Part C
Conclusion
A. Eradicating chronic poverty

Chronic poverty can be eradicated; it is not the poverty of ‘hopelessness’ with which we just learn to live. Many people now enjoy a standard of living that their parents would have found unimaginable: technology, finance and trade have created unprecedented opportunities to leave poverty behind. With such resources, it is inexcusable that at least 400 million people remain locked in lives of hardship and deprivation, with the prospect of an early death. Poor people wish for a better future for their children: we must help them to realise this hope.

We must be clear that, while many of the chronically poor live in Chronically Deprived Countries (CDCs), hundreds of millions live in stable, relatively prosperous nations. Therefore, a focus on the so-called ‘bottom billion’ countries alone will not tackle chronic poverty.\(^1\) Even achieving the first Millennium Development Goal (MDG) will leave 800 million people in absolute poverty, many of them chronically poor.

The five chronic poverty traps – insecurity, limited citizenship, spatial disadvantage, social discrimination and poor work opportunities – must be tackled, and urgently. If this is done, then nations will stand a chance of building a social compact between citizens and their state, and on this basis, tackling chronic poverty.

B. Five key poverty traps

Policy has to deal with five urgent chronic poverty traps. The first is an insecurity trap. Those who are exposed to, or live unprotected within, insecure environments often experience an extended duration in poverty. Conflict and violence are obvious sources of insecurity, as are economic crises and natural hazards. Chronically poor households, with few assets and entitlements, have little capacity to cope with such shocks. Moreover, the chronically poor are also the worst equipped to deal with individual- or household-level shocks, such as ill health (as graphically shown by our life histories). Responses to shocks can lock households into low-risk, low-return activities, and exploitative social relations. The impacts of such shocks on wellbeing can be permanent, and can reinforce the intergenerational transmission of poverty.

Limited citizenship is the second trap. Moving beyond the good governance agenda, and purely technocratic interventions around ‘getting institutions right’ or ‘strengthening civil society’, we focus on individuals’ engagement in the political sphere. We argue that the chronically poor do not have a meaningful political voice, and lack effective and legitimate political representation and power. In this sense, they have a very limited sense of citizenship, and do not have a substantive stake in society.

Spatial disadvantage is the third trap. Spatial disadvantage characterises some CDCs, as well as intra-country spatial poverty traps, through four overlapping dimensions – remoteness, natural resource endowments, political disadvantage and weak integration. In urban areas, many of the poor are trapped in locations with poor or non-existent services, high levels of violence, and desperate living conditions, which make it very hard to escape poverty.

Social discrimination is the fourth trap. Many of the chronically poor experience social ‘traps’, based on their positions within households, communities and countries. Social relationships – of power, patronage and competition – often entrap individuals in exploitative relationships. Such social structures evolve with locally or nationally specific ‘social orders’, such as class and caste systems, or gender-specific roles and responsibilities.

Poor work opportunities constitute the fifth trap. When economic growth is low or non-existent, employment is limited. Where there is economic growth only in enclaves, work opportunities are very few. Employment can also be exploitative, rather than empowering. Many of the chronically poor, especially women, are stuck in low return activities of benefit to others, but not themselves. They need opportunities to move out of oppressive relationships, and voice to articulate their interests – greater ‘agency’ in other words. Examples of such agency include the ability to bargain for higher wages, and to assert their citizenship rights and entitlements.
Tackling these five traps can deliver a just social compact between citizens and the state (see Chapter 1). Political and social institutions are then arranged to ensure a fair distribution of public goods and services.

Once established, such a social compact has two desirable outcomes. First, the state reduces people’s risks – through law and order, services and infrastructure – in return for their commitment to the state (including a willingness to finance it through taxation). In many CDCs, the current situation is the exact reverse: the state is either irrelevant to peoples’ lives (especially in remote areas) or they do their very best to keep out of its way – because it is violently predatory. Second, a just social compact creates norms and expectations around how individuals interact with each other (politically, morally and economically). Importantly, these norms and expectations increase mutual benefits and reduce costs. This is critical to delivering broad-based economic growth, and therefore employment opportunities.

A just social compact is integral to people’s perception of fairness. When the state acts unfairly, the resulting sense of injustice can destroy a society. The poor are drawn into coping strategies that are often harmful to themselves and society. Grievances can then be readily exploited by ambitious politicians and entrepreneurs bent on capturing state power for their own ends.

