

# 4 Why are people chronically poor?

*Chronic poverty is not just a snapshot of those who are poor now. It is essential to understand the social, economic and political processes that made people poor and keep them poor. At the present time, our knowledge about the causes of chronic poverty is limited. The longitudinal data and analyses that are required to understand poverty that persists are rare. It is clear that processes vary greatly from context to context. In some cases, the causes of chronic poverty may be the same as the causes of poverty in general, only more intense, widespread, or longer lasting. In other cases there is a clear qualitative difference between the causes of transitory and chronic poverty and these may need quite different policies to reduce them.*

The lives of people who are chronically poor follow many different trajectories. At one extreme is an individual born into multidimensional poverty, experiencing a lifetime of deprivation and transferring that poverty to her/his children. At the other extreme is someone born into a well-off family who suffers a shock that drives them into income poverty for many years, but who eventually escapes poverty and has a family with prospects. Among the different trajectories are those – all too many – that end with an easily preventable death.

Understanding chronic poverty is difficult because of multiple overlapping and interacting factors. The available evidence indicates that chronic poverty rarely has a simple ‘single cause’. Rather, different forces, from the household to the global level, interact to trap people in poverty.

In this chapter, the causes of chronic poverty are discussed in terms of *maintainers* and *drivers*. Maintainers make poverty persistent and trap people in poverty. Drivers cause individuals and households to fall or slide into types of poverty – severe, recurrent, multidimensional – that are hard to escape. Maintainers and drivers cannot always be precisely distinguished from each other, but this device helps explain how the socio-economic environment (economic growth, social exclusion, bad governance) and concrete experiences (a sickness, a drought, a beating) make and keep people poor.

## Staying poor: the maintainers of poverty

Barriers to accumulating or accessing assets and pursuing opportunities are the key maintainers of chronic poverty. They hold individuals, households, communities and states back from making the economic and social investments needed to move out of poverty. Access to assets and opportunities is constrained by low rates of economic growth, inequality, social exclusion and adverse incorporation, geography and agro-ecology, violent conflict, state failure, ineffective international co-operation and, perhaps, ‘cultures of poverty’.

*Chronically poor people are likely to be the hardest group for macro level changes, such as growth, to benefit.*

## Economic growth, growth quality and inequality

Global poverty has dramatically reduced in absolute terms since the early 19<sup>th</sup> century,<sup>1</sup> closely associated with increased rates of economic growth and rising levels of GNI per capita.<sup>2</sup> But, despite these impressive declines, 300 to 420 million people remain trapped in chronic poverty. These estimates do not take account of chronic poverty within

the wealthiest countries of the world.<sup>3</sup>

The paucity of data means that there is little precise evidence about the impact of economic change on the chronically poor. By the nature of the deprivations they experience, chronically poor people (particularly older and disabled people), are likely to find it most difficult to participate in growth as well as being the most difficult group to benefit through macro level changes and growth.<sup>4</sup> There are many examples of where growth has failed to deliver improvements in key human development indicators closely correlated with chronic poverty, and others where human development indicators have improved without economic growth. Growth therefore may not deliver short term improvements in these human development indicators. Ultimately though there remains a strong correlation between the levels of GNI and human development indicators. What is critically important is a country’s choice of how to allocate the increased resources arising from growth.<sup>5</sup>

Proponents of growth-mediated poverty reduction argue that achieving growth is the only policy issue of significance. However, the widely cited Dollar and Kraay argument<sup>6</sup> that, on average, the incomes of the bottom 20% improved one for one with those of the population as a whole as a result of economic growth needs to be carefully assessed.<sup>7</sup> It does not allow for variation around the average (which is known to be significant), it uses a relative concept of poverty, the dataset used has been criticised,<sup>8</sup> it does not consider poverty depth, and researchers using a different econometric approach with the same data<sup>9</sup> have produced contradictory findings.<sup>10</sup>

Growth figures describe an average for a whole nation or state. The distributional pattern varies widely from case to case<sup>11</sup> and so does the impact on chronic poverty. Key to this impact is the initial level of inequality and the nature and pace of the growth experience. It is broadly recognised that higher inequality will mean:

- higher levels of income poverty (and probably non-income poverty) for a given average GNI per capita;
  - growth will be less effective at reducing poverty; and,
  - generally, growth rates will be lower.
- These same arguments hold for the chronically poor.<sup>12</sup> Economic growth in

countries with high initial levels of inequality and increasing inequality will be relatively ineffective at assisting the chronically poor. Public service expansion is one product of growth but countries differ on the level and distribution of service provisioning, and so the growth impact on the chronically poor also varies. This has considerable implications for policy and points to the need for 'growth plus other policies' strategies to help the chronic poor.

In considering the relationship between growth or economic change and chronic poverty, it is important to recognise the diversity of the chronically poor. Typically the majority are engaged in some form of work or productive activities, though almost by definition on adverse terms, disadvantaged by differing factors such as lack of assets, insecurity of employment opportunities, ill-health or malnutrition or lack of social networks. Others may not be able to work at all as a consequence of old age or disability (although many in this group may still be engaged in very marginal activities – see Box 4.1).<sup>13</sup>

For those that are able to work, the sectoral composition of growth really matters, particularly as to whether it includes broad-based agricultural growth and is in sectors where the employment-elasticity for unskilled labour is high. The existence, extent and type of barriers to markets are also important, including processes of social exclusion and adverse incorporation (see below), and high levels of inequality. Where the economic context is narrowly based, such as in oil or mineral extraction for example, and social exclusion and/or elite domination is high, the chronically poor will experience few benefits from growth and their position may worsen. The chronically poor are not able to increase their access to productive assets, or increase the productivity of those assets, or achieve better incomes in the labour market.

For the 'non-working' group the situation is quite different. The benefits of economic growth for this group derive from a mix of private transfers from relatives and friends, and publicly-funded social protection, such as resources for nutrition support, education and health services, as well as public transfers like pensions and employment schemes. The degree to which additional resources are channelled into such schemes is often responsive to broader economic contexts,

leaving this high dependency group most vulnerable to economic shock. Even where high levels of private and/or public transfers exist, the effectiveness of both formal and informal schemes varies.

The available evidence indicates that

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then it could be assumed  
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This is not necessarily right.*

no growth, low growth and narrowly based growth increase the probability of people being trapped in poverty for long periods or all of their lives, and transferring that poverty to the next generation. So, promoting economic growth is important for reducing chronic poverty, and the absence of growth is a severe constraint to reaching the chronically poor, but growth is not enough nor is it 'almost enough'.

Table 4.1 provides support for this, based on a limited number of cases. Economic growth had very clear benefits for the urban poor in Vietnam and Uganda, and its absence was clearly bad news for the urban poor in Egypt. However, the picture was not quite as predicted for rural India and Vietnam and urban Ethiopia, where average consumption growth did not translate into a greater likelihood of escaping from poverty. Rural Egypt's negative growth produced

almost twice as many people who were chronically poor as were transiently poor (measured at US\$2/day). These limited results suggest that economic growth has a wider impact in cities and that there may be more poor people in rural areas with structural obstacles to participation in economic growth.

### Social exclusion and adverse incorporation

Exclusion from social, political and economic institutions is part of a vicious cycle in which exclusion leads to lower capabilities, which in turn reduces the prospects for escaping poverty and people's ability to assert their rights. Commonly, such exclusion operates through varying forms of active discrimination directed against certain identifiable groups (as a result of ethnicity, race, religion, caste, culture, migration), which is often reinforced by discrimination on the basis of personal characteristics (age, gender, impairment). At other times, exclusion is relatively passive, based on the ignorance or preferences of more powerful and better off groups, simply not knowing about or leaving out certain individuals or groups of the chronically poor.

