2005/06) and wave 2 (2009/10) (Uganda)

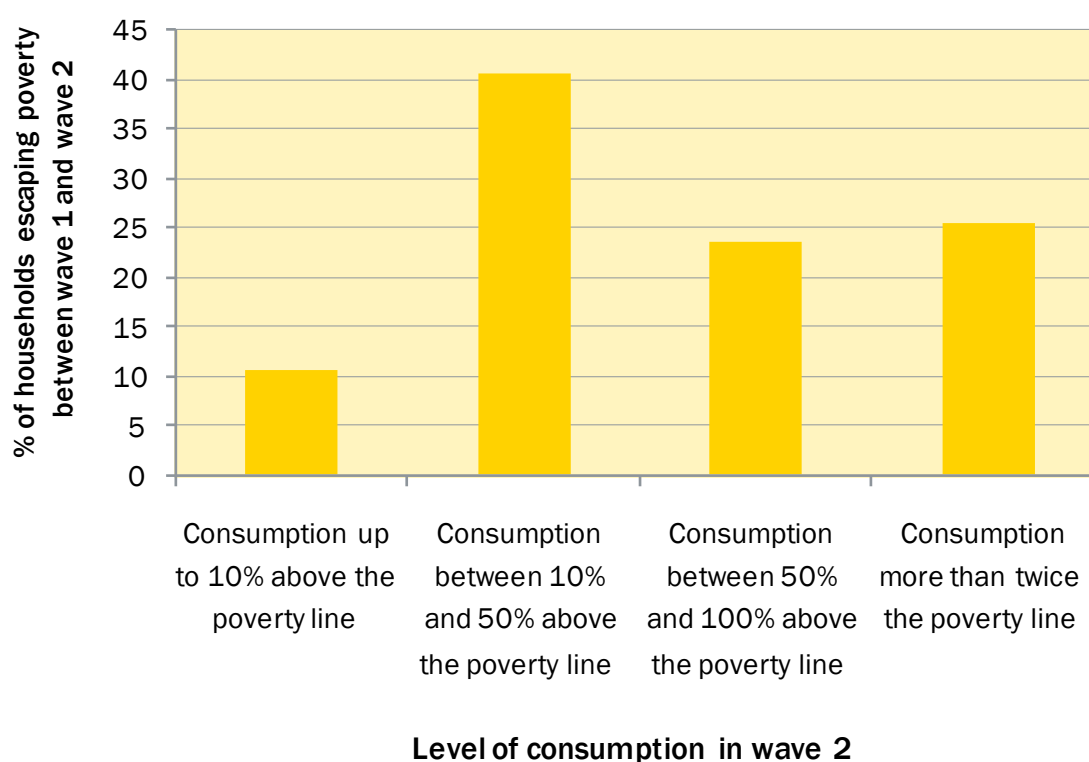
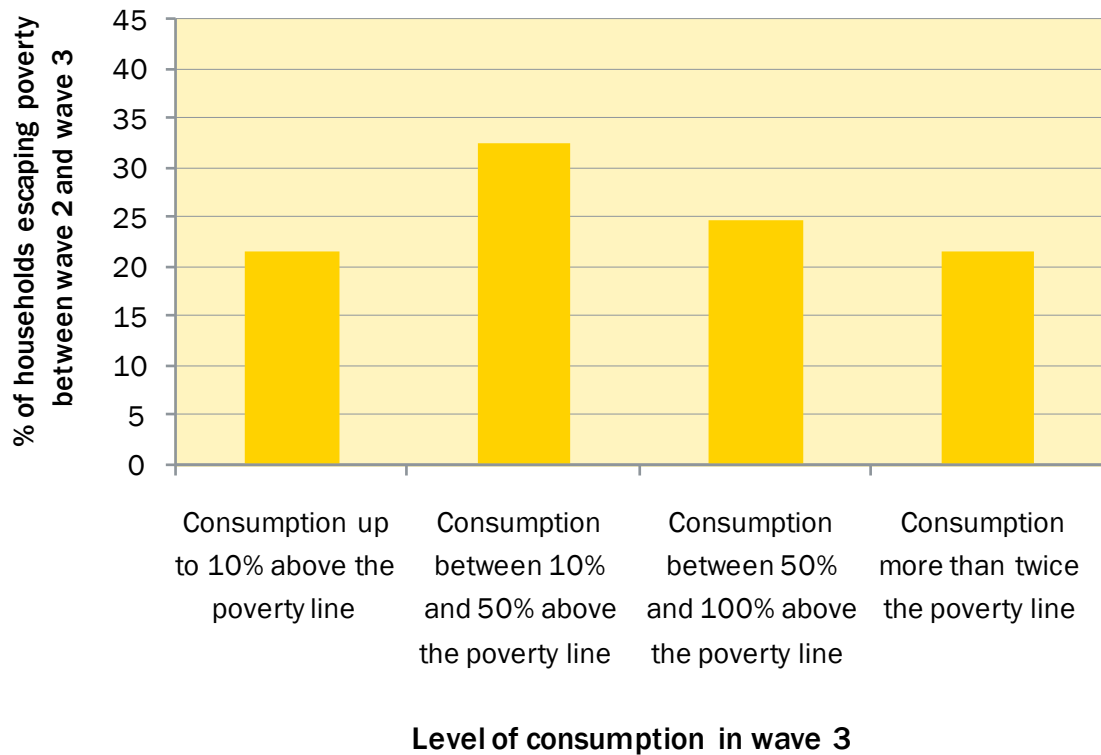


