

# WORLD DEVELOPMENT REPORT <sup>2000</sup>/<sub>2001</sub>

## ATTACKING POVERTY



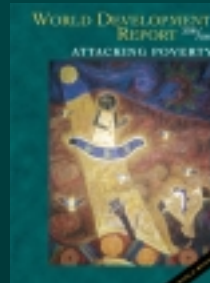
WORLD BANK 2000

# Voices of the poor

“...Look at the house and count the number of holes. Look at the utensils and the clothes I am wearing. Look at everything and write what you see. What you see is poverty.”  
(A poor man, Kenya)

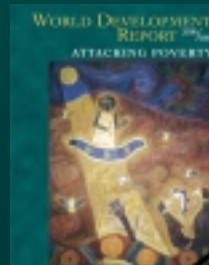
“Poverty is humiliation... being forced to accept rudeness, insults and indifference when we seek help.” (A poor woman, Latvia)

“We face a calamity when my husband falls ill. Our life comes to a halt until he recovers and goes back to work.” (A poor woman, Egypt)



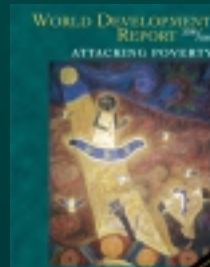
# Poverty is multidimensional

- Material deprivation (low consumption-- food--, poor housing)
- Low human development (education and health)
- Lack of voice and ability to influence decisions that affect their lives
- Acute vulnerability to adverse shocks (illness, economic crises, natural disasters)



# Causes of poverty are multidimensional

- Poverty is the result of economic, social and economic processes that interact with each other and frequently reinforce each other in ways that exacerbate the state of deprivation in which the poor live



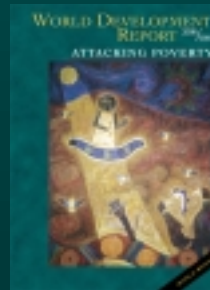
# The new framework for action

From WDR 1990 . . .

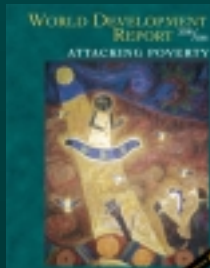
- Labor-intensive economic growth
- Broad provision of social services

To WDR 2000/1

- Opportunity
- Empowerment
- Security



- There is no ranking
- Different but interrelated elements of one integrated poverty reduction strategy
- Important in their own right
- Each mutually reinforces the other two



# Complementarities...

- Higher incomes improve material well-being, and increase bargaining power and reduce vulnerability
- More responsive state and social institutions empower poor people, and expand poor people's assets and help them cope with shocks
- Lowering poor people's vulnerability to risks improves well-being, encourages investment in higher-risk/higher return activities, and strengthens poor people's ability to influence



# The experience of the 1990s has deepened our understanding:

- Institutions matter for successful reforms
- Pattern of growth intensive in unskilled labor not pervasive
- Increasing social spending does not necessarily result in better outcomes
- Asset inequality and inequalities between genders and ethnic and racial groups affect growth and poverty reduction
- Vulnerability as a dimension of poverty



