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Chronic poverty: the policy implications

Addressing the challenge of chronic poverty is a difficult task, but one that is now feasible because of the rapidly emerging knowledge base on the nature of chronic poverty and 'what works for the poorest.'¹³² CPRC research has shown that:

- The causes of chronic poverty are usually multiple and overlaid;¹³³
- National policy and action (and thus national context and politics) are much more important than international policy and action, which can provide support but not substitute for the former; and
- While general poverty reduction policies often help the chronically poor, additional policies that focus explicitly on their interests and problems are needed.
- Policies can benefit from being differentiated: addressing chronic poverty, preventing entry into and promoting exit from poverty; though of course some policies achieve more than one of these objectives.¹³⁴

Helping the poorest improve their prospects is the leading moral challenge for this generation, so tackling chronic poverty is a central concern in policy analysis and policy choice. But a policy focus and greater knowledge is not enough – political support for a campaign against chronic poverty must be mobilised. This means that both practical and strategic goals must be pursued at the same time.

Efforts to eradicate chronic poverty must be based in national political and policy debates and choices; poverty reduction strategies (PRSs) have been a key modality here.¹³⁵ However, in some countries these are giving way to national development plans, or growth strategies. The challenge during 2010-20 will be to learn the lessons of the

Helping the poorest improve their prospects is the leading moral challenge for this generation.

¹³² Lawson, D., Hulme, D., Matin, I. and Moore, K. (2010). *What works for the poorest?*. Rugby: Practical Action Publishing.

¹³³ CPRC (2004). *The Chronic Poverty Report 2004-05*. Manchester, UK: Chronic Poverty Research Centre (CPRC).

¹³⁴ This point has also been made repeatedly by Anirudh Krishna in his various publications.

¹³⁵ CPRC (2008). *The Chronic Poverty Report 2008-09: Escaping Poverty Traps*. Manchester, UK: Chronic Poverty Research Centre (CPRC).

Political support for a campaign against chronic poverty must be mobilised.

136 Hickey, S., personal communication.

137 Mehta, A. et al. (2011). *India Chronic Poverty Report: Towards Solutions and New Compacts in a Dynamic Context*. New Delhi: Indian Institute of Public Administration.

138 CPRC (2008). *The Chronic Poverty Report 2008-09: Escaping Poverty Traps*. Manchester, UK: Chronic Poverty Research Centre (CPRC).

139 Ibid.

140 Ibid. This is in no way to undervalue progress in human development, which is absolutely vital in addressing chronic poverty. This is illustrated by the findings of the draft 2nd Uganda Chronic Poverty Report, suggesting that the level of population growth resulting from slowing average progress in human development, and failures in reaching the poorest, will create a very difficult environment for addressing chronic poverty in future.

141 Social Protection Task Force (2007). 'Design of a Cash Transfer Pilot for Uganda'. Final Report. Kampala: Social Protection Task Force.

PRs and incorporate these into the more nationally and politically driven development plans. The Uganda National Development Plan, for example, aims at structural economic transformation, while distributive aspects receive less attention: the share of public expenditure on social spending is projected to decline; social protection is only given a mention; and regional inequalities are not highlighted.¹³⁶ By contrast, India's 11th Five-year Plan is full of references to chronic poverty and measures that help address it.¹³⁷

Accepting that action must be nationally specific, it can nevertheless build on four main pillars:

1. Effective social protection programmes and systems: reviewing, redesigning, reforming and expanding existing systems and establishing new ones, and in the longer term moving from patchworks of programmes to 'systems' that provide support to all vulnerable people and households; such programmes represent an investment in preventing further impoverishment, and provide a solid basis for escaping poverty.¹³⁸
2. Human development for the hard to reach; note that this is a fundamental aspect of addressing chronic poverty – the second Chronic Poverty Report put it as one of its two central policy responses.¹³⁹ In this paper, we take these human development conditions for addressing chronic poverty for granted, and do not discuss them further.¹⁴⁰
3. Economic growth that includes chronically poor people on good terms, and assists with mobility out of poverty.
4. Progressive social change – social and political action that directly challenges the social orders (caste, gender, race and class relations) that perpetuate chronic poverty. This builds on getting basic services to the hard to reach.

Underpinning all of this is a need for a commitment to disaggregating data and analysis on poverty to a greater degree than is currently the case.

1. Social protection

Social protection can provide a 'practical solution' to improve the economic and social security of the poorest and support their efforts to create human capital and assets. While social protection programmes must be nationally specific, this can be encouraged by:

- Reviewing, redesigning and expanding existing programmes (non-contributory old age pensions, child grants, widows and disability grants and more innovative approaches such as Uganda's basic grant to the poorest, with supplementary payments for vulnerable household members – see Box 13);¹⁴¹
- Learning from successful programmes in neighbouring countries and other regions;

Box 13: An innovative policy design for Uganda's social protection pilot¹⁴²

In 2001, the Ugandan Ministry of Finance said to the newly formed CPRC in Uganda that its 2017 target for poverty reduction was 10%. If the CPRC could show that chronic poverty accounted for significantly more than this, the government would listen. Work on the 1992-9 Uganda National Household Survey panel data indicated that close to one in five Ugandans were chronically poor.¹⁴³ The government's 2004 Poverty Eradication Action Plan recognised chronic poverty as a serious issue and opened the door to policy development. The CPRC published a Uganda Chronic Poverty Report in 2005 which advocated social protection as a leading response to chronic poverty.

