

**Attacking Poverty**  
**World Development Report 2000/1**  
**Chapter Outline**  
**A Very First Cut**  
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**Attacking Poverty**  
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**Overview**

Poverty amidst plenty is an affront to our basic moral values. The global community has the wherewithal to attack poverty vigorously in the coming decade. This Report proposes a framework and a strategy for poverty reduction based on recent development experience and the prospects for the coming decades. But the Report also recognizes that poverty reduction is not an easy task because poverty is a multidimensional phenomenon arising out of complex interactions between assets, markets and institutions. While current global trends in economy and society present extraordinary opportunities for poverty reduction, they also pose extraordinary risks of growing inequalities, marginalization of significant numbers, and social explosions. The strategy proposed here is thus one of managing these risks as the basis for accessing the opportunities.

The Report proposes an attack on poverty on three fronts: (i) ensuring **empowerment** of the poor by increasing their voice and participation in decision making, and managing the growth of inequalities, (ii) providing **security** against shocks at the individual and national levels, and for those left behind by rapid change, and (iii) creating **opportunity** for the poor by putting in place the conditions for sustainable economic expansion, to provide the material basis for poverty reduction.

**Part I: A Framework**

Chapter 1. The Nature and Structure of Poverty

1.1 In examining the nature of poverty, it is incumbent upon us to start with the voices of the poor themselves. These voices tell us that poverty as perceived by the poor is multidimensional, going well beyond monetary income and consumption to include education and health, and beyond these to include risk and vulnerability and a sense of voicelessness and powerlessness.

1.2 While there are legitimate differences across societies and across communities on what constitutes poverty, there are enough commonalities across these, as captured in international declarations and in the voices of the poor themselves, to provide the core objectives of a strategy for attacking poverty.

1.3 Translating these general objectives into specific indicators is not an easy task because of the conceptual and data problems. Recognizing that it is not possible to have an absolutely watertight and comprehensive set of indicators, and that many alternatives are possible, each the following are possible as lead indicators, with gender disaggregation where data permit: health (infant/child mortality rates), education (years of schooling/literacy), access to decision making at the local and national levels, consumption/income (recognizing the issue of intrahousehold allocation), risk and vulnerability (variability of consumption/income, crime/violence).

1.4 Taking these indicators, the global pattern of poverty is seen to be quite diverse—the incidence of poverty in dimensions K, L and M varies from lows in Region X to highs in Region Y. The bulk of the world's poor live in Region Z—in fact, Regions A, B and C between them account for p%, q% and r% of the world's poor in dimensions K, L and M.

1.5 The different indicators of poverty tend to be correlated with other at the individual level, though the severity of different dimensions of poverty can vary in important ways depending on conditions and policies. At the same time, certain geographic and socio-demographic factors correlate with poverty as well—rural areas, remote areas, ethnicity and indigeneity, age (children and elderly) and gender.

## Chapter 2. Attacking Poverty: Empowerment, Security and Opportunity

2.1 Looking across countries and communities, we see tremendous differences in poverty indicators. While differences in per capita income are relevant, the differences are greater than can be explained by this difference alone, suggesting that other mechanisms, of empowerment and security, are in play.

2.2 Looking back over the post war period till 1990, countries and societies which made the greatest advances in attacking poverty shared certain common features—they had prolonged periods of social peace, they experienced sustained growth in their per capita incomes, and they invested heavily in basic health and education. But even in the most successful countries there were pockets of marginalization, and gains for the poor remained fragile.

2.3 Since 1990, four factors have been important in explaining successes and failures—civil war and the collapse of social cohesion into civil war; the trauma of transition in Eastern Europe and former Soviet Union; the implementation of various reform policies in Africa, Latin America and South Asia; and the East Asia crisis. These events have emphasized the importance of social peace, of risk and vulnerability, and of moving simultaneously on institutional and market reform.

2.4 As we look ahead, some of the conditions outlined above for the 1990s—in particular greater risk at the national and local level as the result of globalization—will persist into the next decade or two. At the same time, global changes in technology will provide both the opportunity for material progress and the risk of increasing marginalizations and social explosions.

2.5 Given the nature and structure of poverty, given the lessons of the 1990s, and bearing in mind the prospects for the coming decades, attacking poverty would proceed on three fronts—ensuring empowerment, providing security, and creating opportunity. Eschewing false dichotomies between growth and redistribution, and state and market, the strategy would design policies on assets, markets and institutions to address the three fronts simultaneously.