# Growth is strongly associated with reductions in income poverty

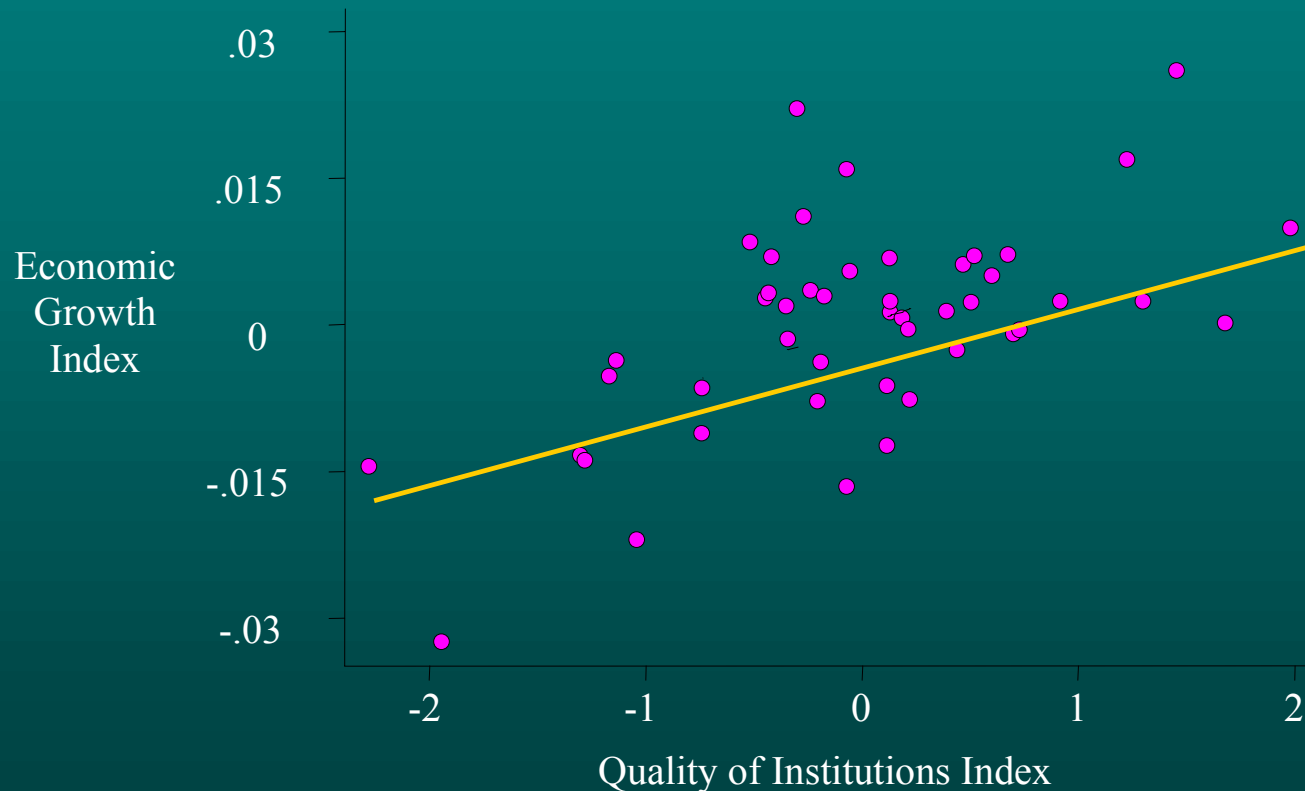
Percentage change in poverty rate per year



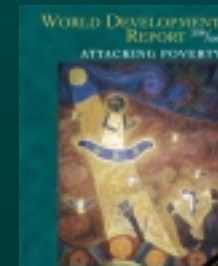
Note: Collection of 150 country-level spells of poverty change and mean income change from poverty surveys 1980-1998.

# Quality of institutions is important for growth

## Institutions and Economic Growth

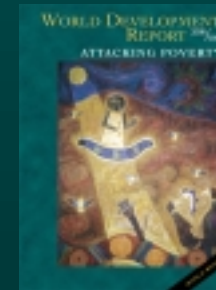


Note: The quality of institutions is estimated by measures of civil liberties and political rights, the quality of government institutions, the rule of law, and public spending on social insurance.



# Initial inequalities reduce the pace of poverty reduction

Reduction in poverty associated with a one percent increase in income



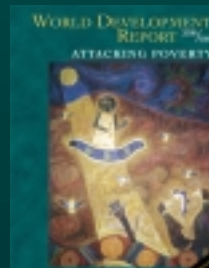
# Public spending on education by income quintile (percent)

Country	Year	Quintile				
		1 (poorest)	2	3	4	5 (richest)
Armenia	1996	7	17	22	25	29
Madagascar	1993/94	8	15	14	21	41
Nepal	1996	11	12	14	18	46
Nicaragua	1993	9	12	16	24	40

a. World Bank 2000q.

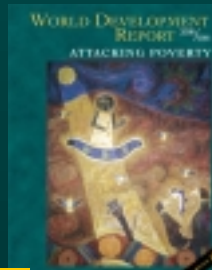
b. Includes only primary and secondary education.

c. World Bank 1997l.