An inter-ministerial Social Protection Task Force was established by the Ministry of Gender, Labour and Social Development and a process to design a pilot programme set in motion, with some involvement of CPRC researchers. The design examined the distribution of benefits from various targeted and untargeted alternatives – child grants, pensions and household grants – and recommended for trial a basic household grant for the poorest households, supplemented by additional grants for vulnerable people in the household (older, younger and disabled people). This innovative approach has eventually (in 2010) been adopted for implementation.

- Innovative approaches to delivery (e.g. post offices, rural banks, mobile phones, lottery ticket agencies, etc.) (Box 13);
- Using domestic taxation, supplemented by foreign aid in very poor countries, for finance.

The growing knowledge base on social protection means the design and implementation of such programmes is much less challenging than it was even five years ago. CPRC research has shown that social protection programmes can be afforded (usually through domestic public revenues, supplemented by foreign aid in the poorest countries).¹⁴⁴ For example, providing a basic package of an old age pension, maternity benefit, health insurance and life/disability insurance to people below the poverty line in India would cost Rs11,000 crore or 0.29% of GDP (2007 prices), less than the total cost of MGNREGA in 2007.¹⁴⁵

While capacity problems can be identified in some contexts, innovative service delivery options are providing mechanisms to overcome such obstacles while strengthening existing systems. There is a great opportunity to roll out programmes in terms of coverage and services (links to education, food security, health, labour markets, etc.) in many countries.¹⁴⁶

Focusing on making programmes more effective and scaling them up provides an ideal entry point to engage with transformative growth and progressive social change in many contexts. Social protection provides both a practical 'solution' in most countries to meeting some of the immediate needs of the chronically poor and a strategic 'window' in terms of promoting national-level analysis and debate on how to make growth policies inclusive and how to foster progressive social change. This also means mobilising social forces to tackle discrimination and challenge existing power relations. A focus on social protection also helps develop capacities to deal with shocks (at national and household level), an increasingly important issue in an unpredictable world faced with climate change.

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142 Development Research and Training (2011, forthcoming). *Chronic Poverty Report, Uganda*. Kampala: Development Research and Training.

143 Okidi, J.A. and McKay, A. (2003). 'Poverty dynamics in Uganda: 1992 to 2000'. *CPRC Working Paper 27*. Manchester, UK: Chronic Poverty Research Centre (CPRC).

144 Marcus, R. (2007). 'Tackling obstacles to social protection for chronically poor people'. *CPRC Policy Brief 3*. Manchester, UK: Chronic Poverty Research Centre (CPRC).

145 Mehrotra, S. (2008). 'Social insurance system for India's unorganized sector workers: The case and the cost'. *Indian Journal of Labour Economics*, 51 (2), 183-195.

146 Barrientos, A. and Hulme, D. (2008). *Social Protection for the Poor and Poorest – Concepts, Policies and Politics*. Basingstoke: Palgrave Macmillan.

Hanlon, J., Barrientos, A. and Hulme, D. (2010). *Just Give Money to the Poor*. Sterling, VA: Kumarian Press.

CPRC (2008). *The Chronic Poverty Report 2008-09: Escaping Poverty Traps*. Manchester, UK: Chronic Poverty Research Centre (CPRC).

Growth benefits the chronically poor, but to a lesser extent than it benefits all the poor, and less than for the average person. The severely poor benefit least.

2. Economic growth

The CPRC's work on growth has focused on the opportunities this provides to the poorest and the chronically poor, and related policy implications. The CPRC is not a research centre focusing on growth as a central issue, but CPRC research has found that aspects of growth are absolutely critical in addressing chronic poverty:

1. That the rate of growth is less important than the form, for the chronically poor;
2. That taxable growth is critical, since addressing chronic poverty requires redistribution for economic as well as social service delivery, which can generally best be achieved through the tax system;
3. That the quality of jobs created is very important, not just the quantity, since a good job for one person can help raise a household out of poverty;
4. That the generational and regional distribution of growth is important;
5. That post-conflict economic growth provides special opportunities to construct new inclusive social contracts.

These are conclusions which apply to poverty as well as chronic poverty, but all the more so for the chronically poor. And the CPRC is also not the only source for such conclusions, although the CPRC has disseminated them strongly through various publications, including the international Chronic Poverty Reports.