Figure 45: Consumption, relative to the poverty line, in wave 2 of households escaping poverty between wave 2 (2009/10) and wave 3 (2010/11) (Uganda)





Annex 4: LIC and MIC success

Table 30: Country rankings of success at reducing severe poverty alongside improving human development, gender equality and food security between 1990 and 2010

LICs		MICs	
Country	Full Score	Country	Full Score
Niger	73	Iran	52
Mali	67	Nicaragua	41
Mauritania	60	Lao PDR	38
Bangladesh	52	Pakistan	38
Malawi	51	Guyana	33
Nepal	48	Tunisia	33
Cambodia	41	Brazil	32
Mozambique	41	Panama	32
Ethiopia	38	Senegal	32
Guinea	33	El Salvador	30
Uganda	33	Ecuador	25
Gambia, The	32	Viet Nam	25
Central African Republic	29	Jordan	25
Sierra Leone	21	Peru	24
Burkina Faso	19	Guatemala	23
Guinea-Bissau	9	Thailand	23
Chad	6	Sudan	22
		Timor-Leste	20
		China	19
		Bhutan	18
		Ghana	18
		Honduras	18
		Indonesia	17
		Swaziland	16
		Mexico	14
		Dominican Republic	13
		Chile	11
		Syria	5
		Uruguay	5
		India	3
		Costa Rica	2
		Djibouti	2