C. Policy responses to chronic poverty traps

In this report, we propose five policy areas that can tackle the five chronic poverty traps and contribute to a just social compact (see Figure 5). We argue that two of these policies – social protection and public services for the hard to reach – have important roles to play in tackling all five traps. The further three policy areas mainly tackle the traps they are closest to in Figure 5.

What can be done in each of these five policy areas partly depends upon country context. We highlight two factors of special importance:

- A country’s potential for inclusive growth reflects its resource endowments, geography and location.
- A country’s potential to mobilise revenue for investment in poverty reduction and development reflects its per capita income (and therefore the potential size of the tax base) and its resource endowment (especially whether it has large mineral revenues).

Country context influences the chances of ending chronic poverty, but does not determine it. Being landlocked, for example, makes inclusive growth harder, but does not prevent it. On the other hand, a country with ample mineral revenues may not necessarily spend them well.

Growth and revenue interact. As an economy grows, so does the tax base. Institutions must be built to gather the revenue and put it to good use. A just social compact is therefore underpinned by an effective system of public finances. Otherwise, the promises of governments are worthless (see Chapter 6). With an effective system of public finance in place, governments can credibly deliver the social protection and public services that reduce the impact of the shocks that reinforce chronic poverty – thereby reducing the many risks faced by poor people.

Social protection and social assistance

State-provided social protection, and social assistance, has a vital role to play in reducing the insecurity that breeds chronic poverty. It is affordable, can be politically acceptable, and can develop solidarity by distributing risk across a population. Social protection helps in tackling the life-course and intergenerational implications of chronic poverty. This is
shown by programmes in countries as diverse as Brazil and Bangladesh, where children’s educational, nutrition and health status has risen significantly and the incidence of child labour has fallen.

Combining transfers with public services is the safest approach to tackling multidimensional poverty. Given elite scepticism about the ability of poor households not to ‘drink away’ unconditional transfers, conditional transfers may well have particular policy traction. However, if the policy terrain is more conducive to unconditional transfers, then conditions may not be necessary. Poor households manage their resources very sensibly, usually with an eye to human development.

Elections, and ‘executive champions’ within political society, are likely to be highly important for initiating social protection measures. The chronically poor lack political representation and power, which negates their status as citizens. There is therefore a need for executive actors and mid-level bureaucrats (who, as part of the ‘anxious middle’, have more affinity with their poor, and often rural, kin) to champion their cause. Urban–rural politics is also important. The urban poor are visible and can feel threatening to urban elites; they are therefore sometimes able to make stronger claims than the rural poor, through social and political movements and effective local government representation.

Civil society organisations also have an important role to play. Whilst direct lobbying has only rarely played a critical role in initiating social protection measures, civil society organisations appear to be a significant force in helping recipient groups form a policy constituency capable of protecting social protection policies, once they are in place. Development partners can support such actors.

Further evidence about the efficacy of social protection is required – however, the discourse about poverty in poor countries is as important as ‘pure’ poverty data. Elites need to be convinced that the poor face significant constraints that require public action – interventions in India, Bangladesh and southern Africa were all introduced by political forces, who explained how poverty was caused by factors beyond the control of the deprived group. Those interested in promoting social protection policies should engage with the broader battle of ideas – ideas on the causes of poverty, and around concepts of development and nation-building – in societies in the South. There is also a need for a much stronger focus on causality within poverty diagnostics. Here we make two recommendations:

- First, the integration of social exclusion analysis within the poverty diagnostics carried out for Poverty Reduction Strategies (PRSs);
- second, the adaptation of Living Standards Measurement Surveys and other instruments to evaluate social protection schemes so that, as the 2015 MDG targets approach, there is plenty of data on impact in different contexts.

Donors need to make long-term commitments, to encourage governments to follow suit. The recent five-year commitment in Zambia begins to take us along this path. Committed and long-term policies should be put in place, based on evaluation results collected over the next three to five years.

**Public services for the hard to reach**

Equitable and free access to public services for the chronically poor is a pivotal intervention. In particular, reproductive health services and post-primary education are key areas that deserve much greater attention and expenditure. The international policy community has abrogated its responsibilities for promoting gender equality and reproductive health services (see Chapter 5). Without progress in these areas, we cannot tackle chronic poverty. Following significant lobbying from women’s movements, a target specifying universal access to reproductive health has been agreed.