Growth is central to the eradication of chronic poverty. The CPRC's basic finding is that growth does benefit the chronically poor, but it does so to a lesser extent than it benefits all the poor, and also less than for the average person. The severely poor benefit least.¹⁴⁷ Major beneficiaries from growth have of course been at the top end of the distribution, and to a lesser extent in the middle.¹⁴⁸

Context will determine how growth can best contribute. Any growth is better than no growth, and kick-starting growth is critical where there is none; but fast growth is not necessarily better for the chronically poor than 1) sectorally balanced growth, with an emphasis on labour-intensive sectors – agriculture, construction and manufacturing;¹⁴⁹ or 2) better-governed, slower growth with more equitable results. Better-governed growth would mean focusing on the implications for sustainability and resilience, and especially not undercutting the natural resource base excessively fast; achieving a balance between sectors so growth overall is less vulnerable to volatility and shocks; and ensuring that investments are made in the basic economic development services such as water and transportation.

In almost all situations, it would also mean being willing to invest in human development, so critical to both short- and long-term growth. Education is vital for escaping poverty, especially post-primary education and skills transfers. However, there are significant barriers to demand, education which need to be overcome before chronically poor children will progress far enough to lift their households out of poverty. The policy focus remains on primary education – and while improving quality of and outcomes from primary remains very important, introducing measures to see poor children through several years of post-primary is critical for mobility. The South Africa work illustrates

147 McKay, A. (2011). 'Relations between growth and the poorest'. *CPRC Working Paper 126*. Manchester, UK: Chronic Poverty Research Centre (CPRC).

148 Palma, J. (2006). 'Globalising inequality: "centrifugal" and "centripetal" forces at work'. *Working Paper 35*. New York: UNDESA.

149 Loayza, N. and Raddatz, N. (2009). 'The composition of growth matters for poverty alleviation'. Washington, DC: World Bank.

that it is not enough to have education, but that labour markets have to provide opportunities to make use of it. Strategies to generate 'decent work' and skills-using work need to accompany investment in education.

In mass poverty societies, just getting growth going has been a major challenge, but one which more countries (including all those discussed here) have achieved to varying degrees in the past decade. The focus on composition and distributional implications of growth here does not take growth for granted – there are countries where a stable growth trajectory is yet to be established. It is simply that more than growth is required to address chronic poverty.¹⁵⁰

To date, only a few countries have made a strong policy commitment to pro-poor or inclusive growth,¹⁵¹ and better-than-average outcomes (in other words a reduction in inequality) for the poor from growth have been the exception rather than the rule.¹⁵² Low carbon growth across the world is also essential for the poorest, who will suffer most from climate change.¹⁵³ While there is now interest in some developing countries, again this is a minority as yet.

Brazil is a country which has sought, and achieved, inequality-reducing growth. For many years, there was little growth, and poverty and inequality were reduced through social policies and protection.¹⁵⁴ More recently, growth has reduced poverty and inequality primarily through the labour market. A contrasting case is Vietnam, where there has been 'absolute' pro-poor growth – the poor have benefited – but with rising inequality. The government has responded with strong policies on infrastructure development and social infrastructure in underdeveloped regions to attempt to equalise the impacts of growth.

In India, a debate among economists is unfolding in the public domain (Box 14).¹⁵⁵ For example, tribals have in many cases remained poor because of a lack of entitlement to their core resources, i.e. forests, to which they have limited access and over which they lack control in management decisions. These communities have also faced continuous adversity in 'development' projects, especially irrigation, mining and infrastructural development. A rough estimate suggests that over 20 million people have been displaced as a result of various development projects over the years, and that this has accelerated since economic liberalisation. The faster pace of growth that followed liberalisation should have paid greater attention to the adverse consequences that large projects can have for people.

So, while growth with redistribution, enabling human development, social protection and progressive social change, is essential, the pattern of growth is also important – the sectoral composition, the capital intensity, the regional distribution. Chronically poor people will benefit from and contribute to growth where it changes pre-existing economic and social structures through the offer of new employment and self-employment opportunities, supported by strategic public policy interventions that raise assets and capabilities and improve opportunities in labour markets.

How growth relates to the price of essential items and the volatility of these is another important dimension. Declines into poverty, or further into poverty, are related to the increased cost of essential consumption items as well as business losses. Many poor households earn their living from small businesses and petty trading. As these businesses often work on very slim profit margins, they are also vulnerable to fluctuating prices.¹⁵⁶

150 McKay, A. (2009). 'Relations between growth and the poorest'. *CPRC Working Paper 126*. Manchester, UK: Chronic Poverty Research Centre (CPRC).

151 'Pro-poor growth' can be absolute – growth which benefits the poor – or relative – growth which benefits the poor more than others. 'Inclusive growth' suggests pro-poor in an absolute sense. While there is no agreed and common definition of inclusive growth within the international community, the term is understood to refer to 'growth with equal opportunities' and has economic, social and institutional dimensions. It emphasises that economic opportunities created by growth are available to all, particularly the poor, to the maximum possible extent. Rauniyar, G. and Kanbur, R. (2010). 'Inclusive growth and inclusive development: a review and synthesis of Asian Development Bank literature'. *Journal of Asia Pacific Economy*, 15 (4), 455-469.

152 IPC (2006). 'Global estimates of pro-poor growth'. *Working Paper 31*. Brasilia: IPC, UNDP.

153 Parry, M.L., Canziani, O.F., Palutikof, J.P., van der Linden, P.J. and Hanson, C.E. (eds.) (2007). *Climate Change 2007: Impacts, Adaptation and Vulnerability. Contribution of Working Group II to the Fourth Assessment Report of the IPCC*. Cambridge: Cambridge University Press.