If exclusion is the problem then it could be assumed that inclusion is the answer. This is not necessarily right. Many of the poorest people *are* included in economic activity, but on extremely unfavourable terms. In many parts of the world, migrant labourers and their



*This woman, employed on a large horticultural farm in Eritrea, is an important part of the economy – but on very disadvantageous terms.*

Table 4.1 Economic growth, chronic poverty and poverty dynamics

Country/period	Standard of living measure	Poverty line	Average change in standard of living measure, annualised (%)	% in chronic poverty	% in transitory poverty	Of whom...		National poverty headcount: first year (%)	National poverty headcount: final year (%)
						Escaping from poverty (%)	Descending into poverty (%)		
Urban Ethiopia, 1994–97	Expenditure per adult equivalent	Regression based on calorie requirements (2200 kcal/day per capita)	-8.9	25.2	27.1	17.9	9.2	34.4	42.9
Urban Uganda 1992–99	Expenditure per adult equivalent	Calorie based plus non-food component (3000kcal/day per adult)	5.7	10.2	30.1	24.1	6.0	27.8	10.3
Urban Vietnam 1993–98	Expenditure (per capita)	Calorie based 2100kcal/person/day plus non-food allowance	8.7	6.5	19.4	17.3	2.1	23.8	8.5
Urban Egypt 1997–99	Consumption expenditure per capita	Calorie based; norms between 2360 and 2499 per capita depending on location	-8.1	14.2	18.0	...	...	...	...
Rural Uganda 1992–99	Expenditure per adult equivalent	Calorie based plus non-food component	4.0	20.5	41.8	30.7	11.1	59.7	39.1
Rural Vietnam 1993–98	Expenditure (per capita)	Calorie based 2100kcal/person/day plus non-food allowance	6.1	33.9	35.1	29.7	5.4	63.6	39.2
Rural India 1968–70		Planning Commission poverty line – calorie based	6.3	33.3	36.7	24.0	12.7	...	...
Rural Egypt 1997–99	Consumption expenditure per capita	Calorie based; norms between 2360 and 2499 per capita depending on location	-3.3	42.6	22.6	...	...	...	...
National Uganda 1992–99	Expenditure per adult equivalent	Calorie based plus non-food component	4.2	18.9	40.1	29.7	10.1	55.7	35.0
National Vietnam 1993–98	Expenditure (per capita)	Calorie based 2100kcal/person/day plus non-food allowance	6.9	28.7	32.1	27.4	4.7	56.1	33.5
National Egypt 1997–99	Consumption expenditure per capita	Calorie based; norms between 2360 and 2499 per capita depending on location	-5.9	19.0	20.4	6.3	14.1	...	...

... means not available

families, without local social networks, are excluded from public services and the institutions of governance, but are 'adversely incorporated' into the labour market, that is, forced to take work at low rates, in bad conditions and on precarious terms. This is sometimes the result of the way local labour markets are structured and relate to other institutions. In South Asia, households that face social exclusion because of religion, ethnicity or caste, are significantly more vulnerable to labour market exploitation and debt bondage than other economically poor families.<sup>14</sup>

Interrelated processes of social exclusion combine with adverse incorporation to deepen workers' dependency. An example is bonded labourers' dependence on manipulative employers who may construct intricate systems of advances, payments in kind, and hidden interest rates, which maintain the disadvantaged status of the workers. The capability poverty of the chronically poor, such as illiteracy and innumeracy, along with wider institutional indifference (the absence of an effective legal system to assert the rights of the poorest, the direct and indirect influence of employers or their relatives in locally elected bodies and systems), prevents labourers from taking action to challenge their position.<sup>15</sup> Global commodity chains, such as the export fruit industry in South Africa, can produce similar conditions (see Box 4.1).

The structures of social exclusion – discrimination, stigma, and invisibility – often create the basis for processes of adverse incorporation – declining assets, low wages, no job security, restricted access to social protection, and dependency on a patron. The ways in which risk and vulnerability shape social relations is key. Chronically poor people often manage vulnerability by developing patron-client ties that produce desirable, immediate outcomes (access to food, access to health services and so on) by trading-off their longer-term needs and rights (ability to accumulate assets, rights to change employer or vote freely, for example). 'Staying secure [often means] staying poor.'<sup>16</sup>

## Geography and agro-ecology

Geography and agro-ecology can be maintainers of poverty. There are often 'logjams of disadvantage'<sup>17</sup> in less favoured, weakly integrated, remote and/or

### Box 4.1 Adversely incorporated, top to bottom

Fruit picked at Ceres in South Africa regularly appears on the supermarket shelves in developed countries. Workers there depend on the seasonal labour generated by the global fruit market. Although race (as well as gender) remains a central component of the South African political-economy of poverty, the dynamics that keep fruit workers poor are not just about exclusion, but adverse incorporation into the global labour market.

The fruit workers and the globalised fruit industry are interdependent but, for the workers, this is on unfavourable terms. They are trapped in a situation which forces them to rely on poorly paid, scarce and insecure jobs.

As a result of the casualisation of labour, more than half the farms that used to provide on-site housing have ceased to do so. For landless workers, relying on seasonal and temporary demand for labour, dependence on a paternalistic farmer for employment has been replaced by dependence on a contractor who acts as a labour broker.

Due to low incomes and weak access to economic and natural resources for basic household food production, people often have to buy food on credit, in small amounts and at higher prices. Networks of mutual aid and support enable basic survival, but provide only limited protection against shocks. Limited social safety nets and few alternative livelihood options have given rise to a burgeoning underground economy. Rising criminality, violence and exploitative relationships effectively increase the vulnerability of poor fruit workers.

Chronic poverty is maintained among fruit workers in Ceres by both 'downstream' factors – the ways in which products are processed, shipped, marketed and consumed, and 'upstream' factors – the relationships that are involved on the input side of agricultural production. People in chronic poverty are linked to the fruit consumers of Europe via the economics and politics of the export chain.

Source: du Toit 2003.

low potential areas that compound any geographical disadvantage. These logjams are made up of social and political exclusion owing to ethnic status, thin and interlocked markets, poor governance, and high levels of exposure to asset depleting risks. These different forms of disadvantage reinforce each other where both social exclusion and adverse incorporation dominate the lives of the poor.

It is the concentration of a combination of factors that keeps places poor, often bolstered by a history of purposeful neglect which deters investors, both public and private. At the extreme, places treated as labour reserves or closed areas can become sites where criminality and illegal economies prevail, and where state institutions are ineffective. This is summed up in the notion of 'geographic capital'.<sup>18</sup>

It takes public and private investment to raise the geographic capital of an area, and the prospects for growth in a spatial poverty trap depend on governments and community organisations overcoming the negative perceptions and marginalisation of the area among investors.<sup>19</sup> Underlying the 'problem' is the

need for sustained political energy, both in the wider polity, and in the region itself, where political leaders may benefit from the *status quo*. The combination of political demand from the region and the willingness to redistribute or target resources from the centre is critical.

The danger is that integration, while good for opportunity (especially for labourers), leads to loss of regional or local character and may have costs. Better placed areas may out-compete more remote areas in production terms once integration is enhanced. Supplementary policies such as social protection, market development, improved governance and cultural and environmental conservation measures may be needed to mitigate the costs of integration.

## Cultures of poverty

Whether the ways in which children are born and raised in poverty influences them to become poor adults and pass poverty on to their own children is a controversial issue and often avoided. Yet, in terms of the persistence of poverty, it is important to ask whether there is something about the ways in which

people cope with poverty (psychologically as well as economically and socially) that makes poverty more difficult to escape.

Elites have long used ‘cultures of poverty’ to blame the poor for their poverty – ‘they are poor because they are drunk or lazy or ignorant’.<sup>20</sup> Such assertions are often based on little understanding about the poor. Aspirations for children, attitudes to risk, rules of behaviour, emotional resilience, are all important for coping with and escaping from poverty. But the beliefs and norms of society as a whole or some poor people in particular, may limit the possibilities for escape. These are real problems, which limit the agency of the poor and play a role in the persistence of poverty; they need to be understood and overcome just as much as the mechanisms of social exclusion or adverse incorporation.