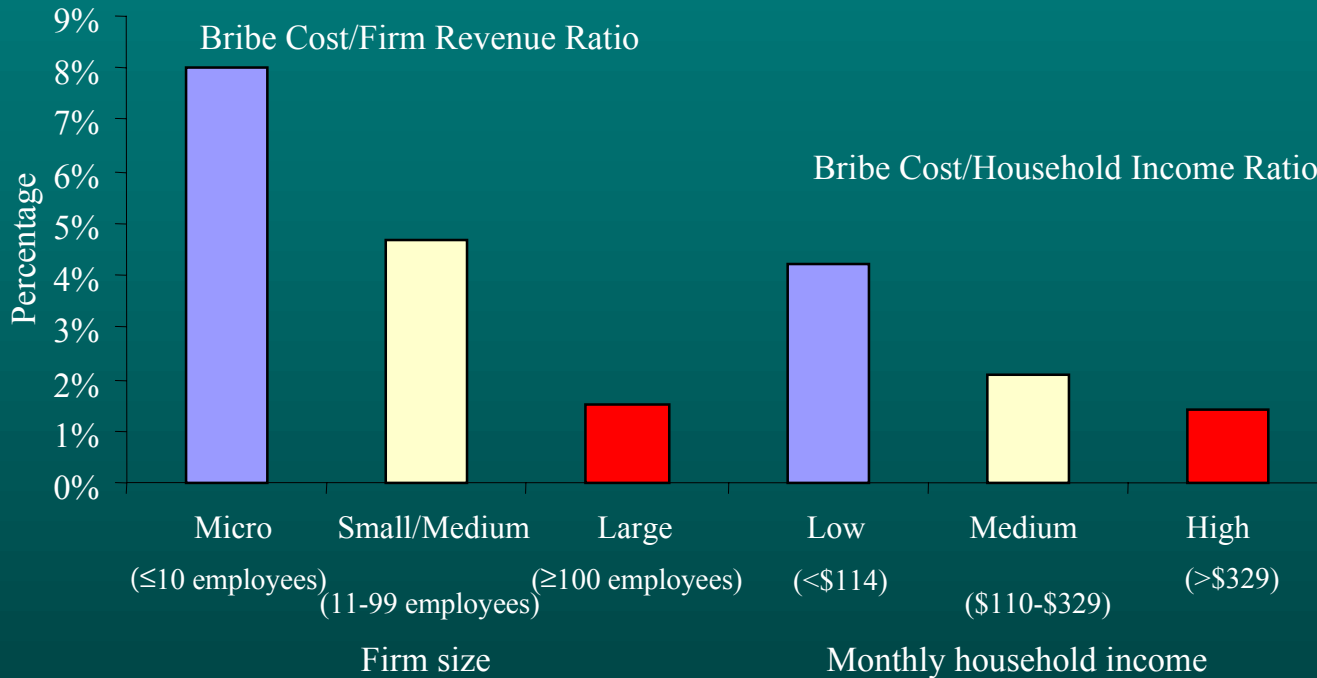


# Ethnicity and discrimination

Country	Ethnic group	Schooling (yrs)	Earnings Ratio
Bolivia	Indigenous	7.4	0.61
	Non indigenous	10.1	
Guatemala	Indigenous	1.8	0.42
	Non indigenous	4.9	
Ecuador	Indigenous	5.9	0.63
	Non indigenous	7.2	
Peru	Indigenous	6.7	0.43
	Non indigenous	10	
Paraguay	Indigenous	8.2	0.64
	Non indigenous	11.2	