Annex 5: Projections derived from the International Futures model

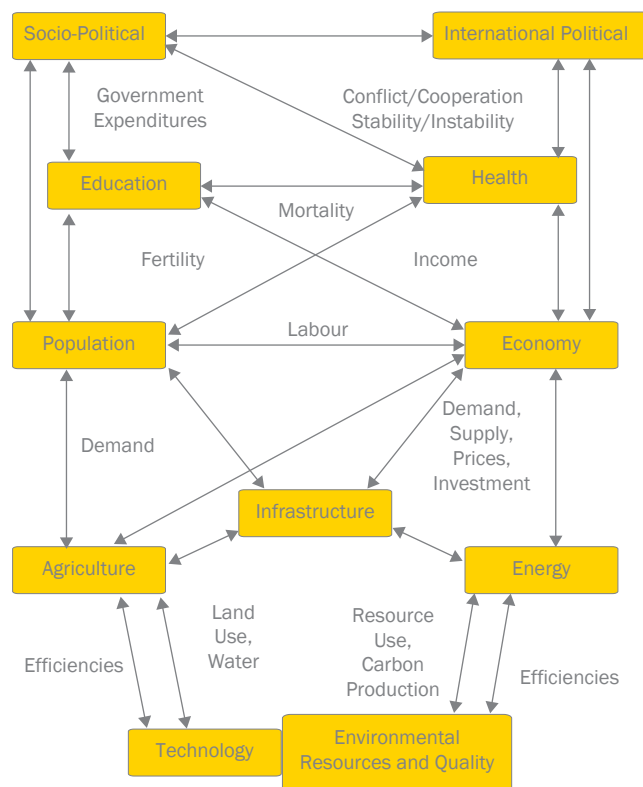
The projections presented in this report have relied on that The International Futures (IFs) model, a large-scale, long term data-modelling system developed at the Frederick S. Pardee Center for International Futures at the University of Denver. The system facilitates the development of scenarios based on user-generated assumptions about the drivers of a future condition, producing structure-based, agent-class driven dynamic projections. A complete list of variables and data sources included in the IF data set can be found at: www.ifs.du.edu/assets/documents/theifsdatabase12.pdf

The income poverty estimates use national accounts and household survey data, both sourced from the World Bank. To reconcile discrepancies between these two estimates the IFs models converts national mean income, measured by GDP per capita in 2000 PPP dollars, to an equivalent household mean consumption.

The sub-models that interact in the model are summarised in Figure 46. There are numerous underlying relationships between parameters within the model; these can be found in the IFs contents menu. This diagram illustrates the broader relational functions across the model. The interaction of these functions results in the baseline scenario presented in the report.

The drivers selected to create the optimistic and pessimistic scenarios for this analysis build on those used by Hughes et al.(2009), Cantore (2011) and the indicators used by the World Risk Report (UNU-EHS). Table 31 provides more information. Tables 32 to 35 also give the full results of the projections.

Figure 46: IFs submodel interactions



* Links shown are examples from a much larger set

Source: Hughes (2012)

Table 31: Parameters used to create optimistic and pessimistic scenarios in Chapter 6

IFs (2008) parameters	Cantore's (2011) parameters	Poverty and Disasters (2013) parameters	CPR3 Parameters
Total fertility rate	Total fertility rate	Total fertility rate	Total fertility rate
Female labour participation	Agricultural productivity	Agricultural productivity	Agricultural productivity
Economic investments	Total factor productivity	Total factor productivity	Total factor productivity
Education expenditure	Secondary and tertiary education survival rate	Government expenditure on education	Education: lower secondary time to gender parity survival
Effectiveness of government expenditures	Effectiveness of government expenditures	Government expenditure on health	Social security and welfare tax rate
Free market	Social capital	Social capital	Malnutrition
Infrastructure	Infrastructure	Government expenditure on infrastructure	
Production of renewable energy	Production costs of renewable and fossil fuel energy	Government effectiveness	

R&D expenditures	ODA%	Government corruption	
Trade protection	Government expenditures on education, health, pensions and other categories	Gender empowerment	
Domestic social transfers to unskilled workers	Domestic social protection transfers for skilled and unskilled workers	Domestic social protection transfers to unskilled workers	
		Malnutrition	
		Access to improved sanitation	
		Access to safe water	
		State failure risk/internal war	

Table 32: Country projections of \$0.70 a day poverty for the baseline, optimistic and pessimistic scenarios (in millions of people)