Culture affects what is transferred from one generation to the next. Norms of entitlement affect intergenerational transfers by determining who has access to and control over resources, and who is dependent on others. The aspirations of parents may have substantial effects on children’s up-take of education. Norms about diet influence maternal nutrition and the health of babies in the womb, as well as after birth. Norms also influence perceptions of ‘strategic’ transfers, for example of resources to younger generations in order to ensure support in one’s old age.<sup>21</sup>

The ‘culture of poverty’ theory<sup>22</sup> links poverty to the ways in which the poor

*Lack of investment in primary health care, or primary education and other life skills results in permanent life-long deprivation.*

have adapted to and coped with poverty over years and generations. Coping and survival strategies passed on from one generation to the next can help survival in bad or deteriorating conditions, sometimes keeping the poor from destitution or death. However, they may also contain elements which help to maintain poverty, through reproduction of the social and economic structures that obstruct escape – a form of adverse incorporation. This means that effective policies to reduce chronic poverty have to deal with the difficult issues of values, attitudes, aspirations and confidence.

### Capability deprivation

People trapped in persistent poverty tend to experience multiple capability deprivations, such as poor education, illiteracy, bad health, inadequate nutrition, lack of human rights and civil rights. These constrain opportunities and choices.<sup>23</sup> They have mutually reinforcing impacts among themselves and across generations.

Most chronically poor people have insecure and inadequate livelihoods. Households suffer hunger and enormous stress, sell off key assets, and get into debt. Children may have to drop out of

school, and miss out on critical health care.<sup>24</sup> Women face increased demands to fulfil the triple roles of child and family care, income generation, and participation in the wider community. This reduces their time for child care which may be delegated to others – in some cases, to children, who may be unable to care for their younger siblings adequately.<sup>25</sup>

Poor nutrition has serious, long term and intergenerational effects on physical and mental health, mortality and chronic poverty. Even a relatively short period of deprivation in childhood can harm child nutrition, health, education and aspirations, with serious repercussions for the long-term well-being of both the child and her/his own children.<sup>26</sup> The negative effects of stunting are almost impossible to reverse. Lack of investment in primary health care, or primary education and other life skills results in permanent life-long deprivation.<sup>27</sup>

Acquiring capabilities also has lifelong and intergenerational benefits. There is strong association between parents’ and children’s education levels.<sup>28</sup> Knowledge and skills, and in many cases a formal qualification, can facilitate upward economic and social mobility, offering a means to getting a better-paying, safer job; accessing credit; keeping accounts; extending social networks to include more influential contacts; and garnering increased respect. Women’s education in particular is also strongly associated with improved child health and nutrition and children’s own educational success.<sup>29</sup>

Capability deprivation is intimately tied to public policy, sometimes reflecting discrimination within policy processes against particular children, households, groups and areas. The chronically poor may have less access to public services, either because they live in remote areas, or regions where government has not prioritised development, or because of discrimination among public servants, and language, or other cultural barriers. Exclusion of minority, indigenous children from school, for example, is often a result of discriminatory treatment either by teachers or pupils, a curriculum that perpetuates negative representations of minorities and indigenous peoples, lack of funding to the regions where they are located, and the lack of (or low-quality) education provision in minority and indigenous languages.



*These farmers in northern India rise at dawn to work. Like many chronically poor people, their opportunities and choices are very limited.*

Similarly, the chronically poor may face direct and indirect discrimination in health facilities. Older and disabled people, for instance, report negative attitudes from health staff which dissuade them from seeking treatment.<sup>30</sup> The participation of chronically poor people in programme design and evaluation is rarely invited so public services are not attuned to their cultures and lifestyles.

### Weak, 'failing' and 'failed' states

A large number of chronically poor people live in countries or states where poverty is as bad in depth, absolute numbers, or proportion as it was 30 years ago. Typically, state capacity is low or non-existent and violent conflict disrupts economic and social activity. Panel data on these areas is rare, so it is difficult to give precise estimates of chronic poverty, however, the processes that trap people in poverty are evident. Violence destroys assets and discourages both domestic and foreign investment (except for illegal goods and enclave extractive activities) so that growth is low or negative and is not pro-poor. State failure means that social protection and social services, such as education and health, do not operate, so human capital is weakened. And the breakdown of law and order raises the likelihood of increased inequality as violence, or the threat of violence, determines access to assets and incomes.

The Human Development Report 2003 identified more than 50 countries that grew poorer over the 1990s, symptoms of failed economic growth and the HIV/AIDS pandemic. Human development indicators got worse in 21 countries. 59 'top' and 'high' priority countries failed to make progress towards the Millennium Development Goals.<sup>31</sup> 38 of these countries are in sub-Saharan Africa. This omits the states, regions and provinces of large countries which may also be stagnating or even experiencing reversals, while other regions progress. Including the poorly performing states of India and the remote regions of China would increase the number of people affected by persistent, territorial poor-performance by scores of millions.

Why these states 'fail' is a multi-faceted issue involving strategies for economic growth, human development,

HIV/AIDS, governance, social integration and disintegration and conflict. While poor performance is attributed, by most international commentators, to disabling internal conditions for investment, aid, and peace in the countries concerned, there are also international explanations and causes to be addressed, and opportunities to grasp.

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Exactly which states are 'weak' or 'failing' depends on the criteria used. The World Bank's classification 'Low Income Countries Under Stress' (LICUS) identifies 27 countries; UNDP's 'fragile states' cover 46 countries. 'Desperately deprived' and 'moderately deprived' countries – classified by CPRC, using human development indicators – are generally 'poorly-performing' on one or other of the above analyses. By contrast, the 'not deprived' countries are hardly ever included as poor performers, except some of the Central Asian transitional countries, where economic and human development has gone into reverse. What does this mean? Countries whose populations are 'desperately' and 'moderately' deprived are typically seen internationally to:

- have weak rule of law;
- have been prone to conflict;
- be subject to low levels of civil and political rights;
- have governments which are weakly responsive to their citizens;
- in some cases, avoid engaging much in the economic and governance reforms promoted by the international community since 1980, or, where they have, the reforms have not born fruit.

However, it is also possible to see these countries as affected by particularly difficult structural economic conditions – poorly connected, small economies, with weak human development positions to start with. They are unable to move into more beneficial international trading lines – the manufactured exports and service economy which more rapidly growing countries have entered. They have not benefited from reliable aid flows (LDCs have seen a decline per capita from US\$29 to \$19 between 1994

and 2000), being marginal to the world economy and, with few exceptions, to the geo-political interests of the world's big powers. They have suffered from a relatively unregulated international arms trade and have been at the receiving end of declining terms of trade for primary commodities.

There are many complex debates about if, when, and how the international community should help failed and weak states. The conviction that aid is most effective when spent in good policy countries, and that all aid resources should be directed to those countries has led donors to ignore the imperative to address all poverty and to avoid the challenge of how to reduce suffering and poverty in failed, fragile and weak states. The international community needs to make much faster and stronger progress on improving terms of trade, particularly for primary commodities, and on the arms trade to enable weak and failed states to improve.

### Weak and failed international co-operation

A key explanatory factor for the failure to reduce poverty in many countries over the 1980s and 1990s, and for the increase in poverty in the former Soviet Union and Central Asia, is the ineffectiveness of the international system. Structural adjustment, prescriptions for a rapid move to the market,<sup>32</sup> reduced volumes of aid, the tying of aid, the allocation of aid away from the poorest countries,<sup>33</sup> the continued agricultural protectionism of the OECD countries, the unregulated trade in arms, reckless lending to known corrupt despots, and the failure to cancel debt, all helped to maintain poverty levels. They also contribute to maintaining levels of chronic poverty.

The international system filed against social protection for poor countries during the 1980s and 1990s as being unaffordable and not likely to contribute to development. That assumption needs urgent review.

Aspects of the international system remain hostile to the interests of chronically poor countries: trade in primary commodities; the unregulated arms trade; and the volume of export earnings poor countries still have to pay in debt service, despite significantly lower debt stocks in particular, are examples. The

failure of OECD countries to meet their obligations on aid volume and allocations to basic social services is a failure of international co-operation, and one which denies essential resources to chronically poor people.