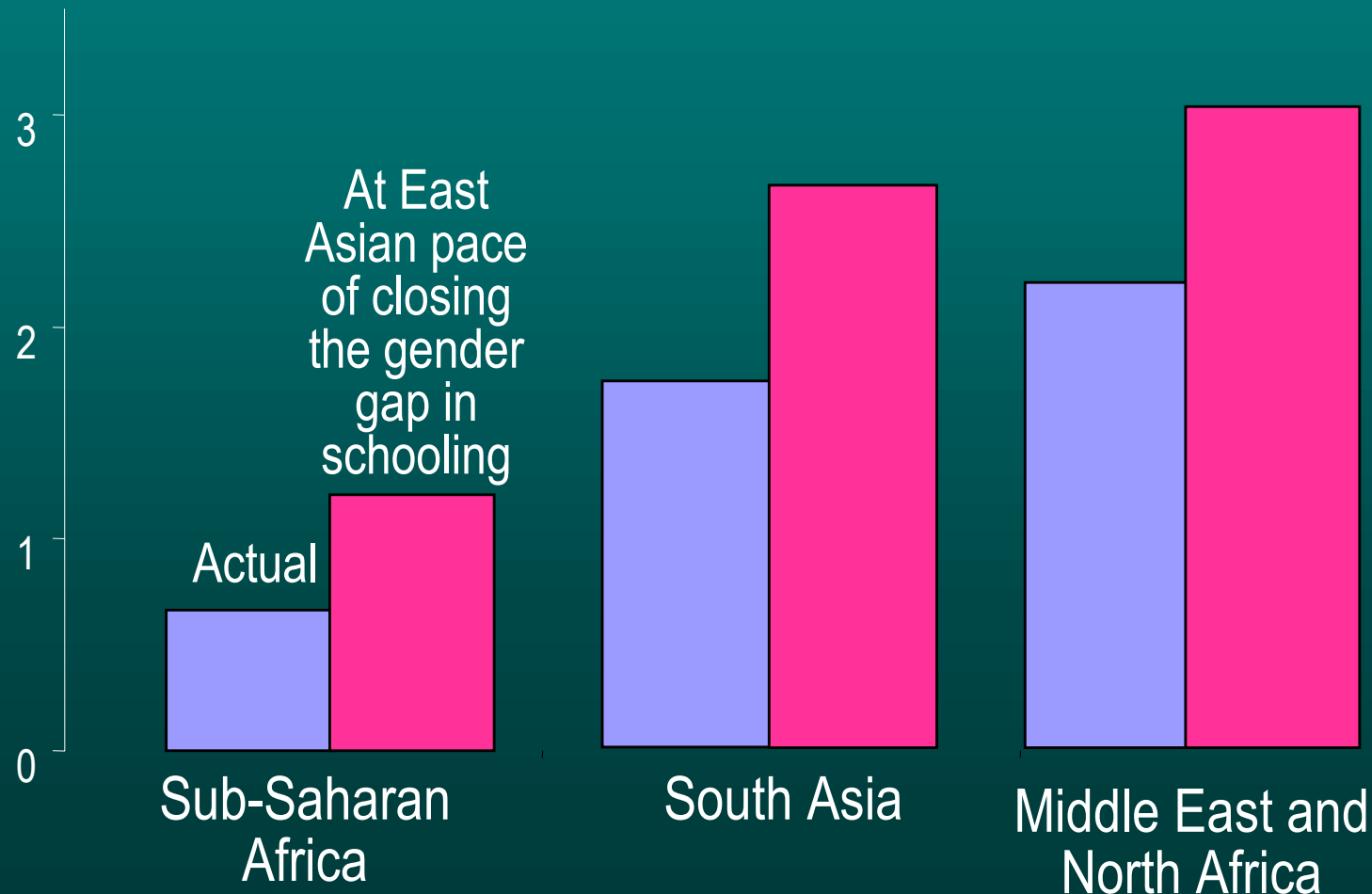


# Corruption is a regressive tax: evidence from Ecuador



# Closing the gender gap in schooling boosts economic growth

Income growth



# Poverty and crisis

Poverty headcount ratio (percent)

Country and type of crisis	Year of crisis	Before crisis	Year of crisis	After crisis
Argentina, hyperinflation and currency	1989	25.2 (1987)	47.3	33.7 (1990)
Argentina, contagion	1995	16.8 (1993)	24.8	26.0 (1997)
Indonesia, contagion and financial <sup>a</sup>	1998	11.3 (Feb 1996)	18.9 (Feb 1999)	11.7 (Aug 1999)
Korea, Rep. of, contagion <sup>a</sup>	1998	8.6 (1997)	19.2	13.8 (3 <sup>rd</sup> quarter 1999)
Jordan, currency and terms of trade	1989	3.0 (1986-87)	..	14.9 (1992)
Mexico, currency and financial <sup>b</sup>	1995	36.0 (1994)	..	43.0 (1996)
Russian Federation, financial <sup>d</sup>	1998	21.9 (1996)	32.7	..
Thailand, currency and financial	1998	11.4 (1996)	12.9	..

.. Not available.

Note: Headcount ratios are based on per capita household income and national poverty lines unless otherwise noted. Because no information was available at the national level, data for Argentina refer to Greater Buenos Aires and data for Korea to urban areas. For 1996 and 1999, Indonesian estimates are based on the full SUSENAS survey conducted in February. The headcount for August 1999 is based on a smaller SUSENAS sample.