Mitchell, T. and Tanner, T. (2008). 'Entrenchment or enhancement: could climate change adaptation help reduce poverty?' *CPRC Working Paper 106*. Manchester, UK: Chronic Poverty Research Centre (CPRC).

154 Ferreira, F.H.G., Leite, P.G. and Ravallion, M. (2010). 'Poverty reduction without economic growth? Explaining Brazil's poverty dynamics, 1985-2004'. *Journal of Development Economics*, 93 (1), 20-36.

155 Mehta, A. et al. (2011). 'Chapter 7: Towards Alternative Growth'. In *India Chronic Poverty Report: Towards Solutions and New Compacts in a Dynamic Context*. New Delhi: Indian Institute of Public Administration.

156 Davis, P. (2007). 'Discussions among the poor: exploring poverty dynamics with focus groups in Bangladesh'. *CPRC Working Paper 84*. Manchester, UK: Chronic Poverty Research Centre (CPRC).

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Box 14: India – the need for broad-based rather than rapid growth

The accelerated overall rate of growth in India has now been sustained for two decades. In the first seven years of the 21st century, until the global economic crisis hit, the average increase in per capita income was 5.5% per year. However, poverty remains high and its rate of decline has not accelerated in line with increases in GDP. Poverty incidence fell from around 55% in 1973-4 to 27.5% in 2004-5, but the pace of reduction has slowed over the past decade. Meanwhile, population increases mean absolute numbers of people living in poverty have remained more or less the same since the 1970s.

The benefits of growth have bypassed both historically marginalised groups and deprived regions. Incidence of poverty among STs, for instance, has barely moved. Three sets of factors have posed a serious challenge in translating growth into poverty reduction: absence of employment opportunities for all; unsustainable use of natural resources; and regional disparities in resource endowments and economic opportunities. The central limitation has been the jobless nature of growth.

At the national level, the diversification of agriculture and the growth in employment in the nonfarm sector has been slow. In rural areas, sluggish growth in agricultural productivity, inadequate availability of rural infrastructure and low levels of literacy and skills have all contributed to limited poverty reduction. The slow pace of change in rural areas is also attributable to unfavourable initial conditions, particularly the failure of land reforms and the consequent persistence of inequalities, which in some instances are increasing. Tribal people, who frequently have no entitlement to their core resources – particularly forests – are suffering from displacement as economic liberalisation increases the value of natural resources for development projects.

Agriculture remains a very important sector for poverty reduction, and agricultural policy needs to be reassessed in light of its contribution to improved wages and working conditions for labourers. Recognising that increasing annual agricultural growth is an important precondition for promoting broad-based economic growth, revitalising agriculture is a key element of inclusive growth in the government's 11th Five-year Plan, to be achieved through increased public investment in irrigation and rural connectivity.

However, there is no guarantee faster growth in agriculture will reduce rural poverty. For instance, much economic growth during the 1980s and 1990s is attributable largely to growth in labour productivity, and the sharp decline in employment growth in that period is a corollary of this. There may be a tradeoff in agriculture between faster growth and inclusive growth, rather than the two moving hand-in-hand. Meanwhile, the focus on output growth in India is based on intensive use and degradation of natural resources, although their preservation is central to future growth.

There is a clear case for identifying and shifting to a pattern of growth that reaches a larger proportion of poor people, even if this pattern involves a slightly lower rate of growth. Enhancing employment opportunities necessitates systemic solutions, where the focus is more on the composition of output growth, particularly a stronger domestic market orientation, than on the pace of growth per se. The outcome might be a slightly lower rate of growth, but it would be broader-based.

Significant progress is also needed in revitalising infrastructure (including health infrastructure), markets, institutions and service delivery. This is vital to connect poor people to labour and other markets, at both village and regional levels, and markets, including labour markets, will function more effectively where this happens. A major jump is also necessary in public investment in technology development and dissemination, with a particular focus on the poorest regions and states. Access to land, skills and productivity enhancement can make a difference in reducing chronic poverty. These strategies can be complemented by safety nets, especially for those outside the workforce.

However, CPRC research¹⁵⁷ also reveals that the actions of the International Monetary Fund (IMF) and the World Bank (and particularly conditionalities around poverty reduction and growth facilities – PRGFs – and poverty reduction support credits – PRSCs) have often compromised PRSs, reducing their capacity to deliver pro-poor growth because of their focus on short-term stability and aggregate growth (regardless of its quality). This also undermines domestic policy debates and weakens moves towards more democratic policy processes in emerging polities. Despite an extended international discussion of pro-poor and inclusive growth, few governments or agencies are systematically monitoring and developing policy to affect the distribution of growth.¹⁵⁸ Countries that do take this seriously include South Africa, where the government has recently invested in National Income Dynamics panel surveys; Rwanda, where the government has taken the reported increase in inequality during the mid-2000s very seriously; and Vietnam.