## Falling into poverty: the drivers of chronic poverty

Not all chronically poor people are *born* into long-term deprivation – many slide into chronic poverty after a shock, or series of shocks. What drives people into chronic poverty is not very different to what drives people into poverty in general. The types of shocks are the same – ill-health and injury, environmental shocks, violence, the breakdown of law and order, market and economic collapse. But while some households recover relatively quickly, others are pushed into a downward spiral of asset depletion and increased vulnerability, culminating in severe and chronic poverty. The factors that combine to determine this ability to bounce back from a shock (resilience) can be divided into three main categories:

- the level of private and collective assets to which people have access;
- the nature of the shock(s), in terms of depth, breadth and sequencing; and

- the nature of the broader institutional context, including systems of social protection, basic services, and conflict prevention and resolution, as well as public information.

The structures that maintain people in poverty play the largest role in hindering recovery from shocks, as they affect both assets and the institutional context. A poor household living in a remote area and suffering discrimination is unlikely to have access to the resources or public services required to bounce back. The interaction between drivers (shocks) and maintainers is illustrated in the boxes throughout this section:

- **Market collapse:** In Box 4.6, a shock to households and entire economies is traced back to a lack of global economic governance.
- **Civil war:** Box 4.5 examines the macroeconomic effects of the eruption of conflict.
- **Famine:** Box 4.4 details how bad weather (a shock), bad policy (a failure of national and international governance), and reduced resilience combined to cause hundreds, perhaps thousands, of preventable deaths and have trapped many ‘survivors’ in intractable poverty.
- **Property grabbing:** Box 4.3 describes a situation where not only is there no safety net to fall back on after a shock,

but discrimination based on gender and marital status strips away any assets that could be used to bounce back.

- **Fire:** Box 4.2 shows how household and neighbourhood poverty, and exclusion from basic services exacerbate the effects of a shock.
- In Box 4.7, the story of Maymana and Mofizul, a combination of shocks at the micro-level and structures at the community level combine to maintain and deepen their poverty.

## Access to assets

Limited access to assets, both private and collective, is what drives already poor people into deeper and more intractable poverty after a shock. Those with few material, financial, natural or social assets are vulnerable to relatively minor shocks, which nonetheless cause catastrophic declines into persistent poverty. The coping strategies undertaken by a poor household without ‘reserves’ are those that, while possibly ensuring short-term survival, can undermine well-being in the medium to long-term. Any crucial productive assets are liquidated, and households often resort to reducing consumption in ways that have potentially irreversible welfare effects – eating a smaller amount of less nutritious food, avoiding essential medical expenditures, withdrawing children from school.

Even when a poor household does possess assets, these assets are themselves often highly susceptible to shocks. Housing can be destroyed; cash and jewellery can be stolen; land and livestock can succumb to erosion and disease. Financial assets are susceptible to economic shocks and devaluation. Social capital is vulnerable when the shock affects entire communities or countries.

## The nature of shocks

Discussion of the relationship between shocks and poverty is not new.<sup>34</sup> But what types of shocks result in irreversible decline? Intuitively, the shocks from which it is very difficult to recover are those that are severe, sudden, unpredictable, sequential and affecting many people.

The severity of a shock can be measured by the extent to which it causes the loss of productive assets and/or increased resource demands. The devastating effect

### Box 4.2 Slums, shocks and chronic poverty

Many people in low-income settlements in Delhi, Dhaka and Cape Town report that their descent into chronic poverty was initiated by a house fire. They give a range of similar reasons why a small fire can become a shock from which recovery is impossible:

- Houses built with poor quality, flammable materials and crowded together favour the spread of fire.
- Narrow streets and political marginality mean that the fire brigade cannot or will not come to a slum fire.
- Limited water supplies mean slum dwellers can do little to stop fires from spreading.
- Injuries to (or death of) household members leads to increased health bills and reduced income.
- Damaged or lost workplace or equipment (often also located in the slum) reduce income.
- Distributions of relief from public funds are insignificant, inequalitarian and intermittent.
- A lack of access to savings and insurance services means households have limited or no ‘crisis funds’ to fall back on.
- The destruction of identity documents and pension books means the household loses access to public entitlements (e.g. subsidised food, free health care, pensions).
- Informal, intra-community safety nets are undermined as neighbouring households are in a similar position and cannot offer support.

of losing a home is compounded by losing tools and working premises with which it would have been possible to rebuild a livelihood. It is compounded through injury that both limits the capacity to work and requires resources to be spent on care and treatment; death means lost income and funeral expenses.

### **The shocks of nature**

Sudden, unpredictable shocks can have huge consequences even for those with the financial and social resources to plan ahead. People without such resources find themselves made destitute from one day to the next, perhaps permanently. Sudden shocks are often natural disasters and environmental, agro-ecological or agro-climatic shocks.

It is increasingly recognised that the interaction between a natural hazard and a vulnerable human population is what causes a livelihoods shock (see Box 4.4). Severe and unpredictable shocks – floods; droughts and El Niño episodes; landslides; volcanic eruptions; earthquakes; extreme temperature; fires; windstorms; infestations; and disease outbreaks – especially when successive, can all undermine otherwise secure livelihoods and lead to impoverishment, diminished capabilities and preventable death.

In much of the developing world, extreme climatic events are regular but largely unpredictable. These events have been increasing in severity and frequency, probably due to global climate change, and will continue to do so.<sup>35</sup> As climate zones shift over the coming decades, those with the fewest resources will be the most vulnerable to new patterns of extreme conditions. The chronically poor are almost certain to be among those least able to adapt rapidly to climate change, unless unprecedented levels of effective support are provided.

It is more difficult to recover from shocks that operate at an aggregate level, affecting entire communities, countries and regions. When the total pool of resources available is decimated, people in the same, sinking boat can't help each other enough for recovery. Even relatively affluent households can be highly vulnerable to long spells of poverty when, for example, severe crop shocks occur.<sup>36</sup>

The location of a shock can also exacerbate its effects – urban areas prone to natural disasters (floods in Bangladesh; volcanic eruptions in Goma, DRC; earthquakes in Iran) can suffer more than

### **Box 4.3 Widowed, abused, and robbed**

Both in law and in practice, women are denied equal property rights, particularly in sub-Saharan Africa, South Asia and the Middle East. An unequal or absent means of inheriting, managing and trading property, especially land, is a major maintainer of poverty among women and their dependents. The effect of this discrimination is multiplied when it emerges suddenly and brutally after a husband's death, by which time many households are already reduced to extreme poverty. Throughout southern and eastern Africa, a high proportion of widows and their children are left destitute when their dead husband's relatives snatch their property – theft in the guise of tradition, fostered by unequal and unenforced laws.

Sources: Human Rights Watch 2003; UN Integrated Regional Information Networks 2002.

rural areas, due to the density of population and infrastructure. Effects can be felt far beyond the city when the economy is interrupted, particularly if the national distribution of goods is affected.

Sequential shocks, like poor weather year after year, are particularly difficult to recover from, especially if they follow in close succession or trigger off a series of further shocks. In Mongolia, for example, different combinations of summer drought followed by severe winters – known locally as *dzud* – can have devastating effects on herding families, as entire flocks are lost. This sets into motion a downward spiral of reduced

assets, reduced capabilities – a lack of animal transport means children can't get to school or the sick to health care; concentrated grazing undermines pasture sustainability.

### **Institutional context**

The extent to which the broader institutional environment enables people to resist and recover from the negative effects of shocks is a crucial determinant of whether poverty will be transitory and isolated, or chronic and endemic. Three common types of shock – illness, violence and market collapse – demonstrate

### **Box 4.4 The 2002 Malawi famine – bad weather, bad policies, increased vulnerability**

The food crisis in Malawi in early 2002 resulted in several hundred – perhaps several thousand – hunger-related deaths. Starving Malawians resorted to eating unripe and unconventional foods, including flour 'fortified' by maize cobs and sawdust, much of which made them ill. Malnutrition was high, not only among young children, older people and the ill, but also among working adults. An estimated 30% of the population required emergency aid.