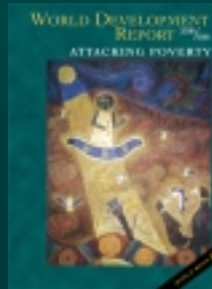
- Headcount ratios are based on per capita expenditure.
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- Headcount ratios are based on household expenditure per equivalent adult.

Source: Ministerio de Economía de Argentina 1998; World Bank 1999a; 1994b; ECLAC 1999a; Lokshin and Ravallion 2000.

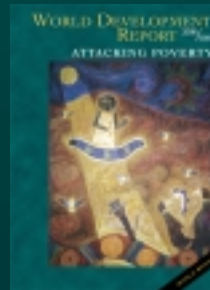
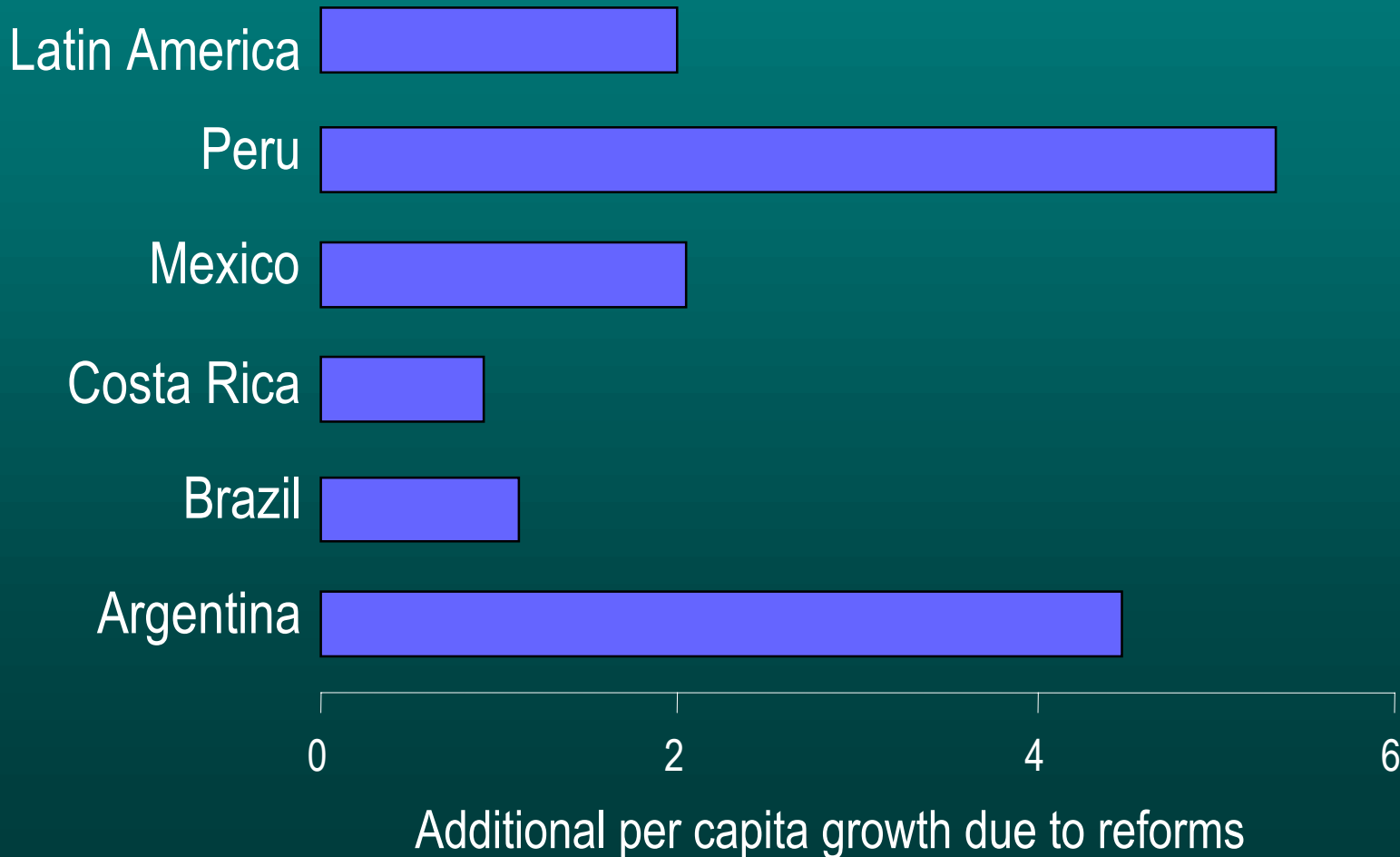