Low-income countries			
	Baseline	Optimistic	Pessimistic
Afghanistan	0.288	0.068	0.704
Bangladesh	3.559	2.151	6.672
Benin	2.308	1.627	2.997
Burkina Faso	4.258	2.569	7.716
Burundi	5.778	4.163	6.293
Cambodia	0.4	0.288	0.586
Central African Republic	2.025	1.689	2.247
Chad	2.428	1.681	2.991
Comoros	0.318	0.262	0.394
Congo; Democratic Republic of	11.39	7.639	12.82
Eritrea	1.426	1.006	1.787
Ethiopia	4.389	2.181	6.41
Gambia	0.338	0.209	0.476
Guinea	0.434	0.233	1.149
Guinea Bissau	0.666	0.468	0.652
Haiti	4.527	3.804	5.053
Kenya	3.202	1.992	4.195
Korea North	1.719	1.34	2.275
Kyrgyzstan	0.007	0.0028	0.012
Liberia	0.974	0.755	1.176
Madagascar	19.19	14.99	21.69
Malawi	8.26	6.017	11.15
Mali	3.247	2.055	4.74
Mozambique	2.691	1.469	4.486
Myanmar	0.593	0.443	0.693
Nepal	10.04	8.119	12.63

Low-income countries			
	Baseline	Optimistic	Pessimistic
Niger	1.747	0.818	5.316
Rwanda	5.896	4.175	8.517
Sierra Leone	0.233	0.109	0.399
Somalia	4.665	3.512	6.025
Tajikistan	0.217	0.127	0.332
Tanzania	10.95	6.435	19.61
Togo	0.926	0.588	1.685
Uganda	1.884	0.998	3.261
Zimbabwe	2.851	1.952	3.502
Total	123.824	85.9348	170.641

Lower-middle income countries			
	Baseline	Optimistic	Pessimistic
Armenia	0.012	0.009	0.007
Bhutan	0.003	0.002	0.006
Bolivia	0.042	0.022	0.071
Cameroon	0.336	0.196	0.519
Cape Verde	0.017	0.012	0.024
Congo; Republic of	0.05	0.025	0.091
Cote d'Ivoire	0.713	0.413	1.158
Djibouti	0.047	0.027	0.078
Egypt	0.022	0.009	0.055
El Salvador	0.076	0.055	0.101
Georgia	0.017	0.011	0.022
Ghana	1.025	0.604	2.107
Guatemala	1.546	1.037	2.105
Guyana	0.008	0.007	0.004
Honduras	1.744	1.325	2.258
India	23.04	11.8	54.74
Indonesia	0.268	0.127	0.525
Laos	0.043	0.028	0.1
Lesotho	0.649	0.52	0.785
Mauritania	0.061	0.025	0.172
Micronesia; Fed. States.	0.008	0.005	0.006
Moldova	0.03	0.022	0.023
Mongolia	0.001	0	0.003
Morocco	0.033	0.022	0.022
Nicaragua	0.47	0.329	0.642

Lower-middle income countries			
	Baseline	Optimistic	Pessimistic
Nigeria	5.656	3.571	9.916
Pakistan	10.85	5.345	18.01
Papua New Guinea	0.341	0.199	0.632
Paraguay	0.151	0.092	0.152
Philippines	3.617	2.223	5.891
Samoa	0.005	0.003	0.01
Sao Tome and Principe	0.017	0.011	0.022
Senegal	3.07	2.02	4.07
Solomon Islands	0.048	0.032	0.051
Sri Lanka	0.039	0.024	0.052
Sudan	5.936	4.291	4.713
Swaziland	0.637	0.501	0.789
Syria	0.008	0.0033	0.011
Timor-Leste	0	0	0.001
Ukraine	0.0001	0	0
Uzbekistan	0.052	0.021	0.111
Vanuatu	0.023	0.013	0.038
Viet Nam	0.779	0.446	1.448
Yemen	3.088	1.622	4.399
Zambia	1.78	1.077	2.761
Palestine	0.893	0.556	1.723
Total	67.2511	38.6823	120.424