The famine can be explained in two ways. The 'technical' view is that an environmental shock (bad weather), limited information, and import bottlenecks resulted in famine. The 'political view' attributes blame to different actors, depending on who one talks to: the IMF for recommending the sale of strategic food stocks; Malawian politicians for selling off the entire food reserve, and making money on the side; complacent government and donor officials; and profiteering traders inflating prices. The truth lies somewhere in a combination of the technical and political views.

In addition to these immediate causes of famine, there are a number of underlying vulnerability factors that left poor Malawians unable to cope with a production shock that was actually less severe than the drought of 1991–2:

- declining soil fertility and neglect of smallholder agriculture, particularly in remote areas;
- deepening poverty that decimated asset buffers (foodstocks, savings);
- weakened informal systems of social protection in poor communities;
- the demographic and economic consequences of HIV/AIDS.

Better weather in mid-2003 has been followed by a period of low rainfall. Recent reports describe a country struggling through the lean season, on the brink of another food crisis.

Sources: Devereux 2002; with additions from Bird, Booth and Pratt 2003; Cammack et al. 2003; WFP 2004.

the extent to which a lack of health services, social protection and conflict prevention are implicit in the generation and maintenance of chronic poverty.

***When there is no health care or social protection***

Social protection – including cash grants and income support, free access to basic services, food and training, pensions, insurance schemes, and emergency relief – can help prevent people from sliding into chronic poverty, and enable poor people to escape. It can shore up current consumption so that potentially irreversible welfare effects do not occur. It can prevent the erosion of savings and other assets, and help the poor to avoid becoming trapped in debt. It provides the security that permits poor and very poor households to invest in economic activities and human capital. By encouraging a greater level of household-level risk-taking, it promotes economic diversification which can create more robust local economies, and reduce the degree to which whole communities are exposed to covariant risk.

Without adequate systems of social protection, particularly health care, the effects of any shock are intensified. Health shocks are highly significant events in the lives and livelihoods of poor people. Ill-health and poverty are mutually reinforcing: the poor are more vulnerable and less resilient to illness and injury, and the sick and injured are more likely to become poor. And, evidence suggests, they are more likely to stay poor. Ill-health – particularly of a household's main income earner – is perhaps the most common driver of chronic poverty at the individual and household level. In the context of overstretched, inaccessible and, in many cases, non-existent health care systems, the direct and indirect costs of treatment and care can in themselves initiate rapid asset depletion, leading to chronic poverty. The story of Maymana and Mofizul (Box 4.7) illustrates the downward spiral that can follow a health problem.

When the illness is chronic or terminal, the strain on a household's financial and human capital is very great, increasing the chances of it falling into a spiral of debt and ill-being. Poverty doubly affects the health of the poor. Not only are the poor most likely to suffer food insecurity and exposure to hazards in domestic and work environments, but they are

also least likely to be able to afford the many direct and indirect costs of treatment. People with impairments and some socially stigmatised illnesses face the added challenge of disabling discrimination, further driving both income and multi-dimensional poverty. In the past, diseases such as tuberculosis and cancer typified such ill-health spirals but today HIV/AIDS is increasingly the associated diagnosis.

Evidence from nine developing countries<sup>37</sup> shows that the poor spend a significantly higher proportion of their income on health care than the non-poor.<sup>38</sup> The proportion spent by the poorest ranged from about one-and-a-half to ten times that spent by the richest: in a large city in northern Thailand, the poorest quintile spent 21% of household income on health, while the richest spent only 2%.<sup>39</sup> In South India the direct cost of treatment and equipment for disabled people averages three months' income. This does not include the indirect costs to families and carers, or the opportunity costs of income foregone.<sup>40</sup>

***Ill-health and poverty are mutually reinforcing: the poor are more vulnerable and less resilient to illness and injury, and the sick and injured are more likely to become poor.***

When a household member requires care, this means the loss of income or labour of an additional household member. Household capacity to employ assets such as land and livestock effectively is constrained. To try to maintain consumption levels, households compensate by selling off natural and physical assets, drawing down any financial savings, taking on debt, pulling children out of school to work, and mobilising social support. The additional costs of medical expenses, especially in the case of chronic illness, add to the household's problems.

The critical issue here is whether the household falls below the threshold from which, assuming the individual recovers sufficiently to return to work, a livelihood can still be generated and the household can start to re-accumulate. Some forms of employment, such as rickshaw pedalling, are inherently 'unsustainable livelihoods', mining the health of the worker.<sup>41</sup> A spiral of lost income,

rising expenses and liquidating assets can reduce the household to a state of chronic poverty by the time the 'breadwinner' dies, often prematurely.

The likelihood that illness and injury will deteriorate into a longer-term impairment, or death, increases when a household is unable to pay for the necessary treatment, or cannot endure the temporary absence from work due to illness. Illness episodes experienced by the poor tend to last longer than those suffered by the rich.<sup>42</sup> Tuberculosis is particularly problematic in this way. A private doctor running a clinic in Uttar Pradesh, India explained that most TB patients who are poor do not come to him until the disease is already at an advanced stage. He estimates 90% of poor people discontinue treatment for TB once started, and often start and stop treatment several times because it is expensive and because they feel better. If treatment has been aborted several times and the TB becomes resistant, the cost becomes exorbitant.<sup>43</sup> Further, as TB is highly contagious, other household members are likely to become infected, thus multiplying the costs.

***When violence isn't prevented, and conflict isn't resolved***

Violence, conflict, and the weakening of the rule of law drive individuals, households and entire populations into poverty, and act as a maintainer. At the micro level, case study research (and investigative journalism) provides evidence of the ways in which violence can drive children onto the streets;<sup>44</sup> force women into sex work; destroy the livelihood, social status and self-esteem of older women who are punished for being witches; and lead to girls who are 'spoiled' by rape being turned out of their homes and made destitute. Much, if not most, violence is hidden away, but there is a growing awareness of the many ways in which violence, or the threat of violence, can force people into chronic poverty and close off mechanisms by which they might escape.

Less dramatic breakdowns of the rule of law can also drive households into poverty. In Bangladesh, the way in which both policemen and magistrates can be 'bought off' means that wealthier people can impoverish poorer people by mounting false legal cases against them and having them arrested and jailed.<sup>45</sup> Such cases can be manufactured to scare

poor people off their land or settle disputes in favour of the wealthy. The debts incurred by taking on a court case can trap entire families in poverty.

At the macro level, the outbreak of a violent conflict impoverishes people directly, through the destruction of assets, impairment and death, and indirectly, by disrupting the functioning of markets and governments. This induces rapid economic decline, impacting on the livelihoods of poor people and causing a breakdown in public services, so that ill-health and reduced ability to cope with shocks makes chronic poverty more likely.

The situation in the Solomon Islands is illustrative (Box 4.5). A country in which there was evidence of progress in poverty reduction suddenly and rapidly moved into reverse. Income poverty soared and maternal and child mortality rates rose. Recent attempts to stop further violence seek to prevent conflict as a driver becoming conflict as a maintainer of chronic poverty.

#### When markets collapse . . .

Economic shocks are powerful drivers. The collapse of coffee prices (Box 4.6) has been catastrophic in countries such as Burundi, Ethiopia and Uganda. Small scale producers and casual labourers dependent on the crop experience dramatic drops in income, take on extra debt and risk spiralling into chronic poverty. A second shock, ill-health or 'unavoidable' social expenses, such as funeral costs for a family member, can drive the family to a point at which it cannot recover its earlier position and rebuild its assets.

The collapse of the Asian financial markets in the late 1990s generated large amounts of transitory poverty, for example South Korea's poverty head count leapt from around 3% to 25%, and may well have generated persistent poverty among particular groups of people. In poorer countries, mitigating measures, such as unemployment benefits and social assistance, are rarely in place to deal with these shocks.