# OPPORTUNITY

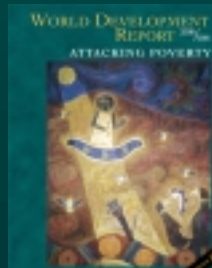
- Implementing market reforms for growth
- Making markets work for poor people
- Expanding poor people's assets and tackling structural inequalities



# Implementing market reforms for growth



- But if institutional foundations are weak or elites capture the reform process, market reforms can fail and have devastating consequences for poor people: Mexico 1995, East Asia 1998, countries in the Former Soviet Union



- Design and sequencing should take into account institutional context and poverty effects
- Even if reforms do not contribute to a systematic rise in inequality

There are winners ...

- those who suffered from the anti-agricultural bias of past policies

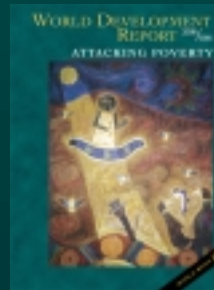
... and there are losers

- those who worked in protected labor-intensive manufacturing



# Making markets work better for poor people

- Implement reforms at the “micro” level:
  - Simplify licensing and tax systems, particularly for micro and small enterprises
  - Reduce the minimum capital requirements for thrift institutions and rural banks



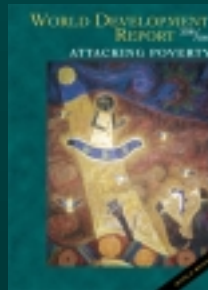
# Expanding poor people's assets ...

- Use the redistributive power of the state through expenditures
- Synergies: assets are interlinked across sectors therefore to improve one aspect you have to act on multiple assets
- Multiple agents: public sector, private sector and communities
- Market-based land reforms and land titling



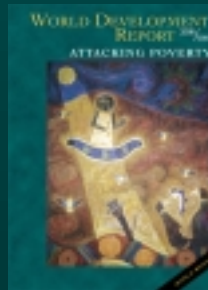
# EMPOWERMENT

- Making institutions work for poor people
  - Public actions focused on social priorities
  - Legal systems that promote legal equity and are accessible to poor people
  - Curbing corruption and bureaucratic harassment
  - Decentralization with broad participation
- Building social capital and removing social barriers
  - Support membership-based organizations
  - Reduce discriminatory norms and practices



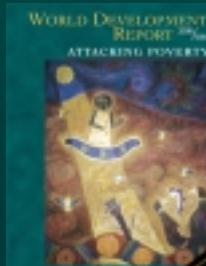
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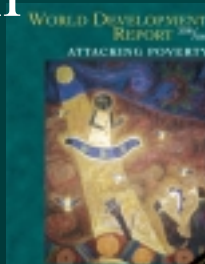
# Legal services organizations

- The Legal Resources Center in South Africa successfully represented a local community in the land restitution claim in the Kruger National Park
- The ASK in Bangladesh helps poor women, slum dwellers, and landless peasants defend and protect their rights through mediation, legal awareness training, individual court cases, administrative and legal lobbying, group representation and public interest litigation



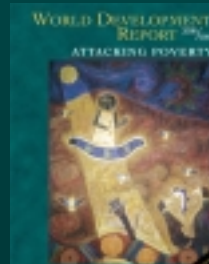
# Curbing corruption and harassment

- Publicizing information
  - Uganda: announcements in newspapers and on the radio of public funds transferred to districts and every school improved outcomes: instead of 20 percent, schools now receive close to 100 percent of the non-wage public funding
- Simplification of tax systems and cumbersome regulatory schemes
  - In Philippines several public agencies have streamlined procedures. Clients are provided with a list of required documents along with timetable and schedule of fees