2.1 Growth, labour markets and labour relations

Growth benefiting chronically poor people is clearly difficult to achieve. While macroeconomic stability and pro-enterprise policies are important components of any national growth strategy, and carrying out growth diagnostics and investigating the investment climate are useful activities, if growth is to benefit the chronically poor, whose main asset is often their labour, there is also a need for an enabling environment that fosters pro-poor trends in the labour market, in particular:

- Enhances the labour productivity of the poorest (through education, basic health services, social protection and other policies) especially in agriculture and the SME sector, and in disadvantaged rural and urban areas through a combination of universal and territorial or area development approaches;
- Creates a new norm, especially at national level in developing countries, but also at international level, that there should be limits on transmitting the pressures of competition among firms to labour markets, especially where there is surplus labour. This will involve innovative and vigorous approaches to labour standards and inspection (Box 15) and promotion of consumer awareness and campaigns¹⁵⁹ on adversely incorporated labour, in support of international and national standards; and,
- Improves and tightens the functioning of labour markets by removing subsidies to capital-intensive approaches and encouraging the growth of SMEs to improve the demand for labour; and by connecting poor people to markets through key infrastructural investments and improved access to information on rights, services and employment opportunities, especially for women and migrants. The supply of labour can also be reduced by ensuring children remain in education, through social protection that makes older and less able people less reliant on the labour market and in the longer term through the reduced fertility that emerges as women's education levels rise.

If growth is to benefit the chronically poor, there is a need for an enabling environment that fosters pro-poor trends in the labour market.

157 Hulme, D. (2009). 'Governing global poverty? Global ambivalence and the Millennium Development Goals. Background Paper for High-level Policy Forum 'After 2015: promoting pro-poor policy after the MDGs'. Brussels, 23 June.

158 Klasen, S. (2010). 'Measuring and monitoring inclusive growth: multiple definitions, open questions, and some constructive proposals'. *ADB Working Paper 12/June 2010*. Manila: ADB.

159 See for example the campaign on domestic labour in Burkina Faso. Good protective legislation is in place, but with only 39 labour inspectors there is little hope of enforcing it. The Red Cross is running a programme to educate domestic workers (mostly children), and enhance employers' level of personal social responsibility through an SMS texting campaign. The government is planning to pass minimum wages legislation.

Box 15: Tanzania's recent emphasis on the labour market and employment¹⁶⁰

Recent rural and agricultural growth in Tanzania has been hesitant; where it has been strongest, poor people have participated as labourers in oversupplied markets. Major international exports, including flowers and fruit, come mainly from large farms, which employ female labourers in poor conditions.

The National Strategy for Growth and Poverty Reduction (Mkukuta II) emphasises agricultural growth, particularly through increasing productivity by improving input markets. This includes investing in physical and irrigation infrastructure as well as financial and extension services to encourage investment in agriculture, livestock and fisheries. In addition, it stresses the need for resource conservation and early warning systems to strengthen risk management. It also promotes large- and medium-scale farming as the basis for agricultural growth.

If this strategy is to reduce poverty, labour standards become an important issue, as does the need to create employment to absorb the fallout from smallholder agriculture. Certainly, Mkukuta II recognises labour markets as important, aiming to create decent jobs for women, youth and people with disabilities as well as to provide a conducive environment for youth in rural areas. However, it has little to say in concrete terms about how it will address already oversupplied labour markets. Indeed, there is still little research-based understanding of how labour markets function in Tanzania.

In terms of how to do this, maximising the employment elasticity of growth is a challenge in most economies, and there may be a trade off with the rate of growth (e.g. India, see Box 14). Many countries have growth strategies which emphasise a high rate of growth but are relatively less preoccupied with generating or improving the quality of employment. It is here that creativity is at a premium, and countries' best brains and a critical mass of international expertise need to focus here if growth is going to make more universal inroads into poverty. While this is not a new finding, its importance for the chronically poor is underscored.

Getting the wage labour market to deliver decent work is a second major challenge. However, once again, this is not a major focus of policy in many countries. Tanzania's recent Mkukuta II strategy would be an example – this recognises the importance of labour market functioning and improving the conditions of wage employment but develops few concrete measures to address these issues – hence the need for creativity.

2.2 Assets, markets and protection

Based on the discussion in Chapter 3, Section 3, an enabling institutional and policy environment for the chronically poor would also make the critical links between the assets (including labour) the poor have or can acquire and the opportunities open to them; and protect critical assets from erosion, through insurance¹⁶¹ or social protection. We already know from Bangladesh and Mexico that social protection can enable savings and access to credit, provided the transfers are adequate.¹⁶²

This joined-up programming would require effective working groups across ministries, agencies and the private sector, and joint programmes by NGOs and microfinance/enterprise promotion agencies, breaking down the barriers between professional groups

¹⁶⁰ Shepherd, A. et al. (2010). 'Growth and poverty reduction: policy implications from qualitative research in Tanzania'. *CPRC Policy Brief 21*. Manchester, UK: Chronic Poverty Research Centre (CPRC).

¹⁶¹ IFPRI (2010). *Innovations in Insuring the Poor*. Washington, DC: IFPRI.