While many of these shocks have complex chains of causality, occasionally they can be attributed to specific policy measures.<sup>46</sup> For example, the garment industry in Bangladesh was affected by the US 'Harkin Bill' against child labour, which inadvertently led to thousands of children, mostly girls, going into jobs that are less safe, lower paying, with more limited prospects – sex work,

brickbreaking, begging. For children and families dependent on garment wages, this began a spiral of asset depletion; the subsequent Memorandum of Understanding has brought some children back into garment work with a provision for part-time free education; the extent to which this has interrupted a downward spiral for individual children or their families needs to be assessed.

The consequences of international economic change on the lives of the poor are dramatic – and all too often invisible to decision makers. At other times an economic shock may operate indirectly, as in the suicides of powerloom weavers

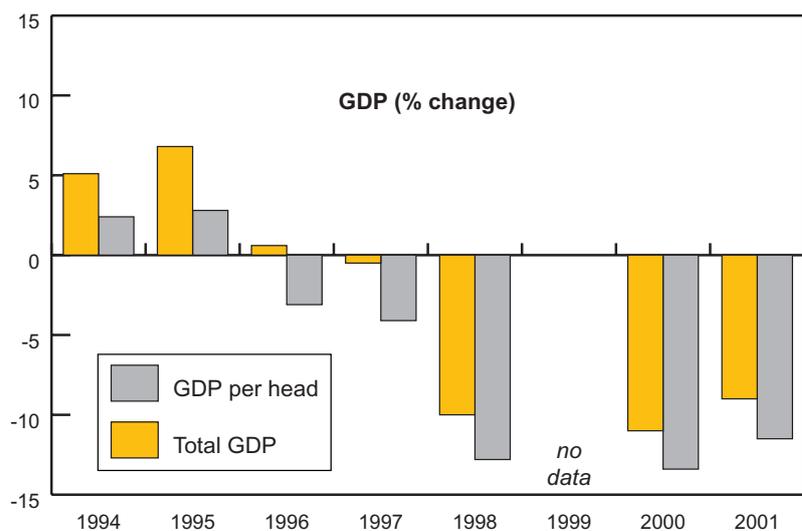
in India in 2000–01, no longer able to keep their businesses going in the face of cheap imports following liberalisation.<sup>47</sup>

*'Last year, we had a spate of suicides by power loom weavers in Sircilla, Andhra Pradesh. One example is the case of Konda Kishtiah, 32 years old, with dependent old parents, two children. His wife died of tuberculosis and despite being skilled, the shock of a combination of factors such as market based fluctuations, globalisation, subsidy withdrawal, withdrawal of marketing support by the State, lack of alternative income earning opportunities, mounting debts, starvation*

#### Box 4.5 Violent conflict and a collapse into poverty in the Solomon Islands

The Solomon Islands have struggled with inter-ethnic tension since independence in 1978, although violent conflict only broke out in late 1998. About 20,000 people were forced to abandon their homes. In June 2000 there was a coup, and violence continued particularly in remote rural areas.

The effects on the economy and the well-being of the people have been marked. Modest growth in national income has turned into severe decline. Net inflows of foreign direct investment declined from US\$33.8 million in 1997 to US\$1.4 million in 2000; by 2001, there was a net outflow of US\$5.1 million. Debt grew by almost 50% between 2000 and 2001. While aid is about 23% of gross national income, the debt burden is about 58%.



Source: Asian Development Bank, Asian Development Outlook.

The Solomons are far behind on the Millennium Development Goals. Particularly in remote areas, declining funding of essential social services has adversely affected health and education indicators, now the lowest in the region. Maternal mortality rates are particularly high. New vulnerable groups are emerging such as those displaced by the conflict, the unemployed, especially women, and youth.

More than two years later, Australia and a few other Pacific neighbours offered to send in a small peacekeeping force. The Solomon Islands parliament approved the force on July 17, 2003. By the end of 2003, a measure of stability had been restored. This may be the chance to prevent conflict as a driver from becoming conflict as a maintainer of chronic poverty.

Sources: ADB 2003; BBC 2003; World Bank 2003.

**Box 4.6 The cost of a cup of coffee – market collapse and poverty traps**

Over the past five years, massive coffee overproduction has led to a collapse in prices, contributing to chronic poverty at both the micro and macro level.

There are some 20–25 million small farmers dependent on the global coffee market, living in about 50 countries of Latin America, Asia-Pacific and Africa. In Ethiopia, more than 700,000 smallholders are involved in coffee production, and the livelihoods of a further 15 million rely in part on the coffee economy. For these small farmers, the collapse in coffee prices – sometimes to a fraction of the production cost – has meant the collapse of livelihoods, increased food insecurity, asset depletion, resource degradation, and a decimated ability to cope with shocks. For many children, it has meant leaving school, as coffee production was the only way their families could earn cash for fees.

Diversification and entry into niche markets are risky, long-term strategies. With few livelihood alternatives, the most vulnerable farmers stay in the coffee market. Others, along with under- and unemployed coffee plantation labourers, migrate in search of a new livelihood.

At the macro level, the countries hit hardest by the price collapse are mostly Least Developed Countries, many desperately poor. Over the last five years, Uganda lost about half the amount it has received as debt relief under HIPC. Ethiopia lost half its annual export earnings over a two year period. Of the 36 countries facing food emergencies identified by the FAO in June 2003, four are Central American countries experiencing food insecurity because of the international coffee crisis, and six are African countries heavily dependent on coffee exports. The economies of some of the poorest countries in the world – including much of Eastern Africa and Central America – are highly dependent on exports of coffee from small farms (see table).

While a range of factors has contributed to the coffee crisis, the main problem is a lack of governance since the International Coffee Agreement broke down in 1989. The global coffee market is extraordinarily unequal: an average farmer has about 15 bags of coffee to sell each year, while each of the biggest coffee roasters buys about 15 million. In the context of commodity market speculation, of IFI production

support to particular coffee-producing countries, and of the pressures for hard currency that encourage indebted countries to increase exports, the absence of governance has undermined the livelihoods of millions of people.

Selected countries	Share of world production (%) <sup>1</sup>	Dependence on coffee exports (%) <sup>2</sup>
<b>Americas</b>	65	
Brazil	33	
Colombia	12	17
Guatemala	4	21
Honduras	3	25
Mexico	3	
El Salvador	2	26
Nicaragua	1	30
Others	6	
<b>Asia-Pacific</b>	22	
Vietnam	13	
Indonesia	5	
India	3	
Others	2	
<b>Africa</b>	13	
Uganda	4	55
Côte d'Ivoire	3	
Ethiopia	2	67
Kenya	< 1	14
Tanzania	< 1	16
Burundi	< 1	80
Rwanda	< 1	43
Others	2	

<sup>1</sup>June 2002–May 2003; www.ico.org  
<sup>2</sup>1998; FAO/ILO in Oxfam 2001.

Sources: Charveriat 2001; Lines and Tickell 2003; Barrett et al. 2002; FAO/GIEWS 2003.

*and no social safety nets, created a situation where he and many other power loom weavers found the situation so hopeless that they killed themselves and their families.'*

Although the prediction of specific market and economic collapses is problematic, there is a widespread consensus that globalisation means that such shocks are likely to be more frequent, more rapid and on a larger scale than in the past.<sup>48</sup> But mechanisms for international governance to address social impacts of globalisation, not least on chronic poverty, have yet to be developed.

## Understanding chronic poverty and taking action

Maintainers and drivers of chronic poverty overlap and reinforce each other. This can be seen clearly by unpicking the story of Maymana and Mofizul, two chronically poor people in Bangladesh, whose experience is described in greater detail in Box 4.7.

At the micro-level, their poverty is explained by the ill-health of Maymana's husband and by not being able to access affordable and reliable health services. Moving up a layer, social exclusion at community level permitted Maymana's father-in-law to seize her land and further deplete her assets. At the national

level, ineffective policies meant that the lack of broad based growth, especially in agriculture and the rural economy, reduced opportunities to work, earn and accumulate. Poor governance meant that inheritance laws were ignored and social protection was not provided. Civil society, in the form of NGOs, bypassed this household.