Upper-middle income countries			
	Baseline	Optimistic	Pessimistic
Angola	0.068	0.024	0.146
Argentina	0.0006	0.0003	0.001
Belize	0.004	0.002	0.008
Botswana	0.123	0.094	0.147
Brazil	0.403	0.269	0.531
Bulgaria	0.003	0.0021	0.0031
China	1.008	0.623	1.512
Colombia	1.401	1.059	1.751
Costa Rica	0.001	0.0006	0.0014
Cuba	0.037	0.019	0.068
Dominican Republic	0.011	0.006	0.018
Ecuador	0.145	0.091	0.202
Fiji	0.024	0.015	0.03

Upper-middle income countries			
	Baseline	Optimistic	Pessimistic
Gabon	0.007	0.004	0.009
Grenada	0.003	0.002	0.006
Iraq	0.001	0	0.005
Jamaica	0.001	0.0009	0.0016
Jordan	0.0001	0	0.0002
Lebanon	0.008	0.004	0.016
Macedonia	0.01	0.007	0.005
Malaysia	0.0003	0.0001	0.0003
Mauritius	0.001	0.0008	0.0026
Mexico	0.961	0.661	1.323
Montenegro	0.004	0.0022	0.007
Namibia	0.462	0.342	0.573
Panama	0.003	0.001	0.006
Peru	0.04	0.022	0.071
Romania	0.026	0.013	0.037
Serbia	0.0009	0.0003	0.0017
South Africa	1.679	1.143	2.402
St. Lucia	0.01	0.006	0.016
St. Vincent and Grenadines	0.004	0.003	0.006
Suriname	0.001	0	0.002
Thailand	1.432	1.058	1.412
Tonga	0.015	0.009	0.016
Tunisia	0.0017	0.0009	0.0023
Turkey	0.016	0.009	0.018
Venezuela	0.002	0	0.006
Total	7.9176	5.4942	10.3632

Table 33: Country projections of \$1.25 a day poverty for the baseline, optimistic and pessimistic scenarios (millions of people)

Low-income countries			
	Baseline	Optimistic	Pessimistic
Afghanistan	4.243	1.6	8.289
Bangladesh	20.93	14.51	34.66
Benin	6.022	4.63	7.755
Burkina Faso	11.04	7.695	16.97
Burundi	9.708	7.946	10.7
Cambodia	1.501	1.15	2.168
Central African Republic	3.117	2.67	3.513
Chad	5.463	4.07	6.681
Comoros	0.627	0.529	0.762
Congo; Democratic Republic of	29.96	21.54	35.82
Eritrea	3.06	2.326	3.765
Ethiopia	21.76	12.8	31.79
Gambia	0.81	0.556	1.128
Guinea	2.038	1.268	4.364
Guinea Bissau	1.204	0.92	1.244
Haiti	6.802	5.875	7.616
Kenya	10.57	7.206	14.47
Korea North	6.816	5.718	8.954
Kyrgyzstan	0.095	0.044	0.152
Liberia	2.333	1.915	2.782
Madagascar	27.24	22.78	30.83
Malawi	15.92	12.58	20.28
Mali	8.587	6.038	12.09
Mozambique	7.505	4.707	11.49
Myanmar	3.075	2.451	3.829
Nepal	18.45	15.58	22.51
Niger	7.699	4.473	16.61
Rwanda	9.4	7.211	12.43
Sierra Leone	0.884	0.486	1.401
Somalia	7.717	6.098	9.698
Tajikistan	1.028	0.683	1.525
Tanzania	27.43	18.54	42.68
Togo	2.754	1.979	4.373
Uganda	6.568	3.92	10.78
Zimbabwe	5.582	4.128	6.753
Total	297.938	216.622	410.862