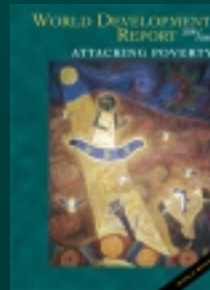
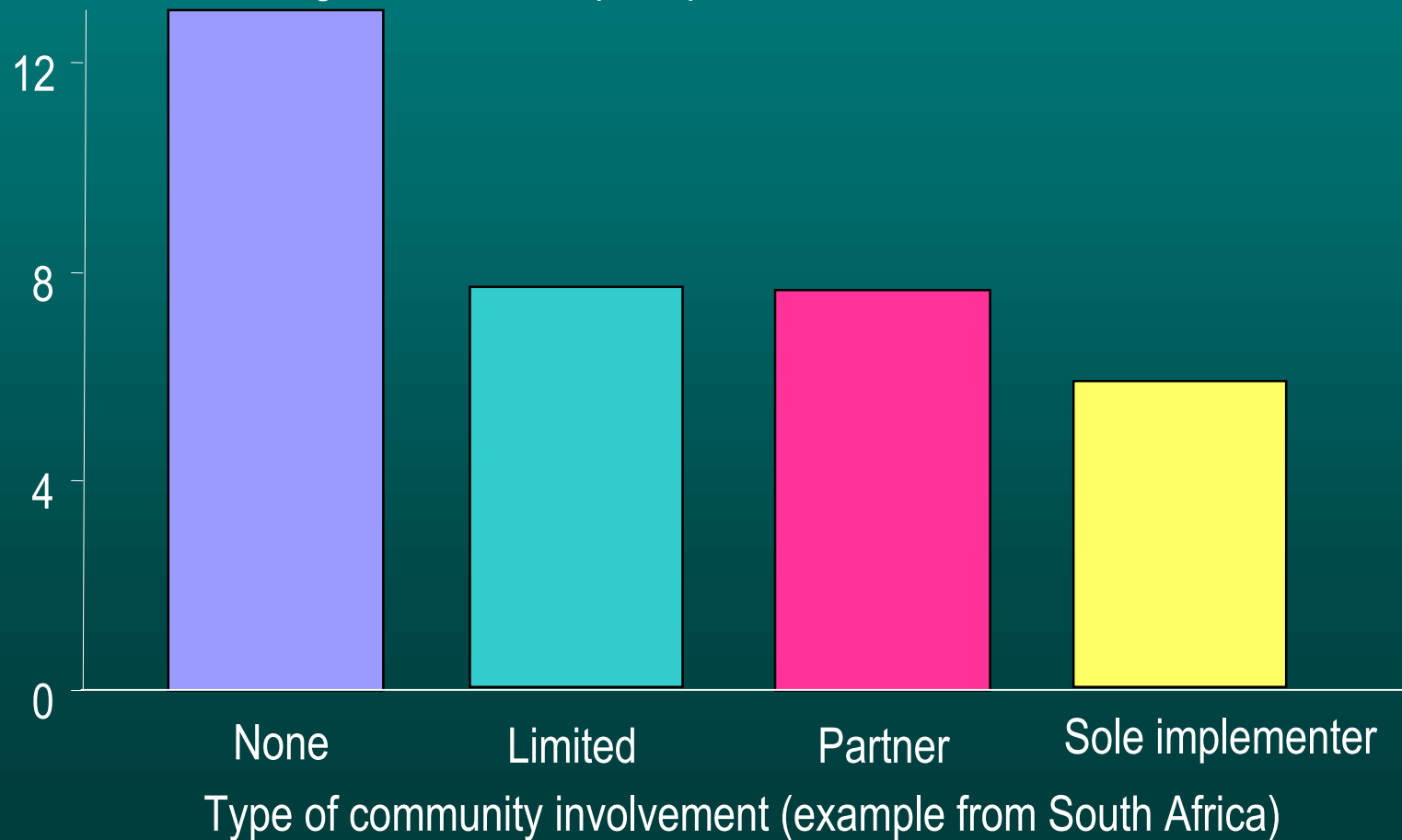
# Increasing accountability and responsiveness

- In India, the “report card” on Bangalore’s public services whose findings are disseminated to public agencies, the media, and NGOs, triggered service providers to become more efficient and accountable
- In Brazil, political interference has been limited by state governments’ insistence that municipal councils for disbursing development funds have at least 80 % representation from communities