¹⁶² Barrientos, A. and Nino-Zarazua, M. (2011). 'Chapter 4, Section 2: Asset protection and asset accumulation'. In *Social Transfers and Chronic Poverty: Objectives, Design, Reach and Impact*. Manchester, UK: Chronic Poverty Research Centre (CPRC).

working to develop assets, markets and protection, respectively. Building Resources Across Communities' (BRAC's) Targeting the Ultra Poor programme currently comes closest to this.

There are often substantial problems in the enabling environment for accumulating assets. Three critical policy deficits are typical and merit significant policy effort: financial and especially savings institutions; housing and housing tenure in urban areas; and land and livestock policy in rural areas.

2.3 Integration of chronically deprived countries and regions

Landlocked countries' growth is clearly held back by higher transport and related costs. Investment in transport infrastructure is a priority, both in the country and transiting neighbouring countries. Creating 'corridors' inland across several countries is therefore a potent policy instrument, and regional trade integration measures will also help.

While some underdeveloped regions within countries may not be a priority for major public investment,¹⁶³ there are many others where significant hard and soft infrastructure investments will pay off, not only economically but also politically. Social cohesion arguments may also persuade policymakers to invest in regions that cannot repay the investment economically. Deprived regions benefit from physical and social infrastructure and information services, but also from the kind of multi-stakeholder platforms found in territorial development programmes, which creates a leadership and momentum for economic growth. The addition that the CPRC makes to this is to argue that such investments, while necessary, are unlikely to undo deep-seated discrimination against the inhabitants of a deprived region, which is likely also to require anti-discrimination measures. Without these, stereotypes about the region's citizens may persist and affect investment coming to the region.

2.4 Focus on youth and young adults

Inclusive growth policymakers need to identify where in the life course it is most possible for chronically poor people to include themselves most beneficially in growth so interventions to assist this process can be targeted well. CPRC evidence suggests that in general this will be when they are young – teenagers or young adults.¹⁶⁴ A focus on these groups, on whom the burden of helping the family escape poverty often rests, will involve investment in education and skills, including second chance education and possibly enterprise training;¹⁶⁵ imaginative approaches to including girls and young women, such as savings and financial literacy clubs (see Box 16 below); and creating far stronger institutional links between educational provision and the labour market, such that schools are actively preparing students for the labour market and businesses are able to express demand clearly. Moving a little further through the life cycle, helping younger adults out of poverty trap occupations (rickshaw pulling, domestic labour) or significantly improving the terms of employment through campaigns for increased employer responsibility and respect for legislation, are further measures to interrupt inter-generational poverty when it is easiest to do so.

Policymakers need to identify where in the life course it is most possible for the chronically poor to include themselves most beneficially in growth.

163 As argued in World Bank (2009). *Reshaping economic geography: WDR*. Washington, DC: World Bank.

164 Salam Fall, A. *et al.* (2010). 'Les dynamiques de la pauvreté au Sénégal : pauvreté chronique, pauvreté transitoire et vulnérabilités'. *Policy Brief*. Dakar: IFAN, Université Cheikh Anta Diop.

Cissé, R (2011, forthcoming). 'Les facteurs d'interruption de la transmission et les expériences de sortie de la pauvreté,' *CPRC Working Paper*. Manchester, UK: Chronic Poverty Research Centre (CPRC).

165 UNESCO (2010). *EFA global monitoring report: reaching the marginalised*. Paris: UNESCO.

2.5 New, focused social contracts in post-conflict recovery

In post-conflict societies, long-term engagement of international agencies with governments can help build new social contracts based on fiscal redistribution of the benefits of the economic growth typically seen in a recovery period to the poor through human development and social protection. However, capacity constraints require the construction of a narrow social contract on very few pillars to turn around the perceived illegitimacy of the state in the eyes of the persistently poor. In other words, not all agendas can be addressed at the same time: agreement on a very few top priorities will require discipline on the part of donors and NGOs, and firm application of the Paris/Accra aid principles.¹⁶⁶

3. Progressive social change – addressing discrimination and deep-rooted inequalities¹⁶⁷

Progressive social change is essential for tackling chronic poverty. Existing social orders (caste, intergenerational, gender, race and class relations, etc.) underpin and perpetuate the social discrimination, poor work opportunities and limited citizenship that stop the poorest from improving their circumstances.¹⁶⁸ This important point can help in explaining to elites that the poorest people are constrained structurally rather than lacking in attitude or application. Rights and citizenship-based discourses can also help in this respect, although these discourses need to be practical enough to address the very real constraints that prevent rights being achieved. Elite interests may of course get in the way of understanding, and the struggle for rights and citizenship should not be underestimated. Such struggles are often led by members of the elite in any case – politicians, civil society leaders, business people. The challenge is to work within state–civil society coalitions where possible.