Lower-middle income countries			
	Baseline	Optimistic	Pessimistic
Armenia	0.133	0.101	0.122
Bhutan	0.018	0.013	0.032
Bolivia	0.175	0.103	0.283
Cameroon	1.535	0.983	2.372
Cape Verde	0.052	0.039	0.073
Congo; Republic of	0.21	0.121	0.341
Cote d'Ivoire	3.086	2.004	4.827
Djibouti	0.153	0.098	0.245
Egypt	0.376	0.183	0.861
El Salvador	0.313	0.24	0.423
Georgia	0.118	0.082	0.167
Ghana	3.769	2.442	7.202
Guatemala	3.733	2.688	4.949
Guyana	0.037	0.032	0.023
Honduras	3.25	2.588	4.103
India	126.5	76.43	256.4
Indonesia	3.43	1.941	6.206
Laos	0.295	0.213	0.624
Mauritania	0.362	0.182	0.816
Micronesia; Fed. States	0.025	0.017	0.024
Moldova	0.196	0.152	0.187
Mongolia	0.013	0.006	0.037
Morocco	0.277	0.196	0.245
Nicaragua	1.436	1.081	1.967
Nigeria	21.75	15.05	34.59
Pakistan	57.56	35.07	86.79
Papua New Guinea	1.085	0.706	1.801
Paraguay	0.498	0.33	0.54
Philippines	13.18	8.951	20.2
Samoa	0.024	0.015	0.043
Sao Tome and Principe	0.051	0.036	0.067
Senegal	7.741	5.64	10.33
Solomon Islands	0.133	0.095	0.151
Sri Lanka	0.292	0.198	0.424
Sudan	18.24	13.98	18.35
Swaziland	0.991	0.832	1.169
Syria	0.119	0.059	0.183
Timor-Leste	0.007	0.002	0.021
Ukraine	0.015	0.007	0.004

Lower-middle income countries			
	Baseline	Optimistic	Pessimistic
Uzbekistan	0.569	0.287	1.037
Vanuatu	0.067	0.041	0.102
Viet Nam	4.908	3.199	8.34
Yemen	10.49	6.504	14.33
Zambia	4.465	3.003	6.493
Palestine	2.688	1.938	4.179
Total	294.365	187.878	501.673

Upper-middle income countries			
	Baseline	Optimistic	Pessimistic
Albania	0.001	0.0005	0.0006
Angola	0.335	0.142	0.634
Argentina	0.009	0.005	0.016
Belarus	0.001	0.0009	0.0013
Belize	0.027	0.015	0.047
Bosnia and Herzegovina	0.0002	0.0001	0.0002
Botswana	0.28	0.224	0.334
Brazil	2.1	1.496	2.764
Bulgaria	0.028	0.02	0.031
China	7.127	4.768	10.61
Colombia	3.845	3.038	4.775
Costa Rica	0.008	0.005	0.011
Cuba	0.382	0.239	0.636
Dominican Republic	0.073	0.042	0.112
Ecuador	0.648	0.438	0.892
Fiji	0.124	0.089	0.163
Gabon	0.022	0.014	0.028
Grenada	0.016	0.01	0.025
Iran	0	0	0.001
Iraq	0.022	0.006	0.067
Jamaica	0.012	0.008	0.015
Jordan	0.002	0	0.006
Lebanon	0.087	0.055	0.16
FYR Macedonia	0.059	0.045	0.042
Malaysia	0.004	0.002	0.004
Mauritius	0.016	0.01	0.028
Mexico	4.048	2.959	5.465
Montenegro	0.053	0.032	0.091

Upper-middle income countries			
	Baseline	Optimistic	Pessimistic
Namibia	0.806	0.626	0.968
Panama	0.018	0.009	0.034
Peru	0.262	0.161	0.432
Romania	0.419	0.251	0.672
Serbia	0.057	0.028	0.098
South Africa	4.796	3.519	6.481
St. Lucia	0.033	0.025	0.05
St. Vincent and Grenadines	0.016	0.012	0.026
Suriname	0.007	0.004	0.013
Thailand	4.797	3.747	5.063
Tonga	0.054	0.039	0.064
Tunisia	0.023	0.013	0.034
Turkey	0.215	0.131	0.272
Venezuela	0.034	0.01	0.077
Total	30.8662	22.2385	41.2431