Internationally, the protection that wealthy nations provide to their farmers (US\$320 billion per annum) and textile industries reduces growth in Bangladesh and the capacity of its government to increase public revenues. OECD resistance to proposals from Bangladesh at Cancún to open up the global market in unskilled

### Box 4.7 Maymana and Mofizul's Story

Maymana and Mofizul recounted their life story during a number of long conversations over a period of 12 months from October 1999. Maymana and Mofizul were selected as one of 42 poor households interviewed as part of a study on financial behaviours and preferences of the poor. For a year, Bangladeshi researchers visited them every fortnight and collected information about their financial and economic activities, as well as gathering their life history and exploring their perceptions as to how and why they had declined into poverty, their strategies for addressing the difficulties they face, and the persistent nature of their poverty.

Maymana and Mofizul live in a village about 30 kilometres outside the city of Mymensingh. It is relatively favoured in Bangladeshi terms. The area is flat, fertile and densely populated, and it does not experience severe flooding. Agricultural productivity has been rising with the spread of 'green revolution' and fish farming technologies. The village is near a main road, so the economy is fairly diversified and services are relatively accessible. In addition, a high density of NGOs operates in the area, including the mega-NGOs BRAC and Proshika, as well as several smaller ones. The widely acclaimed Grameen Bank also has a large presence in the area.

#### Sliding into poverty

In the early 1990s, the household was made up of Maymana, her husband Hafeez, two daughters and a son. Hafeez owned three rickshaws that he hired out on a daily basis and an acre of paddy land, thus the household had a reasonably secure income and an asset base to fall back on in hard times. In Maymana's words, life was *balo* (all right/OK). However, as the two daughters approached their teens there was the expense of dowry to consider, and the son Mofizul had a growth on his back and was often unwell.

At this time Hafeez developed a cough and complained of a painful throat. After purchasing ineffective medicines from a 'pharmacist' in the bazaar, he visited the nearby government-run health centre, where staff asked for bribes and were generally uninterested in his illness. Next he went to a private 'doctor' in a nearby town, who recommended costly medicines. When these also failed to work, he referred Hafeez to a colleague in Mymensingh. In order to meet these medical bills, a rickshaw was sold. As Hafeez's condition worsened and further X-rays and tests were required, a second rickshaw had to be sold. The weekly income plummeted, the family reduced its consumption levels, and old clothes and utensils were no longer replaced.

As Hafeez got sicker the elder daughter, concerned that her family would not be able to provide for her dowry, acquired a kid, fattened it, sold it and repeated this cycle. In this way she saved for her own dowry. Her younger sister adopted the same strategy. Much to Maymana's relief, male family members arranged marriages for the girls, with some involvement from Hafeez.

By now Hafeez was confined to the house and there were no more rickshaws to hire out. The household was dependent on rice produced from its small plot of land and on Maymana finding occasional work as domestic help. When Hafeez died in 1998, Maymana was in despair. She was now a widow with

a tiny and irregular income and a sickly child. Although Mofizul was only 12 and often sick, he sometimes found casual employment at a local timber mill. At a daily rate of 10 taka (US\$0.20), however, his income did not make a significant difference.

The situation declined further when Maymana's father-in-law took control of the household's agricultural plot. Maymana began to borrow, glean and beg for food. Fortunately her married daughters, wider family, neighbours and the mosque committee provided some support so she and Mofizul survived. At the end of 1999, despite threats and warnings against doing so, Maymana took her father-in-law to the village court (*shalish*) for the return of Hafeez's land to her and her son. Under Bangladeshi law she has rights to the land, but the *shalish* ruled against her. Following the spirit of compromise that often guides the *shalish*, her father-in-law told the court that he would pay for any medical expenses arising from Mofizul having his back treated. He has only partly honoured this promise.

#### Enduring poverty

In October 1999, Maymana and Mofizul occupied a one room house with mud walls and an old iron roof. They also had a small kitchen hut with mud walls and plastic sheeting on the roof. These huts and 0.06 acres of homestead land were their only assets. They had no furniture, equipment or livestock, not even chickens, and only a few cooking utensils. Their huts stood at the back of a number of better-constructed buildings belonging to an uncle.

The household of two met its livelihood needs from a variety of sources including casual work, gleaning, borrowing, begging and receiving charity, but it was unable to acquire or accumulate any significant financial or physical capital. Their human capital remained low, with poor health and no new skills acquired, and, having angered Maymana's father-in-law and taken loans of grain and cash that she was unable to repay, their social networks were weakening.

Maymana sought paid work in others' homes, but found it increasingly difficult as she was ageing, nearly deaf and often unwell. Maymana did not know her age but was probably in her late 40s. She had only two years schooling and was illiterate. Whenever possible Maymana gleaned rice.

Mofizul was 13 with no education, as is the norm for children with an impairment in Bangladesh, and being 'disabled' was part of his social identity. But despite his youth, disability, ill-health and lack of education Mofizul was determined to find employment. As he got older his daily rate for casual labour rose to 30 taka/day – half the adult male rate. However, employment was irregular. Once the police shut down the mill for a month, claiming that it was sawing logs taken from a protected area.

Sometimes the household received gifts or charity. During Eid the mosque committee gave them 150 taka (four days' pay for Mofizul), a sari and meat. Maymana also borrowed and begged for food and money. Distinguishing between these strategies is not easy: during the year Maymana arranged several loans from family and neighbours that she was unable to repay – loans gradually converted into 'gifts'. By October

2000 she had borrowed 500 taka from one daughter and 36 kg of rice from the other daughter, a son-in-law, and a neighbour. It was unclear how this could be paid back.

In October 1999, Maymana held a Vulnerable Groups Development (VGD) card entitling her to 30 kg of wheat each month. This is World Food Programme grain provided to female-headed households identified by local government as being vulnerable to hunger. However, Maymana only ever received 7.5 kg and subsequently had to return the card to the councillor. The reasons for this were complicated, but were related to the councillor belonging to a different political party than the uncle in whose compound she lives. The uncle suspected that the councillor had ulterior motives and was trying to get wider family members to change their political allegiances.

Despite these difficulties, Maymana reported that 2000 had been much better than the previous year, as her son's earnings meant that they could more often substitute borrowing for begging.

### Explaining poverty

Maymana identified three main factors to explain her poverty. At the heart of the explanation was the prolonged illness and eventual death of her husband, which led to a dramatic decline in income, a rise in expenditure and the sale of productive assets. Second, the seizure of her husband's land by her father-in-law undermined the household's ability to produce at least some food each year. Finally, there was the composition of her household – two daughters needing dowries and a disabled son. These explanations, however, were more broadly understood and explained by her as *Allah'r ichcha* – God's will.

Maymana and Mofizul are not poor because of any lack of action on their part. Their agency may be severely constrained by a host of structural factors but they are constantly seeking out ways of improving their position – they may be down but they refuse to be out.