Chronically poor people do not just need ‘good policies’: they also need a society that gives them voice and facilitates their human rights. Achieving this is the most difficult part of the policy and political agenda: social and cultural relationships and practices are often entrenched, and there may be few policy levers, such as on dowries in South Asia.¹⁶⁹ However, there is a growing amount of tried and tested as well as experimental policies in many ‘difficult’ areas of policy – for example on gender equity between girls and boys¹⁷⁰ and relationships between the generations.¹⁷¹ A focus on teenage girls and young women has been identified as important but neglected in preventing intergenerational transmission of poverty. The CPRC’s recent report on gender identifies numerous examples of ways of addressing their situation (Box 16).

The achievement of progressive social change depends primarily on domestic actors – social and political leaders, social movements and political parties/formations. Key focuses for such efforts include decent work, gender equality, social protection and secure rights to assets for the poorest (including inheritance laws and practices). Addressing these issues will require redistribution; in most circumstances, ‘redistribution by stealth,’ including through the fiscal system, rather than radical redistribution of property is likely to be most feasible.

166 Addison, T. *et al.* (2010). ‘Fragile states, conflict and chronic poverty’. *Policy Brief 24*, Manchester, UK: Chronic Poverty Research Centre (CPRC).

167 Jones, N., Harper, C., Watson C., *et al.* (2010). *Stemming Girls’ Chronic Poverty: Catalysing Development Change by Building Just Social Institutions*. Manchester, UK: Chronic Poverty Research Centre (CPRC).

168 CPRC (2008). *The Chronic Poverty Report 2008-09: Escaping Poverty Traps*. Manchester, UK: Chronic Poverty Research Centre (CPRC).

169 Davis, P. and Bach, K. (2010). ‘Curbing dowry practices: an anti-poverty imperative’. *Policy Brief 15*. Manchester, UK: Chronic Poverty Research Centre (CPRC).

170 Jones, N., Harper, C., Watson C., *et al.* (2010). *Stemming Girls’ Chronic Poverty: Catalysing Development Change by Building Just Social Institutions*. Manchester, UK: Chronic Poverty Research Centre (CPRC).

171 Bird, K. (2010). ‘How is poverty transmitted inter-generationally, and what might be done to stop it in its tracks?’ Paper presented at ‘Ten years of war against poverty: What we have learned since 2000. What we should do 2010-2020.’ Manchester, 8-10 September 2010.

Box 16: Stemming Girls' Chronic Poverty¹⁷²

Promoting progressive social change requires thinking carefully about reforming or even dismantling discriminatory social institutions. The CPRC gender report identifies childhood, adolescence and early adulthood as being critical in determining the life course potential of girls and young women, for many of whom this key period is marked by deprivation and vulnerability to chronic poverty. The report looks at the ways in which context-specific social institutions inform and determine their life opportunities and agency. It underscores the importance of taking culture and social norms and practices seriously for progress to be made on breaking the poverty traps that girls and young women face, not only in childhood and early adulthood but also potentially across the life course and generations. The report highlights a range of policies, programmes and practices that are emerging globally to dismantle discriminatory social institutions which hinder the realisation of girls' full human capabilities and risk trapping them in chronic poverty. It presents the following key policy recommendations:

- Develop and enforce context-sensitive legal provisions to eliminate gender discrimination in the family, school, workplace and community;
- Support measures to promote children's, and especially girls', rights to be heard and to participate in decisions in areas of importance to them;
- Invest in the design and implementation of child- and gender-sensitive social protection;
- Strengthen services for girls who are hard to reach, because of both spatial disadvantage as well as age- and gender-specific socio-cultural barriers;
- Support measures to strengthen girls' and young women's individual and collective ownership of, access to and use of resources. This includes measures for gender-sensitive legislation, such as the Legal Assistance Centre in Namibia, which works to reform cohabitation and marital property regimes. Other measures include the promotion of women's collective ownership of land and assets. In Andhra Pradesh, India, poor low-caste women in groups of 5 to 15 have purchased or leased land through government schemes for subsidised credit and grants, and are now farming these lots productively in 75 villages. Such collective ownership programmes and production cooperatives have also been successful in Latin America and countries in Africa.¹⁷³
- Strengthen efforts to promote girls' and women's physical integrity and control over their bodies, especially in conflict and post-conflict settings.

Chronically poor people do not just need 'good policies': they also need a society that gives them voice and facilitates their human rights.

However, there are exceptions to this. Ensuring that women have more equal rights to own and inherit assets than is currently the case in many societies is one radical measure that research indicates would have enormous benefits in terms of preventing impoverishment and giving some of the most vulnerable women and children chances of escaping poverty. The political difficulty of challenging patriarchal norms means that political mobilisation is likely to be needed to back such change in most societies, and even then change in practice is hard to achieve and requires the positive involvement of local institutions and leaders.

Outsiders can provide some direct support in this agenda, but must recognise its context specificity. Many of the pilot programmes included in the gender report were donor-funded, with international NGOs involved in implementation. International support in scaling up, legislative change or processes of social change more broadly is more questionable, since these are such socially and politically sensitive processes. Outsiders can contribute more broadly to the evolution of an international social norm that judges the existence of extreme poverty to be morally unacceptable in such an affluent world. In concrete terms, this would mean setting ambitious target dates for the achievement of the MDGs in full.