Bringing services to the chronically poor is certainly a challenge. But interventions in reproductive health, education and nutrition complement each other, forming a virtuous circle of social and economic development. Markets alone do not ensure universal access to basic social services. Public action is vital, regardless of whether an economy is centrally planned or market-oriented. The state has a key role to play in ensuring adequate coverage of services – particularly in rural areas, because private providers and professionals tend to be concentrated in urban areas, where the greatest demand and returns to investment can be found.

Sequencing social investment can increase its efficacy. For example, the existence of high (basic) education levels among the population ensures that, when the investments in health infrastructure are made, there is a strong demand for health services. Efficiency in the use of human and financial resources is important, to prevent social spending creating fiscal burdens.

In contrast to health, where basic and comprehensive coverage is a priority rather than specialist services, there is important evidence that in some contexts, 12 years of education (i.e. completion of secondary school), protects 80% of young people against poverty. While basic education remains a priority, investment beyond primary level is vital, not least for the demographic transition. Such a shift in population distribution can be supported by adequate nutrition. Ensuring the survival of children, and the wellbeing of mothers, is critical to reducing fertility rates and enhancing reproductive health.

The all-important gender equality target for secondary education is far from being achieved. Eighteen years on from the Jomtien commitments to universal primary education, the world needs to focus swiftly on a similar commitment.
to post-primary education. A significant increase in public expenditure will be required, together with accompanying instruments for promoting retention in secondary school, such as cash transfers, especially for girls. In both health and education sectors, stimulating demand from the poor remains a key factor. The promotion of women’s employment, and infrastructure development, in addition to the direct, demand-enhancing role of social protection measures, can indirectly boost such demand.

### The building of individual and collective assets

A lack of assets not only exposes the chronically poor to risks, but also excludes them from employment opportunities and the growth process. Those who are healthy work hard, but without much education their opportunities are limited. A lack of secure land and housing in urban areas, plus livestock and tools in rural areas, compounds their disadvantages. Without access to formal credit and insurance markets, assets are frequently sold off at very low prices in times of distress.

Asset holdings increase the personal (and collective) agency of the chronically poor. The more assets a household has, the more leverage it has in social networks and transactions, as well as in formal financial markets. This applies to psychological assets, as well as physical and social assets – for whilst non-material assets are less tangible, there is no doubt they can play a vital role in reducing chronic poverty (see Chapter 5).

Social protection has a strong role to play in protecting and accumulating assets. Schemes can increase individual assets, either indirectly through cash transfers, or directly through asset transfers (one example is BRAC’s Targeting the Ultra-Poor programme; see box 26). The provision of basic collective assets, such as basic water and sanitation services in urban locations and roads, decent schools buildings and health facilities in rural locations, plays a vital role in forming and sustaining human capital. This is often the basis for the accumulation of further assets.

Social movements have a vital role to play in mobilising around key issues such as housing or the provision of basic water and sanitation facilities. One example is Nijera Kori, which, with an emphasis on collective empowerment and emancipation of landless Bangladeshi labourers, is reversing their historic lack of voice, agency and organisation (see Box 41).

Building individual and collective assets also requires attention to informal and formal institutional arrangements. Those which support asset accumulation should be given priority. Laws or norms which discriminate against particular social groups – for example, those that deny or rob women of land and other assets – need to be challenged as a matter of priority.

In this respect, the ability of social movements to hold the state and other actors to account is paramount. Without such pressure, obligations on delivering collective assets, such as infrastructure, housing and basic services may falter and wider benefits that social movements can bring, such as challenging discrimination, may stall. Social movements offer an important source of countervailing power.

In societies characterised by high levels of asset inequality in land and other productive assets, there may be a case for redistribution. However, the best way to achieve fairer asset distribution may not be to redistribute assets themselves, but, rather, to incorporate redistribution into the fiscal system. This can be done through progressive taxation (of capital gains from land sales, for example) to finance public spending that creates better livelihoods and human capital for the poor. This may require persuading the political elites, who control the media, legislature and most productive assets.