Table 34: 2030 projected \$0.70 poverty in 2013 fragile states

Fragile states			
	Baseline	Optimistic	Pessimistic
Afghanistan	0.288	0.068	0.704
Angola	0.068	0.024	0.146
Bangladesh	3.559	2.151	6.672
Burundi	5.778	4.163	6.293
Cameroon	0.336	0.196	0.519
Central African Republic	2.025	1.689	2.247
Chad	2.428	1.681	2.991
Comoros	0.318	0.262	0.394
Congo; Democratic Republic	11.39	7.639	12.82
Congo; Republic of	0.05	0.025	0.091
Cote d'Ivoire	0.713	0.413	1.158
Eritrea	1.426	1.006	1.787
Ethiopia	4.389	2.181	6.41
Georgia	0.017	0.011	0.022
Guinea	0.434	0.233	1.149
Guinea Bissau	0.666	0.468	0.652
Haiti	4.527	3.804	5.053
Iraq	0.001	0	0.005
Kenya	3.202	1.992	4.195

Fragile states			
	Baseline	Optimistic	Pessimistic
Korea North	1.719	1.34	2.275
Kyrgyzstan	0.007	0.0028	0.012
Liberia	0.974	0.755	1.176
Malawi	8.26	6.017	11.15
Myanmar	0.593	0.443	0.693
Nepal	10.04	8.119	12.63
Niger	1.747	0.818	5.316
Nigeria	5.656	3.571	9.916
Pakistan	10.85	5.345	18.01
Rwanda	5.896	4.175	8.517
Sierra Leone	0.233	0.109	0.399
Solomon Islands	0.048	0.032	0.051
Somalia	4.665	3.512	6.025
Sri Lanka	0.039	0.024	0.052
Sudan	5.936	4.291	4.713
Timor-Leste	0	0	0.001
Togo	0.926	0.588	1.685
Uganda	1.884	0.998	3.261
Yemen	3.088	1.622	4.399
Zimbabwe	1.78	1.077	2.761
Palestine	2.851	1.952	3.502
Total	108.807	72.7968	149.852



Annex 6: The MDGs and the chronically poor – helping each other?