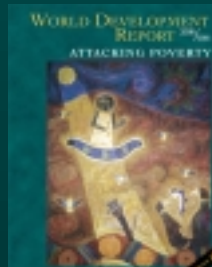
# Community involvement lowers the cost of delivering assistance to poor people

Cost of transferring one rand to a poor person



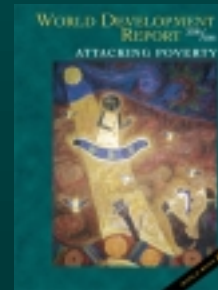
# Reducing social barriers

- Making joint titles of land to couples mandatory to expand assets of women
- Subsidizing girls' education
  - In Pakistan program evaluations suggest that enrollment of girls sharply increases with:
    - improved physical access
    - subsidized costs
    - culturally appropriate design



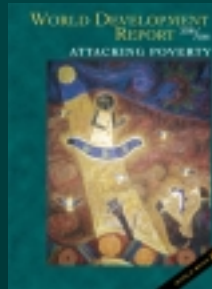
# SECURITY

- Helping poor people manage risk
- Preventing economic crises and natural disasters, and protecting poor people when they occur



# Helping poor people manage risk

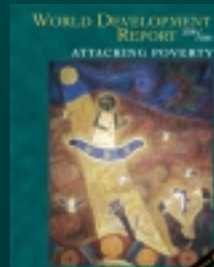
- There is a need to reduce and mitigate risk, and cope with shocks.
- The balance needs to shift from coping to ex-ante interventions.
- Risk reduction investments:
  - building up private (savings) and public (dams) assets
  - public health campaigns
- Risk mitigation and coping mechanisms:
  - Public works ( versus seasonal unemployment, weather shocks)
  - Protecting against catastrophic illness
  - Old-age assistance
  - Microfinance
  - Cash transfers



# Shocks faced by rural households in Ethiopia

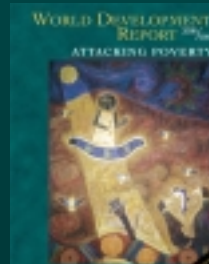
Event	Percentage of households reporting a hardship episode in last 20 years
Harvest failure (drought, flooding)	78
Policy shock (taxation, forced labor)	42
Labor problems (illness, death)	40
Oxen problems (illness, death)	39
Other livestock problems (illness, death)	35
Land problems (land expropriation, reform)	17
Asset losses	16
War	7
Crime (theft, violence)	3

Source: Dercon 1999.



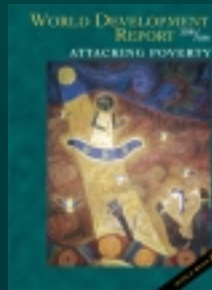
# Economic crises and natural disasters...

- Increase transitory poverty and can perpetuate chronic poverty because of irreversible impact on assets
  - poor children face malnutrition and frequently drop out of school
- Even if poor people are not hurt disproportionately, a fall in living standards is more devastating
- Hence importance of crises and natural disaster prevention
  - sound macro policy is good for the poor



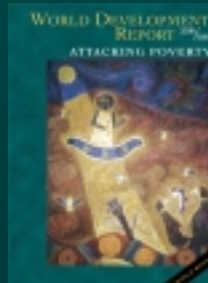
# Social protection during crisis

- Protect spending items that benefit poor people
- Safety nets: public works, stay-in-school scholarships, cash transfers
  - counter-cyclical
  - instruments available on a permanent basis
  - funding must be ensured



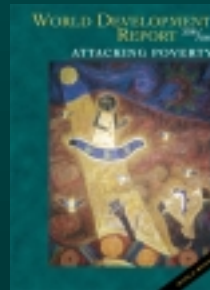
# GLOBAL ACTIONS to promote all three pillars

- Market-opening by developed countries
- Promotion of global financial stability
- Financing of international public goods
- Participation of poor countries -- and poor people -- in global forums
- Increased aid and debt relief targeted at poverty reduction



# Developing country policies to reduce poverty

- WDR
  - sets the stage for a comprehensive way of thinking about poverty reduction
  - provides a solid sense of direction in terms of policies
- Priorities and actions must be worked out in each country
- Country strategy will build on all three pillars -- opportunity, empowerment, security



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## ATTACKING POVERTY



End

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