The temptation for the state to weaken, de-legitimise, incorporate or, indeed, repress social movements is always high. There is a clear role for development partners in reducing the chance of this occurring, through fostering an enabling environment. This can be achieved, for example, through providing support to independent ombudsmen, and by encouraging the promotion of human and civil rights. Two further areas of potential support are research capacity and policy advocacy.

### Anti-discrimination and gender empowerment policies

Ensuring progress towards social inclusion, achieving greater levels of ‘agency’ and economic choice, and enabling gender empowerment can only be achieved through processes of transformative social change. There are powerful policy levers in five key areas:

- **Legal rights**: formal equality before the law, including constitutional declarations of equality, delineation of the rights of certain groups, the ability to seek legal redress; also access to justice, and elimination of discrimination from the justice system.

- **Political representation**: e.g. supporting members of discriminated-against groups, or ensuring their representation in legislature, and other types of engagement with formal political processes.

- **Economic resources**: e.g. prohibiting discrimination in labour markets or access to finance, redistributive tax or benefits systems to help discriminated-against groups. This includes environmental issues, such as land and water usage, natural resource-based livelihoods (e.g. fishing, forest products).
Gender equality in primary education is a vital goal, which has been difficult to achieve. Our analysis suggests, however, that primary education alone is not enough: rapidly enhanced access, by girls as well as boys, to quality post-primary education is essential for the eradication of poverty.

Political pressure for gender empowerment stems in large part from women’s movements; they need allies to support this fundamental social change.

Strategic urbanisation and migration

The chronically poor generally stay put, but where it is possible, migration can extend agency and the range of economic choice. It can also loosen exploitative and constraining social relationships, such as caste or class systems, or those characterised by the difficult trade-off between security and the possibility of future improvements. Migration can ‘liberate’ women from conservative rural constraints, but women migrants also can be subject to significant harassment and abuse – especially in the informal sector – and can suffer from a lack of support networks (see Vuyiswa’s story). Urban populations and government are often relentlessly hostile to migrants, resulting in exclusion and discrimination. In addition to inclusive economic growth, which generates employment opportunities, creating a favourable environment for migration can be achieved through public information campaigns to counter negative stereotypes and the reform of social services, to make them more accessible to migrants.

Similarly, urbanisation can, if properly managed, benefit the poor. It can provide escape routes from adverse economic and social relationships; improve rural access to services and social capital; and generate political mobilisation. There are good and underused policy levers to spread the benefits of urbanisation: infrastructure development; regional development policies; and city policies on employment. Not only can urbanisation provide opportunities for those who engage directly – urban residents, migrants and suppliers of goods and services – it also has indirect effects on wage rates and prices.

China, India and Latin America and the Caribbean are urbanising at a rapid rate. Due to the significant downsides to such transformations – such as the destruction of previous modes of livelihood – there is a need for strategic management of urbanisation, to ensure that change is broadly positive for the urban poor. Urbanisation itself often creates potentially volatile political pressures, which can lead to pro-poor policy, such as the creation of trade unions and social movements. Such political forces can help translate the benefits from urban economic growth into improvements in human development indicators for all urban inhabitants.
D. Country context

This report has identified ways forward. But much depends on the specificities of countries: there can be no universal blueprint for the just social compact. However, some distinction can be made between Chronically Deprived Countries (CDCs) and the rest. In CDCs, state capacity is limited, and many countries are, or have been, in conflict. There is thus an urgent need to establish trust in the state and its institutions. If and when positive political change is achieved, the next step is to build confidence. Accordingly, the governments of CDCs need quick wins to convince a sceptical populace that this time things are different. Politically, these quick wins must be in areas valued by everyone so as to mobilise support for the consolidation of peace and democratisation – but also in areas valued by the chronically poor. The provision of basic health services and primary education (with conditional cash transfers), followed by post-primary education, would seem to meet both requirements. For remote areas (which are often secessionist), investments in infrastructure can stimulate livelihoods, by improving connections to major markets – and so can also constitute a way forward. However, investments need very careful design to ensure that they do truly benefit the poor; infrastructure budgets are notorious for their capture by elites.