## **Part II: Empowerment**

### Chapter 3. Voice and Participation

3.1 Voicelessness and powerlessness are intimately linked to material poverty, but they also afflict broad groups in society such as women and ethnic minorities. An inability to influence decisions which affect their lives, at the local or at the national level, is an independent feature of poverty, but also helps to explain outcomes in other dimensions such as health or education.

3.2 Broad based participation in local and national level decision making not only helps outcomes for the poor directly, it also helps to improve the quality of development projects. Participation of women in local and national decision making improves the outcomes for them and their children.

3.3 Institutional reforms which give greater say to the poor and to women have to succeed not just on paper but in implementation—lessons of experience suggest some design principles for policy makers. In ensuring greater participation for the poor, decentralization from central to the local levels of government can be a useful tool, but its consequences so far have been mixed.

3.4 One of the reasons why attempts at participation enhancing institutional reforms fail is because the balance of political power is intimately tied to the inequality of economic power, particularly that of assets. In some parts of the world land reform, if enacted with care, can reinforce institutional reform to give greater voice to the poor.

3.5 Creating markets and trade can help empower the poor by loosening the grip of traditional economic and power structures. But in some cases markets play into and strengthen existing economic inequalities and thus worsen the inequalities of power which determine the degree of voicelessness and powerlessness of the poor.

## Chapter 4. Inequality and Social Cohesion

4.1 Certain types of economic inequality are negatively associated with the growth prospects of an economy. The mechanisms can be related to the behavior of asset markets, or political economy.

4.2 Social stability upon broadly defined socio-economic groups such as ethnic or regional groupings maintaining social cohesion so that society, institutions and markets can function. Social stability is an intangible asset—it improves growth prospects, and is difficult to replace once lost.

4.3 Any policy reform has to constrain itself within the parameters of what is feasible while maintaining social cohesion. Some measures which may improve growth or reduce poverty in the short run may be inadvisable because they would undermine social stability and thus the long run prospects for growth and poverty reduction.

4.4 Economic mechanisms for managing inequality increases include redistributive taxation and asset redistribution—both of these have efficiency and political costs; but labor based and other safety net schemes, discussed later, may have some role to play. Political mechanisms for maintaining social cohesion at the national level are varied, but the evidence suggests that where they exist, they help to keep the economy on a growth and to react to external shocks (see Chapter 6).

4.5 Ultimate breakdown of social cohesion occurs in a society with civil war—a major explanatory factor for failure in poverty reduction. Reconstruction after such a war requires that a balance be kept on social cohesion and measures to expand economic output.

### **Part III: Security**

## Chapter 5. Risk, Vulnerability and Safety Nets

5.1 The poor face large risks from shocks to their income earning capacity through unemployment, natural disasters, crime and violence, and poor health. They respond to these risks with a series of ingenious market and non-market mechanisms, but these are not enough and these risks lead to decisions and outcomes which adversely affect their development prospects.

5.2 Assets, such as land, livestock or savings, are a central part of the risk management strategy of the poor. Helping to build up these assets is a key policy in providing security to the poor.

5.3 Opening up trading opportunities, through infrastructure investments for example, can help to increase the security of the poor through providing avenues for diversification. But opening up other markets, through trade opening or through privatizing the state owned commodity board, can have mixed results—and sometimes increase insecurity--depending on the exact circumstances.

5.4 Labor based schemes—public works and unemployment insurance in some combination, depending upon the country—are central to providing security against risks for the poor. The key to these and other non-labor based schemes is to design them so that they maintain their function of providing insurance for the very poor, and are not captured by the not so poor.

5.5 Rapid changes in technology, aging, health epidemics including aids, disability due to war and land mines—all of these factors will lead to an increasing number of people who cannot be helped by rapid growth or by labor based schemes. For these people, targeted transfer schemes based on community level monitoring are the best mechanisms.

## Chapter 6. Coping With National Shocks

6.1 During the 1990s, it was seen clearly that national level negative shocks, economic or non-economic in origin, can wipe out the progress of many years. There is mixed evidence on whether the poor

are hit disproportionately by these shocks—suffice it to say that they are least able to cope with such sudden shocks.

6.2 Given a macroeconomic crisis, different combinations of macroeconomic and stabilization instruments have very different short and long run effects on the poor, depending in part on the origin of the crisis. A pro-poor response strategy would be one which is output expansionary, and which protects public spending in the key social sectors, including on safety nets.