**Table 4.2 The influence of state, market, society and family on Maymana's and Moziful's prospects**

Sectors	What support has this sector provided for them?	What constraints has this sector placed on their welfare and in what ways has it failed them?
<b>State</b>	<ul style="list-style-type: none"> <li>• Vulnerable Group Development card</li> <li>• Basic health services</li> <li>• Primary education</li> <li>• Law and order</li> </ul>	<ul style="list-style-type: none"> <li>• Card withdrawn</li> <li>• Poor quality, and has failed to regulate the quality of private health service providers</li> <li>• Only taken up by Maymana for two years</li> <li>• Failed to uphold Maymana's rights to land inheritance</li> </ul>
<b>Market</b>	<ul style="list-style-type: none"> <li>• Labour market</li> <li>• Product market</li> <li>• Insurance</li> <li>• Health Services</li> </ul>	<ul style="list-style-type: none"> <li>• Provides Mofizul with poorly paid, casual work. Maymana unable to get work</li> <li>• Used by Maymana's daughters to sell goats for dowries</li> <li>• No health or life insurance available to manage Hafeez's decline</li> <li>• Provided services to Hafeez that did little for his health but dramatically depleted household assets</li> </ul>
<b>Society</b>	<ul style="list-style-type: none"> <li>• Charity</li> <li>• Mosque Committee</li> <li>• Informal loans</li> <li>• Village court</li> <li>• NGOs</li> </ul>	<ul style="list-style-type: none"> <li>• Neighbours give food when Maymana begs and permit her to glean from their land</li> <li>• Provides gifts at Eid</li> <li>• Neighbours provide loans of money and grain that may turn into gifts</li> <li>• Cheated Maymana out of her land rights and greatly reduced her asset base</li> <li>• Do not provide support to Maymana – not a suitable client</li> </ul>
<b>Family</b>	<ul style="list-style-type: none"> <li>• Father-in-law</li> <li>• Daughters and sons-in-law</li> <li>• Uncle</li> <li>• Maymana's father (mother is dead)</li> </ul>	<ul style="list-style-type: none"> <li>• Seized her land, greatly reduced her asset base, does not buy health care for Mofizul</li> <li>• Provide loans of food and money that may not be repaid</li> <li>• Provides physical security (as the household is part of the uncle's compound), food loans and gifts. Blocked Maymana from using her VGD card and discourages her from begging</li> <li>• Unable to provide support as he is old, sick and poor. Maymana wishes she could help him</li> </ul>

labour also works against Maymana and Mofizul. The USA's abrogation of the Kyoto Treaty on global warming makes it likely that opportunities will be further constrained in the future as land is lost and 'natural' hazards become more frequent.

Historically, the destruction of Bengal's textile industry by the British, and the creation of an agrarian social structure based on clientelism and the partitioning of India (and the subsequent war of Liberation) have left a legacy of impoverishment in Bangladesh.

While many factors may explain chronic poverty, only some can be changed. Action needs to focus on issues that may be influenced. Internationally, efforts to reform global governance, international trade, and environments, need vigorous support if the chronically poor are not to be further marginalised and impoverished by globalisation. The international community must be kept to its commitments on resource flows and on the right to development. In Bangladesh, there is a significant agenda for those who seek to reduce chronic poverty:

- improved health services and social protection for the chronically poor;
- the promotion of broad based growth

that is pro-poor in terms of both the labour market and public revenues;

- persuading NGOs to extend their services to the chronically poor;
- identification of strategies that will reduce social exclusion;
- lobbying aid agencies to focus on assisting the chronically poor by financing innovative programmes (e.g. NGO ultra-poor programmes, projects in less favoured areas and non-contributory pensions);
- contributing to efforts to improve governance.

## Conclusion

The drivers and maintainers of chronic poverty operate at every level. Processes that affect the individual and household, as well as communities, countries and the international system, need to be targeted if the downward spirals that result in chronic poverty are to be interrupted.

At the individual and household level this means managing vulnerability. People in chronic poverty try to cope with vulnerability and keep afloat through livelihood diversification and building social relationships, both horizontally and vertically. But there are obvious limits to the extent that things like

community-based savings and insurance schemes can foster escape from chronic poverty, when everyone involved is chronically, and often severely, poor. Building social relationships upwards may help people to survive but, without significant improvements in social solidarity, this will have little chance of interrupting the processes that drive and maintain chronic poverty. Governments and the international system clearly have duties to fulfil.

The length of time that different policy interventions take before they bear fruit differs radically. The removal of socio-cultural barriers to citizenship, services and improved governance are vital for chronic poverty reduction, but difficult to challenge in the short-term, especially with limited resources. Other macro policy changes, which are crucial for the medium to long-term, are unlikely to deal with the chronic poverty that individual and households are experiencing *now*. What is needed immediately is increased investment in health and education matched with asset transfers and social insurance, so that chronically poor people can move towards being able to *always* access services and make choices about their own futures, without compromising short or long-term well-being.

## Notes

1. Worryingly, global relative poverty may have greatly risen over the 19<sup>th</sup> and 20<sup>th</sup> centuries, because of increased inequality.
2. Maddison 2001.
3. See Corcoran 1995 for a discussion for the USA and/or take a walk around any US or UK city centre late at night to see scores of homeless people sleeping on the street.
4. McKay 2004.
5. Countries were grouped according to their average rate of economic growth (with those whose rate was less than 2% identified as 'collapses') over the 1980s and 1990s. Three ways of measuring performance in the reduction of infant mortality rates (absolute numbers, relative to all developing countries, and conditional on initial levels) were correlated with the country groups for each decade. See Anderson and Morrissey 2003 for a detailed discussion of the performance measures. For those countries with adequate data, there are almost no significant differences between the average values of IMR reduction performance of the four growth quartiles, with two exceptions. First, the quartile of countries with the lowest economic growth rates in the 1990s had a statistically significant lower average value of the conditional measure of performance. Second, countries that experienced an economic collapse performed significantly worse on all three measures in the 1980s and significantly worse on the conditionality measure in the 1990s.
6. Dollar and Kraay 2001.
7. Indeed, it can be argued that the Dollar and Kraay work – reported as a virtual law of poverty reduction by influential media such as the *Economist* at a time when it was an unpublished working paper that had not been independently reviewed by a scientific journal – reveals more about the political economy of why people stay poor than it does about the technical evidence. An ideological drive to promote neo-liberal ideas allied to a technocratic belief that 'average' policies should be pursued by all countries.
8. Atkinson and Brandolini 2001.
9. Timmer 1997.
10. For a review of these concerns see McKay 2004.
11. McKay 2004.
12. McKay 2004.
13. See introduction to Chapter One for a discussion.
14. Daru and Churchill 2003.
15. Daru and Churchill 2003.
16. Wood, 2003: 456.
17. de Haan and Lipton, 1998: 13.
18. Jalan and Ravallion 1997.
19. Jalan and Ravallion 1997.
20. At the extreme end of this, there are those (Banfield 1968) that believe that much if not most poverty is based upon the 'innate' characteristics of the poor, sometimes called the 'underclass'. This approach has highly racist and classist overtones. Within this view, any attempt to eradicate or alleviate poverty among the 'underclass' is doomed to fail.
21. Kabeer 2000.
22. Originally put forward by Oscar Lewis in the late 1950s.
23. Based on Sen's capabilities and freedoms approaches; see for example Sen 1999.
24. Marshall 2004.
25. Harper, Marcus and Moore 2003.
26. Harper, Marcus and Moore 2003.
27. Marshall 2004.
28. Castañeda and Aldaz-Carroll 1999.
29. MHHDC 2000; Ray 1999; Watkins 2001.
30. HelpAge International, State of the World's Older People 2002: 11.
31. Top priority countries fail on at least 3 goals, or half of those for which they have 3 data points, or, if data is only available on 2 and they are top priority in both. 'High Priority' countries are top/high for at least 3 goals, top for 2, or top/high for at least half the goals for which they have data (3 data points) or, if they only have data for 2 goals and they are top priority in both. HDR 2003 page 347.
32. Stiglitz 2002.
33. Baulch 2003.
34. See Chambers 1983 on 'triggers'; Sinha, Lipton et al. 1999 on 'damaging fluctuations'; and a wealth of work on sustainable livelihoods on 'vulnerability context'.
35. CRED (Centre for Research on the Epidemiology of Disasters) <http://www.cred.be> in Skoufias 2003.
36. Cammack et al. 2003; Gaiha and Imai 2003.
37. Rural Nepal; Bangladesh; rural tribal Madhya Pradesh, India; urban northern Thailand; Vietnam; Kuba District, Azerbaijan; Egypt; The Gambia; rural Sierra Leone.
38. Fabricant, Kamara and Mills 1999.
39. Pannarunothai and Mills 1997.
40. Harriss-White 2001.
41. Begum and Sen 2003; see also Kabir 2003.
42. Afsaw 2003.
43. Ruthven and Kumar 2003.
44. Conticini 2003.
45. Landell-Mills 2003.
46. See Oxfam 2002.
47. Mehta and Shah 2002.
48. Stiglitz 2002; Gray 2002.