What should donors do? Here we need to distinguish between CDCs that have ample mineral revenues (which are rising with the boom in world prices), and those that do not. For resource-rich CDCs, there is no reason why they cannot establish social protection now. Donors have limited leverage, as commodity earnings exceed aid inflows for resource-rich CDCs. Donors should therefore focus on technical assistance, to build the institutions necessary for effective social protection (linked to educational and health investments). They should also support social movements, mobilising around the Extractive Industries Transparency Initiative and other initiatives, in the drive to promote revenue transparency, often lacking. In resource-poor CDCs, aid donors will have to step up budget support and reduce the volatility of aid (ensuring that it becomes counter-cyclical, since aid currently tends to fall when government revenues fall). Donors must also be prepared to shoulder much of the cost of basic services and social protection.

The human capital developed in this way will contribute to accelerating economic growth and help to diversify the economy, attract foreign investors and make it more inclusive. This will only happen if the government implements a supportive set of development policies – still a major task in some countries, and one that itself requires technical assistance. As the economy grows, so will the revenue base, and with it the prospects for state-building. CDCs might then stand a chance of eventually becoming less aid-dependent.

For non-CDCs, the challenge is not generally one of achieving growth, but rather one of increasing the inclusiveness of growth. Reducing spatial inequality is key, and infrastructure investment will play a large role in this. Many non-CDCs have the best prospects for investing soon in a large-scale roll out of post-primary education. Some, such as Brazil, are leading the way in social protection, and others need to follow their example. Non-CDCs are generally very urbanised or quickly urbanising societies, and so it is imperative to manage the cost of urbanisation, and ensure good shelter and services for slum dwellers. While democracy is generally solid at the national level in most non-CDCs, they face many challenges in ensuring that local politics delivers for poor people. Too often, poor people only seem to count around election time, when politicians need their votes.

E. Regaining the promise of poverty reduction

Tackling all five of the chronic poverty traps is a substantial task, and policymakers will rightly ask: where do we start? Which of these policy measures offers a quick win?

The one policy which is most likely to be effective across a range of country contexts, and act as a building block for other policy areas is social protection and social assistance in particular. Not only does social protection provide security for the poorest and most marginalised people, through maintaining minimum consumption levels (and improving nutrition, education and healthcare) and asset holdings (as shown in Chapter 4), but it can also help to build a momentum for much wider societal changes. It can help to stimulate economic growth (Chapter 4), increase agency, choice, and economic entitlement (Chapter 5), increase demand for key public services (Chapter 5), and foster the social compact between citizens and the state (Chapter 6).

To tackle chronic poverty, substantial changes need to be made to the two core international policy initiatives: Poverty
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Reduction Strategies (PRSs), and the Millennium Development Goals. If the eradication of poverty is to be taken seriously, we need to move to a third generation of PRSs. Poverty Reduction Strategies could have been a device to reduce chronic poverty and build social compacts. Instead, they have mainly been a donor-owned product. A third generation of PRSs must be a more political project, taking into account the informal spaces and networks through which key decisions are made. This project must also recognise that the political environment in which a PRS operates is critical, and acknowledge that the countries which have been most successful in addressing chronic poverty in their PRSs do not have the most competitive political systems.

The MDGs are a good start on the road to eradicating poverty. But the MDGs need to evolve, if they are to be effective for the chronically poor. The recent and important addition of universal access to reproductive health services demonstrates that the MDGs are flexible, and not set in stone. We argue that through renewed and concerted public campaigning and parallel advocacy, the MDGs should evolve to encompass an overarching goal of eliminating absolute poverty and deprivation. Chronic poverty must not be allowed to become the poverty of ‘hopelessness’.

Whilst encouraging countries to specify their own goals and targets, and the international community to support nationally defined nation-building ‘projects’, we argue that for poverty eradication to be achieved the MDGs need to incorporate:

- An overarching target of eliminating absolute poverty by 2025;
- A target of access to social protection for all the poor and vulnerable by 2020; and
- Universal access to post-primary education by 2020.

The new millennium presents many challenges. But it also presents unprecedented opportunities, for much has been learnt about how to help chronically poor people. On many issues, we do not need to learn new lessons; the inventiveness of poor people themselves, and those working with them, gives us plenty of potential templates to transfer across countries. But without more action, there is little chance that the children of Angel, Bakyt, Mofizul, Moses, Txab and Vuyiswa will lead long, full and rewarding lives. Chronic poverty can and must be eradicated.

Notes
2. Hickey et al. (2007)
3. Hulme and Green (2005)
5. 1990 World Conference on Education for All in Jomtien, Thailand.