Millennium Development Goals	Significance of this goal for the chronically poor	Significance of including the chronically poor for the achievement of the MDG
Goal 1 Eradicate extreme poverty and hunger	<ul style="list-style-type: none"> Target 1 (halve the proportion of those living on less than US\$1.25/ day) could lead to a focus on the less poor at the expense of the chronically poor. Although the introduction of indicators 2 (poverty gap) and 3 (share of poorest quintile) improved the ability of this goal to focus attention on the chronically poor, the lack of a specified target means that these indicators exercise relatively little influence on policy-makers. Target 2 (halve the proportion of people who suffer from hunger, in terms of prevalence of underweight children under five and proportion of population below minimum level of dietary energy consumption) is useful in guiding policy towards the needs of the chronically poor, and those likely to become chronically poor. 	<ul style="list-style-type: none"> Progress on reducing child malnutrition is very slow. Addressing chronic poverty could speed this up considerably, since chronically poor households are significantly more likely to contain under and malnourished children. Progress on increasing the share of the poorest in national income would be enhanced by specific attempts to transfer income to the chronically poor.
Goal 2 Achieve Universal Primary Education	<ul style="list-style-type: none"> Universal Primary Education must, by definition, include chronically poor children. In the shorter term, some countries may target more resources to those more likely to enrol, in order to improve rates as much as possible, acknowledging the impossibility of achieving 100% enrolment by 2015. 	<ul style="list-style-type: none"> This goal cannot be achieved without the chronically poor. In low literacy countries (where many chronically poor people live) the 'increase literacy among youth' indicator may encourage a focus on the 'easy to reach' poor.
Goal 3 Promote gender equality and empower women	<ul style="list-style-type: none"> Potentially mixed impacts. Essential in the long term, but could work against the interests of the chronically poor in the short and medium term, if non-poor women (and their households) gain privileged access to education, employment and parliament at the expense of poorer men (and their households). 	<ul style="list-style-type: none"> Interrupting chronic poverty requires girls to go to school and stay in school for longer, among other things, which fosters the achievement of this goal.
Goal 4 Reduce child mortality	<ul style="list-style-type: none"> Reducing the number of preventable deaths is crucial to the interruption of chronic poverty. However, as the target is articulated in terms of improvements in national averages, there is a real danger that the focus will initially be on the non-poor and less poor. Redirection of resources away from the chronically poor may even worsen their situation. 	<ul style="list-style-type: none"> Very slow progress, especially in sub-Saharan Africa, where there is the biggest incidence of chronic poverty. Addressing the multidimensional and intergenerational nature of chronic poverty would significantly improve the chances of meeting the targets.
Goal 5 Improve maternal health	<ul style="list-style-type: none"> Improved maternal health is crucial to the interruption of the intergenerational transmission of poverty. However, as the target is articulated in terms of improvements in national averages, there is a real danger that the focus will initially be on the non-poor and less poor. Redirection of resources away from the chronically poor may even worsen their situation. 	<ul style="list-style-type: none"> Current rates of progress on the maternal mortality indicator is one-third that required. Addressing chronic poverty requires a comprehensive and multi-sectoral approach to maternal health, and would contribute significantly to the decline in maternal mortality.

Millennium Development Goals	Significance of this goal for the chronically poor	Significance of including the chronically poor for the achievement of the MDG
Goal 6 Combat HIV/AIDS, malaria and other diseases	<ul style="list-style-type: none"> Indicators 18 and 20 (reduced HIV prevalence in young, pregnant women and reduced numbers of AIDS orphans) are central to reducing chronic poverty, particularly in Africa. In the coming decade this indicator will have increasing significance in many other parts of the world (e.g. India and China). Indicators 21–24 (combating malaria and TB) are important: in many countries the chronically poor have their physical strength, health and livelihoods undermined, and die preventable deaths. However, as the target is articulated in terms of improvements in national averages, there is a real danger that the focus will initially be on the non-poor and less poor. Redirection of resources away from the chronically poor may even worsen their situation. 	<ul style="list-style-type: none"> Reducing chronic poverty is likely to improve the capacity of poor people to access, afford and complete treatment, helping to interrupt transmission paths of contagious diseases.
Goal 7 Ensure environmental sustainability	<ul style="list-style-type: none"> Could have beneficial effects for the chronically poor (e.g. indicators 29 and 30 on improved access to safe water and sanitation) and directly negative effects (e.g. indicators 25 and 26 would limit the opportunity for the chronically poor to modify land use in ways they believe will improve their livelihoods). The lack of progress by industrialised nations on reducing energy use (indicator 27) and CO2 emissions (indicator 28) undermines this goal. 	<ul style="list-style-type: none"> On target to achieve indicator 25.
Goal 8 Develop a global partnership for development	<ul style="list-style-type: none"> A wide range of indicators for official development assistance, market access, debt reduction, employment and access to medicines and ICT. Indicators include: proportion of aid to basic social services, and to Least Developed Countries, both of which should benefit the chronically poor. 	<ul style="list-style-type: none"> A focus on chronic poverty can help to achieve this goal. Public support for aid in donor countries is strong based on humanitarian principles and a wish to see resources spent on the poorest people. Serious efforts to create public support and solidarity around combating chronic poverty could help to mobilise public commitment to the MDGs.

Sources: CPRC analysis; Christianson et al. (2003) and Gaiha (2003)