6.3 In preparation for macroeconomic crises, governments can set up safety net mechanisms which can be rapidly deployed as necessary. Moreover, they can set up contingency funds in good times to tide them over shocks when they arise, to supplement any such mechanisms available internationally (see Chapter 9).

6.4 Natural disasters are increasingly the cause of long run damage to the growth prospects of an economy or a community and to the prospects for the poor, since they destroy assets and infrastructure. Governments and the international community need to make contingency plans not just for short term relief but for the longer term rebuilding that will be necessary.

6.5 Even when a country itself is stable, it can feel the effects of war elsewhere, through the flow of refugees. Such national level shocks need political and economic response, domestically and internationally.

#### **Part IV: Opportunity**

##### Chapter 7. Assets and Location

7.1 The benefits of widespread education, health and family planning are now generally accepted, but the real issue is how these services are to be delivered to the poor. The central question in design is how to ensure sufficient voice and participation so that the services actually reach the poor.

7.2 Geography can be a self-fulfilling trap, determining the prospects for the poor quite independently of other factors as such as their education or their health. Infrastructure investment in roads and other facilities can help overcome this trap, and the public sector has a central role to play here.

7.3 Rural areas will continue to account for significant numbers of poor—development of the rural economy through agricultural and related development is thus a major policy concern. This requires infrastructure investment and other public goods such as efficient extension services, not biasing pricing policies against agriculture, and careful land reform.

7.4 Urban poverty is likely to grow in relative terms in the next two decades. Creating opportunities for the growing numbers in these sectors will require instruments to harness the energy of the informal sector, expand industrial employment efficiently, and to not fall into the trap of using public sector employment as the long term solution.

7.5 Environmental degradation reduces opportunities for the future. In rural and in urban areas, policy interventions should build on community efforts to preserve the environment, and government pricing policies should not encourage wasteful depletion of environmental resources.

##### Chapter 8. Policy Reform

8.1 The better distributed is growth, the stronger the effect on poverty reduction directly. There is not a strong relationship between economic growth in general and the distribution of this growth, but for specific policy instruments there is clearly a relationship that needs to be explored.

8.2 A well functioning bureaucracy which applies stable and transparent regulations is a sine qua non of the economy functioning well. It is not the size of the state but its efficiency and the role of its governance structures in promoting pro-poor growth which are at issue.

8.3 Fiscal and monetary policy, except in cases where rapid response is needed in the face of shocks, should be stable in order to induce investment and growth. Over the medium term, such growth will benefit poor and rich alike.

8.4 Financial market deregulation and privatization should be done with care so as to not lead to instability and concentration of wealth in the hands of a few. In general, regulatory institutions should be in place before privatization, and the short term impact on the poor should be handled through putting safety nets in place.

8.5 The evidence on the direct benefits of liberalizing factor and product markets (internal and external) on the poor is mixed. Pace and sequencing matters—and the optimal reform path will be a function of mechanisms to manage the attendant risks.

## **Part V: International Dimensions**

### **Chapter 9. Global Forces and the Poor**

9.1 Global technological change, although it has the potential to benefit the poor, seems at the moment to be increasing inequality and to not helping the needs of poor farmers. International public investment in the development and use of new biotechnology for the benefit of poor farmers is needed.

9.2 The forces of trade and capital flows are interacting with those of technology to make the world a much more volatile place for developing countries. International mechanisms are needed so as to help poor countries when they are hit with this volatility.

9.3 The new global openness is also raising fears over a race to the bottom in labor and environmental standards, which is likely to hurt the poor in poor countries. The international community needs to strengthen its mechanisms for coordination on these standards.

9.4 Developed country growth is still one of the most important determinants of the growth of developing countries. This means that developed countries must maintain an expansionary stance, and be open to the exports of developing countries.

9.5 Global environmental change affects the poor directly through natural disasters which come in its wake, but it is also intimately linked to the pace and nature of development being produced in poor countries. International compensation mechanisms are needed which will balance the need for income growth in poor countries with the long term global environmental balance.

### **Chapter 10. International Assistance**

10.1 The prospects for achieving the international targets on poverty reduction are good, provided the global potential can be translated into concrete outcomes through actions at the national and international levels. This will require, however, aid flows of X under the best possible scenario of efficient aid utilization—debt relief will also have to be a key component of this strategy.

10.2 Conventional aid as a whole has not had good record in poverty reduction. A number of institutional steps can be taken to improve its efficiency; these include: better targeting of financial flows to those countries with strong anti-poverty strategies, and more emphasis on capacity building for attacking poverty.