172 Jones, N., Harper, C., Watson C., et al. (2010). *Stemming Girls' Chronic Poverty: Catalysing Development Change by Building Just Social Institutions*. Manchester, UK: Chronic Poverty Research Centre (CPRC).

173 Agarwal (2010), in Ibid.

4. A commitment to improving the data

Underpinning all of this is a commitment to disaggregating data and analysis on poverty, not only by gender, age and other characteristics but also by duration, severity and dimensions of deprivation. The number of countries undertaking panel household surveys is increasing but this could occur much more rapidly.¹⁷⁴ Meanwhile, to understand the causes of chronic poverty and poverty dynamics, good qualitative work should accompany large-scale surveys,¹⁷⁵ built into national household survey processes and budgets wherever possible.

Improving the data is especially important as large-scale programmes are rolled out, so their impacts can be monitored closely, reported in the media and debated politically. This process has helped keep social protection strongly and consistently on the political agenda in Latin America.

5. Answering the ‘how?’ question

Our studies are richer on ‘what to do’ than ‘how to do it.’ Nevertheless, there are two important conclusions on the latter.

Firstly, new coalitions of interest groups and organisations are needed to address the interests of chronically poor people effectively. In Burkina Faso, this was expressed as the need for farmers’ associations to work with the private sector as well as local and central government to get agriculture moving;¹⁷⁶ in India, it can be seen in the new coalitions of state and non-state actors needed to implement the rights-based approach to development and get the state machinery to work better.¹⁷⁷ This is clearly not to argue that states simply need to open up to social movements: on the contrary, movements have their limitations – they may not be very poverty focused;

174 Wadugodapitiya, D. and Baulch, B. (2010). ‘The value of panel data in chronic poverty analysis’. *Policy Brief 23*. Manchester, UK: Chronic Poverty Research Centre (CPRC).

175 Baulch, B., and Davis, P. (2009). ‘Casting the net wide and deep: lessons learned in a mixed-methods study of poverty dynamics in rural Bangladesh’. *CPRC Working Paper 155*. Manchester, UK: Chronic Poverty Research Centre (CPRC).

176 Wetta, C. et al. (2011 forthcoming). ‘Pauvreté chronique et transitoire au Burkina Faso : une analyse de la dynamique à partir des données agricoles’. Ouagadougou: CEDRES, Université de Ouagadougou/CPRC.

177 Mehta, A. et al. (2011). ‘Chapter 6: India’s Rights-Based Approach and Chronic Poverty.’ In *India Chronic Poverty Report: Towards Solutions and New Compacts in a Dynamic Context*. New Delhi: Indian Institute of Public Administration.

may not address the structural issues in the economy and society that keep people poor; and may not elaborate alternatives well.¹⁷⁸ Leadership and representation within organisations of the state remain important constituents of a progressive coalition, as do the professional NGOs and CSOs that support movements and develop the capabilities to persuade allies in government.

Secondly, the variation in the nature of poverty and poverty dynamics across geographic space within even relatively small countries means that sub-national (or, in India, sub-state) strategies and governance structures are likely to be important. This is a finding which stands out more strongly from the World Bank's Moving out of Poverty studies than it does from CPRC's work.¹⁷⁹ If correct, this suggests a major new emphasis on poverty reduction at local level as a future emphasis for national poverty strategies. Many countries have devoted significant resources to decentralised government since 1990, believing it will help reduce poverty; the moving out of Poverty studies provide evidence that *responsive* local democracy has helped create the conditions for escaping poverty, but with much variation within and across countries.

Reasons why local democracy has not been more effective include the well-known problems with sub-national government: excess presence of restrictive rules and regulations; the associated costs of informal levies required to get around the system; widespread corruption; and elite capture. Unlocking local democracy so it works for poor women and men requires good leaders, elections and information, especially on local government, participation and people's organisations.¹⁸⁰ Following the conclusions of recent research on the importance of understanding the informal networks influencing politics,¹⁸¹ these formal requirements need to be complemented by the identification of context-specific entry points for the interests of poor people through informal networks as well as the state-society coalitions. It should also be recognised that there are wider risks in devolution of power to decentralised government which need to be managed: of increasing unequal development between regions, national disintegration, loss of fiscal stability, and inflation of bureaucracy. There is an important new research agenda here.

178 Bebbington, A., Mitlin, D., Mogaladi, M. and Bieli, C. (2010). 'Decentring poverty, reworking government: social movements and states in the government of poverty'. *Journal of Development Studies*, 46 (7), 1304-1326.

179 Narayan, D., Pritchett, L. and Kapoor, S. (2009). *Moving Out of Poverty: Success From the Bottom Up*. Washington, DC: Palgrave Macmillan and the World Bank.

180 Ibid. Chapter 6.

181 Unsworth, S. (ed.) (2010). *An upside Down View of Governance*. Brighton: Institute of Development Studies.

Booth, D. (2011). 'Working with the Grain? The Africa Politics and Power Programme'. In Crook, R. and Booth, D. (eds.). *Working with the grain? Rethinking African governance*. Brighton: Institute of Development Studies.